Do Workers in Developing Countries Love Globalization? Analyzing the Informal-Formal Divide

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Abstract

Are workers in less developed countries (LDCs) 'winners' from globalization? In developed countries workers and politicians blame LDC workers for taking jobs from them. However, while some LDC workers express satisfaction with globalization, many do not. To understand such variation, we analyze the preferences of workers in LDCs regarding globalization by investigating foreign direct investment (FDI). Focusing on a prominent division within developing countries between formal and informal workers, we formulate competing hypotheses regarding support for FDI. In our survey of two Indian cities, we find that its small population of formal workers support foreign investment more than informal workers. They do so because they anticipate greater mobility prospects for their household; informal workers anticipate no present or future mobility gains. The empirical results are robust to alternative explanations including skill, caste and nativist preferences. Our findings provide new insights on how FDI is viewed in poor countries.

1 Introduction

Workers in developing countries are the purported "winners" of globalization. Indeed, research finds that developing countries have benefited immensely from globalization, often at the cost of jobs in rich nations (cite Autor et al). Yet global surveys reveal that satisfaction with globalization is increasing only among some workers in less developed countries (LDCs), and decreasing amongst many others (cite rudra et al). Many LDC governments are sensing the danger of rising public anger created by globalization and turning to more protectionist policies[1]. What are the underlying causes of this variability in dissatisfaction? While scores of scholars have have analyzed workers' reactions to greater market integration in rich nations, we know surprisingly little about how different workers view globalization in less developed countries (LDCs). Focusing on their lived experiences with globalization, we question whether LDC workers- especially the

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[1]The "Make in India" campaign and Production-Linked Incentives, the recent surge in Turkey's import taxes on a wide range of products, and South Africa's 2023 Competition Amendment Bill are a few examples

historically disadvantaged ones- unequivocally support rapidly expanding trade and foreign direct investment (FDI). Are the most vulnerable segments of the labor force in LDCs who are ostensibly taking jobs from the West embracing globalization and the opportunities it brings, as many anticipate?

To answer this question, we analyze LDC worker attitudes towards FDI- the most visible form of globalization in LDCs- by focusing on the most extensive socioeconomic cleavage in the developing world: formal versus informal worker status. This is a distinct departure from extant scholarship that treats skill or education levels as the fundamental source for opposition or support for globalization. While not disputing that skill matters, we contend that the globalization experience of workers in LDCs will vary significantly depending on their standing in highly segmented labor markets. Workers in the informal sector constitute the great majority of workers in many developing economies, with up to 90 percent of the labor force in many poor countries, such as India. These workers are 'outsiders'; they operate outside government regulation, and are subject to poor remuneration, abysmal working conditions, and no job security or social protections of any kind. Longstanding stigmas – due to their informal sector status along with overlapping ascriptive factors such as ethnicity, gender, religion and 'slum dweller' status – have made it difficult for them to overcome social and economic barriers to 'good jobs' in local labor markets [Mosse, 2018, Das, 2013, UN Habitat, 2004].

Such coveted formal sector jobs are the privilege of a much smaller population of labor market 'insiders', who are provided with core labor protections, such as safe working conditions, collective bargaining rights, and regulations against arbitrary dismissal. Not surprisingly, formal sector workers have long had far better job prospects in local labor markets compared to their informal sector counterparts, regardless of skill level. These are two very distinct groups with discrete (and durable) labor market options and political preferences [Portes and Hoffman, 2003, Banerjee and Duflo, 2011, Schneider and Soskice, 2009].[2] Our effort is to distill both theoretically and empirically the core features of (in)formality that affect their experience with- and thereby reactions to- globalization. For the remainder of this paper, we focus on "greenfield)" FDI, and refer to informal-formal workers and households interchangeably throughout the analysis.[3]

Existing theory and research points us towards two competing hypotheses on formal/informal worker FDI preferences based on worker self interests. Our pre-registered 'informal worker mobility' hypothesis (IWM) directly draws from recent research which contends that globalization improves opportunities for underprivileged groups. IWM predicts informal workers will be more supportive of FDI than their coun-

[2]See Baker and Velasco-Guachalla [2018] for an exception. They find that informal and formal workers in Latin America may share political preferences on select issues such as social welfare policies.

[3]Greenfield FDI is when MNCs set up or expand their businesses abroad, creating new jobs and facilities from the ground up, which is in contrast to mergers and acquisitions. Our analysis necessarily focuses on formal and informal preferences at the household level, since individual politico-economic preferences tend to reflect collective household preferences, and the large number of mixed households in developing countries rationally adopt formal sector preferences. See Baker [2003], Galiani and Weinschelbaum [2012]

terparts because foreign firms' emphasize merit over ascriptive factors. This is alluring to workers that have faced a long history of discrimination and stigmas in the local job market, *especially in ranked ethnic societies*. Put simply, informal workers support FDI because foreign firms provide their households a unique path to upward mobility, while domestic firms do not.

In direct contrast, the 'formal mobility' (FWM) hypothesis draws from the insider-outsider theory of the labor market and posits that formal workers are stronger advocates of FDI than informal workers. Applying insider-outsider theory, formal sector workers, regardless of their skill levels, have greater access to lucrative job opportunities associated with foreign firms than informal workers because of their higher productivity levels and social connections. We anticipate the lure of job opportunities and upward mobility associated with FDI will be particularly attractive for formal workers in less-productive domestic firms that generally offer lower wages than foreign firms.

We arbitrate between these two hypotheses using an original survey of 1,800 informal and formal workers across two regions in India with different levels of exposure to FDI. As in many developing countries, FDI in India has been increasing, and foreign firms from countries such as United States have been some of the top investors. We are among the first to survey both formal and informal workers to assess whether informal workers have globalization attitudes distinct from their formal sector counterparts. We employ empirical models and data that enable us to arbitrate between competing hypotheses, and most importantly, disentangle workers' perspectives on FDI in comparison to domestic investment. In a developing country setting where capital is scarce, we must assess whether sentiments towards foreign investment are distinct from high demands for capital in general. This survey design is one of our contributions.

We find that formal workers support FDI more than their informal sector counterparts, particularly when they live in highly globalized localities. Our results pose a contrast with existing research which emphasizes skill endowments as the primary predictor of globalization preferences. A survey experiment confirms the mechanism: the presence of firms increases formal workers' perceived intergenerational mobility prospects. Informal workers, on the other hand, seem less confident that FDI will enhance their households' future mobility prospects as compared to formal workers. Put simply, groups of vulnerable workers do not share the optimism of their counterparts in the formal sector that their households will reap any economic benefits from FDI, either in the present or future.

Our empirical analysis also reveals a surprising caveat: overall FDI support is low in more globalized areas in comparison to less globalized localities. Drawing from our survey data, negative externalities associated with FDI such as pollution, traffic and the influx of migrants appear to drive widespread antipathy towards the presence of foreign firms. It is striking that formality status mitigates resistance to FDI in this environment. Conversely, in low globalization environments, both formal and informal workers are san-

guine about FDI, possibly because all groups are idealistic about the positive benefits it could bring while being naive about its distributional effects.

These findings are a call for caution among scholars, policymakers, the business community and the mass public in the US who anticipate that globalization is rewarding scores of workers in developing economies, and implicitly assume support for globalization in LDCs rests on strong political foundations. As scholars and policymakers puzzle over the sources of widening inequality in liberalizing nations, our analysis emphasizes assigning greater attention to informal-formal sector cleavages, and that the politics of FDI starkly differs between high and low globalization localities in the developing world. International political economy (IPE) scholars would do well to consider (in)formality status and understudied dimensions of self-interest- such as mobility prospects- affecting the politics of FDI in developing economies. Development scholars should also consider overemphasizing the positive benefits of globalization for low-cost labor en masse in LDCs. Finally, policymakers touting skill development as key to capturing the benefits of globalization may also need to reconsider. Our findings suggest upskilling and reskilling may be necessary but not sufficient to provide different expectations about the winners and losers of globalization in developing economies.

2 Theoretical Framework

Insights from various literature suggest that the vast majority of workers in developing economies should support FDI. According to international economic theories, globalization should produce benefits for the poor in countries that have a comparative advantage in labor—a description that includes most LDCs. This model is often applied to FDI because firms invest abroad to acquire resources unavailable or costly in the home country, such as low-wage labor [Yeaple, 2003, Te Velde and Morrissey, 2004, Bellak et al., 2008]. A legion of studies finds that the poor's lives in LDCs directly improve because of increased labor demand [Waldkirch et al., 2009], improved labor rights [Mosley and Singer, 2015], and indirectly, through forward and backward linkages with subcontracting firms (arm's length or affiliated) [Hollweg et al., 2017], and increased economic growth [Yao, 2006, Balasubramanyam et al., 1999, Magombeyi and Odhiambo, 2017]. However, getting a real sense of the improvements in the livelihood of the poor is complicated. Development scholars, such as Sen [2008], have long argued that standard economic measures, such as wages and income, can improve without having any meaningful impact on the quality of life of the poor. A better approach to analyzing the distributional effects of globalization, according to this view, would be to incorporate the perspective and experience of those directly affected, particularly the poor [Narayan-Parker, 2000].

Research in IPE approximates this approach by turning to survey evidence to assess individual views on support for and the anticipated benefits of globalization. This research, however, tends to focus on developed economies- the US in particular- and overlooks how the most internationally disadvantaged populations view the pros and cons of globalization. In general, more research finds that citizens of rich nations are leery of trade and FDI and its benefits for sociotropic reasons – that is, individuals caring about social and not simply personal utility when choosing a policy position [Kinder and Kiewiet, 1981]- rather than self-interest [4].

