

**Discussion of**

# **The International Price of Remote Work**

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**Model:** Model of global remote labor market w/

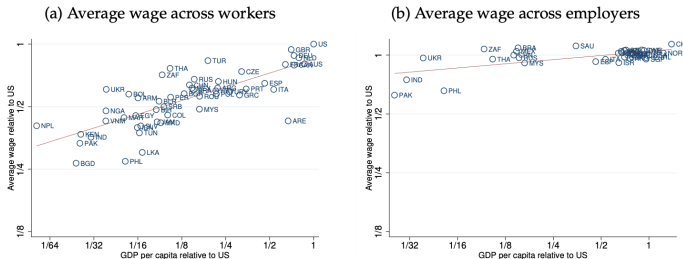
1. workers from different locations are **imperfect substitutes**
2. work either in the local market or in the remote labor market

# Interesting Fact #1: Location of Workers and Remote Wages

$$w_{fi} = \mathbf{C}_i + \mathbf{D}_f + \mathbf{I}_{i=f} + \beta' \mathbf{X}_i + \varepsilon_{fi}.$$

- Remote wages vary across workers' locations and +vely correlated with their GDP per capita
- We do not see such patterns across employers' locations

Figure 4: Wages and GDP per capita relative to the US

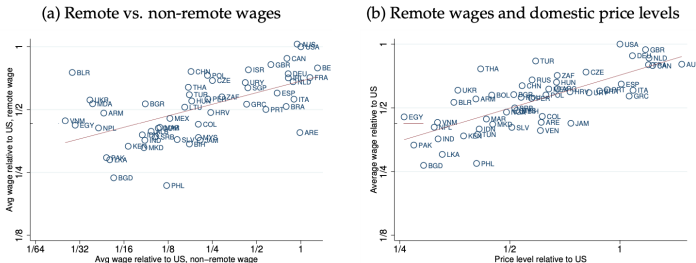


# Interesting Fact #1: Location of Workers and Remote Wages

Across workers' locations, avg remote wages are +vely correlated with...

- avg non-remote wages
- price level in workers' locations

Figure A.5: Real wages and comparison with non-remote wages



## Interesting Fact #2: Remote Wages and Exchange Rates

- Estimated w/ jobs performed between Jan 2012 and Jan 2020
- ERPT to local currency wages is 80%

$$\underbrace{\omega_{LC}}_{\uparrow 0.8\%} = \underbrace{E_{LC/\$}}_{\uparrow 1\%} \underbrace{\omega_{\$}}_{\downarrow 0.2\%}$$

– in a sharp contract w/ non-remote wages

- Workers adjust their wages in response to avg wage changes in each sector
  - instrumented w/ inflation & exchange rate changes

(weighted by the share of jobs performed by workers from country  $c$  and sector  $j$ )

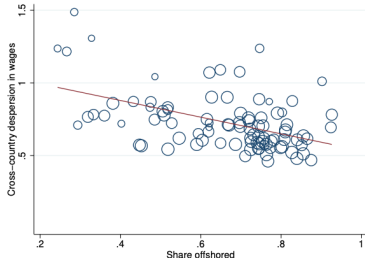
	(1)	(2)	(3)
	$\Delta_s w_{ijt}$	$\Delta_s w_{ijt}$	$\Delta_s w_{ijt}$
$\Delta_s e_{ct}$	0.203*** (0.058)	0.212*** (0.052)	0.213*** (0.053)
$\pi_{c,t_s}$	0.227* (0.120)	0.197* (0.103)	0.196* (0.103)
$\Delta_s w_{jt}$		0.781*** (0.073)	0.741*** (0.252)
Observations	88399	88399	88399
Test $\beta_1 = \beta_2$	0.84	0.87	0.85
Specification	OLS	OLS	2SLS

(1): country by sector by spell, time by sector by spell; (2) & (3): country by sector by spell, time by spell

## Interesting Fact #3: Off-shoring & Cross-country Wage Dispersion

- U.S. employers only
- Remote wages are less dispersed across countries in more frequently off-shored occupations

Figure 6: Offshoring and cross-country wage dispersion





## Comment #1: Any Working Moving to Other Locations?

- As authors noted, **unobserved differences** may drive the differences in remote wages across workers' locations & their strong +ve corr with GDP per capita in workers' locations

e.g., workers in rich countries are more skilled, which may not be perfectly captured by the scores from the tests taken on the platform

- Not sure if feasible, it would be nice if authors could use some time dimension of workers' locations

e.g., Do workers move to another country (or another US state) with higher GDP per capita get higher remote wages?

## Comment #2: ERPT Spell & Settlement Currency

- Estimating the partial ERPT to log change in the wage of a worker in sector  $j$  from  $t - s$  to  $t$ ,  $s$  varies across workers
- OLS estimation relies on an assumption of **exchange rate disconnect**  
i.e., changes in exchange rates to be uncorrelated with sectoral productivity, supply and demand shifters over  $s$  months
- Given that exchange rate disconnect mainly refers to **short-term dynamics**, it would be nice if we could get some information about  $s$  across workers and might be ideal to confine the sample with  $s$  less than the business cycle frequency.
- Additionally, the settlement currency can be different from invoicing currency (\$), do you see different degrees of ERPT?

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    - Do they hire more from various locations if they need to hire many workers?
    - Cheap labor from other locations is limited in supply when hiring lots?

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    - Routine/homogeneous works vs. more sophisticated/country-specific work
  3. Trade/business relationships?
    - Do they hire more from various locations if they have trade/business relationships with various countries?

- Very interesting work and dataset on remote wages
- Enjoyed reading a lot. Highly recommend reading!
  - c.f. I really like your other papers using online price data too!