

Discussion of two puzzles

# The Spanish Productivity Puzzle

by Laura Hospido and Eva Moreno-Galbis

# The German Labour Market Puzzle

by Lutz Bellmann, Hans-Dieter Gerner and Marie-Christine Laible

*Tito Boeri, Paris, January 23, 2015*

## Two very rich papers...

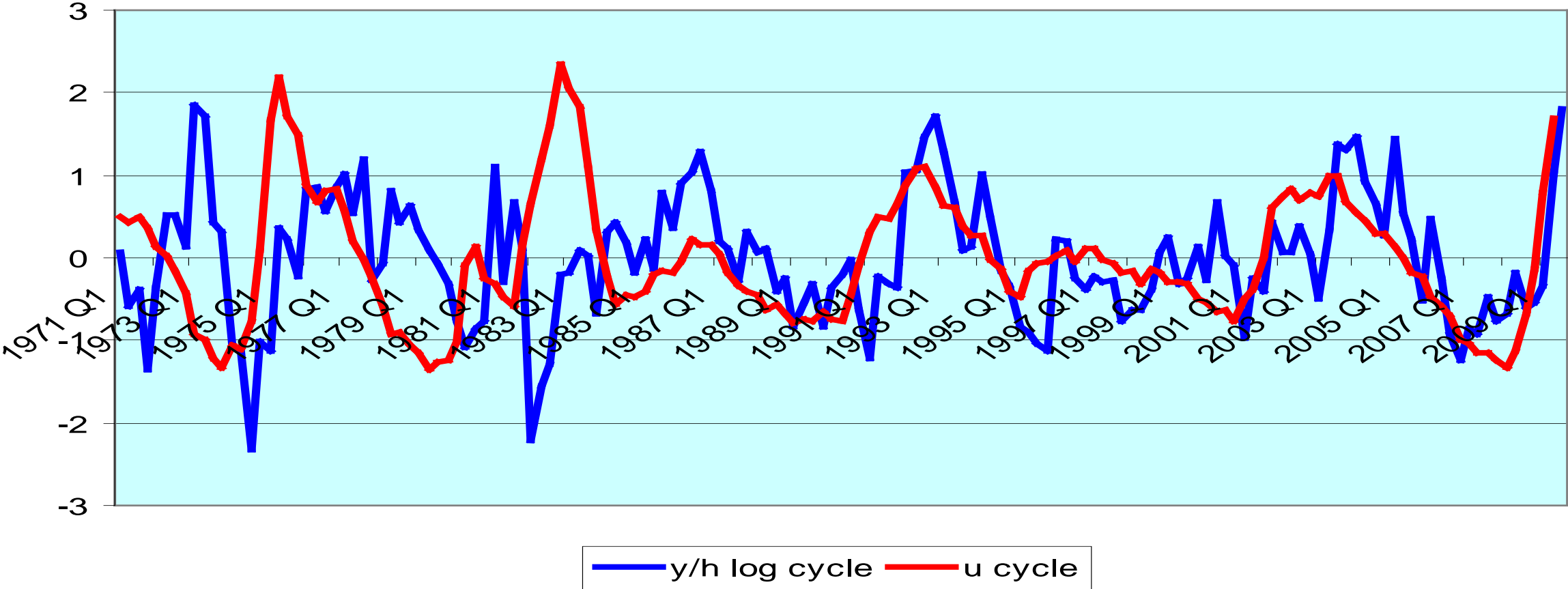
- A lot of facts
- I learned many useful institutional details
- Combination of macro and micro evidence (establishment panels)
- Is it about the long-term or about productivity along the business cycle?

