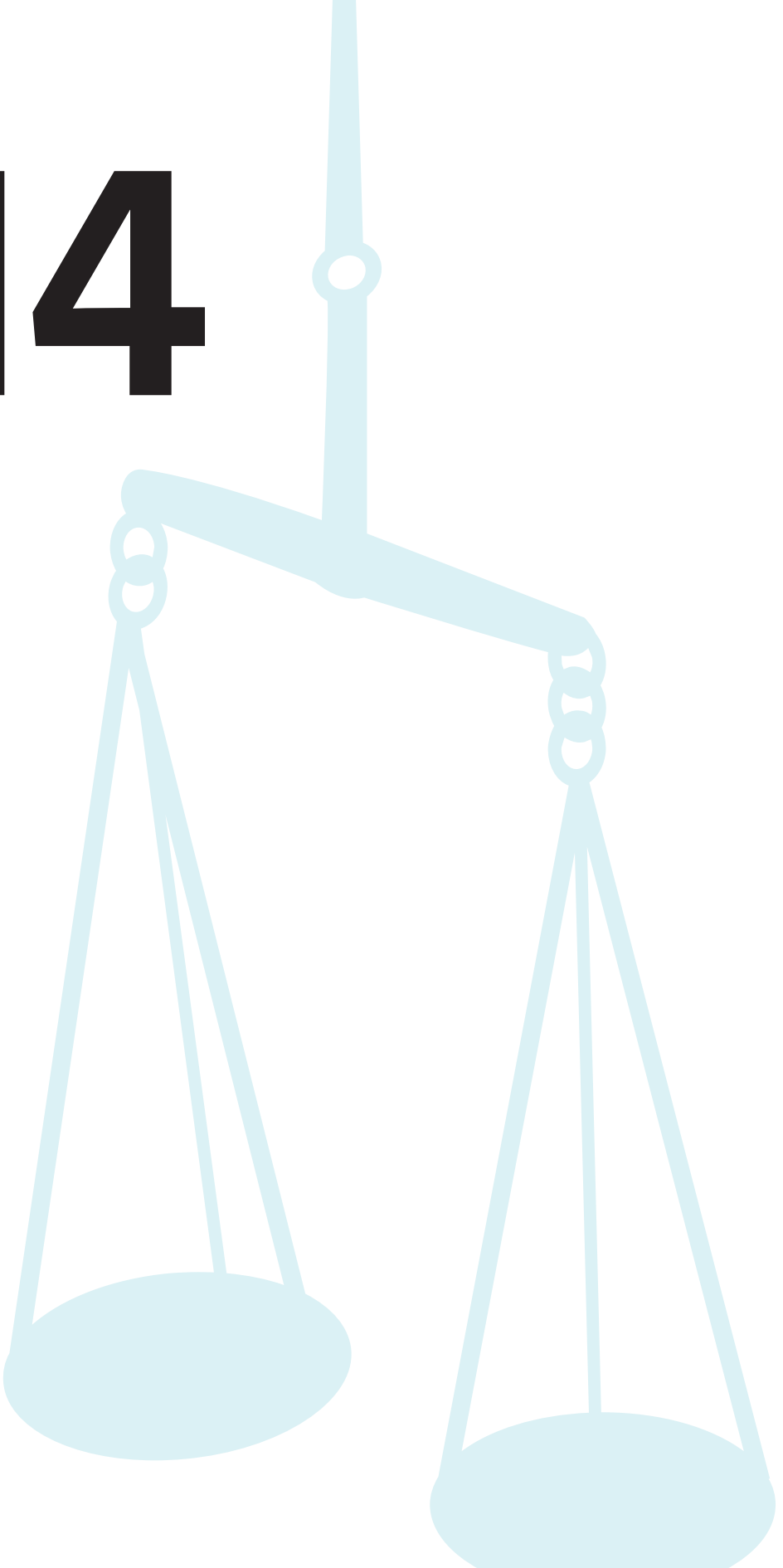


14



Internationalisation and employment

14.1 Introduction

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Figures for Dutch and foreign controlled enterprises in the Netherlands are presented, showing the developments of enterprises, jobs and average enterprise size, workforce composition, job dynamics and wage distribution in 2006–2009. Foreign-controlled enterprises had a 12 percent share of jobs in the Dutch economy in 2009. Furthermore, their workforce consisted on average of 115 jobs per enterprise (mostly foreign multinationals). However, the year 2009 was marked as the start of the economic downturn with job totals falling at both Dutch and foreign controlled enterprises.

