Online Appendix of "Financial Statement Comparability and Employment Stability Around the World"

Appendix IA1

Panel A: Comparison of Covariates before Entropy Balancing

	High Comparability Firms			Low Comparability Firms		
	Mean	**Variance**	**Skewness**	**Mean**	**Variance**	**Skewness**
Cash flow volatility	0.030	0.002	12.320	0.049	0.006	15.500
Earnings volatility	0.024	0.001	3.981	0.058	0.007	2.877
Operating cycle	4.966	0.627	0.558	4.976	0.759	1.142
Size	12.890	2.988	0.298	12.080	3.548	0.383
ROA	0.043	0.004	-1.364	0.010	0.030	-2.341
Leverage	0.246	0.032	0.576	0.207	0.039	1.064
Employment	7.343	2.864	0.218	6.558	3.590	0.170
MTB	1.682	3.718	4.380	2.513	10.650	2.905
Stock issuance	0.008	0.001	8.033	0.034	0.011	4.122
Capital-to-labor	6.786	9.299	0.368	6.220	9.886	0.529
Tangibility	0.347	0.043	0.618	0.278	0.052	0.908
Loss	0.167	0.139	1.788	0.295	0.208	0.901
Firm age	2.590	0.544	-0.683	2.343	0.565	-0.337

Panel B: Comparison of Covariates after Entropy Balancing

	High Comparability Firms			Low Comparability Firms		
	Mean	**Variance**	**Skewness**	**Mean**	**Variance**	**Skewness**
Cash flow volatility	0.030	0.002	12.320	0.030	0.001	5.086
Earnings volatility	0.024	0.001	3.981	0.024	0.001	3.263
Operating cycle	4.966	0.627	0.558	4.966	0.686	1.369
Size	12.890	2.988	0.298	12.890	3.691	0.324
ROA	0.043	0.004	-1.364	0.043	0.009	-3.048
Leverage	0.246	0.032	0.576	0.246	0.038	0.785
Employment	7.343	2.864	0.218	7.343	3.496	0.186
MTB	1.682	3.718	4.380	1.682	3.312	2.740
Stock issuance	0.008	0.001	8.033	0.008	0.001	8.371
Capital-to-labor	6.786	9.299	0.368	6.786	9.385	0.376
Tangibility	0.347	0.043	0.618	0.347	0.056	0.626
Loss	0.167	0.139	1.788	0.167	0.139	1.787
Firm age	2.590	0.544	-0.683	2.590	0.541	-0.631

Appendix IA1 presents a comparison of covariates between high- and low-compatibility firms before and after entropy balancing.

Appendix IA2

Additional Analyses using Matched Samples

Panel A: Entropy-Balanced Sample (Dependent Variable=$\Delta Employment_{t+1}$)

	(1)		(2)	
	Coeff.	**P-Value**	**Coeff.**	**P-Value**
Shock	**0.090**	**(0.00)**	**0.086**	**(0.00)**
Shock×Comparability			**-0.023**	**(0.00)**
Comparability			-0.001	(0.39)
Controls	**YES**		**YES**	
Firm Fixed Effects	**YES**		**YES**	
Country-Year Effects	**YES**		**YES**	
S.E. clustering by Country	**YES**		**YES**	
Adjusted R^2	**0.258**		**0.263**	
Model p-value	**<0.0001**		**<0.0001**	
N	225825		225825	

Panel B: Propensity-Score-Matched Sample (Dependent Variable=$\Delta Employment_{t+1}$)

	(1)		(2)	
	Coeff.	**P-Value**	**Coeff.**	**P-Value**
Shock	**0.082**	**(0.00)**	**0.061**	**(0.00)**
Shock×Comparability			**-0.330**	**(0.00)**
Comparability			-0.034	(0.00)
Controls	**YES**		**YES**	
Firm Fixed Effects	**YES**		**YES**	
Country-Year Effects	**YES**		**YES**	
S.E. clustering by Country	**YES**		**YES**	
Adjusted R^2	**0.246**		**0.290**	
Model p-value	**<0.0001**		**<0.0001**	
N	120112		120112	

Appendix IA2 reports the regression results using entropy-balancing and propensity-score-matching procedures, respectively. In all regressions, firm- and country-year fixed effects are controlled. Coefficient estimates and p-values are based on robust standard errors clustered at the country level. All variables are as defined in Appendix A.

