

# Do Multinational Firms Transfer Culture? Evidence on Female Employment in China\*

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## Abstract

This paper studies whether multinational firms' transfer corporate culture across countries, revealed by foreign affiliates' and local firms' preferences for female workers. We build a parsimonious task-based model that features heterogeneity in firms' productivity and biases towards female workers. The model features women having a comparative advantage in skill-intensive versus brawn-intensive tasks, and multiple sectors that differ in their dependence on these tasks. The model predicts that an increased prevalence of foreign firms in the market induces discriminating firms to increase female employment, due to competition as well as learning.

We then confront the model predictions using manufacturing firm data from China over the period of 2004-2007. We find that foreign-invested enterprises (FIEs) from countries with lower gender inequality tend to hire proportionately more women and are more likely to appoint female managers. Domestic firms increase their female employment in response to the presence of FIEs. This cultural spillover is stronger in sectors in which women have a comparative advantage and from FIEs whose home countries are less biased against women. We find little evidence showing that competition is the main channel, suggesting the importance of imitation. Our results reveal an under-explored externality of FDI, beyond technology spillover.

**Key Words:** FDI, Culture, Gender Inequality

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