14.1 Introduction

The data for the annotated tables in this chapter on internationalisation and employment are based on a microdata integration of the Social Statistics Database, the business survey and the UCI (Ultimate Controlling Institute) dataset at the enterprise level (a linked employer-employee database).

The UCI is defined as an institutional unit, proceeding up a foreign affiliate's chain of control, which is not controlled by another institutional unit. Therefore, foreign controlled enterprises have a centre of control outside the Netherlands, whereas Dutch controlled means that the locus of control is in the Netherlands. 'Control' is defined as the ability to determine general corporate policy by appointing appropriate directors. The UCI is determined on an annual basis by combining enterprise information from various sources.

Merging enterprise information from the business survey together with registered jobs in the Social Statistical Database results in a match for more than 90 percent of all enterprises, for which the locus of control can be determined. A weighting procedure was subsequently developed in order to deduct the ownership status of the remaining enterprises and to scale the matched job information to the level of annually registered jobs from the Social Statistics Database.

The tables in this chapter show the differences in employment between Dutch and foreign controlled firms in the Netherlands (2006–2009), along with information on economic activity and enterprise size, job dynamics, workforce composition, and the relative distribution of annual wage levels.

14.2 Overview of the data on internationalisation and employment

Incoming investments by foreign multinational enterprises (MNEs) directly affect not only employment but also the concomitant wages and working conditions in a host country. In general, foreign ownership of enterprises is linked in most countries to job creation and retention, and is therefore often considered to have a positive effect on employment and welfare (Görg, 2000; Radosevic et al., 2003; Fortanier and Korvorst, 2009; Genee, Korvorst and Fortanier, 2010).

The number of enterprises registered in the linked employer-employee database in the Netherlands showed an 8 percent growth rate from 2006 to 2008 but a downward trend in 2009, with a decline of about 5 percent. This decline marks the economic downturn in the Netherlands that first manifested itself in that year.

Only Dutch controlled enterprises were affected by this downward trend, showing a decrease of about 25 thousand enterprises in the last year, see Table 14.2.1. The decline in the number of enterprises was only seen in the segment of small sized (0–49 employees) Dutch controlled enterprises, leaving medium (50–249 employees) to large enterprises (250 and more employees) unaffected. In contrast, foreign controlled enterprises, albeit smaller in absolute numbers, showed a steady 5 percent year-on-year growth in all size classes, with an estimated total of 8.1 thousand enterprises in 2009.

Overall, Dutch controlled enterprises are well represented in the sectors retail trade, repair, hotels and restaurants, professional scientific and technical activities, and real estate, business and other services, see 14.2.2A. However, foreign controlled enterprises show a slightly different profile, as shown in 14.2.2B, with great prominence in the sectors wholesale trade, manufacturing, professional scientific and technical activities and transport and storage, information and communication and retail trade, repair, hotels and restaurants.

The estimates of **Dutch and foreign controlled enterprises** in the Netherlands reported in this section are based on data in the CBS StatLine database (2006–2008). Data on 2009, shown in 14.2.1 and 14.2.2, are based on an update of the linked employer-employee

