Why do U.S. multinationals voluntarily provide geographical employment disclosures?

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Abstract

Roughly 20% of U.S. multinationals' 10-K filings voluntarily disclose domestic versus foreign headcount despite claims that geographic headcount is a closely held secret. We examine the determinants and consequences of this disclosure decision. By examining the voluntary disclosure of geographic non-financial data, we extend previous research on agency and tax related disclosure incentives for geographic financial information and on financial reporting responses to outsourcing publicity and political pressure. We find results suggesting that the voluntary geographic headcount disclosure choice depends on both political pressure and employee backlash.. We conduct falsification tests along twodimensions to address concerns that this literature relies on constructs inherently hard to measure. First we examine firms' operating segment headcount disclosures to provide reassurance that we have isolated geographic specific factors. Second, we examine geographic earnings and capital expenditure disclosures to provide reassurance that we capture forces distinctly important to headcount. We do not find evidence that the same political or employee measures explain these disclosures in our falsification tests. We also conduct a confirmatory factor analysis that suggests that our measures capture political pressure and employee backlash factors. To understand a potential economic benefit of such disclosure, we investigate the association between the disclosure decision and equity liquidity. Consistent with a cost benefit trade-off, we find that disclosing firms enjoy increased liquidity compared to non-disclosing firms.

1. Introduction

Where employees are located is one of big business' top secrets according to Yang (2013) who notes "companies do not have to disclose where their employees work, making it hard to track how their headcounts in the United States compare with those in other countries, especially as firms go increasingly global." Yang (2013) further argues that while companies often cite competitive pressure for their lack of headcount disclosure "there's also plenty of political pressure, as no company wants to get called out for outsourcing" and notes that a proposed Outsourcing Accountability Act "would require companies to disclose how many of their jobs were overseas and how many were in the United States." Consistent with these arguments, a Securities and Exchange Commission (SEC) concept release statement issued in June of 2016 asks for comments on the usefulness of the existing employee headcount disclosure requirement and on whether this disclosure should by broken-out for domestic and foreign employees. Although there is no current regulatory requirement to disclose the number of employees by geographical region, roughly 20% of multinationals provide a breakout of domestic versus foreign headcount.¹ Motivated by these arguments, potential legislation and the SEC's requests for comments, we examine the determinants and consequences of multinationals' voluntary disclosure of geographical headcounts in 10Ks.

Consistent with the possibility that political pressure affects this voluntary disclosure choice, the difference in employment trends from 2000 to 2014 for multinationals disclosing domestic versus foreign headcount compared to the Bureau of Economic Analysis (BEA) aggregate data suggests that firms with more favorable

¹ As summarized in the Historical Segments database within COMPUSTAT.

domestic employment numbers are more likely to voluntarily disclose the headcount breakout. Specifically, BEA data reports that aggregate foreign employment increased while domestic employment decreased (Figure 1 Panel A), although both domestic and foreign employment increased for disclosing firms (Figure 1 Panel B). Figure 2 further supports the argument that firms are secretive to hide "outsourcing" given the comparison between employment data for high versus low disclosure industries. This figure indicates that much of the difference between the BEA aggregate data and firm disclosed headcount in 10Ks is driven by firms in low disclosure industries.²

Previous research also sheds light on how publicity and political pressure may affect firms' geographic headcount disclosures. Ramanna (2012) argues that voluntary labor practice disclosures likely reflect concerns over potential government or employee actions. The results of corporate executive surveys indicating concerns about legislative or political pressure, backlash from employees, and negative corporate publicity are consistent with an application of these arguments to geographic headcount.³ Leuz (2004) considers the frequency of German firms' operating and geographic segment disclosures that are not influenced by rules favoring one or the other type of disclosure. He notes that "geographic segment disclosures are particularly rare. Previous studies make similar observations in other countries and suggest that geographic segment disclosures can create substantial political costs in addition to any proprietary costs."

² In supplemental tests, we further examine the association between voluntary headcount disclosure and the ratio of imputed domestic to total headcount differs with ongoing, start, and stop disclosure decisions. We find a higher domestic headcount ratio for firms with ongoing disclosure and disclosure initiation and a lower ratio for firms that stop disclosing. This supports claims that disclosure choices are related to anticipated changes in domestic versus foreign employment.

³ For example, responses from 180 corporate executives polled by Diamond Cluster International released on PRNewire (2004) indicate "85% of the executives were concerned about legislation or political pressure against outsourcing, while 84% were worried about backlash from employees. And 62% said they were worried about negative corporate publicity that could be created by outsourcing."

Based on these arguments, we consider whether concerns over potential government or employee actions affect firms' voluntary geographic headcount disclosure by estimating a prediction model of the choice to disclose the breakout of domestic versus foreign headcount. In particular, we investigate the relation between this disclosure decision and political and employee backlash concerns using measures of congressional lobbying, outsourcing publicity, unexpected declines in total headcount, autonomous subsidiaries, H1B visa sponsorship, operations in lower wage foreign regions, union disclosures, and disclosure of subsidiaries in tax havens.

To address reliance on constructs inherently hard to measure, we conduct falsification tests along two-dimensions. First, to provide reassurance that we have isolated factors specific to geography we conduct falsification tests using firms' operating segment headcount disclosures. Second, to provide reassurance that we capture forces distinctly important to headcount we conduct falsification tests to ensure that these forces do not also drive geographic financial disclosures, i.e. earnings and capital expenditure disclosures. To capture commonalities in our measures of political pressure and employee backlash, we also conduct a confirmatory factor analysis to identify political and employment factors.

Our analyses of voluntary geographical headcount disclosures support the notion that firms' disclosure decisions are affected by both political and employee backlash concerns. Our confirmatory factor analysis indicates that the political factor is positively correlated with lobbying, H1B visa sponsorship, autonomy, and tax haven disclosures, and is negatively correlated with unexpectedly low headcounts. Consistent with these correlations, the political factor coefficient in the geographic headcount disclosure model is significantly positive and is insignificant in each of the falsification test models. In addition, the political factor coefficient is significantly greater for the geographic headcount than for each of the falsification disclosures. The employee factor is positively correlated with media coverage, and negatively related to union disclosure and low wage regions. The employee factor coefficient is significantly negative in the geographic headcount disclosure model and is insignificant in each of the falsification test models. In addition, the employee factor coefficient is significantly more negative for the geographic headcount than for each of the falsification disclosures. The results of our analysis of the individual variables that comprise these factors are largely consistent with these interpretations, although we find a significant difference between the geographic headcount disclosure and the falsification disclosure in only 19 of the 24 tests conducted.⁴

To understand why firms might voluntarily provide geographic headcount despite potential political costs and employee backlash, we explore a potential economic benefit of the geographic headcount disclosure. Specifically we investigate the association between the disclosure decision and equity market liquidity. We argue that while hiding geographical employment breakdowns can mitigate potential adverse political and employee backlash, firms face reduced liquidity due to decreased disclosure transparency. This possibility reflects the tradeoff between capital market consequences and political cost considerations and provides tension for our prediction that geographic employment disclosures depend on political costs. This is an important tradeoff based on the comments the SEC received from various investor groups, unions and public accounting firms that support the geographical employment breakout disclosure requirement. Many commenters argue that this disclosure provides critical information

⁴ On average, given our 10% significance level, we would expect to find 21.6 rejections.

for investment decisions and helps mitigate information asymmetry. We find that disclosing firms enjoy higher equity liquidity relative to non-disclosing firms.⁵ This finding further supports a shareholder-focused trade-off of the disclosure decision.

Our findings provide insights about proposed legislation and the SEC's potential requirement for a domestic versus foreign employment break-out disclosure. We also contribute to the literatures on voluntary geographic financial disclosures, on corporate accountability reporting discussed by Ramanna (2012), and on outsourcing and political costs, e.g., Ramanna and Roychowdhury (2010). In contrast to voluntary disclosures of geographic financial information that relate to tax avoidance, income shifting (e.g., Collins et al., 1998, Hope et al., 2013) and manager agency incentives (e.g., Berger and Hann, 2007; Hope and Thomas, 2008), we find that voluntary headcount disclosures are associated with political and employee concerns.⁶ Our falsification tests that identify constructs specifically affecting geographic employment disclosures indicate that we have isolated distinct factors that relate specifically to geographic headcount disclosures. Our confirmatory fact analysis suggests that our data supports our hypothesized political and employee concerns model. In addition, we contribute to the literature on the effects of non-financial disclosures and social responsibility on market liquidity by showing an association between geographic headcount disclosures and increased liquidity.

2. Background

2.1 Geographic Area Current and Proposed Disclosure Requirements

⁵ We address self-selection concerns using propensity score matching.

⁶ Operating segment research focuses on mandatory financial disclosure aggregation, which can relate to proprietary costs (e.g., Hayes and Lundholm, 1996; Botosan and Stanford, 2005; Bens et al., 2011) and agency costs (e.g. Berger and Hann, 2007 and Hope and Thomas, 2008).

As outlined in Figure 3, SFAS 131 requires both operating segment and geographic area disclosures of certain financial data, while making disclosure of other financial data mandatory for operating segments but voluntary for geographic areas. Specifically, FAS 131 requires disclosure of revenues and long-lived assets for both operating segment and geographic area, but makes disclosure of profits and capital expenditures voluntary for geographic areas. Required geographic area disclosures must be attributed to (1) the enterprise's country of domicile and (2) all foreign countries in total. Finally, employment information disclosure is not required either by geographic area or by operating segment.⁷ While reporting the total number of employees is required in the discussion of a company's business under 10-K Item 1, there is no requirement that firms separately disclose domestic versus foreign headcount.⁸

Congress has considered mandating outsourcing disclosure. The "Outsourcing Accountability Act of 2012" was introduced in the Senate by Sherrod Brown (D-OH) and in the House by Gary Peters (D-MI). The stated purpose of this bill was to "amend the Securities and Exchange Act of 1934 to require, the disclosure of the domestic and foreign employees of issuers." Yang (2012) reports that Gary Peters said "the purpose of the bill is to incentivize companies to keep more jobs in this country," and that "investors likely want that information too." This bill, which is yet to be enacted, has been reintroduced during each of the subsequent three congresses most recently in the 115th Congress, 2017-2019. Thibodeau (2017) reports that six U.S. Senators have co-sponsored the most recent bill, which according to Sen. Gary Peters (D-Mich.) is designed 'to hold companies accountable for gaming the system and shipping jobs overseas when it's not

⁷ Operating segments can be based on geography, but geographic area disclosures are still required.

