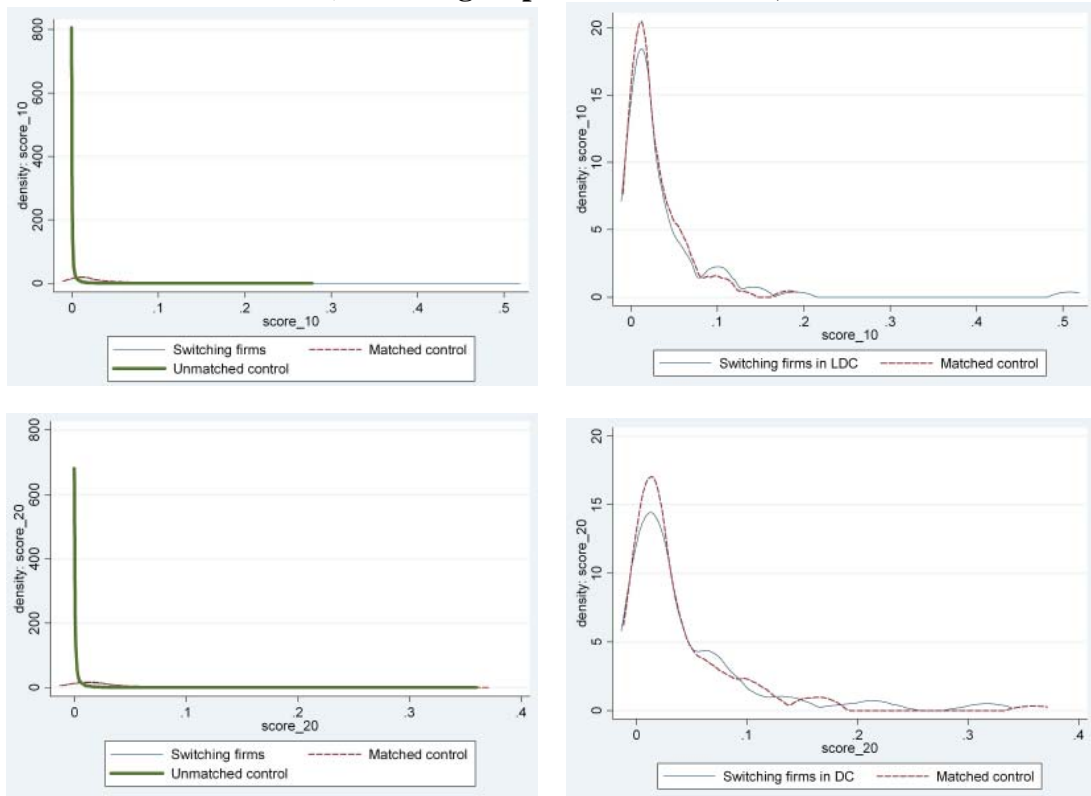


**How does investing in cheap labour countries affect performance at home?  
Firm-level evidence from France and Italy**

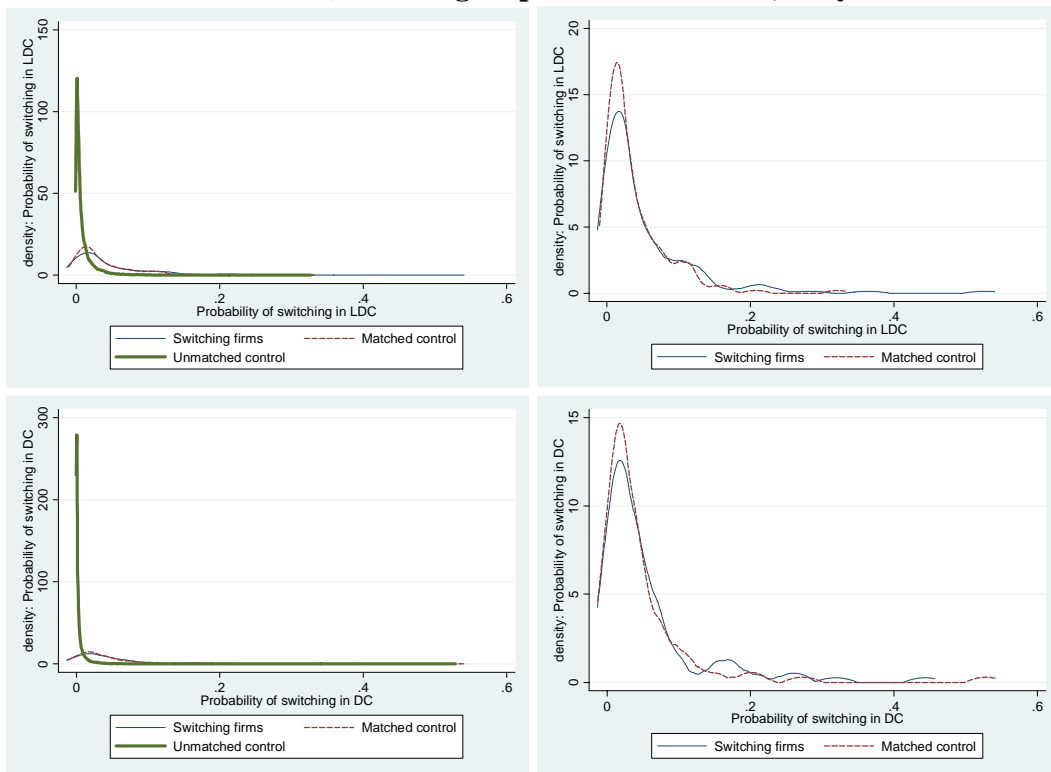
