

# Job security and New Restrictive Permanent Contracts: Are Spanish Workers More Worried of Losing their Job?

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# 1. Overview

- QN: How is worker's satisfaction with job security affected by changes in firing costs?
- Spanish labor market interesting case-study
  - 2 contracts FT (fire-at-will), and PC (45 days per year)
  - 1998: (perm) contract workers < 30 or >45 reduced firing costs
- DD + propensity score matching (workers w/ FT different from workers w/ PC)
- Increase in job satisfaction among treated in (my) preferred specification.
  - Among the young.

## 2. Contribution

- Work examining real impact of legal firing costs (Angrist, Autor)
- Work looking at subjective perceptions (Clark) or at expectations (Manski and Straub).
- Elisabetta's work: *How* do workers perceive increased risk of losing jobs as changed by legal reforms?
- (Potentially) broad implications.
  - Labor market: investment in job-specific skills, job mobility
  - Health economics: stress
  - Macro: consumption and saving.

# Concerns

- 1. What is exactly being measured (and why)?
- 2. What can this strategy (D-in-D) measure?
- 3. Why is it measured this way?
  - Why FT as a treated group?
  - Why D-in-D + matching?
  - Minor issues.

### 3. What do we want to measure?

- Option 1: Individual's perception of job insecurity? (Straub and Manski, Becker et al.)
  - QN: Has the subjective probability of losing the job increased? (interpersonally comparable, unlike satisfaction).
  - Spanish EFF has some information, Italian SHIW.
- Option 2: A predictor of job mobility or investment in the job? (Hamermesh, 01)
  - Question on how to compare across individuals

## 2. What does this strategy capture?

- D-in-D captures all GE effects.
  - Wage increases (Lazear)?
- The reform moves other aspects of job satisfaction (beyond job security)
  - Subjectivity bias may change reports of all job-related satisfaction components.
- ECHP contains satisfaction w/job and w/other aspects (some unrelated, like commuting)
  - Recommend exploring overall satisfaction w/job and other dimensions.

### 3. The empirical strategy (i)

- D-in-D plus propensity-score matching
  - Heckman et al. (98)
- *Page 12: “The differences in observed characteristics create non-parallel dynamics for treated and non-treated”*
- QN: Has this been checked? (not clear)
- Suggest start by plotting pre-trends group-specific trends in satisfaction.
- D-in-D + propensity score matching:
  - requires choice of a bandwidth.
  - computation of standard errors.

# 3. Which treatment group?

- Workers with FT (low firing cost) contract
  - Affected ONLY if contract upgraded to PC (high firing cost contract)
  - Pre- 95 quarterly rate upgrade workers below 35 years of age: 2.2% (Spanish Employment Survey)
- Upgrading perhaps unlikely event
  - Rather indirect effect?
- Why not look at individuals with PC (high firing costs contract)?
  - At the end, group whose firing costs have changed



# Other concerns (Indiv. Fixed Effects)

- Discrepancy between results with/without indiv. fixed-effects.
- Substantial heterogeneity in what individuals term “very satisfied”
  - FE advisable (Hamermesh, 01)
  - But should FE be correlated with legal changes?
- Is the sample composition changing?
  - Attrition among FT contracts who find new job?
- Are there individual-specific trends in satisfaction?

## Other concerns (ii)

- How are standard errors computed?
- Choice of bandwidth of kernel/locclinreg used when propensity-score matching?
  - Sensitivity of choices?