Online Appendix to "Government Partisanship, Unionization, and the Structure of Investment Liberalization"

Part A. Sectoral Heterogeneity and the Effect of Unionization

We extend the model further to examine whether the interactive relationship between government partisanship and labour unionization is heterogeneous across industries. Industrial sectors differ from each other in numerous aspects, including input factor proportions, factor mobility, quantities, and structures of employment. These differences in sectors could potentially affect how well the labour organization-partisanship dynamics apply. This analysis helps to check if the result in the previous analysis is driven by dynamics in only a few sectors.

In this analysis, we let the coefficients β and η in the left-leaning party's marginal effect equation (i.e., $\beta_j + \eta_j \cdot Unionization$) vary by sector-$j$ whose random component follows the normal distribution, i.e., $\beta_j \sim N(\mu_\beta + \delta_j^\beta, \sigma_\beta^2)$ and $\eta_j \sim N(\mu_\eta + \delta_j^\eta, \sigma_\eta^2)$. Sector fixed effect, δ_j^β and δ_j^η, is added to the varying coefficients specification. This model specification enables us to depict the sectoral heterogeneity in the mechanism without incorporating more sector-level predictors, which is difficult to collect. After fitting the model, the sector-specific coefficients are obtained as Table A1 shows.

[Table A1 about here.]

The results, highlighting the varying coefficients in $\beta_j + \eta_j \cdot Unionization$, are presented in Table A1 where sector-specific β_j and η_j are estimated. For equity restrictions, η_j is positive and significant at the 0.05 level for 4 out of the 11 sectors: namely Business Services, Communications, Fisheries, and Utility. β_j is negative and significant for Business Service only. This suggests that the four specific sectors drive the previous results. When it comes to operational restrictions, we found more support for the theoretical claim. As the last two columns of Table A1 shows, 7 of the included 11 sectors have negative and significant β_j while 9 of the 11 sectors see positive and significant η_j. This indicates that the previous results at national and sectoral levels are not mainly driven by few peculiar sectors.

[Figure A1 about here.]

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To visualize the sector-level heterogeneity, we plot the marginal effect of government partisanship on operational restriction using estimates in Table A1 as shown in Figure A1. The dotted line in the sub-figures depicts the marginal effect when sector fixed effect is not considered, and the solid line indicates the sector-specific marginal effect function in each sector. The figure suggests there is some variation in the structure of the partisanship effect. Notably, the estimates for Mining sector seem to be contrary to what our theoretical claims posit: the level of unionization tends to strengthen the "liberalizing" effect of left-leaning government instead of weakening it. While more has to be examined to provide an account for this outlier, this observation may have to do with the distinctive labour supply and employment structure of the mining sector where the inflow of mining FDI may actually boost the organizational cohesiveness of labour unions compared with other sectors where it compromises organizational capability.

Tabel A1. Sectoral Random Coefficients: Post-establishment restrictions

	Foreign Equity		Operational	
Sector	β_j	η_j	β_j	η_j
Banking	0.0142	0.000312	-0.0065	0.000289**
	-0.0105	-0.0002	-0.00336	-0.0000683
Business services	-0.0287*	0.00198**	-0.00785*	0.000331**
	-0.0113	-0.00027	-0.00351	-0.0000933
Communications	0.0101	0.000706**	-0.0227**	0.000454**
	-0.0137	-0.000257	-0.0045	-0.0000885
Construction	-0.00895	0.0000302	-0.00502	0.000179**
	-0.00955	-0.000186	-0.00307	-0.0000638
Fisheries	0.0261**	0.000165**	-0.0186**	0.000667**
	-0.00962	-0.000017	-0.00302	-0.000589
Hotels & restaurants	-0.0166	0.000185	-0.0103**	0.000327**
	-0.0111	-0.000335	-0.00344	-0.000116
Manufacturing	-0.0141	0.000159	-0.0175**	0.000329**
	-0.011	-0.000192	-0.00355	-0.0000658
Metals	0.0421	-0.00127	-0.0167	0.000446
	-0.0503	-0.00112	-0.0165	-0.000385
Mining & Quarrying	0.0131	-0.0000507	0.0130**	-0.000278**
	-0.0142	-0.000275	-0.00439	-0.0000939
Transport	0.0542**	-0.000334	-0.0223**	0.000524**
	-0.0137	-0.000257	-0.0045	-0.0000885
Utility	0.0351*	0.000640**	-0.0124*	0.000194*
	-0.0155	-0.00024	-0.00491	-0.000082
$\sigma(.)$	6.75e-10	5.14e-11	8.21e-7	1.82e-12