By Giorgio Barba Navaretti, Davide Castellani, and Anne-Célia Disdier

Supplementary material

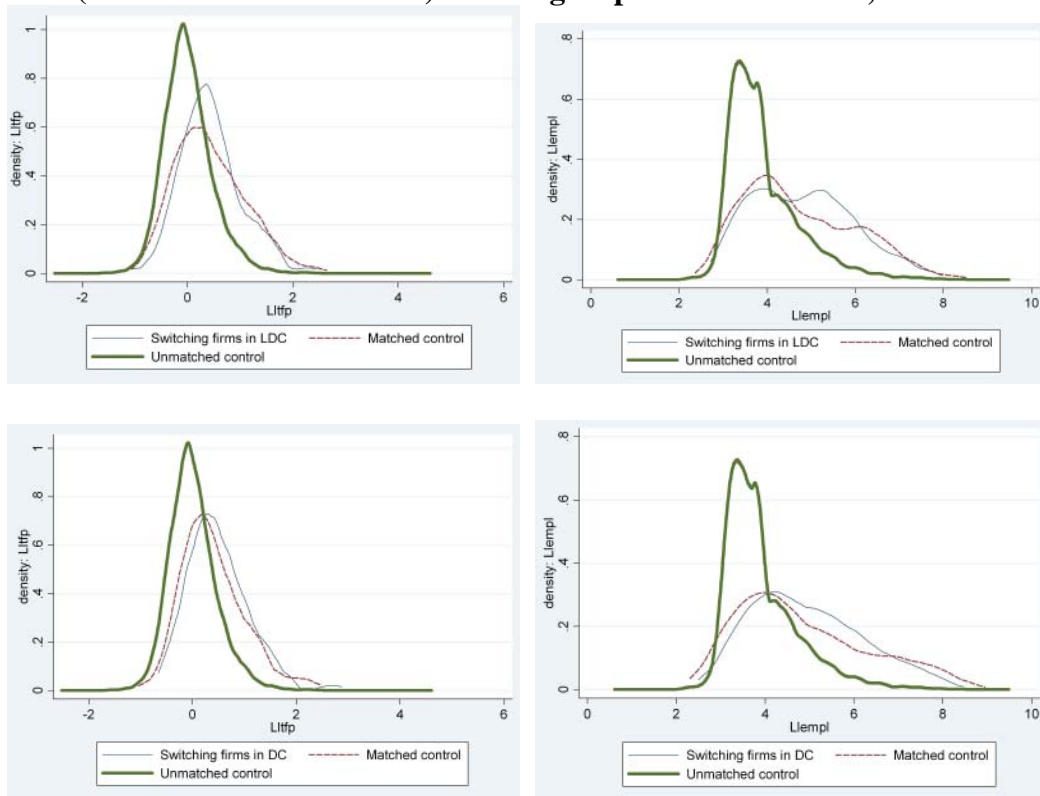
**Fig. A1a. Propensity score of the switching firms as opposed to the (unmatched and matched) control group of national firms, France**



