

Negotiating with Labor under Financial Distress

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We analyze how firms renegotiate labor contracts to extract concessions from labor. While anecdotal evidence suggests that firms tend to renegotiate wages downward in times of financial distress, there is no empirical evidence that documents such renegotiation, its determinants, and its magnitude. This article attempts to fill this gap. Using a unique data set of airlines, which includes detailed information on wages and pension plans, we document an empirical link between airline financial distress, pension underfunding, and wage concessions. (JEL G23, G33, J31, J33, L93)

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