

When Do Workers Align with Their Employers? : The micro-foundation of firm-based trade opinion



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Literature on Trade Opinion

- **Distributional consequence of free trade on wages and job Security:**
 - Stolper-Samuelson: Rogowski (1989); Scheve & Slaughter (2000), Mayda & Rodrik (2005) etc.
 - Ricardo-Viner: Irwin (1996); Irwin & Kroszner (1999); Busch & Reinhardt (2000)
 - Occupation: Owen 2017; Owen and Johnston 2017; Rommel and Walter 2018; Walter 2017.
 - Firm: Lee and Liou (2022)

Firm-based Individual Trade Opinion

Where You Work Is Where You Stand: A Firm-Based Framework for Understanding Trade Opinion

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Abstract What determines public support for trade liberalization? Scholars of international political economy have generally focused on the effects of openness on employment via individuals' skill level, sector, or occupation. Recent developments in trade economics suggest that the characteristics of individual citizens' employing firms may also shape their attitudes on trade policy. In this paper, using under-exploited survey data combining trade opinion with measures of employer productivity (from the 2008 Japanese General Social Survey), we present evidence that employees of more productive, more globalized firms are much more supportive of trade openness than employees of less productive, domestically oriented firms, even when accounting for skill level and sectoral and occupational characteristics. Moreover, we find evidence that the effects of these characteristics described in the literature are conditioned by globalized firm employment. Last, we find that the effect of globalized firm employment is conditioned by employees' relative position within their firms. Those who are more likely to benefit directly from firm success—such as permanent employees and managers—hold the most pro-trade preferences. These findings suggest that economic interests affect individual policy preferences in more nuanced ways than previously recognized.

What determines trade opinion? Prominent theories point to labor market dynamics, predicting variation in individuals' preferences according to the distributional consequences of openness for their wages or job security. Stolper-Samuelson/Heckscher-Ohlin models argue that trade preferences vary by factor endowments, while Ricardo-Viner models predict variation along industry lines. Task-based models suggest that the relative competitiveness of occupational categories can shape individual trade preferences. Other scholars have highlighted the role of

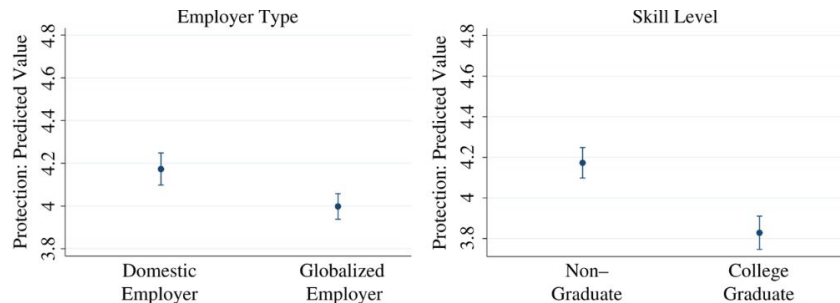
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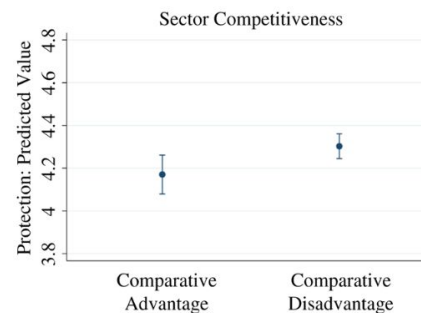
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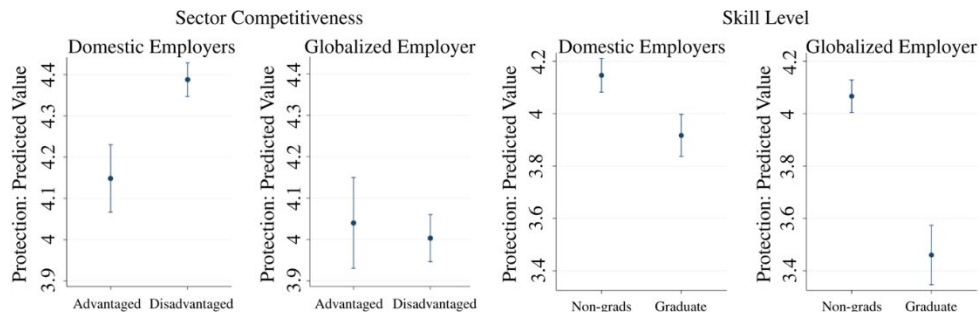
(a) Employer type (industry FE)

(b) Skill level (industry FE)



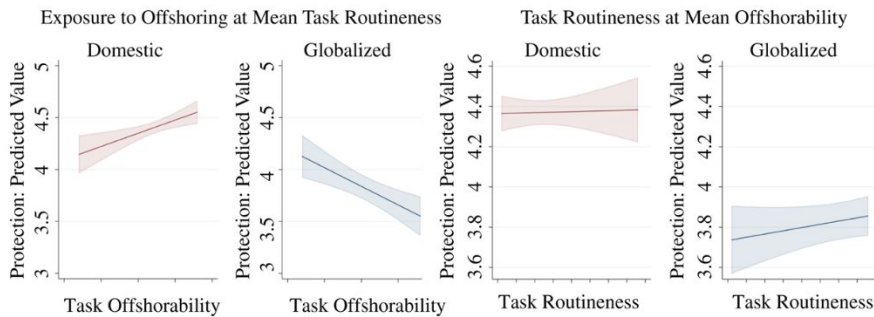
(c) Sector

Firm-based Individual Trade Opinion



(a) Sector competitiveness

(b) Skill level (industry FE)



(c) Task offshorability (industry FE)

(d) Task routineness (industry FE)

Potential Limitations:

- Non-random assignment of firms and associated benefits
- Competitive Individuals may select into globalized firms
- Not able to control for unobservables
- Does not allow test of mechanism

This Study: Survey Experiment Pilot Study

Three Objectives:

- *Casually* test : **firm preference** → **individual preference**

H1. Employees of companies that benefit from trade openness are more likely to support trade liberalization

- *Testing Mechanism:*
 - Employees of productive firms receive higher wages due to profit sharing (Helpman, Itskhoki, and Redding 2008)
 - National and industry-level profit-sharing institution makes individuals align better with their employers' trade preferences (Dean 2016)
 -

firm preference → **firm-level profit/cost sharing institution** → **individual preference**

H2. Employees are more likely to be aligned with firm preference if there is a profit/cost-sharing mechanism in place.

This Study: Survey Experiment Pilot Study

- Understanding gender imbalance in trade opinion
 - “Why are women more protectionist compared to men ?”

Literature: Women are more sensitive to economic volatility (Guisinger2016, Guisinger2017, Brutger and Guisinger 2021); women managers score lower in self-reported work productivity and contribution (Ling et al 2020))

Argument: Females expect to be affected more by firm loss through cost-sharing mechanism & expect to be affected less by firm success through profit-sharing mechanism

H3. Female employees are more likely to be affected by cost-sharing institutions (and less likely to be affected by profit-sharing institutions) because they expect to lose more from firm loss

This Study: Survey Experiment Pilot Study

Method:

Random sample of 700 individuals in Korea (Mbrain Korea)

- Requirements:
 - Working for Firm
 - Support for Trade > 5
 - Balanced in Gender

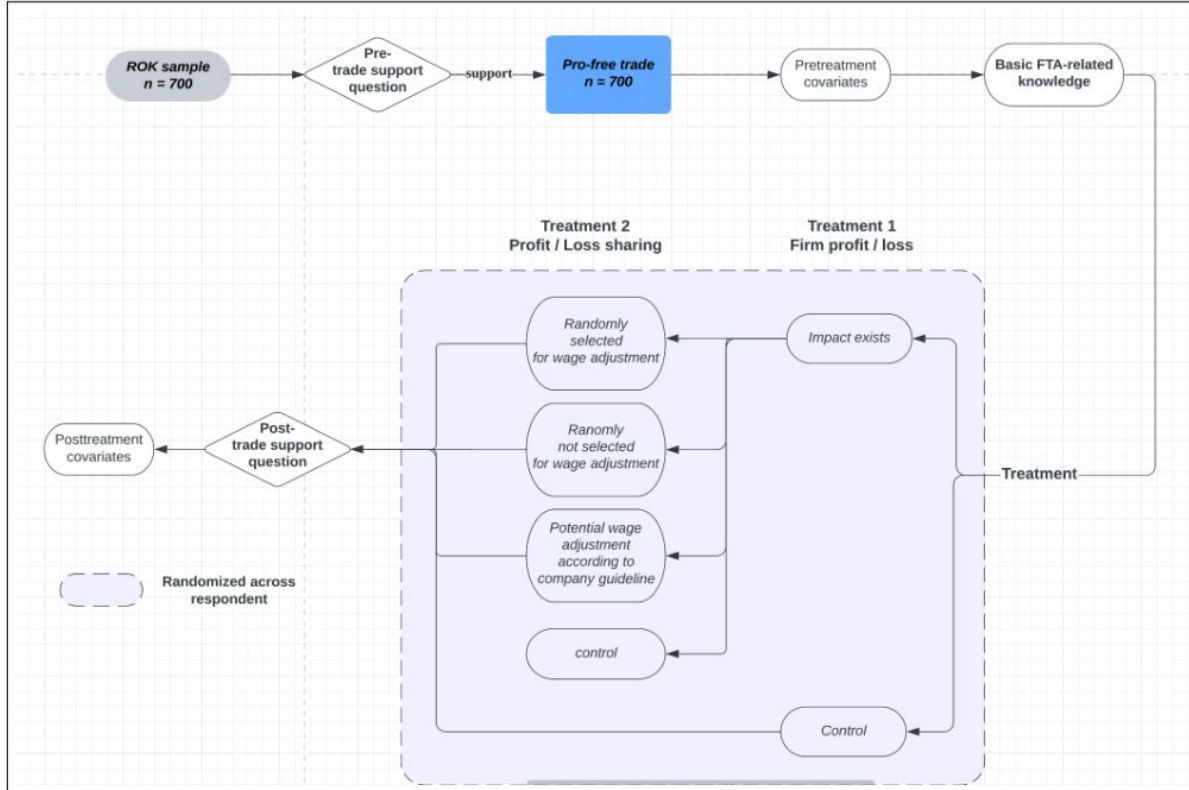
Design: Parallel Encouragement Design (Imai et al)

