

Globalization Channels and Firm Performance*

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* CEPR discussion paper 17860: <https://cepr.org/publications/dp17860>

IZA discussion paper 15903: <https://www.iza.org/publications/dp/15903/globalization-and-firm-performance>

Globalization improves firms' performance



Domestic Firm



Globalized Firm

A rich data-set on Portuguese firms

Integrated Business Accounts System (SCIE — Sistema de Contas Integradas das Empresas)

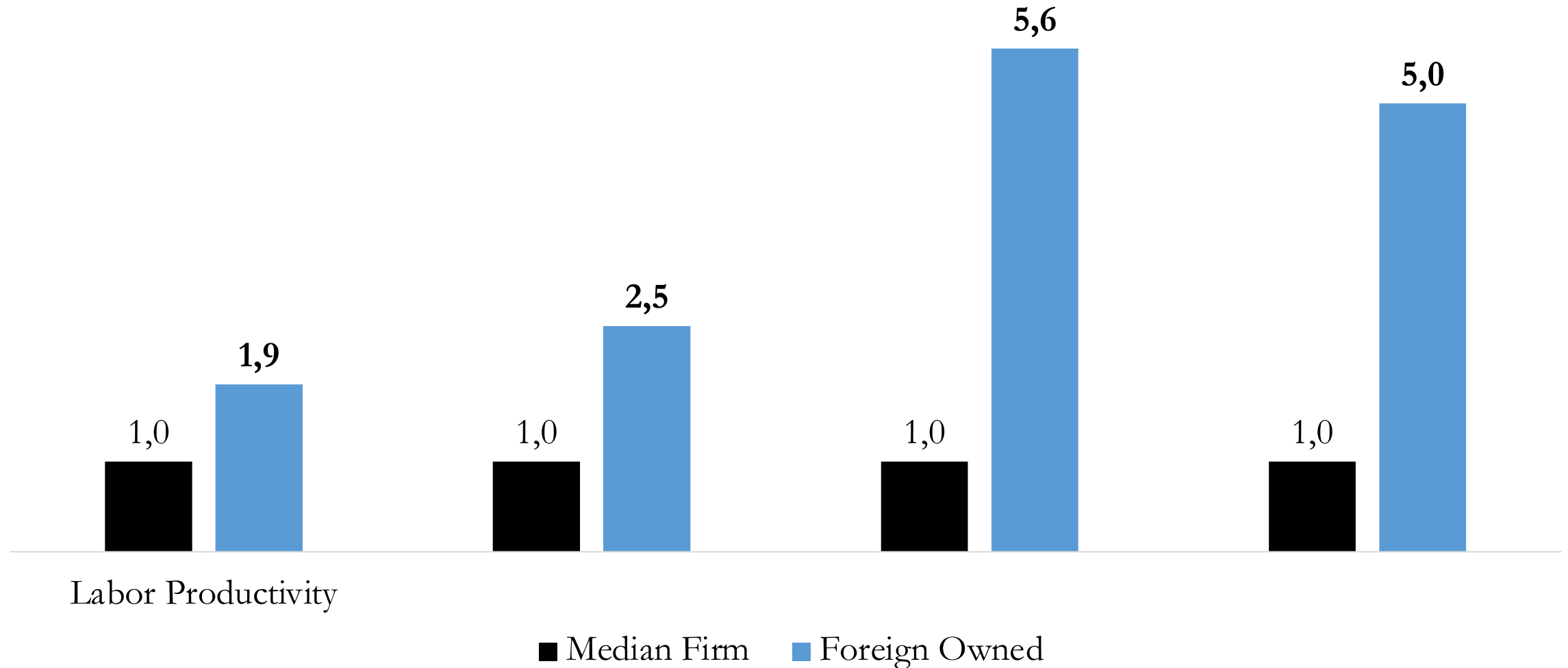
- The SCIE contains firm-level administrative data, including balance sheet and other accounting data, information on turnover, value-added, labor costs, total costs, leverage, debt, total assets, number of employees and value of exports. These data are available on a yearly basis for the population of firms in the private sector, from 2006 to 2019 (about 400 thousand firms per year).

Firms' personnel records (QP — Quadros de Pessoal)

- The QP database is a linked employer-employee dataset, available between 1985 and 2019, gathered through a mandatory annual survey. It provides data on all workers in all Portuguese firms (excluding the public sector) with, at least, one wage earner (about three million workers each year). The available data include information on workers' formal education, age, gender, occupation, monthly wage (distinguishing between base wage, regular and irregular components), hours of work (regular and overtime), and the type of labor contract.
- - Data sets from these two sources can be merged at the level of the firm as they use the same (anonymized) firm identifier.

