

Does the Political Power of Nonfinancial Stakeholders Affect Firm Values? Evidence from Labor Unions

Internet Appendix

Jared Stanfield*
University of New South Wales

Robert Tumarkin†
University of New South Wales

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*j.stanfield@unsw.edu.au, +61 (02) 9385 4291

†r.tumarkin@unsw.edu.au, +61 (02) 9385 6730

A.I. Brief Background on Unionization in Australia

At the time of the 2011 New South Wales (NSW) election, Australia had 9.9 million workers, with 46 major unions representing 1.8 million workers (1.1 million in the private sector). Australia has a relatively homogeneous national labor landscape. Unionization rates do not vary systematically by state. Nationwide, workplaces are not permitted to require union membership as a condition for employment.

Nearly all Australian unions operate nationally. However, they are broken up into state-level branches, which bargain independently. Most unions operate in specific sectors, such as the Construction, Forestry, Mining and Energy Union (CFMEU) and the Communications, Electrical and Plumbing Union (CEPU). However, several important unions have a general focus, representing multiple sectors. These include the Australian Manufacturing Workers Union (AMWU), Australian Services Union (ASU), Australian Workers Union (AWU), National Union of Workers (NUW), and United Voice. The size of unions vary significantly. The largest is the Shop, Distributive and Allied Employees Association, which represents well over 200,000 in the retail sector. The Australasian Meat Industry Employees Union, on the other hand, represents less than 20,000 workers. Approximately 80% of the unions in our sample have contracts with more than one firm, accounting for approximately 99% of the sample collective bargaining agreements.

Unions exhibit a large heterogeneity in political activities. While most unions maintain a nominal level of political advocacy, twelve were particularly active in NSW through their membership on the NSW Labor Party's top committee.¹ However, even small unions receive the benefits of political connections through representation on the Australian Council of Trade Unions (ACTU), a large trade association representing many unions in our sample .

¹At the time of the NSW election in 2011, the individual unions with members on the NSW Australian Labor Party (ALP) administrative committee included the Australian Manufacturing Workers Union (AMWU), the Australian Services Union (ASU), the Australian Workers Union (AWU), the Communications, Electrical and Plumbing Union of Australia (CEPU), the Construction, Forestry, Mining and Energy Union (CFMEU), the Finance Sector Union (FSU), the Media, Entertainment and Arts Alliance (MEAA), the National Union of Workers (NUW), the Rail, Tram, and Bus Union (RTBU), the Shop, Distributive and Allied Employees Association (SDA), the Transport Workers Union of Australia (TWU), and the United Services Union (USU).

A.II. Event Dates

On Mar. 26, 2011, a Coalition consisting of the Liberal Party of Australia (Liberals) and the National Party of Australia (Nationals) prevailed over the incumbent Australian Labor Party (ALP) in the election of NSW's bicameral Parliament. However, there was significant uncertainty as to whether the ultimate composition of the NSW Parliament would permit passage of Coalition legislation. Pre-election polls accurately predicted that the Coalition would easily secure a majority in the lower house. However, in the upper house, only half of the seats were up for election and the ALP held a plurality of the continuing seats. Experts were divided as to whether the left-of-center parties, consisting of the ALP and the Australian Greens, would be able to maintain a majority in the upper house or if the balance of power would shift to the Liberal–National Coalition and other right-of-center parties (Druery (2011), Sydney Morning Herald (2011)).

Membership in the upper house is determined by statewide proportional representation and a complex optional preferential voting (OPV) scheme. This system makes the composition of the upper house difficult to predict and enables third parties to have a significant presence. In NSW's OPV scheme, when a candidate is unable to secure a majority or certain proportion of the popular vote, the least popular candidate is removed from consideration and their votes may be reallocated to remaining candidates based on optional voter and/or party guidance. This procedure is repeated until all remaining candidates exceed a threshold proportion of the popular vote.

The results of the election epitomized the unpredictability of the OPV system. The Coalition earned a plurality in the upper house, with 19 of 42 total seats, and would only need to convert four of nine third-party seats to pass legislation. Critically, one seat determined the balance of power: the left-of-center parties would have been able to band together to block all Coalition legislation had the election yielded them an additional senator. The final upper house composition was determined after 308 vote reallocation iterations, when one Coalition and two right-of-center third-party candidates reached the electability threshold based on differences of about one thousand votes out of the more

than four million votes cast.²

Passage of the Election Funding, Expenditure and Disclosures Amendment Act 2012 required approval by both houses of Parliament. The coalition campaigned on a policy of political reforms and held an outright majority of seats in the lower house. Therefore, the Act's passage through the Legislative Assembly was largely a formality and was anticipated by the markets.

