

Haller, Stefanie A.; Flaherty, Eoin T.; Balsvik, Ragnhild; Haller, Stefanie

**Working Paper**

## Knowledge Transfers from Multinational to Domestic Firms: Evidence from Worker Mobility – A Replication-Robustness Study of Poole (2013)

CESifo Working Paper, No. 10654

**Provided in Cooperation with:**

Ifo Institute – Leibniz Institute for Economic Research at the University of Munich

*Suggested Citation:* Haller, Stefanie A.; Flaherty, Eoin T.; Balsvik, Ragnhild; Haller, Stefanie (2023) : Knowledge Transfers from Multinational to Domestic Firms: Evidence from Worker Mobility – A Replication-Robustness Study of Poole (2013), CESifo Working Paper, No. 10654, Center for Economic Studies and Ifo Institute (CESifo), Munich

This Version is available at:

<https://hdl.handle.net/10419/282342>

**Standard-Nutzungsbedingungen:**

Die Dokumente auf EconStor dürfen zu eigenen wissenschaftlichen Zwecken und zum Privatgebrauch gespeichert und kopiert werden.

Sie dürfen die Dokumente nicht für öffentliche oder kommerzielle Zwecke vervielfältigen, öffentlich ausstellen, öffentlich zugänglich machen, vertreiben oder anderweitig nutzen.

Sofern die Verfasser die Dokumente unter Open-Content-Lizenzen (insbesondere CC-Lizenzen) zur Verfügung gestellt haben sollten, gelten abweichend von diesen Nutzungsbedingungen die in der dort genannten Lizenz gewährten Nutzungsrechte.

**Terms of use:**

*Documents in EconStor may be saved and copied for your personal and scholarly purposes.*

*You are not to copy documents for public or commercial purposes, to exhibit the documents publicly, to make them publicly available on the internet, or to distribute or otherwise use the documents in public.*

*If the documents have been made available under an Open Content Licence (especially Creative Commons Licences), you may exercise further usage rights as specified in the indicated licence.*

**Knowledge Transfers from  
Multinational to Domestic  
Firms: Evidence from Worker  
Mobility –  
A Replication-Robustness  
Study of Poole (2013)**

*Stefanie A. Haller, Eoin T. Flaherty, Ragnhild Balsvik*

## **Impressum:**

CESifo Working Papers

ISSN 2364-1428 (electronic version)

Publisher and distributor: Munich Society for the Promotion of Economic Research - CESifo GmbH

The international platform of Ludwigs-Maximilians University's Center for Economic Studies and the ifo Institute

Poschingerstr. 5, 81679 Munich, Germany

Telephone +49 (0)89 2180-2740, Telefax +49 (0)89 2180-17845, email [office@cesifo.de](mailto:office@cesifo.de)

Editor: Clemens Fuest

<https://www.cesifo.org/en/wp>

An electronic version of the paper may be downloaded

- from the SSRN website: [www.SSRN.com](http://www.SSRN.com)
- from the RePEc website: [www.RePEc.org](http://www.RePEc.org)
- from the CESifo website: <https://www.cesifo.org/en/wp>

# Knowledge Transfers from Multinational to Domestic Firms: Evidence from Worker Mobility – A Replication-Robustness Study of Poole (2013)

## Abstract

This paper replicates Poole (2013) using comprehensive Norwegian and Irish register data. Our results largely confirm the evidence documented in Poole for Brazil which suggests that when workers leave multinationals and are rehired at domestic establishments, the wages of their new coworkers who have already been present in the plant increase. However, unlike suggested in the original article there is little indication that these spillovers differ in a statistically significant way across various dimensions of heterogeneity for any of the three countries.

JEL-Codes: F230, F610, J310.

Keywords: multinational firms, wage spillovers, worker mobility, replication.

*Stefanie A. Haller*  
*School of Economics and Geary Institute*  
*University College Dublin / Ireland*  
*stefanie.haller@ucd.ie*

*Eoin T. Flaherty*  
*School of Economics, University College*  
*Dublin & Central Statistics Office / Ireland*  
*eoin.flaherty@ucdconnect.ie*

*Ragnhild Balsvik*  
*Institute of Marine Research*  
*Bergen / Norway*  
*Ragnhild.Balsvik@hi.no*

September 2023

We thank seminar participants at UCD for helpful comments. All remaining errors are our own.

Knowledge transfers from multinational to domestic firms:

Evidence from worker mobility

A replication-robustness study of Poole (2013)\*

Stefanie A. Haller<sup>†</sup>

Eoin T. Flaherty<sup>‡</sup>

Ragnhild Balsvik<sup>§</sup>

September 2023

## 1 Introduction

Beside the direct employment effects foreign direct investment is and has been associated with spillover effects. Compared to the host of papers on horizontal and vertical spillovers between firms,<sup>1</sup> the evidence on spillover effects through worker mobility has much more limited: Poole (2013) documents that when workers leave multinationals and are rehired at domestic establishments, continuing workers' wages increase in a sample of matched employer-employee data for Brazil. Balsvik (2011) documents that higher shares of workers with multinational experience are associated with higher productivity in non-multinational plants. More recently, Setzler and Tintelnot (2021) and Alfaro-Ureña et al. (2022) have provided stronger evidence of such spillover effects using instruments for multinational presence.

In this paper we perform a replication study of the robustness-extension type as defined by Clemens (2017) of the analysis in Poole (2013) on comprehensive matched employer-employee data

---

<sup>1</sup>For surveys see e.g. Görg and Greenaway (2004); Keller (forthc.); Smeets (2008).

for Norway and Ireland. Hence, we analyse the effects for countries where one might consider the gap in potentially transferable skills or knowledge between multinationals and local firms not to be quite as big as in Brazil and expect such effects to be potentially smaller. Unlike Poole (2013) who employs a 1% random sample of workers on Brazil we use data covering all workers in the private sector for both Norway and Ireland. Clearly, this is feasible only because Norway and Ireland are much smaller in size. It also implies that we have considerably larger samples making it more likely that the estimated effects are statistically significant. Our results confirm the evidence documented in Poole (2013) for Brazil which suggests that when workers leave multinationals and are rehired at domestic establishments, the wages of workers who are already in these plants and remain increase. We also document broadly similar tendencies in terms of heterogeneity. However, the comparisons across subsamples are not significant bar some few exceptions for Ireland. Thus we do not confirm differential effects of spillovers for workers in sectors with different levels of unionisation or skill intensity. We also do not confirm significant differences between workers with high versus low job tenure or high versus low waged workers; and likewise between newly hired workers/incumbent workers with high versus low education, occupation and ability.

The remainder of this paper is structured as follows. In Section 2 we describe and compare the datasets; and we set out the methodology and the type of replication performed. In Section 3 we provide summary statistics. In section 4 we present and describe our results. In section 5 we briefly conclude.

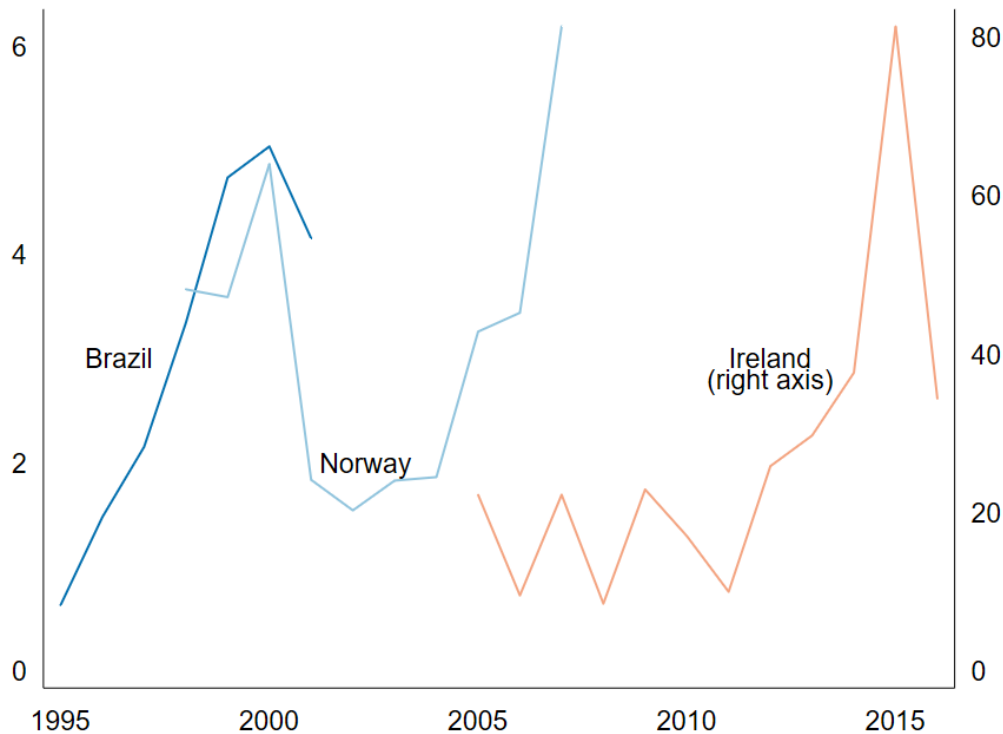
## 2 Data description, methodology, and type of replication

As in Poole’s 2013 original paper, we employ matched employer-employee data from Ireland and Norway. Unlike Poole (2013) who employs a 1% sample of formally employed workers in Brazil, we have access to comprehensive registry data for Norway and Ireland which each of course have only 2-3% of the population of Brazil.