⁸ While there is currently no public headcount disclosure requirement, on June 29, 2016 the IRS issued final regulations (TD 9773) requiring annual country-by-country reporting for US-parented multinationals.

even known where their employees are located.'

Although Congress has not yet enacted the Outsourcing Accountability Act, a concept release issued in June of 2016 by the Securities and Exchange Commission (SEC) "revisit[s] the business and financial disclosure requirements in Regulation S-K." The concept release seeks "to assess whether [the disclosures] continue to provide the information that investors need to make informed investment and voting decisions and whether any of our rules have become outdated or unnecessary." The SEC asks for comments on the usefulness of the current number of employees disclosure requirement and on whether this disclosure should be broken-out for domestic and foreign employees. In addition to 16,302 form letter submissions calling for required disclosure of the number of employees each year on a country-by-country basis, the SEC received nearly five hundred individualized comments from a variety of constituent groups including executives, unions, investors, public accountants and U.S. Senators.

While executive groups such as Financial Executive International argued that "the compilation of the number of employees as of a specific date is time-consuming and is not likely to provide investors with relevant information to help support an investment decision," unions, investor groups, and public accounting firms advocated for increased employment disclosure requirements. For example CALPERS states "Disclosure of the number of persons employed by the registrant is needed to help investors effectively assess the size, scale and viability of a registrant's operations and trends." Similarly, Jack Ciesielski, President of R.G. Associates, argues that the employee disclosure requirement "would be very useful for investors: it would greatly enable consistent per-employee analysis of revenues and costs, and it would be particularly useful."

Nine U.S. senators, including those from six top ten manufacturing jobs states, express support for required disclosure of "the number of jobs lost and the number of jobs created in the United States" as a result of manufacturing properties opened or closed during the year.⁹ They cite a 2012 Boston Consulting Group consumer survey indicating a strong preference for American-made goods to illustrate "how prioritizing American products and jobs can be an important business decision for companies." The senators "urge [the SEC] to consider our proposed disclosure requirements for the Form 10-K so that policymakers, consumers, and investors have access to important information related to a company's commitment to American production."

A second proposed mandatory disclosure bill, the "Stop Outsourcing and Create American Jobs Act of 2010," was introduced by Rep. Jerry Cranwell (D., Calif.) on June 29, 2010. The bill would require all Federal government departments and agencies to request all Federal contract bidders to provide information regarding whether they engaged in "outsourcing" during the fiscal year before awarding the contract. The bill targets government suppliers who terminate the employment of a U.S. worker from a job and hires (or contracts for) the same job to be performed in a foreign country. The bill would exclude such bidders from future Federal government contracts and impose criminal fraud penalties under 18 U.S.C. 1001 (false statements to the Government).

2.2 Affiliate vs. Non-Affiliate Offshoring Data

2.2.1 Aggregate Geographic Employment Data

The BEA conducts a benchmark survey of U.S. multinationals' every five years. Following the release of the 2009 survey results, which indicated that U.S. multinationals

⁹ Specifically, Senators Feinstein [D-CA], Brown [D-OH], Franken [D-MN], Casey [D-PA], Gillibrand [D-NY], Merkley [D-MA], Peters [D-MI], Reed [D-RI] and Donnelly [D-IN].

decreased their U.S. work force by 2.9 million during the preceding decade while increasing their overseas headcount by 2.4 million,¹⁰ Wessel (2011) argues that the

totals mask significant differences among the big companies. Some are shrinking employment at home and abroad while increasing productivity. Others are hiring everywhere. Still others are cutting jobs at home while adding them abroad ... the growth of their overseas work forces is a sensitive point for U.S. companies.¹¹ ... Many of them don't disclose how many of their workers are abroad. And some who do won't talk about it.

2.2.2 Non-affiliate Offshoring Data

Although the media often refers to employees of foreign affiliates as outsourcing, Olsen (2006) discusses the proper use of the terms outsourcing versus offshoring noting "outsourcing refers to the relocation of jobs and processes to external providers regardless of the provider's location" while "offshoring refers to the relocation of jobs and processes to any foreign country without distinguishing whether the provider is external or affiliated with the firm." Similarly, Matthews (2012) argues that "the political war against 'off-shoring' — which is what the critics usually mean when they use the term 'outsourcing' — is raging this election year...," suggesting that the political debate is more about offshoring to affiliates than to outsourcing to non-affiliates.

Based on these definitions, the BEA employment data on foreign-affiliate headcount reflects offshoring to affiliates but not offshore outsourcing to non-affiliates.¹² Based on firms' 10K headcount disclosures and the BEA employment data, our study only examines affiliate offshoring rather than outsourcing to non-affiliates in part because obtaining outsourcing data is notoriously difficult. Houseman (2009) argues that

¹⁰The survey also shows that when multinationals' sales dropped dramatically in 2009, these firms cut 5.3% of their U.S. headcount but only 1.5% abroad. The overseas headcount increased to 5 million in the subsequent benchmark survey while the U.S. headcount failed to recover.

¹¹ For example, from 2005 to 2010, GE cut 1,000 overseas and 28,000 in the U.S.; Cisco added 10,900 in the U.S. and 21,250 overseas; Honeywell cut 5,000 in the U.S. while adding 19,000 jobs overseas.

¹² For example, the BEA data for Apple would not include the headcount of their non-affiliate Foxconn. Similarly for domestic outsourcing, the employees of Swift Transportation who have a dedicated carriage contract with Wal-mart would not be counted as Wal-mart domestic employees in the BEA data.

although the apparent growth of offshore outsourcing and offshoring of intermediate goods and services has spurred a heated debate over its effects on the U.S. economy and workers, our ability to assess these impacts is hampered by the limitations of government data.

Despite these data limitations on examining firm-level offshoring via affiliates versus non-affiliates, some progress is being made in the literature at the industry level using U.S. import data, which classifies all shipments as originating from either affiliates or non-affiliates. For example, Pinto and Wymouth (2014) show that imports from affiliates are more likely in contract-intensive industries than from non-affiliates. In a supplemental analysis we use BEA industry-level data on affiliated versus unaffiliated imports to get a sense of the complementarity of offshoring to non-affiliates versus affiliates. To the extent that offshoring to affiliates and outsourcing to non-affiliates are complements, our results will be more generalizable to outsourcing to non-affiliates.¹³

3. Research Design

3.1 Geographical Area Employment Disclosure Choice

To investigate how concerns over political pressure and employee backlash affect firms' voluntary geographic non-financial disclosure choices, we estimate the following model of the choice to disclose the breakout between domestic versus foreign headcount.

 $\begin{aligned} Disclose &= \beta_0 + \beta_1 * Lobby + \beta_2 * Top \ Media + \beta_3 * H1B + \beta_4 * \ Low \ Wage \\ &+ \beta_5 * Low \ \Delta HCRes + \beta_6 * Union \ Dis + \beta_7 * Tax \ Haven + \beta_8 * Autonomy \\ &+ \beta_9 * OP \ Dis + \beta_{10} * Capx \ Dis + \beta_{11} * OpSeg \ HC + \beta_{12} * Geo \ OpSeg \\ &+ \beta_{13} * PR \ Wire + \beta_{14} * Disc \ OP + \beta_{15} * \Delta Rev + \beta_{16} * Merge \\ &+ \beta_{17} * \Delta \# Area + \beta_{18} * Pension + \beta_{19} * \ High \ ETR + \beta_{20} * Union \ \% \\ &+ \Sigma \beta_c * \ Other \ Controls + \Sigma \beta_1 * \ IFE + \Sigma \ \beta_y * \ YFE + \varepsilon \end{aligned}$ (1)

3.1.1 Test Variables

¹³ Based on BEA 2002 industry-level data, the ratio of affiliated to unaffiliated imports is 2.51 for business, professional and technical services and 1.85 for computer services, suggesting a larger impact of offshoring to affiliates than of outsourcing to non-affiliates in industries highly criticized for "outsourcing".

Model (1) includes several variables designed to isolate the political pressure and employee backlash channels for voluntary headcount disclosures. We draw on previous research when constructing measures of lobbying, media, unexpected declines in total headcount, affiliate autonomy and union disclosures. We also add to the literature by constructing variables designed to capture the political costs associated with geographic specific labor practices, i.e., relative wage rates and visa sponsorships.

3.1.1.1 Congressional Lobbying on Labor Issues

We consider the relation between firms' voluntarily non-financial disclosures and their congressional lobbying efforts as a proxy for how sensitive the topic is for the firm. We expect firms more concerned about government actions related to unemployment and offshoring to be more likely to lobby about bills addressing these issues. Using an Opensecrets.org database of firm's House and Senate Bill lobbying activities¹⁴ we collect data on firm lobbying on two bills that directly related to domestic employment issues.

Specifically, we expect these firms to be more likely to lobby about bills such as the "Hiring Incentives to Restore Employment Act," which provides tax benefits to employers hiring previously unemployed workers, and the "Employee Free Choice Act, 2009," which enables employees to form, join, or assist labor organizations to provide for mandatory injunctions for unfair labor practices during organizing efforts. We argue that firms that hire more domestically are more likely to benefit from these bills, and therefore expect that these firms are more likely both to lobby and to disclose their domestic versus foreign employment. To capture this propensity to lobby, we use an indicator *Lobby* that equals 1 if the firm lobbied on either the "Hiring Incentives to Restore Employment Act" or the "Employee Free Choice Act, 2009" in the sample period; 0 otherwise.

¹⁴ From lobbying disclosure reports filed with the Secretary of the Senate's Office of Public Records.

3.1.1.2 "Outsourcing" Publicity and Unexpected Decline in Headcount

We extend Ramanna and Roychowdhury's (2010) finding that outsourcing publicity affects accounting discretion, by examining whether it is also related to voluntary domestic versus foreign headcount disclosures. Based on the frequent use of the term outsourcing when referring to offshoring (Section 2.2.2) we expect firms that withhold information on geographic headcount to be subject to more negative publicity about their "outsourcing" policies that likely include offshoring activities. We use the Factiva database to capture media coverage of outsourcing. Specifically, we construct an indicator variable, *Top Media*, that equals 1 if the firm was one of the top 100 firms in the number of media mentions from all sources that include the word-stem "outsource" during the previous three years. To isolate the extent of media coverage that is not generated by the firms' own press releases we include a control indicator variable *PR Wire* for the top 100 firms based on the Factiva Press Release Wires source that include the word-stem "outsourc*" during the previous three years.