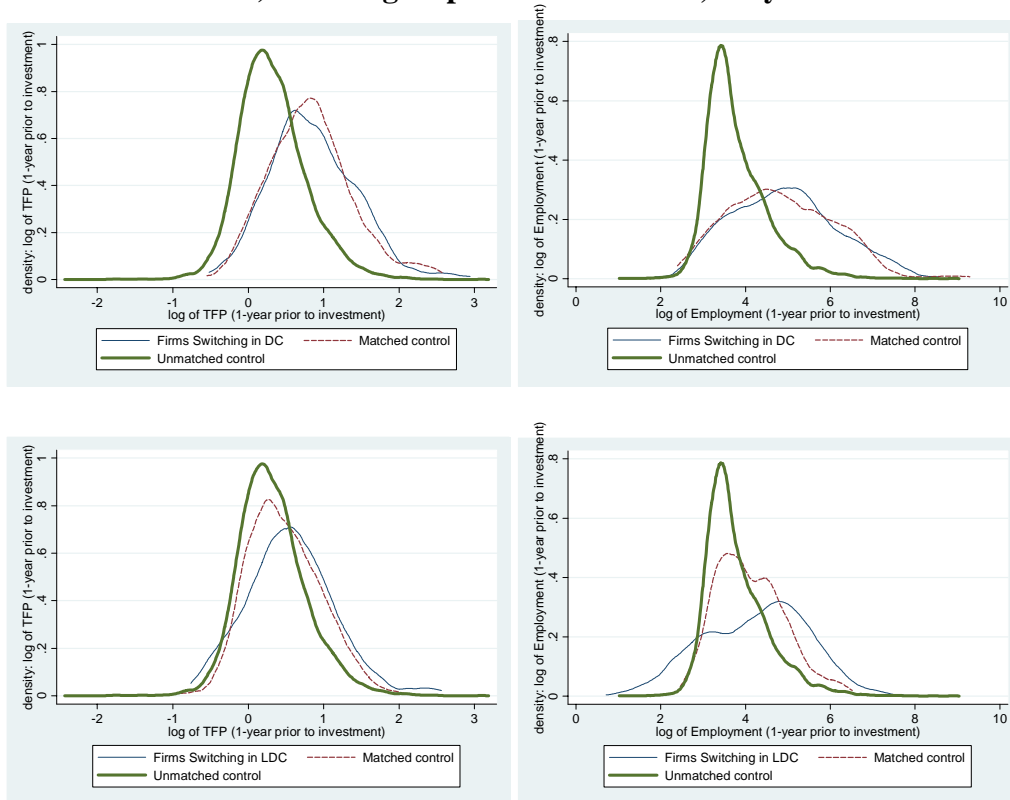
**Fig. A1b. Propensity score of the switching firms as opposed to the (unmatched and matched) control group of national firms, Italy**



**Fig. A2a. TFP and employment distribution in the switching firms as opposed to the (unmatched and matched) control group of national firms, France**



**Fig. A2b. TFP and employment distribution in the switching firms as opposed to the (unmatched and matched) control group of national firms, Italy**