Figure 1 plots net foreign direct investment inflows as a percentage of GDP for the time periods under consideration for each of the three countries. For Brazil, the share of net FDI flows in GDP increased by approximately 4 percentage points from 1% in 1995 over the sample period; for Norway the share declined from nearly 5% in 2000 to less than 2% in 2002 and then gradually recovered to 6% by 2007. In Ireland, a country that has traditionally been attracting more substantial amounts of FDI, the share of net FDI over GDP fluctuated between 10 and 25% between 2005 and 2012, then spiked to 80% in 2015 and has since returned to about 35%. The level of FDI inflows into Ireland has been very high for many years. Much of this is due to the construction of capital assets and the physical movement of physical capital assets to Ireland. However, a large share of the largest inflows are due to the relocation of intellectual property to Ireland as well as the transfer of ownership of capital assets located in other countries to subsidiaries of foreign MNEs in Ireland. The spike in FDI inflows in 2015 was largely due to the relocations of entire balance sheets to Ireland from outside of the EU. This mostly consisted of intellectual property. For the purpose of this paper it is important to note that the spike in 2015 is a monetary phenomenon only and does not translate into a similarly stark increase in the number of foreign-owned firms.

Clearly, the fact that we are able to study countries that are different from Brazil in terms of industry structure and the importance of FDI relative to levels of initial development adds interest to this replication exercise.

Figure 1: FDI net inflows (% of GDP)



Source: World Development Indicators

We next provide, in turn, a description of the data sources, coverage and cleaning for Ireland and Norway. For Ireland and Norway we do our best to follow procedures described and documented in the available code files for the reference paper. The procedures are similar in spirit but necessarily take account of national specificities.

## 2.1 Norway

We work with three main datasets administered by Statistics Norway. The first data source is the population register. This source has annual files on the population aged between 16 and 74. From this source, we obtain age, gender, years of education and highest level of education, total annual earnings and municipality of residence. For men born between 1950 and 1993 we observe in addition cognitive scores obtained from military records. These files include a plant (workplace) identifier for the main employer for people in the labour force, as well as the industry and municipality of the workplace, recorded in November of each year.

The second source of information is income tax files which include both plant and firm identifiers, allowing us to allocate plants to firms. Our third data source is the register of foreign ownership interests in Norwegian firms (the SIFON register), which records foreign ownership shares at the firm level. We define a firm as a foreign multinational if the total foreign ownership share is above 50% in the relevant year. We classify plants as domestic or foreign-owned based on the ownership of the associated firm identifier from the income tax files.

We further merge information from four auxiliary data sources all provided by Statistics Norway to the core datasets above for specific robustness checks: a) Information on the highest level of completed education an individual has completed from the register of highest level of completed education per October 1st each year; b) Information on test scores from a cognitive ability test that all men born between 1950 and 1993 had to take before military service; c) A data file with individual information about claimed tax deductions for labour union membership fees; and d) Detailed import and export data at the firm level from the customs authority (TVINN-files). We add these additional variables at the end of the data preparation process described in the following.

We start by constructing a plant panel for the years 1996 to 2007 based on the plant identifiers in the population register and income tax files. From this panel, we drop a plant if it is not observed in both data sources for more than half of its years in the panel. We also drop plants that have many years with missing information about location or missing information about industry affiliation. This affects 10% of the initial plant-year observations. We further drop workplaces in the public sector, which account for 20% of the remaining sample.<sup>2</sup> We also drop very small plants where all workers are recorded as self-employed or the total wage bill does not exceed 100,000 NOK in 2007 NOK. This affects a further 10% of plant-year observations.<sup>3</sup>

Occupation is available from the population register only for the period 2003-2007 and there are a number of missing observations such that only between 91 and 94 percent of the observations in our sample are covered. Unlike Poole (2013) we use this information for robustness only. Similar to Poole (2013) we group occupations into four dummies: Managers, Professionals & Technicians and associate professionals into “Professional or Managerial occupations”; Clerical support workers and Service and sales workers into “Other white collar occupations”; Skilled agricultural, forestry and fishing workers & Craft and related trades workers into “Skilled blue collar occupations”; and Plant and machine operators and assemblers and Elementary occupations into “Unskilled blue collar occupations.”

To measure wages, we make use of the annual earnings variable from the population register data. This is the sum of earnings that give pension points in the Norwegian pension system. In addition to wages from all employers, the variable also includes payments for maternity leave, unemployment and partial disability. We attribute all of these payments to the employer in November of the relevant calendar year.

---

<sup>2</sup>We also drop the very few workplaces that are classified as private households and extraterritorial organisations.

<sup>3</sup>The public sector accounts for around 40% of employment, while the remaining dropped observations account for about 2% of employment.



## 2.2 Ireland

For Ireland, we work with a combined dataset based on three administrative data sources. Our main dataset is a worker-level panel tracking the universe of formal workers in the Irish economy from 2005 to 2016 from the Irish Central Statistics Office called the SPP35. This dataset is based on tax records filed by employers on behalf of their workers to the Irish Revenue Commissioners (tax authorities). This file includes a unique worker identifier and a unique firm identifier for the main employer. This dataset is first combined with data on additional worker characteristics from the Irish Department of Social Protection Client Record System (CRS) using a unique worker identifier. These characteristics include worker gender, age, nationality and number of weeks worked eligible for social insurance. The CRS information does not vary over time.

The unique firm identifier allows the P35 and CRS data to be merged to the firm level data from the Irish Central Statistics Office (CSO) Business Register. The CSO Business Register covers all firms in the Irish economy and is based on data collected by the Irish Companies Registration Office. All firms in Ireland are required to register with the Companies Registration Office and file an annual return with them. Firms that are incorporated outside Ireland and establish a subsidiary within Ireland must also register an Irish firm with the Companies Registration Office. Firm characteristics includes industry affiliation and geographic location. A firm is considered to be foreign owned if the share of foreign investment is greater than 50%.<sup>4</sup>

The worker-level data contains a separate entry for every registered employment position in Ireland in each year from 2005 to 2016. We isolate workers based on their main social welfare category. Some workers are in one or all of the following categories; pensioner, director or employee. We assign workers to the category in which they have the most weeks of employment per year that are liable for social insurance contributions. Where they have 52 of each, we classify them as an employee. If they have 52 weeks as both a pensioner and a director, we classify them as pensioners and drop them. We also exclude workers over 64 and under 16.

Like Poole (2013) we keep private sector firms, and thus exclude workers employed in households and international/external government employers (NACE rev. 2 letters T and U) and workers in the public sector or similar (NACE rev. 2 letters O, P and Q). We further exclude all workers with wages of less than 15,051 euros per year (EUR 15,051 corresponds to the wage one would earn from working full-time for one year at the national minimum wage in 2011.)

## 2.3 Comparison of the datasets

Tables 1 summarises the information on data coverage and preparation including the information from the reference paper. Key differences to note are as follows: As already mentioned the reference paper employs a sample of Brazilian formally employed workers, while data for Ireland and Norway cover the (employed) population at the outset. The datasets for Brazil and Norway are at the plant level, the dataset for Ireland is at the firm level. In the reference paper an establishment is defined as foreign owned in all sample years if any foreign capital stock in the establishment is recorded

---

<sup>4</sup>Using information on the ultimate controlling parent we are careful not to classify corporate inversions as Irish.

in the last year of the sample. For both Ireland and Norway, the foreign ownership definition is specific to each year. For Ireland foreign ownership is based on the location of the firm’s ultimate owner. For both Ireland and Norway a firm/an establishment is considered to be foreign owned if the share of foreign investment in the establishment is greater than 50%.<sup>5</sup> As we will explain in the methodology section below, the definition of the key explanatory variables, i.e. shares of hires from MNE and domestic firms is cumulative in the reference paper. To ensure greater comparability to the reference paper which covers a time period of six years, we split the 12 year sample for Ireland into two separate sample periods 2005-2010 and 2011-2016.