Using the unexpected decline in headcount model developed by Ramanna and Roychowdhury (2010), we extend their finding that firms attempt to avoid negative publicity about job losses from outsourcing by examining whether their measure is negatively related to the geographic headcount disclosure choice. Specifically, the *Low* $\Delta HCRes$ variable is measured as an indicator variable equal to one if the residual from the following employment model is below the sample median: $\Delta HC = \alpha + \beta_0 * (1/Assets) + \beta_1 * \Delta Sales + \varepsilon$. (Detailed definition is provided in the Appendix 1.)

3.1.1.3 Affiliate Autonomy and Tax Haven

Building on the findings in Robinson and Stocken (2011) that "some foreign subsidiaries, although owned by a U.S. parent, conduct their activities relatively autonomously" we argue that the negative reaction to increased foreign employment may also be lessened if the foreign employees are hired by a relatively autonomous foreign subsidiary. Following Robinson and Stocken (2011), we measure foreign subsidiary autonomy using the subsidiaries' functional currency designated in their financial reports. If foreign subsidiaries' functional currency is their local currency, then parents will include the currency adjustment gain or loss in other comprehensive income. Therefore, we use an indicator variable *Autonomy* that equals 1 if the firm has non-missing value on COMPUSTAT "recta"; 0 otherwise. We expect firms will be more likely to disclose their geographic employment when the foreign currency is the GAAP functional currency.

Dyreng and Lindsey (2009) find that firms exercise discretion when reporting their material subsidiaries in their SEC filings to avoid tax. Specifically, they find that firms vary in their designation of subsidiaries in tax havens as material subsidiaries. We expect that this disclosure choice may be related to geographic headcount disclosure: firms that are more forthcoming in tax haven disclosures can be more likely to disclose geographical employment. We capture firms' tax haven disclosures using the ratio of tax haven subsidiaries over total subsidiaries provided by Dyreng and Lindsey (2009).

3.1.1.4 Other Labor Disclosures

To capture firms' tendency to provide information on the relationship with employees we incorporate a variable *Union Dis* indicating whether the firm discloses information about employee unionization. Since this variable may relate to labor costs we include two control variables designed to capture labor relations. Specifically, we include a BEA industry specific measure of the percentage of employees represented by unions based on 2-digit NAICS codes (*Union %*), and a firm specific indicator *Pension* for employer pension or postretirement benefits plans collected from COMPUSTAT.

3.1.1.5 Geographic Employment Characteristics: Wage and H1B

We further argue that political pressure and employee backlash may depend on the reason for and extent of foreign activities. The Council on Foreign Relations notes:

Thea Lee, policy director for the AFL-CIO, says much of the economic data supporting the link between overseas investment and domestic job growth fails to distinguish between foreign investment used to serve market demand for U.S. goods and services and foreign investment used to buy cheaper labor abroad.

That is, some firms hire foreign workers to sell products produced in the U.S., but others do so to shift production from the U.S. We capture foreign investment designated to buy cheaper labor abroad using the percentage of sales located in countries and areas with wages constantly lower than U.S. wages (*Low Wage*). The wage information of areas or countries is collected from http://stats.oecd.org/Index.aspx?DataSetCode=RMW. We expect firms that have more foreign operation and sales in these areas and countries to be less willing to disclose the number of employees by geographical area because the foreign activities of these firms are more likely to reduce U.S. jobs.

Finally, based on arguments made by Yu (2007) that there is a negative association between H1B visas and moving jobs overseas, we predict that companies that sponsor more H1B visas are more likely to disclose their geographic headcount. We include the three-year average number of H1B visas for the top 1000 visa sponsors during the 2000-2014 period as reported in the myvisajobs.com database.

3.1.2 Control Variables

To control for a general tendency for either geographic or employment

disclosures, we include indicators for geographic disclosure of operating profits (*OP Dis*) and of capital expenditure (*Capx Dis*) and for employment disclosure for operating segments (*OpSeg HC Dis*). To reduce concerns that about 3% of firms structurally organized by geography might be inclined to disclose geographic headcount, we directly control for whether the firm's primary operating segment is on a geographic basis.

We also control for factors related to geographic financial disclosures in previous research. Based on Hope et al.'s (2013) findings, we include an effective tax rate variable (*High ETR*) that equals one when the effective tax rate is above the sample median, and zero otherwise. Further, based on the notion that the level of or the change in geographic activities may be related to the general willingness to disclose, we control for: i) the natural log of the ratio of foreign sales to total sales +1 (*AN Sales*), ii) the change in the number of geographical Areas ($\Delta #Area$), iii) an indicator for merger activity (*Merger*), iv) total revenue growth (ΔRev) and v) discontinued operations (*Disc OP*).

We further control for the following variables from the prior literature: i) Big 4 auditor (*Big4*), ii) firm size (*Size*), iii) leverage (*Lev*), iv) tangibility (*PPE*) and v) profitability (*CFO*). We allow for non-linearity of size (*Size2*). Finally, we control for fixed Fama/French industry and year effects and cluster standard errors at the firm level. Detailed definitions of test and control variables are provided in the Appendix 1.

3.2 Falsification Tests

We address the indirect nature of our test variables, which could capture correlated omitted variables, by conducting falsification tests along two dimensions. Specifically, we compare the coefficients from our geographic headcount disclosure model to the coefficients from models of *operating segment* headcount disclosure and of geographic area *income and capital expenditure* disclosures. If our test variables capture more than omitted general labor practices, we would not expect them to be correlated with the operating segment headcount disclosures. Similarly, if our test variables capture more than the breadth of geographic diversification and strategy, we would not expect them to be correlated with other geographic financial disclosures. We test whether the coefficients on test variables in these falsification models are different from zero and different from the analogous coefficients in the geographic headcount disclosure model.

3.3 Factor Analysis

We perform a confirmatory factor analysis to address commonality of our test variables in capturing similar aspects of the disclosure decision. This technique allows us to test how the data fits our hypothesized model of the factors affecting headcount disclosures. We allow our two hypothesized factors to be correlated and impose no constraints on how our variables affect these factors. The model goodness of fit informs us about the consistency of our hypothesized model in the sample data and the factor loadings allow us to better interpret the effects of our test variables. We also examine how these hypothesized factors load in our headcount disclosure versus falsification models.

4. Data and Descriptive Statistics

A sample of U.S. firms that disclose geographical area sales data for two or more geographic areas is drawn from the Historical Segment database within COMPUSTAT for the period from 2000 to 2014.¹⁵ This results in a sample of 25,167 firm year observations for 3,692 separate firms. After requiring non-missing COMPUSTAT test

¹⁵ We delete observations if any segment sales are greater than total sales or less than zero. We also delete observations if the countries or areas where the foreign segments are located are missing.

and control variables, we end up having 23,695 firm-year observations for 3,439 firms. Of these, 5,395 observations disclose geographic headcount and 18,300 do not.

Table 1 provides descriptive statistics of firm characteristics partitioned by whether firms provide geographical employment, operating segment employment, geographic income or geographic capital expenditure disclosures, and tests of the differences in means of model variables between the disclosers and non-disclosers. In Panel A, we find statistics largely consistent with our expectations. Firms disclosing geographic employment are more likely to lobby about government actions on labor issues, have lower unexpected headcount declines, have more autonomous subsidiaries, disclose more tax haven subsidiaries, provide more union disclosures and issue more H1-B visas. While the comparison of the descriptive statistics by firms' operating segment employment disclosure choice (and geographic income or capital expenditure disclosure choices in Panel B) show many significant differences based on the disclosure choice, these differences are largely in the opposite direction from the geographical employment disclosure choice, which suggests potentially different incentives by disclosure type.

Table 2 provides the pair-wise correlations between firm characteristics. While the univariate correlations of geographic headcount disclosure and several of our test variables are significant, a multivariate analysis is needed to draw inferences since many of our control variables are correlated with both disclosure and the test variables. The highest correlation among any pair of variables is between the top media coverage and PR Wire coverage. This is expected since some media outlets merely distribute company press releases and highlights the potential importance of including *PR Wire* as a control variable. The second highest correlation among any pair of variables excluding

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correlations with *Size* is between voluntary disclosure of operating income (*OP Dis*) and of capital expenditures (*Capx Dis*). This is also not surprising since both are affected by the incentives to disclose geographic financial information. The correlation of each of these two variables with geographic headcount disclosure is substantially lower, consistent with different incentives affecting the disclosure of financial versus non-financial information. The two variables most highly correlated with *Size* are *Pension* and *Big4*, both of which would be expected to be higher for larger firms.¹⁶

5. Regression Results

5.1 Geographic Employment Choice Model and Falsification Tests

Table 3 provides the results of our geographical headcount disclosure choice model and comparisons of the estimated coefficients to our three falsification models. In column (1) each of our test variables is significantly associated with geographic headcount in the predicted direction. Specifically, we find that geographic headcount is positively associated with lobbying, H1B sponsorship, union disclosure, tax haven disclosure, and autonomous affiliates, and is negatively associated with media coverage, operating in low wage regions and unexpected declines in headcount. These findings provide initial support for our predictions that firms' choices to make a non-financial geographic headcount disclosures are related to political and employee concerns.

The interpretation of the magnitude of the marginal effects is straightforward for the dichotomous test variables. Given an average geographic headcount disclosure rate of

¹⁶ To supplement the Table 2 univariate analysis we estimate baseline models that include only control variables (i.e. exclude test variables) with and without fixed effects. Consistent with *4N Sales, Capx Dis* and *Op Dis* having the greatest univariate correlation with geographic headcount disclosure, these two variables also have the highest explanatory power in the baseline model. A fourth variable, $\Delta #Area$, also becomes highly significant in the baseline model. The model has a pseudo R² of 0.028 when we exclude industry and year fixed effects compared to 0.0539 when we include these fixed effects. The table is included in the Internet Appendix.

22.7%, the magnitude of the marginal effects on these variables, which range from -8% to 7.2%, suggest a meaningful economic effect of these variables. The marginal effects of *H1B* and *Tax Haven*, which are continuous variables, are 0.0001 and 0.054, respectively. A one standard deviation increase in *H1B* and *Tax Haven* (104.35 and 0.18, respectively) is associated with an increase in disclosure likelihood of 1.04% and 0.97%, which are economically meaningful compared to the average likelihood of 22.7%.

