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The contribution of FDI to employment, job quality and skills

This chapter examines the contribution of FDI to labour market outcomes in Canada. It assesses the impact of FDI on employment creation and job quality, considering both wage and non-wage working conditions. It also examines how FDI influences skills development and how foreign MNEs address potential skills imbalances, including through their training practices.

3.1. Summary of key findings

Foreign investment creates many quality jobs in the Canadian economy, but not to the same extent across sectors, provinces, occupations and workers (see also Chapter 4). Foreign MNEs employed 13% of the workforce in 2020 while they represented only 0.6% of the total number of firms. Their contribution to employment is particularly important in manufacturing, wholesale and retail trade and professional, scientific and technical services related to IT and R&D, in contrast with Canadian MNEs that employ many workers in finance and insurance. The contribution of FDI to employment strongly varies across Canadian provinces and employment by foreign MNEs is geographically more concentrated than employment by domestic firms – Ontario hosted nearly half of all jobs created by greenfield FDI between 2003 and 2022.

The job creation intensity of FDI in Canada is lower than in most OECD countries but jobs are often in high-tech occupations – a quarter of jobs created by greenfield FDI were in software and IT. Since 2005, Canada received nearly one third of its greenfield FDI in capital-intensive sectors like mining. Overall, one million USD of greenfield investment in Canada created 1.3 jobs - half the OECD average. The job creation intensity of FDI in Canada is lower than in the OECD even in labour-intensive sectors such as software and IT. However, jobs created in those sectors are often in R&D activities that require highly specialised engineers, in contrast with the United States, for instance, where FDI in the IT sector goes to a larger extent to less skill-intensive services that need more human resources.

Beyond job creation, foreign firms in Canada have a mixed impact on several dimensions of job quality such as wages, job security and employer-worker relations. The OECD Business Consultation on Corporate Sustainability Practices suggests that foreign firms pay, on average, wages that are higher than private domestic firms, mostly when they are large manufacturing exporters. Canadian MNEs may be paying equally high wages – it is to a large extent international operations of firms that generates the foreign wage premium. A lower proportion of foreign firms' employees are in non-standard forms of employment – workers with temporary and part-time job contracts – than domestic firms. This difference is likely to be driven by the smaller share of low-skilled workers in foreign MNEs that tend to have limited bargaining power. However, a non-negligible share of workers of foreign firms in Canada are in the retail trade industry, a sector with relatively low job tenure and moderately high proportion of temporary workers.

The effects of foreign firms on improving job quality are also contingent on whether they operate in sectors covered by collective bargaining agreements or established effective workers' voice arrangements. Collective bargaining coverage rate has been falling in Canada over the past few decades, particularly in sectors where foreign MNEs operate such as manufacturing and wholesale and retail trade. In non-unionised settings, foreign firms in Canada rely on their HR bodies to oversee labour relations. These are set or largely shaped by the MNE headquarters and the source country labour practices. All firms must comply with local labour rules, but there are no laws that facilitate board-level employee representation that are present in many OECD countries.

Canada has the most educated workforce in the OECD area, which is a major attractiveness factor for FDI that can itself support the development of skills needed for the digital and green transitions (see also Chapter 5). Skill needs of foreign MNEs in Canada are large in high-skilled digital and STEM jobs and in mid-skilled jobs requiring skilled trades. Canada's tight labour market and large skill imbalances affect all sectors, but are more acute in manufacturing, wholesale and retail trade and scientific services where foreign MNEs are key employers. Large foreign MNEs relying on skilled trades in manufacturing and wholesale and retail trade are at particular risk of facing skill mismatches, i.e., workers do not possess the right skills to perform their jobs. Skills shortages – when employers cannot fill a vacancy due to a lack of adequate candidates – are widespread and affect more than half of foreign MNEs in manufacturing, utilities, management of companies and enterprises, transportation, and waste management. Foreign MNEs report the greatest shortages for skilled trades in waste management and manufacturing sectors

and for computer and data science skills in tech-related services, partly driven by competition for talent from the United States.

Despite the prevailing skills shortage, foreign MNEs in Canada are less severely affected by the lack of available talent than domestic firms. To address skills imbalances and remain globally competitive, MNEs often have broader horizons and more elaborated strategies than non-MNEs in terms of where they can draw their talent, what training they provide and how they retain workers. The OECD consultation conducted for this study shows that foreign firms tend to have more effective recruitment strategies, partly due to their larger size and international experience, rely on international talent mobility of workers from other subsidiaries and leverage their global training practices. They also often partner with Canadian colleges and universities to provide technical apprenticeships or work-integrated learning opportunities, providing a pipeline of skills development for students and potential path to employment after graduation.

Policy considerations

- **Ensure that the investment promotion strategy is aligned with strategies on employment and skills development.** Adopt a balanced approach towards job creation in the investment promotion strategy by targeting activities that create quality jobs in both mid- and high-skilled occupations, particularly those needed for Canada's digital and green transitions. Ensure that labour demand generated by foreign firms' entry in sectors or provinces targeted by the Government of Canada can be met with available, mobile and adequately trained labour to realise the contribution of FDI and limit potential adverse impacts in a context of tight labour markets.
- **Strengthen cooperation between foreign firms and relevant government authorities to promote quality jobs and protect the most vulnerable.** This includes raising awareness on labour standards, incentivise foreign firms and their suppliers to disclose compliance with them and ensure that firms-workers relations are adapted to a rapidly changing world of work accelerated by foreign investment, particularly in sectors with low collective bargaining coverage and job security and high share of less-skilled workers.
- **Explore ways for Canadian IPAs to support potential and existing foreign investors that face severe skills shortages, particularly in skilled trades and advanced digital skills.** This includes developing training programmes, in partnership with relevant authorities, that respond to increased labour demand in sectors targeted by Invest in Canada and that provide transferable, certifiable skills to facilitate labour mobility. Invest in Canada could also further facilitate training partnerships between foreign firms and Canadian colleges and universities and encourage foreign entrants to transfer specialised staff from other subsidiaries to support their early establishment in Canada, providing an opportunity to transfer knowledge in shortage.
- **Strengthen cooperation between Canadian IPAs, Statistics Canada and Employment and Social Development Canada to improve data availability, analysis and evaluation of policies related to FDI impact on the future of work.** Existing databases and surveys could provide further statistics by ownership type on skills needs and imbalances, measures taken by firms to address these imbalances (e.g., amount spent on training), wage levels and unionisation rates. Furthermore, consider involving Canadian IPAs in labour market information and skill needs and anticipation exercises to design and implement active labour and skills development programmes that target the skills needs of foreign firms as well.

3.2. The impact of FDI on employment and job quality

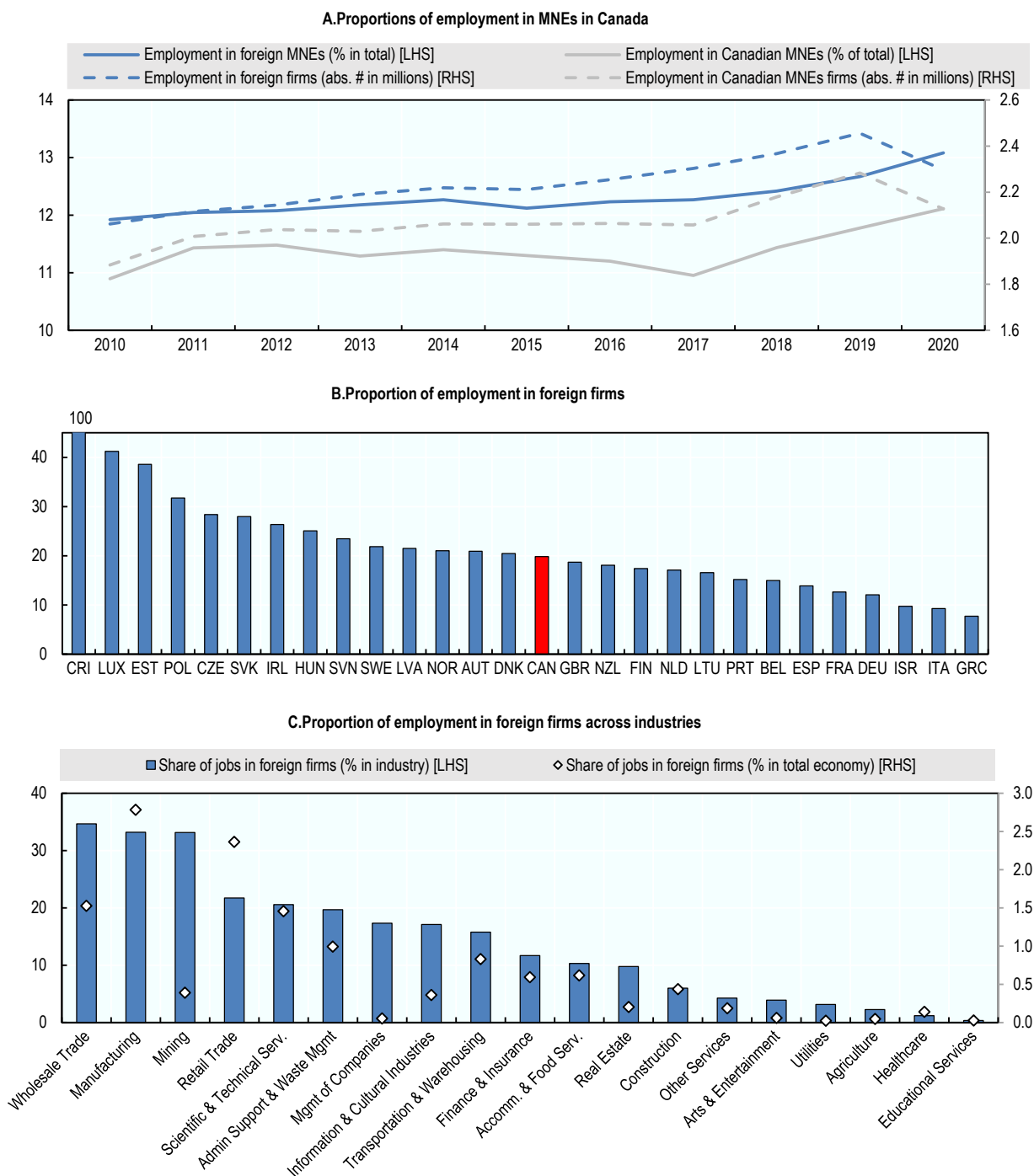
3.2.1. The contribution of foreign MNEs to employment is important but uneven across sectors and provinces

Foreign firms in Canada are responsible for a significant share of employment. Foreign firms – as compared to domestic ones – contribute more than proportionally to various metrics of Canada’s economic performance and hold important employment opportunities. Although foreign firms represented merely 0.6% of the total number of active firms in Canada in 2020, they accounted for almost 25% of gross fixed capital formation and employed 13% of the workforce in the economy (Figure 3.1, Panel A). Compared to other OECD countries, the contribution of foreign MNEs to employment in Canada is greater than in other large economies like Germany or France, partly reflecting a significantly higher FDI stock to GDP ratio, but less than in small open economies like Luxembourg, Ireland, or Czechia (Figure 3.1, Panel B). As the largest foreign investor, the United States accounted for 62% of foreign firms’ employment in Canada (OECD calculations based on Statistics Canada (2023^[11])).