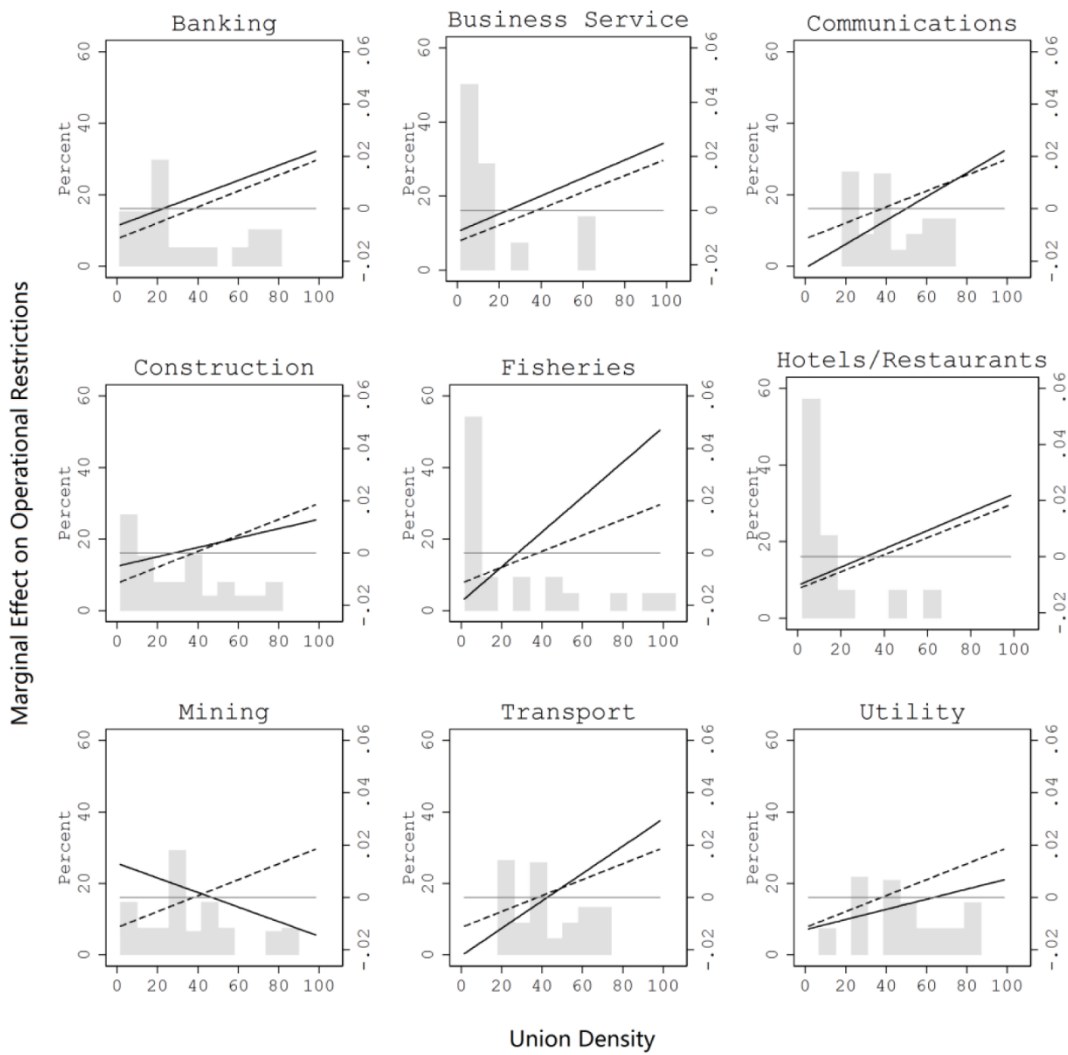Note: Standard errors in parentheses: * $p < 0.05$ ** $p < 0.01$

Figure A1. Sector-Specific Effect of Left-leaning Government and Labour Union Density