Further support that our variables are capturing concerns specific to geographic employment is provided by significant differences in the geographic headcount coefficients versus the falsification coefficients for other voluntary disclosures. We find significant coefficient differences between the geographic headcount coefficient and the coefficient on each of the three falsification tests for the *Top Media*, *H1B* and *Low Wage* variables. For our remaining variables we find a significant coefficient difference between the geographical head coefficient and two of the three falsification test coefficients. The union disclosure variable explains both geographic and operating headcount disclosures. The tax haven disclosure while not significantly related to the falsification disclosures is not significantly more related to geographic headcount than to capital expenditures. *Lobby, Low* $\Delta HCRes$, and *Autonomy* all explain both geographic

Our confirmatory factor analysis produces political and employee factors that address measurement errors in our individual variables and provide factor loadings that allow easier interpretation of the effects of our test variables. The goodness of fit statistics informs us about the plausibility of our hypothesized model for the sample data. Based on absolute, parsimony and incremental index tests (see Kline, 2010) specifically the root mean square error of approximation (RMSEA 0.035), the standardized root mean square residual (SRMR 0.022), the comparative fit index (CFI 0.967), and the adjusted goodness of fit index (AGFI 0.988) our model appears to fit the sample data well.

We report the results of how the hypothesized factors load in our disclosure determinants model in Table 4. The association with geographic headcount is significantly positive for our political factor and significantly negative for our employee factor. Given the standard deviations of the political factor of 0.62 and the estimated marginal effect, a one standard deviation increase in political factor is associated with an increase in the geographic headcount disclosure likelihood of 3.78%. Based on the standard deviation increase in employee factor of 0.042, a one standard deviation increase in employee factor is associated with a decrease in the geographic headcount disclosure likelihood of 4.16%. Both are economically meaningful compared to the sample average of 22.7%.

This finding based on the two factors is consistent with Table3 based on individual test variables. Specifically, the political factor is positively related to *Lobby*, *H1B*, *Tax Haven* and *Autonomy*, each of which is individually positively associated with geographic headcount disclosures. ¹⁷ Given the negative coefficient on the employee factor, the positive associated of this factor with *Top Media* is consistent with the

¹⁷To conduct the confirmatory factor analysis we first assign *Union Dis, Low Wage, Low* $\Delta HCRes$, *Top Media* to the employee factor and *Lobby, H1B, Tax Haven, Autonomy, Low* $\Delta HCRes$, *Top Media* to the political factor (assigning *Low Wage* to the political factor and *H1B* to the employee factor produces similar results). After iterations of fitting demeaned variables into the two factors, the employee factor has a significantly positive correlation with *Top Media*, and negative correlations with *Union Dis* and *Low Wage*, while the political factor has significantly positive correlations with *Low* $\Delta HCRes$. The political factor score is calculated as 0.1515**Lobby* + 2.0063**Top Media* +0.0026* *H1B* -0.0009**Low Wage*-0.0273**Low* $\Delta HCRes$ -0.0083**Union Dis* +0.1819* *Tax Haven*+0.0313**Autonomy* +0.4459**PRWire*, while the employment factor score is calculated as 0.0340**Lobby* + 5.783**Top Media* +0.0007**Autonomy*-0.8448**PRWire*.

negative association of *Top Media* with geographic headcount, and the negative association of the employee factor with union disclosure is consistent with the positive association of union disclosure and geographic headcount. In addition, neither of these factors is significantly related to any of the falsification test disclosures and the coefficient on each factor is significantly different from the coefficient for the factor on each of the falsification tests.

In addition to our test variables, we find that several of the control variables in our determinants model are significantly correlated with the disclosure choice and many of these variables are also significantly related to at least one falsification disclosure choice. For example, an increase in geographic areas is associated with each type of disclosure, and foreign sales percentage is related to three of the four falsification disclosures. These findings suggest that our test variables are distinct from these firm characteristics that explain the general tendency to disclose employment or geographic financial information. Also, firms are more likely to disclose geographical headcount when they also disclose operating headcount and geographical operating performance and capital expenditures; therefore, it is important to control for these employment/geographic disclosures directly to ensure we are not capturing the general tendency to disclose employment or geographic disclose employment or geographic disclosures directly to ensure we are not capturing the general tendency to disclose employment/geographic disclose employment or geographic information.

5.2 Supplemental Analyses and Robustness Checks

To ensure our results are robust to varying specifications with additional control variables or partitions we conduct multiple untabulated supplemental analyses.

5.2.1 Affiliated vs. Unaffiliated Offshoring

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Given that firm specific offshoring data is limited to headcount in affiliated companies, we use the industry level ratio of affiliated to unaffiliated imports to explore whether affiliate and unaffiliated offshoring are substitutes or compliments. Specifically, we partition our sample based on the relative importance of affiliated versus unaffiliated imports to gauge the extent to which the propensity of non-affiliate offshoring affects the importance of political costs and employee concerns in explaining geographic headcount disclosures.¹⁸ We find that the coefficients on both our employee and political factors in Table 4 do not vary with imports from affiliates. This suggests that firms' propensity to outsource to non-affiliates does not affect the importance of most political cost and employee concern proxies in explaining geographic headcount disclosure.

5.2.2 Labor Market Disclosures and CSR Reporting

Since the political cost and employee concerns that we consider may overlap with corporate social responsibility (CSR) disclosure incentives considered in previous research, such as Ioannou and Serafeim (2012), we add a control for CSR. While the sample of firms covered in the ASSET4 database used in the CSR literature is much more limited than our sample, we examine this concern in the covered subsample.

We conduct two different tests related to the social performance CSR score. First, using the social performance rating that includes employment quality, we conduct falsification tests for the association between this CSR score and our test and control variables. We find that our political and employee factors do not explain CSR ratings, suggesting that political cost concerns may affect CSR differently from geographic

¹⁸ Based on BEA data, industries with the first two digit NAICS codes as 32 and 33 (56% of the sample) have the highest affiliated imports compared to other industries. Therefore, we partition our sample based on whether firms are in these two industries.

headcount disclosures.¹⁹ Second, we include the CSR score as a control variable in our geographic employment disclosure model. While we find that CSR score is positively correlated with geographic employment disclosure, our evidence of the importance of political and employee factors on geographical headcount incrementally to each falsification disclosure is unchanged.

5.2.3 Labor Board Representation

We also examine whether mandatory labor representation on boards of directors in some European countries influences employment disclosure practices. We explore whether the test variable coefficients differ for subsamples with segments located in Germany, Sweden or France, which are the countries represented in our sample that explicitly require inclusion of labor on the board of directors ("Systems of board-level employee representation," 2017).²⁰ Our evidence of the importance of political and employee factors on geographical headcount incrementally to each falsification disclosure is unchanged.

5.2.4 Additional Analysis

Because of the heightened unemployment rate and associated firm political pressure during the crisis, we also investigate whether the association between our measures of political and employee concerns and geographic headcount disclosure is more significant during the crisis. Consistent with our expectation, we find that the associations of headcount disclosure with both political and employee factors in the determinant model are more significant during the 2007-2009 period than other years (untabulated).

¹⁹ This may be driven by the lack of variability in political systems in Ioannou and Serafeim (2014).

²⁰ Other European countries represented in our sample without this requirement include Belgium, United Kingdom, Ireland, Italy, Netherlands, Spain, and Switzerland.

6. Liquidity Effects of Geographical Employment Disclosure

While firms may avoid political or employee backlash by not disclosing geographic headcount, they may face adverse capital market consequences. Consistent with comments made in response to the SEC's proposed country-by-country employment disclosures would be helpful to investors in assessing the "the size, scale and viability of a registrant's operations and trends" and making investment decisions, we expect that disclosing firms may experience greater equity liquidity. This prediction is based on prior research that argues that information asymmetry mitigating disclosure improves market liquidity (e.g., Verrecdhia, 1983; Leuz and Verrecchia, 2000). This prediction is also consistent with Dhaliwal et al. (2011) who argue that non-financial disclosures such as social responsibility help market participants predict future performance and reduce information asymmetries and Cheng et al. (2013) who find that commitments to 10K non-financial disclosures improve market liquidity.

To test this prediction, we estimate the following Equation (2), which includes controls for operating segment employment disclosure, geographic operating and capital expenditure disclosure an indicator variable for operating segments based on geography and control variables based on prior research on market liquidity. Illiquidity is based on the principal component of four market liquidity measures including bid-ask spreads, Amihud (2002) illiquidity measure, share turnover and number of days without trades.²¹ *Illiquidity*_{post} refers to this illiquidity measure measured over the 30-day period after 10K filings while *Illiquid*_{prior} refers to that measured over the 30-day period before 10K filings. Detailed definitions of test and control variables are provided in the Appendix 1.

 $^{^{21}}$ Specially, this principal component is calculated as 0.4114*bid ask spread + 0.1980* number of days without trades in the thirty period +0.3775* Amihud illiquidity measure -0.0748* share turnover, all variables are de-meaned.

$$Illiquid_{Post} = \beta_0 + \beta_1 * Disclose + \beta_2 * Illiquid_{Prior} + \beta_2 * Size + \beta_3 * MTB_t + \beta_4 * STD + \beta_5 * Price + \beta_6 * Lev + \beta_7 * PPE + \beta_8 * CFO + \beta_9 * OP Dis + \beta_{10} * Capx Dis + \beta_{11} * OpSeg HC + \beta_{12} * Geo OpSeg + \Sigma\beta_1 * IFE + \Sigma \beta_y * YFE + \varepsilon$$
(2)

To address potential self-selection concerns associated with the disclosure choice, we also estimate this model by using a propensity score matched sample. To construct the matched sample, we calculate the propensity score of disclosing geographic headcounts based on the determinant model (1) with a logit estimation and then match the disclosers with a non-discloser with the closest score.²² In the OLS model in column (1) of Table 5, we find that illiquidity is 1.1% lower for firms that provide geographical employment disclosure. The estimate from the propensity matched sample reported in the column (2) is similar. These findings suggest that while firms avoid negative publicity and government and employee backlash by hiding their geographic headcounts, they face higher market illiquidity and that firms need to trade off the costs and benefits when making disclosure decisions.²³

7. Geographic Headcount Disclosure and Changes in Domestic/Foreign Headcount

Given companies' reluctance to discuss their geographic headcount disclosure policies, finding examples of their disclosure policies is difficult. The difference in foreign versus domestic headcounts in the BEA aggregate data compared to voluntarily disclosed headcounts (see Figures 1 and 2) combined with negative media reaction to the BEA data suggests that firms concerned with scrutiny of their domestic versus foreign headcount do not disclose this information.

