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Discussion on:

Private Equity and Pay Gaps Inside the Firms

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Remark #1: Mechanisms

- Why age, gender, and occupation?
  - estimate heterogeneous treatment effects with causal trees and forests
  - motivate heterogeneity though theory
- Theory
  - **Occupation:** flattening of the firm (Amess et al 2007, Caliendo et al 2015)
  - **Age:** breach of trust and skill obsolescence (Shleifer and Summers 1988, Olsson and Tåg 2017)
  - **Gender:** professionalization/standardization of pay?
- Other angles
  - Tournament theory
  - Production hierarchies
  - Family firms
- Literature needs a theory of internal reorganization of labor after M&As

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Remark #2: External validity

- Are French LBOs special?
  - Compare French LBOs in observable characteristics to other countries (Capital IQ data)
  - Add institutional details on wage setting and seniority based dismissal laws
  - Add table comparing effects on men, managers and women to existing heterogeneity work
  - Replicate Davis et al (2014) growth and reallocation analyses

Table 1
Descriptive Statistics

	Sample					
	Final (1)	Weighted (2)	Sweden (3)	United States (4)	United Kingdom (5)	France (6)
A. Transaction types (nonexclusive):						
Going private (%)	2.5	9.5	2.0	4.8	4.2	1.1
Corporate divestiture (%)	30.5	41.8	35.4	29.7	29.8	16.9
Bankruptcy (%)	.8	.1	1.5	3.8	4.2	2.8
Management buyout (%)	20.1	10.6	21.9	22.4	57.1	34.3
Family succession (%)	5.9	3.8	4.4	4.2	4.4	8.3
Cross border (%)	28.5	43.2	27.8	5.8	11.2	17.0
Platform (%)	2.5	10.3	3.2	8.8	2.3	2.4

Table 9
Comparison to Table 4 in Davis et al. (2014)

	Sample			
	Sweden All Firms (1)	United States All Firms (2)	Sweden Low-Productive Firms (3)	Sweden High-Productive Firms (4)
Employment growth $t = 0$ to $t = 2$	3.49***	−.88***	−3.41***	5.33***
	(.13)	(.18)	(.29)	(.17)
By adjustment margins:				
Continuers	2.78***	−1.57***	−1.63***	4.41***
	(.12)	(.12)	(.29)	(.16)
Deaths	−1.69***	4.12***	2.44***	−2.76***
	(.05)	(.09)	(.05)	(.07)
Births	−1.47***	1.80***	−.17	−1.71***
	(.06)	(.05)	(.12)	(.08)
Acquisitions	.20***	5.62***	−3.50***	.43***
	(.04)	(.05)	(.11)	(.03)
Divestitures	.29***	2.77***	−4.32***	.55***
	(.03)	(.05)	(.10)	(.02)

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Remark #3: Implications

- Are PE buyouts affecting aggregate inequality?
  - PE firms reduce wage inequality within firms, but GPs and management team make out like bandits
  - Stayers' wages almost unchanged, effects come from reallocation
  - Back-of-the-envelope calculation

Table 11
Job Polarization in Sweden, 2001–11

	Percentage Point Change, 2001–11			Percentage Change
	All Workers	PE Workers	Non-PE Workers	(Col. 3 to Col. 1)
	(1)	(2)	(3)	(4)
Low-wage occupations	−.65	2.99	−.75	−15.38
Middle-wage occupations	−3.64	−6.89	−3.56	2.20
High-wage occupations	4.29	3.90	4.21	−1.86
	Polarization Index			
$\Delta(E^{low}/E^{middle})$	10.03	35.70	9.38	−6.48
$\Delta(E^{high}/E^{middle})$	25.29	38.11	25.05	−.95

Minor remarks

- Keep in mind that the wage effects are relative
  - wages may increase, but less than at controls
  - control firms may use different incentive schemes (these are growing firms)
  - PE firms may be standardizing hiring
  - Are the managers and older workers that leave friends or family of founders (family firms in France)?

- Data and econometrics
  - Why no triple-difference regressions in the heterogeneity part (Olden and Moen, 2022)?
  - You should match on dimensions of heterogeneity
  - Are the clusters at the buyout target firm or at worker's current firm?
  - Are firms/workers allowed to be controls for multiple years? If so, how do you deal with the standard errors?
  - Should you not weight the regressions given that you have more controls than treated?
  - Direct comparison to Boucly et al (2011) in table would be valuable
  - Absolute numbers of churn in small firms (below 80 empl., 20% churn)?
  - Are the old, the men, and the managers the same people?