1. INTRODUCTION

Objective Examine the socio-economic impact of Special Economic Zones (SEZs) at a local level in a low-income country.

Contributions

• Use novel district-level data on SEZ entry and household data to examine causal effects of SEZs on employment and incomes.
• Use information on future and cancelled SEZs as part of the identification strategy.
• Examine spillover effects of SEZs on neighboring districts.

2. CONTEXT

SEZ Program in Cambodia:
• Legal framework established in 2005.
• 23 SEZs operating in 2019, each hosting 1-100 firms and employing 125,000 workers (mostly Khmer).
• 2020-onwards: 7 SEZs authorized for operation, 13 locations under consideration.
• Major sectors: manufacturing of garments, footwear, travel goods, electronics.
• Most SEZ firms are foreign-owned and 70% of them export (accounted for 15% of all exports).


3. IDENTIFICATION STRATEGY


Outcomes of interest: paid, manufacturing, and female employment shares; wages, household incomes, income inequality (Gini coefficient); land values; school drop-out rate.

Robustness checks:
• discontinuity design: neighboring non-treated districts;
• districts (i) approved to host an SEZ after 2017; or (ii) rejected or pending districts for hosting an SEZ.
• School drop-out rates increase by 1.5% (assuming average SEZ age is 4 years).

4. EMPLOYMENT RESULTS

Table 1: Local effects of SEZ entry on employment

<table>
<thead>
<tr>
<th>Outcomes</th>
<th>Female empl.</th>
<th>Paid empl.</th>
<th>Mnd. empl.</th>
</tr>
</thead>
<tbody>
<tr>
<td>SEZ</td>
<td>-0.011</td>
<td>0.009</td>
<td>0.053***</td>
</tr>
<tr>
<td>Post-SEZ Trend</td>
<td>0.004</td>
<td>0.008</td>
<td>-0.009***</td>
</tr>
</tbody>
</table>

Panel A. Propensity Score Weights

Observations (A) 1,555 1,555 1,555

Panel B. Adjacent & Future SEZ Controls

Observations (B) 354 354 354 354

Observations (B) 354 354 354 354

• Limited effect on paid employment share and manufacturing employment share.
• Entry of SEZ boosts female employment.
• SEZs tend to attract firms in female labor-intensive industries.

5. INCOMES & OTHER RESULTS

Table 2: Local effects of SEZ entry on wages, incomes, land values, and education

<table>
<thead>
<tr>
<th>Outcomes</th>
<th>Female empl.</th>
<th>Paid empl.</th>
<th>Mnd. empl.</th>
</tr>
</thead>
<tbody>
<tr>
<td>SEZ</td>
<td>-0.003</td>
<td>-0.005</td>
<td>0.056***</td>
</tr>
<tr>
<td>Post-SEZ Trend</td>
<td>0.002</td>
<td>0.003</td>
<td>-0.002</td>
</tr>
</tbody>
</table>

Panel A. Propensity Score Weights

Observations (A) 1,555 1,555 1,555

Panel B. Adjacent & Future SEZ Controls

Observations (B) 354 354 354 354

Observations (B) 354 354 354 354

No evidence of a wage premium offered by firms in SEZs;
• Entry of SEZs is associated with an almost 5% decline in income inequality;
• Weak evidence of land price inflation after entry of SEZs;
• No effect on school drop-out rates.

6. SPILLOVER RESULTS

Table 3: The SEZ Spillover Effects on Neighboring Districts

<table>
<thead>
<tr>
<th>Outcomes</th>
<th>Female empl.</th>
<th>Drop-out rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>SEZ</td>
<td>0.008***</td>
<td>-0.037</td>
</tr>
<tr>
<td>Post-SEZ Trend</td>
<td>0.012***</td>
<td>0.009</td>
</tr>
</tbody>
</table>

Robustness checks:
• Limited effect of multiple SEZs on employment and incomes in a given location.
• Applying alternative control groups and propensity scores simultaneously.
• Lagged specification.
• Robust results on female employment and income inequality.

7. MAIN TAKEAWAYS

• SEZs attract firms in low-skilled manufacturing that offer limited wage premium to local workers.
• Entry of SEZ boosts female employment (owing to the sectoral mix) and reduces income inequality but has limited impact on paid employment.
• Entry of SEZs reduces local income inequality.
• SEZs have small positive spillovers on female employment and increase school drop-out rates in neighboring districts.
• Little evidence of positive agglomeration effects in districts with multiple SEZs.

8. REFERENCES