Part B. Descriptive Statistics

Table B1. Descriptive Statistics of Country-level Models

	N	Mean	S.D.	Min	Max	Data Source
Capital Account Restriction	116	8.434527	14.05811	1	56.12465	Chinn and Ito (2008)
Capital Inflow Restriction	131	5.438931	7.89036	0	40	Pond (2018)
Screening and Approval Requirement	131	2.217557	4.888204	0	20	OECD FDI Regulatory Restrictiveness Index
Foreign Equity Restriction	131	4.796159	4.11625	0	24.375	
Operational Restriction	131	1.087786	1.462086	0	10	
Foreign Personnel Restriction	131	0.318321	0.897244	0	9.5	
Left-leaning Government	131	0.89313	0.92197	0	2	Database of Political Institutions
Proportional Representation	120	0.791667	0.407819	0	1	
Labour Unionization	131	30.77893	19.71461	7.586451	95.16304	OECD Trade Union Dataset
GDP per capita (log)	131	10.28226	0.604668	8.846213	11.33351	Word Development Indicators
GDP Growth	131	1.38139	2.191478	-6.85327	6.730966	
Trade (% of GDP)	131	91.82851	57.24803	22.0903	326.3067	
FDI inflows (log)	131	0.995761	1.264565	-3.10676	6.065297	
Government Expenditure (% of GDP)	131	20.10216	4.201043	9.951304	28.95371	
CMEs dummy	131	0.328244	0.471377	0	1	Hall and Soskice (2001)
EU Membership	131	0.679389	0.468503	0	1	Self-coded
Cumulative BITs signed	131	57.03053	34.05356	1	132	UNCTAD IIA Database

Table B2. Correlation of Key Country-level Independent Variables

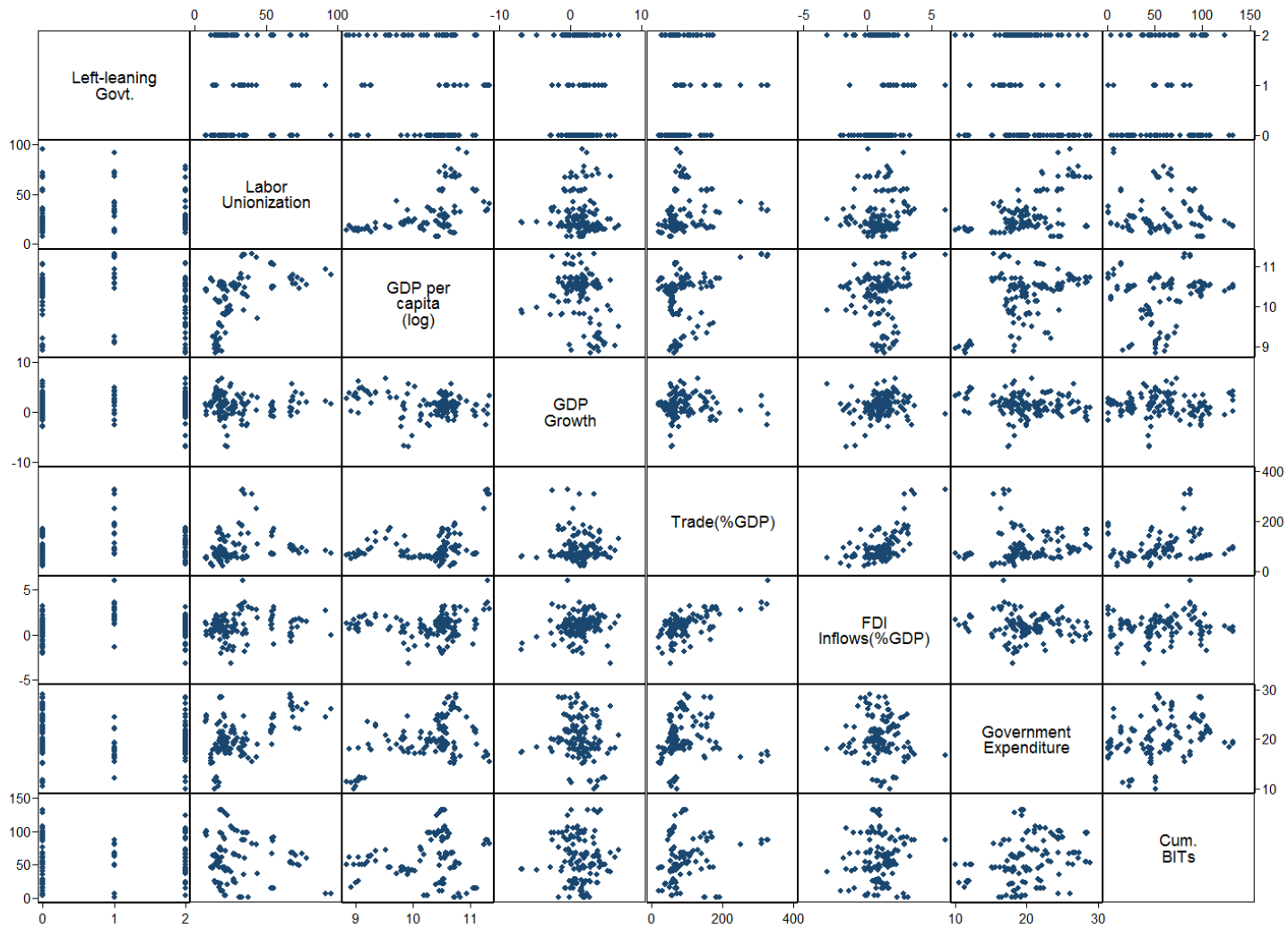|	Left-leaning	Unionization	GDP pc	Growth	Trade	FDI	Govt. Exp.
Labour Unionization	-0.0406						
GDP per capita (log)	-0.0837	0.5195					
GDP Growth	0.0168	-0.1798	-0.3738				
Trade (%GDP)	0.0514	0.1162	0.1578	0.0365			
FDI (%GDP)	0.0901	0.1196	0.05	0.1488	0.6047		
Govt. Exp. (%GDP)	-0.1132	0.5815	0.4021	-0.2109	0.0844	0.0738	
BITs signed	-0.0927	-0.1294	0.1	-0.0792	0.1413	0.0415	0.0595

