



## Research Working Papers

# The Multinational Wage Premium and Wage Dynamics

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Multinational firms often enter countries through cross-border mergers and acquisitions. For the domestic firms that are acquired, foreign ownership tends to reverse years of wage declines and even promote wage gains for employees.

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Using detailed administrative data linking French firms and workers over the years 2002-2007, we document a distinct U-shaped pattern in worker-level wages surrounding the time their employer is acquired by a foreign firm, with a dip in earnings observed in years just before domestic firms switch to MNE status. The dip in earnings is evident in both wages and in-kind payments given to workers. To guide our empirical approach, we present a model with fair wage considerations among workers and endogenous cross-border acquisition activity among heterogeneous firms that predicts this U-shaped pattern, and characterizes the selection of domestic targets for acquisition by an MNE. Moreover, we use the model to theoretically ground the conditional mean independence assumption that underlies commonly applied empirical techniques. Worker-level wages decline by approximately 7.5 percent in the years leading up to foreign acquisition, and subsequently increase by 12.5 percent following cross-border acquisition.

JEL Classification: F66, F14, F23

## Article Citations

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## Related Research

- [Appendix](#): Results from propensity score matching specifications and balancing tests referenced in the manuscript.
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## Author



### Nicholas Sly

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As Branch Executive, Nicholas Sly serves as the KC Fed's regional economist and its representative in Colorado, Wyoming, and northern New Mexico, leading the local research and public engagement teams. He works closely with the [Denver Branch's board of directors](#), as well as local functional leadership, to foster branch culture and effectiveness. As Vice President, he provides strategic support for community development teams across all offices of the Tenth Federal Reserve District. He is also responsible for briefing the President of the Federal Reserve Bank of Kansas City on economic conditions in the region. The combined portfolio of regional economic research and community development ensures those briefings include the perspectives of the region's unique economic footprint and the perspectives of low- and moderate-income households. Before joining the Bank in 2015, Mr. Sly was associate professor of economics at the University of Oregon. He graduated from the University of Northern Iowa with a degree in mathematics and economics and earned his Ph.D. in economics from Michigan State University. Mr. Sly is also a graduate of the Stonier Graduate School of Banking.

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