## 2.4 Methodology

To get a better sense of the differences in specifications and variables used across the three countries, we briefly recap the methodology set out in Poole (2013). While Poole (2013) starts with a specification with a less demanding set of fixed effects (which we will also replicate), the main specification in her equation (3) is as follows:

$$\ln y_{ijt} = \gamma_M S_{jt}^M + \gamma_D S_{jt}^D + \psi_i + \lambda_{j(i)} + \delta_k t + \delta_r t + \beta_1 X_{it} + \beta_2 Z_{jt} + \epsilon_{ijt},$$

where  $i$  indexes the individual,  $j$  the establishment/firm,  $k$  industry,  $r$  region,  $t$  time, and the dependent variable  $\ln y_{ijt}$  is individual-level log wages. The model includes individual fixed effects  $\psi_i$  to account for unobserved individual-specific ability, establishment fixed effects  $\lambda_{j(i)}$  to control for establishment heterogeneity,  $\delta_k t$  and  $\delta_r t$  are industry-year and region-year fixed effects that account for factors that are specific to the industry-year and region-year.  $X_{it}$  are time-varying, individual-specific characteristics and  $Z_{jt}$  time-varying, establishment/firm-specific characteristics. Specifically, Poole (2013) includes the following individual characteristics: age, age-squared, tenure at the establishment, education, and the skill intensity of the worker’s occupation. The establishment characteristics in her model are: log employment, average tenure of the workforce, share of the establishment female, average education of the workforce, and average occupational skill intensity of the workforce.

This model is estimated on the sample of incumbent workers in domestically owned establishments/firms for the respective sample period(s) for each country.<sup>6</sup> Identification in this model is based on changes over time in the share of former multinational workers within an establishment for each incumbent worker. Standard errors are clustered at the establishment/firm-year level. Note that since the publication of the reference paper, the user written STATA command ‘reghdfe’ has become available to estimate models with high dimensional fixed effects. We use this instead of the ‘xtreg’ command employed by Poole (2013) to reduce computing time given the larger samples.

The key variables of interest in the equation above are  $S_{jt}^M$  - the share of the domestically owned establishment’s workforce with experience in a multinational establishment - and  $S_{jt}^D$  - the share of the domestically owned establishment’s workforce hired from another such establishment (with no

<sup>5</sup>Note that in both countries the vast majority of establishments with foreign interests are fully foreign owned.

<sup>6</sup>Note that the restriction to incumbent workers implies that worker fixed effects are identical to worker-establishment/firm fixed effects.

Table 1: Data description - comparison across countries

Item	Brazil (Poole (2013))	Ireland	Norway
<b>Data</b>			
Time period	1996-2001	2005-2016; splits: 2005-2010, 2011-2016	1998-2007
Sources			
- Worker data	Labor Ministry: Relação Anual de Informações Sociais (RAIS)	CSO-matched data from Revenue Commissioners and Department of Social Protection: SPP35	Statistics Norway annual population files for ages 16-74
- Employer data	constructed from worker data using establishment id	constructed from worker data using firm id plus BR information	constructed from worker data using establishment id
- FDI data	Central Bank: Registro Declaratório Eletrônico-Investimentos Externos Diretos (RDE-IED)	CSO Business register (BR)	Statistics Norway: SI-FON register
Level of observation	establishment	firm	establishment
Data coverage	formally employed workers: 1% RAIS sample, 5% RAIS sample of males	population of employed workers	population
Sector coverage	workers with private sector contracts, excl. CNAE 95 and 99.	private sector (firm level), i.e. excl. NACE rev. 2 letters O, P, Q, T, U (worker level)	private sector (establ. level), i.e. excl. Norwegian SIC (2002) <sup>1</sup> letters P, Q
<b>Definitions</b>			
- Foreign ownership	foreign-owned in all years if establishment has a positive stock of foreign capital in 2001	foreign ownership share > 50%, annual definition	foreign ownership share > 50%, annual definition
- wage measure	annual real wages in reais	annual real wages in Euros (including benefits in kind and pension contributions)	annual earnings in Norwegian Krona: total pensionable earnings, incl. wages and benefits from all employers, plus payments for maternity leave, unemployment, partial disability
<b>Sample restrictions</b>			
- employers	establishments/firms (IRL) with data for at least two periods		
- workers	workers in the sample for at least two years		
	workers aged 15-64	workers aged 16-64	workers aged 16-74
	full-time workers receiving positive wages	workers with salaries > 15,051EUR and 52 weeks social security contributions per year	establishments with total wage bill > 100,000 in 2007 NOK

<sup>1</sup> Corresponds to NACE rev. 1.1.

previous experience at a multinational establishment). The idea is that a positive and significant difference in coefficient estimates  $\gamma_M - \gamma_D$  is an indication of multinational wage spillovers.

Table 2 shows how the set of control variables employed for the Irish and Norwegian datasets compares to this. For Norway the available control variables are by and large comparable to those used in the reference paper, one minor difference is that rather than using the share of workers with high-school education, we use the share of workers with at least some high-school education. The main difference is that occupation information for Norway is available only for the last few years of the sample (2003-2007) and there are a number of missing observations such that, depending on the year, only between 91 and 94 percent of the observations in our sample are covered. We use this information only to define the sample splits in Tables 10 and 11. In the case of Ireland, the set of control variables and also the information used to perform sample splits is more limited. Specifically there is no information on worker’s education or occupation available. Note, however, that the estimating equation includes individual fixed effects. Hence, to the extent that, at the individual level, these variables are likely to change only for a small share of workers over the relatively short sample periods, this omission is unlikely to affect the coefficient estimates substantially.

## 2.5 Classifying our analysis

Given these differences across datasets and coverage, we propose the following assessment of the type of replication exercise performed: Figure 2 reproduces Table 1 from Clemens (2017) proposition for the classification of replication studies.

Figure 2: Classifying replication

Table 1. A Proposed Standard for Classifying Any Study as a Replication.

	Sampling distribution for parameter estimates	Sufficient conditions for discrepancy	Types	Methods in follow-up study versus methods <i>reported</i> in original			Examples
				Same specification	Same population	Same sample	
<b>Replication</b>	<i>Same</i>	<i>Random chance, error, or fraud</i>	Verification	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>	<i>Fix faulty measurement, code, data set</i>
			Reproduction	<b>Yes</b>	<b>Yes</b>	<i>No</i>	<i>Remedy sampling error, low power</i>
<b>Robustness</b>	<i>Different</i>	<i>Sampling distribution has changed</i>	Reanalysis	<i>No</i>	<b>Yes</b>	<b>Yes/No</b>	<i>Alter specification, recode variables</i>
			Extension	<b>Yes</b>	<i>No</i>	<i>No</i>	<i>Alter place or time; drop outliers</i>

*Notes:* The “same” specification, population, or sample means the same as *reported* in the original paper, not necessarily what was contained in the code and data used by the original paper. Thus for example if code used in the original paper contains an error such that it does not run exactly the regressions that the original paper said it does, new code that fixes the error is nevertheless using the “same” specifications (as described in the paper).

Source: Clemens (2017), Table 1

Table 2: Control variable definition & availability - comparison across countries

Item	Brazil (Poole (2013))	Ireland	Norway
<b>Worker controls</b>			
age	yes	yes	omitted <sup>1</sup>
age-squared	yes	omitted <sup>1</sup>	omitted <sup>1</sup>
tenure at establ./firm	yes	yes	omitted <sup>1</sup>
education	3 highest level of education dummies	no	3 highest level of education dummies
skill intensity of occupation	Professional or Managerial, Other White Collar, Skilled Blue Collar, Unskilled Blue Collar	no	robustness 2003-2007: Professional or Managerial, Other White Collar, Skilled Blue Collar, Unskilled Blue Collar
<b>Plant/workforce controls</b>			
log employment	yes	yes	yes
average tenure	yes	yes	yes, where tenure = age - age at reaching highest recorded level of education
share of females	yes	yes	yes
average education	share of workers with high-school education, share of workers with complete college education	no	share of workers with at least some high-school education, share of workers with complete college education
avg. occupational skill intensity	yes, establ. level shares based on worker occupation	no	robustness 2003-2007, establ. level shares based on worker occupation
share of workers by age group <sup>2</sup>	yes	yes	yes
<b>Fixed effects</b>			
industry (2-digit)	Classificação de atividades econômicas 1995	NACE rev. 2	NACE rev. 1.1
region	27 states	8 NUTS3 regions	160 labour market regions

<sup>1</sup> These variables are available in the data, however, due to near perfect collinearity with age/tenure and the worker fixed effect they yield nonsensical coefficient estimates and are thus excluded.

<sup>2</sup> Brazil & Ireland: 15-17 BRA/16-17 IRL, 18-24, 25-29, 30-39, 40-49, 50-64; Norway 16-17, 18-24, 25-29, 30-39, 40-49, 50-59, 60-75.

Table 3: Samples

Item	Brazil	Ireland		Norway
	(Poole (2013)) <sup>1</sup>	2005-10	2011-16	
N establishments/firms in sample				
- foreign total	12,401	3,476	2,679	15,738
- foreign in sample	3,814	3,250	2,519	14,791
N workers sample				
- domestic	305,774	1,114,241	974,968	1,636,525
- foreign	12,793	397,459	354,388	552,623

<sup>1</sup> Numbers taken from Poole (2013), p. 396.

This study is based on datasets for different countries and time periods to that of the original study. Consequently, the sampling distribution is different and it falls into the ‘Robustness’ category. Likewise, we are only able to use the same methodological specification where we have access to the same variables with the same definitions as in the original study. Thus, our analysis most closely aligns with the ‘Robustness – Extension’ set of categories in Clemens’ classification. Note also, that we further perform a small set of additional robustness checks for Ireland and Norway.