The contribution of foreign firms to job creation in Canada has increased over the past decade, reflecting a steady growth of the FDI stock, and MNEs – both foreign and Canadian – have proven more resilient than non-MNEs to the disruptions caused by the COVID-19 pandemic. Since 2010, the contribution of foreign and domestic MNEs to job creation has increased by about one percentage point each while that of Canadian non-MNEs has decreased by two percentage points (Figure 3.1, Panel A). As in other OECD countries, foreign companies in Canada were able to provide greater job security following the outbreak of the COVID-19 pandemic, and the number of jobs in foreign companies declined by only 6% year-on-year in 2020, while the number of jobs in Canadian MNEs and non-MNEs fell by 7% and 10% respectively.

Few sectors in Canada host most of the employment by foreign MNEs, reflecting the uneven distribution of FDI across sectors with different sizes and labour-intensities. Employment in foreign MNEs is largest in wholesale trade (35% of employment in the sector), manufacturing (33%), and mining (33%) followed by retail trade (22%), scientific and technical services (21%), and waste management (20%) (Figure 3.1, Panel C). Foreign firms in wholesale and retail trade and manufacturing each account for about 2-3% of jobs in the Canadian economy while mining, a less labour-intensive sector, accounts for only 0.4% of jobs in the overall economy. In some sectors that also have a high public sector share, such as education and healthcare, the share of both foreign and domestic MNE employment is low, while, for example, in finance and insurance the employment share of foreign firms is 50 percentage points lower than that of Canadian MNEs. Between 2010 and 2020, foreign MNEs created the most jobs in scientific, and technical services – comprising software engineering - as well as wholesale trade. They also outpaced job creation by Canadian MNEs in these two sectors.

Figure 3.1. Foreign MNEs contribute importantly to employment and labour market resilience

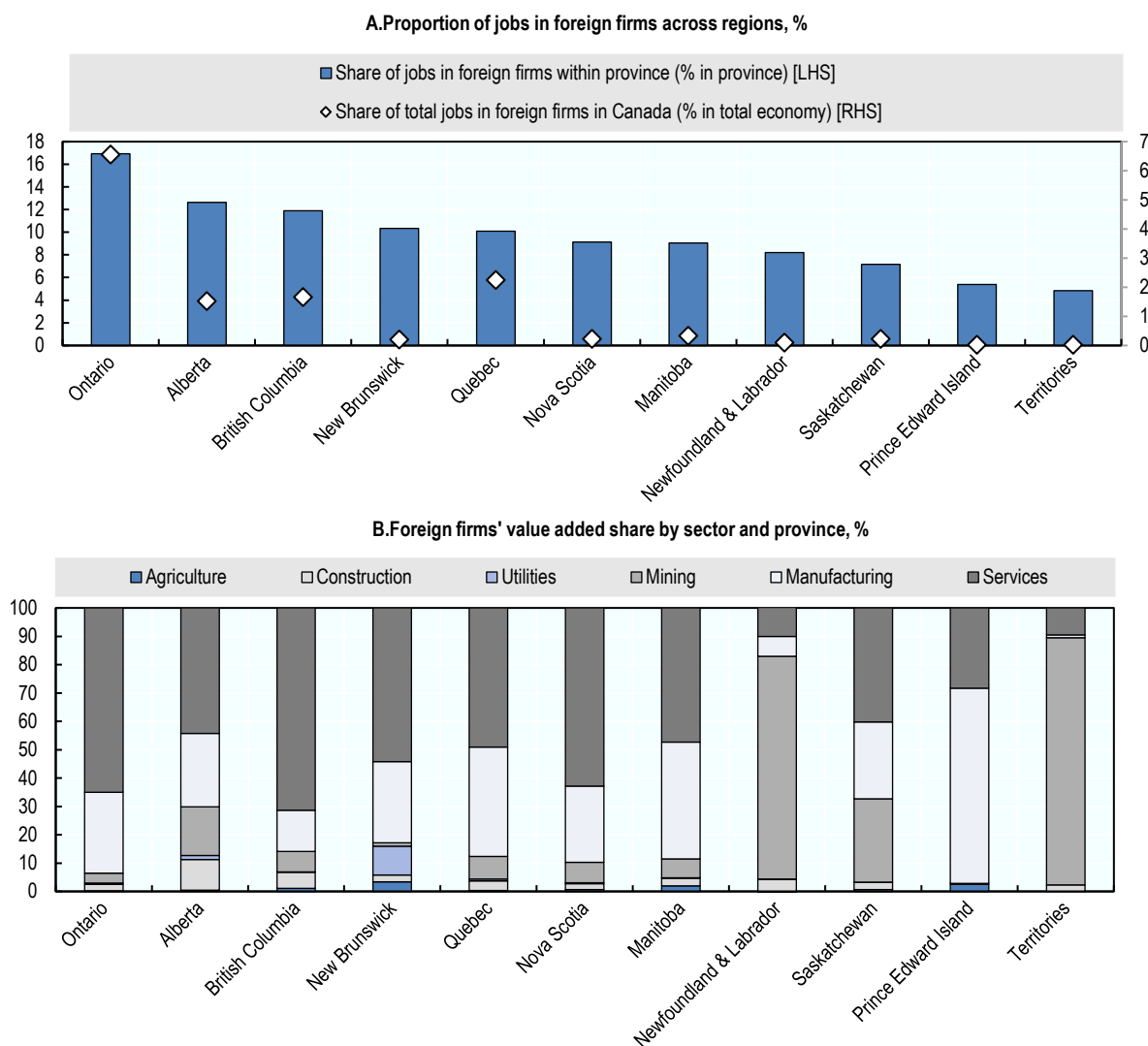


Note: Panel A shows the share and absolute number of jobs in foreign and Canadian MNEs in Canada over time. Panel B shows the share of jobs in foreign firms in Canada and other OECD economies. For reasons of data comparability, country aggregates exclude agriculture, financial and insurance activities, education services, healthcare, arts, entertainment and recreation, other services, and public administration (corresponding to ISIC rev. 4 sectors B-N, excluding K). The chart is based on the latest available data. Panel C shows the share of jobs in foreign firms in Canada for different industries (relative to the total of the respective industry as well as to the total Canadian economy).

Source: OECD elaboration based on Statistics Canada (2023^[2]), <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=3610062001> and OECD (2023^[3]), https://stats.oecd.org/Index.aspx?DataSetCode=AMNE_IN.

Foreign MNEs employ a significant share of workers in most Canadian provinces, but their contribution varies depending on their weight and characteristics across provinces. Differences in access to the littoral and proximity to large agglomerations, including integrated transborder areas with the United States such as the Detroit-Windsor region, also contribute to these varying levels of FDI and thus employment in foreign firms across provinces. In 2020, foreign MNEs employed 17% of workers in Ontario, followed by Alberta (13%), British Columbia (12%), New Brunswick (10%) and Quebec (10%) (Figure 3.2, Panel A). Together, the five provinces hosted 92% of total employment by foreign MNEs in Canada. Ontario, Alberta, British Columbia, and Quebec concentrate most of the FDI in Canada and a considerable share of foreign activity in these provinces is in manufacturing and service that are labour-intensive (Figure 3.2, Panel B). Other provinces receive much less FDI or, as in the case of Newfoundland and Labrador and Saskatchewan, have a higher share of foreign activity in sectors that are less labour-intensive, such as mining.

Figure 3.2. The number of jobs in foreign firms varies substantially across Canadian provinces



Note: Panel A shows the share of jobs in foreign firms across regions measured as share within provinces and as share in the total economy. Panel B shows the share of GDP (value added) by foreign firms in different sectors across provinces. 100% describe the total GDP by foreign firms in each province. Both charts are based on data from 2020.

Source: OECD elaboration based on Statistics Canada (2023^[2]), <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=3610062001>

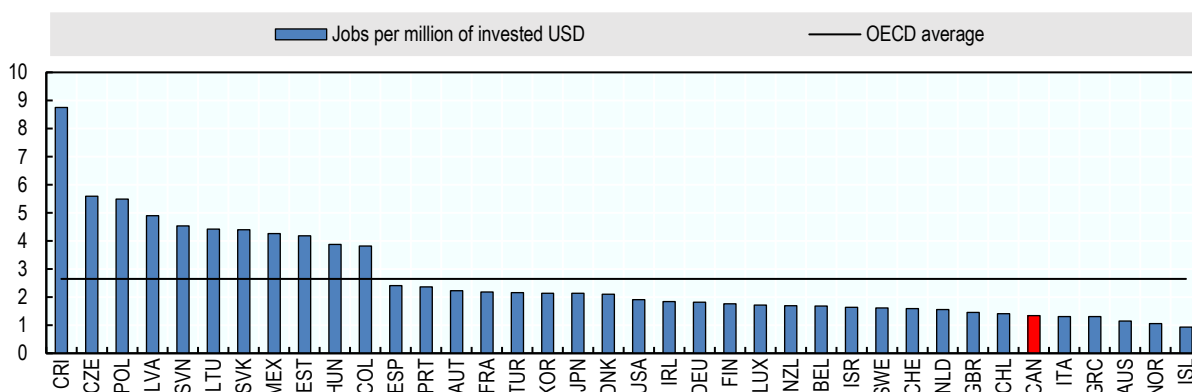
3.2.2. Greenfield FDI creates less jobs in Canada than in most OECD countries, but many are in high-tech occupations

The important contribution of foreign MNEs to employment in Canada reflects the large stock of FDI that Canada hosts compared with other OECD economies. To understand how FDI may shape the future of work in Canada, it is equally important to identify what is the job creation potential of foreign investment projects. Especially greenfield FDI, i.e., the establishment of new foreign companies, is expected to have a significant direct and indirect impact on employment (OECD, 2019^[41]). Apart from the type of FDI attracted (e.g., greenfield FDI or mergers & acquisitions), the economic structure of the host economy and its integration into global value chains (GVCs) are important determinants in this context. Countries with a comparative advantage in low- and medium-technology activities and competitive labour costs tend to attract more labour-intensive FDI than countries with a comparative advantage in high-technology, knowledge-intensive sectors, higher labour costs or with a large stock of natural resources.

Consequently, countries with high shares of FDI both in mining of natural resources and in knowledge intensive sectors such as Canada have comparatively lower job creation per invested dollar, but many jobs are in high-tech occupations. Between 2005 and 2022, one million US dollars of greenfield investment in Canada created 1.3 jobs – half of the job creation intensity of the OECD average at 2.7 (Figure 3.3). This reflects the fact that nearly one-quarter of greenfield FDI was in activities related to coal, oil and gas, which is significantly higher than the OECD aggregate (Figure 3.4, Panel A). The job creation intensity of Canada is similar to that of other resource-rich countries like Australia, Chile and Norway, but is lower than the job creation intensity of economies with large labour-intensive manufacturing sectors like Costa Rica, Czechia and Poland. Outside of the mining sector, greenfield FDI in Canada created most jobs in sectors requiring high-skilled labour, at the forefront software and IT (about 25%) followed by financial and business services and transport equipment (each with 12%) (Figure 3.4, Panel B).

