

The Effects of Overseas Outsourcing by Japanese Firms on Their Supplier Firms'  
Performance

April, 2015

Tomohiko Inui  
Naomi Kodama

Summary

In this paper, we examine the different effects of globalization on Japanese firms' productivity growth, employment and sales. Especially, we try to examine the impact of customers' firms' starting in overseas outsourcing on their supplier firms' productivity, employment and sales. The previous literature examines the direct effect of import activities on firms' productivity, but to our knowledge, there is no research that examines the indirect effect of import activities through buyer-seller networks.

To compare the performance of firms whose major customers start to import with those whose customers continue to procure their intermediate inputs within Japan, we combine propensity score matching with difference-in-difference (DID) estimation to compare the performance of the two types of firms. Our results suggest the impact of the customer's import start on their suppliers' productivity and sales growth are positive, but no strong effects on employment growth. This results imply that the customers may increase their productivity through importing, and lead to increase their production and procurement from the domestic suppliers. Then, the supplier of these customers enjoys higher spillover effects from them, and higher sales and production. The effect of import on firms' productivity is positive both directly and indirectly.

Key words: Import; Production Network; Productivity

JEL Classification: F14, F60, L25