***, **, and * denote significance at 1%, 5% and 10% levels (two-tailed), respectively.

Appendix IA3

Additional Analyses using the U.S. Sample

Dependent Variable=Δ*Employment*

	Expanded Sample Including U.S. Firms				**Single Country Analysis Using U.S. Firms Only**			
	Baseline		**Full Sample**		**Baseline**		**Full Sample**	
	(1)		**(2)**		**(3)**		**(4)**	
	Coeff.	**P-Value**	**Coeff.**	**P-Value**	**Coeff.**	**P-Value**	**Coeff.**	**P-Value**
Shock	**0.088**	**(0.00)**	**0.086**	**(0.00)**	**0.084**	**(0.00)**	**0.076**	**(0.00)**
Shock×Comparability			**-0.004**	**(0.00)**			**-0.001**	**(0.03)**
Comparability			-0.004	(0.00)			-0.001	(0.00)
Cash flow volatility	0.102	(0.00)	0.102	(0.00)	0.271	(0.00)	0.238	(0.00)
Earnings volatility	0.010	(0.01)	0.009	(0.03)	0.053	(0.00)	0.052	(0.00)
Operating cycle	0.011	(0.00)	0.011	(0.00)	0.008	(0.00)	0.007	(0.00)
Size	-0.024	(0.00)	-0.024	(0.00)	-0.027	(0.00)	-0.024	(0.00)
ROA	0.051	(0.00)	0.051	(0.00)	0.033	(0.00)	0.032	(0.00)
Leverage	-0.013	(0.00)	-0.013	(0.00)	-0.025	(0.00)	-0.016	(0.00)
Employment	0.055	(0.00)	0.055	(0.00)	0.064	(0.00)	0.061	(0.00)
MTB	0.001	(0.00)	0.001	(0.00)	0.000	(0.00)	0.000	(0.00)
Stock issuance	0.110	(0.00)	0.110	(0.00)	0.065	(0.00)	0.064	(0.00)
Capital-to-labor	-0.001	(0.10)	-0.001	(0.11)	-0.014	(0.00)	-0.011	(0.00)
Tangibility	0.007	(0.12)	0.007	(0.12)	0.006	(0.59)	0.000	(1.00)
Loss	0.003	(0.00)	0.003	(0.00)	0.002	(0.39)	0.001	(0.41)
Firm age	-0.039	(0.00)	-0.039	(0.00)	-0.032	(0.00)	-0.043	(0.00)
Firm Fixed Effects	**YES**		**YES**		**YES**		**YES**	
Country-Year Fixed Effects	**YES**		**YES**		**NO**		**NO**	
Industry-Year Fixed Effects	**NO**		**NO**		**YES**		**YES**	
S.E. clustering by Firm	**YES**		**YES**		**YES**		**YES**	
Adjusted R^2	**0.335**		**0.336**		**0.414**		**0.427**	
Model p-value	**<0.0001**		**<0.0001**		**<0.0001**		**<0.0001**	
N	321546		321546		95722		95722	

Appendix IA3 reports the regression results of using alternative samples. Columns (1)-(3) report the results using an expanded sample including the U.S. firms. Columns (4)-(6) report the results of a single-country analysis using only the U.S. firms. In the first three columns, firm- and country-year fixed effects are controlled. In the last three columns, firm- and industry-year fixed effects are controlled. Coefficient estimates and p-values are based on robust standard errors clustered at the firm level. All variables are as defined in Appendix A. ***, **, and * denote significance at 1%, 5% and 10% levels (two-tailed), respectively.

Appendix IA4

Robustness Tests

Dependent Variable=Δ*Employment* $_{t+1}$

	Controlling for Financial Reporting Quality		Controlling for Stock Price Crash Risk		Using Industry-level Demand Shocks		Using Cash Flow-based Comparability	
	(1)		(2)		(3)		(4)	
	Coeff.	P-Value	Coeff.	P-Value	Coeff.	P-Value	Coeff.	P-Value
Shock	**0.044**	**(0.00)**	**0.103**	**(0.00)**	**0.011**	**(0.00)**	**0.065**	**(0.00)**
Shock×Comparability	**-0.022**	**(0.00)**	**-0.005**	**(0.08)**	**-0.021**	**(0.00)**	**-0.092**	**(0.00)**
Comparability	-0.002	(0.31)	-0.005	(0.01)	-0.009	(0.04)	0.006	(0.08)
Shock×Financial Reporting Quality	-0.054	(0.00)						
Financial Reporting Quality	-0.011	(0.00)						
Shock×Crash risk			-0.001	(0.44)				
Crash risk			0.000	(0.38)				
Cash flow volatility	0.058	(0.00)	0.109	(0.00)	0.291	(0.00)	0.077	(0.00)
Earnings volatility	0.020	(0.00)	0.055	(0.00)	-0.087	(0.00)	0.023	(0.00)
Operating cycle	0.004	(0.00)	0.018	(0.00)	-0.029	(0.00)	0.011	(0.00)
Size	-0.024	(0.00)	-0.030	(0.00)	-0.065	(0.00)	-0.024	(0.00)
ROA	0.069	(0.00)	0.086	(0.00)	0.326	(0.00)	0.069	(0.00)
Leverage	-0.008	(0.01)	-0.006	(0.18)	-0.025	(0.00)	-0.009	(0.00)
Employment	0.053	(0.00)	0.057	(0.00)	0.282	(0.00)	0.054	(0.00)
MTB	0.001	(0.00)	0.001	(0.00)	0.008	(0.00)	0.001	(0.00)
Stock issuance	0.096	(0.00)	0.113	(0.00)	0.378	(0.00)	0.129	(0.00)
Capital-to-labor	0.003	0.-0001	0.001	(0.26)	-0.009	(0.00)	-0.001	(0.44)
Tangibility	-0.014	(0.01)	0.015	(0.03)	0.013	(0.35)	0.013	(0.00)
Loss	0.003	(0.00)	0.004	(0.00)	-0.020	(0.00)	0.004	(0.00)
Firm age	-0.028	(0.00)	-0.030	(0.00)	-0.159	(0.00)	-0.033	(0.00)
S.E. clustering by Country	**YES**		**YES**		**YES**		**YES**	
Firm Fixed Effects	**YES**		**YES**		**YES**		**YES**	
Country-Year Fixed Effects	**YES**		**YES**		**YES**		**YES**	
Adjusted R^2	**0.257**		**0.323**		**0.257**		**0.332**	
Model p-value	**<0.0001**		**<0.0001**		**<0.0001**		**<0.0001**	
N	112733		111525		225825		223734	

Appendix IA4 reports the results of sensitivity analyses using alternative measures or model specifications. Column (1) reports the result after controlling for financial reporting quality. Column (2) reports the results controlling for stock price crash risk. Column (3) reports the results using the industry-level demand shock. Column (4) reports the results using cash flow-based comparability as an alternative measure. In all regressions, firm- and country-year fixed effects are controlled. Coefficient estimates and p-values are based on robust standard errors clustered at the country level. All variables are as defined in Appendix A. ***, **, and * denote significance at 1%, 5% and 10% levels (two-tailed), respectively.