Passage of the Act by the upper house, however, was far from certain. The Liberal–National Coalition had to gain third-party support in the Legislative Council, which was complicated by the contrasting ideological and financial implications of the Act. While all the third parties supported principles focusing government on the interests of individual voters, those parties also relied on special interest groups and community organizations, whose support would have been curtailed by the Act. Parliamentary documents and relevant media reports prior to the final vote on the Act indicate there was significant uncertainty around the Coalition's ability to gain third-party support. The conservative third parties, consisting of the Shooters and Fishers and the Christian Democrats, decided to vote against the Act. This forced the Coalition to seek the support of the rival Australian Greens. The Greens strongly opposed the legislation initially, but they switched their position on the final vote to provide the critical swing votes needed for the Act to pass the Legislative Council (Tobin (2012), Tovey and Nicholls (2012)). Therefore, it is likely that investors were surprised by the final passage of the Act through the Legislative Council on Feb. 16, 2012.

A.III. The Effects of Union Political Power on Other Corporate Policies

We hypothesize that union political power plays an important role in shaping the bargaining relationship between firms and unions. Hence, our analysis emphasizes wages and equity value as the principal outcomes of bargaining interactions between firms and unions. However, union political connections, and therefore union bargaining power, may also affect other corporate decisions. Corporations, for example, may implement policies to weaken union bargaining power. Additionally,

²While the official certification of the OPV system took several weeks, the outcome was correctly predicted by the media (and known to investors) on the Sunday immediately following the Saturday election.

a surplus obtained through wage reductions may enable corporation to adjust corporate policies not directly related to union bargaining power. Evidence that these policies are shaped by union political power suggests that the political power of a noncorporate stakeholder can have far-reaching effects into corporations.

A. Leverage

Previous studies find that union bargaining power impacts the leverage decision of firms. Bronars and Deere (1991), Matsa (2010), and Myers and Saretto (2016) find that unionized firms strategically adjust leverage to credibly reduce operating flexibility and weaken the bargaining power of their unionized workforce. Given these findings, a natural extension of the hypothesis is to examine the influence of union political connections and power on the use of leverage by firms. We predict that, if union political power increases union bargaining power and firms increase leverage to strengthen their bargaining positions relative to unions, union political power will be positively related to firm leverage. Moreover, the market should impound the cost of any distortion to firm leverage induced by union political power. That is, firms that increase in equity value around the event should subsequently reduce leverage.

In Table A.1, we test whether a reduction in union political power causes firms to de-lever. To perform this analysis, we use an approach similar to Matsa (2010), estimating a difference-in-difference-in-differences regression model to examine the leverage of unionized NSW firms around the event. Control variables include those common in the leverage literature.³ We are interested in the effect of the Act on unionized firms in NSW (the regression coefficient on $NSW \times UNION \times POST_EVENT$). In order to ensure the results do not arise from multicollinearity due to this triple-interacted variable, columns 1 and 2 present the results from estimating a noninteracted specification and a specification with double-interacted control variables, respectively. In column 3,

³Control variables include profit variability (the standard deviation of the annual change in earnings before depreciation and amortization divided by lagged total assets over the prior 10 years), the proportion of fixed assets, the market-to-book ratio, size (the log of total sales), modified Altman's z-score (MacKie-Mason (1990)), and return on assets. All the aforementioned control variables are measured as of the beginning of each fiscal year. We also include year and industry fixed effects, as well as their interactions.

we find that unionized firms in NSW significantly reduced their leverage relative to their unionized peers in other states following the election.

