

# COMMENTS ON MANAGERS' MOBILITY, TRADE PERFORMANCE, AND WAGES

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# TRADE AND HETEROGENEITY

- ▶ New empirical research based on microdata and new theories focusing on firms and products.
- ▶ Exporters relative to firms that produce for domestic markets
  - ▶ are larger,
  - ▶ are more productive,
  - ▶ use capital and skilled labor more intensively, and
  - ▶ pay higher wages.
- ▶ All this true even before their entry into international markets: entry costs and self-selection.

- ▶ Main findings:
  - ▶ Managers with previous export experience earn a wage premium relative to otherwise identical workers.
  - ▶ Additional premium to export experience in export markets served by the current employer.
- ▶ Interpretation:
  - ▶ Previous export experience carries knowledge/reduces entry costs.
  - ▶ Premium is relevant only for those at the highest positions within the firm's hierarchy.
- ▶ In addition, higher observed average wages are mainly related to higher management wages only.

# MAIN EMPIRICAL CHALLENGE

- ▶ Treatment:
  - ▶ being a manager,
  - ▶ having acquired export experience and
  - ▶ moving to a firm that exports or to a firm that exports to specific markets.
- ▶ Main challenge: Heterogenous workers non randomly sort into heterogeneous firms.

# ENDOGENOUS WORKER MOBILITY

- ▶ Exogeneity condition

$$E(\varepsilon_{ift} \mid X_{it}, Z_{ft}, \eta_i, \eta_f) = 0 \quad (1)$$

- ▶ Mobility is random once controlled for
  - ▶ observed individual and firm characteristics and
  - ▶ unobserved time invariant individual and firm characteristics.

# ENDOGENOUS WORKER MOBILITY

- ▶ What if job mobility is also determined by unobserved worker-firm match quality?
- ▶ Example: complementarities between workers' skills and firms' (heterogeneous) technology/productivity.
- ▶ More generally, models of directed search, learning and coordination frictions predict that job assignment depends also on match specific characteristics.

# ENDOGENOUS WORKER MOBILITY

- ▶ Omitted worker-firm match quality may bias estimation results.
- ▶ For example, managers with export experience will end up in higher quality matches if their return to search is higher.
- ▶ Also, exporting firms may screen more intensively (Helpman et al., 2010)
- ▶ Ideally, use instruments...

# ENDOGENOUS WORKER MOBILITY

- ▶ Control for unobserved match specific fixed effects, assuming they are time invariant.
- ▶ New exogeneity condition

$$E(\varepsilon_{ift} \mid X_{it}, Z_{ft}, \eta_i, \eta_f, \psi_{ift}) = 0 \quad (2)$$

- ▶ (Firm and individual fixed effects can be omitted from the equation).



# OTHER COMMENTS

- ▶ Non-manager heterogeneity
  - ▶ Non managers are heterogeneous.
  - ▶ The specifications pull together workers with very different skill levels.
  - ▶ Compares managers to this set of non managers.
- ▶ Manager heterogeneity I
  - ▶ Always a manager vs. now a manager (position at the previous firm).
- ▶ Manager heterogeneity II
  - ▶ Managers with export experience working in firms that export to any market (export status of the current firm).
  - ▶ Managers with trade experience, more generally, working in firms that trade in international markets.

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