

# SIZE-DEPENDENT POLICIES, INFORMALITY AND MISALLOCATION

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*discussion by*

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<sup>†</sup>The views expressed here are those of the authors and do not necessarily reflect those of the Board of Governors or the Federal Reserve System.

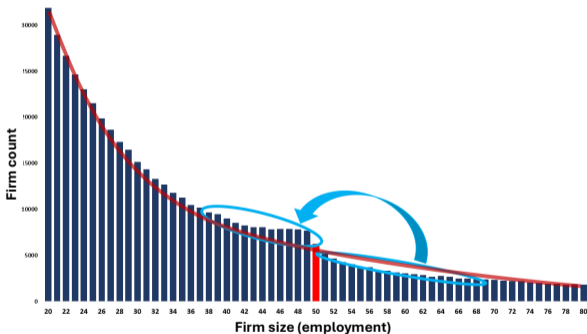
# Introduction

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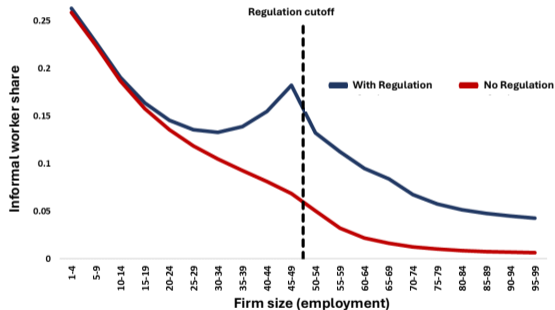
- ▶ An insightful analysis of size-dependent regulations in Peru
- ▶ A clear and straightforward application of Garricano et al. (2016) to Peruvian setting
- ▶ Data on non-salaried workers, evidence on firms' strategies to circumvent

# Size-dependent policies in Turkey

- ▶ Similar labor requirements above 50 employees
- ▶ Health and safety committee, employment quotas for certain employment groups, etc.



A) Firm size distribution



B) Share of informal workers by size

Source: Akcigit et al. (2024)

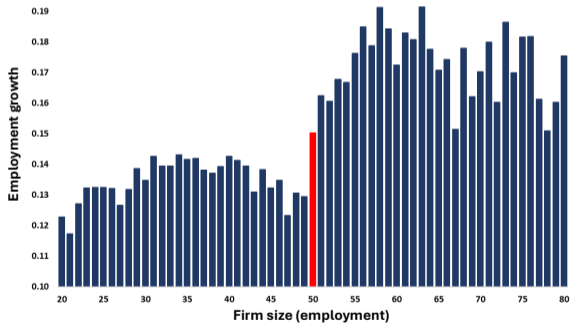
- ▶ An advantage of the Peruvian setting is the data on non-salaried workers!

## Profit sharing in the Peruvian setting

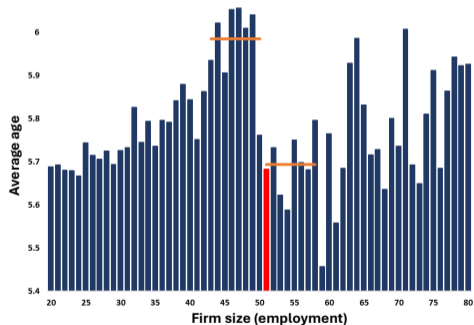
- ▶ Variation across industries
- ▶ Effects of profit sharing vs. labor requirements
- ▶ Profit gains of workers in the counterfactual experiments
- ▶ Goal of the policy? Alternative schemes (e.g., staggered increase)?

# Dynamic impact of size-dependent policies

- ▶ Distortions to incentives for investment, innovation, and growth
- ▶ Support for entry (lower wages) vs. benefit of remaining small
- ▶ Competitive pressure on large firms



A) Employment growth by size



B) Average firm age by size

Source: Akcigit et al. (2024)