

Exam
International Labor Markets (Summer 2023)
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Choose **either** question Q.1 **or** question Q.2.

Q.1 Table 2 and Table 4 can be found in Olney (2013). Interpret the key results and put them into broader perspective.

Table 2
Impact of employment protection on foreign affiliate sales by destination (OLS).

	Total sales (1)	Local sales (2)	Foreign sales (3)	U.S. sales (4)
Employment protection $t-1$	-0.217*** [0.054]	-0.192*** [0.049]	-0.219* [0.120]	-0.802*** [0.217]
GDP $t-1$	1.681*** [0.136]	1.974*** [0.146]	0.104 [0.329]	0.968 [0.708]
Population $t-1$	-0.045 [0.483]	-0.309 [0.514]	2.941*** [1.003]	1.839 [1.785]
Trade costs $t-1$	-0.613*** [0.121]	-0.327*** [0.128]	-1.852*** [0.252]	-2.021*** [0.448]
Skill $t-1$	-0.746*** [0.129]	-0.516*** [0.119]	-1.568*** [0.314]	-2.168*** [0.613]
Tax rate $t-1$	-0.106* [0.055]	-0.084* [0.050]	-0.078 [0.128]	-0.428* [0.244]
Investment costs $t-1$	-0.289* [0.164]	-0.285* [0.166]	-1.573*** [0.552]	-3.339*** [1.083]
Wages $t-1$	0.127*** [0.045]	0.200*** [0.043]	0.039 [0.117]	-0.576** [0.227]
NAFTA $t-1$	-0.028 [0.058]	-0.016 [0.065]	-0.065 [0.135]	-0.097 [0.186]
EU $t-1$	0.192*** [0.040]	0.080** [0.032]	0.577*** [0.107]	0.690*** [0.248]
Country FE	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes
Observations	485	467	477	459
R-squared	0.991	0.991	0.967	0.93

Robust standard errors in brackets. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$. All variables, except the NAFTA and EU dummies, are in natural logs. The dependent variable is U.S. foreign affiliate sales. 'Total sales' are affiliate sales to all locations, 'Local sales' are affiliate sales within the host country, 'Foreign sales' are affiliate sales to other foreign countries not including the U.S. or the host country, and 'U.S. sales' are affiliate sales back to the U.S.

Table 4
Impact of competitor employment protection on host employment protection (OLS).

	Unweighted average (1)	Distance weighted (2)	Sales weighted (3)
Competitor EP $t-1$	1.835*** [0.195]	1.123*** [0.125]	1.057*** [0.203]
GDP $t-1$	0.313*** [0.078]	0.228*** [0.076]	0.295*** [0.084]
Population $t-1$	1.944*** [0.308]	1.790*** [0.298]	1.348*** [0.294]
Trade costs $t-1$	-0.081 [0.071]	-0.039 [0.069]	0.036 [0.073]
Skill $t-1$	-0.434*** [0.089]	-0.448*** [0.085]	-0.577*** [0.095]
Tax rate $t-1$	0.289*** [0.042]	0.257*** [0.041]	0.277*** [0.046]
Investment costs $t-1$	0.008 [0.120]	-0.016 [0.120]	0.013 [0.127]
Wages $t-1$	-0.075** [0.031]	-0.064** [0.031]	-0.055* [0.032]
NAFTA $t-1$	-0.069** [0.030]	-0.102*** [0.030]	-0.040 [0.031]
EU $t-1$	0.026 [0.023]	0.049** [0.024]	0.013 [0.024]
Ideology $t-1$	0.059** [0.023]	0.052** [0.023]	0.030 [0.024]
Union $t-1$	-0.419*** [2.950]	-0.392*** [2.745]	-0.395*** [2.718]
Country FE	Yes	Yes	Yes
Decade FE	Yes	Yes	Yes
Observations	489	489	489
R-squared	0.962	0.962	0.959

Robust standard errors in brackets. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$. All variables are in natural logs. The dependent variable is employment protection in the host country. The competitor's employment protection variable is the average of employment protection in other foreign countries, which is calculated as an unweighted average, a weighted average using the inverse of distance, and a weighted average using affiliate sales.

Q.2 Figure 7 and Table 1 can be found in Van Reenen (2011). Interpret the key results and put them into broader perspective.

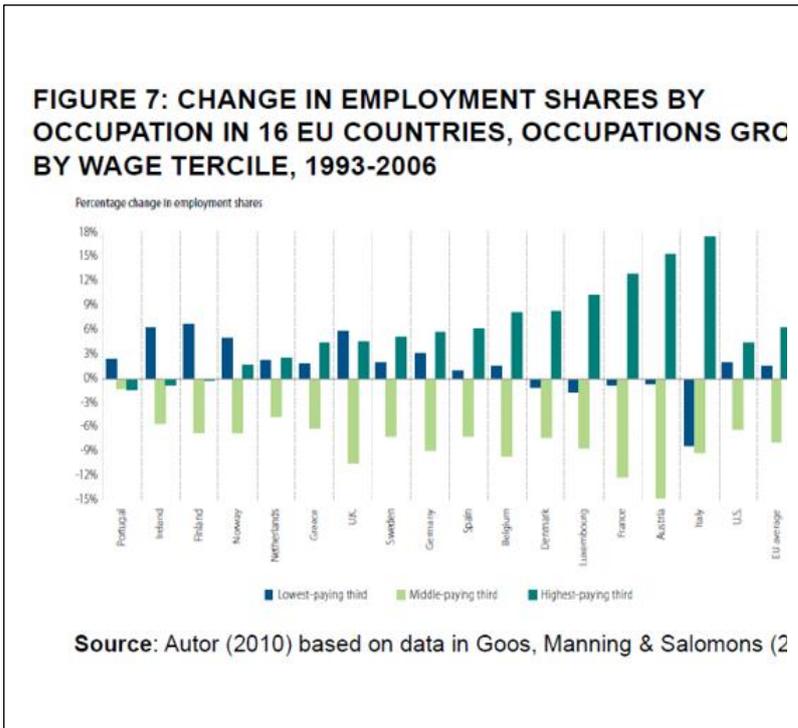


Table 1
Growth of wage bill shares, 1980-2004.
Source: Michaels, Natraj and Van Reenen (2010).

A. Dependent variable: Δ College wage bill share		
Δ ((ICT capital)/(value added))	46.92 (14.94)	73.59 (31.41)
Δ ((Imports + Export)/(value added))		0.71 (0.25)
Research and Development/ value added in 1980		0.11 (0.25) 28.04 (17.59)
B. Dependent variable: Δ Medium-skilled wage bill share		
Δ ((ICT capital)/(value added))	-64.52 (20.24)	-269.46 (69.36)
Δ ((Import + Exports)/(value added))		-1.81 (0.91)
Research and Development/value added in 1980		-0.49 (0.52) -33.51 (19.24)
C. Dependent variable: Δ Low-skilled wage bill share		
Δ ((ICT capital)/(value added))	17.71 (16.41)	196.08 (66.26)
Δ ((Imports + Exports)/(value added))		0.59 (0.74)
Research and Development/value added in 1980		0.38 (0.61) 5.45 (20.15)
Observations	208	84 65

Note: Industry by country panel; estimated by OLS in long differences (robust standard errors), controls: 11 country dummies, growth in \ln (non-ICT capital/value added) and \ln (value added). Column (1) has all industries, column (2) is on traded sector (where trade data exists) and column (3) drop Austria and Spain (no R&D data).