

Can Firm Subsidies Spread Growth?

Abstract

How do R&D subsidies impact firms and do they spillover to others? We show R&D subsidies induce French firms to hire new workers broadly, in technical, production and support roles. We find evidence of negative spillovers to non-beneficiary firms connected through the technical worker labour market (but also negative on the support workers overall). However, looking into the upstream and downstream industries, subsidies also induce positive hiring spillovers in technical workers. While subsidies are nominally awarded to beneficiary firms, they distribute spillovers more broadly.

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