Globalization improves firms' performance

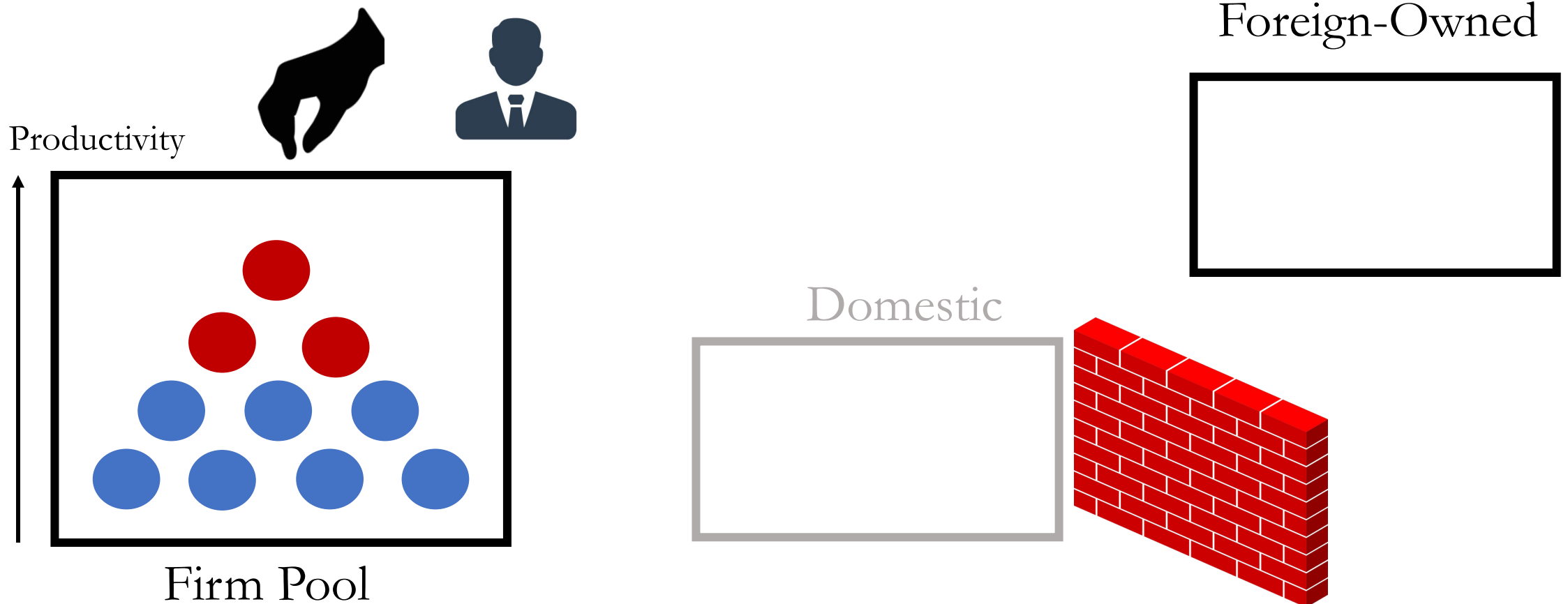
Ratio to median firm (year 2019)



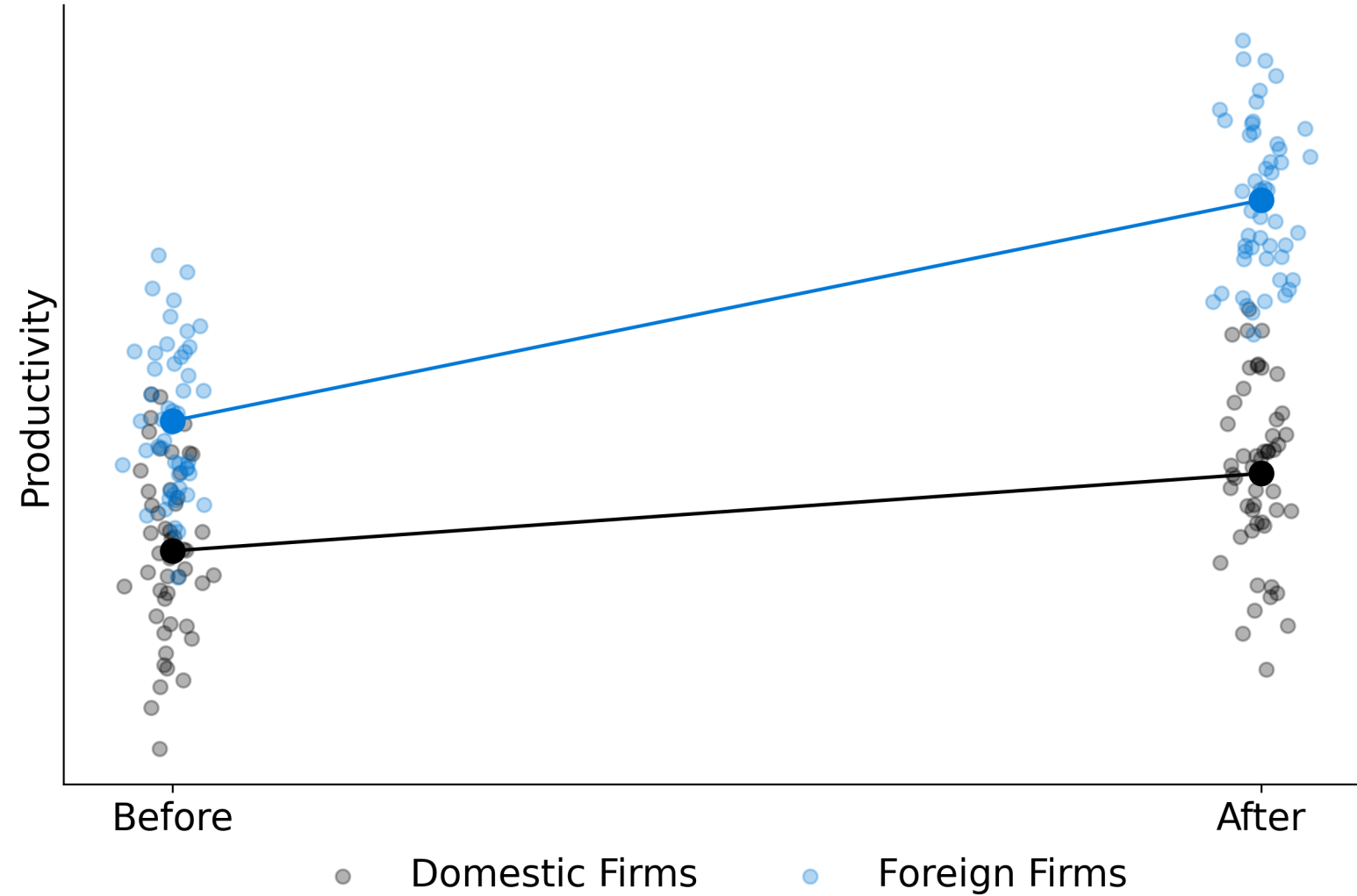
Globalized firm \Leftrightarrow Better performing



