Discussion of "Does Skill Heterogeneity Affect Aggregate Employment-Wage Comovements?" by John Grigsby

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ASSA 2026: "Worker Composition and Flows over the Business Cycle"

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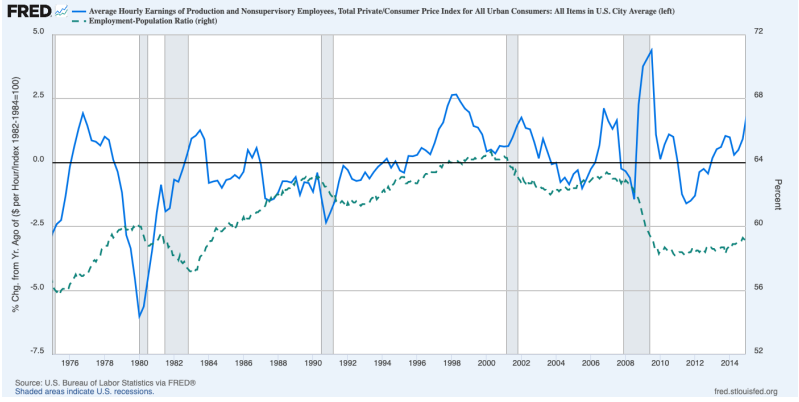

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- Proposes theory where recessionary labor market dynamics are determined by
  1. Initial distribution of workers over occupation (and skill)
  2. Vector of sector-specific TFP shocks
  3. Endogenous occupation/sector mobility of workers
- Sector-specific TFP shocks + skill distribution determines comovement of employment and wages

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- Heterogeneous workers with (fixed) vector of skills:
  - Linear preferences over consumption good
  - Earnings multiplicative in occupation-specific skill & occupation/sector wage
  - Workers associate each occupation with (fixed, common) non-pecuniary benefits
  - Receive occupation-specific taste shocks (*iid* Type 1 Extreme Value)
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- Equilibrium: wages are specific to occupation, intermediate goods prices are specific to sector

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  - Fix number of worker "types"
  - Estimate skill vectors, type shares, distribution of taste shocks, and occupation-specific non-pecuniary benefits via BLM (2019)
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- Findings:
  - GR skill distribution + GR shocks $\Rightarrow$ negative comovement
  - 1980s skill distribution + GR shocks $\Rightarrow$ positive comovement
  - 2008 skill distribution + uniform shock $\Rightarrow$ positive comovement

My thoughts

Nice paper!

- Stylized framework allows for transparent analysis
- Offers intuitive explanation for negative co-movement of wages and employment during Great Recession
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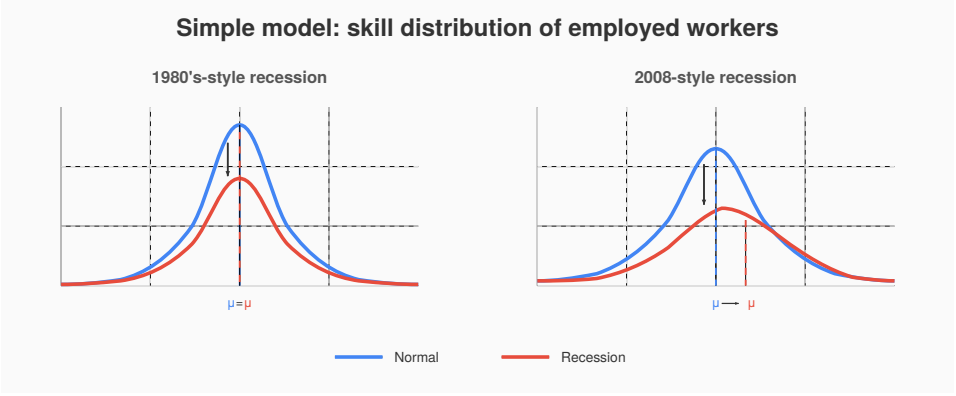
Thinking ahead:

- Intuition from an even simpler "model"
- What are the tradeoffs of a many-sector, many-occupation model relative to a "simpler model"?

Simple model



- Let wage = skill × TFP, where skill is a scalar, and TFP drives business cycles
  - L panel: employment response maintains average skill level of employed (positive co-movement)
  - R panel: greater employment reduction of lower-skill workers increases average skill (possibility of negative co-movement)

Cost and benefits of multi-dimensional Roy framework

- Benefits: realism
  - Achieves the outcomes of the "simple model," but disciplined by data on occupation
  - We can talk about employment of construction workers versus accountants
  - Speaks to separate forces in the data that we know are important (e.g., Acemoglu and Autor 2011)
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- Questions for the author, the room, and me:
  - What is the best way to sacrifice realism to incorporate realism?
  - How do we combine insights across models that are unrealistic in different ways?

Conclusion

- Paper thinks seriously about multi-dimensional skill distributions in a multi-sector, multi-occupation economy
- Would be nice to think of how to apply paper's insights to a dynamic model with a simpler skill/occupation/sector setting

Thanks!