How Do State-Owned Enterprises Adjust During Downturns Evidence from Iranian Manufacturing Firms

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This paper investigates the role that state-owned enterprises (SOEs) played during periods of economic sanctions against Iran. Using difference-in-difference techniques and exploiting survey data on the manufacturing sector, our analysis shows that the sanctions reduced revenues, profits, and productivity of both SOEs and private firms in targeted industries, with larger impacts in SOEs. In contrast to private firms, wages and employment levels increased in SOEs, suggesting that SOEs were used to protect employment during the economic crisis. In terms of distributional impacts, men were the hardest hit by the sanctions in private firms but benefited the most from the increase in wages in SOEs.

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