

Do multinational firms export jobs?

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Brookings Institution Conference on
Multinational Corporations in a Changing Global Economy
December 19, 2019

Introduction

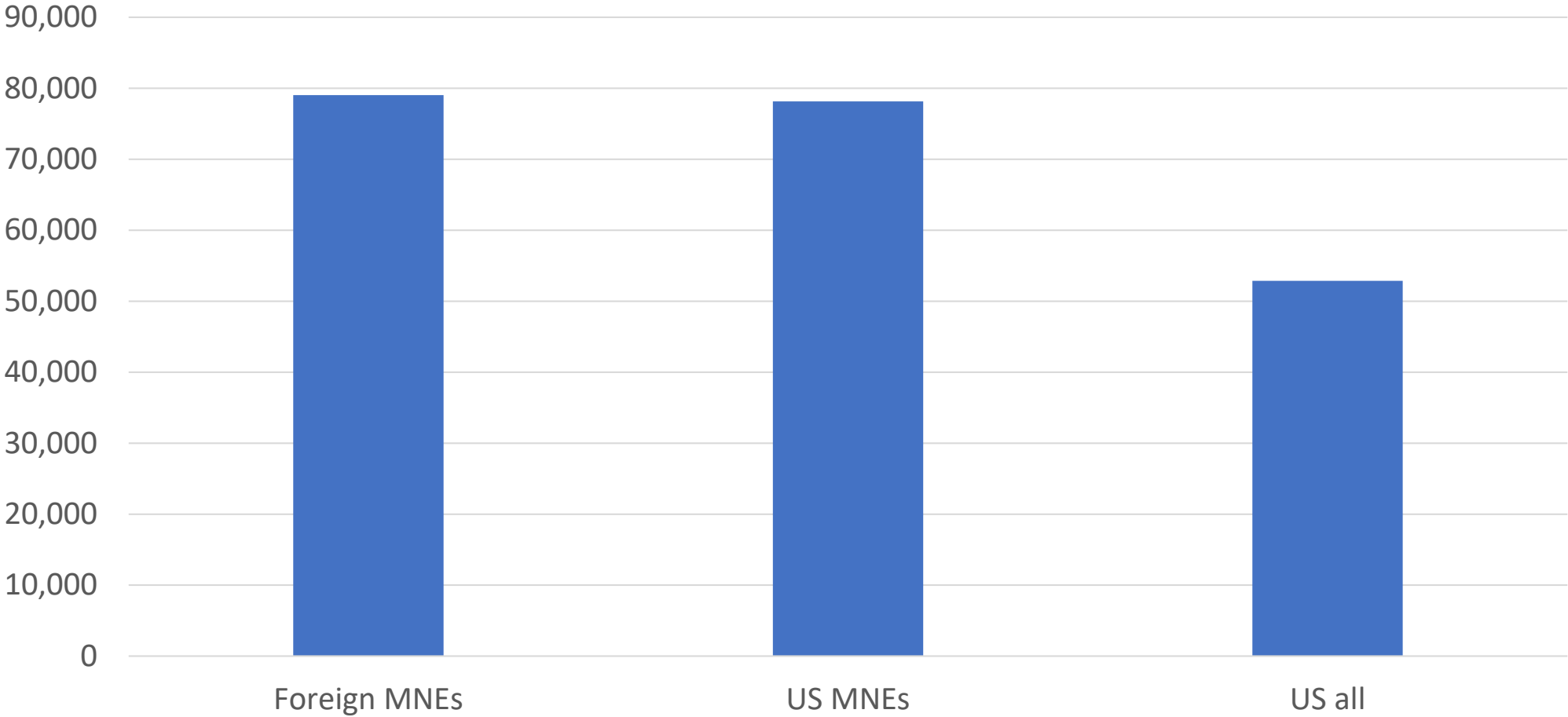
- Do multinational firms export jobs?
 - Yes
 - But they also create jobs
- The net effect is a small positive or close to zero
- Distributional consequences

