Closing the Revolving Door

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Summary

- **Research Question**: How do revolving door policies affect incentives of government employees before they leave their government position?
  - What happens when the revolving door is partially closed?

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  - Do they impose lower regulatory burden? Yes

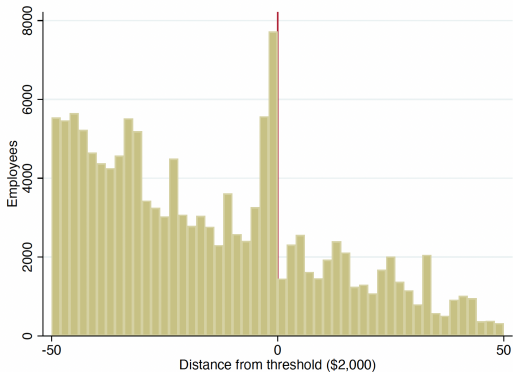# Key result: deliberate effort to avoid restrictions
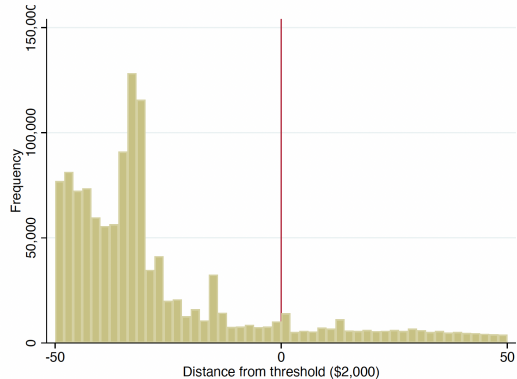
Panel A. Revolving agencies
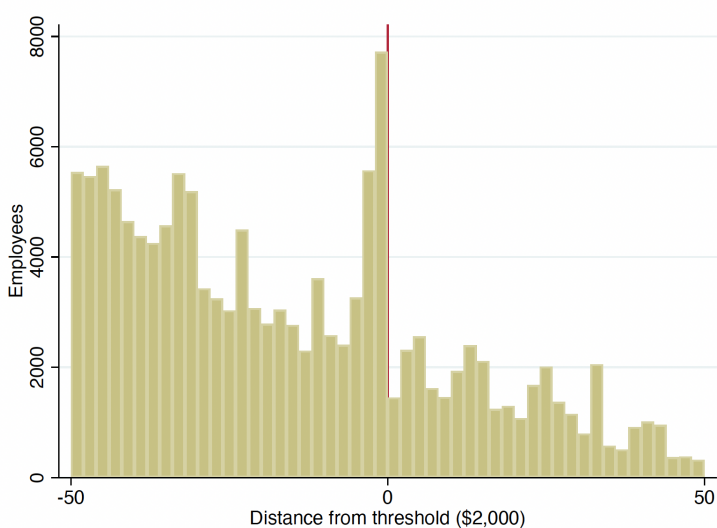
Comments

▶ Contribution: **ex ante** effects of revolving door policies

▶ Massive data effort + structural model to study alternate policies

▶ My comments will focus on
  ▶ Interpretation of results
  ▶ Sharpen the empirical analysis

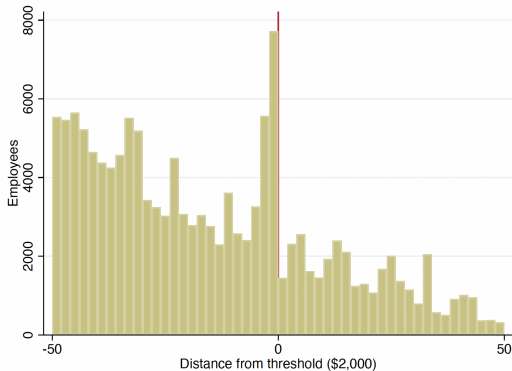# Is bunching strategic?

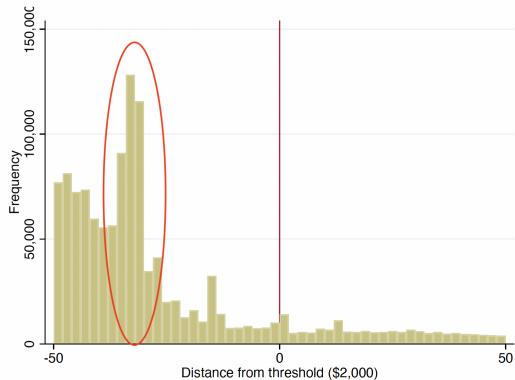Panel A. Revolving agencies   Panel B. Indifferent agencies

Is bunching strategic?