### 3 Summary statistics

Before progressing to the regression results we provide some summary statistics. Table 3 shows the numbers of establishments/firms and workers in all three countries. As the datasets for Ireland and Norway relate to the population, the number of foreign-owned establishments/firms are naturally much closer to those in the full population than in the case of the 1% sample for Brazil. Note the difference in numbers between Ireland versus Brazil and Norway is to a certain extent due to the Irish data being at firm rather than establishment level. The differences in number of workers between Brazil versus Ireland and Norway reflect the size of the underlying datasets (1% sample versus populations).

Table 4 shows the number of separations and percentages of subsequent rehires used in the construction of the shares of former MNE and former domestic establishment/firm workers that are the main variables of interest in the regression equation. Unfortunately, it is not possible to distinguish between non-rehired and rehired workers in the Irish or Norwegian data. As a result the shares of rehired are not directly comparable across the three countries. However, in all three countries the shares rehired in domestic establishments are highest, in relative terms the shares rehired by MNEs are higher in Norway and Ireland than in Brazil, reflecting the larger shares of multinationals present in these countries. Again, the key variables of interest  $S_{jt}^M$  and  $S_{jt}^D$  are defined as follows:  $S_{jt}^M$  is the share of the domestically owned establishment’s workforce with experience in a multinational establishment,  $S_{jt}^D$  is the share of the domestically owned establishment’s

Table 4: Separations and rehires, cf. Table 1 in Poole (2013)

	Brazil		Ireland 05-10		Ireland 11-16		Norway	
	foreign	dom	foreign	dom	foreign	dom	foreign	dom
N Separations	4,056	180,936	50,195	566,534	147,573	476,429	385,146	1,601,345
Percent of separations								
Not rehired	0.648	0.651	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Rehired	0.365	0.434	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
of which <sup>1</sup> :								
- in same es- tabl./firm	0.051	0.107	0.171	0.112	0.116	0.120	0.093	0.114
- in MNE	0.104	0.012	0.441	0.221	0.450	0.197	0.533	0.248
- in domestic	0.293	0.428	0.507	0.749	0.566	0.771	0.647	0.860

<sup>1</sup> The “of which” categories allow for multiple possibilities, hence they do not sum to ‘Rehired’ for Brazil or to 1 for Ireland and Norway.

workforce hired from another such establishment (with no previous experience at a multinational establishment). Note that these shares increase mechanically over the sample period.

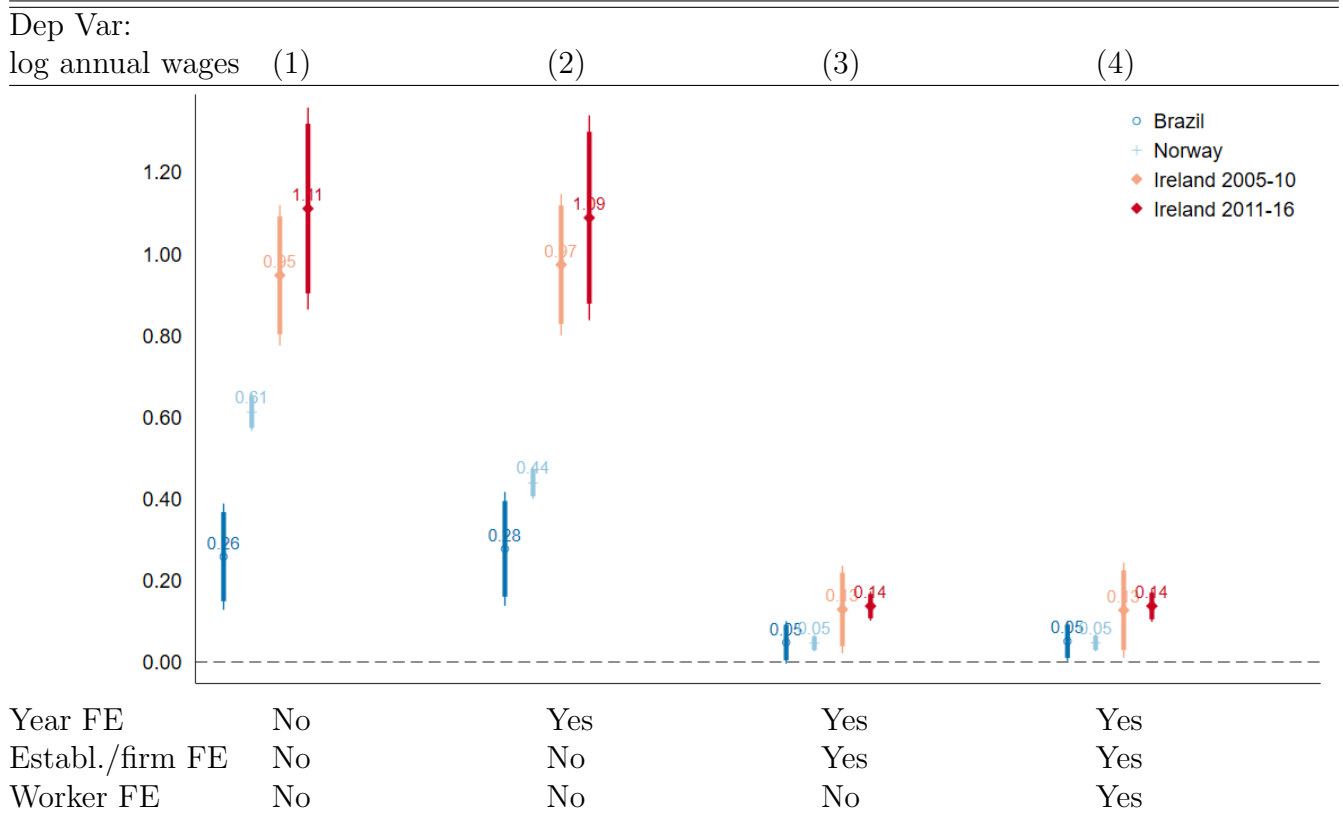
## 4 Results

The regressions are estimated on the sample of workers in domestic establishments. We follow Poole (2013) in keeping only plants that have hires from both other domestic establishments/firms and from MNEs. Furthermore, also in line with Poole (2013) we estimate the impact of MNE-switcher workers on the retained workforce in the domestic establishment/firms, defined as the set of workers who have never switched into or out of any domestic establishment, thus creating a balanced panel of the incumbent domestic workforce. Because the sample of workers remains in the same domestic establishment, individual fixed effects ( $\psi_i$ ) fully absorb the establishment-specific effects ( $\lambda_{j(i)}$ ) (Abowd et al., 1999).

The number of worker-year observations of domestic incumbents in the baseline regressions is 96,560 for Brazil, 1,697,752 for Norway, 1,222,770 for Ireland 2005-2010, and 1,411,776 for Ireland 2011-2016. For ease of exposition we report coefficient plots of the regression coefficients of  $\gamma_M - \gamma_D$  together with 99 and 95% confidence intervals for each of the three countries and the two time periods for Ireland. As Poole (2013) reports the F-statistic and its p-value for the estimates for Brazil, we construct confidence intervals for Brazil by using her reported p-value and applying the normal distribution. For Norway and Ireland, the confidence bands are based on the standard errors obtained from using STATA’s ‘lincom’ command.

In the first set of regressions Poole (2013) gradually builds up to the estimating equation reported above using different sets of fixed effects; the results corresponding to her Table 2 are reported in Figure/Table 5. The results in column 1 are obtained without the inclusion of fixed effects, in column 2 year dummies are added, in column 3 year and establishment/firm fixed effects

