

**Discussion of Graber and Lise (2015)
"Labor Market Frictions, Human Capital
Accumulation, and Consumption Inequality"**

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human capital and frictions

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- ▶ But variation in human capital may itself be impacted by frictions.
- ▶ Paper nicely emphasizes the link between frictions and human capital accumulation.
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 - Thus, accumulated human capital dependent on realized employment history, and thereby frictions.
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- ▶ Inclusion of savings decision gives ability to evaluate consumption variance decomposition.

Identification strategy

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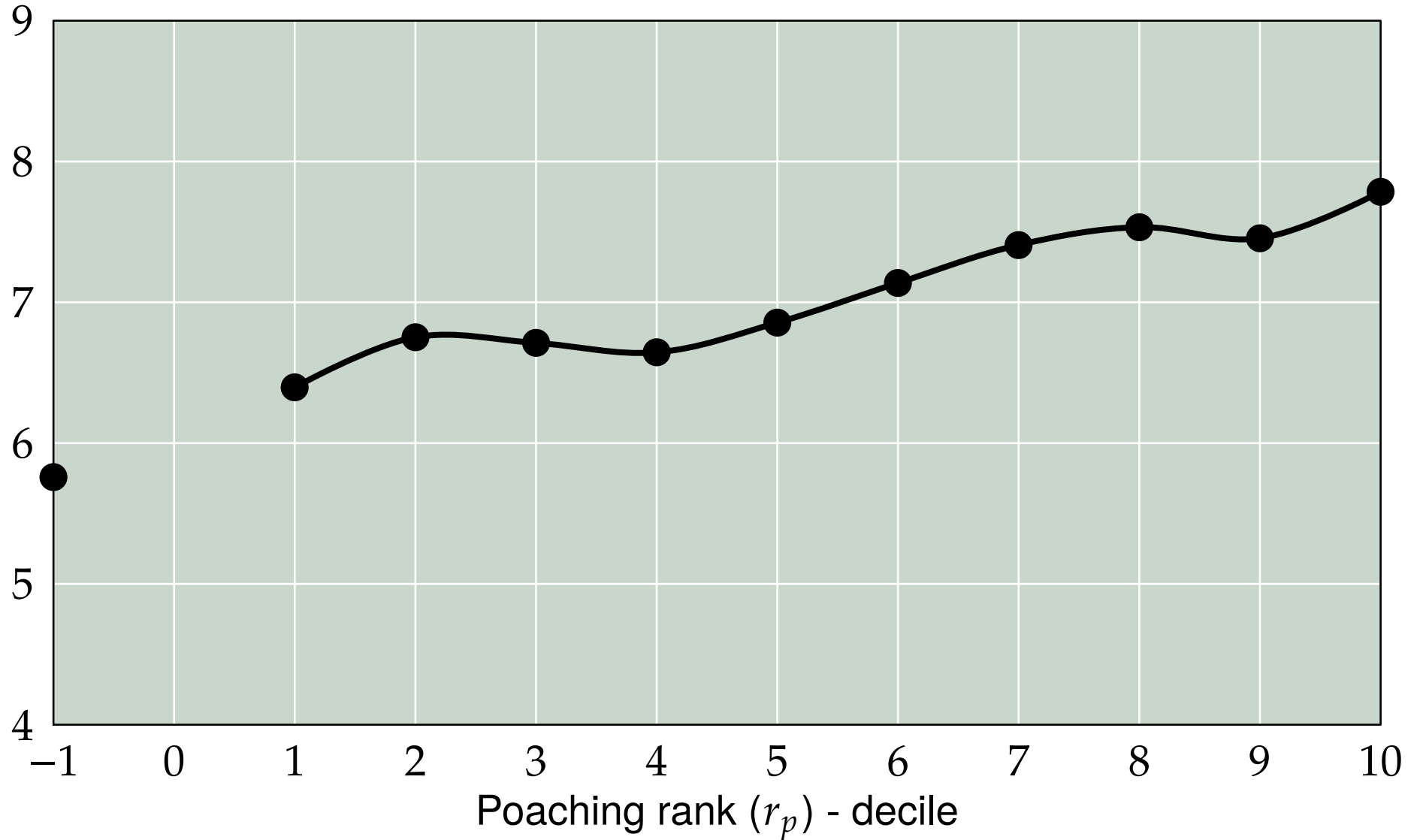
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- ▶ Side note: Given pre-step, labor market sorting easily identified.
 - Model has sorting mechanism through worker type dependent layoff rates, as well as firm type dependent human capital accumulation rates.

Poaching rank

- ▶ I was very pleased to see use of poaching rank.
- ▶ Bagger and Lentz (2014) - poaching rank:
 - For each firm calculate fraction of hires that come directly from other firms. Rank firms by this fraction.
 - Revealed preference argument.
 - Theoretically proper identifier of firm's rank.

