

Referee report on "The Italian wage curve reloaded. Does occupation matter?"

The paper estimates the wage curve for different occupations in Italy from 1977 to 2008, finding that the elasticity of the wage with respect to unemployment is lower for blue collars and higher for executives.

The paper has a series of methodological, conceptual and linguistic shortcomings.

From a methodological point of view it does not deal in any way with the non-stationarity of the data used. From figures 1 and 2 it is clear that data are clearly non-stationary. This could potentially arise a problem of spurious regression also because the panel is rather long from (1977 to 2008) and this is exactly the condition under which spurious regression can arise in panel datasets (Baltagi, 2005).

Furthermore, there does not appear any test of the significance of the found differences in parameter estimates. This could be done by using poolability tests (again see Baltagi, 2005). From a conceptual point of view, the concept of wage and income are not kept distinct, so a wage curve for entrepreneurs and self-employed is estimated. However, these people clearly do not live on either a wage or a salary. A wage to exist requires an employment relationship. One could argue that part of the self-employed are actually employees as they work only for a firm, closely following the instructions of that firm. However, this should clearly spelled out in the paper and this kind of self-employed should be distinguished from true self-employed in the analysis.

The fact that the elasticity of unemployment is highest for executives looks surprising to me. Executives seldom are unemployed. This result should be better commented.

Furthermore, I find the distinction between North-West, North-East, Centre and South and Island too coarse in Italy. A NUTS-2 regional level would be more appropriate, especially regarding the South and Island: Abruzzi and Puglia are not like Campania or Sicily (see Bodo and Viesti, 1997, for instance).

I would not mix the Phillips curve and the Wage curve as done in section 2.1. The literatures concerning them are so large that the reader cannot but leave the section unsatisfied.

References

- Baltagi, B.H., 2003. *Econometric Analysis of Panel Data*, second ed. Wiley, Chichester.
Bodo Giorgio and Gianfranco Viesti (1997). *La grande svolta. Il Mezzogiorno nell'Italia degli anni Novanta*. Laterza, Bari.