Foreign investors “cherry-pick” more productive firms

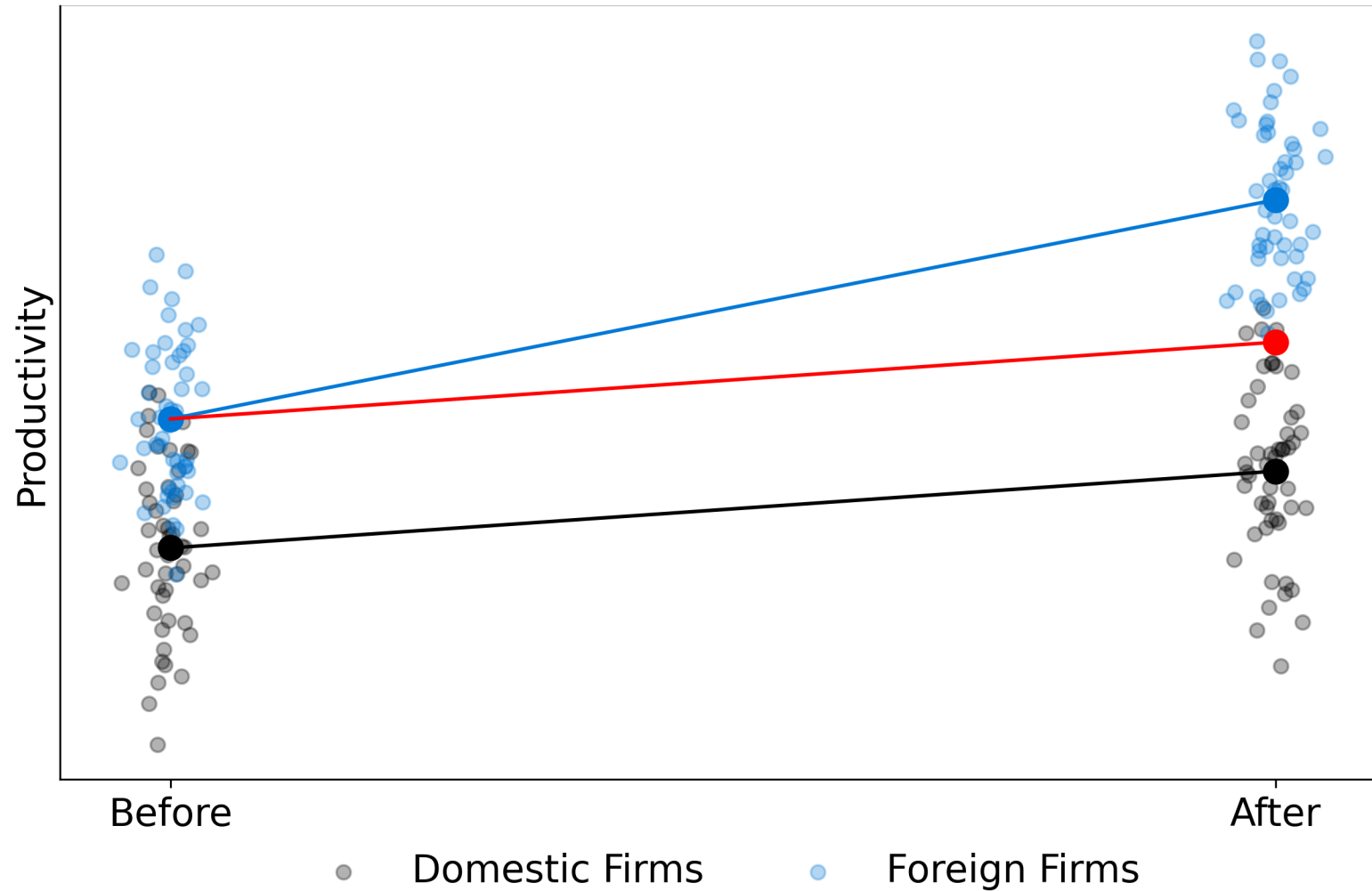


Canonical 2x2 DID



$$y_{i,t} = \delta \textit{After} + \gamma \textit{Foreign} + \beta \textit{After} \times \textit{Foreign}$$