**Table A.1. Probability of switching for French and Italian firms**

	Multinomial Logit					
	France			Italy		
	Coef.	Std. Error		Coef.	Std. Error	
<i>Switching in LDC</i>						
Log TFP <sub>i, t-1</sub>	1.577	(0.421)	***	2.001	(0.264)	***
Log Number Employees <sub>i, t-1</sub>	0.524	(0.138)	***	0.078	(0.106)	
Log Cost of labour per employee <sub>i, t-1</sub>	0.949	(0.644)		-1.299	(0.417)	***
Log Age <sub>i, t-1</sub>	0.326	(0.140)	**	0.256	(0.117)	**
Return on investments <sub>i, t-1</sub>	0.013	(1.312)		-3.841	(1.033)	***
Current ratio <sub>i, t-1</sub>	-0.050	(0.146)		-0.319	(0.160)	**
<i>Switching in DC</i>						
Log TFP <sub>i, t-1</sub>	1.336	(0.396)	***	2.170	(0.401)	***
Log Number Employees <sub>i, t-1</sub>	0.520	(0.117)	***	0.495	(0.141)	***
Log Cost of labour per employee <sub>i, t-1</sub>	1.176	(0.565)	**	-1.703	(0.635)	***
Log Age <sub>i, t-1</sub>	-0.090	(0.118)		0.323	(0.152)	**
Return on investments <sub>i, t-1</sub>	-0.443	(1.196)		-2.056	(1.543)	
Current ratio <sub>i, t-1</sub>	-0.010	(0.119)		-0.186	(0.191)	
Sector dummies		yes			yes	
Regional dummies		yes			yes	
Year dummies		yes			yes	
Number of obs		28,816			17,488	
LR chi2(238)		598.34			601.59	
Pseudo-R <sup>2</sup>		0.257			0.192	
Log likelihood		-866.22			-1,263.77	

Asterisks denote significance at 1% (\*\*\*), 5% (\*\*) and 10% (\*). Intercept and sector, regional and year dummies not reported.

**Table A.2. Testing for the balancing property: test for difference in means and distribution between switching and national in the matched samples**

	France					Italy				
	Nb. Obs.	Diff. in mean*	Std. Error	Comb. K-S**	P-value	Nb. Obs.	Diff. in mean*	Std. Error	Comb. K-S**	P-value
<i>Firms switching towards LDC and matched national</i>										
Log TFP <sub>i, t-1</sub>	160	0.011	(0.097)	0.127	[0.55]	348	0.077	(0.056)	0.094	[0.51]
Log Nb. Employees <sub>i, t-1</sub>	160	0.073	(0.185)	0.113	[0.70]	348	0.105	(0.109)	0.198	[0.01]
Log Cost of labour per employee <sub>i, t-1</sub>	160	0.000	(0.045)	0.085	[0.94]	348	0.038	(0.031)	0.106	[0.36]
Log Age <sub>i, t-1</sub>	160	0.114	(0.135)	0.141	[0.41]	348	0.064	(0.075)	0.124	[0.19]
Return on investments <sub>i, t-1</sub>	160	0.002	(0.015)	0.113	[0.70]	348	-0.004	(0.008)	0.127	[0.17]
Current ratio <sub>i, t-1</sub>	160	0.001	(0.140)	0.141	[0.41]	348	0.015	(0.056)	0.099	[0.44]
<i>Firms switching towards DC and matched national</i>										
Log TFP <sub>i, t-1</sub>	182	0.090	(0.087)	0.139	[0.35]	190	0.003	(0.081)	0.104	[0.72]
Log Nb. Employees <sub>i, t-1</sub>	182	0.072	(0.198)	0.151	[0.25]	190	0.011	(0.175)	0.107	[0.69]
Log Cost of labour per employee <sub>i, t-1</sub>	182	0.043	(0.052)	0.127	[0.46]	190	-0.020	(0.034)	0.080	[0.94]
Log Age <sub>i, t-1</sub>	182	-0.269	(0.129)	0.191	[0.07]	190	-0.108	(0.112)	0.182	[0.10]
Return on investments <sub>i, t-1</sub>	182	-0.007	(0.014)	0.155	[0.23]	190	0.003	(0.012)	0.164	[0.18]
Current ratio <sub>i, t-1</sub>	182	-0.044	(0.114)	0.143	[0.31]	190	0.045	(0.082)	0.139	[0.35]

Notes:

\* Difference-in-mean test is the estimated coefficient of a regression of each variable on a dummy taking value 1 for switching firms and 0 for the matched control.