# Spain: is it really a puzzle?

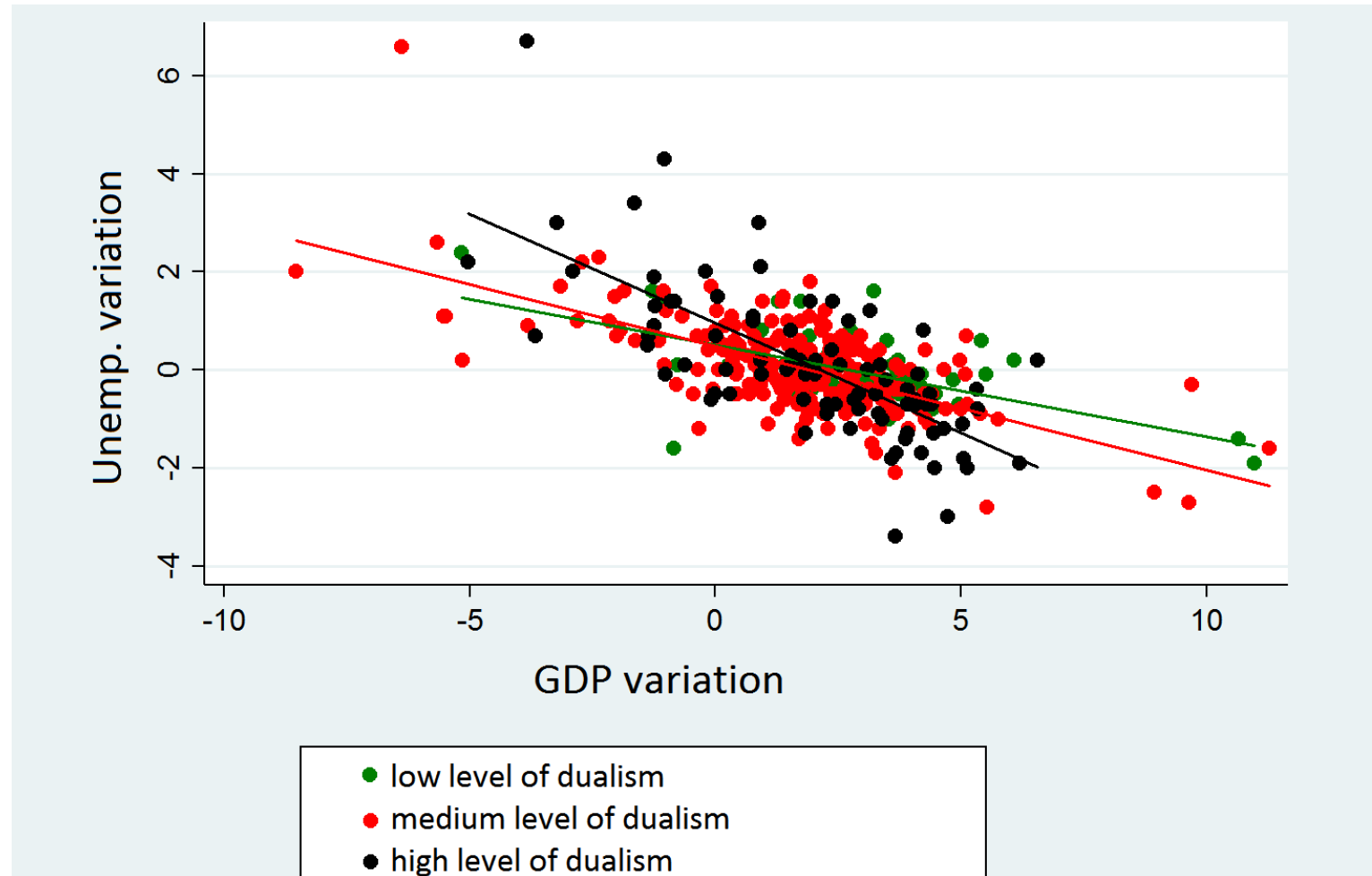
- Historically unemployment (and employment) in Spain has been more volatile than in the rest of Europe (larger Okun's betas)
- In Spain no short-time work, working time accounts and other schemes allowing for hours reductions on full-time jobs. Adjustment entirely on the extensive margin. Hours worked per employee increased from 2008 to 2010 (fig.12)!
- Large construction sector with a high concentration of temporary and migrant workers
- Mostly multi-employer bargaining not allowing to trade employment and wages (RTM vs. Efficient Bargaining)

