

Discussion of *Rice and Schiller (2022)*

When Values Align: Corporate Philanthropy and Employee Turnover

Shenje Hshieh
CITY UNIVERSITY OF HONG KONG

Summary

- Punchline: Inventors care about **corporate social values**
- Empirical strategy:



- This paper claims that **????** is the perceived increased overlap in social values between employer and employees (assuming they care)
- Is this the only plausible explanation?

Assumptions Stated in the Paper

- Donations are unrelated to other CSR activities with non-pecuniary employee benefits
 - No other confounding events
- Without existing corporate foundations, firms are not able to quickly make charitable contributions following natural disaster
 - No self-selection
- Disasters occurred in remote areas without direct economic links to the sample firms and without any direct impact on the individual investors in our sample who are based entirely in the U.S.
 - Is this true? If no, then exclusion restriction may not hold.

XX = Distracted Inventors

1 = patent at different firm

0 = no patent or patent at same firm

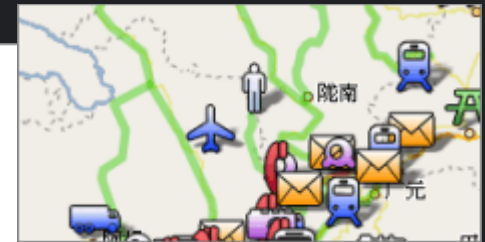
- In baseline sample, switch from 1 to 0 could be due to **lower patenting activity**
- When restricting to annual patent filers, switch from 1 to 0 could be due to **shift in inventor attention (family vs. career)**
 - Large fraction of inventors are likely of Indian and Chinese descent and could be directly impacted
- Corporations are required to provide job-protected unpaid leave for those with immediate family members affected by natural disasters
 - Family and Medical Leave Act of 1993
 - Additional coverage vary by state
- Check if firm-level patenting activity are stable across treated and matched-control firms after disasters
 - Firms with foundations may amplify disaster awareness
- Control for inventor ethnicity (use name classifier)

XX = Distracted Inventors

- Employee Commitment Programs
 - Pfizer's Volunteer Foundation Program
 - GE's Global Community Days
- Alternative explanation: firms with foundations attract workers interested in volunteerism.
 - They are likely involved in charity during major disasters.
 - Employees who care tend to demand more from employers, which could explain stronger effects for firms with lower employee satisfaction scores

XX = Firm Operations are Directly Affected

- Lots of multinational companies have a presence in both China and India and may reallocate resources away from patenting
- Example 1: Google engineers created a custom search engine to look for relatives
 - Launched special Google Maps layer that shows earthquake information
 - Launched advertisements on its platform to inform users of these services
 - Google.com and Google.cn allowed donations using its payment system



XX = Firm Operations are Directly Affected

- Example 2: Pfizer, in addition to donating \$10M in cash, also donated \$25M in medicines during the 2004 Indian Ocean earthquake
 - Pfizer has factories and foreign operations in India
 - Pfizer began working with local governments and relief agencies to provide logistical support to properly assess what medicine and healthcare products were needed in the region
 - Loaned out **senior colleagues** with expertise in supply chain management, water sanitation, and public health
- Exclude firms with foreign operations in China, India, and Haiti or try to use truly remote natural disasters.