 $^{^{22}}$ We require the propensity score of non-disclosers to be within 5% of the propensity score of the disclosers. We end up with 4,053 pairs of firms in the sample.

²³ As a robustness check in the market liquidity analysis, in addition to propensity score matching, we also employ a Heckman adjustment model where we rely on non-linearity as the instrument. We continue to find that headcount disclosure reduces equity illiquidity.

This conjecture is supported by subsequent declines in domestic versus foreign headcounts for firms that faced adverse media coverage related to their lack of disclosure. For example, IBM, which had previously separately disclosed domestic and foreign headcount, only provided a global headcount in its 2010 10-K. When asked by Computerworld about the disclosure change, an IBM spokesman said 'our competitors report headcount globally. Going forward we will report it globally.' Finkle (2017) notes that "IBM Chief Executive Ginni Rometty pledged to hire and train workers in the United States" prior to meeting U.S. President-elect Donald Trump. Finkle (2017) goes on to note that "while the firm does not break out staff numbers by country, a review of government filings suggests IBM's U.S. workforce declined in each of the five years through 2015 ... IBM has reported that the active number of participants in its [U.S.] 401(k) pension plan fell to 84,350 last year from 110,876 in 2010."²⁴

Consistent with this IBM anecdote and to show that geographic headcount disclosure can explain firm geographic labor deployment, we examine the link between changes in domestic over total headcount and the geographic headcount disclosure for our sample firms using imputed data for non-disclosing firms. The results of these tests are reported in Table 6. Consistent with our conjecture, we find that firms that either continue or begin geographic headcount disclosures have higher changes in domestic/total headcount while those that stop disclosing have a lower change. The magnitude of the change is larger for firms that either start or stop disclosure compared to

²⁴ Another example of negative media scrutiny related to a failure to disclose geographic headcount is provided by Wessel (2011) who highlights firms' unwillingness to discus their overseas headcount numbers quoting the director of corporate public relations for Oracle Corp, who says 'we will decline to comment on future hiring or head-count numbers.' In 2014 the Office of Federal Contract Compliance Programs began an investigation of Oracle's employment practices and in the ultimate compliant filed in 2017 noted that "Oracle also refused to comply with the agency's routine requests for employment data and records."

those that continue their disclosure practice from the previous year. One caveat of this analysis is that imputations of missing values are subject to measurement errors despite our careful validity checks in Appendix 2.²⁵ However, we believe they provide interesting insights about the relation between headcount disclosure and employment deployment.

8. Conclusions

We examine the characteristics of multinationals that choose to disclose headcount by geographical area to study whether concerns about publicity and government and employee actions affect the voluntary choice to disclose geographical headcount, which is typically a closely guarded secret. To address concerns with the inherent difficulty in measuring the constructs of interest, we conduct falsification tests using both operating segment employment disclosures and voluntary geographic disclosures of profits and capital expenditures. The lack of association between our test variables and either operating segment employment disclosures or voluntary geographic disclosures of profits or capital expenditures strengthens the interpretation of our results by suggesting that our proxies are capturing more than just general characteristics of the firm's labor force or the breadth of the firm's international diversification strategy.

Our findings that firms receiving more outsourcing media coverage, experiencing a larger unexpected decline in total employment, and operating in low wage areas are less likely to disclose while those engaging in congressional lobbying activities, disclosing

²⁵Multiple imputation is a commonly used technique to fill missing data (Little and Rubin, 2002). The number of imputations required to obtain an efficient estimator will depend on the extent to which the data is missing. Specifically, Rubin (1987) states that the relative efficiency (RE) of using m imputations depends on the fraction of missing data λ based on the following formula: RE= $(1 + \lambda/m)^{-1}$. We use 20 imputations in our analysis, which, based on Rubin (1987), should be relatively efficient given that 22.77% of our sample firms disclose geographical employment. The m completed datasets created by imputations are analyzed using the same procedures that would be used in the absence of missing data. The results from the analyses of the m datasets are then combined to produce unbiased variance estimates.

union information and tax haven subsidiaries or sponsoring more H1B visas are more likely to disclose suggest that voluntary geographic headcount disclosure depends on concerns about publicity and government and employee actions. This interpretation is strengthened by a significant difference in the coefficients on these test variables from those for operating segment employment and geographic financial data disclosures and by our analysis based on the factors identified by the confirmatory factor analysis.

To understand why firms might voluntarily choose to provide geographic employment disclosures despite the potential political costs and employee backlash associated with these disclosures we explore a potential economic benefit of the geographical employment disclosure: market liquidity. We find a significant negative correlation between geographic employment disclosure and market illiquidity using both the full and a propensity score matched sample. This finding suggests that firms face a trade-off from the capital market when making disclosure decisions. This trade-off helps provide an explanation for why firms would ever disclose this information in the presence of political and labor pressures. Finally, to further corroborate the argument that firms avoid geographic headcount disclosures to hide reductions in domestic versus foreign employment we use imputed data for non-disclosers and find that disclosers experience an increase in domestic jobs over total headcounts while firms that do not disclose experience a relative decline in domestic jobs.

Our study provides important policy implications related to potential legislation and SEC regulatory requiring firms to provide geographic headcount information. Further, our study broadens our understanding of the determinants and consequences of geographic non-financial disclosure based on political and employee concerns.

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Figure 1

Panel A - Difference between reported current year employees and year 2000 employees divided by year 2000 employees for U.S. Multinationals reported in Commerce Department Survey



Panel B - Difference between current year employees and year 2000 employees divided by year 2000 employees for domestic and foreign employees for multinationals that disclose domestic versus foreign employees in their 10-K filings



Figure 2

Difference between reported current year employees and year 2000 employees divided by year 2000 employees by high disclosure versus low disclosure industries for U.S. multinationals reported in Commerce Department Survey



Note: We partition the industries (defined by the NAICS 2-digit Code as in the BEA data) based on their tendency to provide geographic employment in 10Ks. Specifically, for each industry, we calculate the ratio of firms providing geographic employment disclosure. We then rank all industries into terciles based on these ratios and draw the domestic versus foreign employment based on the aggregate BEA data for high and low disclosure industries.

Figure 3

Disclosure Type	Geographic Area	Operating Segment
Financial		
Revenues	Mandatory	Mandatory
Long-lived assets	Mandatory	Mandatory
Profits	Voluntary	Mandatory
Capital Expenditures	Voluntary	
	-	Mandatory
Nonfinancial		
Employees	Voluntary	Voluntary

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Appendix 1: Variable Definitions (in order of appearance)

Disclose: An indicator equal to1 if the firm provides geographic headcount; 0 otherwise.

- Lobby: An indicator equal to 1 if the firm lobbied on either the "Hiring Incentives to Restore Employment Act" (https://www.opensecrets.org/lobby/billsum.php?id=hr2847-111) or either the House of Senate version of the "Employee Free Choice Act, 2009" (https://www.opensecrets.org/lobby/billsum.php?id=hr1409-111) or (https://www.opensecrets.org/lobby/billsum.php?id=s560-111); zero otherwise.
- Top Media: An indicator equal to 1 if firm was one of the top 100 firms based on the number of media mentions of the firm's name and the word-stem "outsourc*" in all sources in the Factiva database in the current and past two years.
- H1B: The average of annual number of H1B visas of the past three years obtained for the top 1000 visa sponsors as reported in the myvisajobs.com database (http://www.myvisajobs.com/Top Visa Sponsors.aspx?P=1).
- Low Wage: An indicator equal to 1 for firms whose "low wage ratio" is above the sample median, where the "low wage ratio" is measured as the ratio of revenue generated in segments in the low-wage countries or areas to total revenue. A segment is considered located in the low-wage country if it is in any of the following areas or countries where the wage is constantly lower that in the U.S: Asia (including China, India, Malaysia, etc.), Latin America, Africa, Middle East, Caribbean, Mediterranean, Italy or Spain. For OECD countries, we classify the country as a low wage country if the real hourly minimum wage is constantly lower than the U.S. throughout the sample period 2000-2014 (http://stats.oecd.org/Index.aspx? DataSetCode=RMW). For non-OECD countries and areas, using data from Wikipedia, we classify the country or area as low wage when the minimum wage (for individual countries) or the average minimum wage (for areas) is below U.S.
- Low ΔHC Res: An indicator equal to 1 for firms whose unexpected change in headcount is below the sample median. We use the residual from the following model estimated within the firm's three-digit NAICS-defined industry to capture the unexpected headcount change: $\Delta HC = \alpha + \beta_0 * (1/Assets) + \beta_1 * \Delta Sales + \varepsilon$,

where ΔHC is the change in total headcount (Compustat "emp") scaled by lagged total assets ("at"), *Assets* is measured lagged total assets ("at") and $\Delta Sales$ is measured as the change in total sales ("revt") scaled by lagged total assets.

- Union Dis: An indicator equal to 1 if the firm has disclosed union information in their 10Ks, 0 otherwise. Union disclosure information is collected from 10K Wizard by the key words: collective bargaining OR collective-bargaining OR labor union(s) OR labor agreement(s) OR labor contract(s) OR labor organization(s) OR union agreement(s) OR union contract(s) OR union organization(s) OR union(s).
- Tax Haven: The ratio of tax haven subsidiaries over total subsidiaries. The data is acquired from Scott Dyreng who collects subsidiary data from Exhibit 21.
- Autonomy: An indicator variable equal to 1 if firm has non-missing COMPUSTAT "recta" value; 0 otherwise.
- OP Dis: An indicator equal to 1 if the firm discloses geographic operating profit (Compustat "ops"); 0 otherwise.
- Capx Dis: An indicator equal to 1 if the firm discloses geographic capital expenditure (Compustat "capxs"); 0 otherwise.
- OpSeg HC : An indicator equal to 1 if the firm discloses operating segment headcounts; 0 otherwise.
- Geo OpSeg: An indicator equal to 1 if the firm's operating segment is based on geography; 0 otherwise.