Research focused on developing economies is less common, and the findings are mixed. Menéndez González et al. [2023], Li and Zeng [2017], and Kaya and Walker [2012] observe that low-skilled labor views FDI less favorably than their high-skilled counterparts. Li and Zeng [2017] surmise- but do not test- the possibility that low-skilled workers in China resist labor-intensive FDI because they view it as a threat to jobs if local labor-intensive factories are forced to close as a consequence. Pandya [2010], on the other hand, surveys 18 Latin American countries and determines that workers at all skill levels generally support FDI, though higher skilled workers have stronger preferences for FDI in anticipation of higher jobs and wages. Owen [2019] similarly suggests that (Brazilian) voters overall are receptive to FDI because labor market winners are greater than the losers.

Overall, this body of work on FDI as a whole is in a nascent stage, particularly in comparison to the trade preferences literature. Existing research emphasizes factor endowments and hence skill levels as the key trait that differentiates workers and affects their FDI preferences in both rich and poor countries. We take seriously the mixed findings in developing economies and question why this is the case. It is striking that scholars neglect how alternative, and arguably more significant, social cleavages in developing countries might affect preferences towards foreign economic policies: the formal-formal divide. Large populations of workers throughout the developing world have historically faced tremendous challenges accessing 'good jobs'. Skills levels may not be the only critical determinant of globalization preferences, as current research contends. A key question is if formal or informal workers support FDI because they believe that their economic situation improves in globalizing economies.

[4]Several scholars find that sociotropic concerns affect FDI support. This occurs when individuals view FDI as having bad effects on the country or local community. The reasons for this vary. It may be because individuals perceive that foreign firms pose unfair competition [Jensen and Lindstädt, 2013, Chilton et al., 2020, Tingley et al., 2015, Zeng and Li, 2019], threaten national security [Zeng and Li, 2019, Tingley et al., 2015, Li and Zeng, 2017], or perceive that FDI has a negative impact on the domestic economy more broadly [Zeng and Li, 2019]. The alternative explanation for low FDI support is that workers believe they will lose economically from FDI (self-interest). These studies suggest that workers in rich economies may be more likely to believe that they will experience economic losses from FDI, and expect that their counterparts in low-wage economies will gain. Scheve and Slaughter [2004], for example, show FDI leads to labor market insecurities, and Owen [2013] demonstrates that unions resist foreign investment in their sector

2.1 The Perceived Benefits of Globalization

Insights from various literature in political economy generate two opposing predictions regarding informal/formal workers' current positions on globalization. Both approaches take self-interest concerns at the household level as the starting point- in contrast to the overwhelming focus on sociotropic motives driving globalization preferences in rich countries- since so many LDC workers are struggling to escape abject poverty and meet basic survival needs. Following Linardi and Rudra [2020], we focus on worker support for greenfield investment, given that multinationals (MNCs) are highly visible markers of globalization for the broader public in poor nations; they represent large, prominent highly productive superstar firms (with high levels of output, technological innovation, product quality, wages, and employment) that stand in stark contrast to the large numbers of less-efficient domestic firms that dominate the economic landscape of LDCs.

2.2 FDI and Informal Worker Mobility Hypothesis

The informal worker mobility hypothesis (IWM) posits that labor market 'outsiders' will be more favorable towards FDI. Compared to formal sector workers who already have 'good jobs', foreign investment serves as a greater shock to economic expectations of workers long disadvantaged in local labor markets. From this perspective, foreign firm's emphasis on merit and ability, over and above ascriptive factors and political connections, are a key force behind their optimism. FDI represents a unique opportunity for this group to overcome decades of discrimination and prejudice in domestic hiring.[5]. In effect, IWM posits that FDI represents greater future mobility prospects for informal worker households relative to their counterparts in the formal sector, and mitigates longstanding labor market cleavages.

IWM draws directly from recent empirical studies that globalization helps improve economic prospects of groups, such as women, facing discriminatory barriers to entry into employment in LDCs, particularly in ranked ethnic societies [Gaikwad and Suryanarayan, 2019, Osgood and Peters, 2017]. Local labor market discrimination against informal workers has long been based on overlapping factors such as low occupational prestige, family background, slum residency, ethnicity and low productivity ("lazy") (see for example Silva et al. [2020], Mamgain and Reddy [2017], Sumner and Wietzke [2014], Thorat and Newman [2007]). Intergenerational mobility has been particularly challenging for these workers since a history of social exclusion and stereotypes associated with informality have contributed to the stubbornness of their outsider status [World Bank, 2012, Birdsall et al., 1991]. Indeed, labor market discrimination, either based on their

[5]This hypothesis would mainly apply to developing countries with high levels of informality and low fluidity between formal and informal sectors. Many African, Asian and Pacific nations, for example, tend to have persistently high levels of informality [Arbeitsamt, 2018]

own encounters or the experience of others in their group creates a vicious cycle by constraining informal workers' mobility efforts and affecting their labor supply decisions [Das, 2013, Goldsmith et al., 2004]. An 'informality trap' persists, and informal workers continue to work in suboptimal conditions, receiving lower returns to skills (and effort) than workers in the formal sector [Narayanan, 2015].

In this environment, foreign firms' merit-based hiring and promotions drive informal workers' positive FDI views and upward mobility expectations. Stereotypes of foreign firms prioritizing merit and ability over ascriptive factors are widespread in developing economies. Citizens view American multinationals in particular with an emphasis on individual achievement, merit-based promotions, and wage mobility [Pudelko, 2006, Froese et al., 2010]. A key source of meritocracy images is American entertainment television programs in LDCs [Boyd, 1984]. This poses a direct contrast to domestic firms in developing countries- and coveted public sector jobs in particular- wherein hiring and promotions are commonly associated with social status, nepotism, clientelism, and poor overall management practices [Khan and Jomo, 2000, Bloom and Van Reenen, 2010, Mamgain, 2019, Weaver, 2021].

In sum, persistent discrimination and branding of this group as less productive ("lazy") and/or inferior in a holistic sense is the key feature of informality that drives preference for foreign firm. Foreign firms hereby increase informal workers' anticipation that they- or members of their households-now have a promising transition to the formal sector by emphasizing merit-based hiring over stigmatization. The presence of FDI may also encourage informal workers to support greater human capital investment for their children so that they are employable by international firms, since they will likely lack both soft and hard skills of formal sector participants. We thus propose that informal workers will demonstrate greater support for FDI, especially in more attainable labor-intensive sectors, than formal workers who are already part of the organized sector and have various opportunities for mobility.

Our pre-registered 'informal sector mobility' hypothesis is as follows:

Hypothesis 1 *Informal workers support FDI (over domestic investment) compared to formal sector workers.*

Major works in international political economy point to a potential qualifying condition; H1 may only hold true if informal workers live in more globalized localities. This research shows the public struggles to understand the distributional consequences of globalization; and less-educated workers tend to be exceptionally unaware of the associated employment benefits and losses [Rho and Tomz, 2017, Hainmueller and Hiscox, 2006]. Such information is even more difficult for informal workers in developing economies to access [Mamgain, 2019]. However, time and exposure to globalization may act as information [Rudra et al., 2021]. Not only will informal workers be able to better differentiate between domestic and foreign capital, but expectations of economic mobility will be updated as workers see other informal worker households

prosper .

We thus propose the following hypothesis:

Hypothesis 2 *Informal workers in high exposure locations support FDI (over domestic investment) compared to everyone else.*

2.3 FDI and Formal Worker Mobility Hypothesis

In sharp contrast, the Formal Worker Mobility (FWM) hypothesis draws from insider-outsider theory of labor markets and posits that formal workers, as insiders, are more likely to support FDI than informal workers (outsiders). According to this view, insiders favor the entry of foreign firms because their households are in the most advantageous position for achieving economic mobility from FDI. They are mostly 'high productivity' workers employed in less-productive formal domestic firms with the know-how and resources to reap benefits from FDI. Outsiders hold none of these advantages.

To elaborate, the principles of insider-outsider theory suggest that only formal workers have the skills and training to qualify for jobs in foreign firms. Foreign firms are highly productive firms that invest in screening to hire the most-productive workers [Helpman, 2014]. Only formal workers can have such qualifications, according to insider-outsider theory. Clear productivity differentials between insiders and outsiders emerge as outsiders find it harder and harder to enter the formal job market, and this can extend over generations [Lindbeck and Snower, 2001].[6] Formality then directly affects the ability of insiders to continually acquire more skills than outsiders since "workers' skills generally improve with employment and deteriorate with unemployment" [Lindbeck and Snower, 2002].

Critical to helping formal workers maintain this status quo is excluding outsiders from social and professional social networks [Lindbeck and Snower, 2001, 1988]. A core tenet of insider-outsider theory is that insiders actively resist cooperation with outsiders in order to avoid downward wage competition, or so-called underbidding. Because they are already employed, and firms face a high cost for replacing them, -such as severance pay and new training hiring costs- insiders are in a position of power within their firms that they seek to protect. To do so, they resist cooperating with outsiders who offer to work for lower wages. Insiders thus form social connections that necessarily include formal workers in foreign firms, but purposefully exclude outsiders.

Only insiders, then, have access to foreign firms' job-related information and job referrals. These claims are consistent with other research which indicates that insiders' social connections are the prime source

[6] According to insider-outsider theory, insiders are in stronger bargaining positions with their firms because (1) hiring costs have already been expended, and costs of dismissal are high; (2)firms understand insiders are less likely to cooperate with low-wage entrants; (3) the income effect improves their supply of effort as high-wage insiders work harder to improve productivity and avoid turnover [Lindbeck and Snower, 1986].

of information and jobs in developing economies, even despite the spread of social media [Mamgain and Reddy, 2017, Sumner and Wietzke, 2014, Thorat and Newman, 2007]. For instance, Mamgain [2019] demonstrates that social connections supply employee referrals that facilitate the hiring of formal workers, but not their informal sector counterparts.[7]

Since most formal workers in developing economies work in less-productive domestic firms, opportunities in foreign firms offer higher prospects of upward mobility. [8]. Formal employees of local firms - including the vastly present public sector enterprises in many developing economies - may have greater job security, but experience comparatively lower wage growth and mobility than foreign firms. Confirmation of FWM thus suggests that foreign investment reinforces- rather than mitigates - longstanding insider-outsider cleavages.