Figure 3.3. Canada’s job creation intensity is similar to that of other resource rich OECD countries

Job creation intensity of greenfield FDI in OECD economies, total over 2005-2022



Note: This figure shows the average number of jobs created per millions of invested USD by all opened and announced greenfield FDI projects across OECD countries.

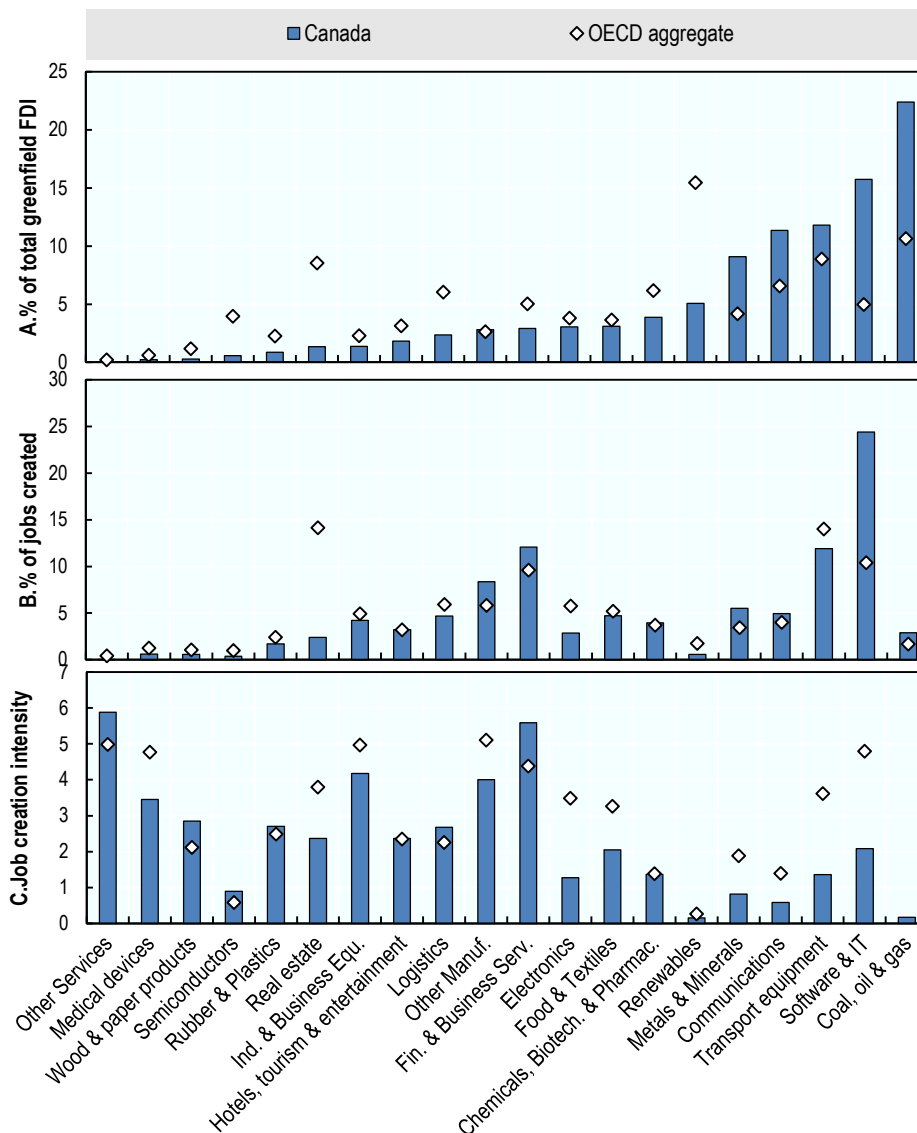
Source: OECD elaboration based on Financial Times (2023^[5]), <https://www.fdimarkets.com/>

Transport equipment and software and IT, two sectors that receive large shares of greenfield FDI and account for significant shares of jobs created by investment, have lower job creation potential in Canada than in other OECD economies. While one million US dollars invested in the Canadian transport equipment and software and IT industry created between 1.4 and 2 jobs, one million US dollars invested in these sectors of other OECD countries created between 4 to 5 jobs (Figure 3.4, Panel C). These differences

suggest that the split across value chain activities within a sector plays an important role in determining the job creation of FDI. Value chain activities range from research and development (R&D) at the beginning of a product lifecycle to manufacturing, marketing, logistics or maintenance and servicing. As these activities differ in their labour intensity, investments within a sector have a different job creation potential depending on the activities targeted. Greenfield FDI in service activities creates on average of about 4 jobs per million dollars invested in OECD countries, followed by R&D and manufacturing activities with job creation intensities of 3 and 2, respectively (OECD calculation based on Financial Times (2023^[5])).

Figure 3.4. A large share of jobs created by greenfield FDI in Canada are in high-tech occupations

Proportions of created jobs and FDI across sectors in Canada and other OECD economies, total over 2005-2022



Note: This figure shows the distribution of greenfield FDI (Panel A), created jobs (Panel B) and job intensity (Panel C) across sectors in Canada and other OECD economies as total over 2005-2022 for all opened and announced projects. “OECD aggregate” includes all OECD members apart from Canada as simple aggregation. Due to data availability the definition of sectors follows the data source (Financial Times, 2023^[5]) and does not follow the official NAICS sector classification.

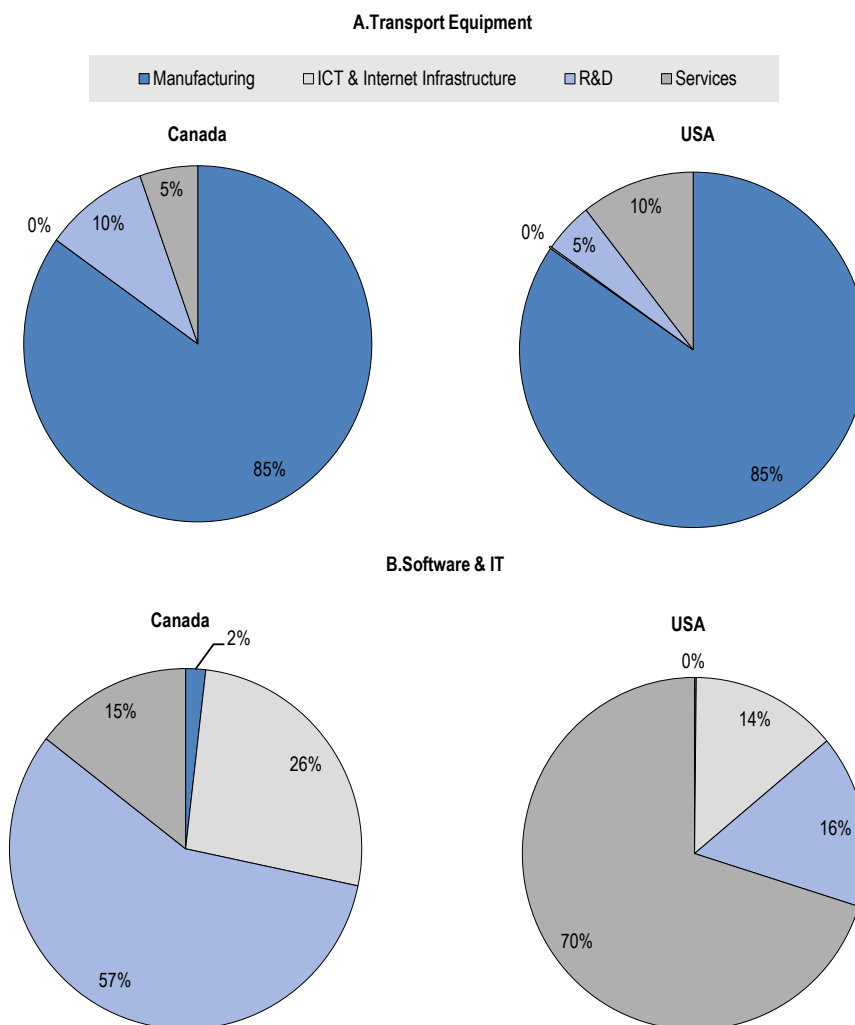
Source: OECD elaboration based on Financial Markets (2023^[5]), <https://www.fdimarkets.com/>

For example, both in Canada and in the United States about 85% of greenfield FDI in transport equipment is directed to manufacturing activities. However, while in the United States the remaining 15% is mainly directed to labour intensive services activities (logistics, headquarters as well as maintenance and servicing), in Canada it primarily went to R&D activities in the aerospace industry (Figure 3.5, Panel A). This shows that although the job creation through FDI in the Canadian transport equipment sector has been low, a relatively large number of high-skilled jobs has been created.

In case of the software and IT sector, the difference in the distribution of greenfield FDI across activities is even more pronounced. In the United States about two thirds of greenfield FDI in the software and IT sector is concentrated in labour-intensive services such as sales, marketing, and support whereas greenfield FDI in the Canadian software and IT sector was mostly concentrated in R&D activities especially for video games and software publishers (Figure 3.5, Panel B). From 2005 until 2022, opened and announced greenfield FDI projects in the software and IT industry are estimated to have created nearly 50,000 jobs in R&D activities, highlighting how FDI shapes the demand for skills and different occupations.

Figure 3.5. FDI in Transport Equipment and Software & IT industry is concentrated in R&D activities

FDI within Transport Equipment and Software & IT by activity, % in total sector greenfield FDI over 2005-2022



Note: This figure shows the share of greenfield FDI in the Transport equipment (Panel A) and Software and IT industry (Panel B) across different activities. *Service* activities include Business Services, Headquarters, Technical Support Centre, Education & Training, Shared Services Centre, Logistics, Distribution & Transportation, Customer Contact Centre, Maintenance & Servicing, as well as Sales, Marketing & Support.

