

Overseas Expansion and Domestic Business Restructuring in Japanese Firms[†]

March 2016

Keiko ITO*

Kenta IKEUCHI**

Abstract

In this paper, we examine domestic business restructuring by Japanese multinational enterprises (MNEs), using the establishment-level panel data constructed from the Establishment and Enterprise Census (for years 2001 and 2006) and the Economic Census (for years 2009 and 2012) for Japan. More specifically, we examine (1) what skill type of establishments are closed or newly established and (2) what type of establishments increase or reduce their employment, when a MNE expands its overseas operation. When the cost of investment abroad decreases, firms are expected to relocate labor-intensive, particularly tradable task labor-intensive, activities abroad. We measure the skill level of each establishment mainly using the task-intensity measures constructed by Autor and Dorn (AER, 2013) and the occupation compositions for each industry taken from the Japanese Population Census for 2005. We find that more routine-task intensive (i.e., lower-middle skill intensive) establishments are more likely to exit when the firm becomes multinational, which is consistent with our expectation. This is the case particularly for manufacturing firms. Moreover, our results suggest that newly added establishments tend to be less routine task intensive when the firm becomes multinational as expected.

Keywords: Multinational firms; Multi-establishment firms; Restructuring within firm; Task intensity

JEL classification: F23, F61, D22, L25

[†]This research was conducted as part of research projects for the Economic Research Institute for ASEAN and East Asia (ERIA) and the National Institute for Science and Technology Policy (NISTEP). This work was supported by JSPS KAKENHI Grant Number 15K03456. The opinions expressed and arguments employed in this paper are the sole responsibility of the authors and do not necessarily reflect those of ERIA, NISTEP, or any institution with which the authors are affiliated.

* Professor, Faculty of Economics, Senshu University. E-mail: keiko-i@isc.senshu-u.ac.jp

**Researcher, First Theory-Oriented Research Group, National Institute of Science and Technology Policy (NISTEP), Ministry of Education, Culture, Sports, Science, and Technology: Japan. E-mail: ikeuchi@nistep.go.jp