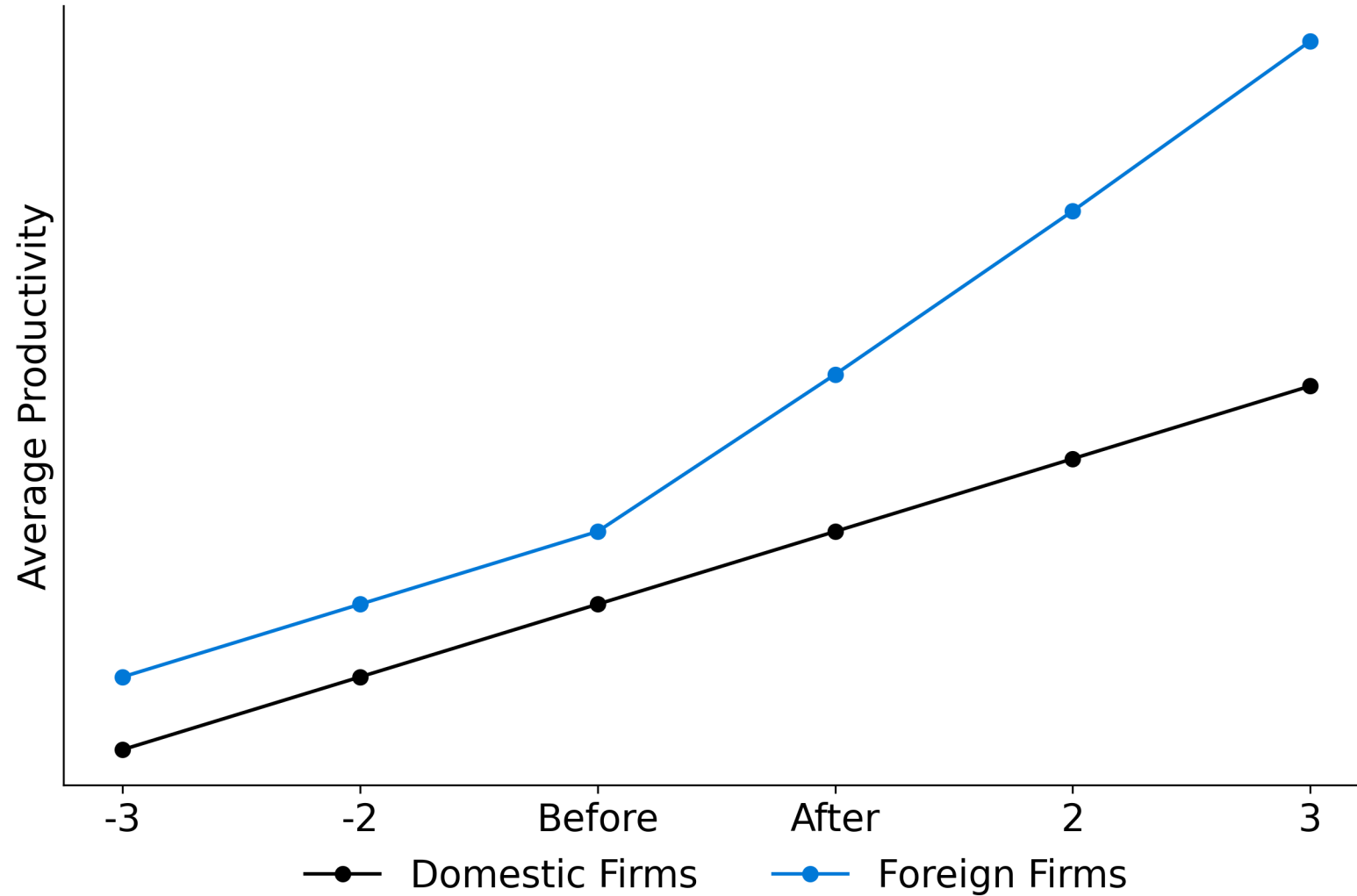
Canonical 2x2 DID



$$y_{i,t} = \delta \textit{After} + \gamma \textit{Foreign} + \beta \textit{After} \times \textit{Foreign}$$

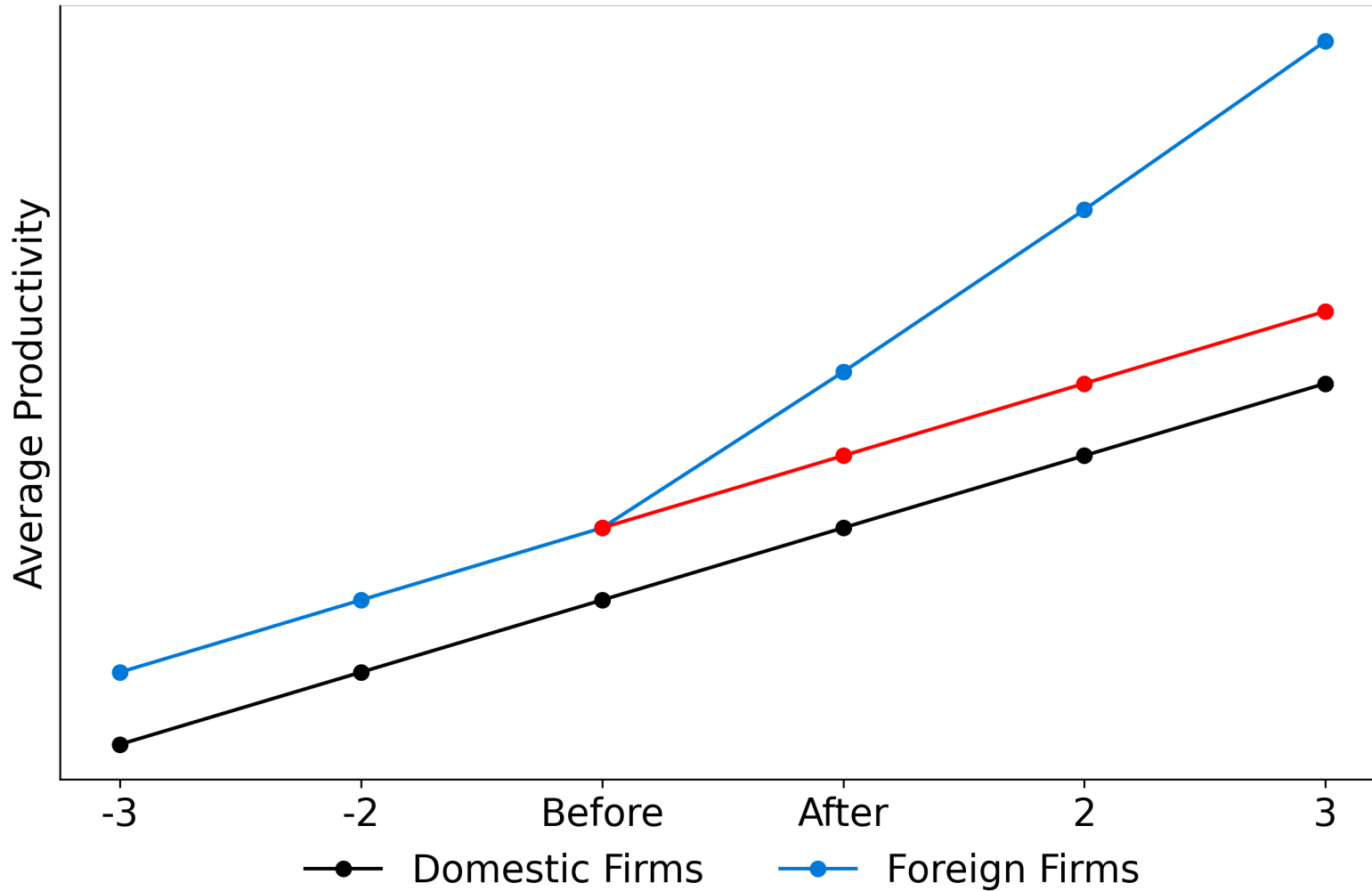
$$\textit{ATT} = \beta$$

Multi-period DID



$$y_{i,t} = \sum \delta Time + \gamma Foreign$$
$$+ \sum \beta Time \times Foreign$$