# Has there been a change in the correlation between unemployment and productivity like in the US?

**Hourly productivity and unemployment cycles**

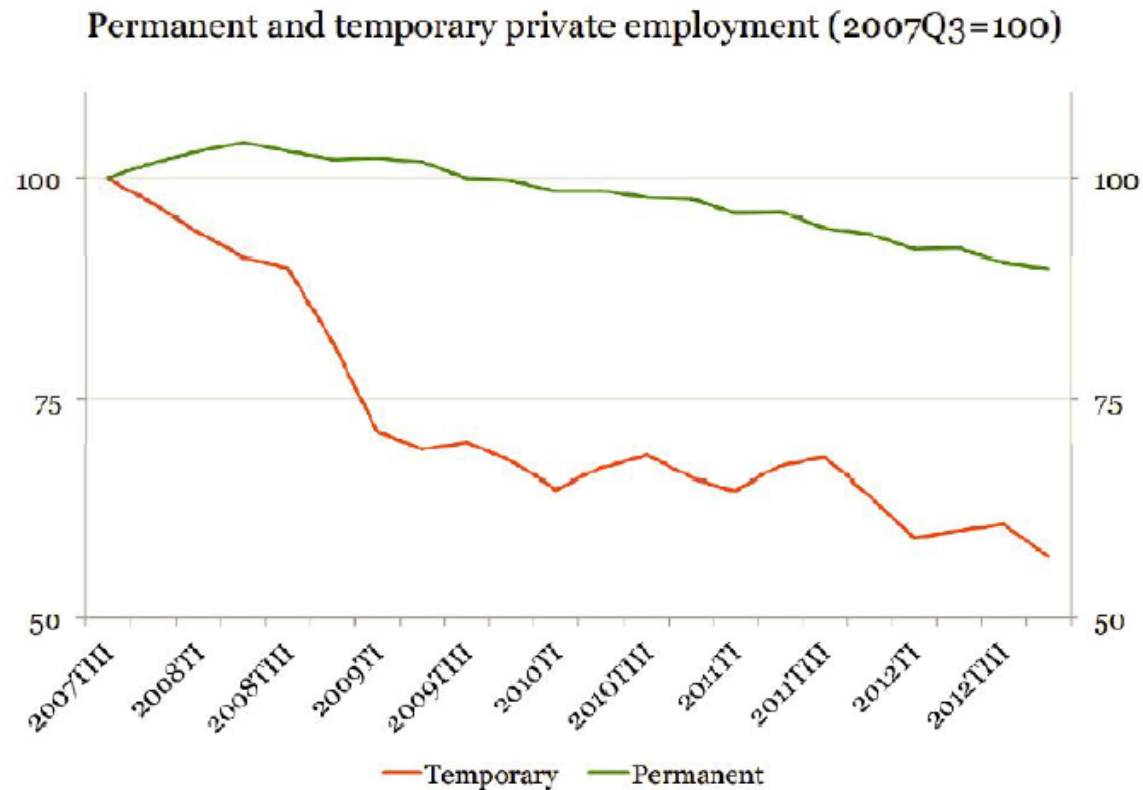