To establish leverage as a channel through which unionization affects equity value, we analyze whether firms that had positive abnormal returns around the event decreased leverage more than firms with negative abnormal returns. In columns 4 and 5, we find that unionized firms in NSW that experienced positive abnormal event returns de-levered following the event, while those with negative abnormal event returns did not. An F -test comparing the coefficients on the interaction of NSW, UNION, and POST_EVENT confirms this difference is statistically significant (p -value of 0.015).⁴ An untabulated alternate specification with a quadruple interaction (reflecting unionized firms, firms in NSW, firm-years following the event, and abnormal returns around the event) is consistent with the subsample comparison and similarly negative and significant. Finally, in untabulated results, we do not find evidence that a parallel-trend assumption for leverage was violated, and the results are robust to aggregating pre-event years and post-event years as suggested by Bertrand, Duflo, and Mullainathan (2004). These findings are consistent with the market anticipating a value-increasing change in leverage following the reduction of union political power (in addition to the reduction in union wage growth as observed in Table 5). Hence, the results suggest leverage is a channel through which union political connections and power can affect equity value.⁵

The results of Table A.1 are consistent with the union-bargaining-channel findings of Bronars and Deere (1991), Matsa (2010), and Myers and Saretto (2016). Simintzi, Vig, and Volpin (2015) provides evidence that may seem inconsistent with our results, showing that increases in labor protection lead to decreases in financial leverage in a cross country study. The Act altered union political influence and, as a result, union bargaining power. Thus, the results should support bargaining channel arguments. Given that the Act did not affect legal labor protections in NSW

⁴In untabulated results, the F -test comparing coefficients remains significant when we include firm fixed effects.

⁵Agrawal and Matsa (2013) find that labor unemployment benefits are associated with increases in firm leverage. Unemployment benefits in Australia are mandated at the federal level and were not affected by the Act. Hence, it is unlikely that firms are reducing leverage to mitigate the employment risk of their workers.

and is within a single country, we test a fundamentally different effect than that analyzed in the cross country setting of Simintzi, Vig, and Volpin. Therefore, we believe our findings complement the literature by demonstrating that our hypothesis is applicable to the previously studied relation between union bargaining power and leverage.

B. Payout, Cash Policy, Investment, and CEO Compensation

The evidence suggests that as a result of the decline in union political power, corporations significantly increase in equity value, negotiate reductions in wage growth, and, use the surplus obtained from lower unionized wages to decrease leverage. The impact of these changes may significantly influence other corporate policies on the sources and uses of funds.

We test for changes to other corporate policies using panel regressions with industry-year fixed effects and the control variables found in the paper's main regressions (firm size, market-to-book ratio, leverage, NSW corporate political contributions, cash, gross state product growth, and nonunionized state wage growth). In column 1 of Table A.2, we find that unionized firms affected by the Act significantly reduced total payouts to shareholders (defined as the total of dividends paid and share repurchase net of changes to capital stock scaled by the book value of total assets) after union political power decreased. Moreover, due to the increased operating flexibility afforded to firms by a reduction in operating leverage (through reduced wage growth), financial leverage, and cash distributions to shareholders, firms can increase cash holdings, capital expenditures, and R&D. However, we do not find that firms significantly adjusted any of these policies following the Act in columns 2 through 4.

Finally, a wealth transfer from lower-rank employees to corporate executives may occur as union political power decreases. Alternatively, if union political power encourages manager-employee alliances (Atanassov and Kim (2009)) then CEO pay may decrease as union political power declines. Using panel regressions, we test whether the event affected CEO compensation. We include all control variables from the paper's principal specification as well as CEO fixed effects, stock returns,

return on assets, and CEO tenure. We do not find evidence in columns 5 and 6 of Table A.2 that firms adjusted CEO total compensation or salary following the event. Further, we perform a test to exclude the possibility that the aforementioned wealth transfer might depend on the quality of corporate governance. In additional untabulated evidence, we do not find that splitting firms by board independence produces a significant effect for unionized NSW firms post-event in either high-board independence or low-board independence firms. In addition, we do not observe a significant difference between the subsample coefficients.

We believe these results complement the existing labor-finance literature. We expect that firms will undo distortions to corporate policies designed to combat union bargaining power when union political power declines. The literature emphasizes capital structure as a way in which firms shape their bargaining relationship with unions. Leverage credibly reduces firm operating flexibility and decreases the cash flows over which firms and unions can bargain. Our results confirm the relevance of capital structure in bargaining, while providing new evidence that union political power influences this relation. It appears that, on average, any immediate surplus obtained by firms through a reduction in union political power is primarily used to reduce leverage and is not used to adjust other corporate policies or increase CEO compensation.

A.IV. Parallel-Trend Analysis Comparing NSW and non-NSW Wages

We compare NSW and non-NSW contracted wage growth prior to and following the NSW Act using a difference-in-differences regression methodology. As such, a parallel trend assumption is implied in the analysis. A potential criticism of the wage results is that the relation we see (NSW wage growth to be roughly equal before the event and significantly lower afterward) is a result of an unrelated reduction in wage growth over time due to differing economic conditions between NSW and the rest of the country and not due to the Act.

