

Discussion of
“The International Price of Remote Work?”
by
Agostina Brinatti, Alberto Cavallo,
Javier Cravino and Andres Drenik

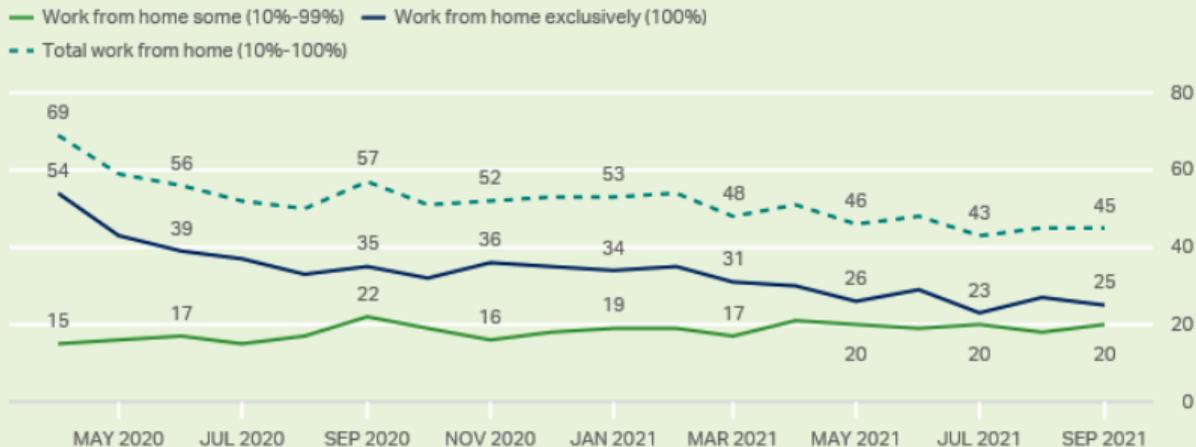
Christina Patterson
Chicago Booth

NBER Summer Institute International Trade & Macro Workshop, July 2022

Context: Large Increase in Remote Work in US Through Pandemic

U.S. Employees' Work Location Throughout the Pandemic

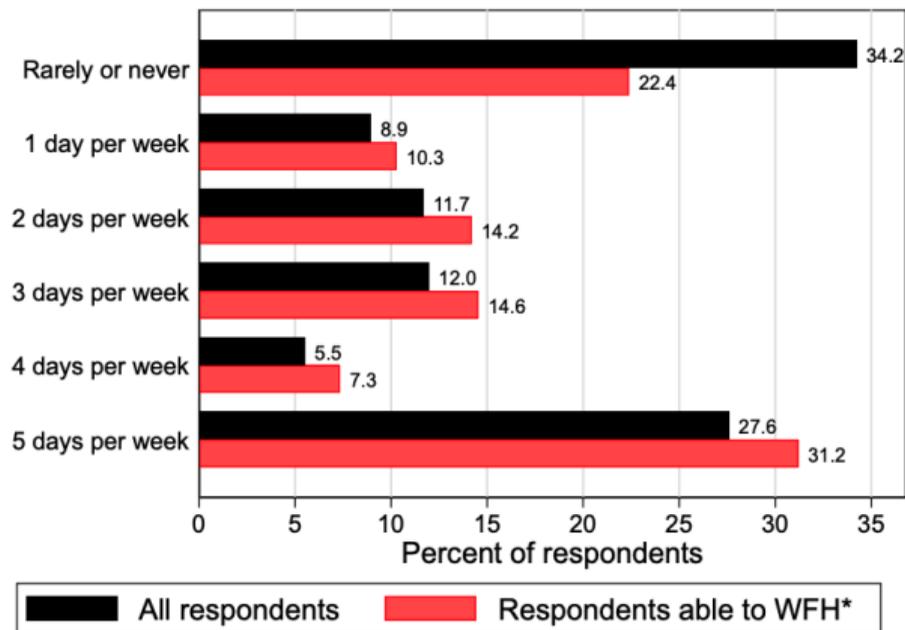
Monthly trends from April 2020 to September 2021



Based on U.S. adults employed full time who are not exclusively self-employed

GALLUP PANEL

Context: Substantial fraction of US workers want to be fully remote



*64% of the full sample meets this criterion

Source: Barrero, Bloom, and Davis, 2021

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 2. Remote wages expressed in local currency move almost one-to-one with the dollar exchange rate
 3. Remote wages react strongly to wages of other workers on the platform
 4. Develop new measure of offshorability and show that remote occupations are not all offshorable

