

Corporate Social Responsibility, Jobs, and the Environment: A Dynamic Analysis with Heterogeneous Firms

Mizuki Tsuboi^{a,*}

^a*School of Economics and Management, University of Hyogo, 8-2-1, Nishi-ku, Kobe, 651-2197, Japan*

Abstract

This paper examines whether improvements in firm-level abatement technology can improve environmental quality without reducing employment, and how protectionism affects this possibility. I develop a tractable dynamic trade model with heterogeneous firms, environmental pollution, and labor market frictions. I analytically show that improvements in abatement technology can or cannot generate simultaneous improvements in the environment and employment, depending on the relative strength of counteracting forces operating through wages and the number of domestic firms. A numerical example further shows that protectionism makes this joint improvement less likely. Thus, even when governments are unwilling to adopt stronger climate policies, firms' own efforts to advance abatement technology may reduce emissions without sacrificing employment, while trade liberalization makes this outcome more likely.

Keywords: Abatement Technology; Heterogeneous Firms; Trade and the Environment

JEL Classification: F16, F18, Q54

*Corresponding author. I thank Real Arai, Tatsuya Asami, Azusa Fujimori, Manabu Furuta, Kohei Hasui, Yunfang Hu, Yasuko Ishiguro, Shigeki Isogai, Isao Kamata, Atsuyuki Kato, Keiya Minamimura, Atsushi Miyake, Yoshimichi Murakami, Mina Nakano, Hiroyuki Nishiyama, Yoshitaka Ogisu, Takahiro Sato, Takanori Shimizu, Nobuyuki Takeuchi, Akihiko Yanase, Masaya Yasuoka, and participants at the KIES and KMSG Seminars for helpful comments. This work was supported by JSPS Grants-in-Aid for Scientific Research (Grant Number JP25K16641).

Email address: miduki_tsuboi@em.u-hyogo.ac.jp (Mizuki Tsuboi)