

Comments on "Financial Activities, Sustainability and Wages" by Jiaxin Wu

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Notes on my comments

Chapter 1: How do Local Mergers Affect Workers' Wages?

Chapter 2: The Sustainability Wage Gap

Chapter 3: Spillover Effects in Firms' ESG Disclosure

Summary

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- **Overall assessment:**
 - Interesting and relevant questions
 - All papers clearly publishable in academic journals (after a bit more work)

Chapter 1: How do Local Mergers Affect Workers' Wages?

- **Question:** How do MnAs affect wages?
 - Direct effect on workers part of MnAs? (about 3.5% on growth)
 - Indirect effect through the labor market (monopsony)? (about 2.5% on growth)
 - Are different workers affected differently? (yes, about $\pm 2\%$ on growth)

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 - Additional insights on **heterogeneity**
- **Takeaway:** Evidence of monopsony power in Sweden (stronger for women)

Key remark

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 - Practitioners?

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- **Read:** Weisbach, Michael. "The Economist's Craft: An Introduction to Research, Publishing, and Professional Development"

- **Contribution paragraph:**
 - Emphasize the importance of evidence from different institutional settings (compare point estimates and discuss, take inspiration from Spyridon Lagaras' papers)
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- **Add institutional details:**
 - Different institutional setting is key current contribution
 - Emphasize differences
 - Compare magnitudes

- **Cite and discuss:**
 - Gehrke, Maug, Obernberger, and Schneider 2023: “Post-Merger Restructuring of the Labor Force”
 - Lagaras 2023: “M&As, Employee Costs, and Labor Reallocation”
 - Ma, Ouimet, and Simintzi. 2022 “Mergers and Acquisitions, Technological Change and Inequality”
 - He and le Maire. 2022 “Mergers and Managers: Manager-Specific Wage Premiums and Rent Extraction in M&As”
 - Bach, Baghai, Bos, and Silva. 2024 “How Do Acquisitions Affect the Mental Health of Employees?”
 - Prager and Schmitt 2021. “Employer Consolidation and Wages: Evidence from Hospitals”
 - Lagaras 2021. “Corporate Takeovers and Labor Restructuring”

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 - Many samples makes the paper confusing
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 - Keep SUTVA in mind (pick controls from sufficiently far away counties)
 - Discuss and related to recent advances in the diff-in-diff literature:
 - Baker et al. 2022 JFE: doi.org/10.1016/j.jfineco.2022.01.004
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Important remarks

- **Outcome:**
 - Effects in **growth rates** are difficult to interpret and non-standard
 - Effects in logs may bias the results (zeroes get omitted)
 - Diff-in-diffs in logs does not have a straight forward interpretation:
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- **Tip:** Consider **multiple outcomes** (Olsson and Tåg 2024, JF)
 - Unemployment
 - Retirement
 - Entrepreneurship
 - Household finance
 - Family (marrige, kids)
 - Health (mortality, sick leave)

Minor remarks

- Do not mix passive and active form when writing
- Make sure author names are spelled correctly and references are up to date
- Municipality level analysis may be warranted
- Many "mergers" in Serrano are administrative in nature (same controlling owner)
- Define market based on occupation (comparative advantage) and match on it
- Consider cell matching rather the PS score matching
- Consider robustness that excludes Stockholm, Gothenburg and Malmö
- Figures and tables should be self-contained

Chapter 2: The Sustainability Wage Gap

- **Question:** Can the positive association between ESG and firm financial performance be attributed to sustainable firms paying lower wages (or paying the same, but getting better talents)?
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- **Takeaway:**
 - New insight on why a focus on sustainability could be profitable for firms
 - Evidence of substantial gap in Sweden

Key remark

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- **Issue:** Similarity to the cited labor economics papers
 - We have known about wage compensating differentials for a long time
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- **Suggestion:**
 - Hug the Finance ESG literature as much as possible
 - This means **firm level analyses** involving **profitability** should take center stage (expand the "back of the envelope" stuff)
 - What fraction of the association between sustainability and performance can be attributed to **human capital**?

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- **Suggestion**
 - Move more of the survey evidence to the appendix
 - Move analyses of alternative ESG measures to an "additional analyses and robustness" section
 - You can start with one figure of aggregate associations, but then focus the analysis on settings where you have shocks (negative ESG shocks + bankruptcies). Can you do one sample here?

Minor remarks

- "Arbetsmiljöundersökningen" has information on "meaning" at work (Burbano, Folke, Meier, and Rickne, 2023, The Gender Gap in Meaningful Work. Management Science)
- Add an institutional details section
- Are the effects weaker where central bargaining contracts are stronger?
- Add a discussion around external validity (Sweden is very progressive)
- Are there meaningful gender differences in the Sustainability Wage Gap?
- Net effects: can you look at transport firms upgrading to electric cars?

Chapter 3: Spillover Effects in Firms' ESG Disclosure

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- **Takeaway:**
 - ESG spillovers exist, and they are relatively large
 - Driven by competition and governance?

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- **Suggestion:**
 - Clarify contribution
 - Submit!

- **Empirical analysis:**
 - Why are you not showing the direct effect on firms that IPO?
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 - Consider either **fewer** or **more** hypotheses

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Minor remarks

- Some writing issues (missing parentheses, some missing words)
- Put contribution in introduction
- Are effects lower if firms aim for a global market (trying to attract international investors?)
- Make sure all figures and tables are referenced

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