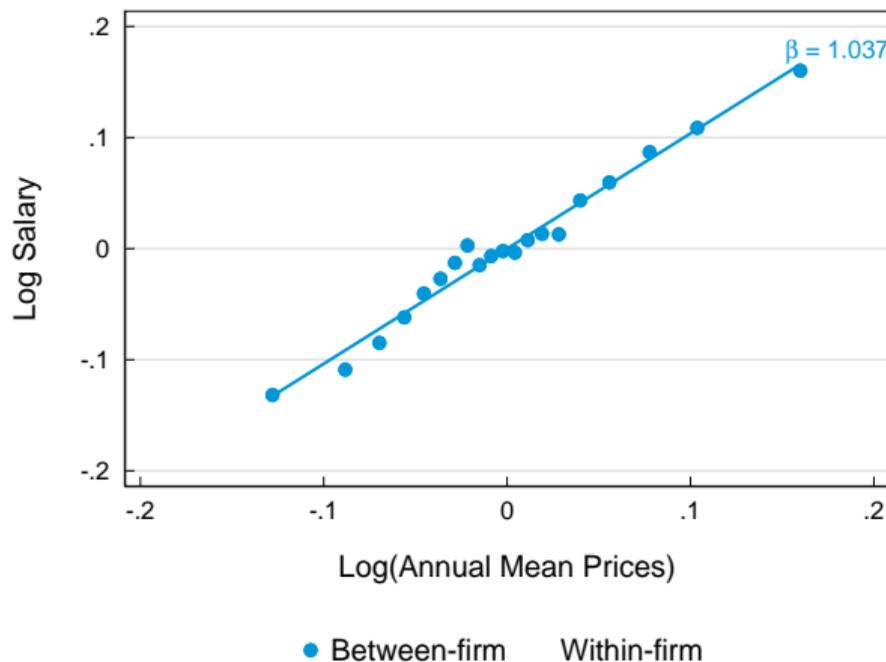
Outline for Discussion

1. Digging into firm-level patterns
2. Understanding the model of the labor market

Comment 1: Digging into Firm Heterogeneity

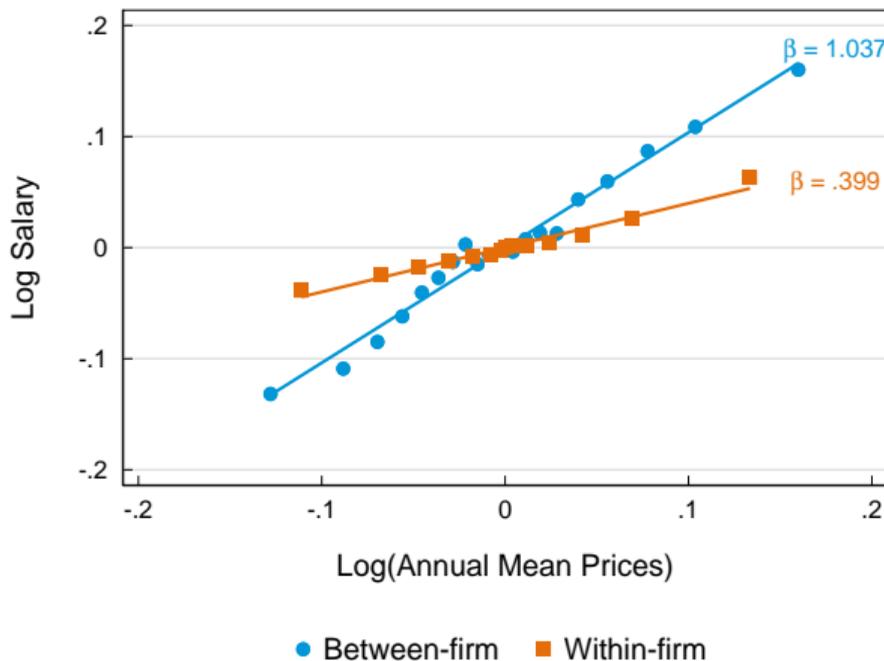
- *Question: Within the firm, is there dispersion in pay based on worker location?*
 - ▶ Some really nice controls for worker quality – what about more firm controls?
 - ▶ Could the wage differences be driven by firm heterogeneity?
 - ▶ Do some firms hire in Indian market and others in US market?
 - ▶ Does the same firm pay different amount for the same job across locations?
 - ▶ Within vs. between firm distinction matters for theoretical framework and implications (e.g. Cravino and Levchenko 2017)

Comment 1: US Evidence of National Wage Setting (non-remote jobs)



Source: Hazell, Patterson, Sarsons and Taska (2021)