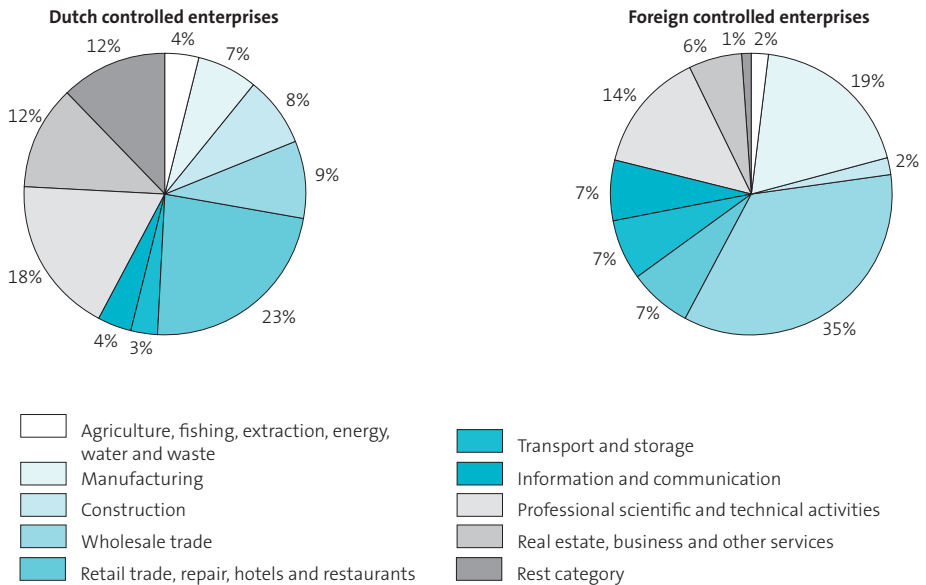
integrated microdataset. Accompanying annotated tables and figures are broken down by size class and economic activity.

14.2.1 Enterprises in the linked employer-employee dataset, by size class and origin of the parent enterprise, 2006–2009 (weighted)

	2006	2007	2008	2009
	# enterprises			
Total	451,567	480,905	488,917	463,724
<i>Dutch controlled</i>	444,962	474,449	481,205	455,614
Small enterprises	432,872	460,316	468,956	441,820
Medium enterprises	9,588	11,266	9,674	11,080
Large enterprises	2,502	2,866	2,575	2,714
<i>Foreign controlled</i>	6,605	6,456	7,712	8,110
Small enterprises	4,437	4,126	5,355	5,541
Medium enterprises	1,600	1,721	1,725	1,923
Large enterprises	568	609	631	646

Source: CBS.

14.2.2 Enterprises in the linked employer-employee dataset, by economic activity and origin of the parent enterprise, 2009 (weighted)



14.3 Employment situation at Dutch and foreign controlled enterprises

Preceded by a period of steady growth, the number of jobs in the Dutch economy started to decline by 2009 due to the economic crisis. See Table 14.3.1 with additional information on enterprises, jobs and average enterprise size. A modest decline was seen from 2009 on 2008 with a total of 7.8 million registered jobs in the Netherlands in 2009. Dutch and foreign controlled enterprises were similarly affected by this overall decline, both showing a relative decrease of about 2 percent in registered jobs. Following this downward trend, the number of enterprises under Dutch control also declined in the past year. However, foreign controlled enterprises still showed a small increase in absolute enterprise numbers, albeit that their relative firm size in terms of average job numbers also showed a modest decline.

Both Dutch and foreign controlled enterprises showed a decline in job numbers during the economic crisis in 2009

Overall, foreign controlled enterprises, mostly MNE(s), are consistently larger than Dutch controlled enterprises in the average number of jobs per enterprise, across all sectors. See Table 14.3.2 for an overview of the employment situation at Dutch and foreign controlled enterprises in the Netherlands in 2009, broken down by economic activity. The largest differences in average job numbers between Dutch and foreign controlled enterprises can be found in the retail trade, repair, hotels and restaurants, agriculture, fishing, extraction, energy, water and waste, and construction and the information and communication sectors.

The **job situation at Dutch and foreign controlled enterprises** in the Netherlands reported in this section are based on data in the CBS StatLine database (2006–2008). Data on 2009, as shown in 14.3.1 and 14.3.2, are based on an update of the linked employer-employee integrated micro dataset. Accompanying annotated tables and

figures are broken down by size class and economic activity. Average employment was calculated as the (weighted) average number of jobs per year, by locus of control (Dutch versus foreign) and economic activity of the enterprise.