PRWire:	An indicator equal to 1 if the firm was one of the top 100 firms based on number of firms' own press release that contains the word-stem "outsource*" in the previous three years based on a search of the Prwire source in the Factiva database
Disc. OP:	An indicator equal to 1 if the firm has non-missing income from discontinued operation (COMPUSTAT "do").
∆Rev:	Growth of total revenues, measured as the change in revenue (Compustat "revt") divided by lagged revenue.
Merge:	An indicator equal to 1 if the growth of total assets (Compustat "at") is greater than 10%; 0 otherwise.
Λ#Area:	Annual change in the number of geographic areas reported by the firm.
Pension:	An indicator equal to 1 if the firm has either pension employer contribution
r ension.	(Compustat "phec") or postretirement service cost (Compustat "prc"): 0 otherwise
High ETR	An indicator equal to 1 if the firm's effective tay rate (Compustat "it's" –
Ingli LTK.	" $(txdi)^{(2)}$ " is higher than the median
Union 0/.1	(Xui)/ pi) is higher than the ineutan.
UIII0II 70. I	NAICS addes
Digl	NAICS cours. An indicator equal to 1 if the firm uses one of the hig 4 auditors: DWC Earnet k
DIg4.	An indicator equal to 1 if the firm uses one of the org 4 auditors. FwC, Earlist &
AN Calar	Young, Defonce and KPMO, 0 otherwise.
4IN Sale:	Natural log of $1+$ ratio of foreign sales (Compustat revt - sales) to total sales
C :	(revt).
Size:	Natural log of total assets (Compusial at).
Size :	Natural log of total assets squared.
Lev:	Ratio of total debt (Compustat "dlc" + "dltt") to market value total assets (Compustat
DDE	$at^{-} \operatorname{ceq}^{n} + \operatorname{prcc}_{t^{n}} \operatorname{csho}^{n}).$
PPE:	Ratio of PP&E (Compustat "ppent") to the number of employees (Compustat "emp")
GEO	divided by 1,000.
CFO: Illiquid _{nost} .	Ratio of operating cash flow (Compustat "oanct") to total assets (Compustat "at"). The principal component of 4 market illiquidity metrics over 30 days after the 10K
	filing date: Amihud (2002) measure (absolute value of daily return/trading volume in
	dollars) bid ask spread (divided by the average of bid and ask prices) the number of
	days without trades and share turnover (the number of shares traded/total shares
	outstanding)
Illiquid	The principal component of 4 market illiquidity metrics over 30 days prior to the 10K
inquiaphor	filing date: Amihud (2002) measure (absolute value of daily return/trading volume in
	dollars) bid ask spread (divided by the average of bid and ask prices) the number of
	days without trades and share turnover (measured as the number of shares traded/total
	shares outstanding
MTB [.]	Market value of total assets (Compustat "at"- "ceq" + "prcc_f"* "csho") / book value
milb.	of assets (Compustat "at")
STD.	The standard deviation of daily market-adjusted returns (CRSP "ret"- "vwretd") in the
512.	current year
Price	Stock price of the firm at the balance sheet date (COMPLISTAT "prcc_f")
%ADomes	tic/Total Emp. Percentage change in the ratio of domestic over total employment. If the
	firm does not disclose domestic versus foreign employment, we rely on a multiple
	imputation technique to fill the missing values.
START:	An indicator equal to 1 for firms that start geographic headcount disclosure; 0
	otherwise.
STOP:	An indicator equal to 1 for firms that stop geographic headcount disclosure; 0
	otherwise.

Appendix 2: Validation of Imputation

To validate our imputation technique, we first compare total employment to the sum of imputed domestic and foreign headcounts for firms that do not disclose geographic headcount. Because we separately impute the numbers of domestic and foreign employees for firms that do not disclose geographic headcount, if our multiple imputation technique generates accurate numbers, then the sum of these two imputed numbers should be close to the total employment. The results of this comparison suggest that the imputation technique seems to be reasonably accurate. The mean of non-disclosers' total employment and the sum of imputed domestic and foreign employment are 10,565 and 10,264 people, respectively. The Pearson (Spearman) correlation between total employment and the sum of imputed employment is 94% (99%). We also find the high correlations hold across the propensity to disclose geographic headcount. While this approach does not speak to how well the imputed numbers map into the actual domestic versus foreign employment breakdown, it provides some confidence that the imputation technique generates reasonable aggregates.

Second, we use an out-of-the-sample prediction technique to validate the imputation method. Specifically, we randomly assign half of the sample firms that disclose geographic headcount as pseudo-non-disclosers and then run the imputation model as described above to generate imputed domestic and foreign headcounts for these firms as if they did not disclose geographical employment. Using this approach, we are able to validate the imputation technique by comparing the imputed headcounts with the actual employment. The Pearson (Spearman) correlation between the imputed domestic employment and the actual domestic employment is 92% (96%); the Pearson (Spearman)

correlation between the imputed foreign employment and the actual foreign employment is 94% (96%). In addition, the mean imputed (actual) domestic employment for these pseudo-non-disclosers is 5,851 (6,107) people while the mean imputed foreign employment is 5,497 (5,480) people. These statistics suggest that imputed numbers are reasonably close to the actual headcounts.

To partially address the issue that random assignment may not capture the disclosure choice, we assign half of the sample firms that disclose geographical employment as pseudo-non-disclosers based on the propensity to disclose using Equation (1). Specifically, disclosing firms whose propensity to disclose is lower than the sample median are assigned as pseudo-non-disclosers. Following the same procedure, we find very similar results to the random assignment. For example, the Spearman correlations between actual domestic (foreign) headcounts and imputed domestic (foreign) headcounts for these pseudo-non-disclosers are 0.96 (0.93).

We further address the selection issue by comparing our imputed domestic numbers to those provided in Fortune Magazine's annual "Best 100 Companies to Work for" list. This list includes the non-disclosers in our sample (249 firm-years), so we are able to compare the actual domestic employment numbers acquired via Fortune's surveys of these companies with the imputed numbers for this small sample. The Spearman correlations between actual domestic headcounts and imputed domestic headcounts for these non-disclosers are 0.94. While inclusion in this best company list is not random, the selection process likely differs from the disclosure choice providing further validation of our imputation estimation.

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Table 1: Descriptive Statistics Partitioned by Area/Segment Disclosure

	Geographic	raphic Area Headcount			Operating Segment Headcount (OpSeg HC)			
	Discloser	Non- discloser	Difference	Discloser	Non- discloser	Difference		
Variable	Mean	Mean	t-statistics	Mean	Mean	t-statistics		
Lobby	0.203	0.133	6.20***	0.071	0.209	-14.49***		
Top Media	0.034	0.036	-0.71	0.018	0.049	-12.73***		
H1B	19.191	7.600	7.18***	4.576	14.528	-7.28***		
Low Wage	0.465	0.452	1.68*	0.483	0.434	7.52***		
Low ΔHC Res	0.496	0.512	-2.21**	0.503	0.495	1.57		
Union Dis	0.581	0.516	8.32***	0.589	0.487	15.55***		
Tax Haven	0.139	0.120	6.62***	0.121	0.126	-2.10**		
Autonomy	0.885	0.797	13.39***	0.768	0.837	-13.46***		
OP Dis	0.183	0.112	13.92***	0.181	0.087	21.64***		
Capx Dis	0.112	0.0557	13.93***	0.122	0.030	28.23***		
OpSeg HC	0.450	0.426	3.20***	1.000	0.000			
Geo OpSeg	0.039	0.037	0.89	0.005	0.061	-22.59***		
PRWire	0.040	0.039	0.49	0.024	0.050	-10.25***		
Disc. OP	0.180	0.178	0.40	0.112	0.229	-23.45***		
ΔRev	0.113	0.127	-2.05**	0.151	0.103	8.07***		
Merge	0.361	0.351	1.30	0.386	0.329	9.13***		
Δ#Area	0.063	0.131	-5.05***	0.115	0.116	-0.15		
Pension	0.415	0.370	5.93***	0.235	0.490	-41.50***		
High ETR	0.520	0.483	4.40***	0.451	0.544	-14.23***		
Union %	9.601	9.997	-4.28***	9.690	10.071	-4.87***		
Big4	0.830	0.837	-1.21	0.797	0.865	-14.06***		
4N Sales	0.333	0.281	19.83***	0.302	0.286	6.99***		
Size	6.582	6.392	5.91***	5.800	6.918	-42.68***		
Size ²	13.189	12.798	6.15***	11.590	13.856	-42.56***		
Lev	0.140	0.137	1.16	0.108	0.160	-25.90***		
PPE	0.194	0.203	-3.22***	0.183	0.215	-13.59***		
CFO	0.063	0.052	4.99***	0.047	0.065	-12.59***		
Ν	5,395	18,300		10,215	13,480			

Panel A: Disclosure of Headcount by Geographical Area and Operating Segment

Note: ***, **, and * represent 1%, 5% and 10% significance levels, respectively.

	Operating I	Operating Income (OP Dis)			Capital Expenditure (Capx Dis)			
	Discloser	Non- discloser	Difference	Discloser	Non- discloser	Difference		
Variable	Mean	Mean	t-statistics	Mean	Mean	t-statistics		
Lobby	0.179	0.145	2.43**	0.125	0.151	-1.39		
Top Media	0.018	0.038	-5.53***	0.021	0.037	-3.25***		
H1B	3.340	11.247	-3.90***	3.384	10.749	-2.76***		
Low Wage	0.508	0.448	6.24***	0.536	0.449	6.82***		
Low ΔHC Res	0.497	0.518	-2.17**	0.498	0.522	-1.89*		
Union Dis	0.526	0.532	-0.61	0.487	0.534	-3.73***		
Tax Haven	0.125	0.124	0.39	0.134	0.123	3.44***		
Autonomy	0.881	0.796	11.15***	0.867	0.803	6.35***		
OP Dis	1.000	0.000		0.715	0.084	84.51***		
Capx Dis	0.389	0.023	84.51***	1.000	0.000			
OpSeg HC	0.611	0.405	21.64***	0.758	0.408	28.23***		
Geo OP	0.029	0.038	-2.38**	0.047	0.037	0.83		
PRWire	0.022	0.041	-5.23***	0.024	0.040	-3.14***		
Disc. OP	0.152	0.182	-4.07***	0.140	0.181	-4.27***		
ΔRev	0.117	0.125	-0.90	0.113	0.124	-1.04		
Merge	0.370	0.351	2.09**	0.387	0.351	2.93***		
Δ#Area	0.043	0.126	-4.89***	0.042	0.121	-3.53***		
Pension	0.367	0.382	-1.63	0.403	0.378	1.99**		
High ETR	0.542	0.498	4.51***	0.599	0.496	8.05***		
Union %	10.102	9.878	1.93*	10.415	9.869	3.59***		
Big4	0.844	0.834	1.33	0.840	0.835	0.53		
4N Sales	0.301	0.291	2.86***	0.324	0.290	7.82***		
Size	6.367	6.446	-1.97*	6.719	6.414	5.76***		
Size2	12.733	12.901	-2.04**	13.441	12.837	5.62***		
Lev	0.157	0.135	7.39***	0.159	0.136	5.99***		
PPE	0.233	0.197	10.29***	0.273	0.196	16.63***		
CFO	0.069	0.052	6.05***	0.086	0.052	9.06***		
Ν	3,027	20,668		1,648	22,047			

Panel B: Disclosure of Operating Income and Capital Expenditures by Geographical Area

Note: ***, **, and * represent 1%, 5% and 10% significance levels, respectively.