We propose the following 'formal sector mobility' hypothesis

Hypothesis 3 *Formal workers support FDI (over domestic investment) compared to informal sector workers.*

Once again, we draw on Rudra et al. [2021] and consider that only formal workers in high globalization exposure localities will be supportive of FDI. Optimism about the benefits of FDI increases with the proliferation of foreign companies and formal workers become more aware of their mobility prospects. In less globalized localities, formal workers may be largely uncertain about the costs and benefits of FDI. However, the expansion of their formal networks to include those working in foreign firms, as well as witnessing other formal workers advance, is likely to increase their optimism about FDI.

Hypothesis four is as follows:

Hypothesis 4 *Formal workers support FDI (more than domestic investment) in localities with high exposure to globalization compared to everyone else.*

We assess both the informal and formal mobility hypotheses against alternative explanations in the broader literature that predict attitudes towards globalization: (1) skill levels; (2) sociotropic ones, where (in)formal workers like foreign investment because of the gains that it brings to the country as a whole rather than their own pocketbook concerns; (3) nationalism, where (in)formal workers dislike foreign investment because of nationalistic sentiment; and (4) more FDI-related subcontracting jobs for informal workers.

[7]The role of social connections in getting access to jobs in urban areas in India has actually strengthened post-liberalization [Upadhya, 2007, Bino Paul and Murti, 2016].

[8]Heterogenous firms theory posits that domestic-oriented firms have lower productivity levels, compared to multinational firms (see e.g., Yeaple [2009]

3 Survey Data Collection

We focus our study in India, which has been experiencing FDI liberalization since 1991. India a good representative of a developing country that has a select few cities that have been experiencing a relatively steady stream of high FDI inflows since 1991, while most cities have experienced little or no FDI. As in many developing economies, the United States is a top foreign investor in India, with substantial inflows in both low-skilled and high-skilled industries [Linardi and Rudra, 2020]. While services, including telecommunications and information technology, rank amongst the top FDI inflows into India since the 2000s, FDI in low-skilled industries such as construction (10%), car manufacturing (6%), and metallurgical industries (%) make up the largest share of non-service oriented FDI inflows in the last two decades (Department for Promotion of Industry and International Trade, 2022).

Our survey is conducted in two cities in southern India, Bengaluru and Mandya. Bengaluru is an important metropolitan hub in (and capital of) the state of Karnataka and has witnessed expansive growth over the last few decades. For our purposes, Bengaluru has thriving foreign investment in both the manufacturing and service sectors. In contrast, Mandya is a small town within the same state but hosts far fewer foreign companies. These cities were chosen because of the variation they provide in terms of foreign investment exposure, which is critical for assessing H2 and H4. Given India's federal political structure, the fact that the two cities are located in the same state of Karnataka has the added advantage of holding any state-level factors constant in our design. The politics of Karnataka is represented by three major political parties, the Indian National Congress, the Janata Dal (Secular) and the Bharatiya Janata Party, all of which largely support promoting India as an FDI-friendly environment.

3.1 The Survey

Informal and Formal Worker households We define formal sector workers as those who satisfy all of the following criteria: they have an employment contract with their employer, pensions (provident fund in the Indian context), and paid leave from their workplace. Informal sector workers are defined as those who do not satisfy at least one of the three conditions. Based on these definitions, our sample consists of 1,807 respondents with a mix of informal and formal sector workers. It is also important to emphasize that the growing population of contract workers - who work though subcontractors for informal or formal enterprises- in developing economies, India included,are typically classified as informal workers since they are also unregulated and unprotected under state labor laws [Aggarwal, 2022]. Given that household decisions in India are usually taken together by the family, we focus on informal and formal households: the former are households that only have informal sector workers, while the latter include at least one formal sector

worker. Throughout this analysis, we use the terms '(in)formal sector worker' and '(in)formal household,' interchangeably.

Selective sampling of (in)formal workers sector workers at the city level is critical since sampling (in)formal workers based on national/state census would not allow us to have the necessary variation to differentiate the effect of formality from other correlated demographics. Informal workers in India typically have lower levels of education, belong to a lower caste group and are georgraphically dispersed [Nanda et al., 2022, Raveendran and Vanek, 2020]. Moreover, a higher proportion of women are employed in the informal sector compared to men [Arbeitsamt, 2018]. In contrast, formal workers have higher levels of education, typically belong to upper caste groups, and employ more men.

To disentangle formality from these demographics, we sampled informal and formal sector workers from random localities within Bengaluru and Mandya. Members of the survey team would disperse in different directions after meeting in a central place of a given locality, and would survey (in)formal sector workers on the street or at their work place or residence. The surveying ensured that there was sufficient variation in demographics (e.g. skill, caste, gender) across both groups. The survey was administered face-to-face over the course of approximately eight weeks by trained enumerators and was recorded on a tablet programmed with all questions.

As a result of our sampling effort, informal sector workers constitute around 39% of our sample while the rest are formal sector workers. Among informal sector workers in our sample, 38% are female, 70% are in the working age of 25-50 years, 56% belong to the lower caste and 40% have at least a class X education. About 37% work in the manufacturing sector while the rest work in the service and retail industries. Among formal sector workers, 44% are female, 71% are in the working age of 25-50 years, 50% belong to lower caste communities and 56% have at least a class X education. About 40% work in the manufacturing sector while the rest work in the service and retail industries. Both informal and formal sector workers in our sample are employed across a range of occupations. Informal workers are typically engaged in production (43%), housekeeping and hospitality (27%); the rest are employed in administration and clerical work. While similar proportions of formal sector workers are engaged in production (43%), higher numbers are employed in professional and administration work (25%), and only 9% work in housekeeping and hospitality. Taken together, our sample has considerable variation across a number of demographic characteristics. We emphasize again that this variation is critical to distinguish the role of (in)formality compared to other possible correlated factors. Appendix Table A1 has the summary statistics of all variables used in this paper, split between informal and formal households.

3.2 Key Variables

Support for Foreign Investment To measure the primary dependent variable, we ask respondents the extent to which they agree that foreign companies should invest in their city. Their response was recorded on a 5-point scale (ranging from 0 = 'disagree a lot' to 4 ='agree a lot'). A key contribution of our analysis is that we also ask respondents the same question with respect to investment from domestic firms. This approach is central to the analysis; we want to be sure that preference for foreign capital is not confused with demand for capital more generally, which is high in developing economies. Our two key dependent variables are then defined as follows: (1) support for foreign investment, and (2) difference between the support for foreign and domestic investment. Support for both domestic and foreign investment is relatively high among both informal and formal households; this is unsurprising in a capital-scarce country. However, our focus is whether (in)formal households in Bengaluru support foreign investment (even when compared to domestic) more than their counterparts.

High Exposure to FDI Bengaluru was chosen to represent high FDI expsoure locality. Bengaluru is a major city in India and is home to a number of foreign companies across various sectors. Some of the earliest investments occurred in the 1990s (after economic liberalization at the national level), and it still remains a key destination of choice for foreign companies. Although Bengaluru has high FDI in information technology and financial services, it is comparable to other urban centers in India in terms of other types of foreign investment.[9]

In contrast, Mandya does not have a lot of foreign company presence in any sectors and the city's main industries involve rice, sugar and automobiles.Indeed, in Appendix Section D, we show that respondents who live in Bengaluru are able to better differentiate between foreign and domestic capital than those who live in less globalized localities such as Mandya.In the rest of this analysis, we use 'Bangaluru' as an indicator for 'high exposure localities'.

3.3 Estimation Strategy for H1- H4

We use a combination of observational and experimental analyses to test our hypotheses. Specifically, we utilize survey data to evaluate the association between support for FDI and formality, and we leverage a

[9]In Appendix Figure 2, we use data from FDI Markets to compare foreign investment in Bengaluru with seven other major cities across ten top sectors (Business Services, Communications, Consumer Products, Financial Services, Food & Beverages, Industrial Equipment, Real Estate, Software & IT Services, Textiles and Transportation & Warehousing). The cities were identified based on the level of foreign investment (Chennai, Gurgaon, Hyderabad, Mumbai, Noida, New Delhi and Pune). We find that investment across the different sectors are comparable between Bengaluru and other cities, especially in the manufacturing sector like Textiles and Food & Beverage. Further, we use data from the Center for Monitoring Indian Economy and examine the number of foreign firms in Bengaluru and Mandya over time. We find that For the years 1995-2011, foreign firms invested a lot more in Bengaluru than they did in Mandya. The gap between the two cities in the investment levels only increased over the period. While foreign firms invested consistently in Bengaluru with the city receiving Rs. 205,262 million in the year 2011, Mandya received investments only twice in the same period - Rs. 5075 million in 1997 and Rs. 5,810 million in 2006.

survey experiment to arbitrate between various mechanisms. The estimation equation for hypotheses H1 & H3 (support for foreign investment among (in)formal sector workers) is as follows:

$$Y_i = \beta_0 + \beta_1 * \text{Formal Household}_i + \beta_2 * X_i + \epsilon_i \tag{1}$$

where Y_i is a measure of support for foreign investment for respondent i, Formal Household$_i$ is an indicator for whether the respondent belonged to a formal household. The main coefficient of interest is β_1 - it represents the impact of formality on support for foreign investment. A positive and statistically significant coefficient would indicate that formal workers are more likely to support foreign investment compared to their informal counterparts. The estimation equation for hypotheses H2 & H4 (support for foreign investment among (in)formal sector workers in locations of high globalization exposure) is as follows:

$$\begin{aligned} Y_i = &\gamma_0 + \gamma_1 * \text{Formal Household}_i + \gamma_2 * \text{Bengaluru}_i + \\ &\gamma_3 * \text{Formal Household * Bengaluru}_i + \gamma_4 * X_i + \epsilon_i \end{aligned} \tag{2}$$

where Y_i is a measure of support for foreign investment for respondent i, Formal Household$_i$ is an indicator for whether the respondent belonged to a formal household, Bengaluru$_i$ is an indicator for high globalization exposure, and Formal Household * Bengaluru$_i$ is an interaction of formality with Bengaluru. The main coefficient of interest is γ_3 - it represents the interaction of FDI exposure and formality. A positive and statistically significant coefficient would indicate that formal workers who live in places of high globalization are more likely to support foreign investment compared to their informal counterparts and those who live in places of low globalization. X_i in both equations is a matrix of control variables that include various respondent characteristics including income, gender, whether the respondent worked in the manufacturing sector, working age (i.e. between the ages 25-50), political partisanship (measured using support for the ruling nationalist Bharatiya Janata Party (BJP)), religion, and whether the respondent belongs to a lower caste group.