Figure B1. Scatterplot Matrix of Country-level Key Independent Variables

Table B3. Descriptive Statistics of Sector-level Models

Variables	N	Mean	S.D.	Min	Max
Sector level					
Screening and Approval Requirement	1072	0.04865	0.074024	0	0.2
Foreign Equity Restriction	1072	0.067011	0.16666	0	1
Operational Restriction	1072	0.01602	0.068299	0	0.75
Foreign Personnel Restriction	1072	0.006598	0.025986	0	0.235
Labour Unionization	1072	30.69034	22.5492	1.461538	98.46667
Sector Employment	1072	6.845473	7.599604	0.094835	46.5
Country level					
Left-leaning Government	1072	0.8125	0.952324	0	2
GDP per capita (log)	1072	10.51135	0.668147	8.846213	11.33351
GDP Growth	1072	2.464002	1.994568	-6.85327	6.730966
Government Expenditure (% of GDP)	1072	19.328	3.521821	10.28792	26.48121
Trade (% of GDP)	1072	75.8667	47.27242	22.0903	326.3067
FDI inflows (% of GDP)	1072	5.258004	9.230389	-3.10676	6.065297
Proportional Representation dummy	1072	0.664179	0.472497	0	1
EU Membership	1072	0.529851	0.499341	0	1
CMEs dummy	1072	0.251866	0.434287	0	1
Cumulative BITs signed	1072	49.98507	9.658393	5	132

