

# Seminari di Economia

Venerdì 18 ottobre 2019

Ore 12:20 – Aula Magna Palazzo Baffi

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## *Firms' margins of adjustment. The role of wage rigidities and industrial relations.*

**Abstract** – We investigate the margins of adjustments of firms to demand shocks following the economic crisis. We use firm-level panel dataset for the Italian metal engineering industry over 2009-2015 to estimate the elasticity of the wage bill to demand shocks and decompose the overall effects by the different wage margins (base wage, wage cushion and performance-related-pay) and labour inputs margins (permanent vs. temporary employment and working hours). Our estimates show that Italian firms mainly adjusted to the negative demand shocks reducing labour inputs, especially temporary employment and relying on short-time working schemes. Wages in general exhibit a lower resilience to demand shocks, with only the wage cushion adjusting slowly. Larger firms and firms characterised by a two-tier bargaining structure are more likely to adjust wages rather than simply reducing labour inputs.