Perhaps the most important control we include in X_i is skill, measured using a combination of the respondent's occupation and education level. Our measure of skill goes beyond traditional approaches focusing on education or occupation alone. A measure that only considers education ignores the fact that, in many developing countries, someone with a high-school degree may be 'high skilled' but still be employed in a low-skilled industry or occupation. Similarly, a measure that only accounts for work in certain occupations ignores the education level of the employee. To address this, we utilize both education and occupation of the respondent – we consider a person as skilled if they have a class X education and above

in production, administrative or professional occupations. Lastly, ϵ_i is the error term. We use multiple imputation for all models to account for missingness in two of the control variables.

4 Results

Table 1 presents the predicted effects for the different hypotheses. For both the informal (H1, H2) and the formal worker mobility (H3, H4) hypotheses, it lists the expected sign of the main coefficient as well as the design source. We present our results in two stages. To preview our results, we find support for H4; formal workers support FDI more than informal workers only in high exposure localities.[10] Put simply, formal sector workers demonstrate higher support for foreign investment than informal sector workers in more globalized locations, suggesting that labor market cleavages matters less in the early stages of globalization. These results are robust to various demographic variables that could plausibly account for this difference.

Second, our findings indicate that formality in high FDI exposure locations matters even after accounting for the respondents skill (and the possibility that skill levels may be higher in places with higher FDI, and that formal workers may have greater skill levels). Turning to our survey experiment to assess mechanisms, our third major reveal is that formal sector workers support foreign investment in high exposure locations because of greater intergenerational mobility prospects. We confirm that this is true for formal workers in less-productive local firms. Finally, we leverage our survey data to find that several perceived negative externalities associated with FDI- such as pollution, traffic and migrants- help explain why respondents in more globalized locations strongly dislike FDI, compared to those in less globalized locations.

4.1 Support for FDI

Estimations in Table 2 suggest weak support for H1 and H3. The outcome variable in Models (1)-(4) is support for foreign investment, and for Models (5)-(8) is the difference in support between foreign and domestic investment. The latter outcome is critical to identify whether (in)formal sector workers prefer investment specifically from foreign sources. On balance, we find greater support for H3; formal sector workers exhibit a positive association across both outcome variables but the results are statistically significant at the 10% level.

To test the robustness of these results, we include a number of controls. In models (2) & (6), we follow a conventional IPE model taking self-interest and nativist concerns into account. Specifically, we control for the respondent's economic, religious and political preferences by controlling for their income, whether they

[10] While our theoretical priors were that either H1 or H3 could be true, our focus groups and pilot survey suggested that informal workers prefer FDI (H1).

Hypothesis	Expectation	Source
Informal Sector Mobility		
H1: Informal workers support FDI (over domestic investment) compared to formal sector workers	Formal (-)	Survey
H2: Informal workers in high exposure locations support FDI (over domestic investment) compared to everyone else	Formal (-)	Survey
Formal Sector Mobility		
H3: Formal workers support FDI (over domestic investment) compared to informal sector workers	Formal (+)	Survey
H4: Formal workers support FDI (over domestic investment) in high exposure locations compared to everyone else	Formal (+)	Survey

Table 1: Theoretical Expectations. The table lists the hypothesis, the empirical expectations and the research design source. The sign in the Expectation column refers to the sign of the coefficient on a given outcome variable.

are of working age, whether they work in the manufacturing sector, whether they support the incumbent BJP government and whether they identify as Hindu. In models (3) & (7), we control for disadvantaged groups that are often correlated with informality, and include the respondent's gender and whether they belong to a low-caste group. Lastly, in models (4) & (8), we present the hardest test of our hypotheses by controlling for skill since much of the existing literature finds that skill is a key driver for FDI preferences, especially in LDCs. Recall that we use a more precise measure of skill that takes both the occupation and education levels of the respondent into account.[11] We find that the significance level dips even further when all the various control variables are included as part of the model. These results suggest that even though formality status appears to matter, other variables like city, skill and gender also have an association with FDI support.

We are struck by the large and negative statistically significant coefficient for Bengaluru, the high exposure globalization locality. Respondents in more globalized localities, overall, are far less supportive of FDI than less globalized localities. The size of the Bengaluru coefficient in Model (8) is -0.332 and is higher than that of all the other coefficients. The significant findings for skill and gender are less surprising since previous research has corroborated this pattern. We explore plausible reasons for the Bengaluru coefficient in the penultimate section of the paper. The more immediate question for our analysis is if and how formality mitigates the negative impacts of exposure.

[11]It is useful to note that our results are robust to using both class X and class XII as measures of skill as well. These results are available from the authors.

	Foreign				Foreign - Domestic			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Formal Household	0.096*	0.096*	0.102*	0.081	0.103*	0.104*	0.107*	0.087
	(0.053)	(0.052)	(0.052)	(0.053)	(0.059)	(0.059)	(0.059)	(0.060)
Bengaluru		-0.330***	-0.320***	-0.313***		-0.355***	-0.339***	-0.332***
		(0.052)	(0.053)	(0.053)		(0.059)	(0.059)	(0.059)
Hindu		-0.003	-0.005	-0.012		0.016	0.009	0.003
		(0.114)	(0.114)	(0.113)		(0.128)	(0.128)	(0.128)
BJP Support		-0.025	-0.044	-0.045		-0.005	-0.023	-0.024
		(0.059)	(0.059)	(0.059)		(0.064)	(0.065)	(0.064)
Income (Log)		0.003	0.001	-0.005		0.032	0.030	0.025
		(0.030)	(0.030)	(0.030)		(0.034)	(0.034)	(0.034)
Working Age		0.011	0.023	0.021		-0.039	-0.027	-0.029
		(0.056)	(0.056)	(0.056)		(0.063)	(0.063)	(0.063)
Manuf Sector		-0.026	-0.024	-0.056		-0.055	-0.056	-0.087
		(0.052)	(0.052)	(0.054)		(0.059)	(0.059)	(0.061)
Female			-0.166***	-0.147***			-0.147**	-0.128**
			(0.052)	(0.053)			(0.059)	(0.059)
Low Caste			-0.064	-0.054			-0.098*	-0.088
			(0.053)	(0.053)			(0.059)	(0.059)
Skill				0.128**				0.126**
				(0.054)				(0.061)
Observations	1807	1807	1807	1807	1807	1807	1807	1807

Table 2: Support for Foreign Investment (Formal workers vs Informal workers). The outcome variable for Models (1)-(4) is support for foreign investment, and for Models (5)-(8) is the difference between support for foreign and domestic investment. *** p <0.01 ** p <0.05 * p<0.1

4.1.1 H2 and H4: (In)Formality and Support for FDI in high globalization localities

Table 3 presents estimations supporting FWM predictions in high exposure localities (H4); formal sector workers in such environments are more supportive of foreign investment than their counterparts in the informal sector. Across both outcome variables, formal sector workers in high exposure locations exhibit a positive and statistically significant association. These results are robust to the inclusion of critical control variables, such as skill and nationalism (BJP).[12]

The results in Table 3 find strong support for FWM in locations with high exposure to FDI (H4). In Models (4) and (8), when all control variables are accounted for, the interaction of formality and Bengaluru is positive and statistically significant. When the outcome is support for FDI, this interaction is significant at the 10% level. However, when the more telling outcome is the difference between foreign and domestic account, the interaction is significant at the 5% level. The coefficient of the interaction is 0.303 in model (4), and this accounts for an increase of 7.6% in the likelihood of supporting FDI compared to workers in Mandya and informal workers in Bengaluru.

From the above model, we know that both formal and informal sector workers in Mandya do not have as

[12]Our main results remain unchanged when we drop contract workers (i.e. workers who have employment contracts but do not avail either a provident fund contribution or paid leave) from our sample.

much exposure to foreign investment. As such, there is no statistically significant difference between these two groups in Mandya. In contrast, both formal and informal sector workers haave greater knowledge and exposure to the advantages and limitations of FDI in places of high globalization. In these models, we see that the coefficient for the city of Bengaluru is negative and statistically significant. This suggests that contrary to our pre-registered informal mobility hypothesis (H2), informal sector workers do not anticipate they or their households will experience higher mobility because of foreign investment compared to formal workers, even in places where there is a high exposure to foreign companies.