Our previous findings suggest that the results are not driven by a historical decline in NSW wage growth or changing economic conditions. As reported in Panel C of Table 1, we do not find

a significant difference-in-differences in control variables known to influence unionization and wage growth between NSW and non-NSW contracts pre- and post-event. We control for all these variables in the wage analysis, reducing the likelihood that the passage of the law as well as the post-event decline in NSW contracted wage growth were both the result of common underlying economic factors (Bertrand and Mullainathan (2003)). In untabulated tests, the results of Tables 2 and 5 are robust to including interactions between growth in gross state product and growth in state nonunionized wages with the POST_EVENT indicator. Finally, Table 5 shows that the abnormal returns around the event were predictive of contract outcomes. Any long-term trend in contract outcomes should have been already impounded into prices by investors. Thus, abnormal returns reflect a change in market opinion.

To explicitly test the parallel trend assumption, we perform analysis similar to Table 2 using contracts from the pre-event period of the sample (prior to Mar. 26, 2011). We create hypothetical pseudo-events for each year from 2007 through 2010. If NSW union wage growth rates were declining relative to other states before the Act, then NSW wages should be lower following each pseudo-event. The results in Table A.3 do not support this alternative explanation, as NSW union wage growth does not appear to be declining relative to that in other states prior to the event. We also explore the dynamic effects of the Act on wages, using a procedure similar to the parallel-trend and reverse causality test of Bertrand and Mullainathan (2003). This untabulated test provides similar results to those reported in Table 2.⁶ On the whole, this section's findings suggest that the parallel-trend assumption was not violated and help alleviate the concern that the empirical relations we observe were due to economic conditions that existed prior to the event.

⁶Each contract pair in the sample consists of one pre-event observation and one post-event observation. There are no wage observations for the intervening years. Hence, the dynamic difference-in-differences methodology from Bertrand and Mullainathan (2003) may not have a clean economic interpretation or significant power in this setting.

A.V. Robustness Tests Examining Other Events Affecting Union Political Connections and Power in NSW

The High Court of Australia declared key sections of the Act unconstitutional on Dec. 18, 2013. This decision followed the initiation of the unions' legal challenge on Apr. 8, 2013 and hearings that began on Nov. 5, 2013. The High Court decision has unambiguous implications for the hypothesis only if it altered investor expectations of either (i) the likelihood of the Coalition passing alternative legislation or (ii) the effectiveness of any such legislation. However, it is not clear that the High Court decision accomplished either.

The Court ruling found issue with certain features of the Act, but did not preclude the NSW Parliament from passing revised legislation.⁷ Prior to the Act's approval by the upper house, the NSW Parliament released a brief stating that, even if the Act were declared unconstitutional from a potential High Court challenge, a "modest variation" could be constitutional and implement the desired reforms (Griffith and Roth (2012)). Immediately following the High Court decision, both the Coalition and the Greens indicated a desire to quickly revisit the reforms in the Act and pass constitutionally valid legislation (Bibby and Hasham (2013), Kaye (2013)). In fact, bridging legislation, designed to implement temporary reforms for the next NSW election until a permanent law could be developed, was introduced into Parliament on May 6, 2014. Therefore, we believe the High Court ruling did not significantly change investor beliefs that legislation limiting political advocacy and contributions would ultimately be enacted in NSW.

A reasonable assumption is that the Election Funding, Expenditure and Disclosures Amendment Act 2012 was the most restrictive legislation that could be passed by the NSW Parliament. Any alternative legislation would be less restrictive. We hypothesize that union political power should increase (relative to when the Act was in place) as a result of this ruling and, therefore, the equity value of unionized firms should decrease.

⁷The Australian constitution does not contain an explicit right to free speech. High Court decisions have, historically, allowed laws to abridge any implicit right to political expression provided such limits achieve a "legitimate" purpose.

The results of repeating the equity value methodology for the High Court decision are presented in Table A.4. We find evidence in support of the hypothesis. As predicted, we find a negative impact on equity value for unionized firms in NSW in all eight specifications, with the combined effect reported in column 8 being statistically significant. However, if, as suggested by the NSW Parliament brief, only “modest” changes to the Act are necessary to implement constitutionally valid reforms, then investors may not perceive a significant difference in the effectiveness between the Act and alternative legislation. Thus, while we observe negative returns for unionized NSW firms that are statistically significant for the combined event days, the reduced economic magnitude of the High Court decision relative to the Act’s enactment may limit the power of the tests to infer statistical significance on any individual event day.

