

Multinationals and Structural Change

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Abstract

We study the role of multinationals as drivers of structural change. Using confidential firm and establishment-level data for several high-income and middle-income countries, we conduct a decomposition of changes in manufacturing and services employment over a period of up to 25 years. Our decomposition accounts for within and between effects in continuing firms, as well as for the role of new and exiting firms. Importantly, it distinguishes between multinational firms and non-multinational firms. We find that multinationals play a significant role in changes in manufacturing employment over time. We then develop a firm-level multinational and trade model of structural change, and test its implications with our data. Finally, we calibrate the model to our data and conduct counterfactuals to assess the role of multinationals in propagating shocks to structural change.

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