Table 3 hereby reveals two noteworthy statistical patterns. First, it is telling that even in a hostile FDI environment, formal workers are more supportive of FDI than informal workers. Second, a respondent's skill level is not the only predictor of globalization support, contrary to much existing scholarship. The interaction between formality and exposure to FDI remains statistically significant even after controlling for the respondent's skill level. We investigate this finding in greater depth in Appendix Table A2, where we control for the interaction of skill with Bengaluru and the interaction of skill and formality. These help arbitrate whether high skilled workers in Bengaluru and/or high skilled formal sector workers are more likely to support foreign investment. We continue to find support for the FWM hypothesis in more globalized locations (H4) - the interaction of formality and Bengaluru remains positive and statistically significant, especially when we take domestic investment into account. In contrast, neither the interaction of skill with Bengaluru nor that of skill and formality is statistically significant (and is also negative in sign when we take the difference with domestic investment). Skill positively impacts FDI support, regardless of exposure, perhaps because, as previous research contends, skilled workers are direct beneficiaries of globalization in both high and low exposure localities in developing economies [Menéndez González et al., 2023, Rudra et al., 2021]. In effect, we find that formality, not skill, mediates the negative support of FDI in Bengaluru.

The statistical significance of formality, despite controlling for other potentially related attributes of informality such as gender and income, suggests the FWM postulation that the key features of formality impacting political attitudes towards globalization are their high productivity and social connections. We were unable to further confirm the higher productivity levels of formal workers compared to informal workers in our sample; but we accept this core conjecture of insider outsider-theory. However, we were able delve deeper into whether whether insiders (formal workers) in high exposure locations have more social connections to formal workers in foreign firms than outsiders, and indeed they do. The results and discussion are available in Appendix Section C.

It is notable that in qualitative work we conducted in summer 2022, formal sector workers in Bengaluru tended to know far more people working for foreign companies than formal workers in Mandya and in-

formal sector workers from both cities. As an example, when asked how many people they know work in a foreign firm, one formal sector respondent in Bengaluru said that he knew "more than 100 people I know who working In foreign firm like E & Y, KPMG, Societe generale, PwC, HP, JP Morgan A, We do meet up monthly once 4-5 hours will spend time." The great majority of informal workers in Bengaluru and Mandya put zero as the number of people they knew working in foreign firms. Formal workers commented that such connections provided them with privileged access to jobs in foreign companies. For example, one stated "Asking friends/referred person who working in same (foreign) company then following the procedure to apply." Another formal worker stated "After my graduation I learnt that networks are very important to get jobs we should have good contacts and through this will get and share the job information."

	Foreign				Foreign - Domestic			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Formal Household * Bengaluru	0.177*	0.173*	0.193*	0.183*	0.292**	0.294**	0.312***	0.303**
	(0.104)	(0.105)	(0.105)	(0.105)	(0.117)	(0.118)	(0.118)	(0.118)
Formal Household	0.002	0.005	0.002	-0.013	-0.052	-0.050	-0.055	-0.070
	(0.075)	(0.076)	(0.076)	(0.076)	(0.085)	(0.085)	(0.085)	(0.085)
Bengaluru	-0.441***	-0.437***	-0.439***	-0.426***	-0.525***	-0.536***	-0.531***	-0.519***
	(0.081)	(0.083)	(0.083)	(0.083)	(0.092)	(0.093)	(0.094)	(0.094)
Hindu		-0.006	-0.008	-0.014		0.011	0.004	-0.002
		(0.114)	(0.114)	(0.113)		(0.128)	(0.128)	(0.128)
BJP Support		-0.019	-0.039	-0.040		0.004	-0.014	-0.015
		(0.059)	(0.059)	(0.059)		(0.064)	(0.065)	(0.064)
Income (Log)		0.004	0.002	-0.003		0.034	0.033	0.028
		(0.030)	(0.030)	(0.030)		(0.034)	(0.033)	(0.034)
Working Age		0.010	0.023	0.020		-0.040	-0.028	-0.030
		(0.056)	(0.056)	(0.056)		(0.063)	(0.063)	(0.063)
Manuf Sector		-0.023	-0.021	-0.052		-0.050	-0.050	-0.080
		(0.052)	(0.052)	(0.054)		(0.059)	(0.059)	(0.061)
Female			-0.172***	-0.153***			-0.155***	-0.137**
			(0.052)	(0.053)			(0.059)	(0.059)
Low Caste			-0.064	-0.055			-0.098*	-0.089
			(0.053)	(0.053)			(0.059)	(0.059)
Skill				0.124**				0.120**
				(0.054)				(0.061)
Observations	1807	1807	1807	1807	1807	1807	1807	1807

Table 3: Support for Foreign Investment (Formal workers vs Informal workers). The outcome variable for Models (1)-(4) is support for foreign investment, and for Models (5)-(8) is the difference between support for foreign and domestic investment. *** p <0.01 ** p <0.05 * p<0.1

4.2 Assessing Mechanisms

According to FWM, formal workers prefer FDI because they anticipate higher mobility. This is primarily because most foreign firms offer more lucrative job opportunities to formal workers who tend to be em-

ployed in less-productive, low-wage- although perhaps with greater job security- local firms in developing economies. To assess the plausibility of this mechanism, we first focus on whether formal workers who are associated with domestic firms support FDI more than informal workers in high exposure localities. Second, we employ a survey experiment to more rigorously test the mobility mechanism.

4.2.1 FDI and upward mobility expectations: a first test

FWM expects formal workers to prefer FDI because foreign firms provide far greater prospects of upward mobility relative to less-productive domestic firms that offer lower wages. If prospects of upward mobility is the mechanism driving their support, then formal workers employed in domestic firms should be the most supportive of FDI compared to all other workers. Workers associated with foreign firms already have access to hire wages and more lucrative job opportunities, while informal workers neither qualify nor have networks to support their access to foreign firms.[13]. In Table 4, we assess whether formal sector workers in domestic firms in localities with high exposure to globalization have higher levels of support for foreign investment than formal workers who have foreign firm experience, and informal sector workers.[14]

As before, the outcome variable in Models (1)-(4) is support for foreign investment, and for Models (5)-(8) is the difference in support between foreign and domestic investment. Our findings pose an interesting contrast to recent work that predicts workers in less-productive domestic firms will be more supportive of protectionism because more-productive firms could force them to exit the market [Lee and Liou, 2022]. Overall, these results support hypothesis H4 on formal sector mobility, particularly when we consider formal workers who are associated with domestic firms. Table 4 reveals that formal workers' associated with domestic firms mitigates overall negative FDI views, providing suggestive support for the proposed mechanism.

4.2.2 Survey experiment: upward mobility expectations as the key mechanism

We conducted a survey experiment to increase our confidence that it is high expectations of upward mobility (present mobility) and/or intergenerational mobility (future mobility) that drive formal sector FDI support. To do so, we randomized an informational treatment about a foreign company to both formal and informal workers. Specifically, the treatment informed respondents that a manufacturing company owned and operated by an American firm had recently opened, was open to employing both low-educated

[13]Our data does not allow us to differentiate between exporting and non-exporting domestic firms. We do not see this as a serious limitation since the majority of firms do not export [Bernard et al., 2018]

[14]We measure workers associated with domestic firms as follows: we asked respondents whether they have ever worked for or been associated with a foreign company (with a yes/no response). We asked this question towards the end as we did not want to prime respondents on the 'foreign' nature of the survey. We then inverted this indicator variable to identify those who have worked for or been associated with domestic firms.

	Foreign				Foreign - Domestic			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Formal HH (Dom Firm) * Bengaluru	0.160	0.156	0.185*	0.176*	0.301***	0.298**	0.327***	0.318***
	(0.102)	(0.103)	(0.103)	(0.103)	(0.115)	(0.116)	(0.116)	(0.116)
Formal HH (Dom Firm)	-0.069	-0.065	-0.065	-0.079	-0.136	-0.133	-0.134	-0.148*
	(0.074)	(0.075)	(0.074)	(0.074)	(0.083)	(0.084)	(0.084)	(0.084)
Bengaluru	-0.422***	-0.418***	-0.423***	-0.411***	-0.516***	-0.523***	-0.522***	-0.511***
	(0.077)	(0.078)	(0.079)	(0.079)	(0.086)	(0.088)	(0.088)	(0.088)
Hindu		0.005	0.001	-0.006		0.021	0.012	0.005
		(0.114)	(0.114)	(0.113)		(0.128)	(0.128)	(0.128)
BJP Support		-0.016	-0.035	-0.037		0.009	-0.010	-0.011
		(0.059)	(0.059)	(0.059)		(0.064)	(0.065)	(0.064)
Income (Log)		0.002	0.000	-0.006		0.031	0.030	0.024
		(0.030)	(0.030)	(0.030)		(0.034)	(0.033)	(0.034)
Working Age		0.013	0.027	0.024		-0.035	-0.022	-0.025
		(0.056)	(0.056)	(0.056)		(0.063)	(0.063)	(0.063)
Manuf Sector		-0.021	-0.020	-0.053		-0.047	-0.048	-0.080
		(0.052)	(0.052)	(0.054)		(0.059)	(0.059)	(0.061)
Female			-0.171***	-0.150***			-0.157***	-0.136**
			(0.053)	(0.053)			(0.059)	(0.060)
Low Caste			-0.070	-0.059			-0.105*	-0.094
			(0.053)	(0.053)			(0.059)	(0.059)
Skill				0.137**				0.133**
				(0.054)				(0.061)
Observations	1807	1807	1807	1807	1807	1807	1807	1807

Table 4: Support for Foreign Investment (Formal workers Associated with Domestic Experience vs Others). The outcome variable for Models (1)-(2) is support for foreign investment, and for Models (3)-(4) is the difference between support for foreign and domestic investment. *** p <0.01 ** p <0.05 * p<0.1

and high educated workers, was located in an urban area, and employs more than 100 people.[15] The control received the same text but without any mention of the company's American origin.[16] We reference 'American' instead of framing FDI abstractly as 'foreign' since experimenters argue that abstract framing cedes control of the context that subjects might themselves impose on the task [Harrison and List, 2004, Loewenstein, 1999].