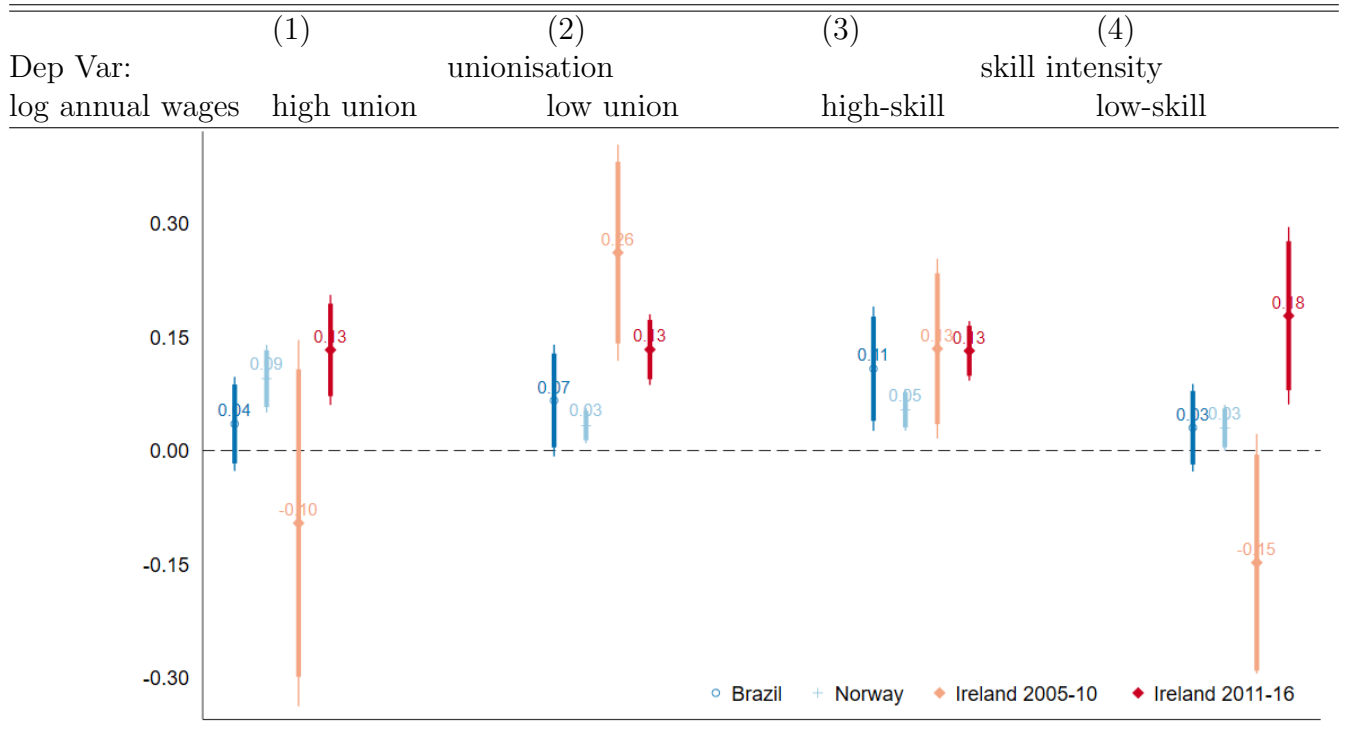
Table 5: Multinational spillovers, cf. Table 2 in Poole (2013)



<sup>1</sup> The figure reports  $\gamma_M - \gamma_D$  together with 90 (thinner line) and 95% confidence intervals. All regressions include time-varying worker and establ./firm characteristics  $X_{it}$  and  $Z_{jt}$  as outlined in Table 2.



Table 6: Multinational spillovers, by industry characteristics cf. Table 3 in Poole (2013)



<sup>1</sup>The figure reports  $\gamma_M - \gamma_D$  together with 90 (thinner line) and 95% confidence intervals. All regressions include year FE, establ./firm FE, worker FE as well as time-varying worker and establ./firm characteristics  $X_{it}$  and  $Z_{jt}$  as outlined in Table 2.

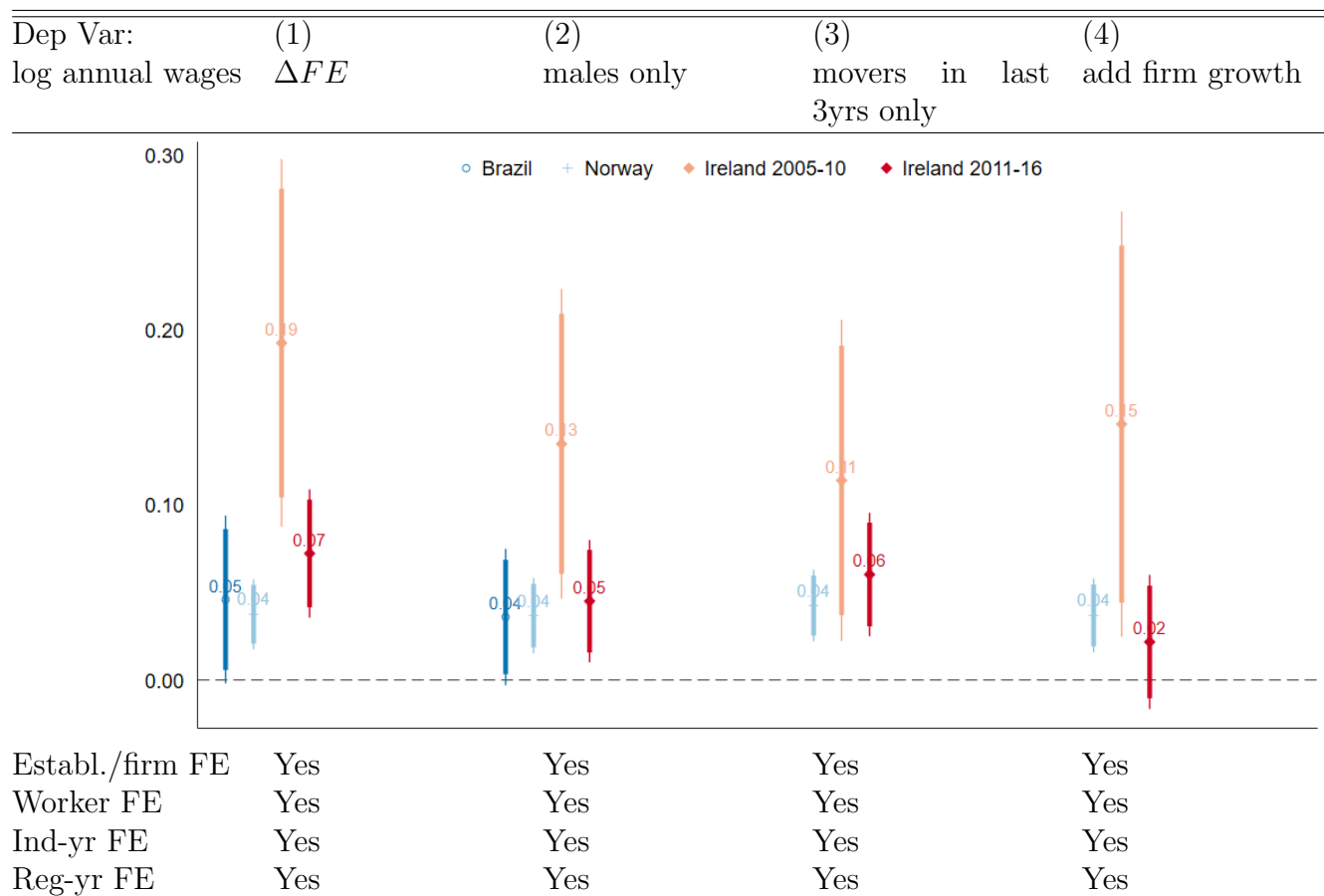
are included and in column 4 year, establishment/firm fixed and worker fixed effects are included. The coefficient estimates are significantly different from zero in all specifications, indicating the presence of wage spillovers from workers formerly employed in multinational establishments/firms. The coefficients for Norway are more precisely estimated than for Brazil and Ireland. Naturally, the size of the estimates declines as more fixed effects are added, yet in column 4 the estimated effect size for Ireland in both periods is roughly twice that of Brazil and Norway were magnitudes are comparable. Specifically, a 10 percentage point increase in the share of former multinational workers, holding the share of non-MNE switchers constant, increases an incumbent domestic worker's wages by approximately 0.52% for Brazil, by 0.48% for Norway, and by 1.39 and 1.45% for Ireland 2005-10 and 2011-2016.

Table/Figure 6 reports the results comparing workers in high vs low union and high vs low skill sectors corresponding to Table 3 in the reference paper. For detailed information on the two sample splits in this figure please refer to Table A1 in the Appendix. The first two columns split the sample into low and highly unionised sectors. Poole (2013, p. 400) argues that the structure of the labour market allows to distinguish between two hypotheses based on the premise that worker-level wage spillovers will result when former MNE workers bring knowledge in the form of physical capital, for example, enhancing the productivity and profitability of the domestically owned establishment: When establishment profits are shared with workers in an imperfectly competitive labor market setting, workers in domestic incumbents will see improvements in wages. In this case, worker-level wage spillovers occur only because of plant-level productivity spillovers. Instead in another hypothesis, the labor market is assumed to be competitive, and multinational workers directly interact and transfer knowledge in line with the social interactions theory. In this case, worker-level wage (productivity) spillovers may lead to firm-level productivity spillovers. As reported in the figure, Poole (2013) finds that for Brazil only the coefficient in the low union sectors is statistically significant; it is also larger than that for the highly unionised sectors pointing towards the second hypothesis. Note, however, that the confidence bands for the two sectors overlap. For Norway, the coefficients for both splits are significantly different from zero. And while the difference goes in the same direction as for Brazil, coefficient sizes are very similar and confidence bands for the two sectors overlap. For Ireland in the early period (2005-10) only the coefficient for the low union sectors is statistically significant. As for Brazil it is larger in the highly unionised sectors, but the confidence bands for the two sectors overlap. In the later period in Ireland (2011-16) the coefficient estimates for the two sectors are nearly identical.

Columns 3 and 4 of Table/Figure 6 examine whether workers in more high-skilled industries experience larger multinational wage spillovers. This is based on the theory of workplace interactions which considers the transfer of information among individuals as an important element. For Brazil, Norway and Ireland in the 2005-11 period coefficient estimates are higher in high-skilled industries, more substantially so in Brazil and Ireland. However, in all four instances the confidence bands overlap between the two types of industries (bearing in mind that the results are derived from separate regressions).