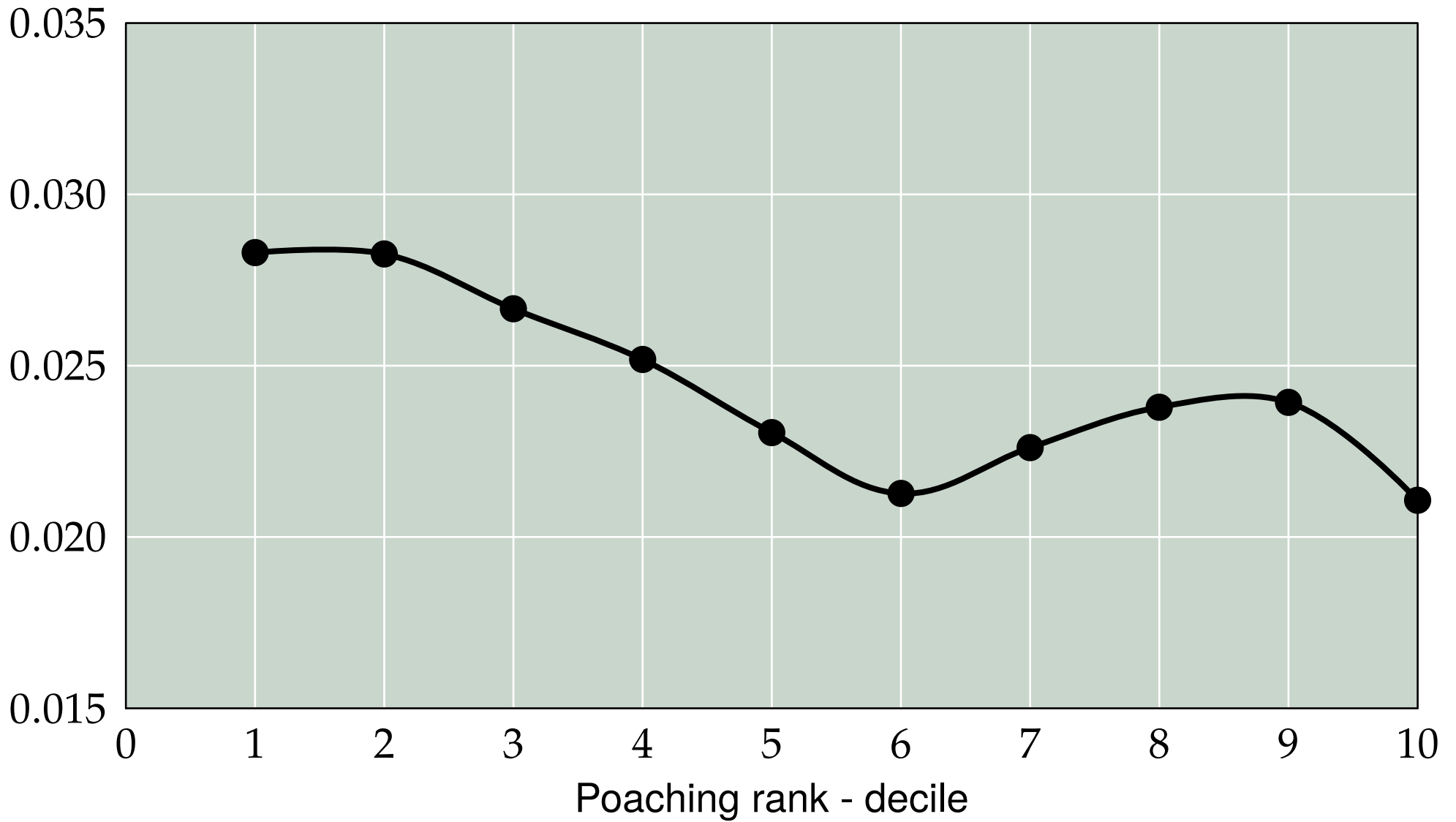
Average firm wage rank condition on poaching rank

$$E[r_w | r_p]$$



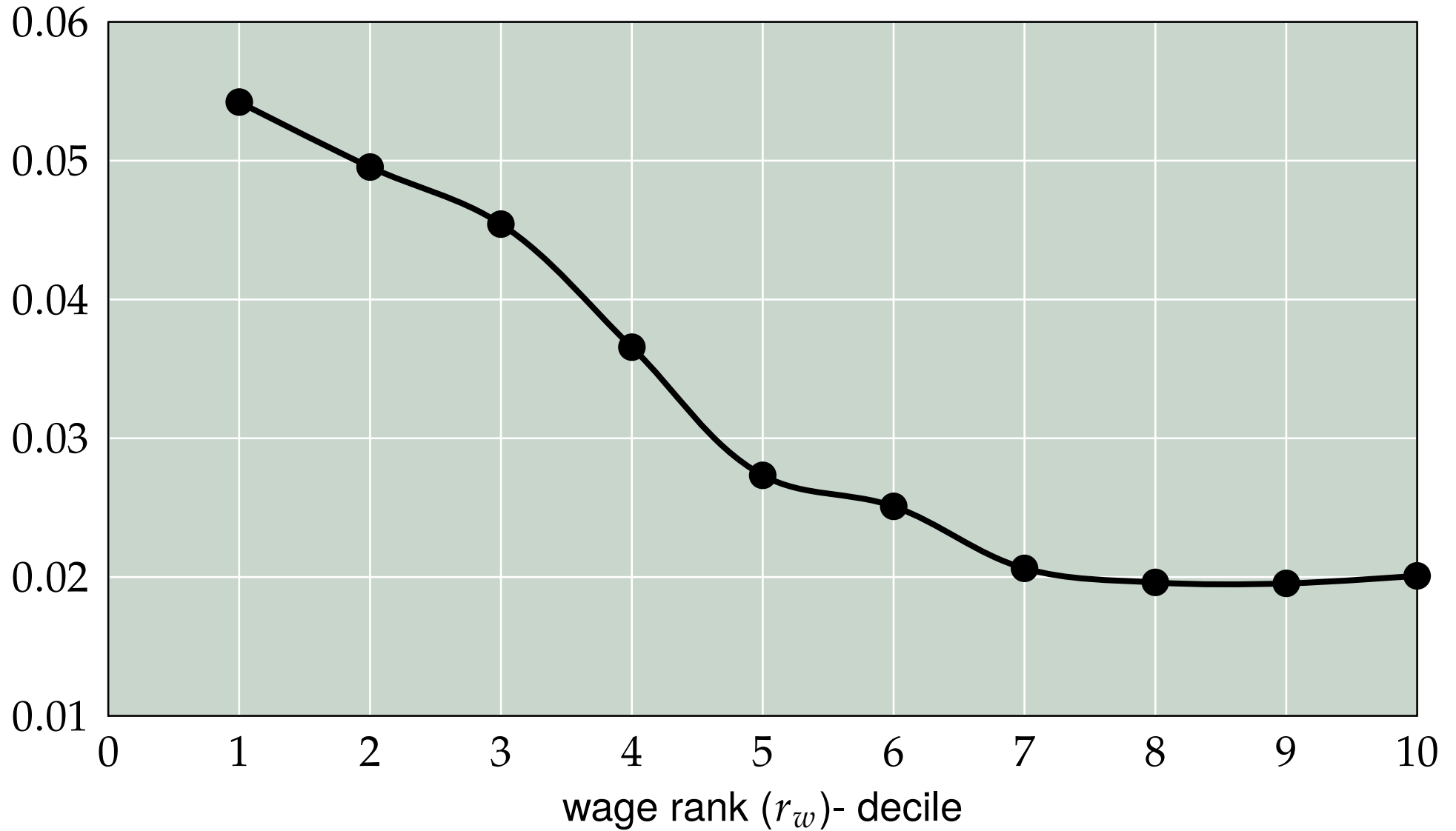
Monthly E2E separation rate by firm poaching rank

Separation rate (monthly)