1) Disclosure	1)	2)	3)	4)	5)	6)	7)	8)	9)	10)	11)	12)	13)	14)	15)	16)	17)	18)
2) Lobby	0.04																	
3) Top Media	0.00	0.18																
4) H1B	0.05	0.13	0.33															
5) Low Wage	0.01	0.02	-0.01	0.00														
6) Low <i>∆HC</i> Res	-0.01	-0.03	-0.02	-0.01	-0.02													
7) Union Dis	0.05	-0.06	-0.05	-0.02	0.01	0.01												
8) Tax Haven	0.04	0.01	0.04	0.06	0.06	-0.01	0.08											
9) Autonomy	0.09	0.03	0.02	-0.01	-0.01	-0.01	-0.06	0.02										
10) OP Dis	0.09	0.02	-0.04	-0.03	0.04	-0.01	0.00	0.00	0.07									
11) Capx Dis	0.09	-0.01	-0.02	-0.02	0.04	-0.01	-0.02	0.02	0.04	0.48								
12) OpSegHC	0.02	-0.09	-0.08	-0.04	0.05	0.01	0.1	-0.01	-0.09	0.14	0.18							
13) Geo OP	0.01	0.01	0.04	0.00	-0.03	-0.01	-0.02	0.01	0.05	-0.02	0.01	0.18						
14) PRWire	0.00	0.09	0.68	0.28	-0.01	-0.02	-0.03	0.04	0.04	-0.03	-0.02	0.01	0.00					
15) Disc. OP	0.00	0.09	0.04	0.01	-0.01	0.04	-0.05	0.02	0.08	-0.03	-0.03	-0.16	0.03	0.03				
16) ΔRev	-0.01	-0.03	-0.01	-0.01	0.00	0.09	0.03	0.00	-0.05	-0.01	-0.01	0.05	-0.02	-0.01	-0.09			
17) Merge	0.01	-0.03	0.00	0.02	0.01	-0.1	0.02	0.03	-0.01	0.01	0.02	0.06	-0.02	0.01	-0.1	0.3		
18) ∆#Area	-0.03	-0.01	0.00	-0.01	0.1	-0.02	0.01	-0.01	-0.01	-0.03	-0.02	0.00	0.00	0.00	-0.02	0.06	0.05	
19) Pension	0.04	0.18	0.06	0.02	0.00	-0.02	-0.15	0.03	0.18	-0.01	0.01	-0.26	0.08	0.00	0.18	-0.08	-0.09	-0.01
20) High ETR	0.03	0.06	0.03	0.02	-0.02	-0.07	-0.09	0.01	0.11	0.03	0.05	-0.09	0.05	0.02	0.00	-0.02	0.12	-0.01
21) Union %	-0.03	0.07	-0.1	-0.05	-0.01	0.00	-0.03	-0.01	-0.07	0.01	0.02	-0.03	0.01	-0.16	0.03	-0.01	-0.04	0.01
22) Big4	-0.01	0.09	0.06	0.04	0.03	-0.02	-0.05	0.07	0.09	0.01	0.00	-0.09	0.06	0.05	0.04	0.00	0.00	-0.01
23) 4N Sales	0.13	0.00	0.02	0.06	0.38	-0.01	0.02	0.1	0.06	0.02	0.05	0.05	0.02	0.01	-0.02	-0.02	0.01	0.04
24) Size	0.04	0.33	0.22	0.18	0.06	-0.06	-0.16	0.15	0.21	-0.01	0.04	-0.27	0.13	0.14	0.17	-0.02	0.03	-0.02
25) Size ²	0.04	0.33	0.23	0.18	0.06	-0.06	-0.16	0.16	0.21	-0.01	0.04	-0.27	0.13	0.14	0.17	-0.02	0.03	-0.02
26) Lev	0.01	0.05	0.02	-0.02	-0.04	0.02	-0.03	0.02	0.06	0.05	0.04	-0.17	0.05	-0.03	0.13	-0.06	-0.13	-0.01
27) PPE	-0.02	0.11	-0.06	-0.04	0.02	-0.02	-0.06	0.00	-0.03	0.07	0.11	-0.09	0.05	-0.09	0.06	-0.04	-0.07	0.00
28) CFO	0.03	0.07	0.06	0.06	0.14	-0.07	-0.1	0.05	0.12	0.04	0.06	-0.08	0.05	0.05	0.00	-0.05	0.14	-0.02

Table 2: Pearson Correlations (Correlations in bold are significant at the 5% level.)

19) Pensions	19)	20)	21)	22)	23)	24)	25)	26)	27)
20) High ETR	0.18								
21) Union %	0.18	-0.03							
22) Big4	0.21	0.13	0.01						
23) 4N Sales	0.07	-0.03	0.04	0.02					
24) Size	0.51	0.25	0.02	0.42	0.08				
25) $Size^2$	0.51	0.25	0.02	0.42	0.08	0.99			
26) Lev	0.25	-0.09	0.16	0.08	-0.07	0.27	0.27		
27) PPE	0.26	-0.01	0.24	0.1	-0.05	0.24	0.24	0.38	
28) CFO	0.18	0.35	-0.03	0.14	-0.03	0.37	0.37	-0.02	0.14

Disalogura	(1) Cas	(2) On Sag	(2) C 20	(A) Gas	Diff	Diff	Diff
Disclosure	(1) Geo	(2) Opseg	(5) Geo	(4) Geo	(1) $un (2)$	D_{III}	(1) $va(4)$
	Headcoull	Headcoull	Income		(1) vs(2)	(1) vs(3)	(1) VS (4)
	Marginal	Marginal	Marginal	Marginal	p-value	p-value	p-value
7 11	Effect (z-stat)	Effect (z-stat)	Effect (z-stat)	Effect (z-stat)	0.0240	0.0406	0.0066
Lobby	0.025	-0.016	0.015	-0.006	0.0349	0.9426	0.0066
	(2.05)**	(-0.96)	(1.67)*	(-1.77)*			
Тор	-0.080	0.025	-0.013	0.005	0.0474	0.0982	0.0853
Media	(-2.27)**	(0.37)	(-0.36)	(0.30)			
H1B	0.0001	0.0000	-0.0001	-0.0001	0.0950	0.0571	0.0725
	(1.90)*	(0.14)	(-0.71)	(-0.86)			
Low	-0.031	0.053	0.015	0.002	0.0003	0.0139	0.0145
Wage	(-2.19)**	(2.86)***	(1.46)	(0.04)			
Low	-0.010	0.003	-0.007	0.001	0.0088	0.6991	0.0350
ΛHC Res	(-1.66)*	(0.36)	(-1.77)*	(0.46)			
Union Dis	0.051	0.048	0.003	-0.004	0.5405	0.0459	0.0085
Childh Dis	(3 50)***	(2 52)***	(0.30)	(0.83)	0.5405	0.0437	0.0005
Tay	0.054	0.051	0.001	0.014	0.0603	0.0062	0.4225
Tax	$(1, (7))^*$	-0.031	-0.001	(1, 17)	0.0005	0.0962	0.4323
Haven	(1.07)*	(-1.02)	(-0.10)	(1.17)	0.0001	0.2(22	0.05(1
Autonomy	0.072	-0.019	0.053	0.004	0.0001	0.2633	0.0561
	(4.80)***	(-0.89)	(5.72)***	(0.76)			
OP D1s	0.078	0.361		0.299			
	(3.02)***	(17.58)***		(12.38)***			
Capx Dis	0.094	0.502	0.596				
	(3.12)***	(18.77)***	(18.21)***				
OpSeg HC	0.008		0.040	0.048			
	(0.61)		(4.20)***	(6.76)***			
Geo OP	0.014	-0.083	-0.021	0.017			
	(0.26)	(-2.20)**	(-1.31)	(1.37)			
PRWire	0.014	-0.097	-0.024	0.017			
	(0.32)	(-1.84)*	(-1.07)	(0.79)			
Disc. OP	0.003	-0.127	-0.006	-0.002			
	(0.22)	(-8.25)***	(-0.64)	(-0.50)			
ARev	-0.002	0.006	-0.005	-0.006			
	(-0.26)	(0,70)	(-0.99)	(-2,11)**			
Merge	0.006	0.031	0.002	0.001			
meige	(0.78)	(3 (3)***	(0.42)	(0.43)			
A#Area	-0.013	_0.010	-0.010	-0.002			
	(1 87)***	(261)***	(6.02)***	(1.88)*			
Dansian	(-4.87)	0.167	0.014	0.002			
relision	(1,01)	-0.107	-0.014	(0.45)			
LL' 1 ETD	(1.01)	(-7.24)***	(-1.02)	(0.43)			
HIGH EIK	0.01/	-0.035	-0.0004	0.012			
	(1.68)*	(-2.66)**	(-0.51)	(3.31)***			
Union %	-0.001	0.002	-0.002	0.000			
	(-0.65)	(0.61)	(-1.42)	(0.37)			
Big4	-0.023	0.031	0.008	-0.008			
	(-1.13)	(1.32)	(0.59)	(-1.00)			
4N Sales	0.271	0.223	0.027	0.029			
	(5.71)***	(3.77)***	(0.78)	(2.01)**			
Size	-0.08	-0.100	-0.012	0.013			
	(-1.37)	(-0.84)	(-0.34)	(0.78)			
Size2	0.043	0.034	0.002	-0.004			
	(1.42)	(0.57)	(0.13)	(-0.63)			
Lev	0.067	-0.212	0.080	0.015			
	(1.45)	(-3.42)***	(2.48)**	(0.99)			
PPE	0.011	0.006	-0.039	0.036			
	(0.20)	(0.08)	(-0.94)	(2.37)**			
CEO	0.045	-0.050	0.063	0.020		1	
	(1.13)	(-0.88)	(2 22)**	(1.46)			
Pseudo P ²	0.066	0.4190	0.2400	0 3705			
1 SCUUD-IX	0.000	0.7100	0.2470	0.5775			

Table 3: Test Variable Determinants of Geographic Headcount versus Other Disclosures

Note: This table shows results of the probit model where an indicator variable for geographical employment disclosure in (1), employment disclosure by operating segment in (2), geographical operating income disclosure in (3) or geographical capital expenditure disclosure in (4) is regressed on determinants of each disclosure. The number of observations in this table is 23,695 firm-years across all four models. All models include both year and industry fixed effects. Standard errors are clustered at the firm level. ***, **, and * represent 1%, 5% and 10% significance levels, respectively. For column (2), *Op Dis* and *Capx Dis* refer to operating profits and capital expenditure disclosures within operating segments, respectively. Definitions of other variables can be found in the Appendix 1.