Multi-period DID

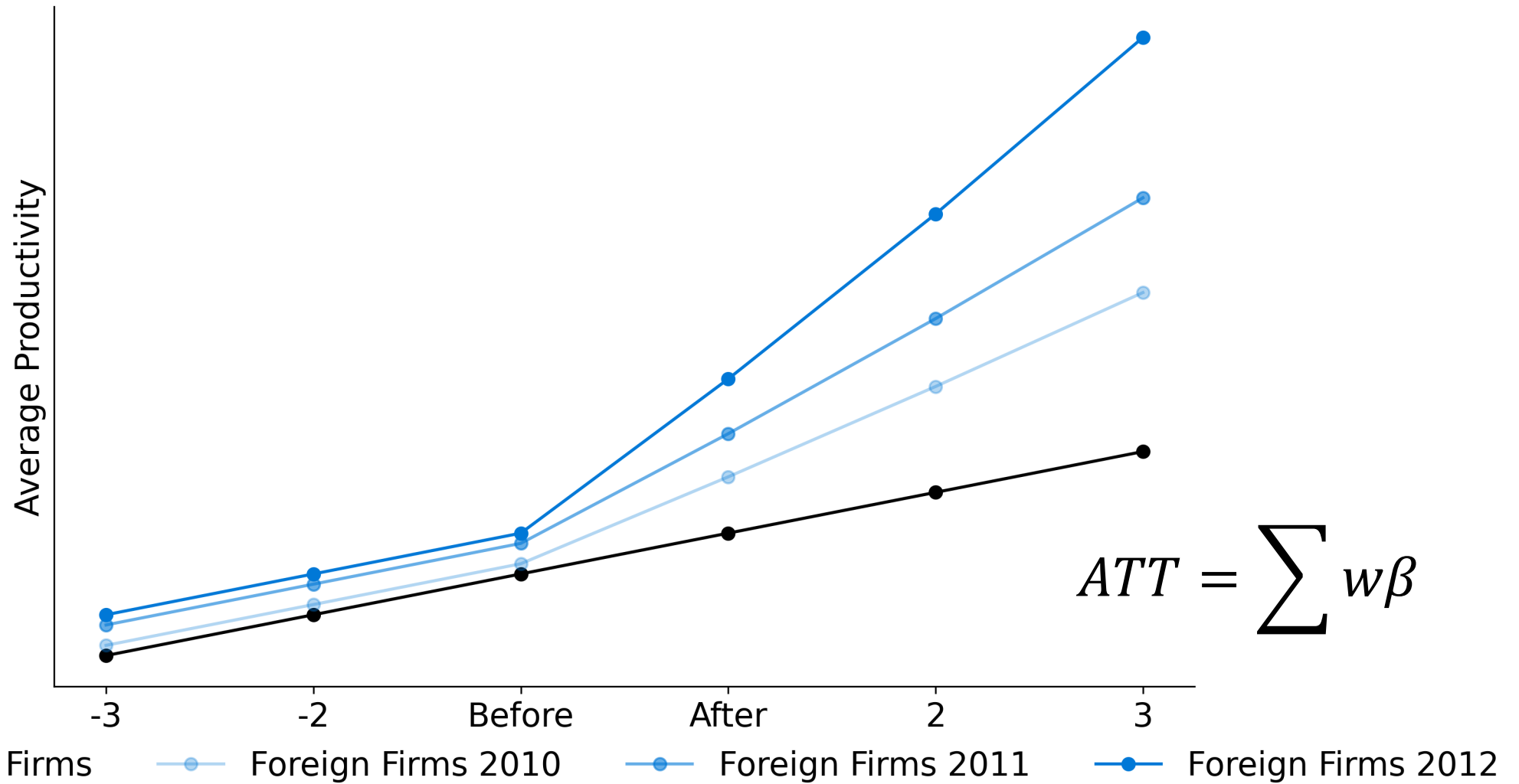


$$y_{i,t} = \sum \delta Time + \gamma Foreign$$

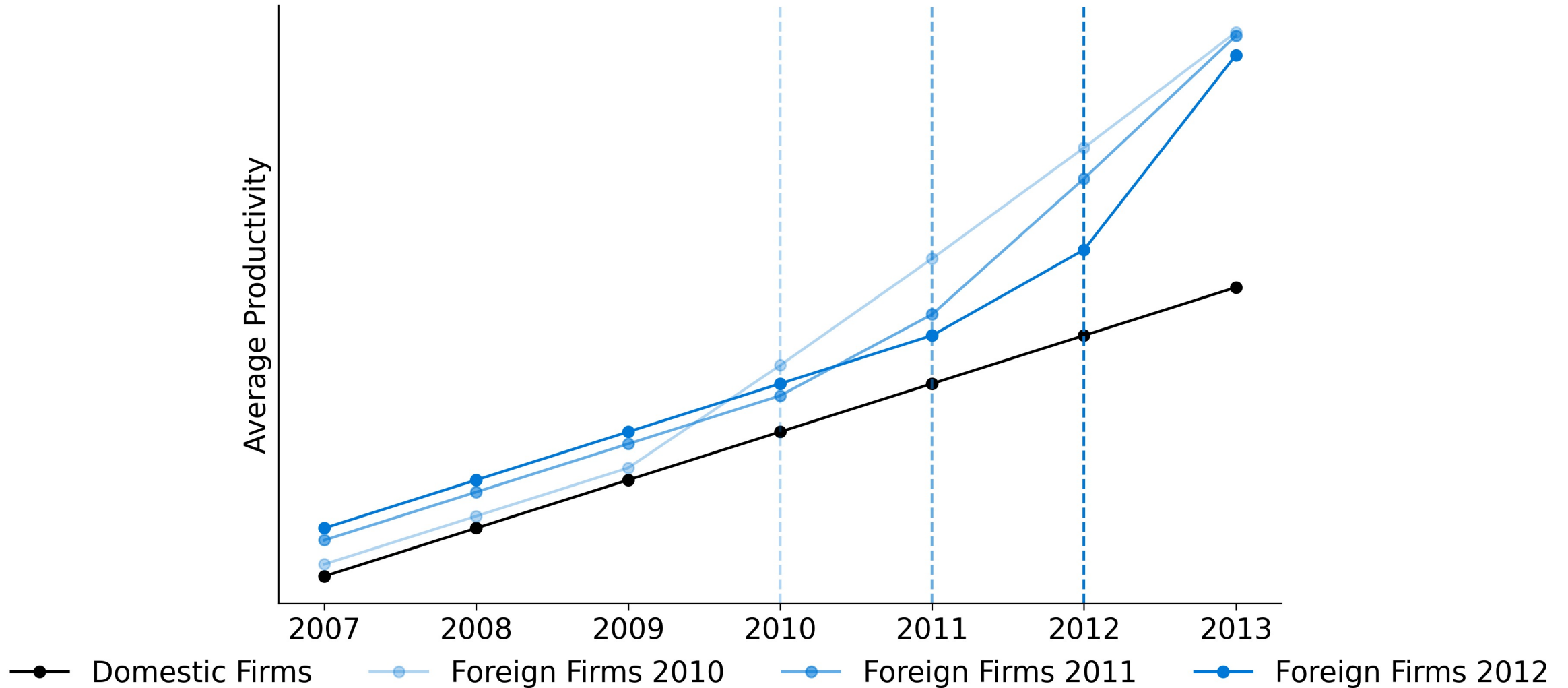
$$+ \sum \beta Time \times Foreign$$

$$ATT = \sum w\beta$$

Panel Data DID



The hidden problem



The solution: CSDID - Check Fernando's website



https://friosavila.github.io/playingwithstata/main_csdid.html

- Callaway and Zhao (2020)
- Callaway and Sant'Anna (2021)