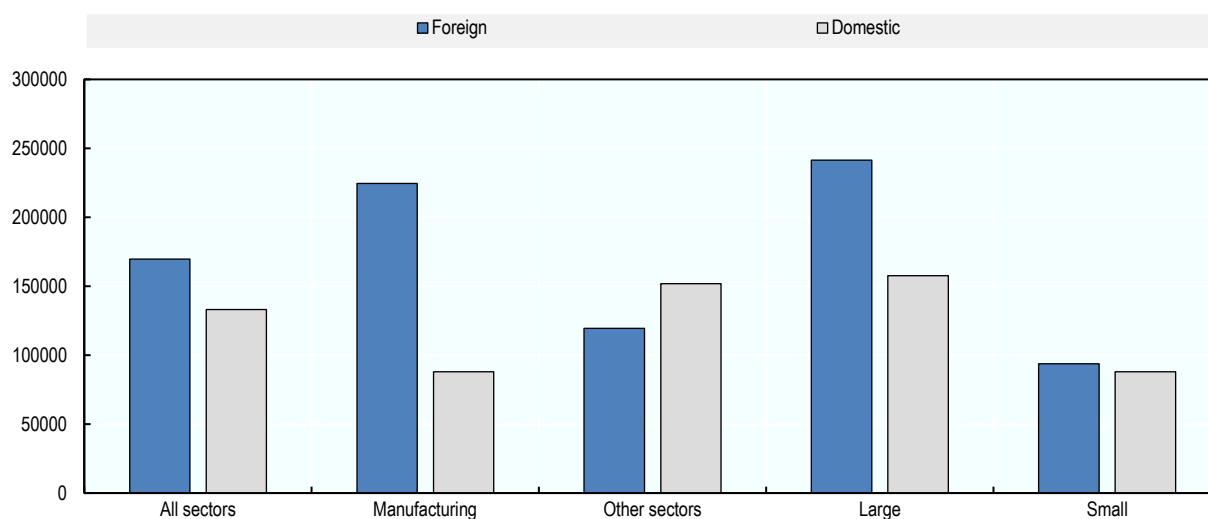
Source: OECD elaboration based on Financial Markets (2023^[5]), <https://www.fdimarkets.com/>

3.2.3. Foreign firms in Canada have a mixed impact on job quality

Foreign investment in Canada can contribute to improved labour market outcomes and better living standards. There is no available data on wages paid by foreign MNEs, Canadian MNEs and non-MNEs. The OECD business consultation on corporate sustainability practices, although not representative of firms' characteristics in Canada, suggests that foreign ownership is associated with higher wages. According to the business consultation, foreign firms pay, on average, wages that are about 27% higher than domestic firms, but not necessarily in all sectors and firm sizes (Figure 3.6). In general, the foreign wage premium is largely the result of foreign firms' higher productivity levels, company size, share of skilled workers, and exports (OECD, 2022^[6]). The gap between the foreign and domestic firms surveyed in Canada seems to be greatest among large companies and in the manufacturing sector – the size of the sample of the business consultation does not allow to examine wage differences in other specific sectors.

Figure 3.6. Foreign ownership is associated with higher wages but not in all sectors or firm sizes

Average annual cost of labour (including wages, salaries, bonuses, social security payments) per employee



Source: OECD Business Consultation on Sustainability Practices in Canada (2022^[7]).

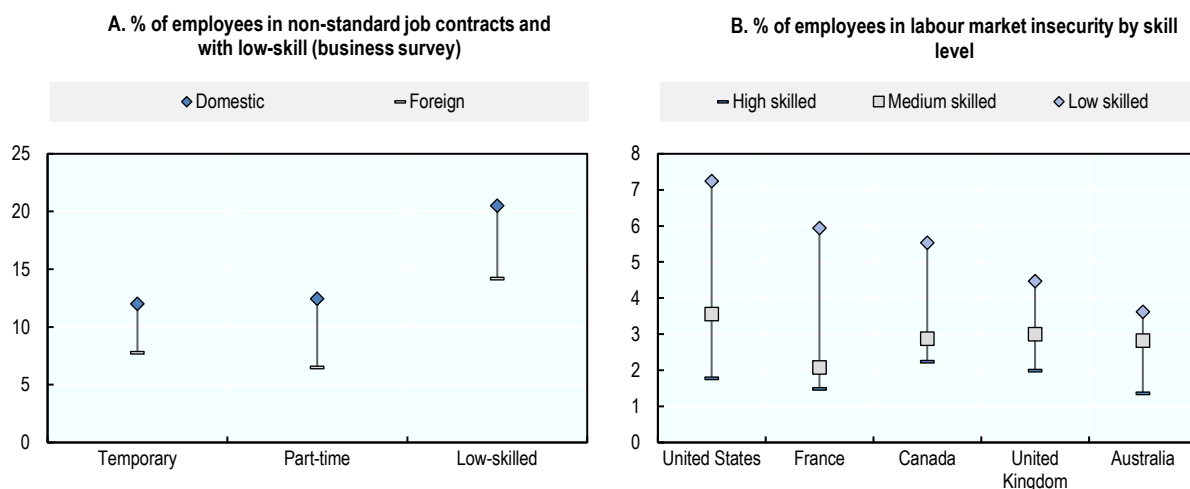
The high foreign wage premium in Canadian manufacturing may be driven by the small and non-representative sample. It may also reflect the activity of export-oriented large foreign firms operating in highly competitive global markets where better wages help attract and retain skilled workers (Huang, 2016^[8]). Foreign firms are responsible for 57% of Canadian export value, including 59% of merchandise exports (see Chapter 2). The difference in wages paid by the surveyed foreign and domestic firms is less pronounced or non-existent outside of the manufacturing sector. However, evidence shows that the foreign wage premium in Canada exists and is widespread across all sectors (Huang, 2016^[8]; Sébastien and Brown, 2011^[9]; Baldwin and Gu, 2005^[10]). Earlier, albeit dated, evidence reveals that Canadian and foreign MNEs pay similar wages to their workers, but there is a large difference with non-MNEs, particularly for production workers (Baldwin and Gu, 2005^[10]). Overall, it is membership in a multinational production network – and not foreign ownership *per se* – that generates the foreign wage premium (Setzler and Tintelnot, 2021^[11]).

Foreign firms in Canada have a mixed impact on dimensions of job quality other than wages, including job security, occupational health and safety at work and such collective bargaining coverage. These differentiated impacts are mostly driven by differences in foreign and domestic investment concentration across sectors with distinct labour market features. Moreover, they depend on whether MNEs export their

home country's labour practices and pass them on to domestic firms, or whether they adapt to host country standards (OECD, 2022^[6]). Evidence suggests that foreign MNEs in Canada have brought aspects of their own HRM practices to Canadian subsidiaries, while also relying strongly on domestic practices and standards in place.

The OECD business consultation on corporate sustainability practices shows that foreign firms in Canada have lower proportions of employees in non-standard forms of employment – workers with temporary and part-time job contracts – than domestic firms (Figure 3.7, Panel A). This category of workers has lower earnings than employees on permanent contracts and a higher risk of having unstable lifetime employment. Job insecurity also affects firms' investment in training and, in turn, their productivity growth (OECD, 2019^[12]). However, it is likely that this difference is driven by the smaller share of low-skilled workers among the foreign MNEs surveyed rather than the inherent labour practices of employers who aim for more stable employment contracts. Low-skilled workers are usually the most disadvantaged in terms of labour market security in OECD countries, including Canada (Figure 3.7, Panel B). Overall, the proportion of workers in non-standard forms of employment in Canada is higher than the OECD average.

Figure 3.7. Non-standard employment in Canada is lower among foreign firms



Note: Panel B: Data represents observations for 2016. The skill level B corresponds to the education level.

Source: Panel A: OECD Business Consultation on Sustainability Practices in Canada (2022^[7]). Panel B: OECD Job Quality Database (2023^[13]), <https://www.oecd.org/statistics/job-quality.htm>

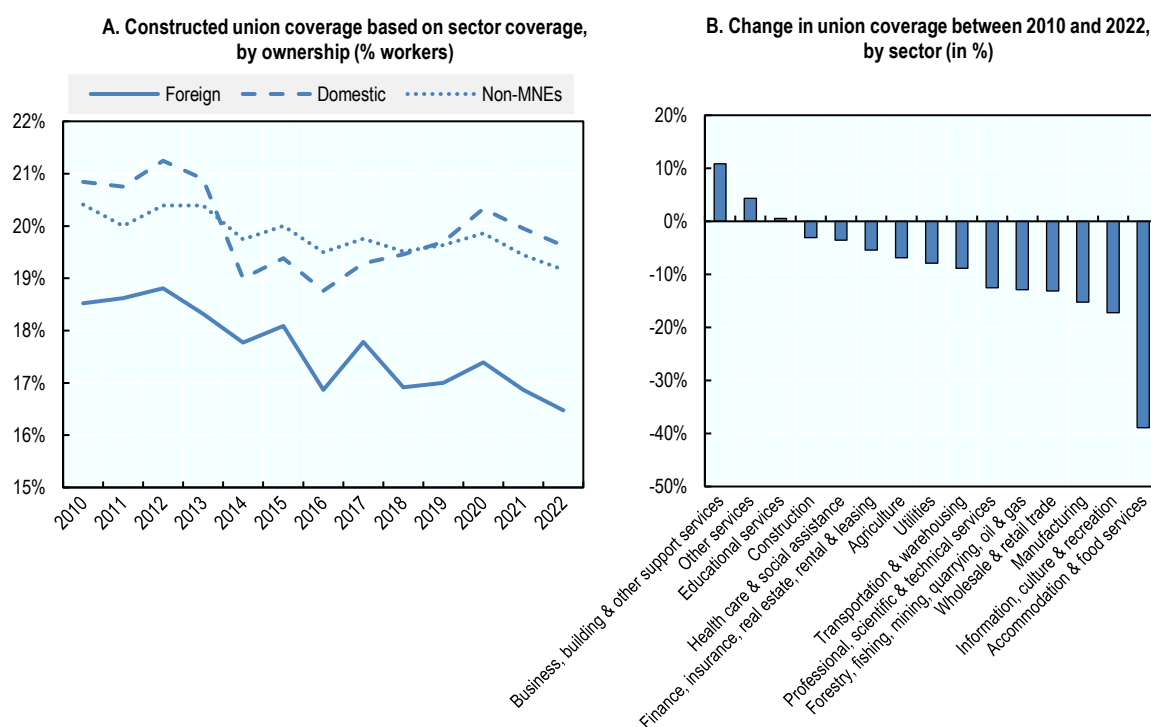
The greater demand for skilled workers by foreign MNEs could, in principle, contribute to reduce job insecurity in Canada, but not necessarily to a greater extent than Canadian MNEs. Canadian MNEs are more present in high-skill intensive services such as finance and insurance, while foreign firms focus more on the production (manufacturing) and the sale of goods (wholesale and retail trade). These sectors comprised half of all jobs held by foreign firms in Canada in 2017, compared to one-third of all jobs held by Canadian MNEs (Statistics Canada, 2019^[14]). The proportion of temporary workers in these different sectors is small, except retail trade, a sector with also relatively low average job tenure. Multinationals – foreign and domestic – can rapidly move their operations or activities across borders and affiliates in response to wage movements, changes in regulations or trade fluctuations. This can reduce job security – particularly for low-skilled workers – in the trading sector where profit margins are narrow. It is costlier to separate from the higher-skilled staff that are typically harder to find in periods of growth (OECD, 2022^[6]).

The quality of the jobs created by foreign firms in Canada also depends on whether they operate in sectors covered by collective bargaining agreements and have effective workers' voice arrangements. Foreign investment is a catalyser of megatrends such as the digital and green transition that are transforming the

world of work and creating uncertainty about labour market gains and losses. Collective bargaining systems and workers' voice arrangements help ensure that all workers benefit from these transformations, supporting solutions to emerging issues, integrating policies to anticipate skills needs, and supporting displaced workers in new forms of work (OECD, 2019^[15]). Collective bargaining can also support a fairer sharing of productivity gains by influencing the wage formation process. This is relevant in the context of foreign firms that may poorly translate productivity related rents into wage benefits, particularly for less skilled workers with lower bargaining power (Criscuolo et al., 2020^[16]; OECD, 2022^[6]).