- Imperfectly manipulates mediator to test for mechanism

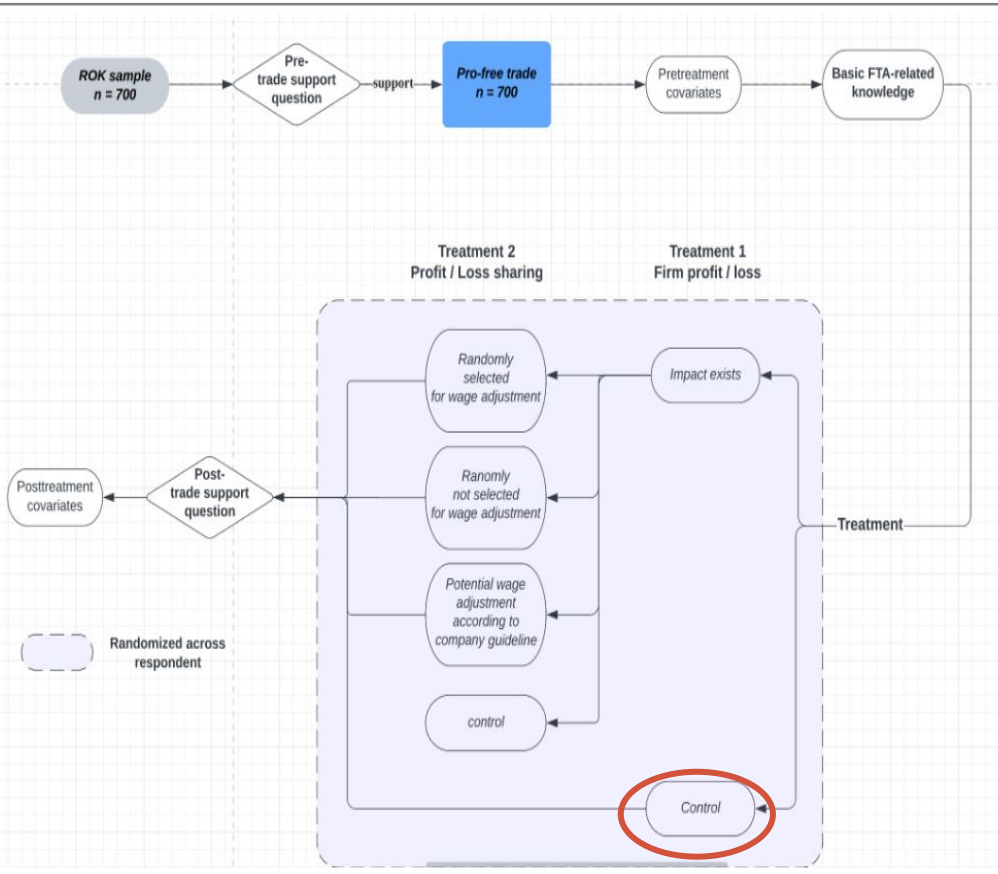
Table 3. Breakdown by Treatments				
Results from the Pilot Survey				
Impact Exists				
T1. Firm Loss + Random Wage Adjustment	T2. Firm Loss + Random Wage Non-Adjustment	T3. Firm Loss + Potential Adjustment by Firm	T4. Firm Loss Only	Control
132	131	131	131	175

Source: Original Dataset Collected by Embrain

Design



Control Treatment (Firm Profit Unaffected)



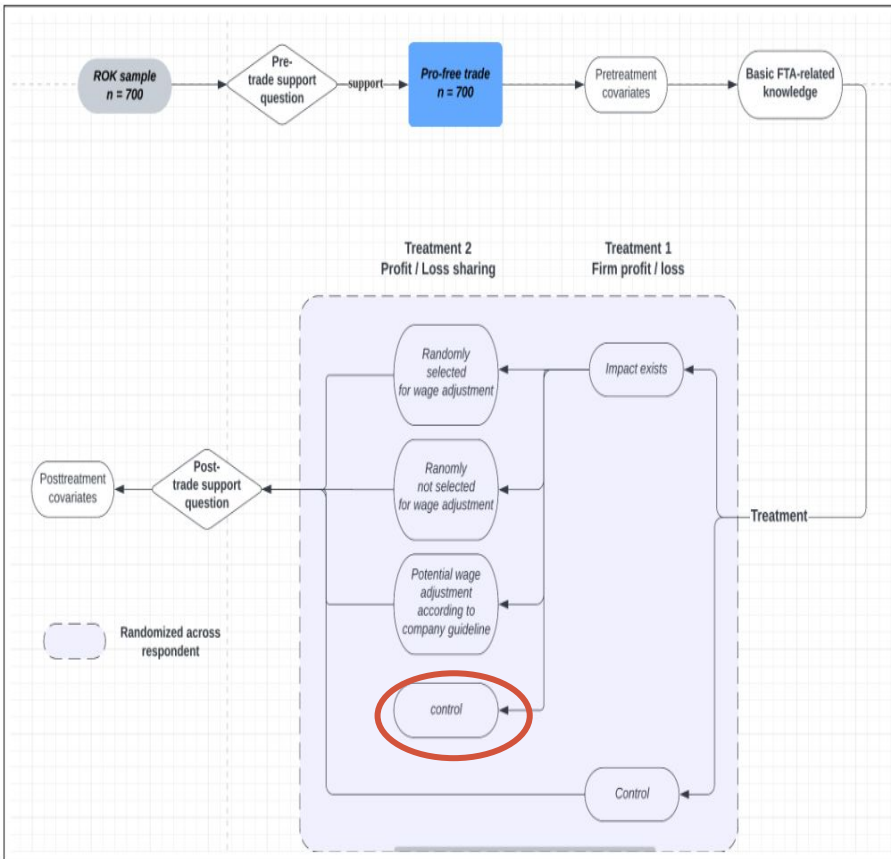
Starting with the South Korea-Chile FTA in 2004, South Korea has signed 16 FTAs with 56 countries, as of June 2020.

According to the Korea Institution for International Economic Policy, FTAs can lead to economic growth and innovation through increased trade and investment. But FTAs may sometimes result in negative outcomes. For example, FTAs can worsen inequality as relatively uncompetitive workers, industries, and companies may lose economically due to greater competition.

FTA policies involve not only tariff reduction but also instruments such as non-tariff barrier reduction, service, digital trade, and intellectual property. Many countries are increasingly adding clauses on investment protection and liberalization..

The Korean government is currently negotiating a Free Trade Agreement (FTA) with Country A. **The deal will not impact your company and the revenue of your company will remain unchanged.**

Firm Loss Treatment



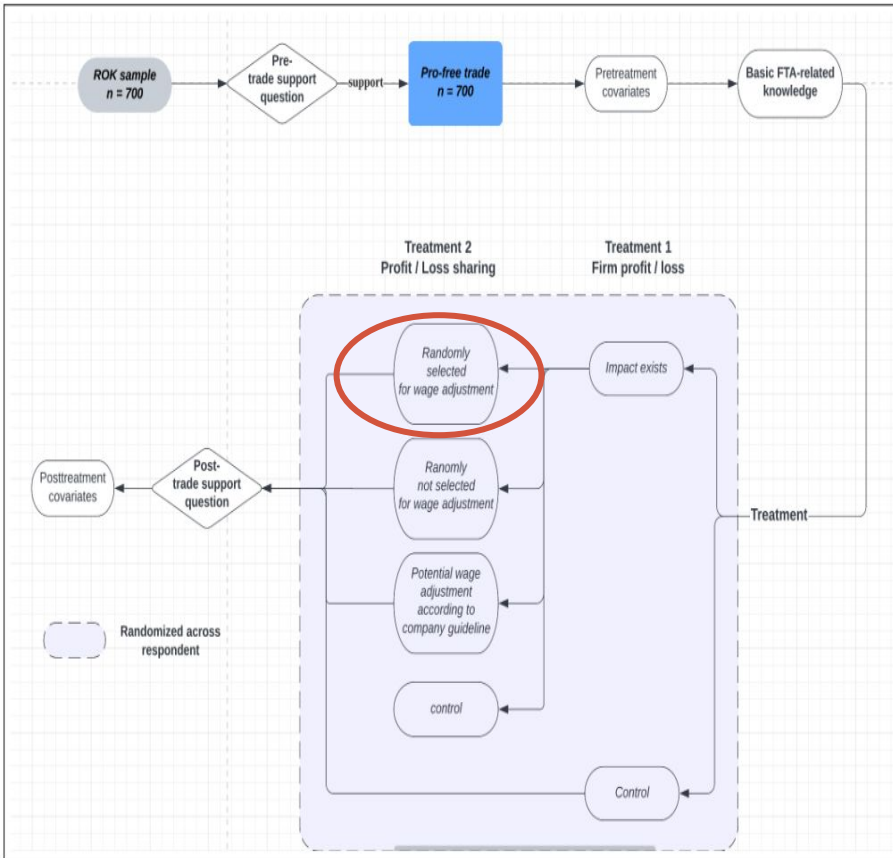
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The Korean government is currently negotiating a Free Trade Agreement (FTA) with Country A. **The government has randomly selected a group of firms to become a part of the official business delegation to Country A. Because your firm has not been selected as one of them, your firm will not receive any investment from Country A. This means that if the FTA deal goes through, the company's profit will decrease relative to your firm's competitors who will receive investment. Your company's profits won't change if the FTA is not signed.**