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Table A.1: Union Political Power and Firm Leverage

Table A.1 reports empirical results from ordinary least squares models similar to Matsa (2010) examining the relationship between union political power and firm leverage. The dependent variable is leverage, defined as the book value of interest-bearing debt scaled by the book value of total assets. NSW is an indicator variable equal to 1 if the firm is headquartered in NSW, and 0 otherwise; UNION is the industry-level unionization rate defined at either the 4-, 6-, or 8-digit GICS level; POST_EVENT is an indicator variable equal to 1 if the observation occurs after the first event date, and 0 otherwise; and ϵ_{CAR} is the firm's cumulative abnormal return (CAR) around Mar. 26, 2011 from the model presented in column 2 of Table 4. Column 4 and 5 presents the results for those firms that had positive and negative ϵ_{CAR} , respectively. Following Matsa (2010), controls include the market-to-book ratio (as defined in Table 1); firm size (defined as the natural log of 1 + total sales (in A\$ million)); the proportion of fixed assets (defined as net property plant and equipment divided by lagged total assets); modified Altman's z-score (MacKie-Mason 1990); return on assets (defined as net income divided by lagged total assets); and profit variability (defined as the standard deviation of the annual change in earnings before depreciation and amortization divided by lagged total assets over the prior 10 years). Each specification includes fixed effects (FE) of the interaction between industry, defined at the 2-digit GICS level, and year. *p*-Values are reported in parentheses. *, **, and *** indicate significance at the 10%, 5%, and 1% levels, respectively.

Variables	Leverage			Positive ϵ_{CAR}	Negative ϵ_{CAR}
	1	2	3	4	5
NSW \times UNION \times POST_EVENT			-0.243** (0.050)	-0.594*** (0.010)	-0.027 (0.865)
NSW \times UNION		0.237 (0.455)	0.349 (0.317)	1.198*** (0.002)	0.463 (0.137)
NSW \times POST_EVENT		0.016 (0.175)	0.056** (0.025)	0.093** (0.032)	0.019 (0.436)
UNION \times POST_EVENT		-0.005 (0.951)	0.094 (0.363)	0.322** (0.014)	0.145 (0.463)
NSW	-0.011 (0.620)	-0.059 (0.409)	-0.078 (0.289)	-0.205** (0.019)	-0.110** (0.033)
UNION	0.063 (0.597)	-0.034 (0.740)	-0.082 (0.494)	-0.423*** (<0.001)	-0.323 (0.113)
POST_EVENT	0.036*** (0.009)	0.029 (0.148)	0.012 (0.604)	0.010 (0.776)	0.015 (0.701)
MB	0.003 (0.478)	0.003 (0.521)	0.003 (0.512)	0.001 (0.891)	0.011 (0.133)
SIZE	0.007 (0.542)	0.007 (0.516)	0.007 (0.525)	0.017*** (0.005)	0.008 (0.508)
FIXED_ASSETS_%	0.108** (0.022)	0.113** (0.039)	0.112** (0.039)	0.150* (0.070)	0.119*** (0.002)
Z-SCORE	-0.034** (0.025)	-0.034** (0.023)	-0.034** (0.024)	-0.044*** (<0.001)	-0.046*** (0.001)
ROA	-0.002 (0.167)	-0.002 (0.170)	-0.002 (0.169)	-0.001 (0.474)	-0.002 (0.205)
PROFIT_VARIABILITY	-0.052 (0.254)	-0.053 (0.255)	-0.053 (0.252)	-0.029 (0.681)	-0.018 (0.522)
CONSTANT	0.052 (0.225)	0.070 (0.213)	0.079 (0.188)	0.035 (0.252)	0.077 (0.292)
INDUSTRY \times YEAR FE	Yes	Yes	Yes	Yes	Yes
<i>Adj. R</i> ²	0.222	0.224	0.225	0.248	0.258
<i>N</i>	1,361	1,361	1,361	488	561