The rate of collective bargaining coverage has been falling in Canada over the past few decades, particularly in sectors where foreign MNEs operate. There is no publicly available data on the proportion of workers in foreign MNEs covered by a union agreement. However, applying sector-specific union coverage rates to employment trends in foreign and domestic firms, approximate measures by ownership type can be obtained. These measures suggest that the coverage rate within foreign MNEs is significantly lower than in Canadian MNEs and non-MNE firms (Figure 3.8, Panel A). The gap also considerably widened over the last decade. This has been driven mainly by a significant fall of union coverage in FDI-intensive sectors such as manufacturing and wholesale and retail trade (Figure 3.8, Panel B). Sectors where Canadian MNEs operate more significantly such as in finance and business services witnessed a lower decline. The decline in union coverage is not specific to Canada. Most OECD countries have experienced a similar trend (OECD, 2019^[17]).

Figure 3.8. Change in union coverage in foreign and domestic firms based on industry coverage



Note: Panel A: Percentages of union coverage by ownership are constructed by applying union coverage by sector to employment numbers by ownership type and by sector. Data for 2021 and 2022 is an estimate based on employment numbers for 2020.

Source: OECD elaboration based on Statistics Canada (2023^[21]) and Statistics Canada (2023^[18]), <https://doi.org/10.25318/1410007001-eng>

Engagement with unions could help ensure that the impact of foreign MNEs on job quality in Canada is based on domestic practices and not merely contingent on labour practices exported from the home country. Evidence from Ontario, largely within the manufacturing sector, suggests that foreign MNEs are more likely to comply with provincial employment laws when operations are unionised. Their country of

origin affects the likelihood of compliance mostly in non-unionised workplaces – likelihood is higher among Western European or Scandinavian MNEs than in firms from countries with greater labour right violations (Pohler and Riddell, 2018^[19]). Unionisation does not necessarily lead to stronger employer-employee relations, however, such as in the case of the mining sector, where some foreign MNEs have mimicked the limited engagement of Canadian firms with unions (Levesque et al., 2015^[20]). The high concentration of FDI in some sectors may also allow foreign MNEs to lobby for their preferred HRM approach given sectoral dependence on FDI (Aguzzoli and Geary, 2014^[21]).

Differences in skill-intensity can also influence the strength of engagement of foreign MNEs with labour unions. Despite the mixed engagement that foreign MNEs have had with workers and unions in Canada, evidence comparing Canada to Argentina and Mexico shows that workers of foreign MNEs in Canada have greater bargaining power, given their higher skill levels. This is also compounded by the greater autonomy of managers of foreign MNEs in Canada vis-à-vis their corporate headquarters, which contributes to their stronger engagement with labour unions. This differs from Argentina or Mexico, where subsidiary managers being more tied to their international HRM, combined with lower worker skill levels, leads the foreign MNEs to engage less with unions (Levesque et al., 2015^[20]).

As sectors with lower union coverage rates attract the bulk of FDI in Canada, it is also crucial to examine firm-labour relations practices outside of the union context. Canada is among only ten OECD member states where unions are the only official worker-led representative voice in the workplace, with an absence of works councils and non-unionised worker representatives (OECD, 2019^[17]). It is important to note that in Canada there are no laws facilitating employee representation at board level, which are present in twenty OECD member states (OECD, 2017^[22]). There are some mandatory representative voice institutions in larger firms in Canada, such as health and safety committees (mandatory under most Canadian labour legislation), but these are less effective in non-union environments due to less employers' buy-in and employees' engagement (OECD, 2019^[17]).

In Canada, in non-unionised settings, domestic and foreign firms rely on their HRM bodies to oversee labour relations. This can limit the impact of FDI on job quality, given the lower effectiveness of employee voice approaches, compared to unionisation and direct worker representation. Nevertheless, working conditions can be influenced by foreign firms' intrinsic characteristics, such as more advanced management practices than domestic firms, and good management can lead to higher job satisfaction (OECD, 2022^[6]). For example, one of Canada's few non-unionised automakers, has team member relations function within its HRM. The staff in this function are former manufacturing employees who are familiar with frontline workers in the industry, which helps to understand their concerns. One subsidiary of an MNE in the energy sector has different employee relations practices compared to its parent firm in Asia, with activities that are common in Canadian corporate settings, such as a Joint Safety Committee and a Joint Social Committee. However, the differences in practices also stem from the fact that operations in headquarter focus more on operations and production, while those in Canada are largely made up of highly skilled employees in research and development functions, which makes different demands on employees.

Notwithstanding the nature of industrial relations of MNEs in Canada – whether in a unionised or non-unionised context, in practice, the bargaining power of MNEs vis-à-vis workers may still differ from that of domestic firms, perhaps due to workers' fears that wage demands (or negative shocks) may lead to the relocation of production. Their higher propensity to go abroad could adversely affect rent-sharing with workers and may also weaken MNEs' compliance with labour standards. The OECD Guidelines for MNEs indicate that, in the context of negotiations with workers' representatives, or while workers are exercising a right to organise, MNEs should not threaten to relocate activity to other countries to unfairly influence negotiations or to hinder the exercise of a right to organise (OECD, 2011^[23]; OECD, 2022^[6]).

Whether in Canada or elsewhere, one consequence of the bargaining imbalance in foreign MNEs at the national level has been the development of transnational workers' representations to better co-ordinate workers' bargaining policies. Global Framework Agreements (GFAs) have emerged as an innovative

cross-border mechanism among MNEs to better co-ordinate workers' bargaining policies across national subsidiaries, providing workers with the right to unionise and bargain collectively. In Canada, there are dozens of foreign and domestic MNEs that have entered GFAs, in sectors such as manufacturing and construction. Although there are no analyses of their impacts for Canadian workers, global evidence suggests that GFAs have the capacity to improve workers' fundamental rights and bargaining power at work, but this also depends on the labour practices of the country of origin of the MNE (OECD, 2022^[6]).

3.3. FDI impacts on skills development and imbalances

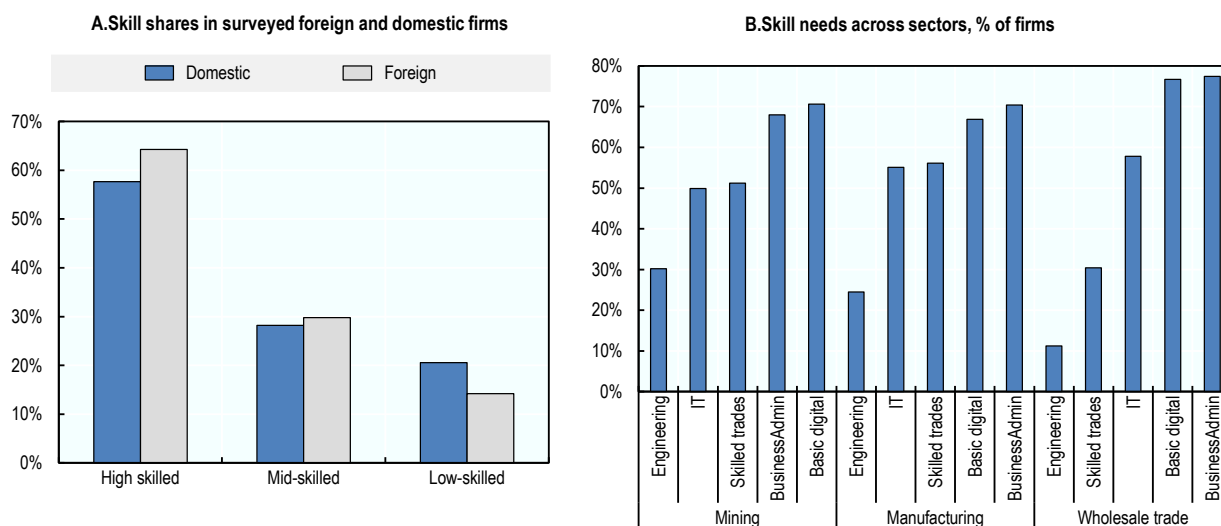
Canada's highly-educated workforce is an important pull factor for FDI that can itself, as part of a virtuous cycle, contribute to upskilling. Foreign investment can accelerate megatrends such as the digital and green transitions that, together with population ageing, change the supply and demand of skills on the labour market (OECD, 2020^[24]). These trends may lead to changes in tasks, the elimination of some jobs and the creation of new jobs that require different skills. Economic growth and employment in Canada have gone back-to pre-COVID-19 pandemic levels, and the number of unemployed people to job vacancies went down to 1.2 in the second quarter of 2022 - the lowest level since 2015 (Statistics Canada, 2022^[25]). Under these conditions skills imbalances can arise, making labour market adjustments to meet skills in demand by firms lengthy and costly, potentially limiting the benefits of FDI on workers and skills.

3.3.1. Foreign MNEs contribute to increased shares of skilled labour in Canada

Foreign firms draw heavily on the highly skilled Canadian labour force, which has the highest level of education among OECD countries. In 2021, 62% of the 25–64-year-old population had a tertiary education compared to 40% for the OECD average (OECD, 2023^[26]). There is no data on skill intensity of foreign firms based on the National Occupational Classification (NOC) skill level, which identifies occupations by the education and training that is generally required. Among the companies surveyed in the OECD Business Consultation on Sustainability Practices in Canada, although not representative of firms' characteristics in Canada, the share of high-skilled employment was 64% in foreign firms compared to 58% in domestic firms, as reported (Figure 3.9, Panel A). This suggests that FDI in Canada could be raising the demand for skilled labour and, conditional on labour availability and mobility, potentially contribute to a growing share of high-skilled jobs in the workforce.

Despite the ongoing polarisation of the Canadian labour market away from mid-skilled and towards high-skilled jobs, foreign firms operate in sectors that also intensively rely on mid-skilled workers. Between 1998 and 2018, the share of high-skilled jobs in Canada increased by 4.4 percentage points whereas the share of mid- and low-skilled jobs declined by 4.1 and 0.3 percentage points respectively (OECD, 2020^[24]). In sectors where foreign companies account for about one third of the labour force (e.g. manufacturing, mining and wholesale trade), more than 50% of firms report requiring management, business, basic digital and IT skills, but also depend on skilled trades like machinists or electricians (Figure 3.9, Panel B). However, these skills are in demand by employers in most other sectors of the Canadian economy.

Figure 3.9. Foreign firms in Canada raise the demand for both high and mid-skilled labour



Note: Panel A: Skills shares in foreign and domestic firms based on the OECD Business Consultation on Sustainability Practices in Canada (OECD, 2022_[7]). Panel B: Shares of corporate firms reporting skill needs across different sectors. Mining, Manufacturing and Wholesale trade are sectors in which foreign firms account for about one third of jobs. Panel B is based on survey data from 2019.