14.3.1 Employment situation at Dutch and foreign controlled enterprises, 2006–2009 (weighted)

	2006	2007	2008	2009
	#			
Total Dutch economy				
Enterprises	451,567	480,905	488,917	463,724
Jobs	7,525,034	7,852,727	7,910,511	7,782,694
Average jobs per enterprise	17	16	16	17
Dutch controlled enterprises				
Enterprises	444,962	474,449	481,205	455,614
Jobs	6,740,133	7,070,589	6,960,169	6,847,384
Average jobs per enterprise	15	15	14	15
Foreign controlled enterprises				
Enterprises	6,605	6,456	7,712	8,110
Jobs	784,901	782,138	950,342	935,310
Average jobs per enterprise	119	121	123	115

Source: CBS.

14.3.2 Average employment at Dutch and foreign controlled enterprises, by industry, 2009 (weighted)

	Dutch controlled	Foreign controlled
Average # jobs per enterprise		
<i>By economic activity</i>		
Agriculture, fishing, extraction, energy, water and waste	10	134
Manufacturing	24	147
Construction	12	146
Wholesale trade	10	51
Retail trade, repair, hotels and restaurants	11	286
Transport and storage	16	148
Information and communication	12	145
Professional scientific and technical activities	7	61
Real estate, business and other services	21	247
Rest category	51	61

Source: CBS.

14.4 Workforce composition and job dynamics at Dutch and foreign controlled enterprises

Dutch and foreign controlled enterprises have an equal share of older workers, which make up about 20 to 25 percent of their workforce, as shown in 14.4.1. Overall, Dutch controlled enterprises employ far more women: almost one in two employees is female compared to one in three at their foreign controlled counterparts. However, this effect of a higher share of women in Dutch controlled enterprises does not apply to all sectors of economic activity. Furthermore, the share of native Dutch employees working at foreign controlled enterprises is on average much lower than that at Dutch controlled enterprises (a 7 percent difference in 2009). This could be due to a larger share of expatriate workers. And perhaps the working language, or the international orientation of foreign enterprises attracts or necessitates more foreign employees. Nevertheless, the share of native Dutch workers was still relatively high at 74 percent in 2009.

Foreign controlled enterprises show higher retention rates of employees than their Dutch controlled counterparts

Labour dynamics involves job changes between two enterprises and the transition from and to work. In the linked employer-employee dataset for the Netherlands (2009) a distinction can be made between new entrants to the job market, employees who remain at a specific enterprise, and those who change jobs between enterprises.

In 2009, around 80 percent of the employees worked for the same enterprise as the year before, see Table 14.4.2. Yet, foreign controlled enterprises in the Netherlands show higher retention rates than Dutch controlled enterprises, 82 versus 77 percent of workers per year respectively. This is especially true in the sectors manufacturing, wholesale trade, and

transport and storage. This may be related to better options of inter-firm education and/or opportunities for job mobility.