Table A.2: Union Political Power and Corporate Policies

Table A.2 reports empirical results from ordinary least squares models examining the relationship between a change in union political power and corporate policies. The sample in columns 1 – 4 consists of all Australian publicly traded firms with market capitalizations greater than \$100 million; columns 5 and 6 analyzes the subsample of firms that disclosed CEO compensation for the four years from 2010 – 2013. The dependent variable in column 1 is total payout, defined as the total of dividends paid and share repurchases net of changes to capital stock scaled by the book value of total assets; the dependent variable in column 2 is cash holdings, defined as the total value of the firm's cash and marketable securities divided by the book value of total assets; the dependent variables in columns 3 and 4 are CAPEX and R&D expenditures (both normalized by the book value of total assets), respectively; the dependent variable in column 5 is the natural log of 1 + total CEO compensation (in A\$) (salary, bonus, stock and stock option grants, retirement benefits, and other incentive-based pay); the dependent variable in column 6 is the natural log of 1 + salary (in A\$). NSW is an indicator variable equal to 1 if the firm is headquartered in NSW, and 0 otherwise; UNION is the industry-level unionization rate defined at either the 4-, 6-, or 8-digit GICS level; and POST_EVENT is an indicator variable equal to 1 if the observation occurs after the NSW election, and 0 otherwise. SIZE is the natural log of 1 + the total book value of the firm's assets (in millions A\$); MB is the firm's market value of equity divided by the book value of equity; LEVERAGE is the firm's book value of interest-bearing debt divided by the book value of total assets; NSW_CPC is the natural log of 1 + the total amount (in A\$) of corporate political contributions made in NSW over the previous 4 years; CASH is the total value of the firm's cash and marketable securities divided by the book value of total assets; GSP_GROWTH is the annual gross state product growth (in %) in the year preceding contract negotiations; NONUNION_SWG is the state-level year-over-year growth rate (in %) in average nonunionized adult weekly wages (earnings excluding overtime); STOCK_RETURN is the annualized average monthly stock return over the fiscal year; ROA is return on assets (defined as net income divided by lagged total assets); and CEO_TENURE is log of 1 + the number of years the CEO has held the position. All continuous variables are winsorized at the 1st and 99th percentiles. Standard errors are robust to heteroskedasticity and within-industry correlation. Specifications in columns 1 – 4 include fixed effects (FE) of the interaction between industry, defined at the 2-digit GICS level, and year; specifications in columns 5 and 6 include CEO-Firm and year fixed effects. *p*-Values are reported in parentheses. *, **, and *** indicate significance at the 10%, 5%, and 1% levels, respectively.

Variables	Financial		Investment		CEO Compensation	
	Payout	Cash	CAPEX	R&D	Total	Salary
	1	2	3	4	5	6
NSW × UNION × POST_EVENT	−0.187** (0.044)	−0.017 (0.870)	−0.092 (0.183)	0.002 (0.704)	−0.282 (0.641)	0.057 (0.876)
NSW × UNION	0.183** (0.016)	0.016 (0.890)	−0.055 (0.619)	−0.013 (0.319)	−1.442 (0.113)	0.565 (0.390)
NSW × POST_EVENT	0.030 (0.115)	0.002 (0.908)	0.005 (0.680)	−<0.001 (0.786)	−0.028 (0.822)	−0.008 (0.903)
UNION × POST_EVENT	0.041 (0.158)	−0.022 (0.655)	0.036 (0.314)	−0.001 (0.883)	0.016 (0.965)	0.068 (0.514)
NSW	−0.026* (0.079)	−0.016 (0.602)	0.016 (0.424)	0.003 (0.408)	−0.752 (0.241)	−0.966* (0.075)
UNION	−0.075* (0.057)	0.109 (0.335)	0.082** (0.036)	−0.006 (0.550)	0.030 (0.952)	−0.152 (0.738)
POST_EVENT	0.120*** (<0.001)	−0.048*** (0.001)	−0.019* (0.072)	<0.001 (0.909)	0.016 (0.915)	0.121 (0.338)

(Continued)