Results: ATT Estimated Effect

`csdid productivity lnk if avgemployees >= 5`

`, ivar(NPC_FIC) time(year) gvar(eyear) notyet dripw level(95) long2`

Table 1: CSDID regression: GVA per worker in 1000€/year

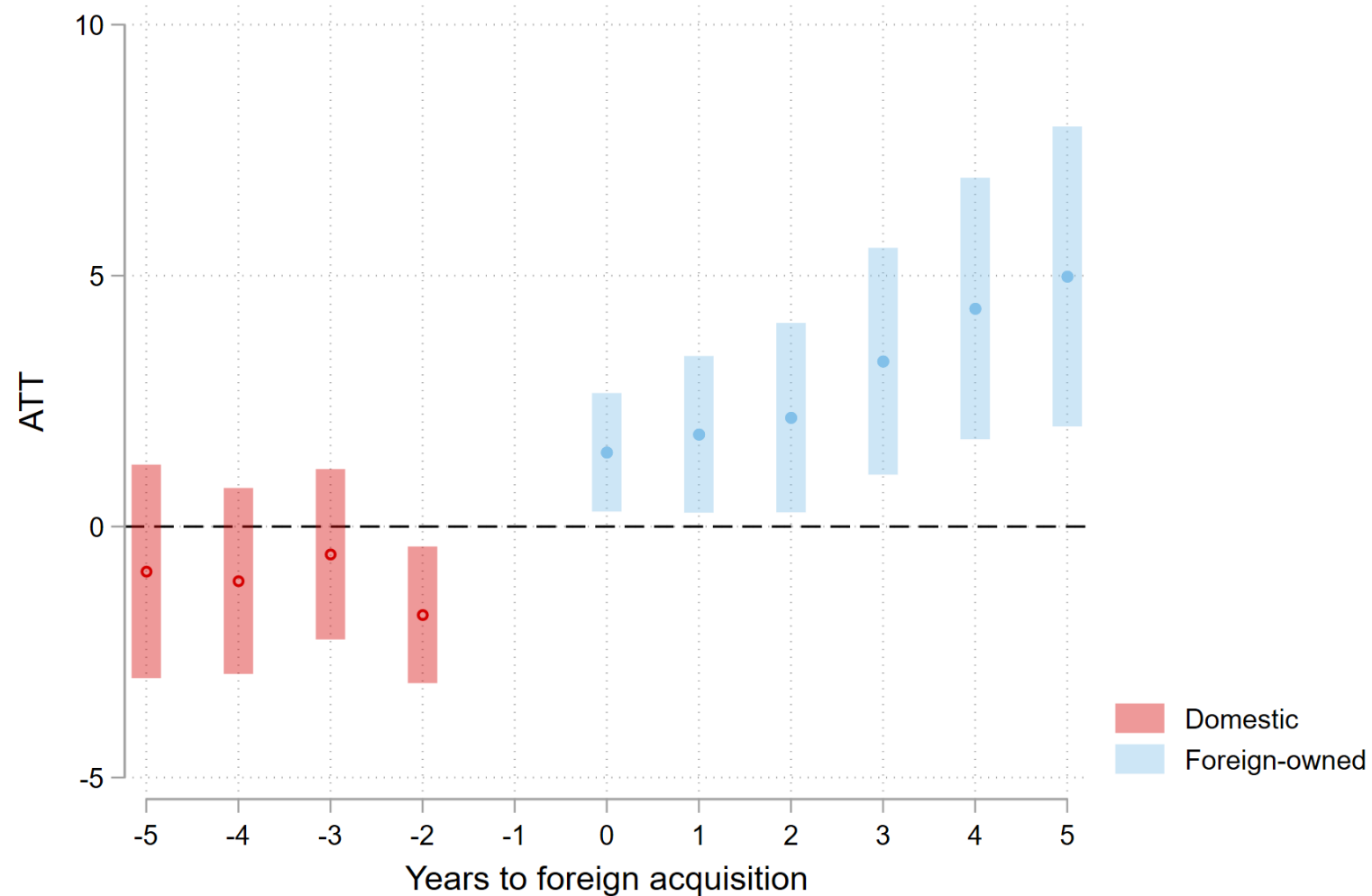
	Full Sample		# Employees > 5		+ Control	
	Coefficient	P-value	Coefficient	P-value	Coefficient	P-value
ATT Foreign	2.569***	(0.000)	1.722**	(0.023)	1.909**	(0.013)