Number of US MNEs that increased and decreased their US and foreign employment

	1	2	3	4	5
	2009-2014	2010-2015	2004-2014	2009-2014	2009-2014
				Manufacturing	Services
<u>Firms that expanded abroad</u>					
... and expanded in the US	974 (72%)	959 (73%)	704 (67%)	499 (71%)	475 (74%)
... and contracted in the US	371 (28%)	360 (27%)	354 (33%)	200 (29%)	171 (26%)
<u>Firms that contracted abroad</u>					
... and expanded in the US	524 (58%)	512 (58%)	293 (47%)	298 (60%)	226 (55%)
... and contracted in the US	384 (42%)	372 (42%)	336 (53%)	200 (40%)	184 (45%)

Note: This table was constructed using firm-level data on US multinational companies at the Bureau of Economic Analysis, US Department of Commerce under arrangements that maintain legal confidentiality requirements. The views expressed are those of the authors and do not reflect official positions of the US Department of Commerce.

Annual Compensation of US workers (2015)



Source: Authors calculations based on data published by the US Bureau of Economic Analysis Note: Average annual compensation of workers is the cost to the firm of employing workers, including wages and benefits.

Effects of offshoring on domestic workers

- **Domestic and foreign workers are imperfect substitutes**
(Braconier and Ekholm 2000; Konings and Murphy 2006; Muendler and Becker 2010; Harrison and McMillan 2011)
- **A fall in the cost of offshoring increases employment at MNEs in the US, but may reduce employment at non-MNEs**
 - Within firms: $\uparrow 10\%$ affiliate emp $\rightarrow \uparrow 1.8\%$ US parent emp
 - Across firms: $\uparrow 10\%$ affiliate emp $\rightarrow \uparrow 0.14\%$ US industry emp (Kovak, Oldenski, Sly 2019)
- **Gains and losses are determined by:**
 - **Skill** (Crino 2010; Baumgarten, Geishecker, and Görg 2013; Hummels, Jorgensen, Munch, and Xiang 2014)
 - **Routine tasks** (Oldenski 2012; Ottaviano, Peri, and Wright 2013; Ebenstein, Harrison, McMillan, and Phillips 2014; Hummels, Jorgensen, Munch, and Xiang 2014)

Effects of offshoring on domestic workers

Quantifying the negative effects:

- For low wage workers, \uparrow offshoring by 10% \rightarrow \downarrow wages by 0.22% to 0.40% (Hummels, Jorgensen, Munch, and Xiang 2014; Ebenstein, Harrison, McMillan, and Phillips 2014)
- The probability of switching to a lower-wage occupation increases by about 0.039% (Liu and Trefler 2011)
- In Denmark: Offshoring increased the risk of unemployment from 26.1 to 27.1 percent over 1991 – 2002 for a 30-39 year old male with only a high school education (Munch 2010)

Trade Adjustment Assistance (TAA) outcomes

Fiscal Year	Employed 3 months after training ¹	Still employed after 6 months ²	Average earnings in the first 6 months ³
2013	71.60%	91.70%	\$18,104
2014	72.40%	91.40%	\$17,857
2015	74.10%	92.40%	\$17,910
2016	74.30%	92.20%	\$18,750
2017	72.90%	90.90%	\$19,129