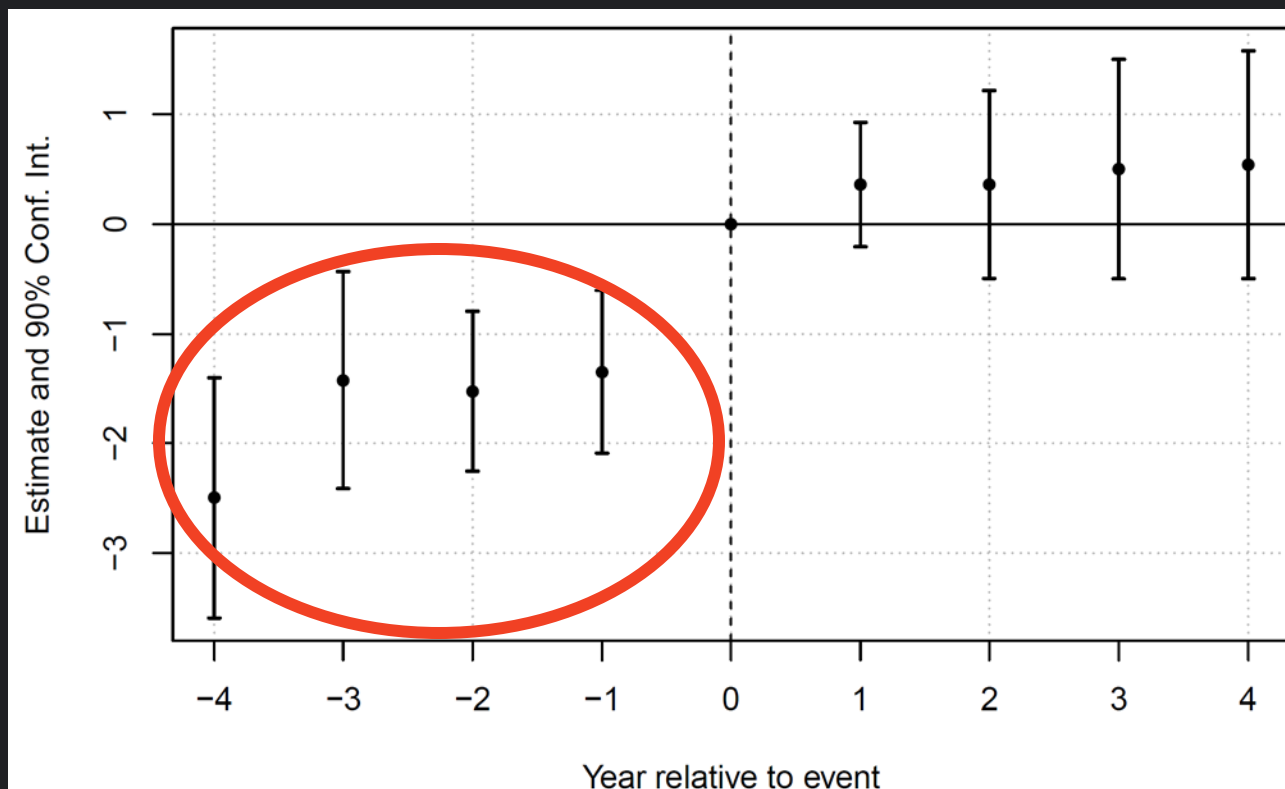
???? = Change in Values or Employee Benefits

- Possible that it is not purely value alignment effect
- Matching gifts: some companies match employee charitable contributions (i.e., related employee benefits)
 - Tangible benefits
- But this is not a big deal, just a matter of interpretation of the results, but less interesting
 - More benefits → happier workers → reduce turnover

Comments on Matching

- At the inventor level, you should be matching on inventor characteristics as well
- There could be mobility differences due to gender (women more likely to quit), age (younger people more likely to change jobs), etc.
 - Firms with foundations could prefer to hire based on these characteristics
- Consider pre-matching on industry

Comments on Figure 5 (Charitable Grants)



- There are pre-trends, no?
- And shouldn't the reference year be t-1? Same comment for Figure 6.

Comments Inventor-Level Regressions

- First-stage issue: Dependent variable $\text{Log}(1+\text{Grants})$ only has variation at the firm-year level (i.e., repeated for inventors employed at the same firm)
 - Dependent variable is perfectly correlated within firm cluster, which is why your Cragg-Donald F-Stat explodes with N (only valid if errors are not serially correlated) and Kleibergen-Paap Wald F-Stat doesn't
- You could alternatively estimate everything at the firm level and construct firm-level turnover (e.g., no. new hires minus no. exits)

Concluding Remarks

- Understanding the role and impact of corporate culture is difficult, but the paper has an interesting empirical setting with potential
- what are the policy implications?
 - Corporate charity helps retain talent, yet this paper does not document any increase in firm performance
 - Why should managers/shareholders care?
- Other things to think about:
 - What about non-inventors?
 - Can corporate virtue signaling also help retain workers? Look at sample of firms without foundations and yet Tweet “thoughts and prayers” in response to disasters. Do inventors react the same way?