

Does FDI really affect employment in host countries? Subsidiary level evidence

Abstract: *This study explores the micro level evidence on the impact of subsidiary level FDI on subsidiary level employment. We use data on 5,641 subsidiaries operating in 66 host countries to estimate the effect of FDI on employment during 2006-2008. Our results indicate that the heralded positive impact that FDI should have on employment at the subsidiary level is not a typical occurrence, but it does exist under specific circumstances. We show that the direct effect of FDI on employment may depend on factors such as, sectors of the economy receiving the investment, income levels of both the source and host countries, growth rate of the subsidiary receiving the investment, and the level of disinvestment. Countries and policymakers should consider these factors when formulating policies to generate employment through higher levels of FDI.*