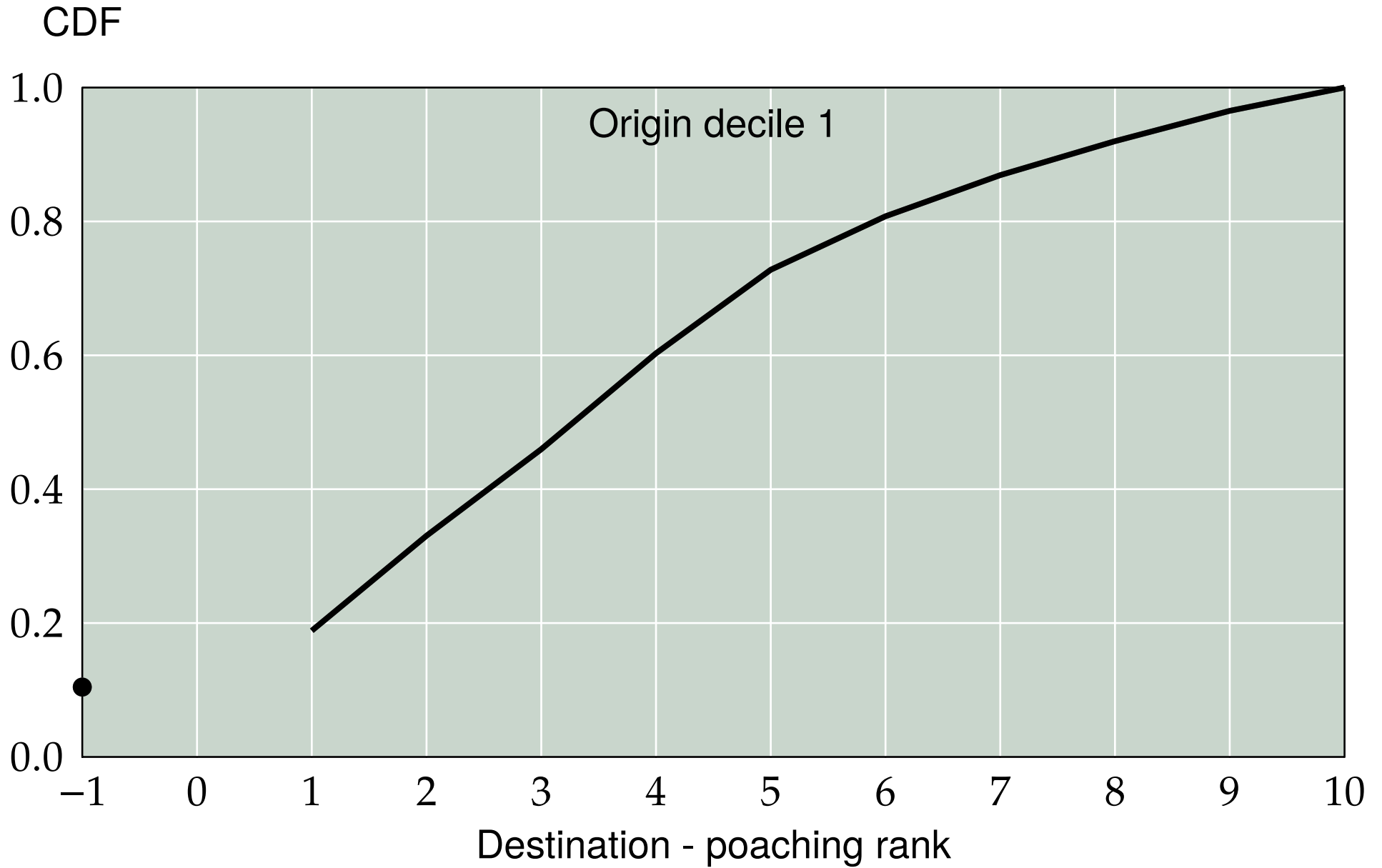


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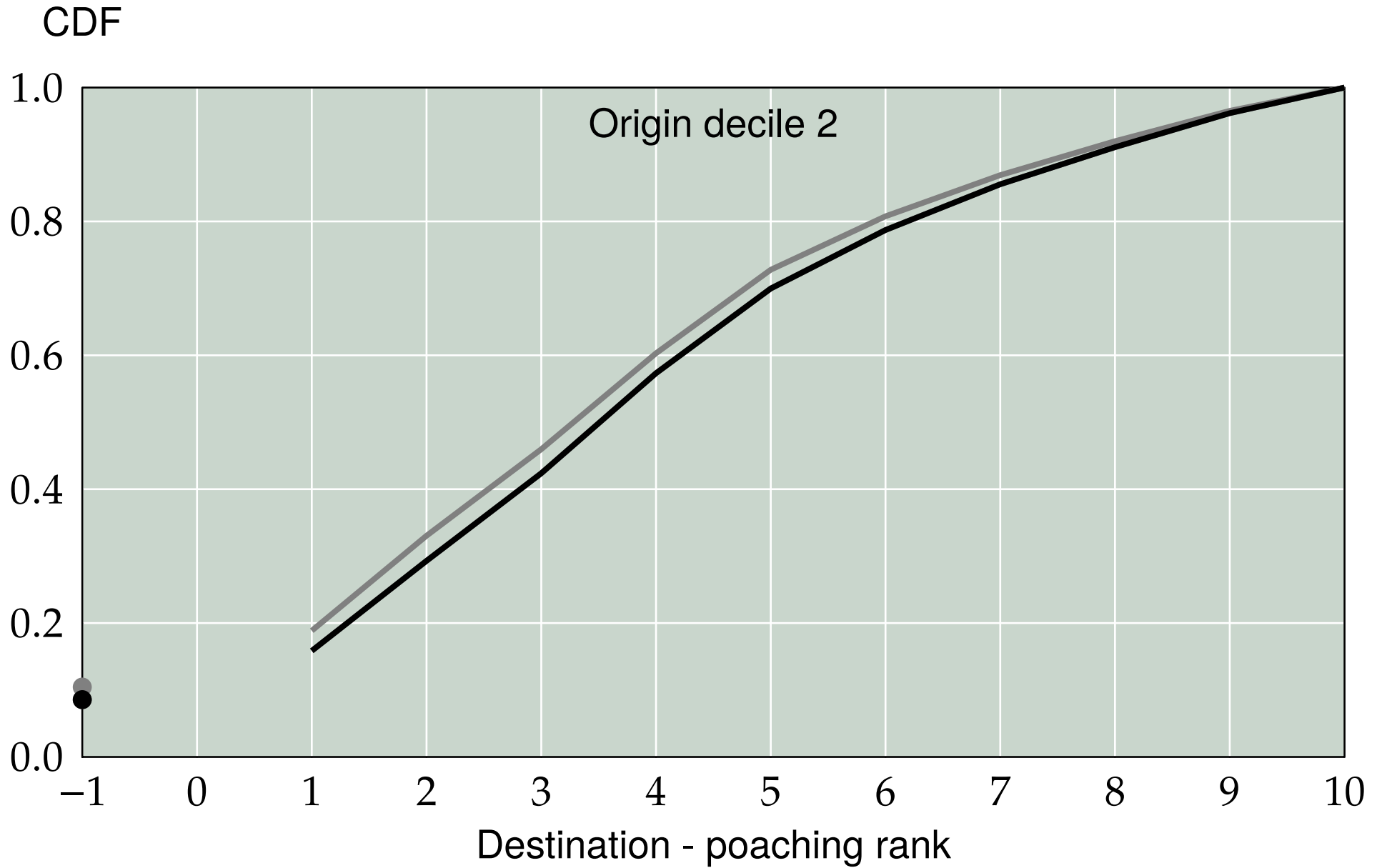