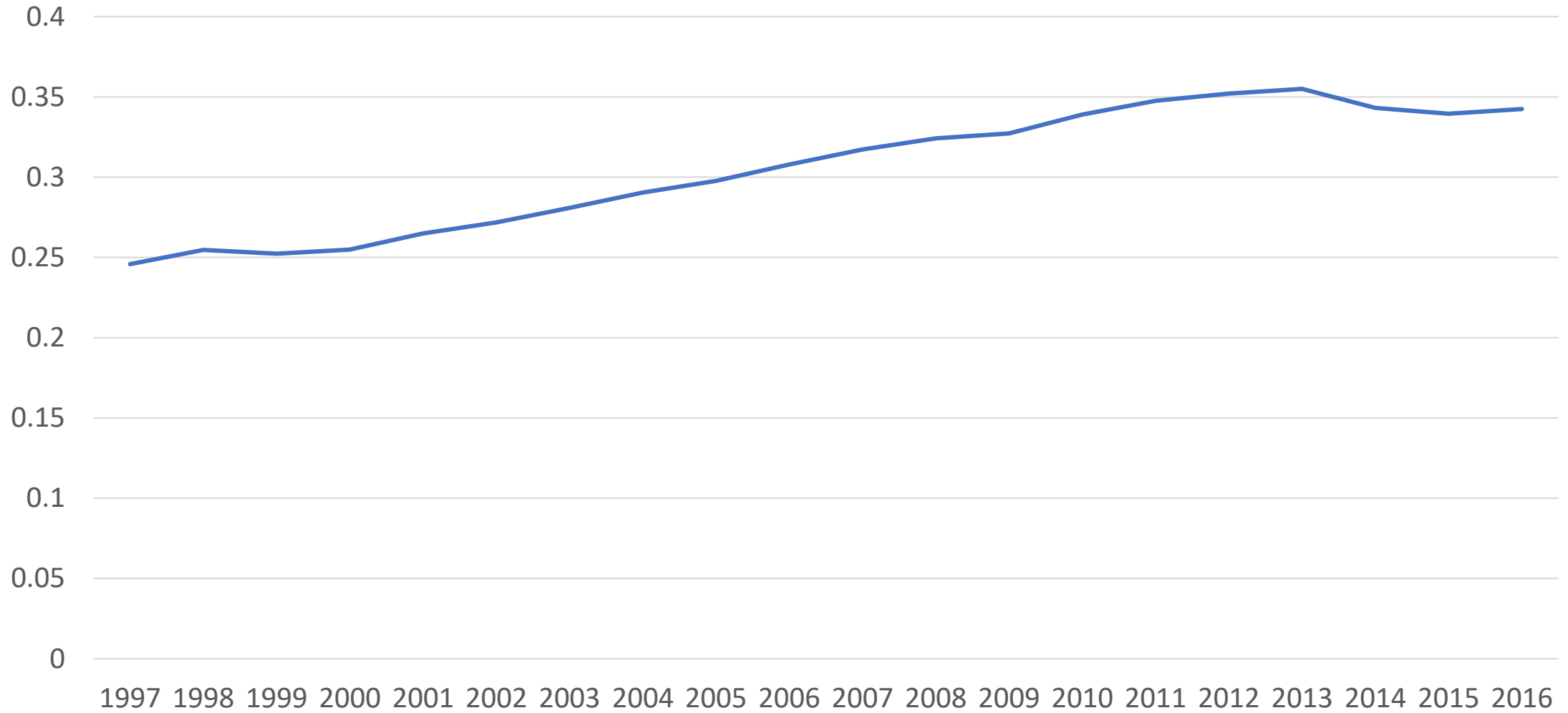
Source: <https://www.doleta.gov/tradeact/docs/AnnualReport17.pdf>

- About 90,000 workers/year certified by TAA; about 40% participate
- \$50,000 higher cumulative earnings 10 years later (Hyman 2018)

Conclusions

- Overall, the net effect of MNE offshoring on domestic jobs and wages is close to zero or a small positive.
- Aggregate effects hide distributional consequences. Less educated workers and those who perform routine tasks are more vulnerable, while more educated workers gain.
- Trade Adjustment Assistance (TAA), particularly worker training, can help mitigate some of the negative effects of offshoring without sacrificing the benefits.

Share of US MNE employment outside of the US



Source: Authors calculations based on data published by the US Bureau of Economic Analysis