Panel A. Revolving agencies   Panel B. Indifferent agencies

Is bunching strategic?

- What explains bunching at other thresholds?

- Promotion pyramid? Too few senior positions chased by too many employees? How does the job ladder look like?

- Evidence on strategic motive:
  - Higher exit rate of bunching employees
  - Lower promotion rate and lower annual pay raise

- Alternative story: discouraged workers or bad apples leaving the government

- Suggestion: more details on who bunches
  - Average duration of bunching: lower for strategic bunching
  - Average productivity of employees who bunch: higher for strategic bunching

Incentive vs ability to bunch

► Employees bunch by passing on promotions and giving up annual pay raises

► Could the differential bunching across agencies reflect differential ability to manipulate wages?

► Need more details on employment terms and career progression

Incentive vs ability to bunch

2023 Executive Schedule (ES)

2023	2022	2021	2020		Older Years ∨

ES Level	Education Level	Salary
ES Level 5	Ph.D.	$172,100
ES Level 4	Ph.D.	$183,500
ES Level 3	Ph.D.	$195,000
ES Level 2	Ph.D.	$212,100
ES Level 1	Ph.D.	$235,600

Salary threshold: 86.5% of 212,100 = $183,466

Incentive vs ability to bunch

GS Grade	Step 1	Step 2	Step 3	Step 4	Step 5	Step 6	Step 7	Step 8	Step 9	Step 10
GS-1	$20,999	$21,704	$22,401	$23,097	$23,794	$24,202	$24,893	$25,589	$25,617	$26,273
GS-2	$23,612	$24,174	$24,956	$25,617	$25,906	$26,668	$27,430	$28,192	$28,954	$29,716
GS-3	$25,764	$26,623	$27,482	$28,341	$29,200	$30,059	$30,918	$31,777	$32,636	$33,495
GS-4	$28,921	$29,885	$30,849	$31,813	$32,777	$33,741	$34,705	$35,669	$36,633	$37,597
GS-5	$32,357	$33,436	$34,515	$35,594	$36,673	$37,752	$38,831	$39,910	$40,989	$42,068
GS-6	$36,070	$37,272	$38,474	$39,676	$40,878	$42,080	$43,282	$44,484	$45,686	$46,888
GS-7	$40,082	$41,418	$42,754	$44,090	$45,426	$46,762	$48,098	$49,434	$50,770	$52,106
GS-8	$44,389	$45,869	$47,349	$48,829	$50,309	$51,789	$53,269	$54,749	$56,229	$57,709
GS-9	$49,028	$50,662	$52,296	$53,930	$55,564	$57,198	$58,832	$60,466	$62,100	$63,734
GS-10	$53,990	$55,790	$57,590	$59,390	$61,190	$62,990	$64,790	$66,590	$68,390	$70,190
GS-11	$59,319	$61,296	$63,273	$65,250	$67,227	$69,204	$71,181	$73,158	$75,135	$77,112
GS-12	$71,099	$73,469	$75,839	$78,209	$80,579	$82,949	$85,319	$87,689	$90,059	$92,429
GS-13	$84,546	$87,364	$90,182	$93,000	$95,818	$98,636	$101,454	$104,272	$107,090	$109,908
GS-14	$99,908	$103,238	$106,568	$109,898	$113,228	$116,558	$119,888	$123,218	$126,548	$129,878
GS-15	$117,518	$121,435	$125,352	$129,269	$133,186	$137,103	$141,020	$144,937	$148,854	$152,771

Incentive vs ability to bunch

- Employees bunch by passing on promotions and giving up annual pay raises

- Could the differential bunching across agencies reflect differential ability to manipulate wages?

- <u>Suggestion</u>: Provide more details on employment contracts
  - What happens when employees decline a promotion?
  - How frequently can employees say no to promotions?
  - Is there a limit on number of years for which employees can remain in their current position?
  - Are these restrictions different across agencies?
  - How do employees refuse annual pay increases? Such clauses embedded in the initial contract

Other suggestions to strengthen causality

► Exploit difference in incentive to move at different points in time: worker flows from regulatory agencies to private sector higher during booms (Lucca, Seru, Trebbi, 2014)

► Exploit employee-level data to predict private sector wage potential and incentive to bunch:
  ► Prior private sector experience
  ► Education level

Conclusion

▶ Interesting paper and answers an important question

▶ More details on the bunching process would be useful to better understand results

▶ Use of granular employee-level data can help strengthen identification