General Discussion*

In their response to John Knowles, the authors said that to better understand and explore the forecast error issue, they would like to extend the data set prior to 1978. They acknowledged, however, that there would probably be difficulties in obtaining such data.

Participants also raised some issues regarding the nature of the data set. Specifically, Cédric Tille expressed concern about the exclusion of firms with less than 500 employees, who typically have contracts of shorter duration. Citing recent exchange rate pass-through literature, Tille also inquired if the data reflected a change in the sectoral "basket" towards sectors with longer contracts. Lawrence Schembri asked whether international data showed any increases in contract duration. He suggested that the data set be expanded to include the public sector.

The treatment of COLA[1] clauses was addressed by participants. Angelo Melino suggested that instead of a binary choice, COLA clauses should be measured as the degree of indexation within a contract. Gregor Smith suggested that an examination of the possible feedback between COLA clauses and contract duration might be necessary. Allen Head asked whether there was a link between contract duration and residual wage dispersion.

Michael Devereux warned against claiming welfare benefits stemming from longer contract duration in a world of sticky prices and improved monetary policy.

1. COLA: cost of living allowance.

* Prepared by Bill Laur and David Tulk.

Bob Fay and Sébastien Lavoie thanked the participants for their suggestions. They went on to point out that not only has there been little compositional change in the sectors over time, but the dynamics between small and large firms with respect to contract duration are very similar, and spillover effects are minimal. They noted, as well, that data from the United States show an increase in contract duration but not to the same extent as in Canada.