

# Dream Jobs in a Globalized Economy: Wage Dynamics and International Experience

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4th GEP/CEPR Summer Trade Workshop

- Research question: How does having a job in internationally active firms affect workers lifetime wage income profile?
- Data
  - Portuguese linked employer-employee data (Quadros de Pessoal)
    - annual census of all firms in Portugal with  $\geq 1$  worker
    - 350k firms/3mil employees per year, 1991-2006
    - data includes workers age, education, occupation, job tenure, earnings, and hours worked
  - Export and import transactions (Statistics Portugal)
    - internationally active firm: exporter and/or importer and/or foreign owned firm
- Method: mincerian regression for log hourly wage
  - managers vs blue-collar workers
  - control for overall past experience in international active/inactive firms
  - two-way fixed effect (Abowd et al 99)

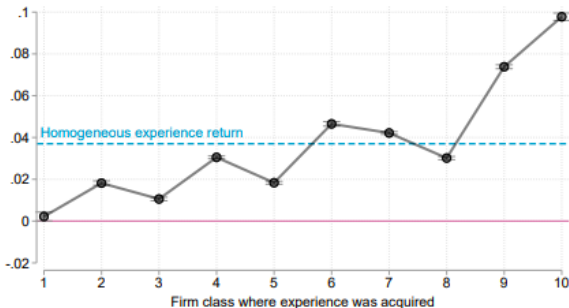
## Findings

- Steeper experience-wage profile in internationally active firms compared to other firms
  - especially for managers as opposed to blue-collar workers.
- Higher lifetime wage income relies on:
  - stronger accumulation of experience that international firms allow for
  - portability of the accumulated dynamic wage gains to other firms
- Differences between jobs in internationally active and inactive firms explain:
  - cross-sectional differences in wages among workers
  - spatial differences in average wages across regions

## Better learning opportunities VS international activity

- Arellano-Bover and Saltiel (2022) document higher return to experience acquired at firms with better learning opportunities

(a) Rio de Janeiro, 1994–2010.



- What is the variation captured by international firm status (active/inactive) that cannot be captured by firm fixed effects?

## Human capital portability

- If differences in returns to experience between I.A. and I.I. firms were associated with differences in human capital accumulation, the former should be more valuable in I.A. firms
  - skills learned in I.A. firms are more likely to be useful and used in I.A. firms
  - no evidence of portability of past experience in I.A. firms to current I.A. firms (Equation 1, Table 6, column 5 - Table 8, column 3)
- Is experience acquired in I.A. firms
  - general?
    - unlikely given the results on blue-collar workers
  - associated with specific sets of tasks?
    - is there evidence that past experiences at I.A. firms lead to subsequent jobs featuring a specific task content (i.e. non-routine cognitive)?
  - associated with specific international markets?

## Time-varying unobserved heterogeneity

- Main specification extended to include:
  - match specific fixed effect (Equation 7)
  - individual FE and individual time trend (Equation 8)
- Time-varying match specific quality not addressed
  - Altonji and Shakotko 87, Topel 91, Kambourov and Manovski 09
- Possible correlation of experience with respect to unobserved time-varying component of errors
  - workers with higher experience had time to locate themselves in a better match and receive higher wages
  - worker in a good occupational match is more likely to be receiving high wages and to accumulate experience

## Involuntarily displaced workers

- Main specification estimated over a sample of involuntarily displaced workers (mass-layoff) in their first re-employment job
  - firm seniority is exogenously set to zero
  - clear dissociation between the firms where experience was acquired in the past and the firm where experience is valued
- Workers and firms FE are estimated using full sample and included as simple covariates
- Why? You can still estimate firms FE in the restricted sample
- Do you control for time to re-entry?
  - ideally you would like to compare workers who took a similar amount of time to find a new job

## Other comments

- Firms FE are estimated using samples of only managers (or blue-collar workers), and not full sample of workers.
  - what are these FE capturing?
- Compensating differential: do workers trade-off lower initial wages for steeper wage growth in international firms?
  - some results could suggest it (Table 7, column 3, regression with heterogeneous returns on experience and job mobility)
  - not clear how including a dummy variable indicating for manager younger than 25y.o. alleviate concerns
- Differences in bargaining position of managers in internationally active firms and wage patterns driven by on-the-job-search
  - you control for level of wages at  $t - 1$ . Endogeneity concern?
- Not clear how firm-specific experience is constructed.
  - Do you observe workers since they enter in the labor market? How is it entry in the labor market defined?