



## Motivation “Carlo Dell’Aringa” Prize 2024

### ***“Collective Bargaining Networks, Rent-sharing, and the Propagation of Shocks”***

**Santiago Hermo**

The Committee of the 2024 Carlo Dell’Aringa Prize for young labour economists has unanimously decided to award the prize to Santiago Hermo (University of Oslo) for his paper, “Collective Bargaining Networks, Rent-sharing, and the Propagation of Shocks”.

Santiago's paper explores the role of collective bargaining in shaping the impact of economic shocks on workers and firms. Leveraging novel administrative data from Argentina and changes in global import demand changes between 2009 and 2013, the study analyzes how shocks to firms and bargaining units propagate through collective bargaining networks.

The findings show that a shock equivalent to a 10% increase in firm revenue results in a 1.2% wage increase, while a shock equivalent to 10% rise in the average contractual bargaining revenue leads to a 4.2% wage increase. After a bargaining shock, wage floors rise proportionally to paid wages, indicating that economic shocks extend to firms and workers not directly impacted. Using a structural model, the paper identifies a hump-shaped relationship between shock propagation and bargaining centralization, showing that wage responsiveness to local shocks is lower with intermediate levels of centralization.

This paper makes a significant contribution to the literature by providing the first direct evidence that wages at one firm are affected by shocks to other firms in the same bargaining unit. It underscores the crucial role of labor market institutions in mediating trade shock effects.

The Prize Committee (composed by the members of the Programme Committee of AIEL 2024) awarded Santiago's paper for its high-quality and novel data, rigorous empirical analysis, and the relevance of its results in understanding how contractual bargaining mediates the effects of economic shocks.