# The role of temporary employment



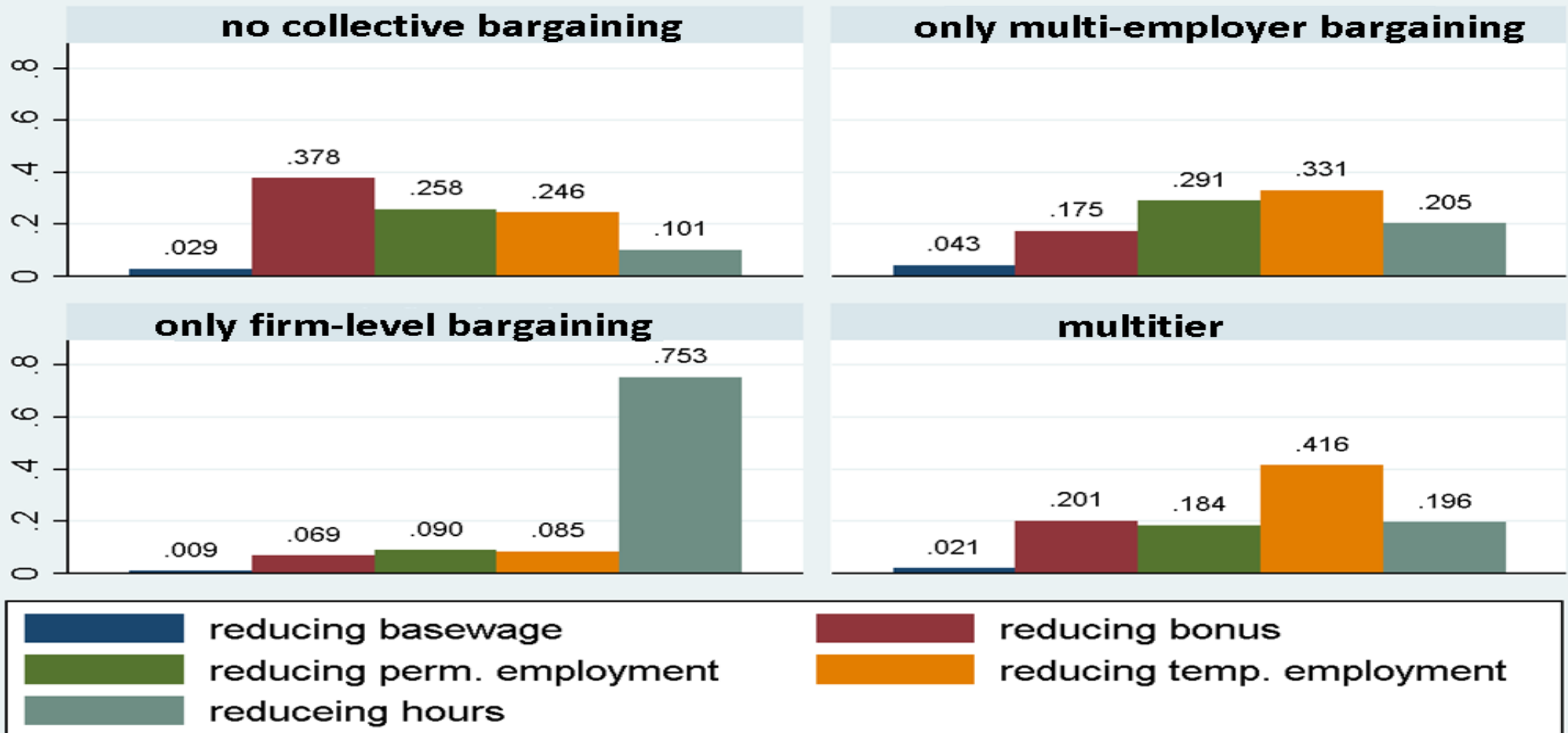
Source: author's calculation on EUSILC

# Two different labour markets



Source: INE, Labor Force Survey.