Based on the argument that skills may be industry specific and that multinational presence may differ across regions affecting reallocation of workers, Poole (2013) replaces the basic year fixed

Table 7: Multinational spillovers, cf. Table 4 in Poole (2013) plus extensions



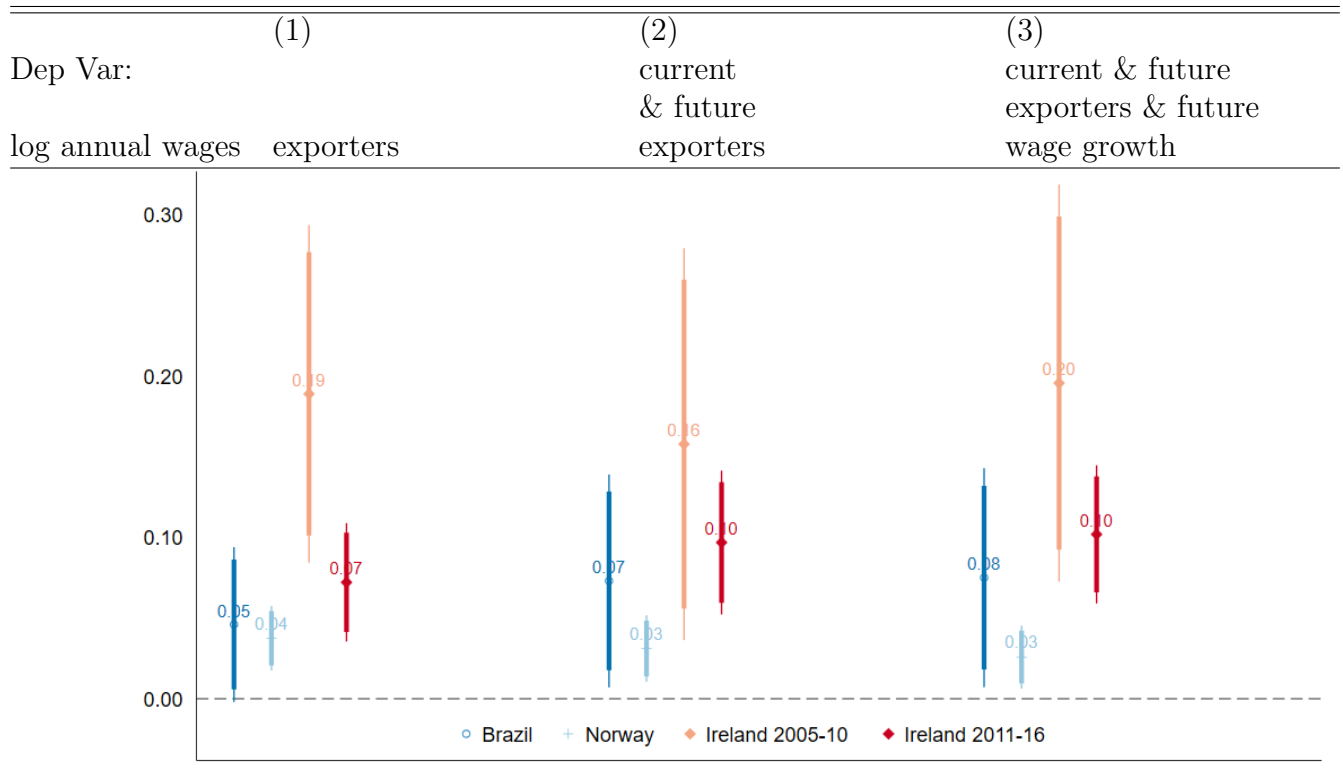
<sup>1</sup> The figure reports  $\gamma_M - \gamma_D$  together with 90 (thinner line) and 95% confidence intervals. All regressions include time-varying worker and establ./firm characteristics  $X_{it}$  and  $Z_{jt}$  as outlined in Table 2.

effects from Table/Figure 5 with industry-year and region-year fixed effects. This specification is applied to all further regressions. We replicate these estimates in Table/Figure 7 (cf. Table 4 in the reference paper). With the more demanding set of fixed effects, the coefficient estimates remain similar to the specification in column 4 of Table/Figure 5 for Brazil and Norway. The coefficient estimate increases somewhat for Ireland in the earlier period, but shrinks to about one half in the 2011-16 period. In the case of Brazil the coefficient is less precisely estimated; it is significant only at the 10% level, for Norway and Ireland there is little change in precision. In the second column, the sample is restricted to males only. This allows Poole (2013) to draw a larger (5%) sample of the working population in Brazil and it address the concern that the overall estimates may be affected by women being potentially less attached to the labour market and more likely to be in part-time working arrangements. These estimates presented in column 2 of Table/Figure 7 - for Norway and Ireland they refer to all males in the sample - are marginally smaller compared to those in the first column suggesting that this is not a big concern. Note, however, that the restriction to workers in domestic establishments/firms who have never switched into or out of any domestic establishments/firms is likely to already restrict the set of workers to those with more traditional stable working arrangements.

We add two further robustness checks here beyond the results presented in the reference paper. First, since foreign multinational experience and experience in other domestic establishments/firms are defined cumulatively in the reference paper, in the third column of Table/Figure 7 we redefine the shares  $S_{jt}^M$  and  $S_{jt}^D$  based only on a worker's experience in a foreign multinational or other domestic establishment/firm in the past three years. This also accounts for the sample period for Norway being nearly twice as long relative to the other countries. While the coefficient estimate for Norway is hardly affected, the estimates for Ireland in both periods are smaller compared to those in column 1; in all cases the coefficients are more precisely estimated. In column 4 we add lagged firm growth as an additional control variable. This is to capture the fact that high-growth establishments/firms are likely to also be paying higher wages which if uncontrolled for may be attributed to spillover effects. This check slightly reduces the coefficient estimates relative to column 1; for Ireland in the period 2011-2016 the estimate is no longer statistically significant.

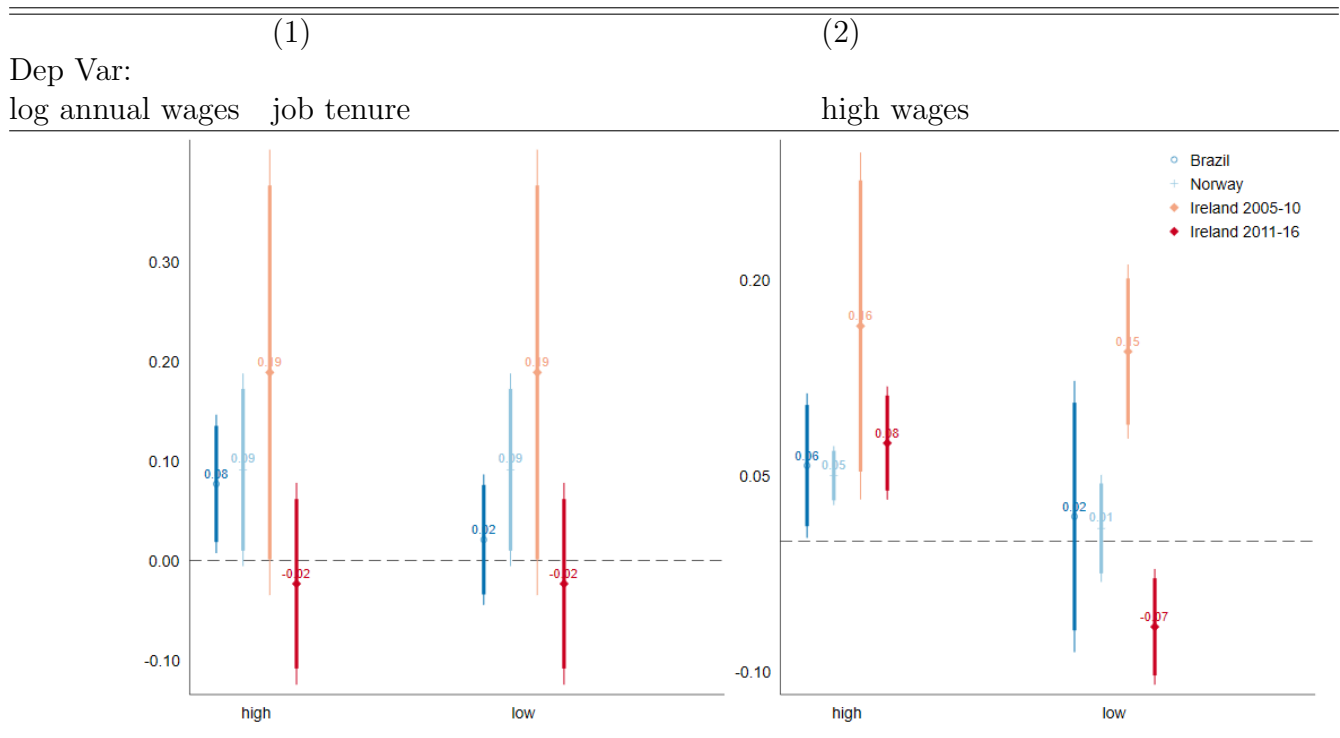
In her Table 5, Poole (2013) checks for omitted variables, specifically for productivity shocks which might cause establishments/firms to seek out former MNE workers or alternatively higher quality workers sorting into higher quality establishments/firms. She uses the export status and future export status of the domestic employers of the incumbent workers as a proxy for such potential productivity shocks. We replicate this analysis in Table/Figure 8 in columns 1 - controlling for current export status and 2 - controlling for current export status and export status in period  $t + 1$ . The coefficient estimates remain reasonably stable relative to the baseline specification in column 1 of Table/Figure 7 for all three countries. Note Poole (2013) includes export status as well as controls for the number of products exported and the number of destinations plus quadratic terms of each to account for nonlinearities for Brazil. we use the same set of covariates for Norway, for Ireland we only have access to information on export status. To capture further that former multinational workers may be better able at distinguishing high-expected wage growth firms, in the last column of Table/Figure 8 future wage growth is added in addition to export status and future