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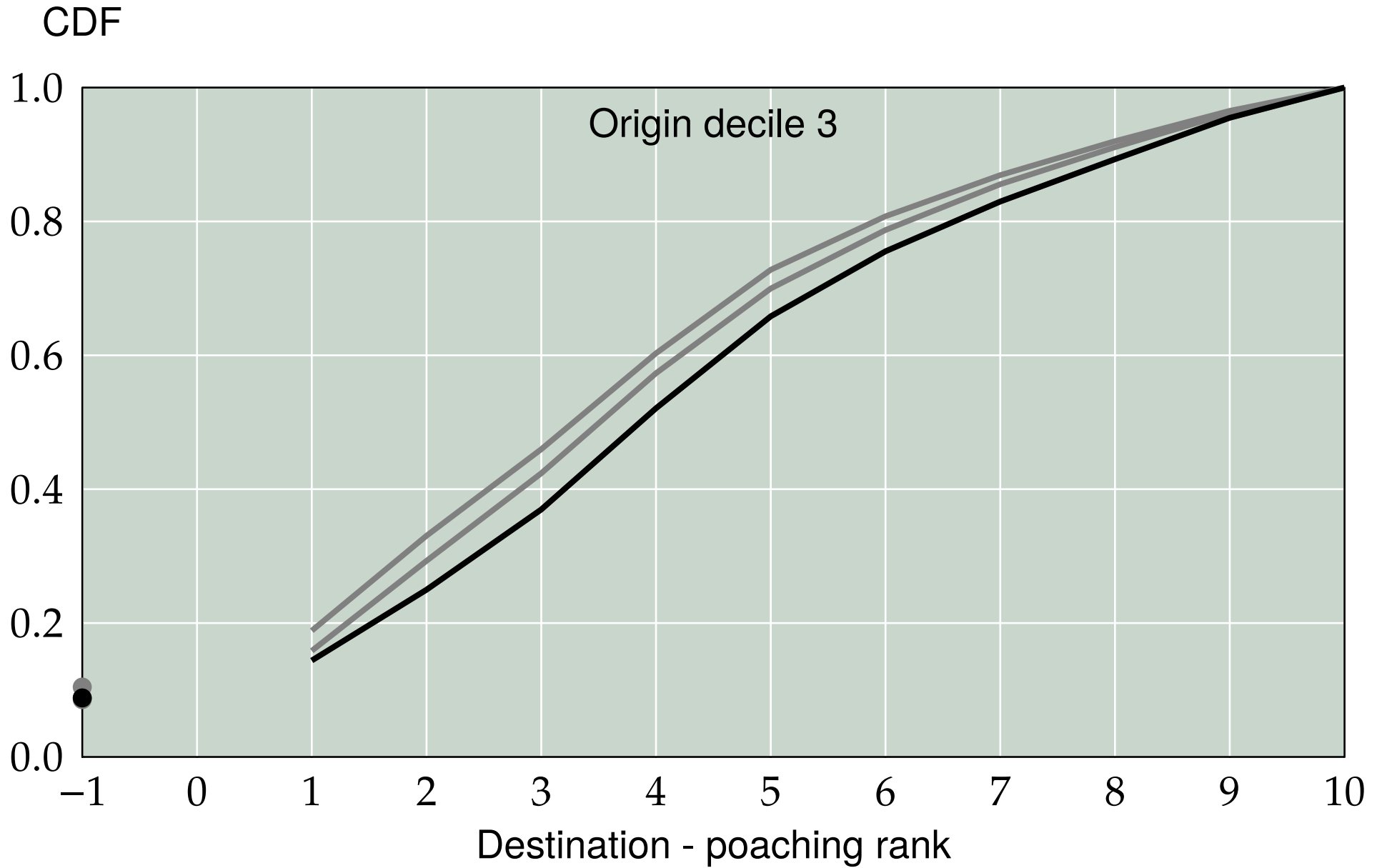
Job-to-job transitions by origin and destination decile