Cost-sharing Treatment: Fair adjustment



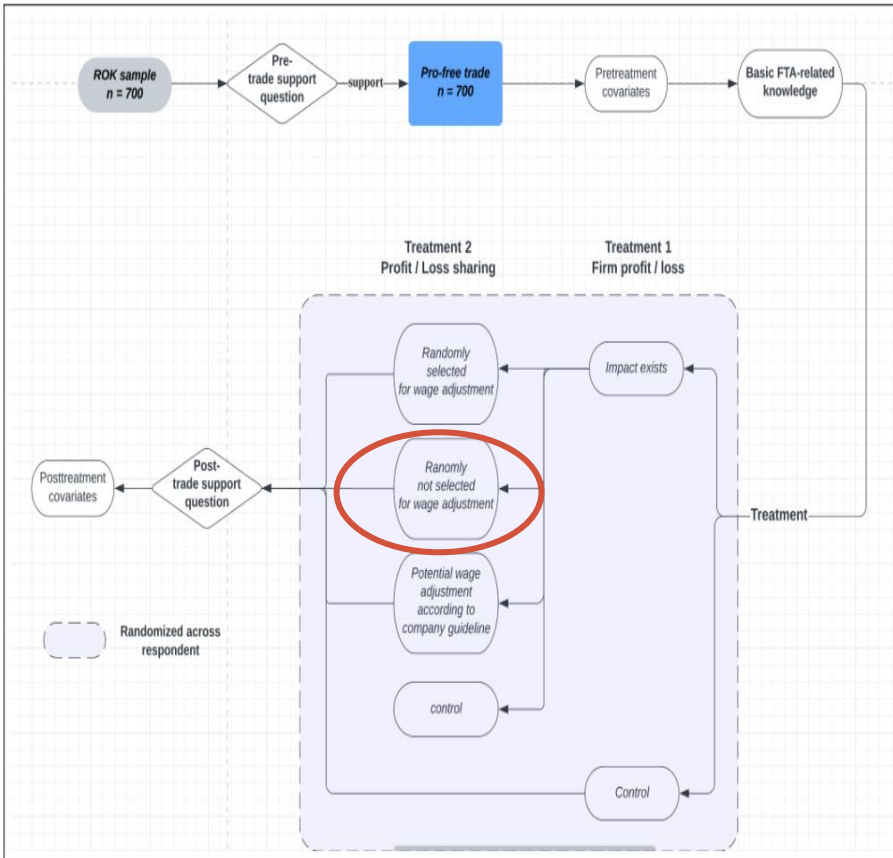
FTA Knowledge text +

The government has randomly selected a group of firms to become a part of the official business delegation to Country A. Because your firm has not been selected as one of them, your firm will not receive any investment from Country A. This means that if the FTA deal goes through, the company's profit will decrease relative to your firm's competitors who will receive investment. Your company's profits won't change if the FTA is not signed.

If the FTA deal goes through, your company will randomly select a few employees for salary reduction to cope with losses associated with the FTA.

You have been selected as one of the employees for the wage cut, and your salary is expected to decrease if the FTA is signed. Everyone selected will experience similar pay cuts.

Cost-sharing Treatment: no-adjustment



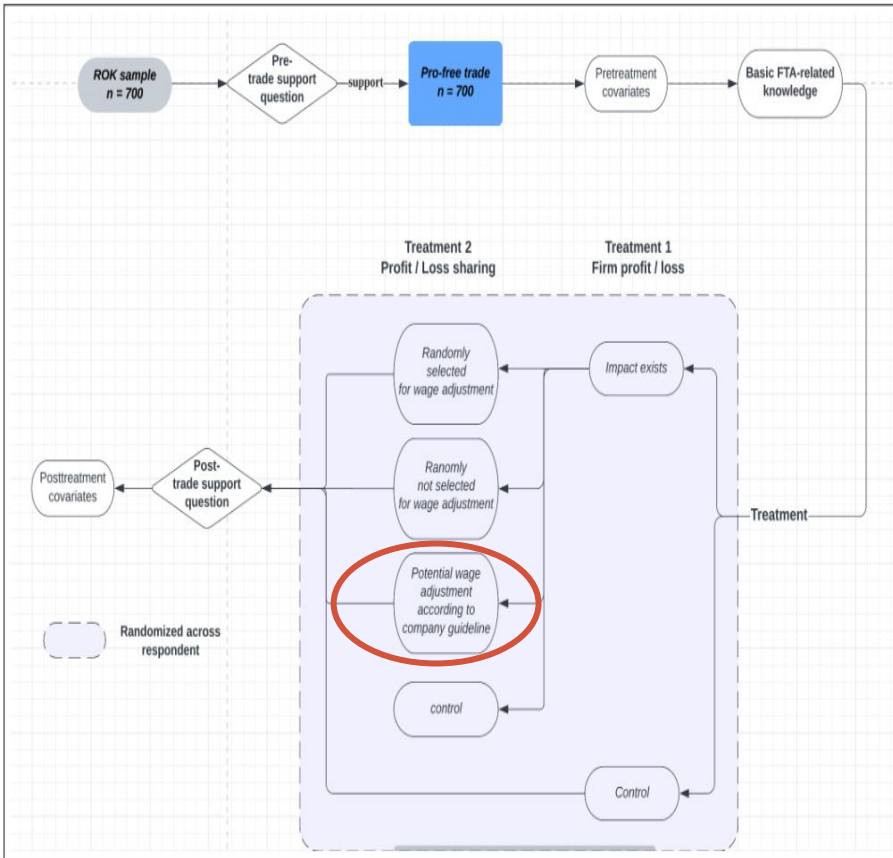
FTA Knowledge text +

The government is currently negotiating a Free Trade Agreement (FTA) with Country A. The government has randomly selected firms to become part of the official business delegation to Country A and your firm has not been selected as one of them. As a result, your firm will not receive any investment from Country A, which means that if the FTA deal goes through, the company's profit will decrease relatively compared to your firm's competitors who will receive investment. Your company's profits won't change if the FTA becomes unsuccessful

If the FTA deal goes through, your company will randomly select a few employees for salary reduction to cope with losses associated with the FTA.

However, you have not been selected as one of the employees for the wage cut. As a result, there will be no negative adjustment to your salary even if the FTA is signed.

Profit-sharing Treatment: Subjective Potential adjustment



FTA Knowledge text +

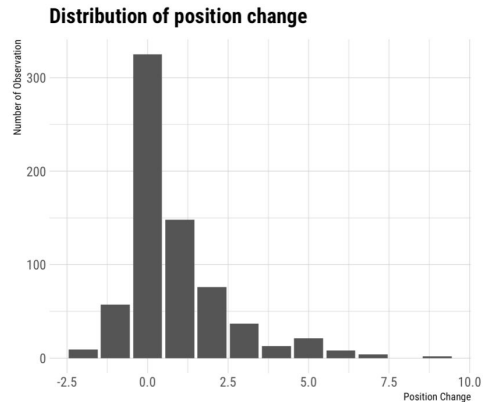
The government is currently negotiating a Free Trade Agreement (FTA) with Country A. The government has randomly selected firms to become part of the official business delegation to Country A and your firm has not been selected as one of them. As a result, your firm will not receive any investment from Country A, which means that if the FTA deal goes through, the company's profit will decrease relatively compared to your firm's competitors who will receive investment. Your company's profits won't change if the FTA becomes unsuccessful

If the FTA deal goes through, your company will randomly select a few employees for salary reduction to cope with losses associated with the FTA.

You have been selected as one of the employees for the wage cut. However, if your company highly values your contribution, there will be very little to no change to your salary. On the other hand, if your company does not value your contribution, your salary will decrease significantly.

DV: Changes in Trade Opinion (pre & post)

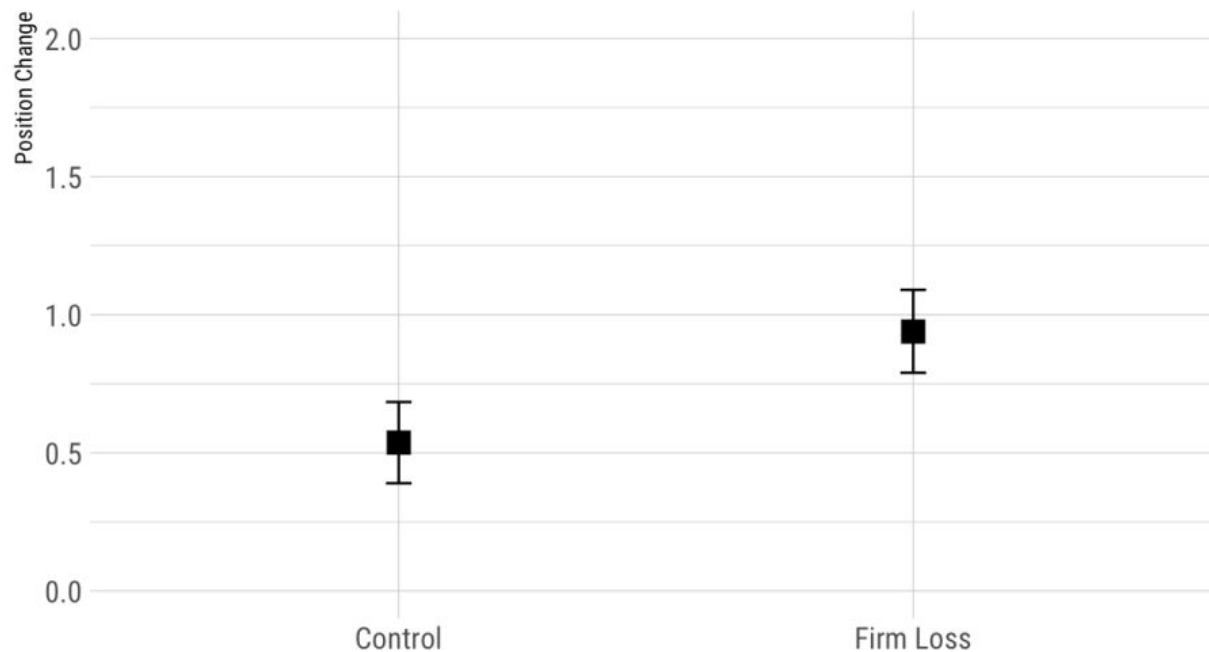
Q21. Based on the previously given information, let's assume that the government will sign the FTA with Country A. We would like to ask how you feel about free trade in this situation. On a scale of 1 to 10, please select the category that represents your opinion the most. 1 expresses the strongest opposition against free trade, and 10 expresses the strongest support for free trade. 1 to 5 indicates opposition to free trade, and 6 to 10 indicates support for free trade



