

Comments on: Jardim, Solon, & Vigdor “How Prevalent is Downward Rigidity in Nominal Wages? Evidence from Payroll Records in Washington State”

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²Views expressed in this presentation are the authors' own opinions and not those of the U.S. Census Bureau. All results have been reviewed to ensure that no confidential data are disclosed.

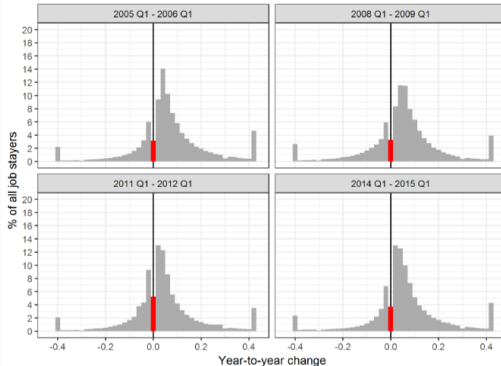
Key question for paper

- DNWR literature has been stuck for some time on measurement issues in characterizing wage distributions.
 - **Frequency of nominal wages cuts:** many papers find some incidence of nominal wage cuts; some have argued these cuts are largely due to measurement error.
 - **Frequency of nominal wage freezes:** evidence suggests high incidence of wage freezes potentially inflated by respondent rounding in survey data.
- Jardim, Solon & Vigdor main contribution:
 - **Use of administrative data:** WA UI data
 - Admin data potentially better source to measure wage change distributions as not subject to rounding error and potentially less prone to measurement error.

Main findings

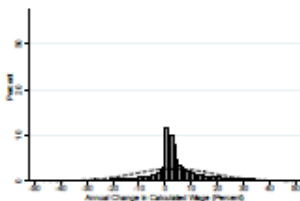
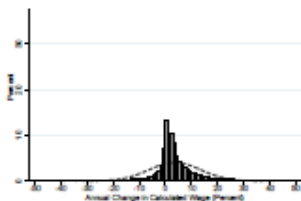
- Incidence of wage freezes is quite low: 2.5-7.7%
- Relatively large incidence of nominal wage cuts: 20%
- Rejects 'perfect' downward nominal wage rigidity

Figure 2. Distributions of Year-to-Year Change in Log Nominal Hourly Wages for Job Stayers in Washington State

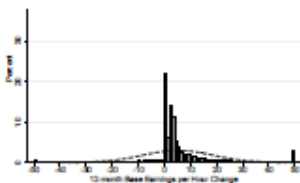
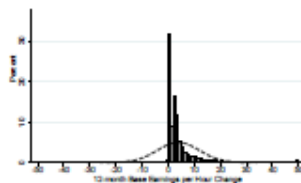


- Two other recent papers look at DNWR using administrative data.
 - [Kurmann and McEntarfer \(2019\)](#): also use WA UI data, find similar incidence of wage freezes and nominal wage cuts.
 - [Grisby, Hurst, and Yildirmaz \(2019\)](#): use ADP payroll data, find very small incidence of cuts in nominal base wages, more similar distribution to KM and JSV when accounting for bonuses.

Importance of irregular pay variations



4-quarter change in total earnings/
hours



4-quarter change in base compensation/
hours

PANEL A: HOURLY WORKERS

PANEL B: SALARIED WORKERS

Source: Grigsby, Hurst and Yildirmaz (2018) based on ADP data 2008-2016.

Summing up the recent literature on DNWR

- DNWR literature has mostly ignored the issue of variable components of pay (bonuses, overtime, commissions, tips) focusing on base wages.
- But these variable components mean that for the firm some workers wages are more adjustable than others; when accounting for flexible components of pay wage distributions look less rigid.
- Does the different ability to adjust wages across workers matter for firm employment decisions?
 - Maybe? Fruitful area for future research
 - Kurmann and McEntarfer provide supportive evidence that firms with more flexible pay structure had lower employment loss in the GR