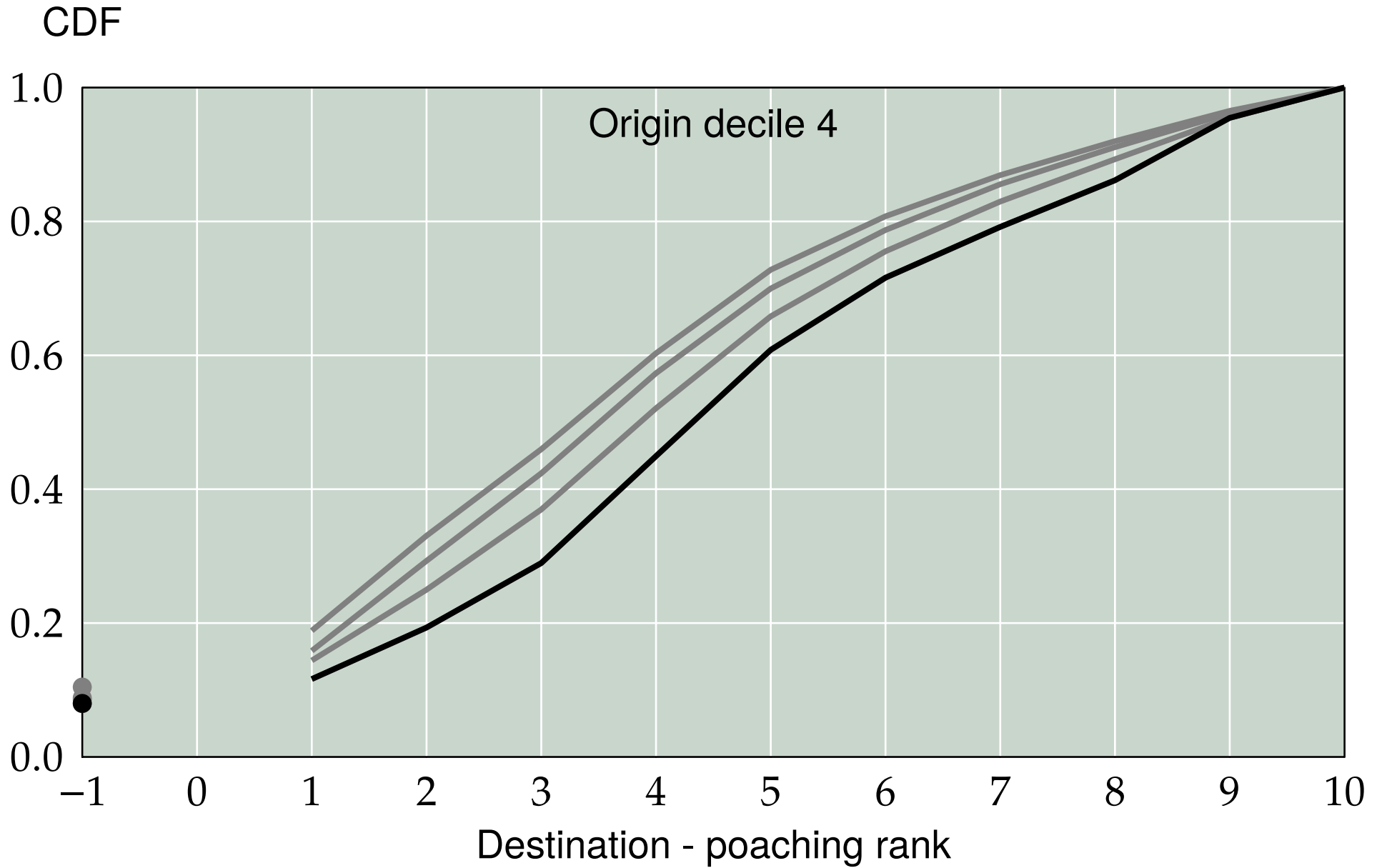
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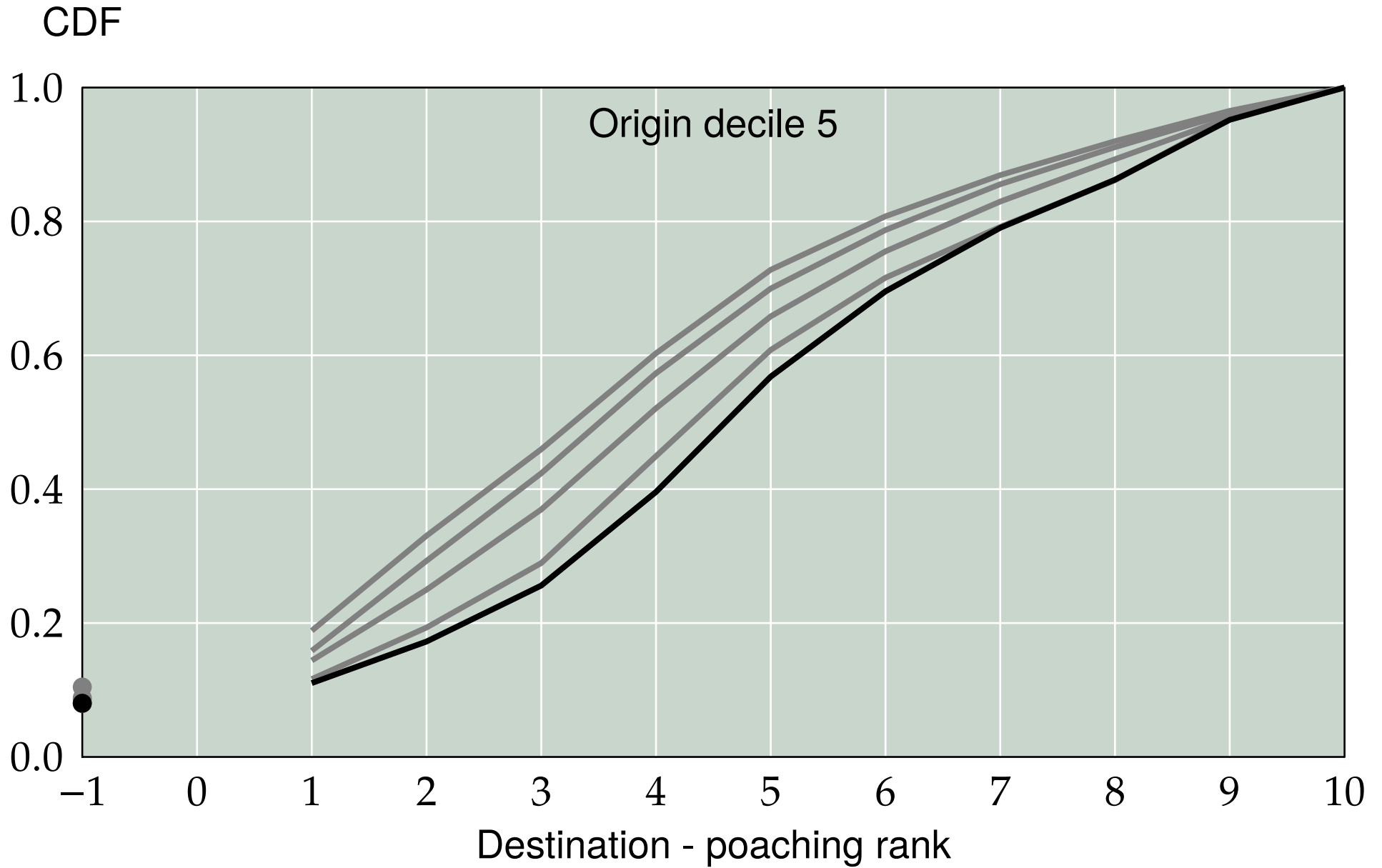
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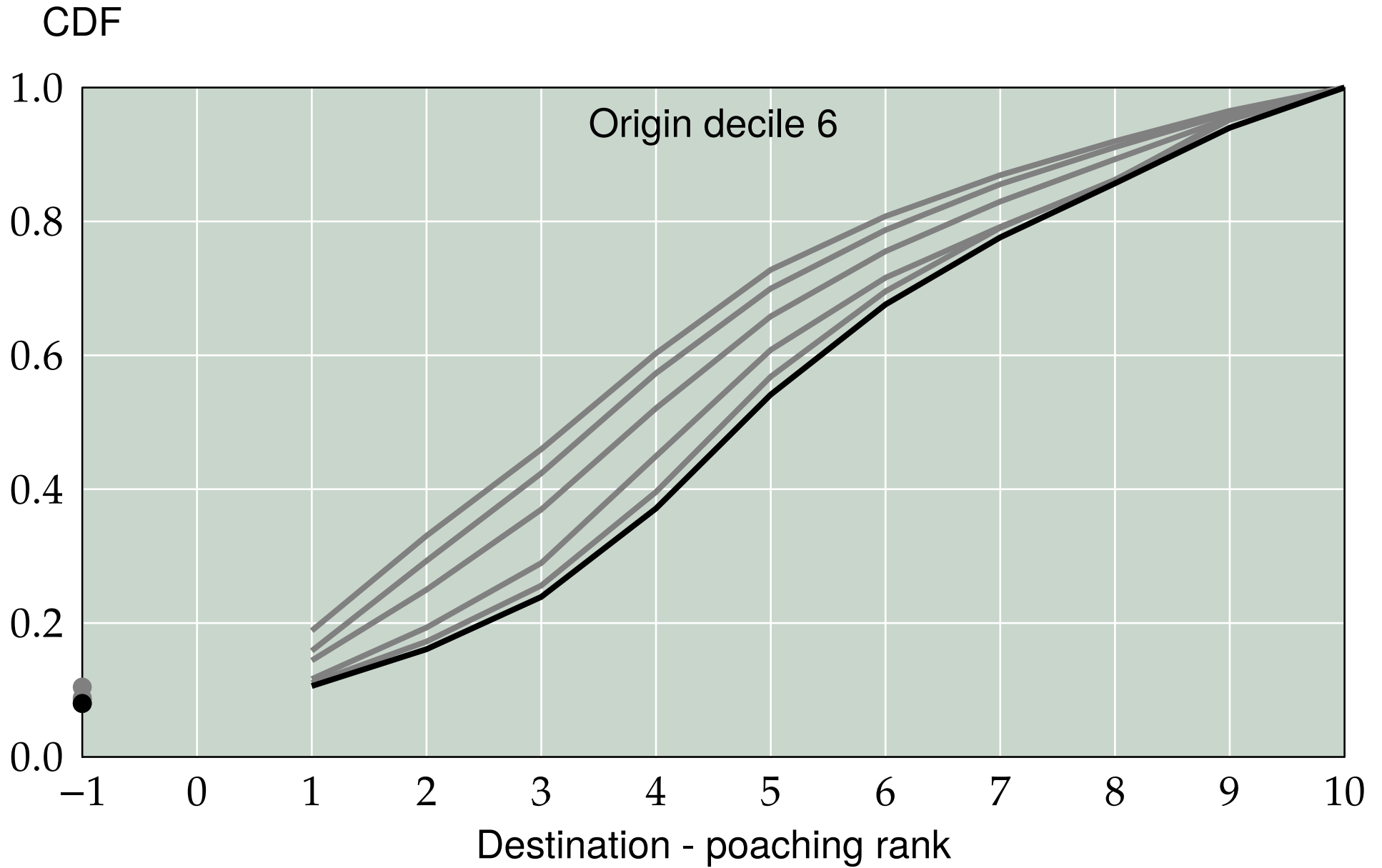
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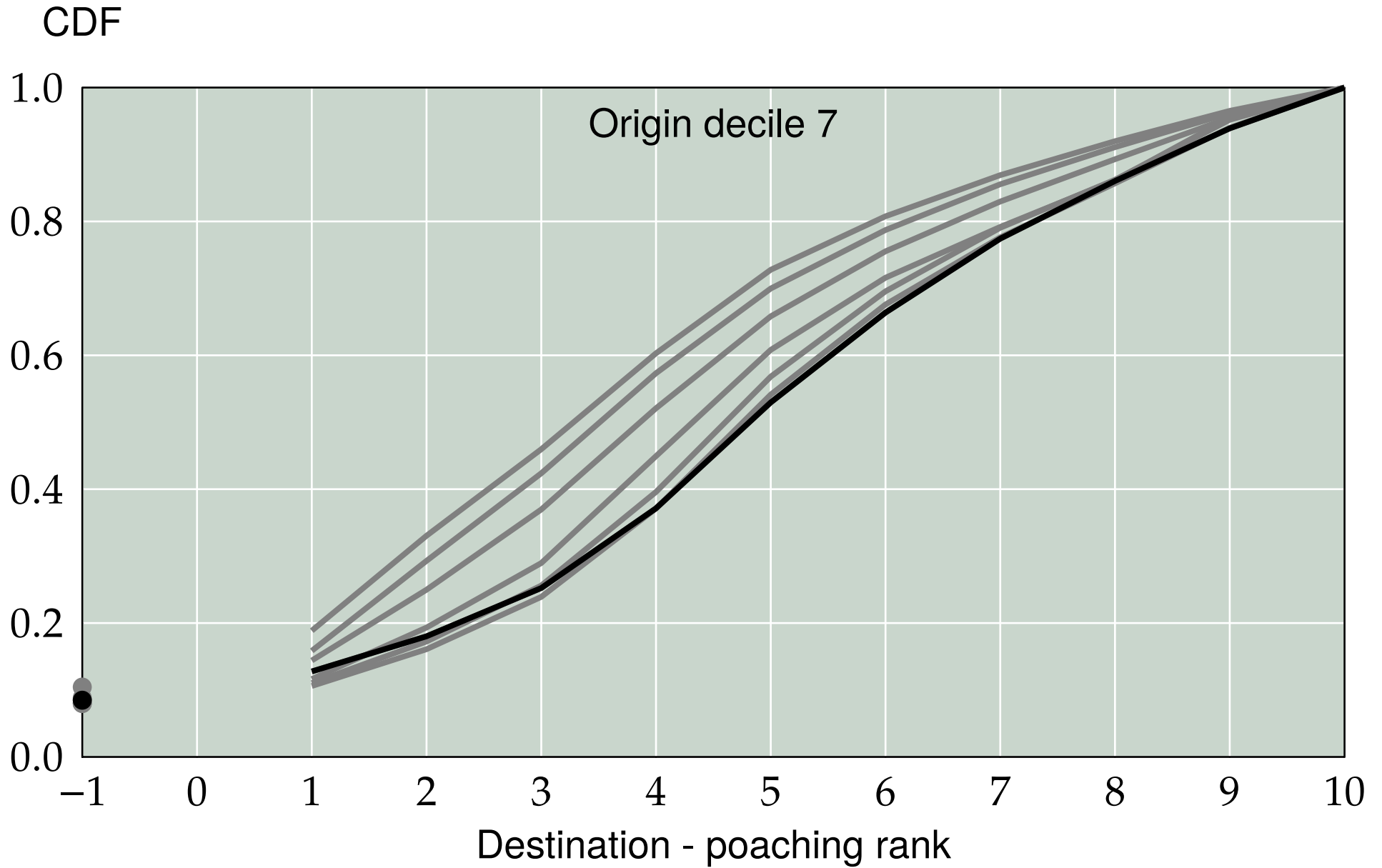
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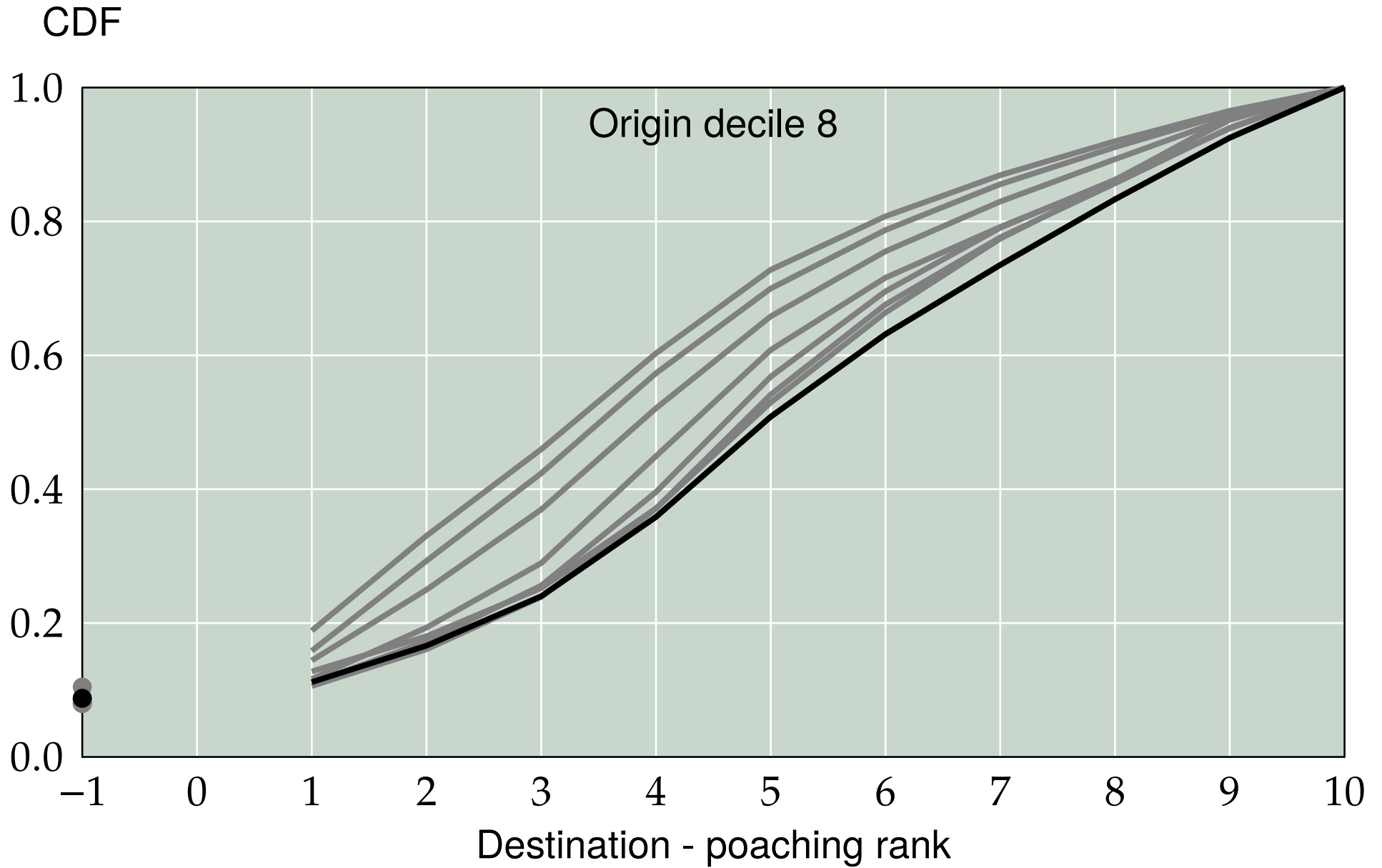
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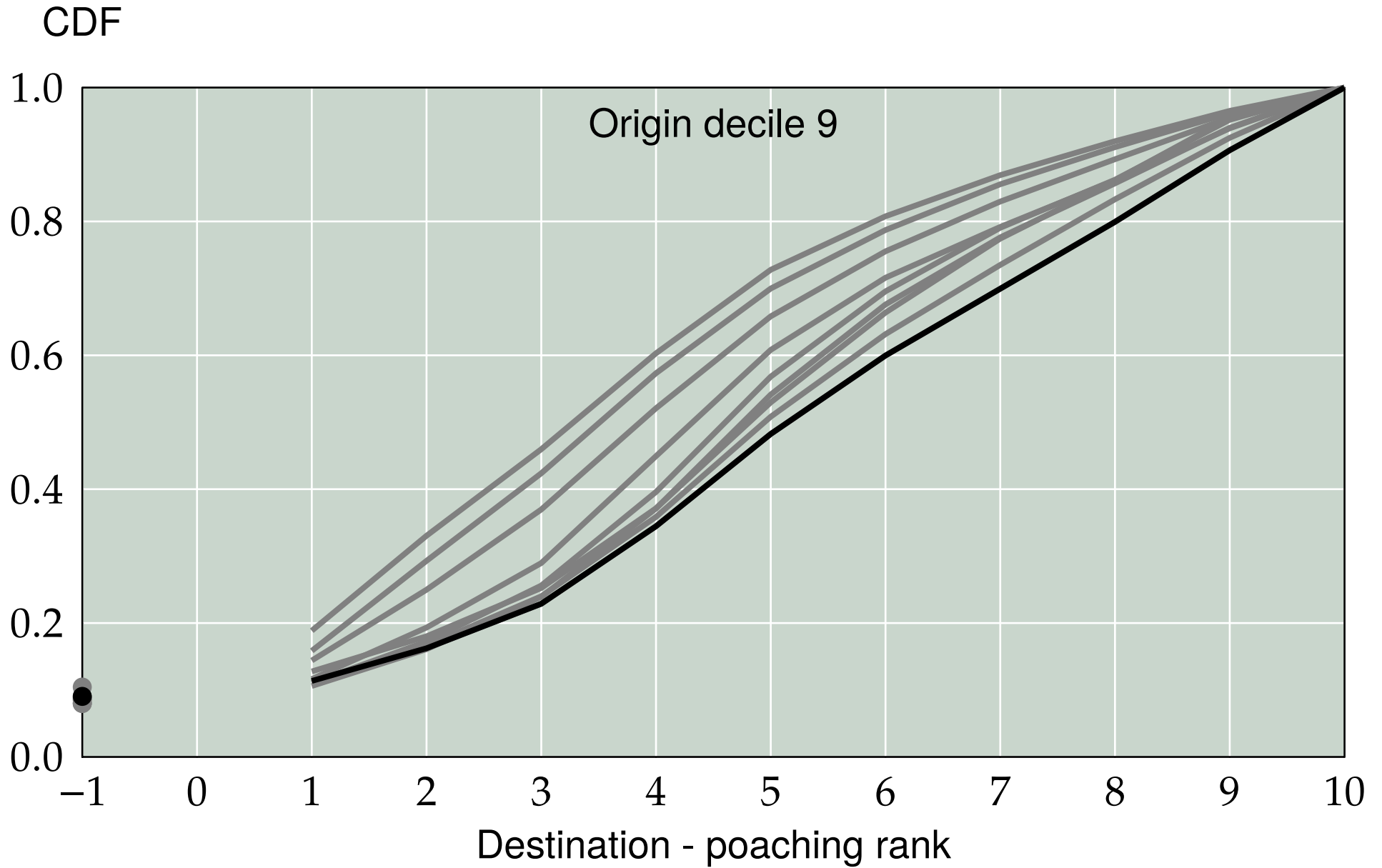
