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titolo:

Firms' Margins of Adjustment to Wage Growth: The Case of Italian Collective Bargaining

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Abstract:

This paper studies firms' adjustment behaviour to the growth in labour costs induced by the Italian relatively centralized collective bargaining system, using comprehensive employer-employee data matched with information on contractual wages.

On average employment, revenues, profit and fixed capital investments fall, wages and workers' average quality increase, while firms' productivity does not change in response to higher labour costs. However, the effect on productivity is heterogeneous along its distribution, as it is positive for more productive companies and negative otherwise. A similar pattern emerges for the effects of employment, revenues, profits and investments along firms' efficiency distribution. These results suggest that more productive companies may benefit from a generalised growth in labour costs due to cleansing effects that increase their product market shares.