Source: OECD elaboration based on OECD (2022_[7]) and Statistics Canada (2023_[27]),

<https://www150.statcan.gc.ca/t1/tb1/en/tv.action?pid=3310029901>

3.3.2. Foreign firms in Canada face skills imbalances but they can also help reduce them

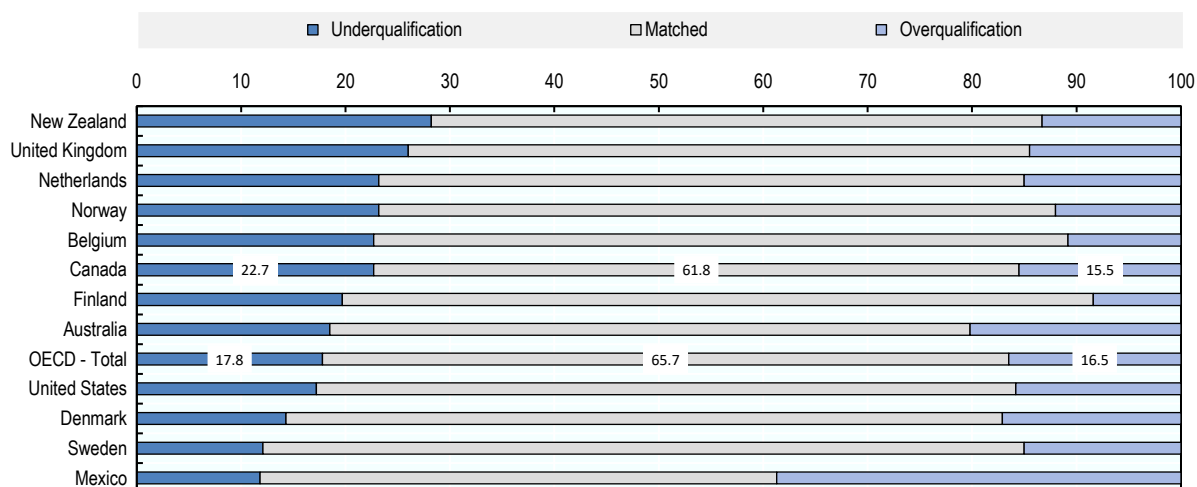
In Canada, as in other OECD countries, employers increasingly face skills imbalances that misalign the demand and supply of skills. As a result, employers cannot fill vacancies due to a lack of adequately qualified candidates, i.e., skills shortages, or employees do not possess the right set of skills to perform their tasks, i.e., skills mismatches (or skills gaps), leading to productivity losses and lower innovation. Foreign firms affect skills imbalances through their impact on both the supply and the demand of skilled labour (OECD, 2019_[4]). On the one hand, the presence of foreign firms can exacerbate existing skills imbalances by raising the relative demand for skilled labour in the host economy, while, on the other hand, foreign firms may contribute to reduce skills imbalances by expanding the supply of skills in the host country, for example, by training their employees (Becker et al., 2020_[28]; OECD, 2022_[6]).

Skills mismatches in Canada may affect foreign business relying on mid-skilled workers

The Canadian labour market is increasingly experiencing skills mismatches. About 38% of workers have qualifications, i.e. levels of education, that are mismatched to their jobs, compared to 34% across the OECD (OECD (2022_[29]), Figure 3.10). Underqualified workers, i.e., workers who possess lower qualifications than those required by their job, make up a greater share (23%) compared to those who are overqualified and thus unable to realise their full potential (16%). Qualifications – or the level of educational attainment – are a partial measure of actual skills, however. Some skills acquired in education may be lost over time and new skills are acquired through labour market experience. Skills mismatches can negatively impact productivity, with estimates suggesting that productivity in Canada could increase by over 2% if mismatches were lowered to best practice levels (Adalet McGowan and Andrews, 2017_[30]).

Figure 3.10. Canada's labour market face skills mismatches more than in other OECD countries

Qualification mismatches of workers in Canada and other OECD countries, 2019



Note: This chart shows the average percentage of workers that have a qualification that does not match their job's requirements. The data refer to 2019, except for Australia (2016). A worker is over-qualified (under-qualified) when his/her highest educational attainment is above (below) the requirement of his/her job.

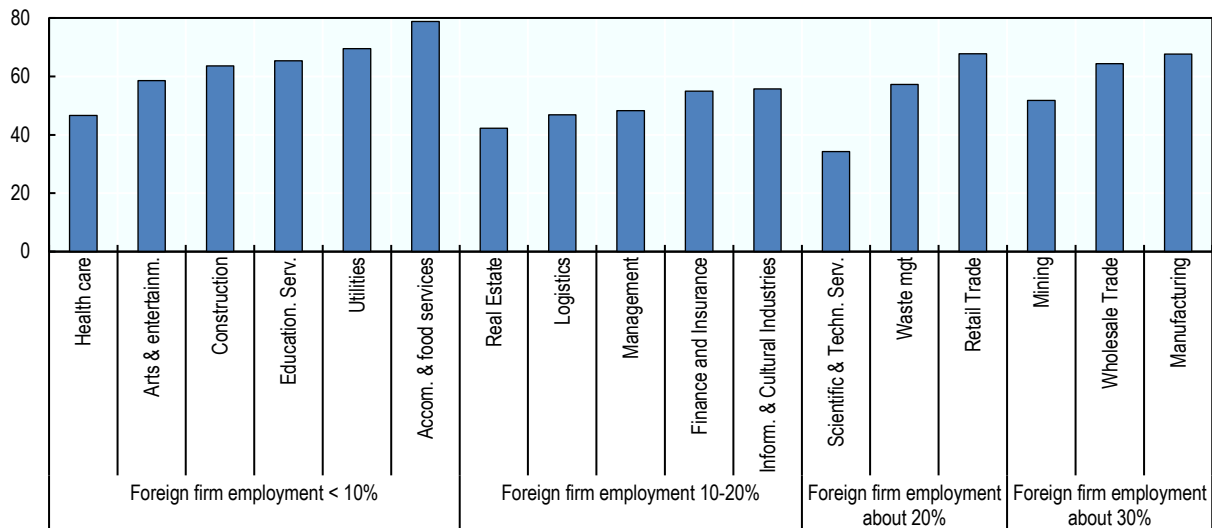
Source: OECD elaboration based on OECD (2022^[29]), https://stats.oecd.org/Index.aspx?DataSetCode=S4J2022_MISMATCH

In an environment with rapid changes in skills requirements, population aging and a lack of lifelong training of employees may be key to explaining skill mismatches in the Canadian workforce. For example, workers aged 55 to 64, which represent a growing part of the workforce (18% of all working-age employees in 2023, an increase from 13% in 2007 (Statistics Canada, 2023^[31])), are 1.8 times more likely to be under-skilled than those aged 45 to 54 (Parisa Mahboubi, 2019^[32]).¹ Immigrants, despite being on average more educated than non-immigrants, are also likelier to be under-skilled for their jobs. This is driven by significantly lower literacy skills (largely due to a lack of knowledge of English or French), and to a lesser extent in numeracy and problem solving (Parisa Mahboubi, 2019^[32]). However, the under-skilled challenge of immigrants disappears with time, partly thanks to policies such as language programmes – some of are provided sometimes by the foreign MNEs themselves (see also Chapter 4).

Large foreign MNEs in Canada operating in sectors relying on mid-skilled workers such as manufacturing or wholesale trade are more likely to face skills mismatches than small firms requiring high-skilled labour. There is no data on skill mismatches specific to foreign MNEs in Canada, but the Survey of Employers on Workers' Skills (SWES) 2021 shows that 56% of firms – 93% in the case of large firms – reported having employees who were not fully proficient to be able to perform their job at the required level. Of these firms, 58% reported that the skills that needed the most improvement were technical, practical or job specific. Skill gaps are widespread across sectors, but employment by foreign firms is relatively low in most affected sectors (Figure 3.11). Several sectors with large employment by foreign firms, including manufacturing, wholesale trade and mining, still face large skill gaps, in contrast with professional, scientific and technical services that report lower skill gap.

Figure 3.11. Skill mismatches are widespread across sectors in Canada

Share of businesses within industries that reported skill gaps, 2022



Note: Due to availability of data the share of employment in foreign firms is from 2019.

Source: OECD elaboration based on Statistics Canada (2022_[25]), <https://www150.statcan.gc.ca/n1/pub/18-001-x/18-001-x2022002-eng.htm> and Statistics Canada (2023_[2]), <https://www150.statcan.gc.ca/t1/tb1/en/tv.action?pid=3610062001>

Foreign firms face skill shortages in computer science and in skilled trades that affect the attractiveness of Canada and future growth potential

Skills shortages are another key facet of skills imbalances in Canada that can affect the smooth operation of foreign firms and hamper their contribution to the labour market. In 2020, estimates of the unrealised value of skills vacancies in the Canadian economy amounted to 1.3% of the GDP (Gabler and Gormley, 2022_[33]). According to the SWES 2021, conducted in 2022, almost half of firms in Canada (45%) experienced difficulties finding candidates who possessed the skills needed to do the job at the required level. For most firms (55%), the main reason was the lack of interested people for the type of vacant work. Other reasons were lower wages compared to other organisations (14%) – including in the United States where salaries tend to be higher, challenging working conditions (8%) and geographic location (5%). Large firms, among which many are MNEs, reported facing lower recruitment difficulties thanks to HR departments that are better equipped to recruit, hire, train, and retain workers (Statistics Canada, 2022_[25]).

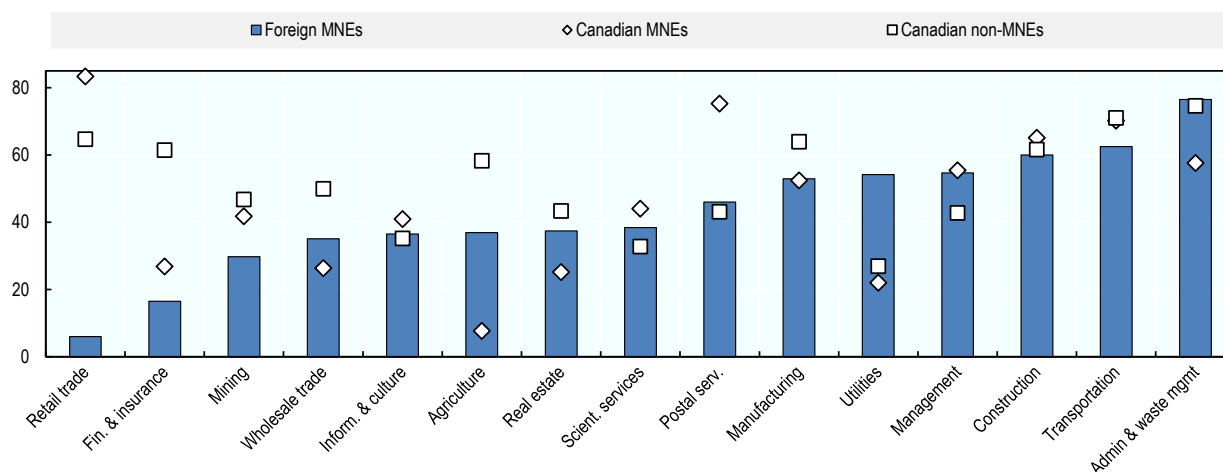
Both foreign and domestic firms in Canada face skill shortages across all sectors, but some sectors and skill types are more affected than others. Statistics Canada collects data based on the following type of skills: basic digital, computer science, IT, general data science & analytics, management, (international) business, skilled trades, and design. More than half of foreign firms with specific skills needs in manufacturing, utilities, management of companies, construction, transportation, and waste management face skills shortages (Figure 3.12). Especially in manufacturing, where foreign firms account for about one third of total employment, these shortages risk to undermine future growth potential in the Canadian economy: 43% of manufacturing firms claim having delayed or cancelled investment projects in Canada due to labour shortages while 15% are further considering moving production abroad (CME, 2022_[34]).