\*\* Kolmogorov-Smirnov test for the equality of distribution of each variable in the groups of switching firms and matching national.

**Table A3. Testing for the balancing property: propensity score for national and switching firms, means and percentiles of the distribution**

	Nb. obs.	Mean (%)	Percentiles (%)				
			10 <sup>th</sup>	25 <sup>th</sup>	50 <sup>th</sup>	75 <sup>th</sup>	90 <sup>th</sup>
<i>France</i>							
<i>Switching in LDC</i>							
Propensity score							
Unmatched national	28,645	0.26	0.00	0.00	0.02	0.18	0.64
Switching	80	3.73	0.25	0.56	1.74	4.56	10.07
Matched national	80	2.84	0.25	0.56	1.72	3.93	6.83
Difference in propensity score between switching and matched national	80	0.98	0.00	0.00	0.02	0.11	1.75
<i>Switching in DC</i>							
Propensity score							
Unmatched national	28,645	0.30	0.00	0.00	0.03	0.19	0.68
Switching	91	4.51	0.28	0.68	1.91	5.82	12.01
Matched national	91	3.92	0.28	0.68	1.96	5.16	9.86
Difference in propensity score between switching and matched national	91	0.87	0.00	0.00	0.04	0.52	2.25
<i>Italy</i>							
<i>Switching in LDC</i>							
Propensity score							
Unmatched national	17,219	0.94	0.00	0.14	0.40	1.07	2.40
Switching	174	5.00	0.44	0.91	2.42	6.61	12.12
Matched national	174	4.31	0.44	0.90	2.42	6.42	11.02
Difference in propensity score between switching and matched national	174	0.80	0.00	0.00	0.02	0.14	1.42
<i>Switching in DC</i>							
Propensity score							
Unmatched national	17,219	0.50	0.00	0.00	0.11	0.41	1.14
Switching	95	5.55	0.22	1.10	3.16	6.18	15.94
Matched national	95	4.78	0.21	1.10	2.93	5.84	10.59
Difference in propensity score between switching and matched national	95	1.11	0.00	0.01	0.09	0.79	3.13

**Table A4. Testing for the balancing property: characteristics of switching before investing abroad and of (unmatched and matched) national firms, means and percentiles of the distribution**