Table 8: Multinational spillovers, omitted variables cf. Table 5 in Poole (2013)



<sup>1</sup> The figure reports  $\gamma_M - \gamma_D$  together with 90 (thinner line) and 95% confidence intervals. All regressions include industry-year and region-year FE, establ./firm FE, worker FE as well as time-varying worker and establ./firm characteristics  $X_{it}$  and  $Z_{jt}$  as outlined in Table 2.

Table 9: Multinational spillovers, MNE screening and productivity cf. Tables 6 & 7 in Poole (2013)

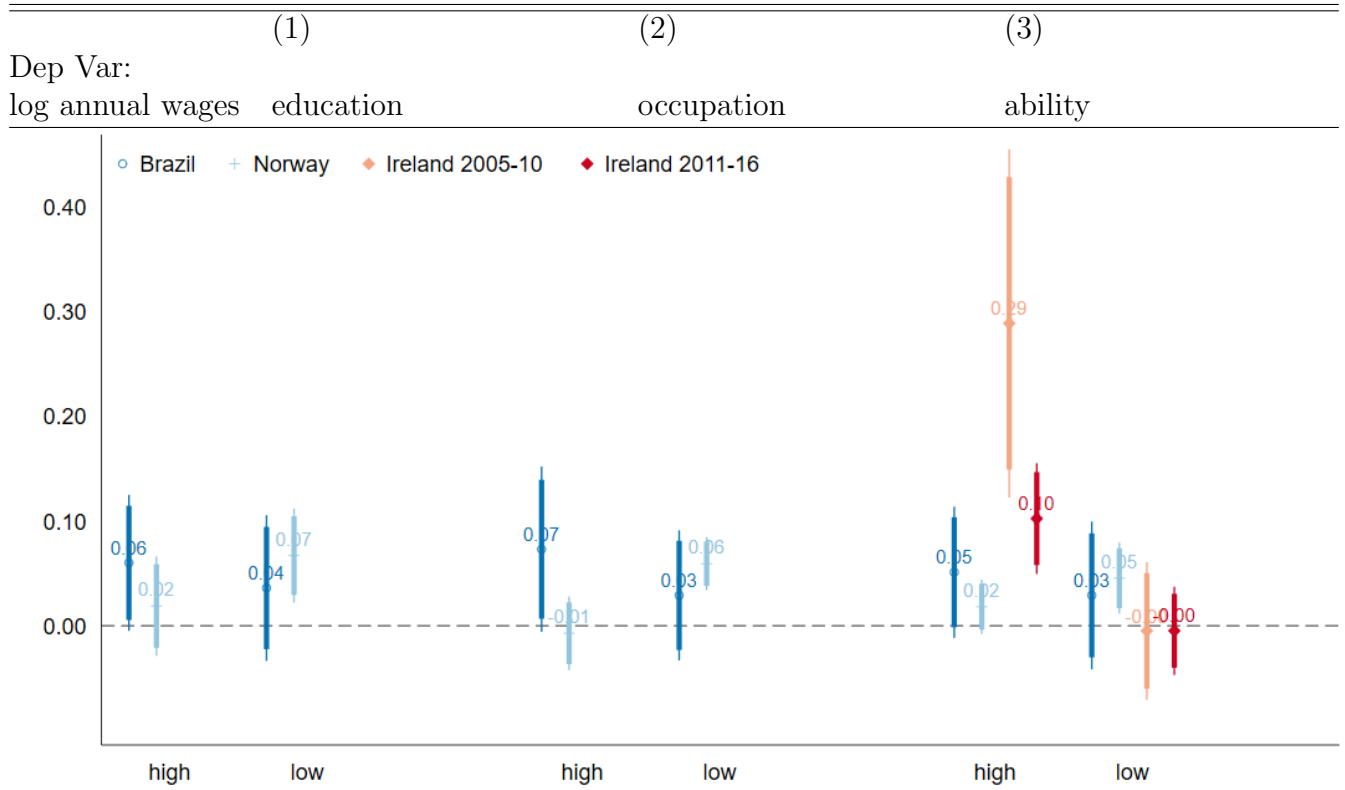


<sup>1</sup>The figure reports  $\gamma_M - \gamma_D$  together with 90 (thinner line) and 95% confidence intervals. All regressions include industry-year and region-year FE, establ./firm FE, worker FE as well as time-varying worker and establ./firm characteristics  $X_{it}$  and  $Z_{jt}$  as outlined in Table 2.

export status. Again the coefficient estimates remain reasonably stable relative to the baseline specification in all three countries.

An alternative explanation to productivity spillovers from multinationals is that multinational establishments/firms may simply be better at screening worker quality than are domestically owned establishments. To test for this, Poole (2013) includes the MNE-switcher worker's tenure at the multinational establishment. Specifically, the main variables of interest,  $S_{jt}^M$  and  $S_{jt}^D$ , are split into shares with low tenure and shares with high tenure based on the sample's median tenure (which is approximately 2 years in her case). We group workers into the high tenure category if they have at least three years of tenure in the previous plant. Her results - replicated in column 1 of Table/Figure 9 - support the hypothesis that the longer the MNE-switcher worker was employed at the multinational establishment, the better able is the worker to transfer information to the incumbent domestic workforce which results in higher wages for these workers. We obtain similar differences for Norway and Ireland. Note, however, that for all countries including Brazil the confidence bands around the high- and low-tenure differences in shares overlap. Poole (2013) is also able to test (her Table 6, column 2) whether spillovers are greater from workers that are laid off versus workers that quit, this information is not available for either Norway or Ireland.

Table 10: Multinational spillovers, by switcher skill level cf. Table 8 in Poole (2013)



<sup>1</sup> The figure reports  $\gamma_M - \gamma_D$  together with 90 (thinner line) and 95% confidence intervals. All regressions include industry-year and region-year FE, establ./firm FE, worker FE as well as time-varying worker and establ./firm characteristics  $X_{it}$  and  $Z_{jt}$  as outlined in Table 2.