Despite the prevailing skills shortage, foreign firms tend to be less severely affected by the lack of talent than domestic firms. In several sectors, including wholesale and retail trade, finance and insurance and mining, Canadian MNEs and non-MNEs are more likely to report skill shortages than foreign firms. For example, 6% of foreign firms in retail trade claim being affected by skill shortages whereas the share

amounts to 83% of Canadian MNEs and 65% of non-MNEs (Figure 3.12). Such differences are likely to be driven by different skills needs between foreign MNEs and domestic firms due to different activities within sector, better recruitment strategies – including for attracting foreign workers, and higher wage offers.

Figure 3.12. Foreign and Canadian firms do not face the same skills shortages in all sectors

Skill shortages across sectors and firm-ownership category in Canada (% of firms within ownership category), 2019



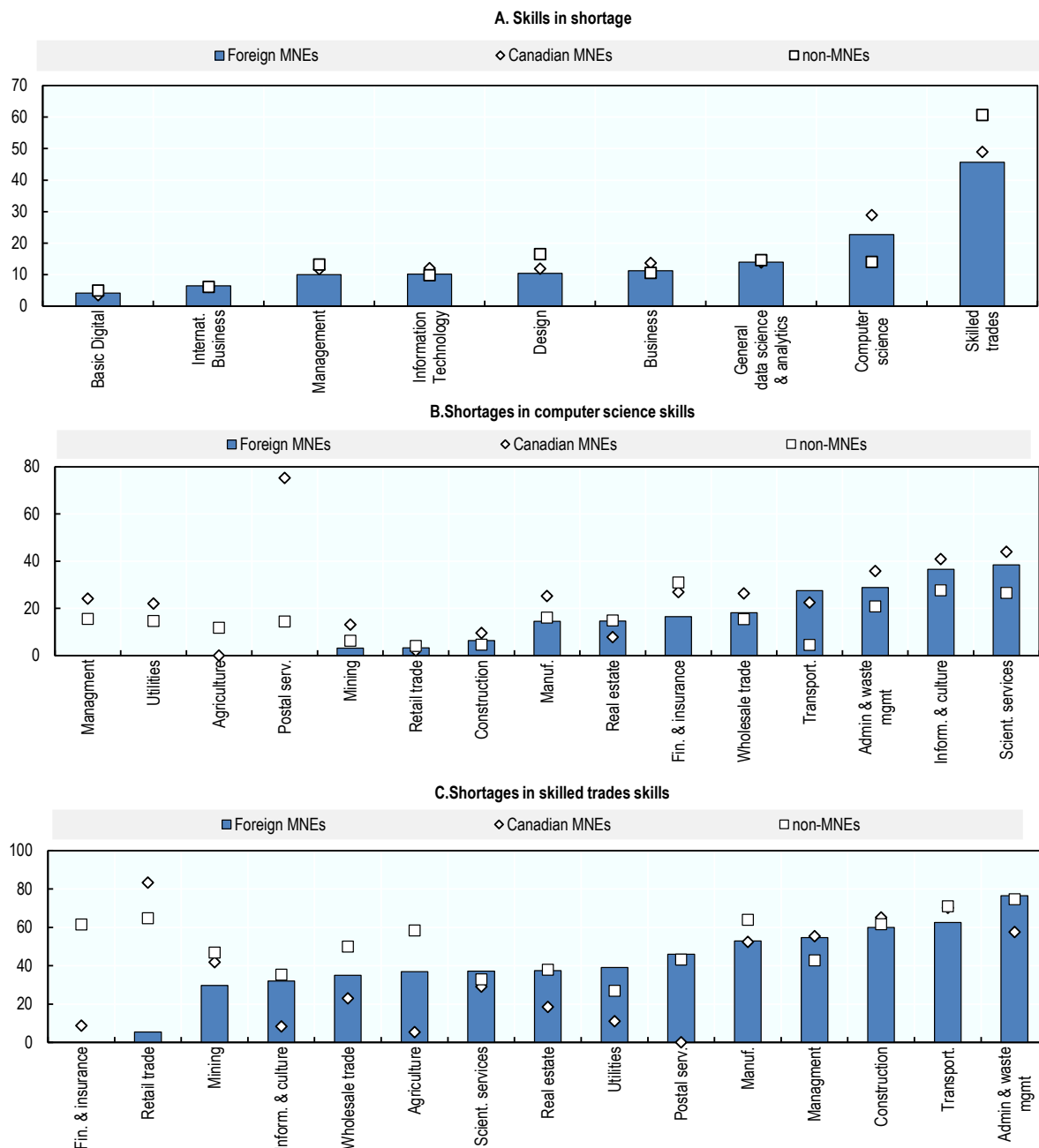
Note: This chart shows the share of firms reporting at least one shortage among 10 different skills. These skills include basic digital, computer science, IT, general data science & analytics, management, (international) business, skilled trades, and design. Shares are based on firms stating that a specific skill is relevant for their business. The chart is based on survey data from 2019.

Source: OECD elaboration based on Statistics Canada (2023^[35]), <https://doi.org/10.25318/3310030001-eng>

Skilled trades and computer science are the skills in which foreign firms report the greatest shortages in the Canadian labour market. Almost half (46%) of foreign firms report skill shortages of skilled trades, followed by shortages in computer science (23%) and general data science and analytics (14%), while about 10% reveal shortages in design, IT, management, business and basic digital skills (Figure 3.13, Panel A). The severe shortage of skilled trades is exacerbated by demographic change affecting all firms. As to foreign firms, they face large shortages of skilled trades in sectors where they are large employers such as waste management and manufacturing, where they employ about one fifth and one third of the workforce respectively (Figure 3.13, Panel C). Projections show that about 700,000 skilled trades workers are expected to retire between 2019 and 2028, creating an ever-growing need to recruit and train more talent (Government of Canada, 2022^[36]).

Skill shortages in computer and data science risk to affect the attractiveness of the Canadian tech industry and its absorptive capacity of FDI spillovers. These shortages are especially critical in advanced digital skills such as coding, web and app development, data visualisation and computer and data science (Mahboubi, 2022^[37]). While the software and IT sector experienced the largest inflow of greenfield FDI in Canada over the past years, foreign firms claimed the largest shortage of tech related skills in these sectors (Figure 3.13, Panel B). Skills shortages in tech jobs are partly driven by strong competition for talent among STEM graduates from the United States, drawn by both significantly higher wages and more diverse work opportunities (Spicer, Olmstead and Goodman, 2018^[38]).

Figure 3.13. Foreign MNEs in Canada flag the greatest skills shortages in skilled trades and computer science



Note: Panel A: Share of firms reporting shortages in indicated skills. The total set of firms includes firms that claim listed skills as applicable in their business. Panel B and Panel C: Share of firms reporting shortages in computer science and skilled trades across different sectors. Panel A, B and C rely on survey data from 2019.

Source: OECD elaboration based on Statistics Canada (2023^[35]), <https://doi.org/10.25318/3310030001-eng>

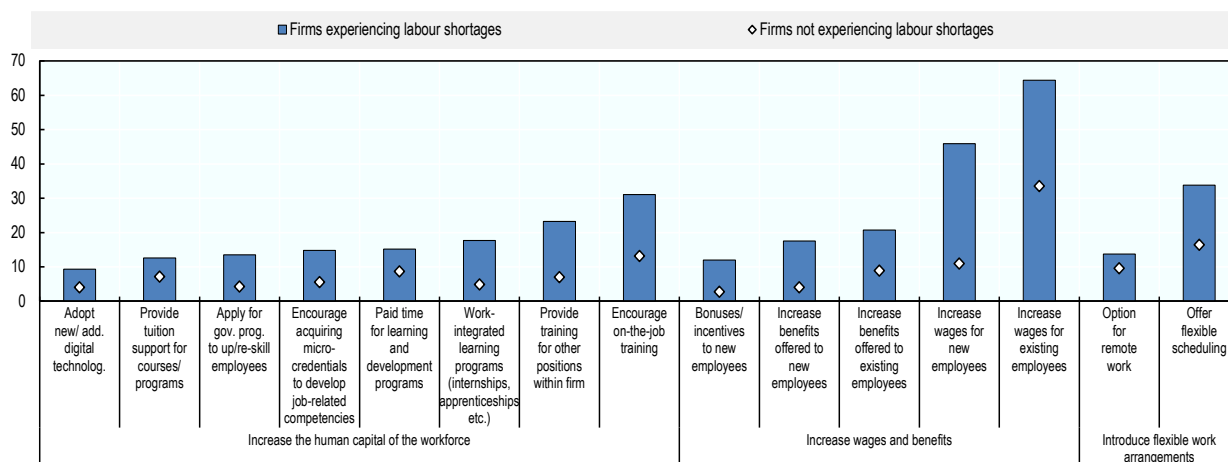
3.3.3. The Practices of foreign firms in Canada can contribute to lower skills imbalances

Foreign investment raises the demand for specific skills and occupations in Canada, but it can also increase the supply of adequate skills and thereby contribute to lower skills imbalances. In a context of

tight labour markets, foreign and domestic firms in Canada are countering skill shortages and brain drain by providing higher wages and benefits, training staff, and offering more flexible work conditions. Employers in Canada that experienced labour shortages in 2022 were significantly more likely than unaffected peers to increase wages or benefits for existing (64%) or new employees (46%), to introduce flexible work arrangements (34%) or to foster the human capital of the workforce by providing on-the-job training (31%) or training employees to take other positions within the business (23%) (Figure 3.14).

Figure 3.14. Foreign firms rely mostly on wage increases to tackle skill shortages in Canada

Percentage of businesses planning to implement specific measures over the next 12 months, 2022



Note: This chart shows results from the Canadian Survey on Business Conditions, first quarter of 2022 with the sample (N=15,500) consisting of private sector businesses that do not plan to close over the next three months.

Source: OECD elaboration based on Statistics Canada (2022^[39]), <https://doi.org/10.25318/36280001202200700001-eng>

Multinational companies in Canada tend to have more effective recruitment strategies

Canada's immigration programmes have been a key pull factor for many foreign firms, especially the Global Skills Strategy that help employers finding talented personnel more quickly. Foreign firms in Canada often have broader horizons and more elaborated strategies than domestic businesses in terms of where they can draw their talent, what training they provide and how they retain workers (OECD, 2022^[7]). Foreign companies, and MNEs more broadly, tend to have more effective recruitment results due to their larger size, more extensive resources to offer financial incentives and more innovative recruitment strategies than non-MNEs. In 2019, large firms were generally more likely than small firms to have a targeted recruitment process (69% vs. 42%) and to offer additional financial incentives to recruit new employees (60% vs. 52%) (Statistics Canada, 2019^[40]). Furthermore, many large MNEs have recently shifted their focus from pure qualifications-based hiring, i.e. based on education, to also hiring based on skills by removing degree requirements for several roles (World Economic Forum, 2023^[41]).