Preliminary Results

Employee's Position Change

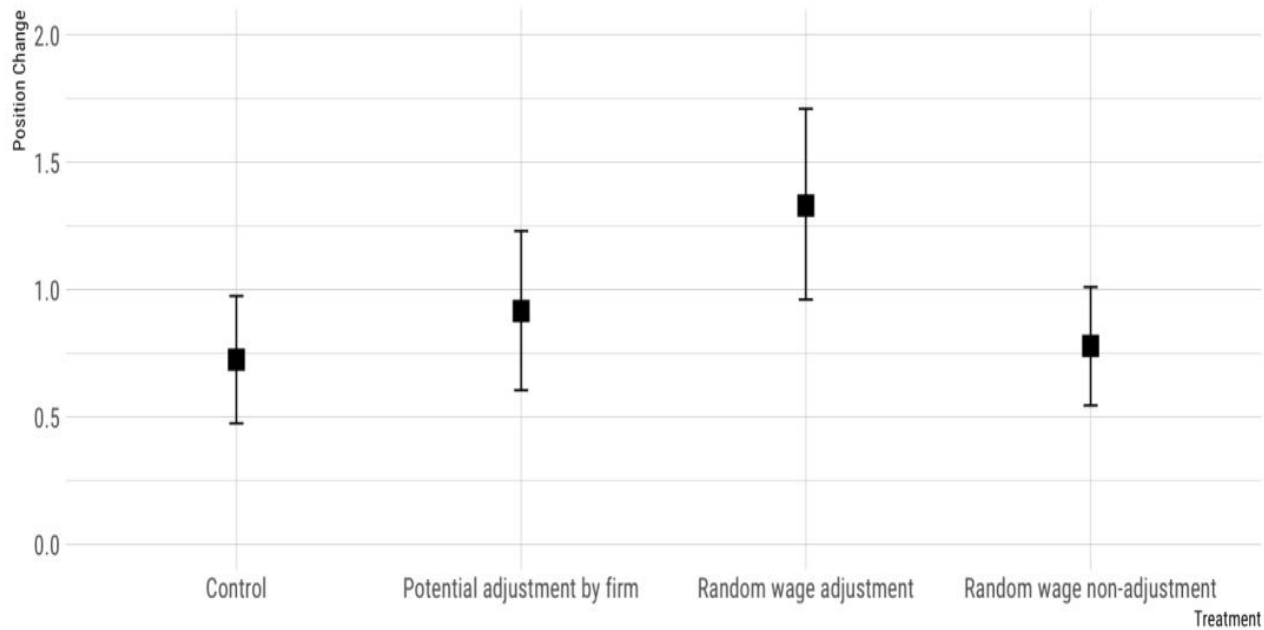
Treatment 1: Firm Loss



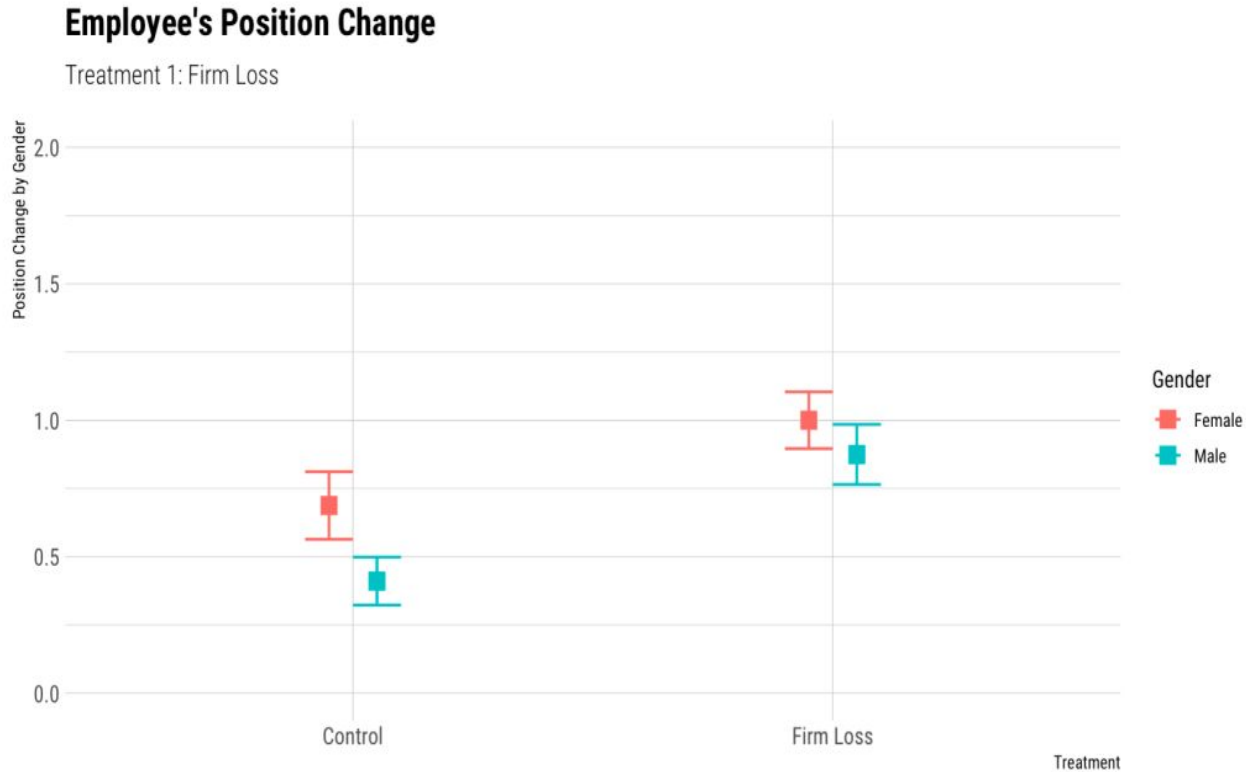
Preliminary Results

Employee's Position Change

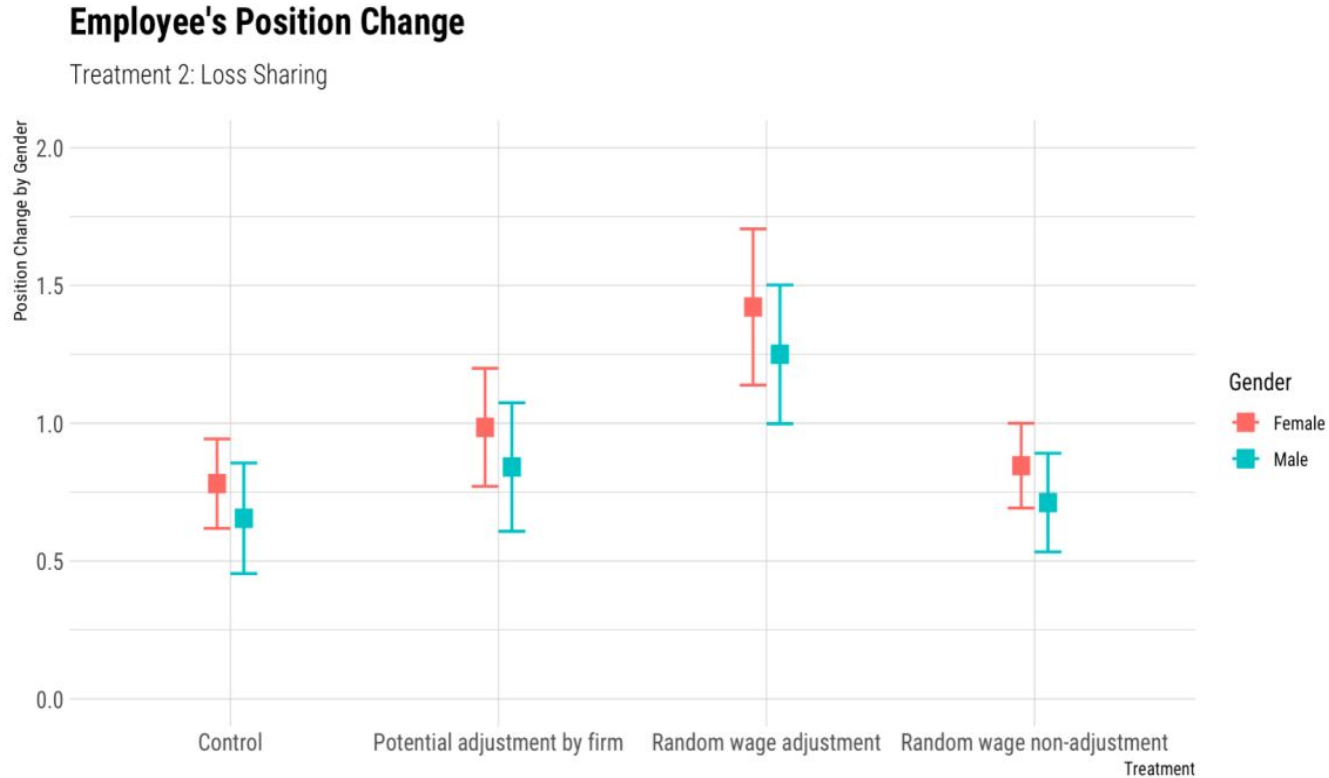
Treatment 2: Loss sharing



Preliminary Results

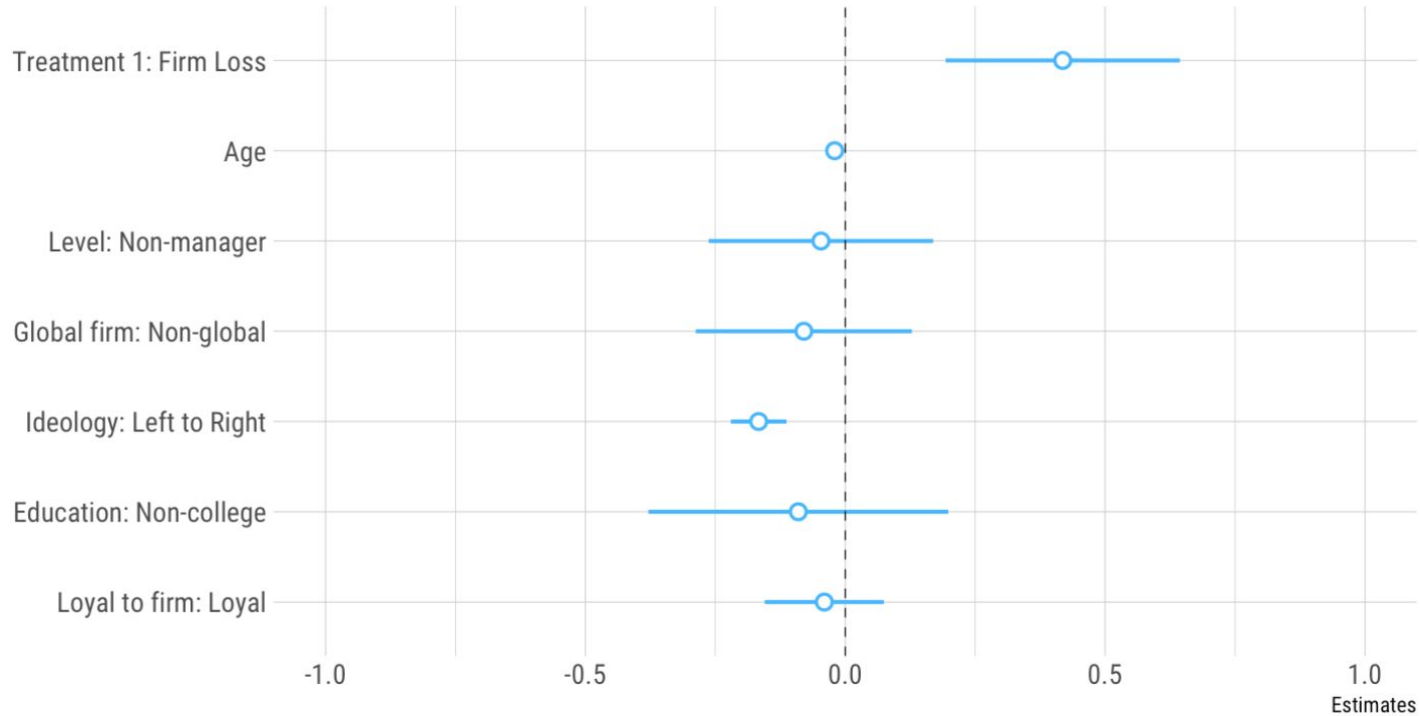


Preliminary Results



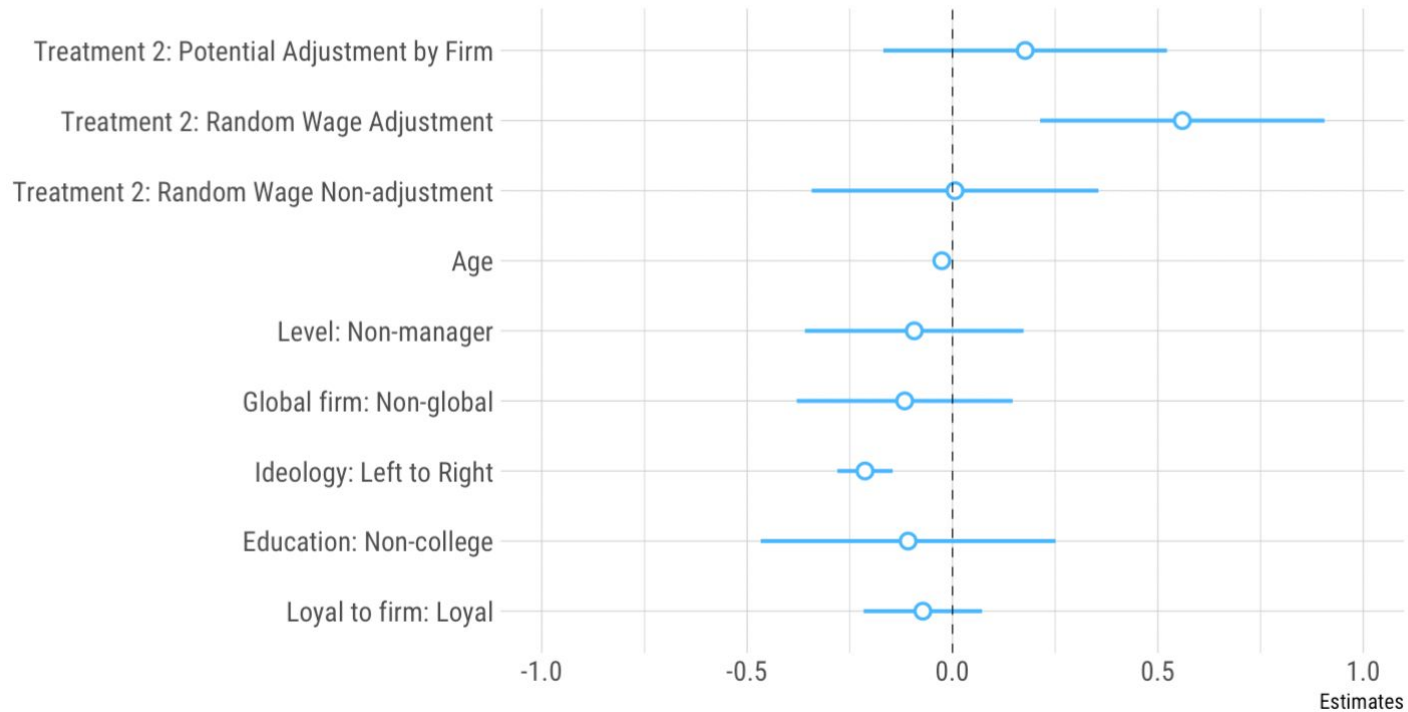