We first test the mechanisms driving support for FDI for formal workers writ large; and next, we focus specifically on formal workers associated with domestic firms only. Upward mobility prospects are proxied in several ways. The first involves 'personal mobility' where we asked respondents about whether they would find (better) formal sector jobs. Since formal workers tend to be more productive and they often have FDI connections, it might be that the FDI treatment will elicit greater expectations of personal mobility. We could not ask whether they might find a job in a foreign firm per se because it created too much confusion for the control group during the pilot tests.

Second, we measure a number of outcomes associated with 'intergenerational mobility': whether they see advancement for their children in the formal sector, in this specific company, and/or whether their children will go on to get a university degree. It may well be that formal/informal workers are resigned to the status quo for themselves but not their offspring. Recent scholarship finds that international market exposure impacts workers' beliefs about intergenerational upward mobility expectations in developing countries [Rudra et al., 2021]. Put simply, we assess whether the FDI treatment increases a worker's expectations that their children could work in a more productive foreign firm and/or more motivated for their children to attain the relevant qualifications.

We also measure other outcomes associated with possible alternative explanations for FDI support in existing research: more informal jobs, sociotropic, and nationalistic preferences. We describe each of these alternatives in turn. First, support for FDI could be associated with a belief in an increase in informal jobs, especially those associated with supply chains and foreign firm inputs. We identify this possibility though an outcome question where we ask the respondent whether there will there be an increase in the number of jobs in the informal sector in their city either in the current or the following year. Second, respondents could support for FDI because they think it is good for the country at large, even if it may not be beneficial to them personally. There is some evidence of such sociotropic preferences in the literature on the support for free trade [Mansfield and Mutz, 2009]. We test this alternative using the following outcome question:

[15]The precise wording of the treatment was as follows: "A manufacturing company that is owned and operated by an American firm has recently opened in a nearby location. The firm employs more than 100 people, employs both low-educated and high educated workers and is located in an urban area."

[16]We used the approach of using one informational treatment about a foreign company as this allows us to measure a number of possible mechanisms associated with the introduction of FDI. Including each mechanism as a treatment could have potentially resulted in issues of power and dependencies across multiple treatment arms.

we inform respondents that the Indian economy has grown at an average of 7% in the last couple of years, and how fast or slow they think the country's economy will grow in the next couple of years. Third, levels of nationalism could result in a resistance to foreign investment [Feng et al., 2021]. To account for this possibility, we again use an outcome question where we ask respondents the extent to which they agree with the following statement: Indian people are not perfect, but our/their culture is superior to others.

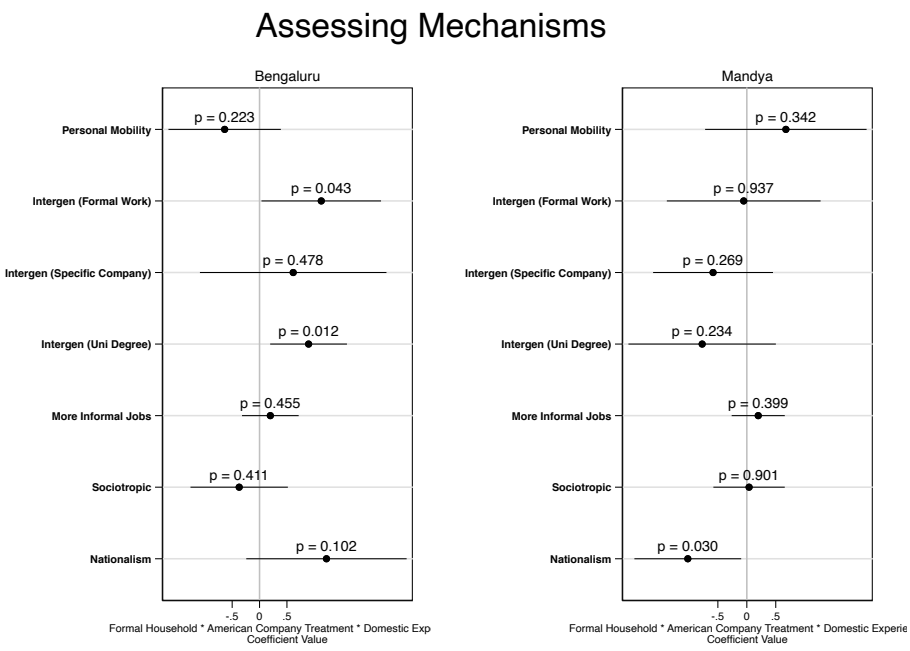

Figure 1: Assessing Mechanisms. The plot provides the coefficient, the confidence interval as well as the p-value for the experimental treatment of an American company (interacted with formality and domestic experience) on various outcome variables. See the main text for a description of the outcome variables.

Not surprisingly, we did not find results for formal workers writ large, likely because it includes workers associated with foreign firms who already have high mobility expectations of FDI. Figure 1 presents the results of the survey experiment for formal workers associated with less-productive local firms in both Bengaluru and Mandya. For each city, we plot the coefficient of the experimental treatment interacted with formality and domestic experience. As we posited above, we find support for the social mobility thesis in Bengaluru. Interestingly, it is not personal mobility that drives this support for foreign companies; formal workers connected to domestic firms support FDI because of intergenerational mobility prospects.

This pattern suggests that the presence of foreign companies in places like Bengaluru helps formal sector workers become more positive about the advancement of their children. The absence of a personal mobility effect may be because formal workers prefer to maintain job security and the privileged positions they may hold in domestic firms, as insider-outsider theory contends, even if wages are lower; but embrace

the potential opportunities for their children. When primed with the American firm treatment, formal workers employed in Indian firms anticipate that their children will enter an FDI-driven economy with a formal sector job; they are also more likely believe to that their children will get the skills necessary to work for such foreign firms. In contrast, we do not observe evidence for beliefs in either personal or intergenerational mobility in Mandya, suggesting that FDI support among formal sector workers depends on intergenerational mobility expectations in high globalization localities.

As predicted by FWM, formal workers interviewed suggested that they were 'high productivity workers' and could get a job in a formal firm. Take for example, the following statement: "*I can get a job in a foreign firm because I have talent and capabilities to get good job opportunities*" (author interviews, summer 2022). Formal workers were confident about their household's access to FDI-related jobs, and made statements such as the following in response to queries about how they might hear or get access to a job in a foreign company: "*I have good contacts and may be through references I can refer my children*" (author interviews, summer 2022).

In stark contrast, findings in Figure 1 confirm that informal workers demonstrate comparatively lower FDI support because they do not expect that their households are benefiting now or in the future. As expected, in interviews, a vast majority of informal workers in Bengaluru stated unequivocally that they did not have the qualifications, communications or ability to get hired by a foreign firm. The following two statements capture the general sentiment : "*I prefer to work in Indian company because I don't have enough education to get in foreign firm*"; and "*I don't think they my children will get jobs in foreign firm because they don't have that much education*" (author interviews, summer 2022).

Interestingly, we do not find evidence for any of the other alternative explanations in either Bengaluru and Mandya. The sociotropic outcome is not statistically significant in either cities, suggesting that neither formal nor informal workers support FDI for reasons that could benefit the country at large. It is also not the case that they oppose FDI for nationalistic reasons. Our findings also suggest that informal workers do not foresee the presence of FDI as leading to more informal jobs by supplier firms. In sum, the evidence points to how workers value their household's social mobility over all of these other concerns.

Discussion: Why do respondents in high exposure locations dislike FDI?

Coming back to our surprising negative finding for high exposure locations (Bengaluru), we explore plausible reasons why respondents in localities experiencing globalization and corresponding job and economic growth dislike FDI more than their counterparts in low globalization localities (Mandya)?[17]. To do so, we draw on survey questions that examine the reasons why a respondent supports or does not support for-

[17]See Narayana [2011] for an example of how globalization affects growth in Bengaluru

eign investment, field interviews conducted in summer 2022, and (in)formal workers' open-ended survey responses to questions about the reasons that they do or do not support FDI.

We explore why Bengaluru respondents dislike FDI more than counterparts in Mandya that have limited exposure to globalization. Recall that our main dependent variable on FDI support is measured on a scale 0-4. After this question, our survey then asked respondents reasons supporting their choice. The options varied depending on whether the whether the respondent expressed 'high' or 'low' support for FDI. We identified 'high support' for FDI if the respondent chose either 3 or 4 on this scale, and 'low support' for FDI if the respondent chose either 0 or 1 on this scale. Respondents who expressed 'high support' could choose multiple reasons from 'more formal sector jobs', 'more informal sector jobs', 'higher wages' and 'brings in new technology'. Respondents who expressed 'low support' could choose multiple reasons from 'more pollution', 'more migrants', 'more traffic', 'hurts domestic economy', 'less formal sector jobs', and 'less informal sector jobs'. The listed options emerged from focus groups conducted for this study, and the order of the options were randomized. The respondents were always presented with an 'other' option that they could choose.

FDI Support	Bengaluru (more globalized)	Mandya (less globalized)
High Support	44.31%	55.69%
Low Support	60.03%	39.97%
Reasons for supporting FDI		
More formal sector jobs	43.77%	56.23%
More informal sector jobs	39.37%	60.63%
Higher wages	43.91%	56.09%
Brings in new technology	42.42%	57.58%
Reasons for not supporting FDI		
More pollution	65.56%	34.44%
More migrants	71.59%	28.41%
More traffic	65.80%	34.20%
Hurts domestic economy	63.55%	36.45%
Less formal sector jobs	69.39%	30.61%
Less informal sector jobs	72.22%	27.78%

Table 5: Reasons for FDI Support. The percentages are calculated based on the total number of respondents across the two cities who express either high or low support for FDI. See the main text for how we measure high/low support of FDI in the above table and options presented to the respondent.

