

# DISCUSSION OF “THE COMMODITIZATION OF LABOR”

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# SUMMARY

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- Build a directed-search model with labor commoditization
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- Core mechanism: standardization strengthens firms' outside options via worker replaceability

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- Quantitative exercise: standardization targeting the rise in employment concentration
  - This corresponds to megafirms increasing standardization ( $s$ ) from 0.5 to 0.63
  - ↓ wage premia for megafirms (from 50% to 30% relative to small firms)
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- **Contribution:** a novel mechanism of “labor commoditization” & a unified framework for the rise of superstar firms/labor concentration and decline in large-firm wage premia/labor share
  - Contrasts with standard monopsony and superstar-firm models (where large firms must pay higher wages to expand)

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- Some comments:
  - ① Modeling assumptions
  - ② Direct Evidence on Standardization
  - ③ Welfare and Policy Implications

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  - Firm can replace worker while keeping the job intact, creating firm outside options
  - In the appendix, the effect disappears w/ imperfectly durable jobs
- No ex-post match dynamics
  - No endogenous separations, on-the-job search/retention, training, etc.
  - Standardization makes easier replacement of workers but it may also increase turnover/separation risk
  - This potentially creates a richer tradeoff b/w ↓ hiring frictions & ↓ long-term workforce stability

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  - Standardization makes easier replacement of workers but it may also increase turnover/separation risk
  - This potentially creates a richer tradeoff b/w ↓ hiring frictions & ↓ long-term workforce stability
- In practice, replacement may still be costly, which can attenuate the effect
  - Would be useful to provide evidence on labor market dynamics supporting these assumptions (e.g., Do more standardized firms exhibit higher worker turnover and shorter tenure/job duration? Do they fill vacancies faster with shorter vacancy durations?)

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(e.g., better amenities (Lamadon et al., 2022; Sockin, 2022), advanced monitoring technology, etc.)
- Could explore additional evidence to connect the mechanism more directly to the data
  - Has standardization increased over time, especially among large firms?
  - Is the decline in the large-firm wage premium more pronounced for low-skill or routinized workers?
  - Industry- or firm-level variation in standardization could be linked directly to the main evidence  
(e.g., O\*NET task measures with BLS OEWS shares; routine task intensity measures in Autor et al. (2003))
  - Wage markdowns could be estimated and related directly to measures of standardization (how do markdowns evolve over time? are they rising more in industries/firms with greater standardization?)

# WELFARE AND POLICY IMPLICATIONS

- Open welfare question: is labor commoditization welfare-enhancing or not?
  - Standardization improves scalability and lowers hiring frictions
  - But it also increases worker substitutability and wage markdowns
  - (extension) It may also hamper worker human capital accumulation and career trajectory
- Should policy encourage or limit standardization?

# CONCLUSION

- Very exciting and insightful paper. Highly recommend reading it!
- Some suggestions for the paper:
  - Discussion and empirical support for key assumptions would be helpful
  - Tighten the connection between the data and the model through the standardization channel
  - Further draw out welfare and policy implications
- Looking forward to future iterations & follow-up work!

## REFERENCES

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