

# Corporate Takeovers and Labor Restructuring

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Discussion by:

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# Paper Summary

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- Research Problem: Empirically characterize labor restructuring that takes place around M&A events
  
- Empirical Approach:
  - Collect employer-employee matched data from Brazil
  - Measure changes in workforce characteristics at targets vs. control firms
  
- Findings:
  - Total employment and wage bill decreases
  - Increased layoffs, less hiring, more voluntary separations
  - Low skilled & routine task workers experience greatest displacement
  - Within-firm wage inequality increases
  
- Conclusion: Author claims evidence supports neoclassical efficiency-enhancing role of M&A

# Assessment

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- Important topic and question
- Difficult to address: Data limitations
  - Detailed establishment-worker level data from Brazil
- Many interesting facts, but takeaway can be stronger with greater focus on fewer facts
  - Facts: employment changes, skill composition, wage inequality
  - Efficiency enhancing? No data on performance
- Suggestions:
  - Pick a more specific angle
  - Show facts in greater depth
  - Identify more meaningful change in priors

# Picking a more specific angle

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Currently, paper has large breadth of disparate facts (19 tables!)

- Total employment and wage bill decreases
- Increased layoffs, less hiring, more voluntary separations
- Low skilled & routine task workers experience greatest displacement
- Within-firm wage inequality increases

Suggestion:

Focus on a particular angle that is novel and capitalizes on strengths of data

Idea: Labor restructuring across M&A deal types (horizontal, vertical, diversifying)

- No evidence comparing labor restructuring across deal types
- Can export findings from Brazil to other settings
- Utilize skill data across deals

# Picking a more specific angle

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- Total employment and wage bill decreases
- Increased layoffs, less hiring, more voluntary separations
- Low skilled & routine task workers experience greatest displacement
- *Within-firm wage inequality increases (Ma et al. 2018)*

Suggestion:

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# Show facts in greater depth

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Currently:

- Emphasis on 2 years pre- and post- merger changes at target: Shows diff-in-diff estimates only
- Lots of focus on identification

Hard to interpret diff-in-diff alone; usually ok if diff-in-diff provides a test of a specific hypothesis, but not for descriptive statistics

Suggestions:

depth If you focus on restructuring, then show restructuring in more depth

1. Show raw data in more detail (pictures!)
2. Instead of finding control firms for identification, explain what is happening at control firms? Why aren't some firms good targets?
3. What's happening at acquirer?
4. Not just routine task, but actual occupational changes?
5. Changes in task composition
6. Industry case studies?

# Identify more meaningful takeaway

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Currently: “Facts consistent with efficiency enhancing view”

Assume: Fewer workers/lower costs + revealed preference

-> efficiency has gone up

BUT, many believe most mergers “fail”, no data on performance, many theories of –NPV mergers, and perhaps they are producing less with less

Suggestion:

Potentially evaluate theories in organizational economics

How are control rights changing? Changes in managerial responsibilities around M&A? Use task-level data

How is information flow changing? Can extract data from O\*NET data on occupational codes

Worker tenure? Specific human capital?

# Conclusion

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Current Paper: Many disparate facts + soft takeaway about efficiency

→ Instead →

1. Choose a specific angle: workforce restructuring
2. Explore angle in more depth
3. Speak to deeper theoretical takeaways: learn about organizational economics of different types of M&A vis-a-vis labor restructuring

**Takeaway:** Can learn about how different types of corporate takeovers change the way the organization functions