Effective recruitment practices of large firms in Canada, including foreign MNEs, can help lowering the large skills imbalances, but there is also a risk that they contribute to the crowding out of small firms in local labour markets. Many Canadian SMEs revealed that they rely on local universities and colleges for talent attraction in the OECD Business Consultation on Sustainability Practices in Canada. Some SMEs also shared concerns of talent potentially moving to larger firms, presenting a challenge for their own employee retention strategies and an approach that lacks a coherent shift to give skill-based hiring as much leverage as qualifications-based hiring (OECD, 2022^[7]).

Foreign companies can also leverage their international experience from other subsidiaries to attract and retain talent and, in turn, help increase the talent pool in the Canadian labour market. For example, in the manufacturing sector, where foreign firms account for around a third of jobs and flag significant skill needs, there is a particular drive to increase the talent pool through immigration and a more inclusive workplace. Canada is one of the most attractive destinations among OECD countries for highly educated workers (11th out of 38), entrepreneurs (4th out of 38), university students (5th out of 37) as well as startup founders (3rd out of 24) and the economy relies substantially on the recruitment of foreign talent to tackle skills shortages (OECD, 2023^[42]). In addition to foreign talent attraction, manufacturers opt for increasing employment of youth and underrepresented groups like women, based on their international experience, thereby supporting the integration of talent diversity in the Canadian labour market (see Chapter 4).

Foreign firms have been observed in nurturing a talent base among their locally hired staff, including in technologically intensive sectors where Canada lacks a comparative advantage or does not have a strongly established domestic industry. The OECD Business Consultation on Sustainability Practices in Canada shows that some foreign MNEs transfer their own existing staff from the headquarter or other subsidiaries to support their establishment in Canada, such as for specialised roles, providing them with an opportunity to transfer their knowledge and expertise to locally hired staff (Box 3.1). These interactions are crucial to stemming domestic skills shortages, especially for careers and industries that require digital and skilled trade talent. Additional evidence on knowledge spillovers shows that, in the medical devices sector, among a sampled pool of 272 Canadian company founders, 94 had previously worked for a foreign MNE (see also Chapter 2). In a case where 16 Canadian medical device companies in the Toronto area were acquired by MNEs, leaving senior talent founded 14 new companies (Matthews and Rice, 2022^[43]).

Box 3.1. Specialised talent development practices in foreign MNEs in Canada

Several foreign MNEs in the OECD Business Consultation on Sustainability Practices in Canada have put in place specialised talent development practices. One large construction company expanded to Canada in 2005 and has since participated in tunnelling projects for both transport and utilities services. Canada has historically had fewer tunnelling operations than in Europe, which contributed to much of the company initial success on the market. During the company's first years in Canada, specialised engineers were largely made up of expatriates, having to fill talent needs which could not be found in Canada. Many of these included SEM tunnelling experts and TBM tunnel boring machine experts, many of which had over 30 years of experience. However, as the company's operations in Canada grew, it gradually began to have more Canadian employees in specialised positions, given the significant knowledge spillovers. Numerous Canadian employees that developed specialised skills at the company, especially around tunnelling, have brought these talents to local smaller design firms and larger Canadian firms.

Another example is an accounting software foreign firm. Establishing in 2018 as part of its first expansion into North America, it has since hired over 200 workers but have also transferred technical talent from headquarters, especially engineers, who have significant expertise in the company's tech infrastructure and internal systems, while being able to train and mentor Canadian engineers over time. By transferring more tenured employees to Canada during their growth phase, they have been able to bring people with advanced specialized knowledge of the company's software, services, business standards, processes, and best practices that they could not find in external candidates. This has allowed the company in Canada to stay connected to corporate culture and best practices of the source country, while developing and nurturing a distinct Canadian presence and talent base.

Source: OECD Business Consultation on Sustainability Practices in Canada (2022^[7]).

Foreign firms in Canada leverage their training practices from a greater range of sources

Firms in Canada are behind most of their international peers in their spending on training and in hours of instruction, however. For example, Canadian firms spend 81% for each dollar that an American firm spends on training (Munro and Lamb, 2023^[44]). Furthermore, 54% of Canadian workers participate in employer sponsored education and training, which is slightly less than their counterparts in New Zealand (62%), Australia (57%), and the United States (57%) (OECD, 2020^[45]). Differences in recent training are significantly more pronounced, however, with 54% of Canadian workers reporting in December 2021 that they had not participated in any professional development opportunities during the past 12 months, versus 29% of American workers (D2L, 2022^[46]). There is also inequitable distribution of training among employees, where it is more likely to be offered to higher-educated employees in management, professional and technical roles, and those who are in their core working years (25-54).

The reduced ability of firms in Canada to provide training compared with other countries may be linked to the lack of resources that Canadian SMEs have relative to larger firms. Although 68% of private sector employees in Canada worked in firms of less than 100 people, larger employers are as much as three times more likely to provide training than SMEs, and almost twice as likely to offer advanced technology adoption training, with 39% of large companies doing so, versus 21% of small companies. However, spending on training is also decreasing among large firms, while 81% of surveyed firms in the Business Council of Canada's membership base had spent over CAD 500 per employee on training in 2018, this had fallen to 65% of firms by 2022, possibly due to the COVID-19 pandemic (Munro and Lamb, 2023^[44]).

Given that foreign firms tend to be larger than domestic non-MNEs, and have the ability to leverage training material, methods and staff from their global operations, they contribute positively to training and the

development of talent in Canada. The OECD business consultation conducted for this study suggests that training and workforce development practices do not differ significantly between foreign and domestic firms in Canada, with a dependence on formal mechanisms of on-boarding training and locally hired human resources teams. Foreign firms often leverage their practices from a greater range of sources, however. This includes using elements from their country-of-origin operations providing international networking and mentoring opportunities, and a broader array of classroom and curriculum-based training modules for longer-term upskilling and employee development, especially for junior employees and recent graduates, such as through global training centres (Box 3.2). Investment in new or junior employees can lead to increased worker satisfaction, helping retain talent and reduce turnovers. Evidence shows that employees in Canada that received classroom training were 11% more productive than those that did not, although with limited effect on wages (Dostie, 2013^[47]) (Dostie and Léger, 2014^[48]).

Foreign firms are also more likely to provide technical apprenticeships or work-integrated learning opportunities, providing a pipeline of skills development for Canadian students and potential path to employment after graduation. The OECD Business Consultation on Sustainability Practices in Canada shows that many foreign firms draw talent from local universities and colleges, especially through work-integrated learning opportunities. They also work to leverage and develop talent bases that come from local universities through formalised training processes involving both on-the-job and more comprehensive classroom training. The Consultation indicates that foreign firms set up operations especially in regions where not only are there important market links, but also emerging talent pools through key universities, such as in Waterloo, Hamilton, Ottawa, and Vancouver (Box 3.2). This has potentially been having spillover effects. The percentage of large firms in Canada offering work-integrated learning (co-ops) increased from 72% in 2018 to 88% in 2022. Similarly, there has been a sharp rise of graduates with work-integrated-learning experience, with 63% of large firms in 2022 reporting that their entry-level employees have some industry experience against 24% in 2018 (Business Council of Canada, 2022^[49]).

Box 3.2. Practices of foreign firms in Canada to develop and maintain talent

Examples of global training programmes by foreign MNEs

All junior-level hires of a foreign consulting firm in Canada since 2011, benefit from the company's two-week school in Europe, where new recruits can develop and present their own business cases and learn from others that are often outside of their own areas of specialisation. This training goes beyond a traditional textbook format and allows beneficiaries to learn from a simulation of their actual work ahead. A medium-sized foreign climate control and building automation company, enhances the skills of its employees worldwide and in Canada through an online learning platform that provides horticulture and building automation courses for designers, installers, and sales staff, while also pairing staff with plant scientists for further knowledge transfer opportunities. The learning platform has also been used by external customers, such as vocational schoolteachers, and employees of other companies, including growers, building operators and dealers.

Examples of foreign MNEs' partnerships with local universities

A foreign ICT multinational, which has been expanding rapidly in the Ottawa and Toronto regions, collaborates with IT and engineering faculties across Canada, taking 450 students per year through co-op programs, in addition to providing various scholarships, bursaries and technical development workshops for students. The company's *co-op jobs* strategy is to rely on, attract and train existing local talent, and contribute to an ecosystem of talent that can eventually also benefit other firms. A foreign vehicle technology company established a subsidiary in Canada in 2016, with a product and service focus on cybersecurity. The company has leveraged its proximity to the University of Waterloo to achieve a co-operative education partnership, employing 50+ co-op students in the last seven years, and converting four of these to permanent employment after graduation.

One ICT multinational launched a five-year partnership in 2021 to enhance Carleton University's Institute for Data Science and its cross-disciplinary AI and Data Science programmes. Alongside joint research and educational initiatives between the company and the university, the company provides Carleton students with apprenticeships through the company's end-to-end co-creation model to accelerate digital transformation. This is part of a wider, longstanding collaboration that the MNE has had with Canadian universities, largely through its Advanced Studies programme, active in Canada since 1990, which directly engages with universities in collaborative projects with the company's staff, students, and educators.

One leading dedicated pure-play semiconductor foundry expanded to Canada in 2007, through the opening of a design center, initially with 20 employees, having tripled to almost 60 today. With the growth of a domestic talent base being vital for the future of the semiconductor industry in Canada, many of the design centre's design and layout engineers come from around the world. In recent years, the center has increased its focus on sourcing domestic talent and transferring knowledge to them internally. To achieve this, they look towards top semiconductor engineering programmes at Canadian universities, inviting students for internships to hone their skills in an industrial R&D environment. To further encourage learning in semiconductor design and layout, the company launched a University Programme that provides, through select service partners, broad educational access for students, faculty, and researchers to the process design kit of the industry's most successful fin field-effect transistor technology, enabling students to design their projects into a modern process. This programme will likely be introduced into several partner Canadian universities, providing specialised upskilling for engineering students in an emerging sector.

Source: OECD Business Consultation on Sustainability Practices in Canada (2022^[7]), Carleton University (2023^[50]), IBM (2023^[51])

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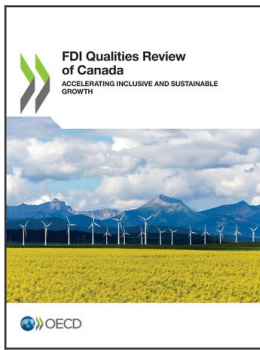
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Notes

¹ Analysis using the Survey of Employers of Workers Skills 2021 shows that firms with a higher percentage of workers aged 50 years and older were less likely to experience skills gaps, potentially because older workers are more likely to be experienced and, in turn, proficient at their jobs (Statistics Canada, 2022_[25]).



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