Table A.2: Continued

Variables	Financial		Investment		CEO Compensation	
	Payout	Cash	CAPEX	R&D	Total	Salary
	1	2	3	4	5	6
SIZE	0.007 (0.262)	-0.014*** (0.004)	-0.003 (0.237)	-<0.001 (0.279)	0.161 (0.185)	0.111* (0.092)
MB	0.007* (0.071)	0.013*** (0.001)	0.002 (0.103)	0.001** (0.018)	0.016 (0.596)	0.016 (0.140)
LEVERAGE	-0.086** (0.023)	-0.156*** (0.006)	-0.005 (0.739)	0.001 (0.586)	-0.064 (0.873)	-0.093 (0.437)
NSW_CPC	-<0.001 (0.624)	0.001 (0.329)	-<0.001 (0.903)	<0.001 (0.508)	-0.008 (0.280)	-0.002 (0.480)
CASH			0.079* (0.080)	<0.001 (0.980)	-0.342 (0.331)	-0.247* (0.078)
GSP_GROWTH	-0.004 (0.229)	0.002 (0.525)	0.002 (0.327)	-0.001* (0.090)	-0.017 (0.288)	-0.008 (0.479)
NONUNION_SWG	<0.001 (0.982)	-0.001 (0.473)	-0.001 (0.391)	<0.001 (0.436)	0.009 (0.157)	0.006 (0.239)
STOCK_RETURN					0.142*** (<0.001)	0.018 (0.027)
ROA					0.002 (0.301)	<0.001 (0.975)
CEO_TENURE					0.294 (0.135)	0.091 (0.559)
CONSTANT	-0.140*** (0.002)	0.266*** (<0.001)	0.097*** (0.001)	0.004 (0.117)	13.410*** (<0.001)	13.392*** (<0.001)
INDUSTRY-YEAR FE	Yes	Yes	Yes	Yes	-	-
CEO-FIRM FE	-	-	-	-	Yes	Yes
YEAR FE	-	-	-	-	Yes	Yes
Adj. R ²	0.190	0.203	0.192	0.265	0.907	0.931
N	1,547	1,550	1,538	1,549	944	944

Table A.3: Was NSW Union Contract Wage Growth Declining Relative to that of Non-NSW Union Contracts Prior to the Act?

Table A.3 reports empirical results from robustness tests examining differences between NSW firms and non-NSW firms around pseudo-events. The dependent variable in all columns is the average wage growth over the life of the contract. For each year from 2007 – 2010, a pseudo-event is created in which a hypothetical law limited union political power. All contracts including and after the pseudo-event year are considered post-event. For example, a 2007 pseudo-event considers all contracts from 2007 up to the 2011 NSW election as post-event. All other variables are as defined in Table A.2. Standard errors are robust to heteroskedasticity and double clustered to allow for both within-year and within-firm correlation. FIRM FE are UNION FE are fixed effects based on the firm and union(s) involved in each contract, respectively. YEAR FE are fixed effects based on the year in which the firm and union(s) agreed to the contract. *p*-Values are reported in parentheses. *, **, and *** indicate significance at the 10%, 5%, and 1% levels, respectively.

Variables	2007	2008	2009	2010
	1	2	3	4
NSW	0.140	0.109	0.331**	0.195
× POST-PSEUDO-EVENT	(0.556)	(0.451)	(0.022)	(0.326)
NSW	−0.081	−0.042	−0.118	−0.013
	(0.752)	(0.791)	(0.343)	(0.935)
POST-PSEUDO-EVENT	0.941*	0.995***	0.891***	0.980**
	(0.050)	(0.010)	(<0.001)	(0.022)
SIZE	0.067	0.063	0.069	0.059
	(0.733)	(0.749)	(0.725)	(0.762)
MB	0.008	0.007	0.008	0.008
	(0.825)	(0.835)	(0.829)	(0.824)
LEVERAGE	−0.308	−0.262	−0.315	−0.279
	(0.624)	(0.695)	(0.642)	(0.664)
NSW_CPC	0.001	0.001	−<0.001	<0.001
	(0.964)	(0.984)	(0.998)	(0.988)
CASH	−2.726	−2.634	−2.700	−2.762
	(0.181)	(0.184)	(0.152)	(0.168)
GSP_GROWTH	0.037	0.032	0.008	0.026
	(0.496)	(0.559)	(0.899)	(0.680)
NONUNION_SWG	0.008	0.011	0.015	0.009
	(0.740)	(0.562)	(0.394)	(0.684)
CONSTANT	2.062	2.037	2.122	2.072
	(0.164)	(0.169)	(0.147)	(0.159)
FIRM FE	Yes	Yes	Yes	Yes
UNION FE	Yes	Yes	Yes	Yes
YEAR FE	Yes	Yes	Yes	Yes
<i>Adj. R</i> ²	0.277	0.277	0.283	0.278
<i>N</i>	643	643	643	643