	France							Italy						
	Nb. obs.	mean	Percentiles					Nb. obs.	mean	Percentiles				
			10 <sup>th</sup>	25 <sup>th</sup>	50 <sup>th</sup>	75 <sup>th</sup>	90 <sup>th</sup>			10 <sup>th</sup>	25 <sup>th</sup>	50 <sup>th</sup>	75 <sup>th</sup>	90 <sup>th</sup>
<i>Log TFP<sub>i,t-1</sub></i>														
Unmatched national	28,645	0.02	-0.52	-0.29	-0.03	0.27	0.61	17,219	0.33	-0.19	0.02	0.28	0.58	0.92
Switching in LDC	80	0.44	-0.22	0.07	0.40	0.72	1.26	174	0.56	-0.20	0.16	0.53	0.90	1.24
Matched national	80	0.43	-0.33	-0.02	0.36	0.85	1.32	174	0.48	-0.05	0.11	0.42	0.80	1.13
Switching in DC	91	0.50	-0.17	0.12	0.41	0.80	1.30	95	0.86	0.23	0.42	0.79	1.26	1.57
Matched national	91	0.41	-0.26	-0.03	0.33	0.72	1.12	95	0.86	0.14	0.47	0.86	1.14	1.57
<i>Log N. Empl.<sub>i,t-1</sub></i>														
Unmatched national	28,645	-1.20	-1.59	-1.40	-1.21	-1.02	-0.81	17,219	-1.20	-1.54	-1.36	-1.21	-1.04	-0.86
Switching in LDC	80	-1.02	-1.38	-1.21	-1.03	-0.84	-0.62	174	-1.21	-1.56	-1.35	-1.22	-1.08	-0.88
Matched national	80	-1.02	-1.41	-1.21	-1.04	-0.81	-0.66	174	-1.25	-1.67	-1.45	-1.26	-1.05	-0.90
Switching in DC	91	-0.93	-1.29	-1.15	-0.93	-0.76	-0.53	95	-1.07	-1.38	-1.25	-1.07	-0.90	-0.79
Matched national	91	-0.97	-1.42	-1.21	-0.95	-0.74	-0.53	95	-1.06	-1.33	-1.20	-1.04	-0.90	-0.80
<i>Log Cost of labour per employee<sub>i,t-1</sub></i>														
Unmatched national	28,645	2.83	1.61	2.30	2.94	3.50	3.83	17,219	2.83	1.95	2.40	2.89	3.30	3.66
Switching in LDC	80	3.16	2.01	2.74	3.28	3.69	4.05	174	2.91	1.95	2.48	3.00	3.43	3.83
Matched national	80	3.05	1.79	2.40	3.14	3.64	4.37	174	2.85	1.95	2.48	2.89	3.26	3.74
Switching in DC	91	2.84	1.79	2.20	2.77	3.58	3.89	95	3.09	2.20	2.77	3.14	3.53	3.83
Matched national	91	3.11	2.08	2.56	3.22	3.64	4.09	95	3.20	2.30	2.48	3.26	3.87	4.32
<i>Log Age<sub>i,t-1</sub></i>														
Unmatched national	28,645	0.07	-0.03	0.02	0.06	0.11	0.18	17,219	0.07	0.00	0.03	0.06	0.10	0.15
Switching in LDC	80	0.08	-0.01	0.04	0.08	0.13	0.17	174	0.06	0.01	0.04	0.06	0.08	0.13
Matched national	80	0.08	-0.03	0.02	0.07	0.11	0.20	174	0.07	0.01	0.04	0.06	0.10	0.16
Switching in DC	91	0.08	-0.01	0.02	0.06	0.12	0.18	95	0.08	0.01	0.03	0.06	0.11	0.17
Matched national	91	0.09	-0.01	0.03	0.08	0.13	0.19	95	0.07	0.00	0.04	0.06	0.10	0.16
<i>Return on inv.<sub>i,t-1</sub></i>														
Unmatched national	28,645	1.49	0.85	1.05	1.29	1.68	2.32	17,219	1.34	0.79	0.98	1.19	1.51	2.04
Switching in LDC	80	1.59	0.91	1.07	1.38	1.66	2.32	174	1.30	0.82	0.98	1.20	1.53	1.91
Matched national	80	1.59	0.92	1.13	1.37	1.72	2.45	174	1.28	0.80	0.99	1.19	1.40	1.86
Switching in DC	91	1.61	0.93	1.15	1.40	1.89	2.24	95	1.38	0.86	1.05	1.25	1.54	2.21
Matched national	91	1.65	1.05	1.15	1.50	1.92	2.38	95	1.33	0.71	0.98	1.26	1.55	1.91
<i>Current ratio<sub>i,t-1</sub></i>														
Unmatched national	28,645	3.92	3.14	3.33	3.71	4.29	5.04	17,219	3.79	3.04	3.30	3.61	4.16	4.77
Switching in LDC	80	4.81	3.47	3.77	4.77	5.54	6.43	174	4.23	2.64	3.30	4.41	5.16	5.73
Matched national	80	4.74	3.38	3.66	4.49	5.74	6.54	174	4.13	3.26	3.53	4.07	4.67	5.15
Switching in DC	91	4.94	3.50	3.91	4.76	5.71	6.70	95	4.92	3.30	3.95	4.91	5.72	6.73
Matched national	91	4.87	3.37	3.74	4.50	5.96	7.21	95	4.91	3.30	3.97	4.89	5.97	6.38