Discussion

Temporary Workers, Permanent Workers, and International Trade: Evidence from the Japanese Firm-level Data
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Model

- Firms with more product lines
  - Less revenue fluctuations
  - More management costs

  $\Rightarrow$optimal N of product lines

- International trade imposes greater fixed costs and reduces the profitability of each product line
  - Firms engaging in more trade specialize in less N of product lines

  $\Rightarrow$They face more revenue fluctuations

  $\Rightarrow$They overcome the fluctuations by hiring more temps that do not require labor adjustment costs

<u>Questions:</u>

➢Less product lines => more temps (Key implication?)

➢International trade imposes greater revenue fluctuations only by reducing N of product lines and not by imposing more risk (ex., exchange rate risk).

➢Introduce more aspects of international trades?

➢Factors that increase fixed costs do not have to be international trade

➢No benefits from international trade?

➢What kind of companies choose to export?

➢Or should we focus on the key implication of this model?

Table 6: The relationship between revenue volatility and temporary worker ratio (Exporting Industry)

	model14	model15	model16
Volatility	0.0087	0.0046	0.0088
	[3.06]***	[1.50]	[3.05]***
Volatility*Dum_Exp		-0.0051	
		[-0.68]	
Volatility*(0%<exp_share≤50%)			-0.0049
			[-0.69]
Volatility*(50%<exp_share≤75%)			-0.018
			[-1.04]
Volatility*(75%<exp_share)			0.0522
			[2.36]**
Scale	0.0062	0.0061	0.0062
	[3.90]***	[3.89]***	[3.90]***
_cons	0.2067	0.2076	0.2067
	[44.99]***	[44.97]***	[45.00]***
Estimation Method	Fixed Effect	Fixed Effect	Fixed Effect
Industry dummy	No	No	No
Year dummy	Yes	Yes	Yes
R2	0.0025	0.0024	0.0025
N	200,748	200,748	200,748

Note: "***", "**" and "*" show 1%, 5%, 10% statistical significance, respectively. Export industry includes chemical products, electric machinery, general machinery, transportation equipment, precision instruments and non-metallic mineral products.

- Volatility measure
  - Already incorporate the effect of international trade?
    - Why do we interact with export intensity?
  - Calculated using only three years of data (monthly?)

- In the model, multi-product firms are less volatile bc they are more diversified (larger).
  - Why include scale separately? Some explanation necessary

- Why not look at firm-level data?
  - Why calculate N of product lines at plant-level and not firm-level?
    - Plant closure

- Why not look more closely
  - Relationship bw N of product lines and total sale fluctuation
    - Firm-level/ plant-level
    - Cross-section and time-series
    - When do firms add or remove a product line?
      - Trade off bw fluctuation and average profit margin?

  - Relationship bw export intensity and N of product lines
    - Firm-level/ plant-level
    - Time series: Can export intensity explain N of product lines after controlling for other factors?
      - At firm-level, How do we take into account product line outside Japan?

- Why not use the data on N of products in regression?
    - Separate effects from plant or firm size?
    - A key that link the export exposure to Sales fluctuation?

- Temp
  - Discussion on expected and unexpected change in output?
    - Role of inventories?