

# Outward investments and skill upgrading. Evidence from Italian manufacturing firms.

*Davide Castellani, Ilaria Mariotti, Lucia Piscitello*

## Abstract

The present paper investigates the effect of outward investments by Italian manufacturing firms on the domestic employment level and on its skill composition, as measured by the increase in the aggregate share of skilled workers (managers and clerks) in total employment. In doing so, the paper extends the existing empirical literature on the Italian case that has so far provided evidence on the changes in the employment intensity but not on the composition of the domestic employment. We carry out an analysis at the firm level based on the the behaviour of 108 Italian firms, which became multinational for the first time in 1998-2003, investing in either developed countries, CEECs or other developing economies, compared with the behaviour of a counterfactual group of firms constituted by 2,500 national firms that never invested abroad in the considered period. The econometric analysis supports that the internationalisation of activities by manufacturing firms does not reduce their domestic employment, independently of the destination of the investment, and that it may change the division of labour within the firm, thus leading to a higher share of skilled labour intensive activities, especially as a result of investments in CEECs.

**JEL codes:** F2, J21

**keywords:** Foreign direct investment, Employment

*Davide Castellani*, Università di Perugia.

E-mail: [davide.castellani@unipg.it](mailto:davide.castellani@unipg.it).

*Ilaria Mariotti*, DIG-Politecnico di Milano.

E-mail: [ilaria.mariotti@polimi.it](mailto:ilaria.mariotti@polimi.it).

*Lucia Piscitello*, DIG-Politecnico di Milano.

E-mail: [lucia.piscitello@polimi.it](mailto:lucia.piscitello@polimi.it).