In Table 5, we summarize the main reasons that workers in more/less globalized locations support or do not support foreign investment. The percentages in this table are based on the total number of respondents (who supported or did not support FDI) in Bengaluru and Mandya. We can make a number of inferences from this table. Consistent with the findings from Tables 2 and 4, a lower proportion of respondents in

Bengaluru display high support FDI compared to Mandya; and a higher proportion of respondents in Bengaluru display low support for FDI compared to Mandya. For all main reasons that respondents support FDI - more (formal and informal) jobs, higher wages and more technology, the proportion of respondents is always higher in Mandya than in Bengaluru, suggesting that they are more sanguine about the benefits of FDI. Perhaps more tellingly, the reasons for not supporting FDI are higher in Bengaluru than in Mandya: pollution, migrants, traffic, economic competition, and fewer jobs overall.[18] The high percentage of Bengaluru respondents anticipating lower formal and informal jobs is striking, and perhaps underscores disappointment in the expected overall number of jobs that FDI was expected to generate.

5 Conclusion

Globalization has led to an influx of foreign firms in many developing countries. Our goal was to scratch the surface of the politics of FDI in poor nations by analyzing which workers would (not) support greenfield foreign investment, and thereby, perhaps globalization more generally. In this paper, we examined the extent to which LDC workers are aware of and supportive of FDI, and whether this hinges on their (in)formality status. To study this issue, we focused on India, a ranked ethnic society with increasing FDI and a large number of informal sector workers in its labor force.

Contrary to our initial expectations, formal workers associated with less-productive domestic firms are more supportive of foreign investment than informal workers in high globalization exposure localities, such as Bengaluru. In such places, formal sector workers as insiders are more productive than informal workers and have social connections with workers in foreign companies that purposefully exclude 'outsiders' to prevent wage underbidding. It is telling that formal workers support FDI more than informal ones, despite the perceived negative externalities in high-exposure localities, such as greater pollution, traffic and migrants. The key reason for their optimism is higher social mobility prospects for their children. Informal workers, on the other hand, anticipate that FDI will have little impact on the mobility prospects of their household, now or in the future. Our findings suggest that they still experience high barriers to the formal labor market, such as lack of ability and social connections, that prevent them from participating in the benefits of FDI, even across generations. These results are robust to controlling for other key factors like skill, gender, sector, caste status and income. Taken together, our results suggest that informal workers anticipate that the formal-informal worker divide is likely to persist with globalization, contributing to increasing inequality in many developing countries.

[18] Interestingly, Helms [2023] similarly finds that the flow of migrants in response to economic liberalization fuels nativist when economic impacts are positive

These issues are important for the analyzing the politics of FDI, and the broader literature on globalization. Given all that we know about the politics of trade [Baker, 2003, Rudra, 2008, Bastiaens and Rudra, 2018, Hicks et al., 2014, Osgood et al., 2017] and workers' views on globalization in rich countries [Scheve and Slaughter, 2001], we know far less about the politics of FDI, especially in developing countries. Many economists consider FDI to be more economically important than trade; not only does it have more long-lasting effects, but it serves as a significant catalyst for trade through the proliferation of global value chains. Greenfield FDI is a visible marker of globalization in developing countries that the public- including the uneducated poor- can clearly associate with the presence of international market activity, particularly with the spread of large, productive multinational companies. This analysis contributes to a nascent literature on why political support for FDI might vary among different groups in developing nations and, particularly, how historically disadvantaged workers view its anticipated costs and benefits. Future research should focus not just on skill, but also consider the role of formality status in the politics of globalization.

These findings also raise questions for future research. Our focus is on large and persistent informal-formal sector divides in ranked ethnic societies. Many developing economies in Asia, Africa, Latin America, the Middle East, and the Pacific fit this profile. However, as Baker [2003] has shown us, some developing economies, in Latin America for instance, have subpopulations that are able to transition back and forth between informal and formal sectors. How might political attitudes towards globalization differ in such 'fluid' societies? The second outstanding question is how the rise of a certain type of nonstandard workers- or specifically contract laborers- impacts preferences towards foreign economic policies. While we treat this group as part of the informal sector, as do many scholars, it is worthwhile engaging in a deeper probe of how their political attitudes might differ from the general population and why.

Nonetheless, our analysis of socioeconomic divide between formal and informal workers in developing countries has significant policy ramifications. First, these findings signal caution about the sustainability of globalization; support for open markets in LDCs may be tenuous if only a small percentage of the labor force- formal workers- are optimistic about its effects on their households. The often-touted development solution of more liberalization does not seem like it will mitigate this challenge, since our analysis reveals that this divide is heightened in places that have experienced more globalization. Second, as a legion of research shows that dual labor markets create a drag on development and economic growth, our analysis suggests that these can cause deep divisions in their political preferences as well. Finally, our findings suggest new policy insights on the relationship between globalization and rising inequality trends in the developing world. If indeed, the mobility prospects of informal workers are hindered in the globalizing environment in both perception and reality, policymakers would do well to explore how and why this labor market segmentation persists, and the conditions under which it can be overcome.

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6 Appendix

A Summary Statistics

Informal Sector Households

	mean	sd	min	max	count
Support for FDI	2.18	1.10	0.00	4.00	705
Support for FDI - Domestic	-0.94	1.24	-4.00	3.00	705
Hindu	0.92	0.26	0.00	1.00	705
BJP Support	0.46	0.50	0.00	1.00	581
Income (Log)	9.23	0.70	0.00	10.46	705
Working Age	0.70	0.46	0.00	1.00	705
Manuf Sector	0.37	0.48	0.00	1.00	705
Female	0.38	0.49	0.00	1.00	705
Low Caste	0.56	0.50	0.00	1.00	687
Occ Class10	0.40	0.49	0.00	1.00	705
Bengaluru	0.52	0.50	0.00	1.00	705

Formal Sector Households

	mean	sd	min	max	count
Support for FDI	2.28	1.09	0.00	4.00	1102
Support for FDI - Domestic	-0.84	1.22	-4.00	2.00	1102
Hindu	0.96	0.20	0.00	1.00	1102
BJP Support	0.50	0.50	0.00	1.00	842
Income (Log)	9.20	0.97	0.00	10.82	1102
Working Age	0.71	0.45	0.00	1.00	1102
Manuf Sector	0.40	0.49	0.00	1.00	1102
Female	0.44	0.50	0.00	1.00	1102
Low Caste	0.50	0.50	0.00	1.00	1071
Occ Class10	0.56	0.50	0.00	1.00	1102
Bengaluru	0.52	0.50	0.00	1.00	1102

Table A1: Summary Statistics. The top panel provides the mean, standard deviation, minimum, maximum and count for informal sector workers. The bottom panel provides the same information for formal sector workers.

B Comparing FDI in Bengaluru vs Other Indian Cities

Tabulation of industrysector citylist

Industry Sector	citylist								
	Bangalore	Chennai	Gurgaon	Hyderabad	Mumbai	Noida	New Delhi	Pune	Total
Business services	14	3	4	5	14	2	4	2	48
	29.17	6.25	8.33	10.42	29.17	4.17	8.33	4.17	100.00
Communications	149	68	38	34	78	22	69	24	482
	30.91	14.11	7.88	7.05	16.18	4.56	14.32	4.98	100.00
Consumer products	4	0	1	1	4	0	3	1	14
	28.57	0.00	7.14	7.14	28.57	0.00	21.43	7.14	100.00
Financial services	4	0	4	2	12	2	1	1	26
	15.38	0.00	15.38	7.69	46.15	7.69	3.85	3.85	100.00
Food & Beverages	2	0	0	1	2	0	0	0	5
	40.00	0.00	0.00	20.00	40.00	0.00	0.00	0.00	100.00
Industrial equipment	2	10	4	1	5	2	2	7	33
	6.06	30.30	12.12	3.03	15.15	6.06	6.06	21.21	100.00
Real estate	3	3	1	1	3	0	2	3	16
	18.75	18.75	6.25	6.25	18.75	0.00	12.50	18.75	100.00
Software & IT services	660	186	70	287	199	62	100	212	1776
	37.16	10.47	3.94	16.16	11.20	3.49	5.63	11.94	100.00
Textiles	23	23	10	6	35	0	36	8	141
	16.31	16.31	7.09	4.26	24.82	0.00	25.53	5.67	100.00
Transportation & Warehousing	1	2	1	2	3	0	1	0	10
	10.00	20.00	10.00	20.00	30.00	0.00	10.00	0.00	100.00
Total	862	295	133	340	355	90	218	258	2551
	33.79	11.56	5.21	13.33	13.92	3.53	8.55	10.11	100.00

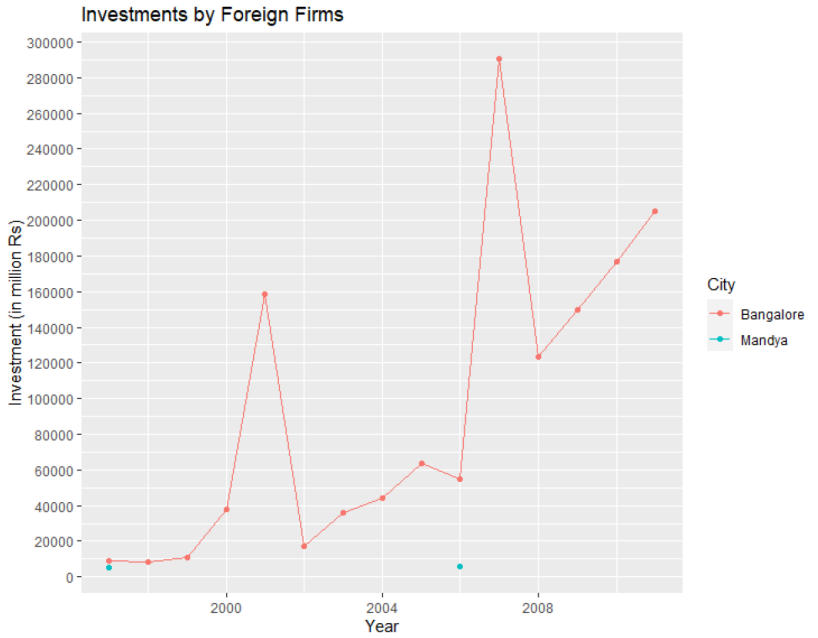

Figure 2: Comparing FDI in Bengaluru vs Other Indian Cities. The top figure presents information on foreign investment in Bengaluru and other top Indian cities in different sectors. The first row has frequencies and second row has row percentages. The bottom figure has information on foreign investment in Bengaluru and Mandya over time.