			O F				
Disclosure	(1)	(2)	(3)	(4)	$\operatorname{Diff}_{(1)}$	$\operatorname{Diff}_{(1)}$	Diff
	Headcount	Headcount	Income	Can Ex	(1) vs (2)	(1) vs (3)	(1) VS (4)
	Marginal	Marginal	Marginal	Marginal	p-value	p-value	p-value
	Effect	Effect	Effect	Effect	p varae	p varae	p varae
	(z-stat)	(z-stat)	(z-stat)	(z-stat)			
Political	0.061	-0.044	0.006	-0.006	0.0090	0.0674	0.0344
Factor	(2.59)***	(-0.97)	(0.43)	(-0.72)			
Employee	-0.042	0.014	-0.009	0.004	0.0089	0.0980	0.0108
Factor	(-3.18)***	(0.63)	(-0.96)	(0.85)			
OP Dis	0.083	0.360		0.302			
	(3.22)***	(21.22)***		(12.56)***			
Capx Dis	0.101	0.501	0.603				
	(2.79)***	(25.65)***	(18.45)***				
OpSeg HC	0.014		0.042	0.048			
	(0.96)		(4.36)***	(6.83)***			
Geo OP	-0.015	-0.079	-0.021	0.014			
	(-0.39)	(-2.10)**	(-1.27)	(1.36)			
Disc. OP	0.015	-0.129	-0.004	-0.002			
	(1.03)	(-8.25)***	(-0.67)	(-0.44)			
ΔRev	-0.003	0.009	-0.007	-0.006			
	(0.02)	(0.98)	(-1.39)	(-2.13)**			
Merge	0.005	0.033	0.002	0.001			
0	(0.65)	(3.20)***	(0.42)	(0.46)			
∆#Area	-0.015	-0.008	-0.010	-0.002			
	(-4.89)***	(-2.06)**	(-5.74)***	(-1.82)*			
Pension	0.025	-0.173	-0.002	0.003			
	(0.19)	(-7.57)***	(-1.42)	(0.43)			
High ETR	0.018	-0.037	-0.002	0.012			
C	(1.76)*	(-2.77)***	(-0.27)	(3.25)***			
Union %	-0.003	0.002	-0.002	0.000			
	(-1.08)	(0.53)	(-1.42)	(0.38)			
Big4	-0.019	0.034	0.006	-0.008			
C	(-0.94)	(1.46)	(0.46)	(-0.97)			
4N Sales	0.241	0.284	0.047	0.033			
	(5.19)***	(5.03)***	(1.42)	(2.38)**			
Size	-0.098	-0.113	-0.021	0.014			
	(-1.40)	(-0.89)	(-0.65)	(0.88)			
Size2	0.051	0.039	0.008	-0.006			
5	(1.47)	(0.61)	(0.53)	(-0.72)			
Lev	0.077	-0.207	0.080	0.015			
	(1.63)	(-3.32)***	(2.45)**	(0.99)			
PPE	-0.005	0.015	-0.041	0.036		1	
	(-0.09)	(0.20)	(-0.98)	(2.33)**			
CFO	0.037	-0.057	0.066	0.022		1	
	(0.92)	(-1,00)	(2.29)**	(1.60)			
Pseudo-R ²	0.0560	0.4099	0.2397	0.3766			
i Seudo-It	0.0500	0.4077	0.4571	0.5700	1	1	1

Table 4: Factor Analysis Determinants of Geographic Headcount versus Other Disclosures

Note: This table shows results of probit models of indicator variables for disclosure of geographical headcount (1), operating segment headcount (2), geographical operating income (3) or geographical capital expenditure (4) is regressed on determinants of each disclosure. All models include 23,695 firm-year observations and both year and industry fixed effects. Standard errors are clustered at the firm level. ***, **, and * represent 1%, 5% and 10% significance levels, respectively. Political Factor and Employment Factor are constructed by a confirmatory factor analysis of: *Lobby, Top Media, Low Wage, Low* $\Delta HCRes$, *H1B, Union Dis, Tax Haven, Autonomy*, and *PRWire*. For column (2), *Op Dis* and *Capx Dis* refer to operating profits and capital expenditure disclosures within the operating segments, respectively. Definitions of other variables are in Appendix 1.

	OLS Estimation	Propensity Matched Sample
Variables	Coefficients	Coefficients
	(t-stats)	(t-stats)
Disclosure	-0.011	-0.013
	(-1.91)*	(-1.76)*
Illiquid _{Prior}	0.896	0.871
-	(71.86)***	(38.97)***
Size	-0.014	-0.013
	(-6.03)***	(-3.61)***
MTB	-0.009	-0.007
	(-3.89)***	(-1.95)*
STD	1.503	2.072
	(4.53)***	(3.32)***
Price	0.000	0.000
	(1.15)	(1.56)
Lev	0.026	0.076
	(0.90)	(1.70)*
PPE	0.029	0.032
	(1.43)	(0.92)
CFO	0.002	0.001
	(0.05)	(0.12)
OP Dis	0.000	-0.000
	(0.07)	(-0.05)
Capx Dis	0.038	0.057
	(2.57)**	(2.47)**
OpSeg HC	-0.013	-0.010
	(-2.22)**	(-1.12)
Geo OP	-0.020	-0.024
	(-2.08)**	(-1.58)
N	19,649	8,106
R-Squared	0.8294	0.8226

Table 5: The Effect of Geographical Area Headcount Disclosure on Market Illiquidity

Note: This table reports the results of regressing market illiquidity over the 30 days after 10K filings on whether firms disclose geographic headcounts, where market illiquidity is measured as the principal component of 4 market illiquidity metrics: Amihud (2002) measure (absolute value of daily return/trading volume in dollars), bid ask spread (divided by the average of bid and ask prices), the number of days without trades, and share turnover (measured as the number of shares traded/total shares outstanding). Prior Illiquidity is measured over the 30 days before 10K filings. In the Propensity Matched Sample, we use the geographical employment disclosure determinant model (Logit) to calculate each firm's propensity to disclose geographical headcounts. For each discloser we find a non-discloser with the closest propensity (but within 5% of the discloser's propensity to disclose) to form the match sample. We end up with 4,053 pairs of disclosers and non-disclosers without replacement. All standard errors are clustered at the firm level. ***, **, and * represent 1%, 5% and 10% significance levels, respectively. All models include both year and industry fixed effects. Definitions of other variables can be found in the Appendix 1.

	Overall Sample	START	STOP
	Coefficients	Coefficients	Coefficients
	(t-stats)	(t-stats)	(t-stats)
Disclose/START/ STOP	0.007	0.080	-0.072
	(2.50)**	(3.61)***	(-2.93)***
Lobby	-0.001	-0.000	-0.001
	(-1.11)	(-0.08)	(-0.70)
Top Media	0.010	0.007	0.033
	(1.24)	(0.76)	(1.41)
H1B	-0.000	-0.000	0.000
	(-2.44)**	(-4.16)***	(0.87)
Low Wage	0.003	0.002	0.001
	(1.30)	(0.78)	(1.41)
Low ΔHC Res	-0.016	-0.018	-0.010
	(-3.77)***	(-3.42)***	(-2.38)**
Union Dis	-0.004	-0.003	-0.001
	(-1.59)	(-1.15)	(-1.51)
Tax Haven	-0.011	-0.008	-0.018
	(-1.55)	(-0.90)	(-1.38)
Autonomy	-0.009	-0.010	0.002
	(-2.88)***	(-2.72)***	(0.30)
OP Dis	0.004	0.005	0.006
	(1.24)	(1.13)	(1.03)
Capx Dis	0.005	0.005	0.011
	(1.14)	(0.77)	(1.47)
OpSeg HC	-0.005	-0.005	-0.004
	(-1.93)*	(-1.70)*	(-0.94)
Geo OP	0.021	0.023	0.010
	(1.44)	(1.28)	(0.56)
Control for Other Geographic Headcount	YES	YES	YES
Disclosure Determinants			
Ν	17,903	14,200	3,703
R Squared	0.0050	0.0074	0.0370

Table 6: The Effect of Geographical Headcount Disclosure on the Change in Ratio of Domestic Employment over Total Employment

Note: This table provides the results of regressing the change in the domestic over total employment on geographical employment disclosure. The dependent variable $\%\Delta Domestic/Total$ Employment is measured as the percentage change in the ratio of domestic over total employment. When domestic employment is not missing, we use the actual data to measure the dependent variable. If the firm does not disclose domestic versus foreign employment, we rely on a multiple imputation technique to fill the missing values for both domestic and foreign employment. START is an indicator variable equal to 1 for firms that start the disclosure of geographical employment; 0 otherwise. STOP is an indicator variable equal to 1 for firms that start the disclosure of geographical firms that do not disclose geographic employment in the prior year. The sample in the STOP analysis only includes firms that disclose geographic employment in the prior year. All standard errors are clustered at the firm level. ***, **, and * represent 1%, 5% and 10% significance levels, respectively. All models include both year and industry fixed effects. Other variables are defined in the Appendix 1.