* $p < 0.05$, ** $p < 0.05$, *** $p < 0.01$

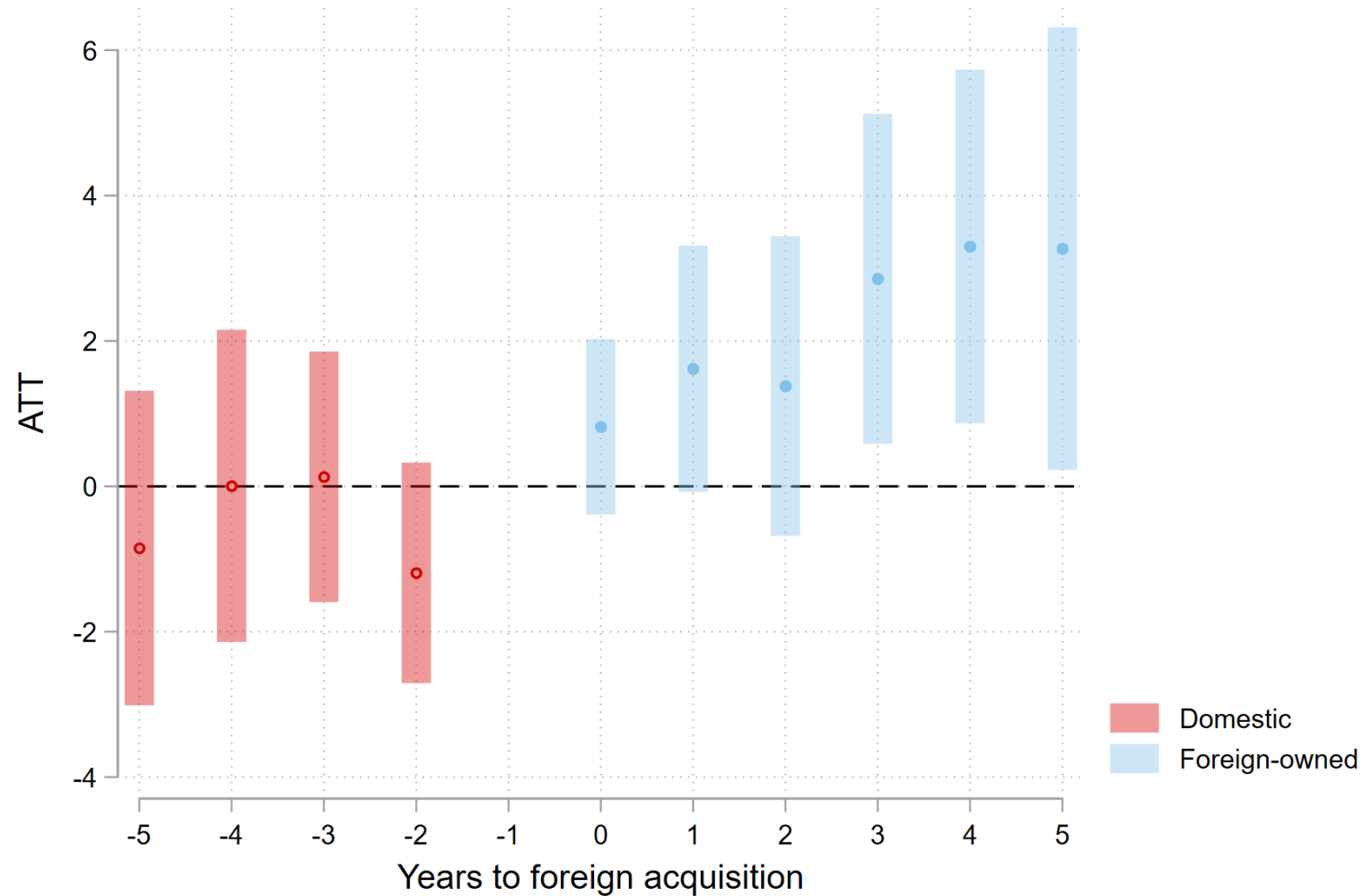
Se. clustered at the firm-level

All models include firm and year dummies

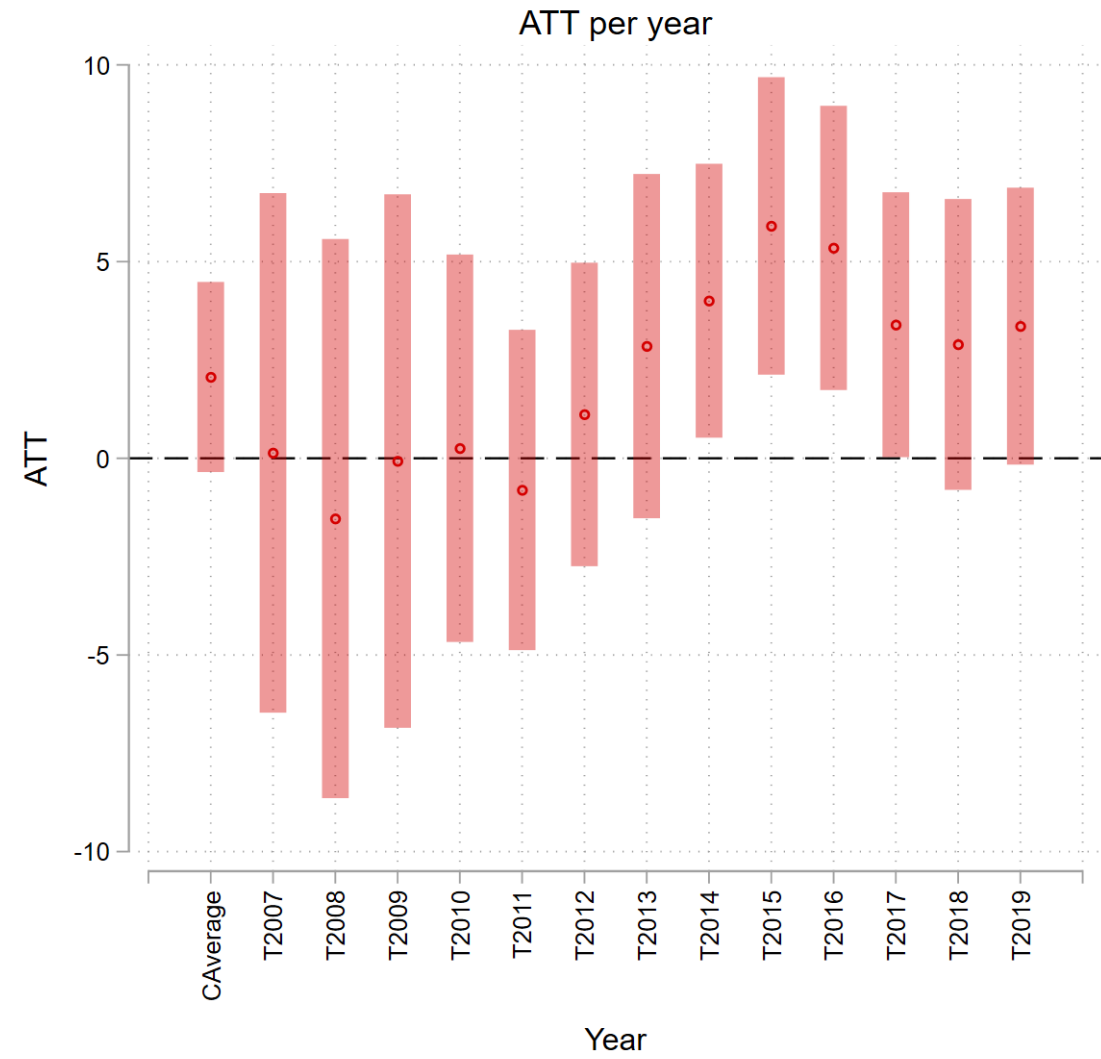
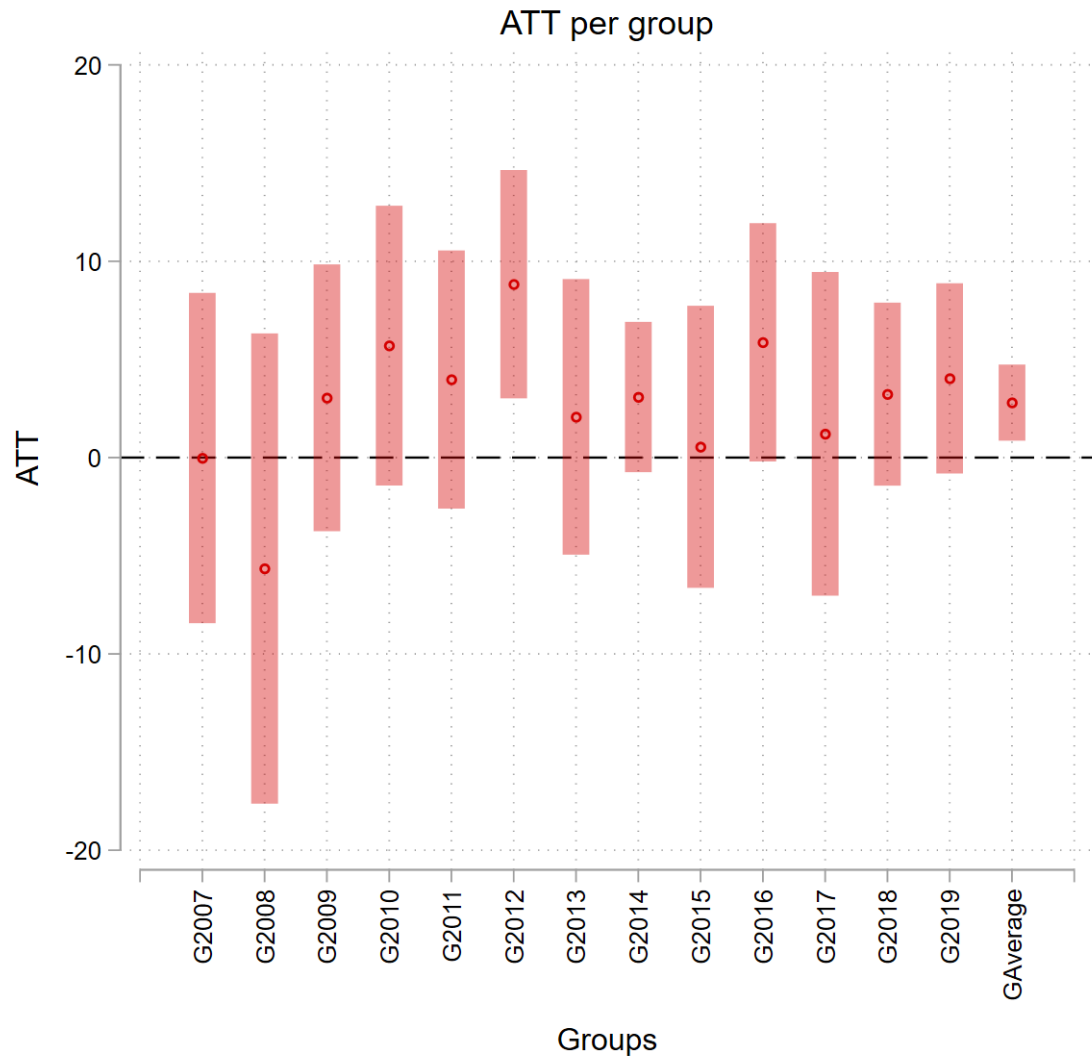
Results: main sample event-study



Results: sample # Employees ≥ 5 + controls



Main sample



Results in perspective

Sample	β vs Mean	β vs Median
Full sample	8.76%	12.00%
# Employees > 5	5.58%	7.49%
+ Control	6.19%	8.30%

⇒ Foreign Acquisition is associated is significant gains in productivity

Thank you!

Event-study for # Employees