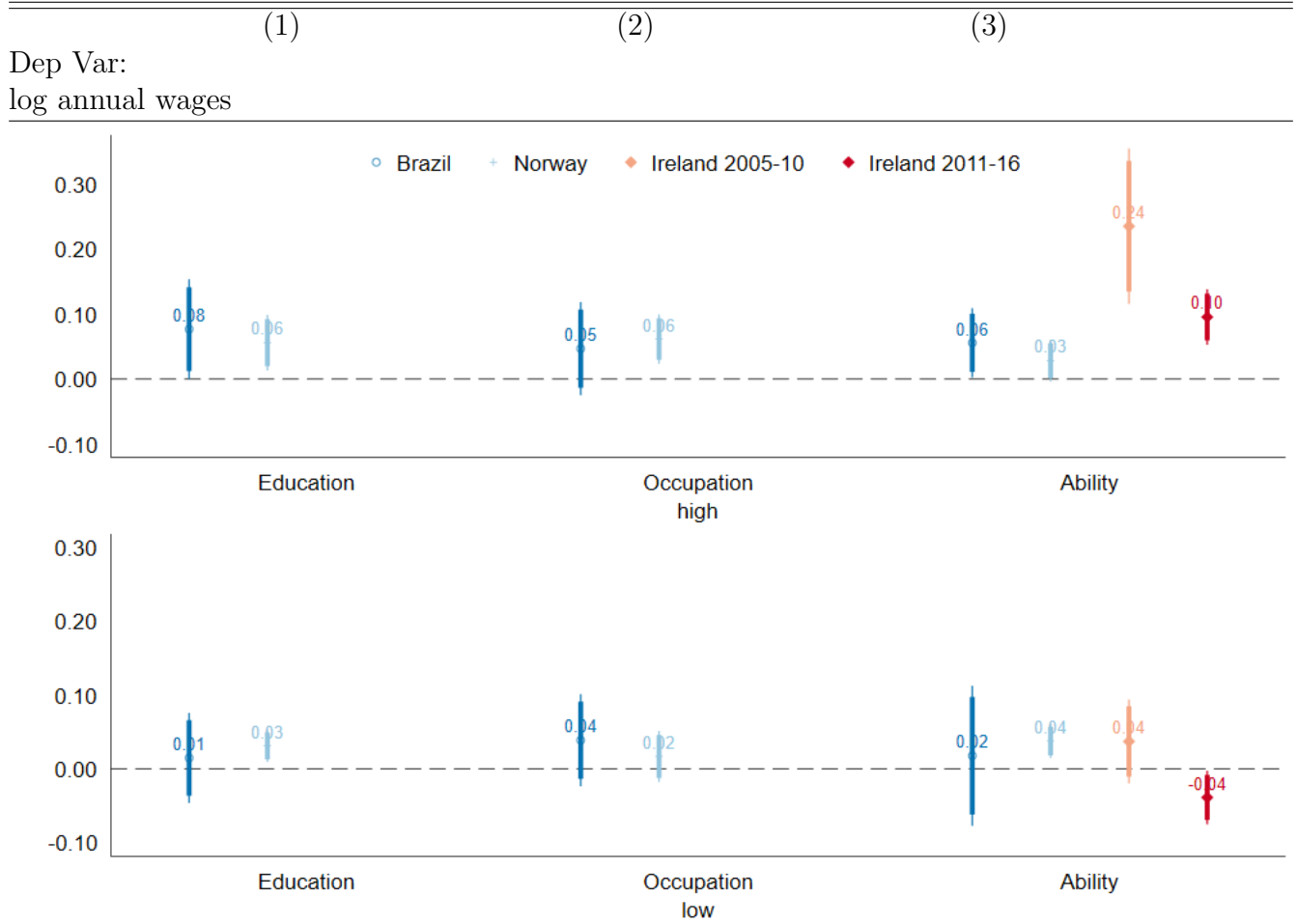
Next Poole (2013) examines whether the basis of the spillovers is that the sending establishment/firm is a multinational or more generally a high-productivity establishment/firms. She employs two proxies to separate multinational and domestic establishments into high- and low-productivity establishments. In the first multinational workers are split into former MNE exporting workers (high productivity) and former MNE non-exporting workers (low productivity). This split is not available for Norway or Ireland as all multinational firms are also exporters. We are able to replicate her second exercise where she splits establishments into high-wage and low-wage establishments by the median of the estimated establishment fixed effect obtained from a separate Mincer (1974) wage regression. This separate wage regression includes all of the covariates listed in Table 2 and importantly, establishment fixed effects. Based on this workers are split into former high-wage MNE workers, former low-wage MNE workers, other high-wage other domestic establishment/firm workers, and other low-wage domestic establishment/firm workers. We replicate the results of Poole's 2013 specification in the second column of her Table 7 in column 2 of our Table/Figure 9. Poole interprets her results as suggesting that for Brazil there are significant spillovers only from high-wage plants. Our results confirm this for Norway and Ireland in the 2011-2016 period. In the 2005-2010 period the coefficient estimates are very similar for both high- and low-wage sending plants in Ireland. Yet, here again, note that the confidence bands around the high vs low-wage coefficients overlap in all cases except the latter period in Ireland.

The final set of results in the reference paper examines multinational spillovers by worker skill level. This is done by distinguishing first high- and low-skill switchers and second high and low-skill incumbent workers. Poole employs three proxies for skill levels: education, where high education refers to high school and above; occupation where high occupation refers to professional or managerial and other white collar workers; and the worker fixed effects from a separate Mincer (1974) wage regression that includes as above all covariates mentioned so far plus worker fixed effects are used to proxy for ability which is considered to be high if the worker fixed effect is above median. The results for switcher skill level (Poole's 2013 Table 8) are replicated in Table/Figure 10. These results indicate for all three countries that wage spillovers tend to be higher from former high-skill MNE workers. Note again, however, that the confidence bands on the coefficient estimates for high and low-skill workers overlap for Brazil, Norway and Ireland in the 2011-2016 period.

The split into high- and low-wage incumbents (cf. Poole (2013), Table 9) is replicated in Table/Figure 11. Note, here the top and bottom panels are estimated in separate regressions. As in the reference paper, higher incumbent worker skill also does seem to make a greater difference in terms of the size of former multinational worker wage spillovers for all three countries. Also, here the confidence bands around the coefficients are wide enough with the exception of Ireland to call into question whether these differences are significant.



Table 11: Multinational spillovers, by incumbent skill level cf. Table 9 in Poole (2013)



<sup>1</sup> The figure reports  $\gamma_M - \gamma_D$  together with 90 (thinner line) and 95% confidence intervals. All regressions include industry-year and region-year FE, establ./firm FE, worker FE as well as time-varying worker and establ./firm characteristics  $X_{it}$  and  $Z_{jt}$  as outlined in Table 2.

## 5 Discussion and conclusion

In this paper, we replicate and conduct robustness on the analysis of wage spillovers from former multinational workers to domestic incumbent workers originally performed for Brazil by Poole (2013) for Norway and Ireland. Despite the different nature of the countries, different time periods, and a considerably higher level of FDI interests in Ireland, by and large our results confirm the findings in the reference paper. Crucially, our results however also suggest that the differences between various sample splits such as for workers in sectors with different levels of unionisation or skill intensity, workers with high versus low job tenure or high versus low waged workers, or in the levels of high- versus low-skill MNE switchers as well incumbent workers highlighted in the reference paper are with some few exceptions for Ireland not statistically significant. Moreover, given the endogeneity of worker movement, the question whether these effects truly capture FDI spillovers through worker mobility remains.

## References

- Abowd, John M., Francis Kramarz, and David N. Margolis (1999) ‘High wage workers and high wage firms.’ *Econometrica* 67(2), 251–333
- Alfaro-Ureña, Alonso, Isabela Manelici, and Jose P. Vasquez (2022) ‘The effects of joining multinational supply chains: New evidence from firm-to-firm linkages.’ *The Quarterly Journal of Economics* 137(3), 1495–1552
- Balsvik, Ragnhild (2011) ‘Is mobility of labour a channel for spillovers from multinationals to local domestic firms?’ *Review of Economics and Statistics* 93(1), 285–297
- Clemens, Michael A. (2017) ‘The meaning of failed replications: A review and proposal.’ *Journal of Economic Surveys* 31(1), 326–342
- Görg, Holger, and David Greenaway (2004) ‘Much ado about nothing? Do domestic firms really benefit from foreign direct investment?’ *The World Bank Research Observer* 19(2), 171–197
- Keller, Wolfgang (forthc.) ‘Knowledge spillovers, trade, and foreign direct investment.’ *Oxford Research Encyclopedia of Economics and Finance*
- Mincer, Jacob (1974) *Schooling, Experience, and Earnings* (New York: Columbia University Press)
- Poole, Jennifer P. (2013) ‘Knowledge transfers from multinational to domestic firms: Evidence from worker mobility.’ *The Review of Economics and Statistics* 95(2), 393–406
- Setzler, Bradley, and Felix Tintelnot (2021) ‘The effects of foreign multinationals on workers and firms in the United States.’ *The Quarterly Journal of Economics* 136(3), 1943–1991
- Smeets, Roger (2008) ‘Collecting the pieces of the FDI knowledge spillovers puzzle.’ *The World Bank Research Observer* 23(2), 107–138

# A Appendix

Table A1: Definitions of sample splits in Table/Figure 6 - comparison across countries

Item	Brazil (Poole (2013))	Ireland	Norway
Unionisation	<p>Unionization status of the establishment's industry is based on Brazil's household survey, Pesquisa Nacional por Amostra de Domicilios, which contains information on the household member's industry of employment and whether the household member belongs to a union. Based on industry-level unionization rates for each of Brazil's four-digit industries over time, the sample is split into a time-invariant dummy variable equal to 1 if the value of the unionization measure for the industry is greater than the median value across all industries in 1992 and 0 otherwise.</p>	<p>High vs low union membership is based on splitting NACE letter sector level percentages from the Labour Force survey in 2006 at the median. Source: <a href="https://www.cso.ie/en/statistics/labourmarket/labourforcesurvey1fstimeseries/">https://www.cso.ie/en/statistics/labourmarket/labourforcesurvey1fstimeseries/</a></p>	<p>Based on worker-level union membership inferred from tax deductions for union membership. Sample is split into a time-invariant dummy variable equal to 1 if the value of the share of union members in the NACE 3-digit industry is greater than the median value taken over all NACE 3-digit industries in 2002 and 0 otherwise.</p>
High-skill industries	<p>industries above the median value of skill, as defined by the share of the workforce with at least a high school education in 1995.</p>	<p>Based on EU KLEMS, industries with &gt; 50% of workers classified as 'intermediate' or 'university graduate' in 2002 defined as high-skill. Source <a href="https://euklems.eu">https://euklems.eu</a>.</p>	<p>NACE 3-digit industries above the median value of skill, as defined by the share of the workforce with at least a high school education in 2000.</p>