The limits of foreign-led growth: Demand for skills by foreign and domestic firms in the integrated periphery

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This paper

- Investigates the differences in skill (digital skills) use between foreign and domestic companies in in Slovakia (one of the highest degrees of dependence on FDI).
- Develops a testable framework on the differences in skill use between foreign and domestic firms.
- Distinguishes between demand for digital skills on two levels: occupational structure; and skill content within occupation.
- Uses a large dataset on vacancies from a leading job portal (Profesia).

Findings

- Foreign-owned companies generate (advertise) more jobs in higher-skilled occupations, but the specific skill requirements for these jobs are lower than in similar jobs in domestic companies.
- Foreign companies have higher skill requirements only in some blue collar jobs linked to assembly and component manufacturing (narrow set of occupations).
- Multinational companies are heavily present in Slovakia but rarely bring complex activities.
- Multinationals are likely to play a limited role in supporting skill development.

Questions

- Data: adverse selection
- Training: solution to the adverse selection problem
- Matching: job creation
- New skills or skill upgrading: even within a specific segment, and products that are new and/or technically complex
- Implication: multinationals are thus likely to play an **IMPORTANT** role in supporting skill development! (the wage gap may be an indication of a skill gap and higher wages may give rise to higher levels of effort by workers)
- Better proxies for knowledge transfer: number of patents, employee training costs, R&D spending, and technology adoption

Comments

- Search costs: FO firms incur higher search costs in foreign labour markets
- Labor supply preferences: better working conditions (wage, working hours, job stability, job security), employment protection legislation (EPL), prestige (financial health or performance indicators)

Suggestions

- Compare skill requirements of the same FO firms in other countries (home country and developed countries)
- Looking at worker mobility between domestic and foreign firms
- FDI flows as an explanatory variable: new FO firms (initial hires for completely new companies) and old DO firms
- Other company characteristics (performance gaps): market share (dominant in the labor market), productivity, technology, profitability, and growth.

Reference

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