Preliminary Results

Firm Loss Effect on Trade Support



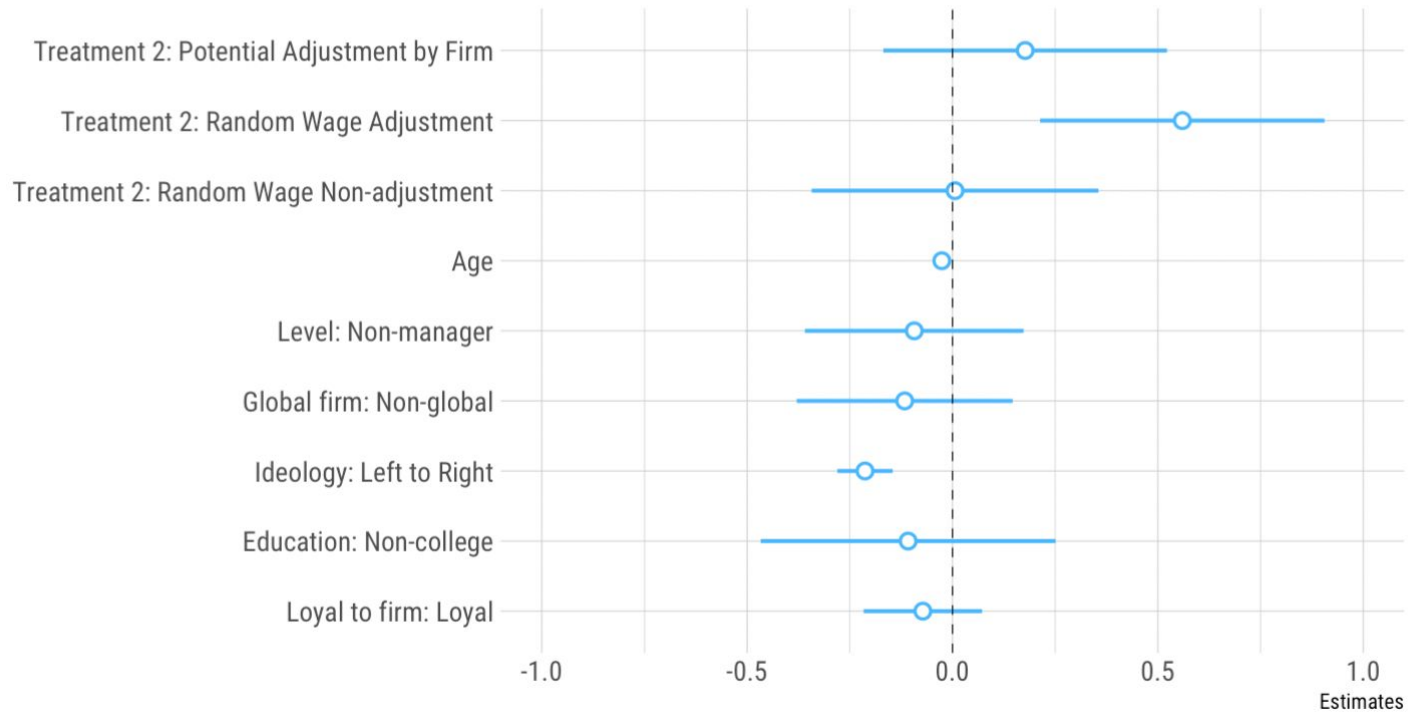
Preliminary Results

Loss Sharing Effect on Opinion Change



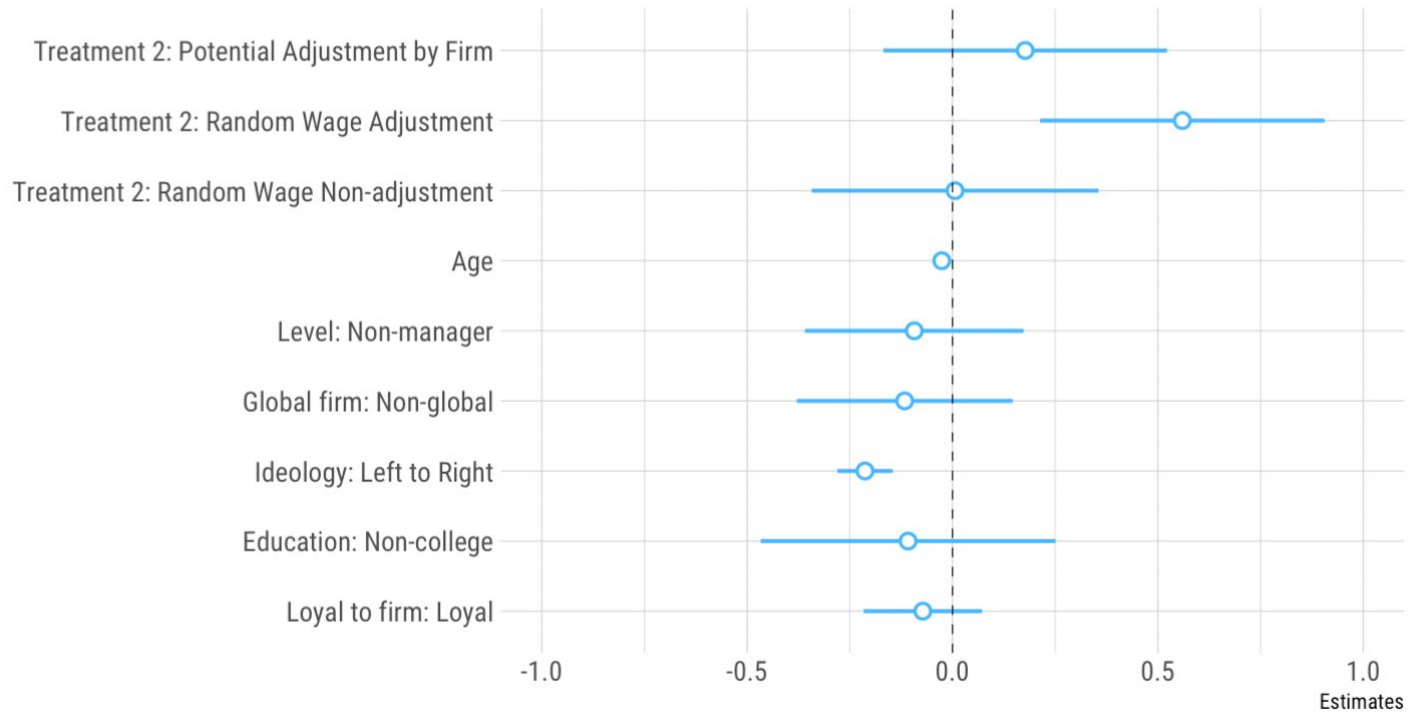
Preliminary Results

Loss Sharing Effect on Opinion Change

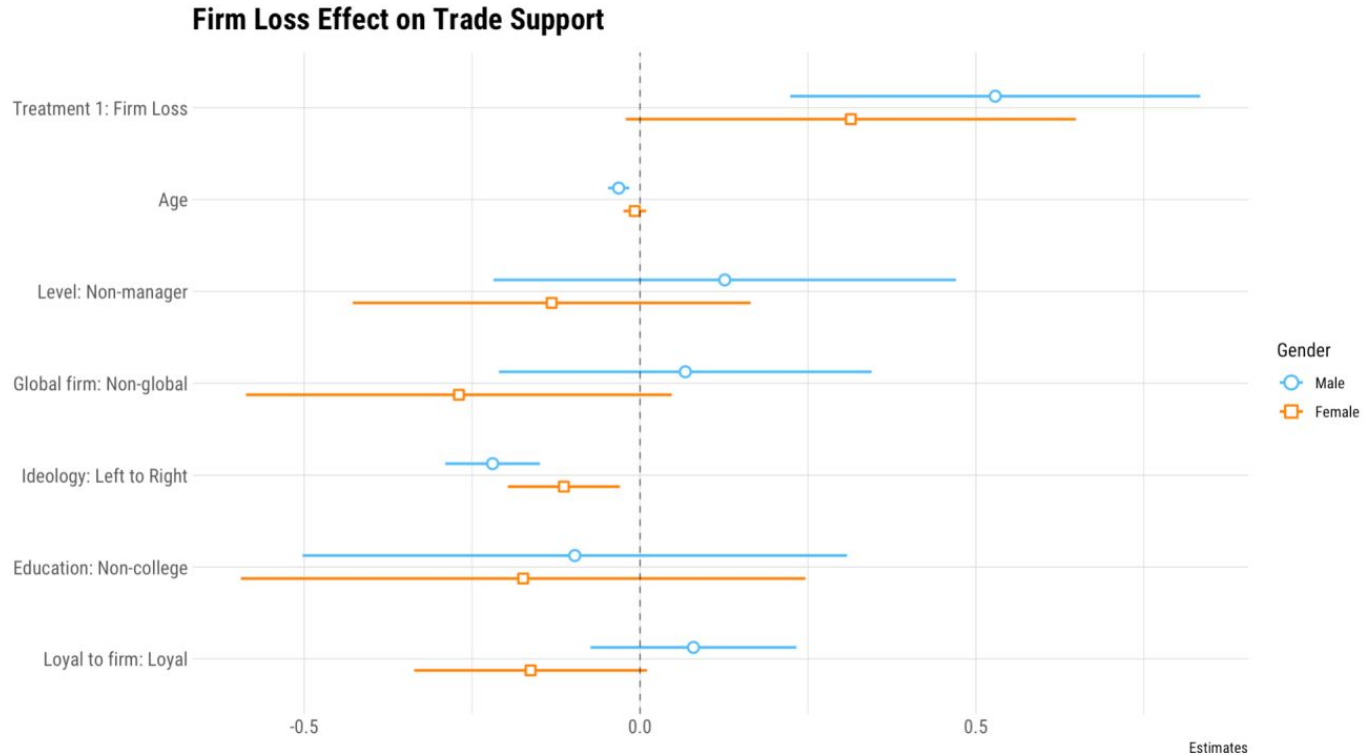


Preliminary Results

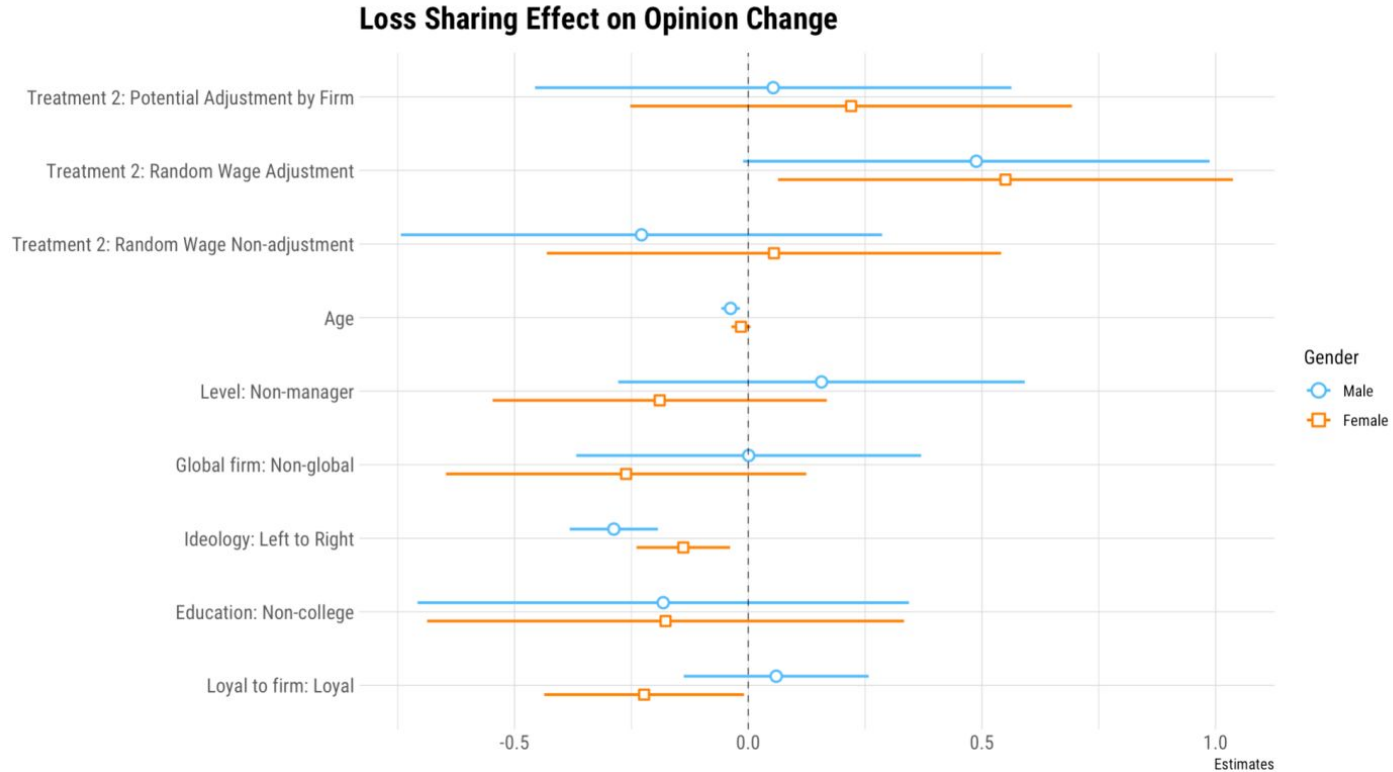
Loss Sharing Effect on Opinion Change