C Social Connections

In this section, test whether insiders (formal workers) in high exposure locations have more social connections than outsiders. Recall that critical social networks provide valuable information about and access to lucrative FDI jobs for FWM. These connections could be both personal or professional, and they could also be online (e.g. through social media) or offline (e.g. neighbors). We measure foreign connections based on whether the respondent knew anyone who is working for a foreign company. It is useful to note that this indicator variable is a conservative measure, and underestimates the number of foreign workers in formal sector networks. Formal workers in Bangalore, according to our survey, knew at least

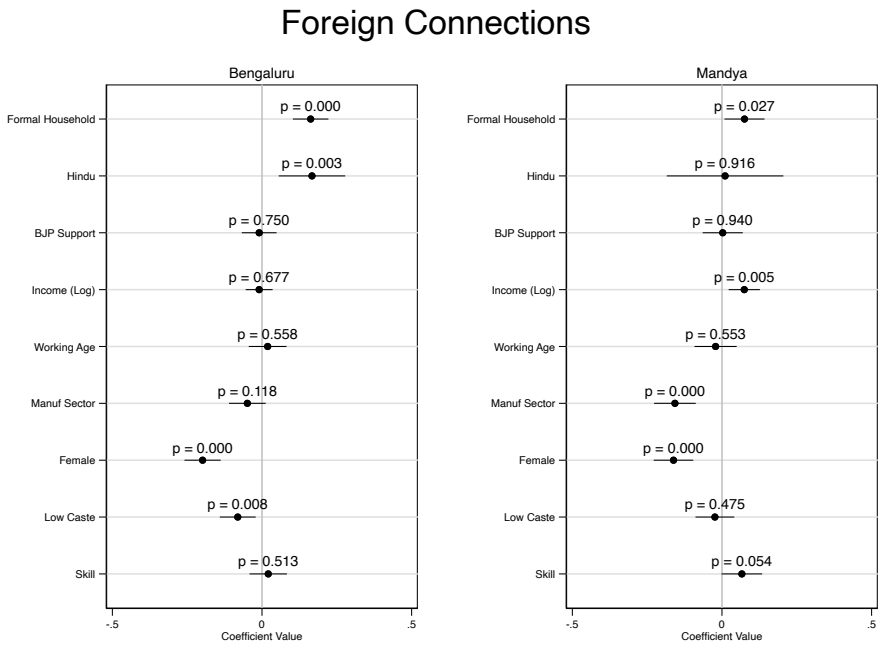

Figure 3: FDI Connections. The outcome variable for the above model is whether the respondent knew anyone who is working for a foreign company. The plot provides the coefficient of an ordinary least squares (OLS) regression, the confidence interval as well as the p-value of the various variables in the model (the findings are similar if we use a logistic regression model instead).

In Figure 3, we present coefficient plots in Bengaluru and Mandya where we estimate the FDI connections using formality. In Bengaluru, we find that a positive and statistically significant relationship between formality and their connections to other people working for foreign companies. Formal workers are more likely to have connections to others working in foreign firms in Bengaluru. This association is again robust to the inclusion of several demographic factors like skill, income, partisanship and caste. We find a similar relationship in Mandya but the association is smaller in size compared to Bengaluru. Taken together, these results suggest that Bengaluru is a good proxy for high globalization exposure; and that formality

and social connections with workers in foreign firms go hand-in-hand in such localities.

D FDI Literacy in Bengaluru vs Other Indian Cities

According to Rudra et al. [2021], knowledge about FDI's true effects are limited in less globalized localities. In consequence, both types of workers may assume any new investment will have the same effects on job opportunities. We employ a hard test of 'FDI literacy' to proxy this assertion and ask respondents to identify whether Dell, Apple and Facebook were foreign or domestic companies; all three have offices in Bengaluru but not Mandya. Among those who correctly identified these companies as foreign, we asked them to identify the country of origin. The variable that we use is the average score among those who identify the firms' country of origin.

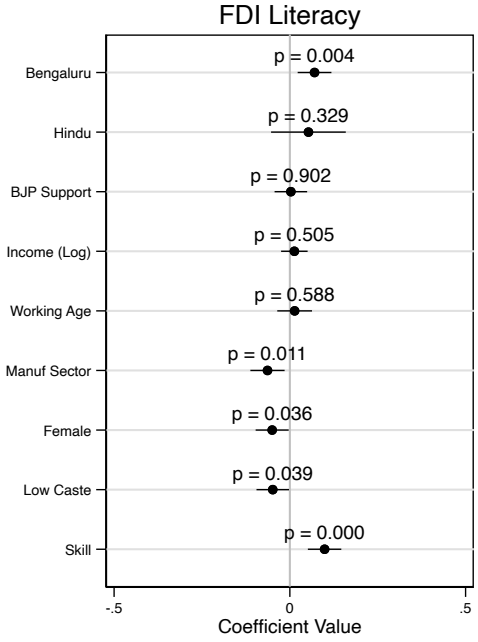

Figure 4: FDI Literacy. The dependent variable for the above model is the level of literacy about foreign companies among all survey respondents. The plot provides the coefficients of an ordinary least squares (OLS) regression, the 95% confidence interval as well as the p-value of the various variables in the model.

We expect respondents who live in Bengaluru to better differentiate between foreign and domestic capital than those who live in less globalized localities such as Mandya. In Figure 4, we present the correlation between the level of 'FDI literacy' and the city of Bengaluru. The dependent variable is the level of literacy about foreign companies among all survey respondents.[19] The empirical model used is an OLS regression and the coefficient plot lists the main independent variable of interest (Bengaluru) along with the various

[19] As mentioned, we utilize a hard test of 'FDI literacy' where respondents were asked to first identify whether Dell, Apple and Facebook were foreign or domestic companies. And then among those who correctly identified these companies as foreign, we asked them to identify the country of origin. The variable used in this analysis is the average score among those who correctly identified the firms' country of origin.

control variables. We find that the city variable is positive and statistically significant, even after controlling for key demographic variables like skill, income, partisanship and caste.

E Formality vs Skill

	Foreign				Foreign - Domestic			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Formal Household * Bengaluru	0.183*	0.174	0.183*	0.174	0.303**	0.305**	0.298**	0.300**
	(0.105)	(0.106)	(0.105)	(0.106)	(0.118)	(0.119)	(0.118)	(0.119)
Formal Household	-0.013	-0.009	-0.014	-0.010	-0.070	-0.070	-0.028	-0.029
	(0.076)	(0.076)	(0.092)	(0.092)	(0.085)	(0.086)	(0.103)	(0.104)
Bengaluru	-0.426***	-0.449***	-0.426***	-0.449***	-0.519***	-0.515***	-0.516***	-0.512***
	(0.083)	(0.093)	(0.084)	(0.093)	(0.094)	(0.105)	(0.094)	(0.105)
Hindu	-0.014	-0.013	-0.014	-0.013	-0.002	-0.002	-0.004	-0.004
	(0.113)	(0.113)	(0.113)	(0.114)	(0.128)	(0.128)	(0.128)	(0.128)
BJP Support	-0.040	-0.039	-0.040	-0.039	-0.015	-0.015	-0.015	-0.015
	(0.059)	(0.059)	(0.059)	(0.059)	(0.064)	(0.064)	(0.064)	(0.064)
Income (Log)	-0.003	-0.004	-0.003	-0.004	0.028	0.028	0.028	0.028
	(0.030)	(0.030)	(0.030)	(0.030)	(0.034)	(0.034)	(0.034)	(0.034)
Working Age	0.020	0.019	0.021	0.019	-0.030	-0.030	-0.032	-0.032
	(0.056)	(0.056)	(0.056)	(0.056)	(0.063)	(0.063)	(0.063)	(0.063)
Manuf Sector	-0.052	-0.052	-0.052	-0.052	-0.080	-0.080	-0.081	-0.081
	(0.054)	(0.054)	(0.054)	(0.054)	(0.061)	(0.061)	(0.061)	(0.061)
Female	-0.153***	-0.152***	-0.153***	-0.152***	-0.137**	-0.138**	-0.138**	-0.138**
	(0.053)	(0.053)	(0.053)	(0.053)	(0.059)	(0.059)	(0.059)	(0.059)
Low Caste	-0.055	-0.053	-0.055	-0.053	-0.089	-0.089	-0.090	-0.090
	(0.053)	(0.053)	(0.053)	(0.053)	(0.059)	(0.059)	(0.059)	(0.059)
Skill	0.124**	0.096	0.123	0.095	0.120**	0.125	0.172*	0.177
	(0.054)	(0.075)	(0.085)	(0.099)	(0.061)	(0.085)	(0.096)	(0.112)
Skill * Bengaluru		0.056		0.056		-0.010		-0.009
		(0.103)		(0.103)		(0.116)		(0.116)
Skill * Formality			0.002	0.001			-0.084	-0.084
			(0.106)	(0.106)			(0.119)	(0.119)
Observations	1807	1807	1807	1807	1807	1807	1807	1807

Table A2: Support for Foreign Investment (Formal workers vs Informal workers). The outcome variable for Models (1)-(4) is support for foreign investment, and for Models (5)-(8) is the difference between support for foreign and domestic investment. *** p <0.01 ** p <0.05 * p<0.1