Labour demand adjustment: Does foreign ownership matter?

Discussion by

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What the paper does

• Analyse Belgian firm level data
• To investigate whether labour demand adjustment is different in multinationals compared to non-multinationals
• Also distinguishing Belgian multinationals from foreign multinationals
• Estimates of asymmetric adjustment costs from dynamic labour demand
Findings

• Some differences in adjustment costs between MNEs and non-MNEs
• No (statistically significant) difference between foreign and Belgian MNEs
• Some attempt to explain the differential with firm / industry characteristics (unionisation, fixed term contracts, early retirement)
Some comments

- Why do you expect differences between multinationals and non-multinationals?
  - Large firms
  - Adjustment across many plants (multiplant or multinational effect?)
  - Lower linkages with local economy

- Flamm (JDE, 1984)
Some comments

• Does size explain the differences?
  – Analysis with „unionisation dummy“ (size dummy) suggests it plays an important role
  – Use of „Meghir adjustment function“ leads to inconclusive results (how can you explain that?)
  – Re-estimate Table 5 interacting adjustment cost variables with continuous size measure

• Or other unobserved effects?
  – Can you use firms that change ownership to identify the effects?
Some comments

• Use the „economic crisis“
  – Adjustment should be different in an economic crisis
    • International locations imply risk spreading
  – Can data from 2008 be used to look into this?
  – Potential of this „natural experiment“ to identify the effects
Some more comments

• Distinguish job creation / job destruction in net employment flows
• Use a standard dynamic labour demand framework as a reference
• How important is selection (firm exit) in the data?