# Strategies to cut costs depending on bargaining level



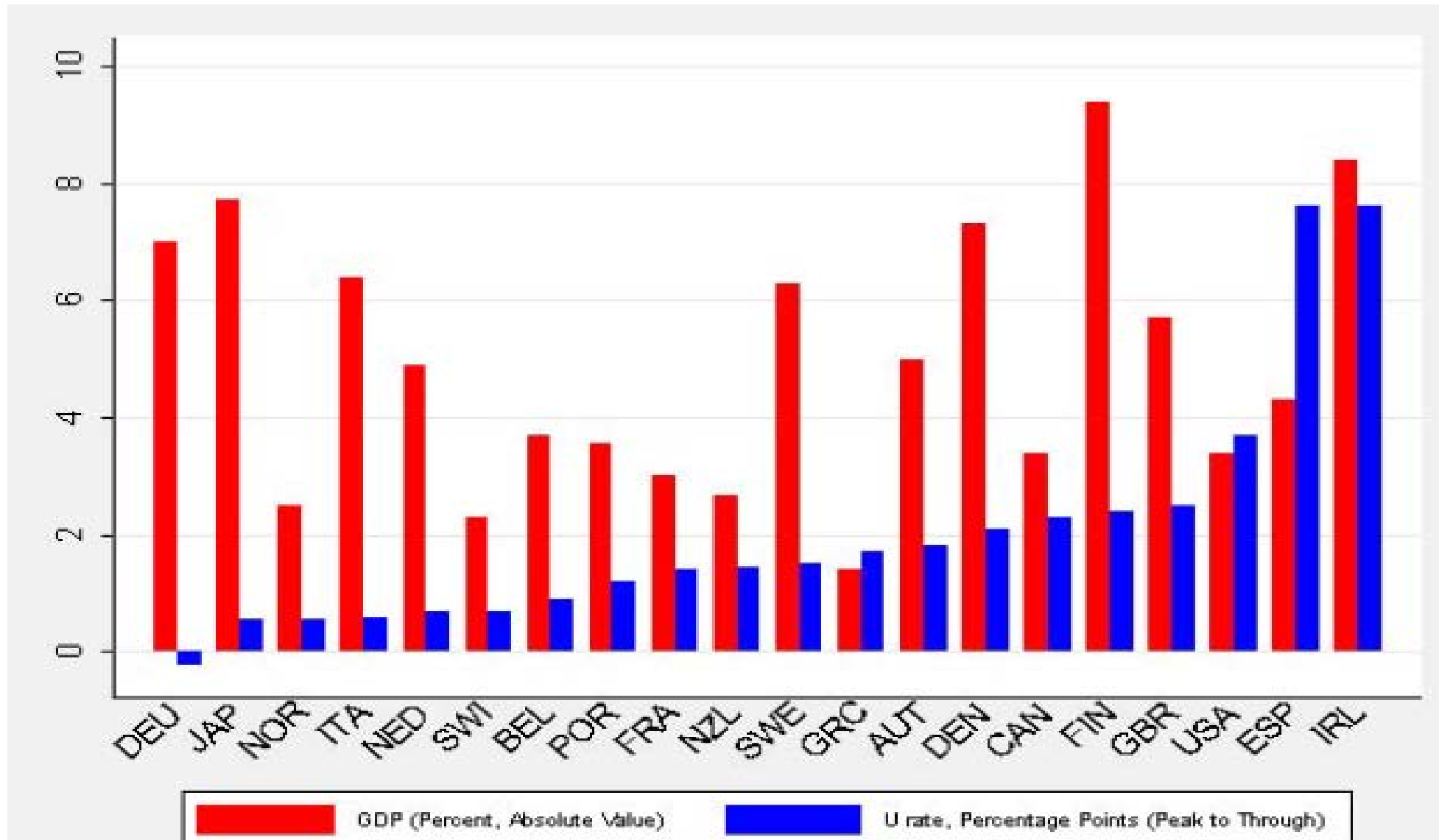
all firms

# An additional explanation: Finance

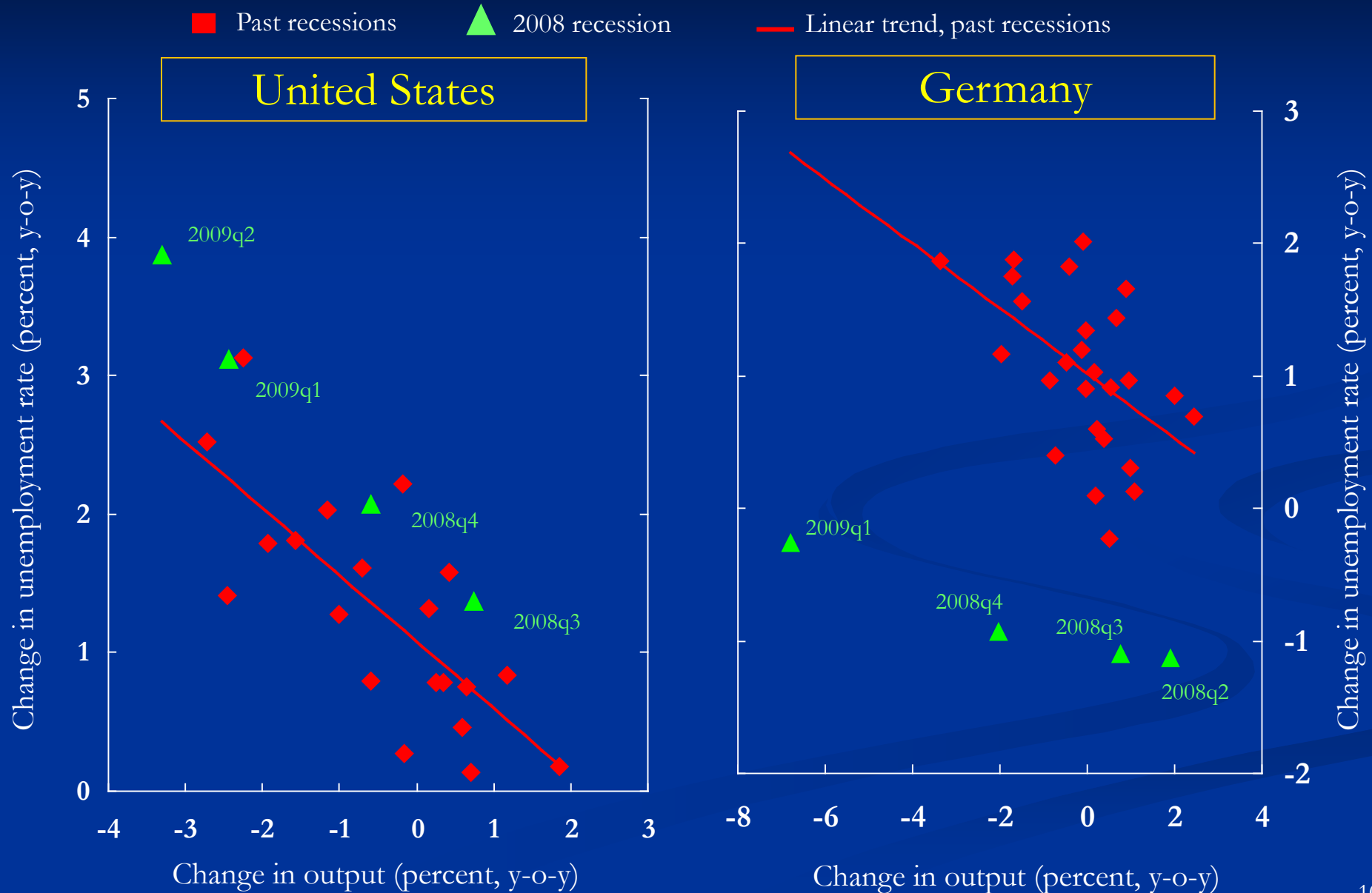
- Financial constraints (including threat of them) could explain strong rise in productivity
- Firms facing liquidity constraints or fearing future ones increase demand for savings
- They fire unproductive employees and cut down on hiring, increasing productivity (less labour hoarding)
- Consistent with Bentolila et al. (2013)



