

The Effects of FDI on Domestic Workers:

Firm-level Evidence from Japan

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Abstract

The purpose of this paper is to reveal the impacts of FDI (foreign direct investment) by Japanese firms on their total employment and workforce composition. Facing competition with firms in low-wage countries, increasing number of Japanese firms has invested in foreign countries to reduce either production or transportation costs. At the same time, Japan has experienced rapid growth of non-regular workers in the 2000s. This study seeks to identify the causal effects of FDI on the employment growth, and the growth of the share of non-regular workers in Japan using extensive firm-level data. I employ a propensity score matching technique and investigate whether firms that start FDI experience higher growth of labor and higher growth of the share of non-regular workers than do non-multinationals. I find positive effects of FDI on labor growth and growth of the share of non-regular workers.