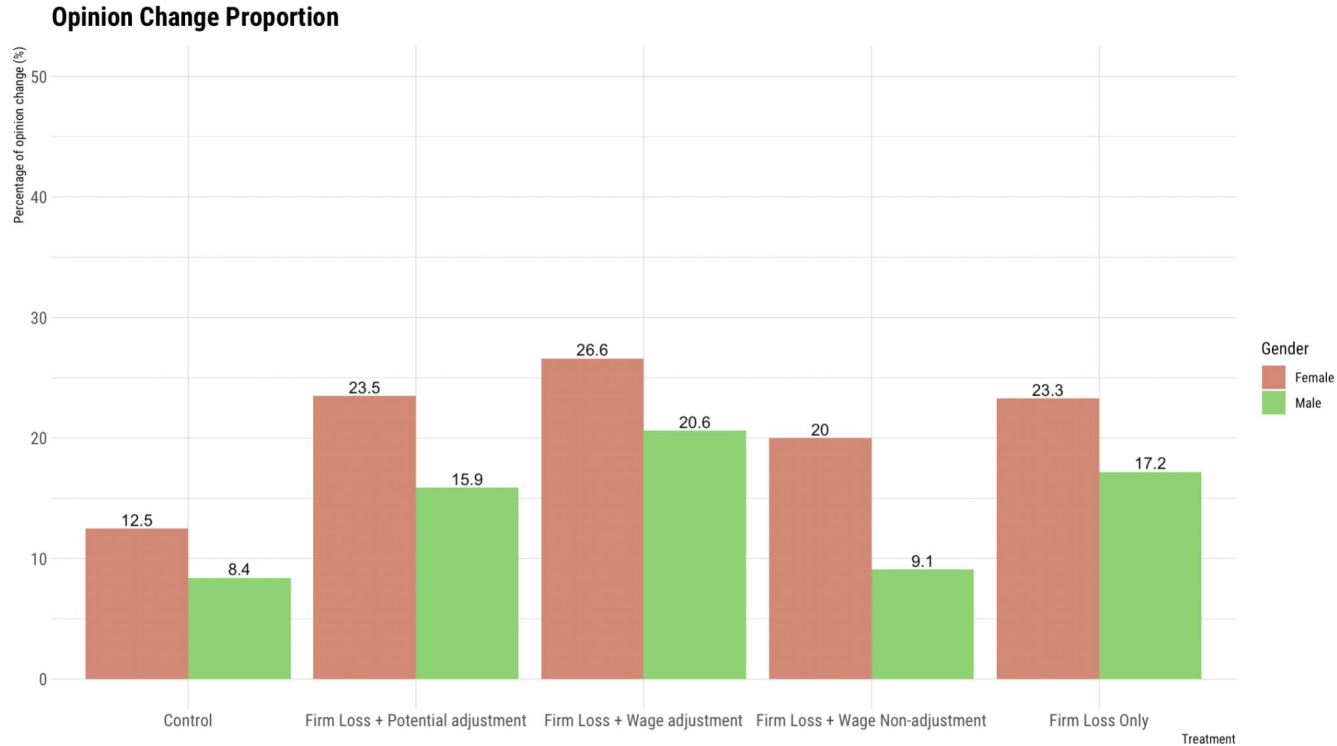
Preliminary Results



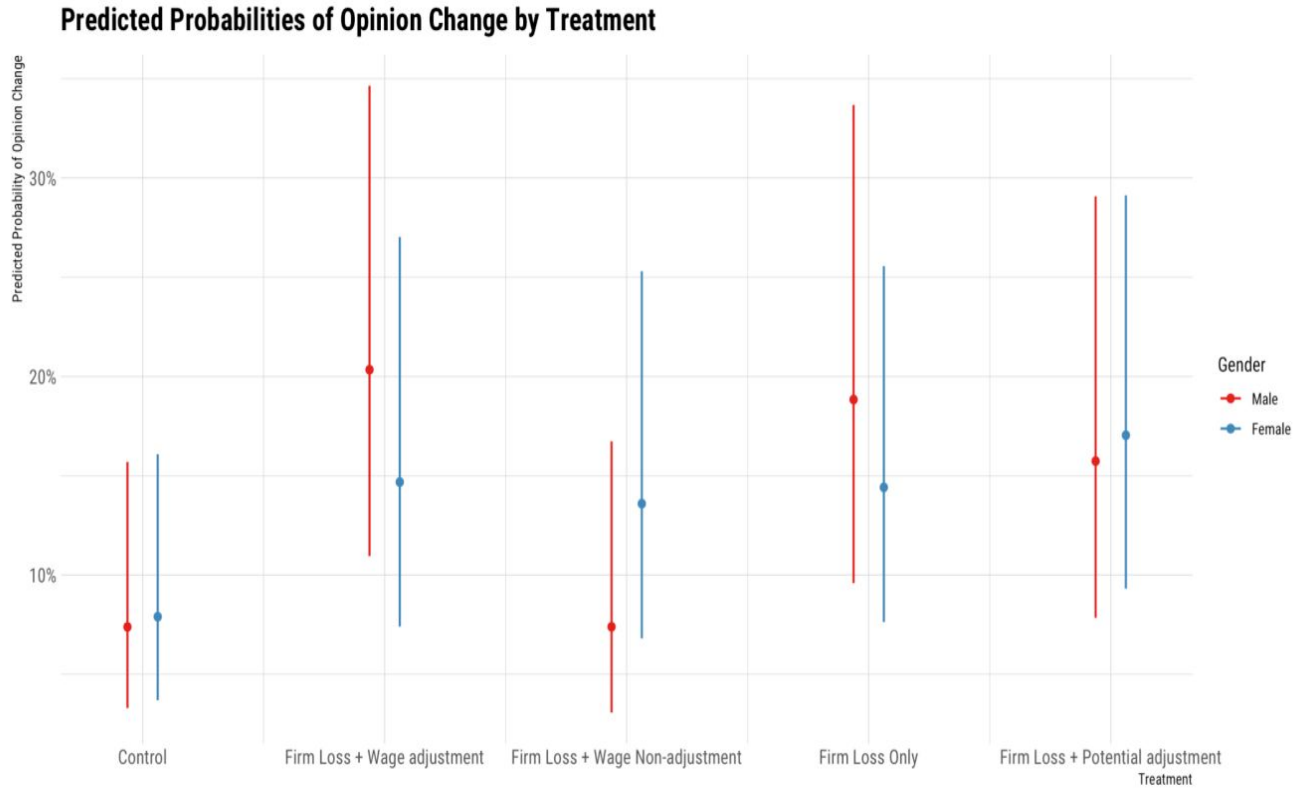
Preliminary Results



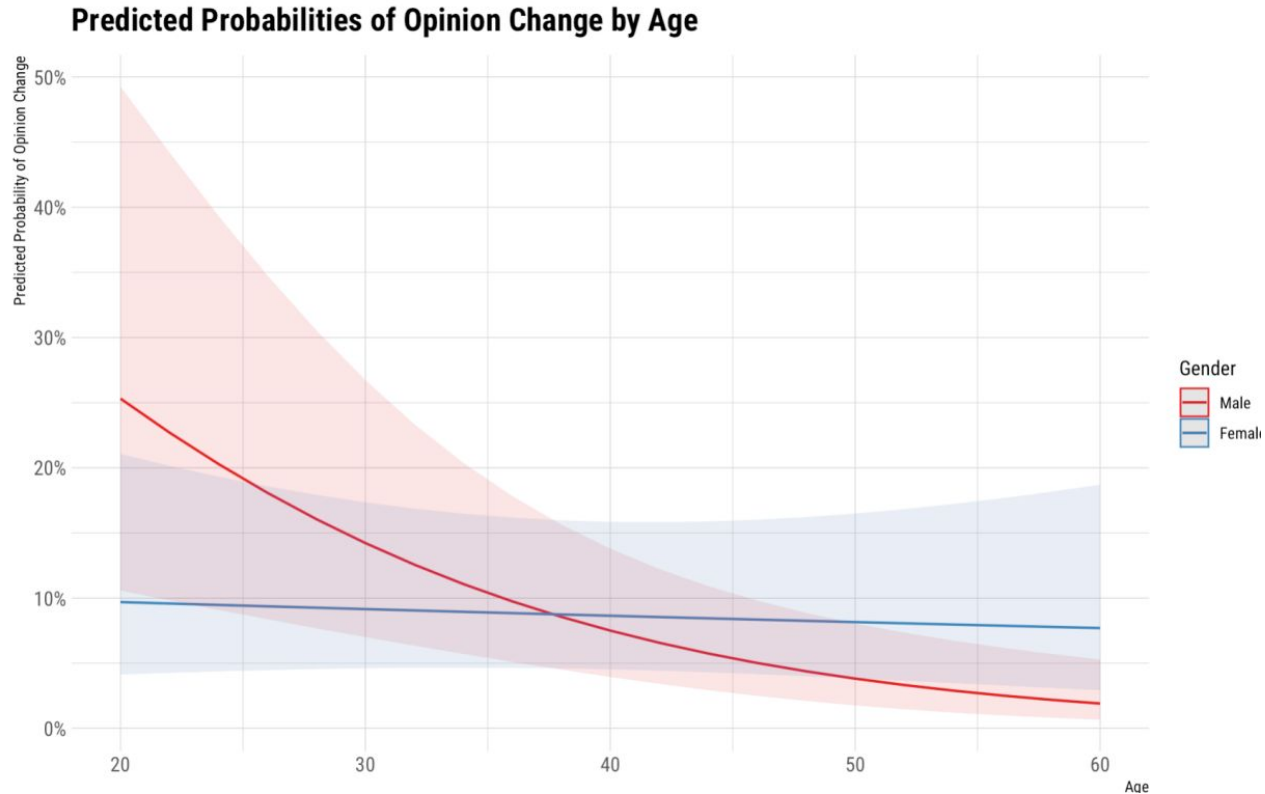
DV: Change from Support -> Not Support



Preliminary Results

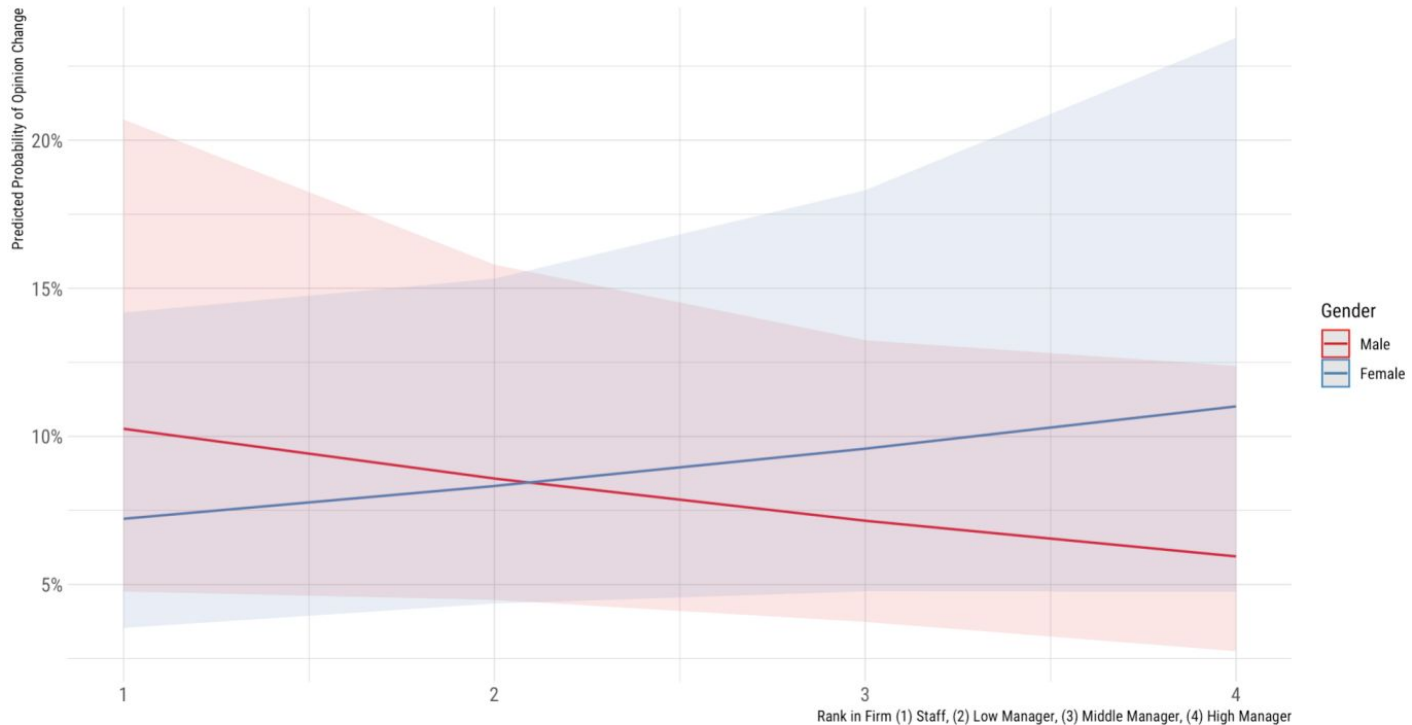


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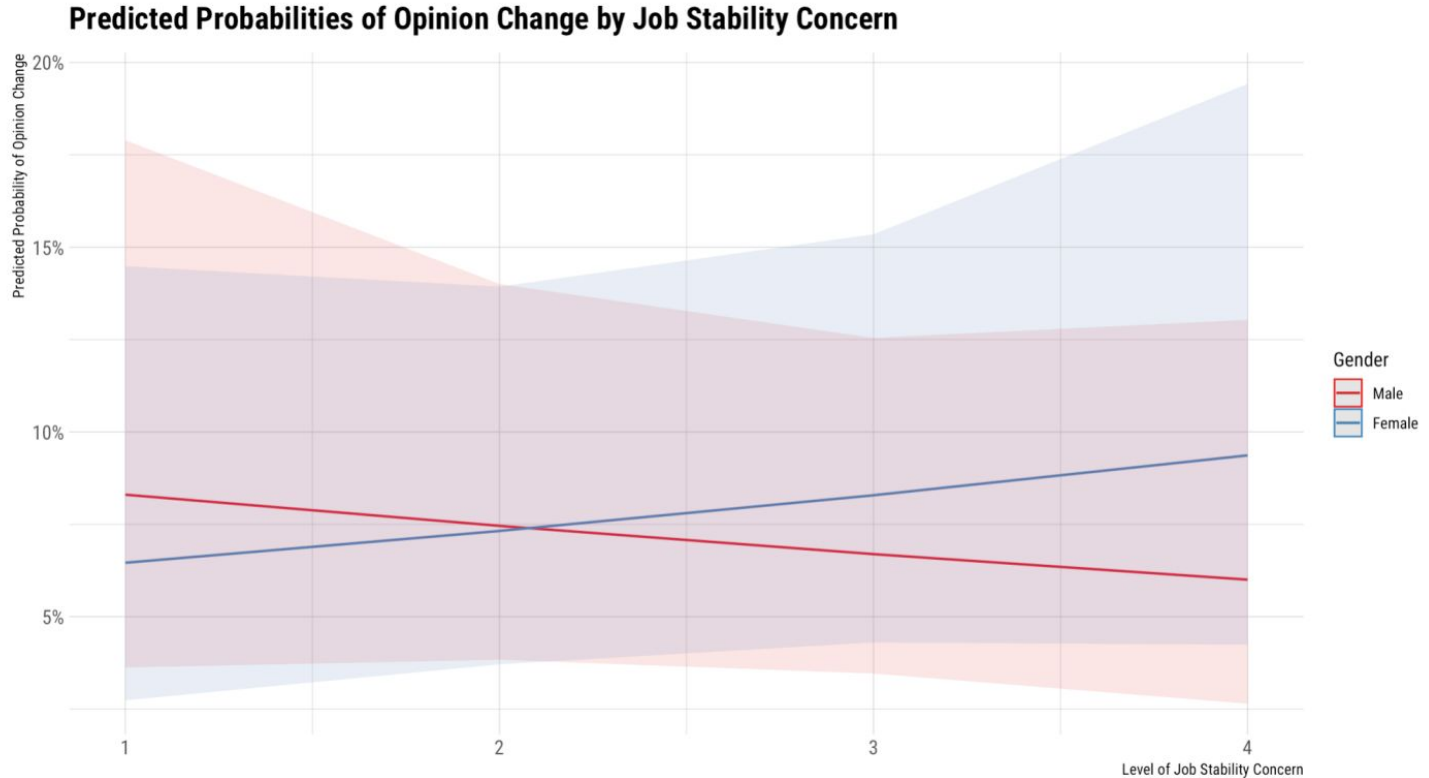


Preliminary Results