# The polar case: Germany



# Here is more of a puzzle (WEO 2010)



# Adjustment in Germany was multidimensional....

- Hours (STW + WTA)
- Wages (opening or exit clauses, establishment pacts)

## Furthermore

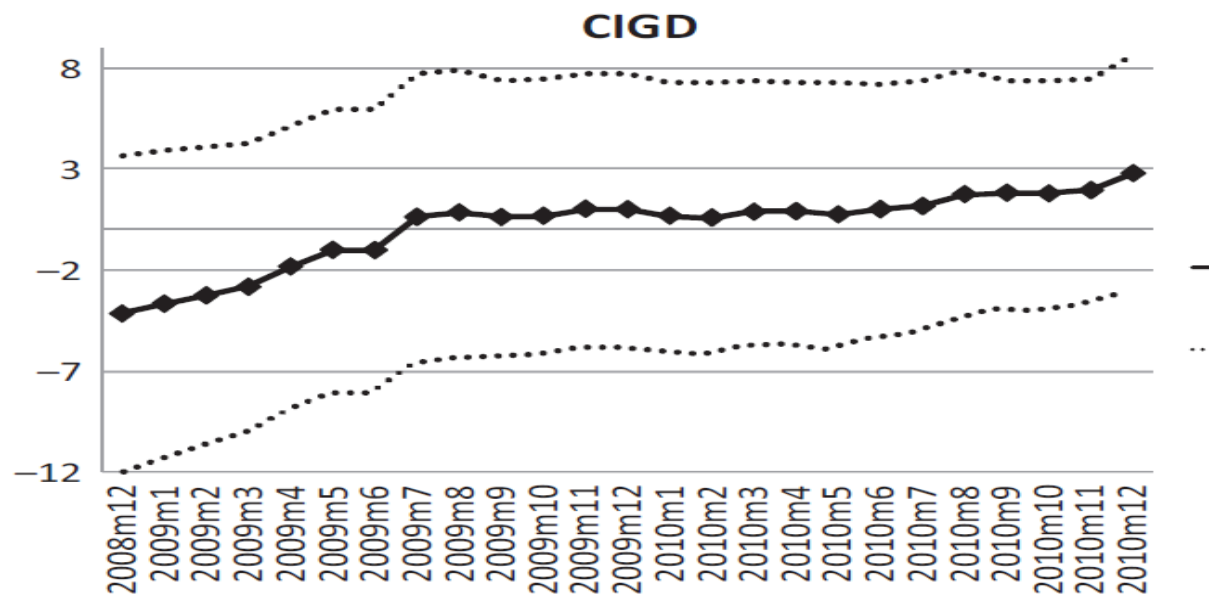
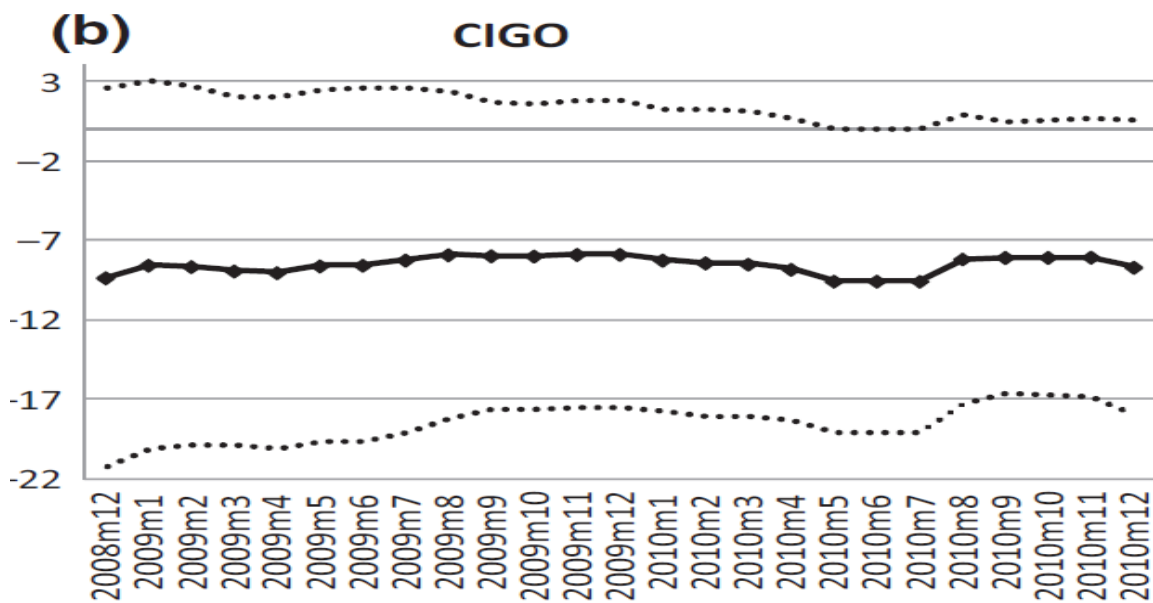
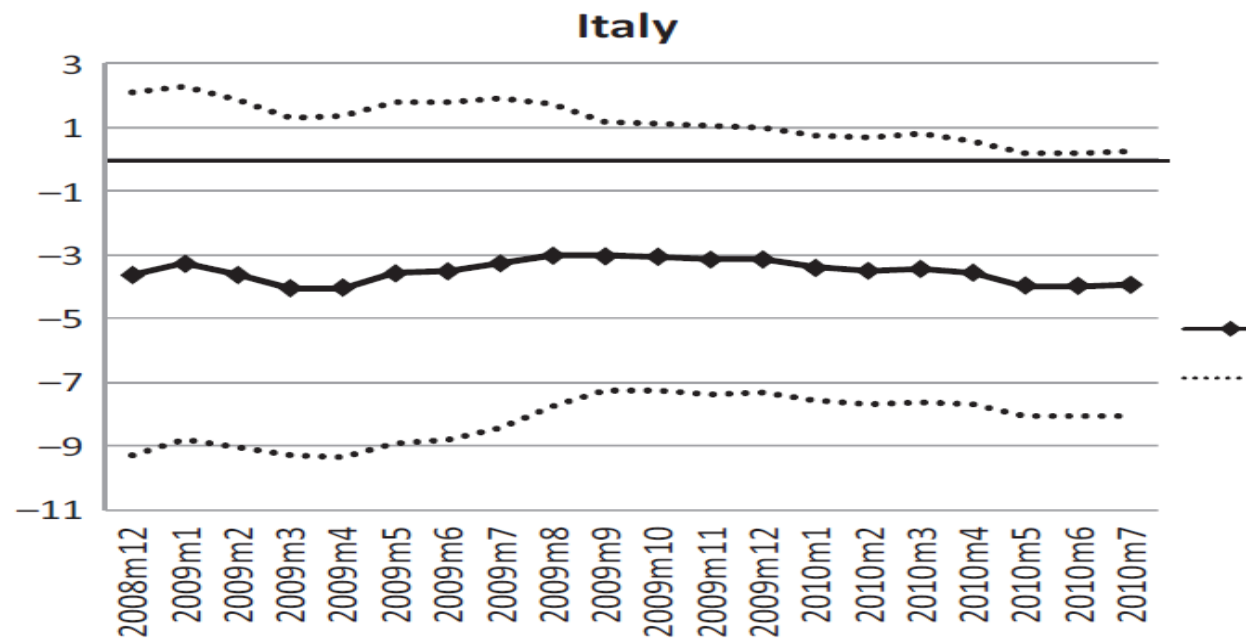
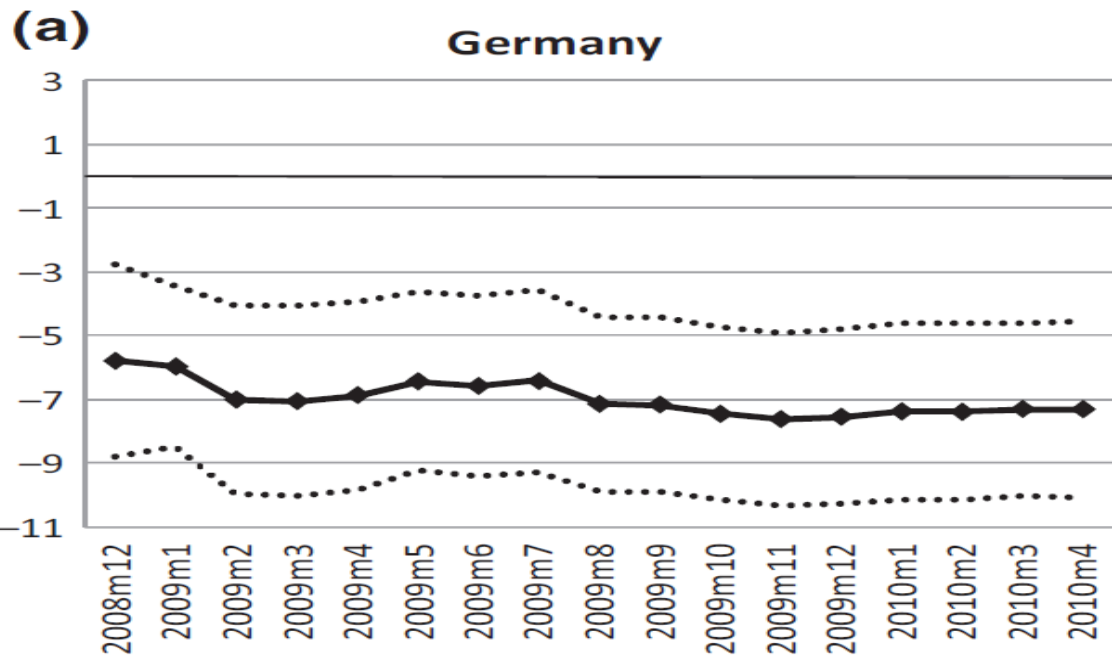
- Multiple jobs – mini-jobs
- Non-participation

while in Spain

- Temporary employment
- Temporary employment
- Temporary employment

## ... and short-lived

- Only one dip. Quick recovery of German export markets
- Adjustment along the intensive margin and on multiple job holdings leaves less of a scar than adjustment of temporary employment which is for primary job holders (all new hires)
- This made also the shock to domestic demand short-lived
- Hartz II and III reduced UB increasing the scope of STW, which (together with WTA) is well designed to promptly react to improvements in macro-conditions



# Looking forward: teutonic fragilities

- Unemployment in Germany is more skill-related than age-related. Lower, but more difficult to reabsorb than in Spain
- A minimum wage at 8.5 € (10 for the employers) may make this unemployment more persistent
- Decline in participation of older workers unlike in the South: long-term liability
- Two-tier bargaining works if it is possible for local agreements to dominate over national ones. Are exit clauses sufficient in normal times?