

Discussion of “Trading Non-Tradables: The Implications of Europe’s Job Posting Policy,” by Mathilde Munoz

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What the paper does and what it finds

- ▶ The paper investigates the impact of the EU job posting program, which allows foreign firms to place their workers in host countries within the EU, where they mostly work in the service industry.
- ▶ Mathilde analyzes the effect of the program on:
 - ▶ **the extent of trade in non-tradeable services:** services provided through job posting amount to 2% of EU GDP;
 - ▶ **within-Europe mobility:** posted workers are twice as large as international migrants within the EU;
 - ▶ **income-distribution effects in the labor market:** negative employment effects on close-substitute blue collar native workers;
 - ▶ **origin countries' effects on firms:** large positive effects on sales, profits and wages of firms engaged in the program;
 - ▶ **European consumers' welfare:** it increases by 0.3%.

Why the EU job posting program

It is a program that

- ▶ extends the reach of trade liberalization;
- ▶ is exactly at the boundary between trade and immigration;
- ▶ fills an empty space in a policy “continuum” of globalization options and, in particular, of migration options.

“Continuum” of globalization options

- ▶ Trade in goods (including in intermediate goods)
- ▶ Trade in tradeable (digital) services / Remote Work
- ▶ Trade in non-tradeable services: *Job posting*
- ▶ Temporary migration (guest-worker programs, seasonal migration)
- ▶ Permanent migration

Overall evaluation of the paper

- ▶ This paper is remarkable, it does it all:
 - ▶ a new policy
 - ▶ a solid identification strategy
 - ▶ a theoretical model, calibrated using the causally estimated elasticities, to get at the GE effect of the policy.
- ▶ The paper systematically compares the results on the posting policy to the results in the literature on trade in goods.
- ▶ Complete picture, in terms of many dimensions: aggregate effects for destination countries and origin countries; income distribution effects in the labor market; firm-level effects at destination and at origin.

Overall evaluation of the paper (cont.)

- ▶ What can make this research agenda even stronger: make the same type of comparisons to immigration.
- ▶ The main perspective of the paper is that of a trade economist.
- ▶ An equally important angle to analyze the posting policy is from the point of view of migration.

“the largest episode to date of trade liberalization in services” (Munoz 2022)

“when trade in services was brought into the fold of international trade rules via the General Agreement on Trade in Services (GATS), trade in services through temporary migration (posting) was the most controversial.” (Munoz 2022)

Why is the comparison to migration so important?

- ▶ In a nutshell: Compared to other migration policy options, the job posting program is likely to be, overall, **less controversial** from a political point of view.
- ▶ To see this point:
 - ▶ extend the analysis of the labor-market channel;
 - ▶ look beyond the labor market channel.

Extend the analysis of the labor-market channel

- ▶ **Task specialization and occupational upgrading:** Immigrant and native workers *of the same skill level* tend to specialize in different tasks, hence they don't compete with each other in the labor-market (Peri and Sparber 2009, Peri and Sparber 2011, Foged and Peri 2016): break down category of non-exposed domestic workers.
- ▶ **Which domestic workers are negatively affected by the posted workers?** When negative labor-market effects take place, the group of workers who are negatively affected is usually other immigrant workers or second, third-generation immigrants (Cortes 2008): differentiate between domestic native-born vs. foreign born workers.

Look beyond the labor market channel

- ▶ **From a labor-market point of view (employment and wages):** the effect of trade $>$ effect of job posting $>$ effect of migration.

“My results reconcile the findings of the trade and migration literature. They evidence that when policy turns international migration into international trade – where taxes, demand, wages and rules are all set in the origin rather than destination country – the adverse effects on local labor markets are close to the one of standard manufacturing import shocks.” (Munoz 2022)

- ▶ **From a fiscal and non-economic point of view (cultural, political, etc.):** the effect of trade $<$ effect of job posting $<$ effect of migration.
- ▶ Since in public opinion data, fiscal and non-economic considerations tend to be more important than labor-market ones in explaining opposition to immigration (Dustmann and Preston 2007, Card, Dustmann and Preston 2012), in the continuum of migration policy options job posting seems to be a clear political winner.

Look beyond the labor market channel (cont.)

▶ **Fiscal channel**

- ▶ posted workers pay taxes to the origin country's government as opposed to the destination country's one, they come without their families (no kids in public schools), they don't settle at destination (no public housing)
- ▶ link job posting data to local public revenues and public spending data (as in Mayda, Senses and Steingress 2022)
- ▶ small or no fiscal impact

▶ **Cultural/integration channel:** no integration issues, no second-generation immigrants (Abramitzky and Boustan 2022).

▶ **Political channel:** link job posting data to local voting data and attitudes data (Mayda, Peri and Steingress 2021; Edo, Giesing and Poutvaara 2019)

Job posting might end up being as noteworthy for the effects it has, as for the effects it does not have

Additional comments: Interaction between job posting and migration

- ▶ You find that the job posting policy has no impact on migrants. Puzzling. Once they have the option to move on their own and make higher wages at destination, why don't they do so? Is it because of information costs? Use longitudinal data on workers at origin.
- ▶ Related to the previous point, can you estimate the wage penalty of posted workers relative to other immigrants?
- ▶ France delayed access to its labor market for immigrants originating from "new" EU Member States in 2004 and 2007 /emphwith exceptions for 150 occupations, mostly high-skilled. (Mayda, Orefice, Santoni 2021; Bertossi 2008).
- ▶ Do you adjust for the length of time posted workers spend at destination if less than a year?