IDE Research Bulletin

Research project summary based on papers for academic journals
with the aim of contributing to the academic community

The Internationalization of Firms and Productivity

Project Leader
Sato, Hitoshi

March 2020

IDE-JETRO

It is widely recognized that global economies provide developing countries with opportunities for economic growth, including access to foreign markets, better jobs, and the acceleration of agglomeration. However, it is not necessarily clear that how and to what degree such opportunities generate better economic consequences. The purpose of this research project is to address this fundamental question from the following three perspectives: (i) productivity effects of trade, (ii) worker well-being enhanced by job enrichment and enlargement, (iii) labor agglomeration and firm productivity.

The first point is addressed by “Trade and Productivity in Formal and Informal Firms: Panel Data Evidence from Cambodia” by Kiyoyasu Tanaka. Productivity effects of trade have a fundamental implication for development, but prior work predominantly focuses only on the formal sector. This paper constructs new panel data on formally registered and unregistered establishments in Cambodia. To estimate a causal impact of trade on productivity, the author exploits the EU’s reform in rules of origin (ROO) under the EU GSP scheme, which sharply increased not only garment exports from Cambodia to EU, but textile imports to Cambodia from China after 2011. The paper finds significant productivity improvements for both formal and informal establishments in the garment industry during the post-reform period. Formal textile establishments do not exhibit any productivity improvements. Thus, Tanaka’s paper provides evidence that positive export shocks promote productivity for both formal and informal firms in an export industry.

Yoko Asuyama’s paper, “The Effects of Job Enrichment and Enlargement Revisited,” studies the effect of job enrichment and enlargement on worker well-being. Utilizing worker-level data of Programme for the International Assessment of Adult Competencies (PIAAC) from between 17 and 28 countries, this paper empirically examines the effects of job enrichment and enlargement (JE) on worker well-being (wage and job satisfaction) and organizational performance (employment change in the workplace). JE is measured not by specific work practices but by four indices constructed from various task and activity information: (i) a novel indicator of challenging work, which is measured by task similarity between non-boss and boss, (ii) delegation, (iii) learning opportunities, and (iv) multitasking. The author exhibits robust evidence that challenging work and delegation are both positively associated with wages, and delegation and learning opportunities are positively associated with satisfaction and employment growth. The paper finds, however, no robust evidence of any positive effects of multitasking, which is only negatively associated with satisfaction. She additionally demonstrates that the differences in information and communications technology (ICT) use and learning attitudes are important explanatory factors for individual variations in JE.

The last point, the effect of labor market agglomeration on firm productivity, is addressed by "Agglomeration and Labor Misallocation" by Yoshihiro Hashiguchi and Hitoshi Sato. This paper examines the effects of labor agglomeration on firm productivity through the lens of resource misallocation and technical efficiency. The authors propose a simple monopolistic competition model in which an agglomeration economy in the labor market emerges from a matching process between firms and workers and shows that a denser labor market improves firm productivity through enhanced labor efficiency and reduced labor monopsony. The paper empirically tests the effects of labor agglomeration using data for 2003 to 2007 from China's manufacturing firms. The paper finds that labor agglomeration enhances both technical efficiency and allocative efficiency, but the former channel is more substantial. Furthermore, the paper finds that state-owned firms enjoy productivity gains from labor agglomeration, but to the smaller extent than foreign-owned or local private firms.