Predicted Probabilities of Opinion Change by Rank in Firm

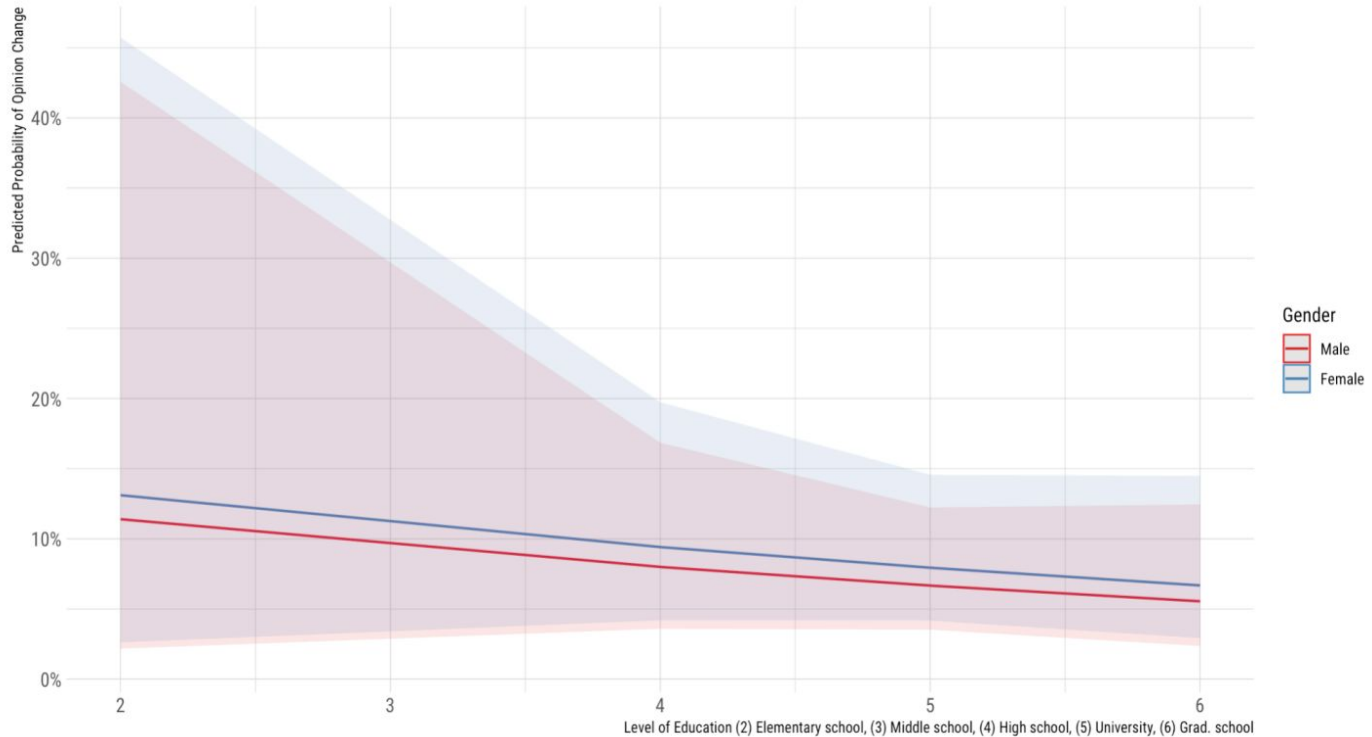


Preliminary Results

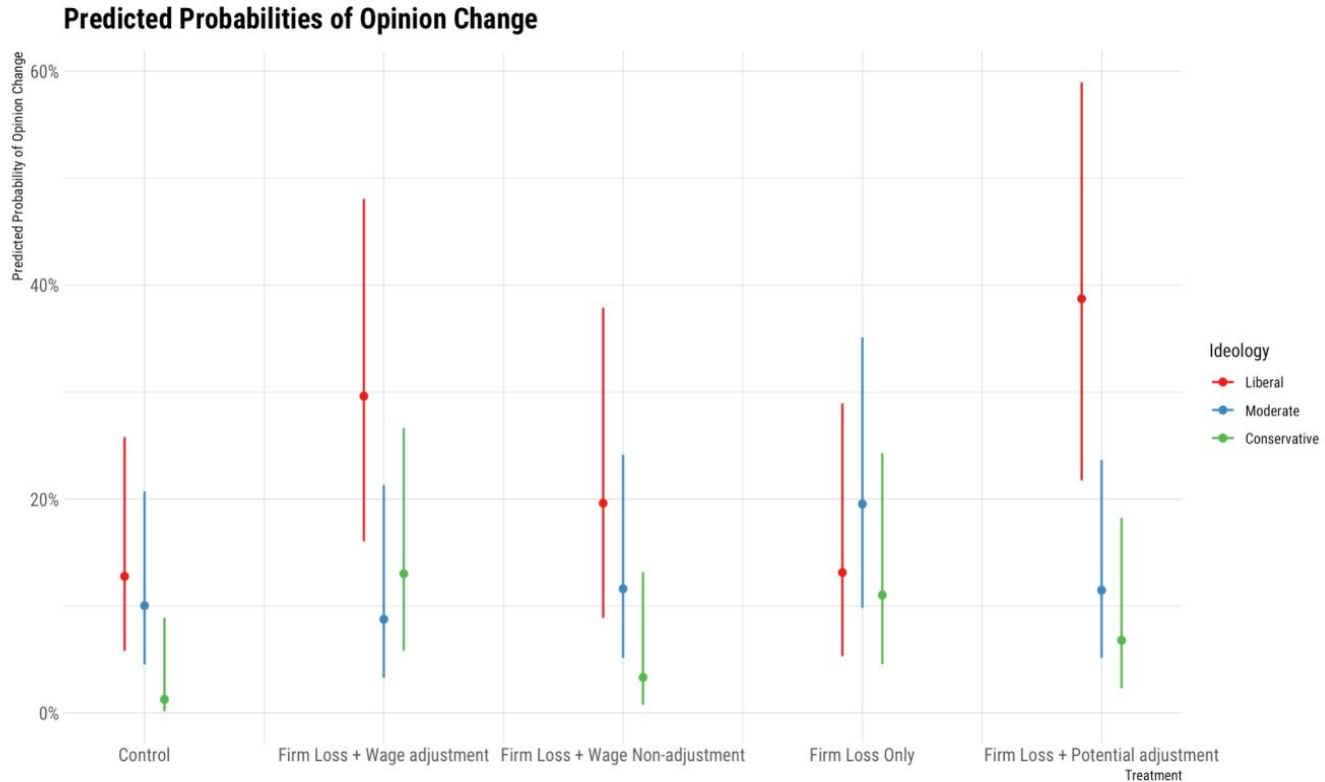


Preliminary Results

Predicted Probabilities of Opinion Change by Level of Education



Preliminary Results



Why are female managers more likely to adopt company preferences?

- Job mobility decreases significantly for women with age (Van Ham et al. 2001)
- Female managers who switched organizations were less likely to benefit in terms of total cash compensation, whereas male managers benefited financially (Quintana-Garcia and Elivira 2017)

Next Steps

1. Nationally Representative Sample of 3500 Individuals in Korea (Age, Gender, College Education)
2. Revising treatments and designs based on wonderful feedback from the IPES community!

Thank you! (haillie0627@snu.ac.kr)