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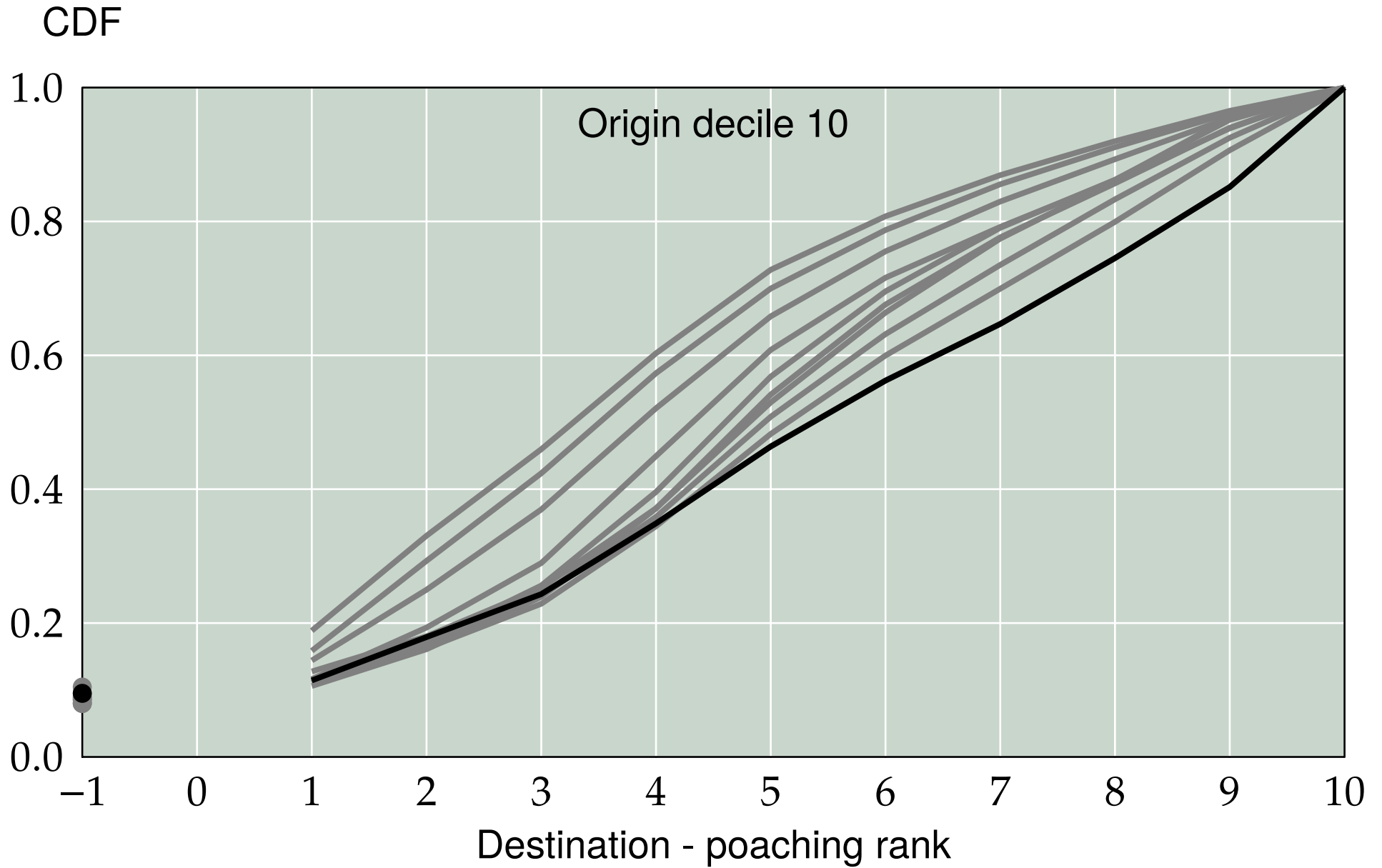
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 - In particular: In optimal contracting, wages between jobs can fall. Currently, all wage drops must be attributed to HC reduction.
 - No Godfather shock or the like: Limits firm type variation in employment history.
- ▶ It wasn't obvious how the reflecting barriers on HC process are identified. Accumulation of persistent shocks are major contributor to variance increase in experience, so the barriers seem important.
 - Alternatively, what part of the identification might identify a type of mean reversion in the drift?

Wage Contracts

- ▶ Wage contracts in paper are not optimal.
- ▶ Optimal contracting will muddy waters in following ways (some of these insights in Lentz and Roys (2015) and Lentz (2013)):
 - With any degree of risk aversion, optimal contract is not piece rate. Wage is flat across human capital shocks. Wage changes when:
 - worker meets outside employer.
 - participation constraints violated.
 - Add hidden search intensity and contract responds to human capital dynamics even in absence of outside offer arrivals.
 - With value bargaining:
 - Wage will have a compensating differential component reflecting value of learning by doing. For a given outside value offer, higher value of learning by doing drives wage down with current firm.
 - Caveat: When faced with a stronger outside firm, value of learning by doing makes current firm willing to offer a wage in excess of current output - related to Acemoglu and Pischke (1999) point that with frictions, human capital is always partially specific.