Table B4. Correlation of Key Sector-level Variables

|	Screening	Equity	Operation	Personnel	Left-leaning	Unioniz'n	Employment	GDP pc	Growth	Govt. Exp.	Trade	FDI	PR	EU	CMEs
Equity	0.1205														
Operational	0.0686	0.2972													
Personnel	0.0719	0.3629	0.4515												
Left-leaning	-0.146	0.0566	0.0744	0.0558											
Unionization	-0.186	0.0445	0.1339	0.0617	0.043										
Employment	-0.1622	-0.0715	-0.05	-0.0144	-0.0242	0.2327									
GDP pc (log)	-0.0319	-0.1621	-0.1238	-0.1784	-0.1933	0.1552	-0.0151								
GDP Growth	0.102	0.1125	0.0658	0.1184	0.0928	-0.0867	-0.0745	-0.4154							
Govt. Exp.	-0.1106	-0.1841	0.0156	-0.2453	-0.1292	0.2935	0.0224	0.5805	-0.3984						
Trade	-0.2466	-0.0211	-0.0791	-0.1665	-0.1703	0.3258	0.0634	0.302	-0.0878	0.3625					
FDI Inflows	-0.0703	-0.0571	-0.0404	-0.0444	-0.0674	-0.0021	-0.0368	0.1793	-0.0006	0.0191	0.6092				
PR dummy	-0.0238	-0.0741	0.0318	-0.0524	-0.0214	0.2738	0.1051	-0.0649	-0.0474	0.1112	0.2546	0.0454			
EU	-0.3617	-0.1909	-0.1875	-0.2196	-0.1905	0.2623	0.1637	0.3588	-0.3411	0.4563	0.597	0.141	0.1439		
CMEs	-0.1737	0.0249	-0.0419	0.0107	-0.0761	0.4319	0.1848	0.4962	-0.2182	0.3614	0.4092	-0.012	0.2326	0.2245	
BITs Signed	-0.0186	-0.0099	-0.0159	0.0047	0.0069	0.0022	0.0169	0.014	-0.0011	-0.0102	0.0124	-0.0048	0.0156	0.0052	0.0061
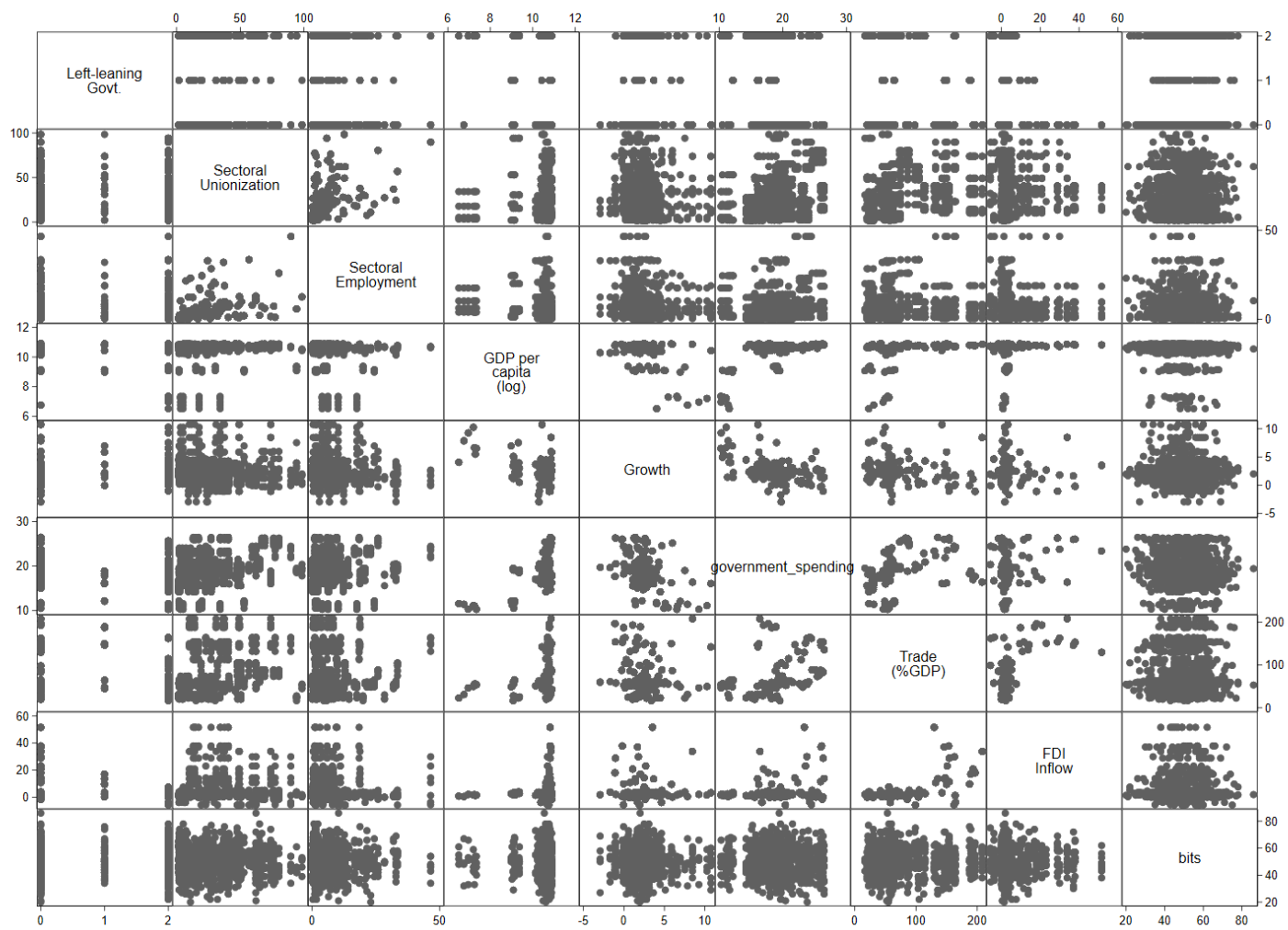
Figure B2. Scatterplot Matrix of Sector-level Key Independent Variables