Table A.4: The High Court Decision and Equity Value

Table A.4 reports empirical results from ordinary least squares models examining how equity values reacted to key events dates for the High Court of Australia's decision on the Election Funding, Expenditure and Disclosures Amendment Act 2012. The dependent variable is Cumulative Abnormal Return (CAR) over the 3-day window surrounding each event day in columns 1 – 6 and over the combined 9-day event window in columns 7 and 8. NSW is an indicator variable equal to 1 if the firm is headquartered in NSW, and 0 otherwise. UNION is the industry-level unionization rate defined at either the 4-, 6-, or 8-digit GICS level. All other variables are as defined in Table A.2. Columns 1 and 2 report estimated coefficients for Apr. 8, 2013, the day a group of labor unions filed a writ of summons with the High Court of Australia. Columns 3 and 4 report estimated coefficients for Nov. 5, 2013, the day of the initial High Court hearing on the Act. Columns 5 and 6 report estimated coefficients for Dec. 18, 2013, the day the High Court ruled the Act unconstitutional. Columns 7 and 8 report estimated coefficients for a combined analysis using all 3 event day windows. Standard errors are robust to heteroskedasticity and within-industry correlation. Industry fixed effects (FE) are defined at the 2-digit GICS level. *p*-Values are reported in parentheses. *, **, and *** indicate significance at the 10%, 5%, and 1% levels, respectively.

Variables	Apr. 8, 2013		Nov. 5, 2013		Dec. 18, 2013		Combined	
	1	2	3	4	5	6	7	8
NSW × UNION	−0.031 (0.439)	−0.046 (0.258)	−0.023 (0.550)	−0.032 (0.410)	−0.047 (0.315)	−0.045 (0.358)	−0.096 (0.108)	−0.106* (0.076)
NSW	0.012* (0.084)	0.019** (0.018)	0.001 (0.894)	0.006 (0.504)	0.010 (0.276)	0.010 (0.312)	0.023* (0.057)	0.031*** (0.007)
UNION	0.041 (0.312)	0.013 (0.771)	−0.003 (0.918)	−0.030 (0.473)	−0.001 (0.980)	0.021 (0.610)	0.039 (0.480)	0.002 (0.969)
SIZE	0.005*** (0.005)	0.007*** (<0.001)	0.003* (0.053)	0.004** (0.042)	0.003** (0.027)	0.002* (0.067)	0.010*** (0.003)	0.011*** (0.001)
MB	<0.001 (0.613)	<0.001 (0.116)	<0.001 (0.516)	<0.001 (0.258)	<0.001 *** (<0.001)	<0.001 *** (<0.001)	<0.001 (0.123)	<0.001 (0.572)
LEVERAGE	−0.018 (0.215)	−0.013 (0.374)	−0.007 (0.457)	−0.003 (0.750)	0.014 (0.114)	0.009 (0.388)	−0.012 (0.472)	−0.009 (0.646)
NSW_CPC	−0.001* (0.080)	−0.001** (0.018)	<0.001 (0.962)	<0.001 (0.874)	0.001* (0.081)	0.001 (0.135)	<0.001 (0.669)	−0.001 (0.468)
CASH	0.017 (0.422)	0.027 (0.179)	−0.006 (0.718)	−0.001 (0.977)	−0.033 (0.356)	−0.031 (0.391)	−0.012 (0.721)	0.005 (0.890)
GSP_GROWTH	0.006** (0.040)	0.006* (0.054)	−0.001 (0.754)	<0.001 (0.958)	<0.001 (0.858)	<0.001 (0.929)	0.004 (0.253)	0.005 (0.217)
NONUNION_SWG	−0.001 (0.488)	−0.002 (0.354)	0.002 (0.206)	0.001 (0.375)	0.002 (0.311)	0.002 (0.267)	0.002 (0.364)	0.002 (0.533)
CONSTANT	−0.052*** (0.002)	−0.072*** (0.001)	−0.037* (0.074)	−0.045** (0.033)	−0.041*** (0.001)	−0.050*** (<0.001)	−0.117*** (<0.001)	−0.151*** (<0.001)
INDUSTRY FE	No	Yes	No	Yes	No	Yes	No	Yes
<i>Adj. R</i> ²	0.020	0.065	<0.001	0.027	0.030	0.013	0.044	0.094
<i>N</i>	343	343	333	333	323	323	356	356