

## Call for Proposal

### ERIA Microdata Research Fiscal Year 2012

Economic Research Institute for ASEAN and East Asia (ERIA) invites submission of research proposals for ERIA Microdata research project of the Fiscal Year 2012. This project is under the ambit of one of the three research pillars of ERIA, namely: *Deepening Economic Integration*. The theme of this fiscal year's research project is ***Impact of Globalization on Labor Market***. This project will comprise of about approximately nine country studies by authors mainly from ERIA member countries.

Research proposals should be submitted by email to Dionisius Narjoko ([dion.narjoko@eria.org](mailto:dion.narjoko@eria.org)) or Ikumo Isono ([ikumo.isono@eria.org](mailto:ikumo.isono@eria.org)) no later than **15 August 2012**.

Early submission is encouraged. The authors will be notified of the decision about the proposal selection process by 30 August 2012 at the latest.

ERIA provides financial support of USD 8,500 per paper for the selected proposals. In addition, ERIA covers the travel costs of one author per paper for attending the workshops of the project.

#### ■ Project Objective and Background

Two notable and important economic trends have emerged during the past few decades. First, globalization has proceeded rapidly. Developing countries, in particular, have been increasingly exposed to international markets, resulting mainly from trade and FDI liberalization policies, deregulation, and technological progress, all of which contributed to reduction in transaction cost in international economic activities. Second, in many middle- and high-income countries, wage and/or income inequality has risen.

Did globalization cause the wage inequality to rise? If so, what are the mechanisms? Are the experiences similar or different across countries and why? Are there any general lessons that we can draw from country experiences?

The objective of this project is to understand better the distributional effects of globalization and the mechanisms by which they operate, utilizing firm- or plant-level micro data. Specifically, this project aims to examine the effects of trade and FDI liberalization, trade (exports and imports), international capital flows, outsourcing and traded intermediate goods on, in particular, wage inequality and the relative demand for the skilled or educated workers.

Early studies based on the traditional H-O theory tended to point to the skill-biased technological progress (SBTC), rather than trade, as a cause for the increase in wage inequality. However, it may be fair to say that our understanding of the above issues remains far from satisfactory. The following developments warrant a further scrutiny of these issues: First, new theoretical frameworks, such as heterogeneous firm trade theories, together with the increased availability of firm-, plant-, or even product-level datasets allows us to conduct in-depth analyses

of the interactions between globalization and wage inequality. Second, outsourcing and trade in intermediate goods have expanded over the past two decades. Third, studies on ERIA member countries, particularly on East Asian countries, are relatively scarce. Most of the available studies are on developed countries or on several middle-income countries in Latin America. Therefore, East Asia is the best region for this kind of study not only because of its rapid pace of globalization over the past several decades but also because of the diversity in terms of the development stages among the countries.

## ■ Potential Questions

Questions that can be asked include, but are not restricted to, the following:

How did the skill premium (i.e., the difference in wages between skilled and unskilled workers) change? What happened, in parallel, to the relative employment of the skilled? What are the respective roles of supply- and demand-side factors in these developments? Does trade liberalization increase wage inequality: aggregate, within-industry across-firm and/or within-firm? What about the outsourcing and traded intermediated inputs? What about exporting? Does the direction of trade matter? Does it increase the relative demand for the skilled/educated or for specific occupations? What are the mechanisms? Is there evidence that trade (or trade liberalization) interacts with SBTC? If so, what are the exact channels? What role does innovation play? Does trade-induced “quality” upgrading of firms lead to higher demand for skills? Is the increased demand for skills met by attracting new, better educated workers or by increasing the productivity of the existing workforce? Are the effects different across firms? Do firm productivity level (or distance to frontier) and exporting or importing status, matter? Do domestic institutions (e.g., labor market restrictions) determine the distributional effects of trade policy?

## ■ Project Schedule

- 15 August 2012: deadline for the submission of proposals.
- 30 August 2012: notification of the selected proposals.
- **7-8 December 2012: First workshop**, to discuss the first draft of the report. The discussions focus on results of the studies.
- **22-23 February 2013: Second workshop**, to discuss the draft of final report.
- 18 March 2013: deadline for the submission of final report.
- 29 March 2013: submission of the project’s report to ERIA.

Members of the project are expected to attend the two workshops scheduled above.

## ■ Proposals

Research proposals should be about five to eight pages long. It should contain the following:

- research question(s);
- objective and background;
- brief literature review;
- description of data and methodology;
- expected value added;
- policy relevance;
- references.

## ■ Other

The research should be an original one. The final report will be included in an edited project report which will be submitted to ERIA. Some of the completed research papers may be posted as working papers for the ERIA Discussion Paper series.