Three papers on Quality of Jobs and Quality of Labor

Comments from David S. Kaplan
Inter-American Development Bank
ABCDE conference in Mexico City
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3 papers, 3 very different topics

• Some comment elements
  – All three on important topics
  – All three with careful and credible empirical work

• But since this is a development conference ...
  – Perhaps all three could emphasize policy implications more
Maria Micaela Sviatschi’s paper

• FTZ’s change labor-market conditions for women → increase educational attainment

• Increased educational attainment for women has important social benefits
  – For example, better health outcomes for children

• Although the labor-market shock was temporary, impact is long lasting
Quite careful, credible ID strategy

• Author faces the standard problems in defending ID strategy
  – Maybe FTZ are not exogenous

• There will always be doubts with DD and DDD papers, but various specification checks make results as convincing as possible

• Bottom line, results seem believable
Perhaps there are more important policy implications

• In my opinion, the main takeaway messages are
  – Bad news: It can be hard to break out of bad equilibrium in which female education is too low
  – Good news: Once you break out of the bad equilibrium, it is easier to stay in good equilibrium

• Main policy implication: Find any way to encourage female education
  – Short-term initiative almost guaranteed to be cost effective because will have long-term benefits
Other important policy implications

• More education may not be enough to increase labor-force participation
  – Complementary policies necessary to increase labor-force participation

• But increases in female education have important effects outside of the labor market
Almeida, Carneiro, & Narita paper

• Exploit plausible exogenous variation in labor enforcement (labor inspections)

• Increased enforcement affects structure of LM
  – More wage earners, more unpaid workers, fewer self employed

• Increased enforcement \( \rightarrow \) more compliance
  – Social security, registration, minimum wage

• Other unintended consequences
  – Fewer voluntary benefits (housing, food, education, health)
Very hard to study enforcement

• This series of papers may be the best
• One country (with one legal framework), but differential enforcement
• But still we are lacking important information
  – Example: small versus large firms
  – Authors study impact on firm size
  – When inspections rise, do the large firms get hit particularly hard?
  – Inspections of large firms could increase employment in small firms
Paper about enforcement or about enforcement in Brazil?

• Enforcement an important tool for compliance
  – But firms can make legally-permitted adjustments
  – Examples: more unpaid work and reduction of voluntary benefits
  – These seem like generally applicable lessons

• More enforcement → better outcomes?
  – “This paper analyzes whether the enforcement of the labor code, through the compliance with the set of mandated job benefits, translates into higher overall job quality”.
  – This answer must depend on both the law and on the details of the enforcement.
Key lessons for policymakers

• Possible to increase compliance with the law
  – The impact on economic outcomes will depend in large part on the quality of the law
  – If law imposes high costs to firms, increased enforcement may generate unwanted results
  – If law has loopholes, increased enforcement may be ineffective

• Positive impact of enforcement requires having a law worth enforcing
Brambilla, Lederman, & Porto paper

• Builds on growing literature on exporting, quality, and demand for skills
  – Firms export higher quality products and that
  – Workers of varying skills to different tasks depending on factor prices, firm productivity, and the skill intensity of tasks

• Skill composition of employment matters
  – Exporters need highly skilled specialized workers, not skilled administrative workers
How to estimate causal impact of exporting?

• Established IV technique in literature
  – Weighted averages of real GDP and the real exchange rate face by Chilean exporters
  – Firm-specific weights determined by are the initial shares of exports in sales

• I’m no expert in this literature, but that seems plausible to me
Key message with policy relevance

• Exporting raises demand for specific sets of skills
  – Engineers more likely to benefit than accountants

• Authors mention implications for impact of trade on income and wage inequality

• Probably another even simpler policy implication
Where do the engineers come from?

• Suppose a country’s growth strategy involves expansion of exporting high-quality goods
  – Aerospace industry in Mexico has been targeted as a national priority
  – Results of this paper suggest pressing need for skill in specialized tasks
  – But where do these people come from?
Recent visit to aerospace sector in Queretaro

- No one said their human-resources problem was hiring for human resources department
  - No one mentioned accountants either
  - Engineers and technicians were the big concern

- Export-driven growth strategy probably requires educational/training plan
  - For example, Queretaro has a University dedicated to this sector