

Does Rising Productivity Result in Job Loss?

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This paper presents some descriptive estimation of labor productivity patterns before, during and after huge labor and capital adjustments processes whose performance is captured a spike construction. Internal adjustment cost which comprise the productivity drop during hiring and firing episodes are very pronounced to be taken into consideration. They come about either with a lag (as in the case of firing) or without any lag (hiring). The different behavior of productivity during hiring and firing episodes stands for the asymmetric feature of this adjustment process but firing costs seem heavier than hiring costs. There is no evidence that fast productivity growth brings to lay off. Furthermore, I find that increasing productivities brings to less firing episodes one period ahead for multinational, firms investing in R&D products and firms operating in machinery sector, while R&D firms experience increasing hiring episode as well. For the reverse causality, firing and hiring episodes are connected with slower productivity growth in the same period, while for firms investing in advertising, those of alimentary sector and independent firms, labor hoarding phenomena prevails resulting in a positive (negative) relationship between firing episodes and productivity in the same period (next period).

With respect to investment spikes, I find that fast productivity growth come next huge investment episodes and especially for the filial of multinational. No evidence of “Embodied technology & learning effect” is found and this is due to capital deepening phenomena prevailing during these years in Europe and the lack of strong investment in R&D.