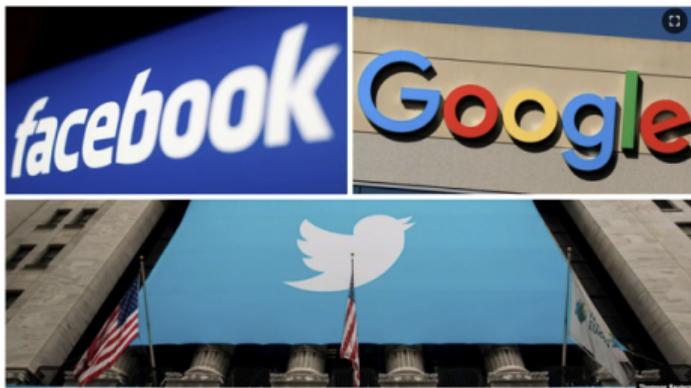
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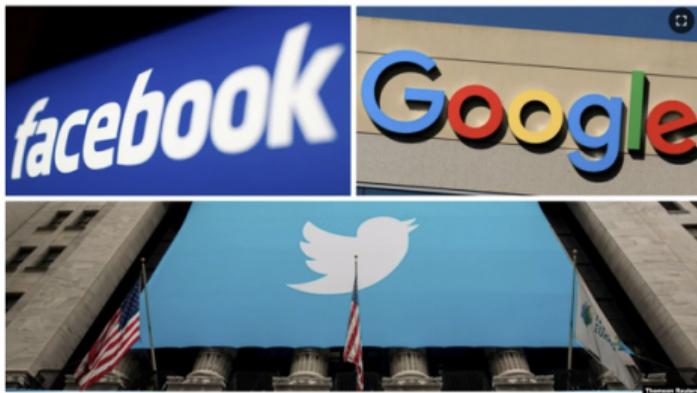
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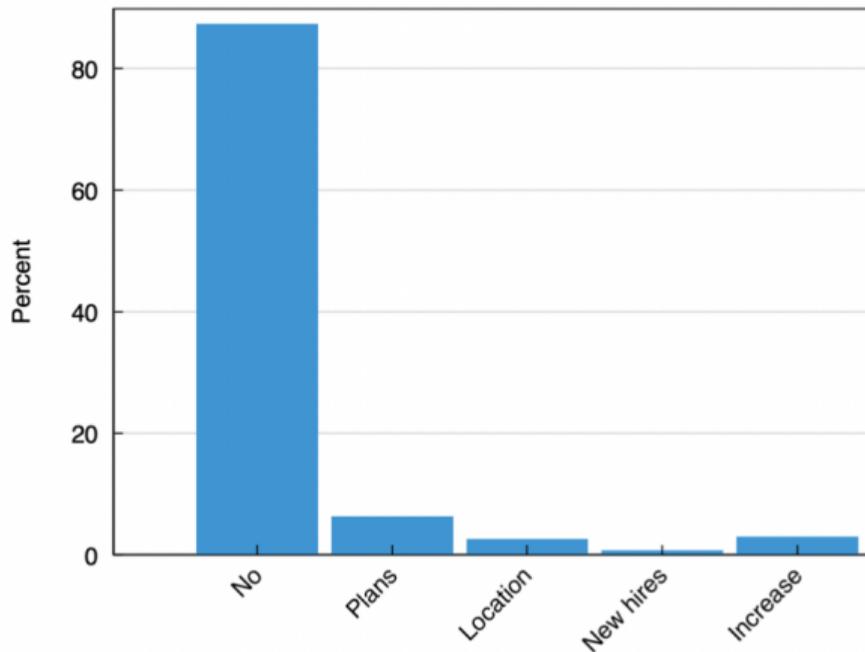


Zillow Is Abandoning The Antiquated Location-Based Pay System



Comment 1: Survey of HR Professionals within US

Figure: "Was pay adjusted for employees who transitioned to remote work during pandemic?"



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Comment 1: How do these results complement that evidence?

- Similar within-firm evidence of wage anchoring in Hjort, Li and Sarsons (2020)

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- Would be interesting to see if pattern holds within firms
 - ▶ If within-firm patterns look more uniform, suggests a different model of wage setting for remote work
 - ▶ If within-firm patterns look equally dispersed, could full-time and temporary workers be different?
 - ▶ Fairness norms may look very different across these two
 - ▶ Could explore using heterogeneity by length of contract or workers that are re-hired by the same employer

Comment 2: Understanding the model of the labor market

- In the conceptual framework, wage heterogeneity arises because of imperfect substitution

$$Y_{jt} = \left[\sum_c A_{jct}^{\frac{1}{\rho}} L_{jct}^{\frac{\rho-1}{\rho}} \right]^{\frac{\rho}{\rho-1}}$$

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- Key equilibrium equation

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- Remote work: workers with the same skills are close to perfect substitutes!
 - ▶ In this model, with $\rho = \infty$, wage differences from productivity (z_{ijt})

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- Why are workers in different locations imperfect substitutes?
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- Other explanations?
 1. Residual heterogeneity in skills / tasks
 2. Firm heterogeneity
 3. Fairness norms (real wage equality)

Conclusion

- Very exciting paper with novel data and extensive analysis!
- I'd be curious to see the patterns between and within firms
- I'm interested in thinking about the model of wage setting implied by these findings