

Offshoring and the Decline of Unions

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Discussion by Jacob Howard

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Key Question

Why have unionization rates declined since WWII?

- ▶ Skill biased technical change
- ▶ Sectoral changes
- ▶ Workforce composition
- ▶ Product market competition
- ▶ Institutional factors
- ▶ *This Paper*: Globalization

Hypothesis: Globalization increases the credibility of offshoring threats
... weakening union bargaining power.

Approach

- ▶ Detailed employer-employee matched Danish data (1999–2017).
 - ▶ Union membership deducted from employee's tax return.
- ▶ Within-firm changes in unionization rates are more important than sectoral composition effects.
- ▶ Two measures of offshoring:
 - ▶ Firm-level imports in the same HS4 category as firm production.
 - ▶ Threat of offshoring: (Hummels et al. 2014, 2018).

$$\sum_c \left(\frac{j\text{'s presample share of inputs from } c}{\text{of inputs from } c} \right) \times \left(\frac{\text{Total exports of } c}{\text{in } t, \text{ excludes DK}} \right)$$

Summary of Findings

- ▶ Firm-level unionization rate decreases with offshoring threat.
- ▶ Probability a worker unionizes decreases with offshoring threat.
 - ▶ Offshoring threats matter less when bargaining occurs at sector or in two-tiered level.
 - ▶ Firm-level wage bargaining the threat of offshoring has stronger effect on union membership.
- ▶ Union wage premium exists and is positive.
 - ▶ But attenuated by offshoring threat.
- ▶ Union share of rents decreases eroded at firms with greater (than average) increases in offshoring threat.

Disclaimer

I have never worked in Denmark.

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(Have never even been to Denmark).

BUT! I have googled about Danish Labor Unions.

Comments

- ▶ This is an excellent paper on an important topic. Difficult to criticize with such detailed data.

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- ▶ External validity? Denmark is highly unionized.
 - ▶ Is “the horse out of the barn already” in other developed countries?
- ▶ Denmark has both “Yellow” and Traditional unions.
 - ▶ If you could isolate “Yellow” union members, can more cleanly identify effects on wage bargaining vs. other union benefits.
- ▶ For certain occupations, globalization could have no impact on bargaining power.
 - ▶ Ex: *Danish Union of Service Employees* vs. *Danish Textile Workers’ Union*

Offshoring Threat Measure

$$\sum_c \left(\begin{array}{c} j\text{'s presample share} \\ \text{of inputs from } c \end{array} \right) \times \left(\begin{array}{c} \text{Total exports of } c \\ \text{in } t, \text{ excludes DK} \end{array} \right)$$

- ▶ Excludes firms might begin to import in yr. 2 of the sample but didn't import in the presample.
- ▶ Does the instrument apply equally across large and small firms?
 - ▶ Presample import shares might be better predictors for small firms.
 - ▶ Large firms can adjust sourcing patterns more easily in response to export shocks.
 - ▶ Union at large firms likely have less bargaining power.

Final Suggestion(s) and Thoughts

- ▶ Worker-level Union Regression and Wage-setting Systems.
 - ▶ The excluded group is different across the 4 regressions.
 - ▶ Why not pool into one regression to help with interpretation?
- ▶ Can you think about (non-tariff?) policy changes in Denmark/EU that might have changed over the sample?
- ▶ This is an important paper with real policy implications (Biden want to be “most pro-union president”).
- ▶ *Looking for Goldilocks*: It would be good to think about policy options that can promote both trade and unionization.