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Abhandlungen / Original Papers

International Investment and Firm Performance: Empirical Evidence from Small Open Economies

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JEL F16; F23; J24

Multinational firms; productivity; employment; propensity score matching.

Summary

The global financial and economic crisis has severely affected foreign direct investment, particularly the cross-border mergers and acquisitions in advanced economies. This paper examines the effects of foreign mergers and acquisitions on labour productivity and employment growth over the period 2001–2009 in six small open economies in the European Union: Austria, Belgium, Denmark, Finland, the Netherlands and Sweden. We show that the severity of the crisis has been uneven across these six economies. Taken together, our estimates suggest that foreign direct investment had stronger effects on firm performance in services than in manufacturing.

Redirecting International Trade: Contracts, Conflicts, and Institutions

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JEL F23; F55; K00; P48

Exports; offshoring; trade; institutions; conflicts; contracts.

Summary

The global financial crisis has contributed to the redirection of trade towards new markets outside the OECD area, where both demand patterns and the institutional environment differ from those in the OECD. This study provides an empirical examination of the consequences of this shift, based on Swedish firm-level trade data. Results suggest that weak institutions hamper trade and reduce the length of trade relations, especially for small firms. Trade in industries that are characterized by a high frequency of trade conflicts and where transactions require extensive relationship-specific investments are particularly difficult to redirect towards markets with weak institutions.

How Did the Economic Crisis Influence New Firm Creation?

A Multilevel Approach Based Upon Data from German Regions

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JEL L26; M13; J23

Regional entrepreneurship; Great Recession; opportunity motivation; necessity motivation; entrepreneurship determinants; multilevel analysis; context effects; Global Entrepreneurship Monitor (GEM).

Summary

There is a broad consensus that the likelihood of becoming an entrepreneur is not only influenced by individual characteristics but also by spatial context conditions. However, context factors are not per se stable; they tend to vary over time which is particularly relevant during economic cycles. In Germany, for instance, the rapid economic downturn of 2008/2009 was preceded by a period of growth and followed by an economic upswing in many regions. However, the impact of this crisis on entrepreneurship has not been empirically studied comprehensively. Using data from the Global Entrepreneurship Monitor (GEM), we analyse entrepreneurial activities in the 39 German NUTS2 regions covering a 13-year period before, during and after the Great Recession of 2008/2009. Applying multilevel regression techniques, we hypothesize that both space and time matter for individual entrepreneurial behaviour. Our results show, first, that space and time can be regarded as two interrelated dimensions that jointly impact entrepreneurial activities. Second, similar individual attributes are associated with diverging likelihoods of becoming an entrepreneur in case individuals are nested in different regions or different time periods and are thus exposed to dissimilar context conditions. Third, the type and number of individual, context and interaction effects are motive-related, i.e. they depend on whether the entrepreneurial action is either opportunity-driven or necessity-driven.

Risk or Resilience? The Role of Trade Integration and Foreign Ownership for the Survival of German Enterprises During the Crisis 2008–2010

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JEL F23; L60

Exports, imports; foreign ownership; firm survival; economic crisis, Germany.

Summary

This is the first study of the link between internationalization and firm survival during the 2008/2009 crisis in Germany, a country which was hit relatively lightly compared to other countries. Moreover, it is the first study which looks at the role of importing, exporting and FDI simultaneously in the context of a global economic recession. We use a tailor-made representative dataset that covers all enterprises from the manufacturing sector with at least 20 employees. Our most striking result is to demonstrate the disadvantage of exporting for the chances of survival of a firm during the crisis in western Germany. Importing instead reveals a positive correlation with survival and firms that both export and import do not show a different exit risk relative to non-traders. A plausible explanation is that in a global recession, deteriorating markets abroad cause demand losses for exporters and improved conditions on factor markets which result in an advantage for firms sourcing from factor markets abroad. Two-way traders do not show a link with exit risk, supporting the idea that they were able to outweigh their losses from exporting with their gains from importing, in what could be called an export-import hedge. Furthermore, we cannot support the hypothesis that foreign multinationals are more volatile during times of economic crisis.

Inward Investment and the Drivers of Post Recession Recovery in Germany

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JEL F21; F23; D24

Foreign ownership; firm performance; Germany.

Summary

This paper examines changes in the drivers of productivity in Germany over the period 1997–2012. We start by comparing the performance of German firms and inward investors before and during the recovery from the recent global financial crisis of 2008 across a range of sectors, and subsequently examine the channels through which different firms are able to generate productivity. Our results show that foreign investors are more productive than German MNEs and purely domestic firms, with the gap narrowing in the manufacturing sector, but growing in the service sector during the recovery period. We also contrast those firms for whom productivity growth is related to greater use of intangible assets, compared with those for whom productivity is linked to cash flow. Productivity of inward investors is driven by cash flow rather than intangible assets, these being limited to high-technology investors from the EU and the USA.

The Skill Shortage in German Establishments Before, During and After the Great Recession

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JEL D21; D22; E32; J63

Skill shortages; firm characteristics; measures; Great Recession; IAB Establishment Panel.

Summary

This paper investigates the development of skill shortages during the period 2007-2012. Using the German Establishment Panel of the Institute for Employment Research (IAB), we find differences across the years before, during and after the Great Recession. Furthermore, we analyze the importance of firm characteristics and that of certain, specific measures with respect to the skill shortage.

The empirical analysis reveals that the relative skill shortage in the service sector during the Great Recession was more substantial than before and after 2009. The opposite pattern is observed for working time accounts. Firms with a high share of female workers typically experience usually less difficulty in finding qualified employees to fill jobs. However, during the Great Recession, the opposite was observed. Young firms facing competitive pressure, high wages, and without working time accounts that did not hoard skilled workers in the past tend to skill shortage. The estimations confirm that apprenticeship and further training serve to reduce the number of unfilled, high-skill jobs. It is also helpful when the firm has developed a plan for its personnel requirements. Other measures such as retaining older workers or hiring foreign workers were not successful. Ultimately, a skill shortage within a firm is often only a short-term phenomenon and less often observed over a longer period.