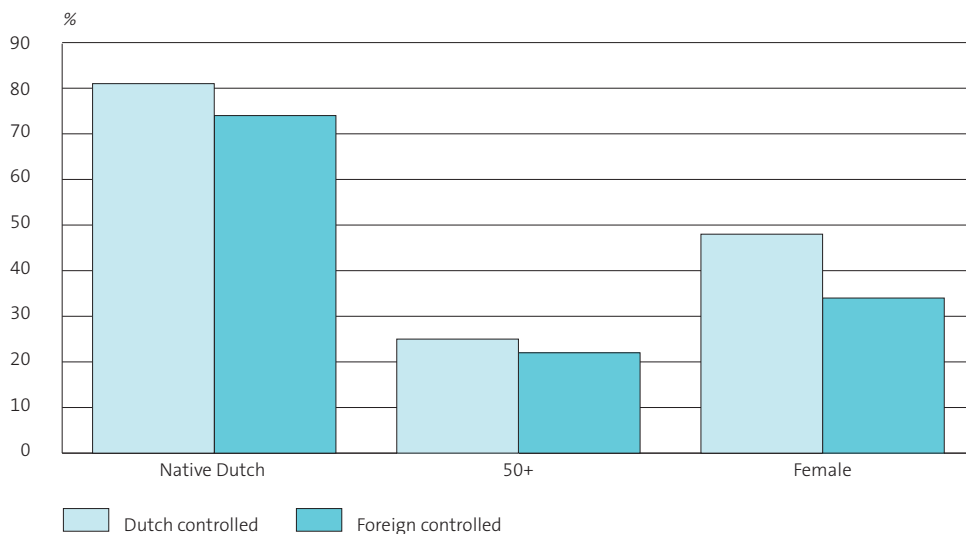
The share of new entrants to the job market is highest at Dutch controlled enterprises, around 11 percent in 2009. This applies to small to medium-sized enterprises, and to a much lesser extent to large enterprises with more than 250 employees. Furthermore, new entrants to the labour market at Dutch controlled enterprises are most prominent in the retail trade, repair, hotels and restaurants, agriculture, fishing, extraction, energy, water and waste, and the information and communication sectors.

The **composition of the workforce at Dutch and foreign controlled enterprises** in the Netherlands reported in this section are based on data in the CBS StatLine database (2006–2008). Data on 2009, as shown in 14.4.1 and 14.4.2, are based on an update of the linked employer-employee integrated micro dataset. Accompanying annotated tables and figures are broken down by size class and economic activity. Diversity at the workplace was determined by calculating the (weighted) average percentage of women in the total workforce in the Netherlands at the end of each year, broken

down by enterprise control. A similar approach was taken to derive the relative share of older (50+) and native Dutch employees. In addition, separate ratios were calculated for each category of interest, i.e. size class and economic activity.

The **job dynamics** in terms of the share of new entrants per enterprise was calculated as the (weighted) average percentage of entrants (employees in their first jobs and new to the labour market) in the total workforce at the end of the year. A similar approach was adopted for job switchers and stayers.

14.4.1 Share of female, older (50+) and native Dutch employees working at Dutch and foreign controlled enterprises in 2009 (weighted)



14.4.2 Job dynamics at Dutch and foreign controlled enterprises, by economic activity and size class, 2009 (weighted)

	Dutch controlled			Foreign controlled		
	new entrants	stayers	switchers	new entrants	stayers	switchers
	%					
Total	11	77	12	6	82	12
<i>By economic activity</i>						
Agriculture, fishing, extraction, energy, water and waste	14	76	10	6	83	11
Manufacturing	7	82	11	3	87	10
Construction	8	79	13	9	80	11
Wholesale trade	10	78	12	5	84	11
Retail trade, repair, hotels and restaurants	14	72	14	9	76	15
Transport and storage	10	75	15	4	84	12
Information and communication	13	73	14	7	81	12
Professional scientific and technical activities	12	77	11	6	81	13
Real estate, business and other services	12	72	16	9	71	20
Rest category	9	79	12	8	78	14
<i>By sizeclass</i>						
Small and medium-sized enterprises	11	77	12	6	82	12
Large enterprises	6	82	12	4	85	11

Source: CBS.

14.5 Wages at Dutch and foreign controlled enterprises

Foreign controlled enterprises in the Netherlands have a substantially higher share of high-paid employees in their workforce than their Dutch controlled counterparts: 33 percent versus 17 percent respectively in 2009, as shown in 14.5.1. Differences are most pronounced for the small enterprise range of 0–49 employees. Conversely, Dutch controlled enterprises have a higher share of low-paid employees: about one in three workers was paid at or below the 30th wage percentile.

This wage gap might be a result of FDI requiring more highly skilled and therefore more highly paid personnel in host countries. In addition, foreign firms are often said to pay higher wages to avoid labour migration to nearby enterprises or to prevent employees from setting up domestic businesses themselves. Furthermore, foreign enterprises may be

more productive in general, while operating in new, innovative sectors, thereby substantiating a higher wage level (Genee, Korvorst and Fortanier, 2010).

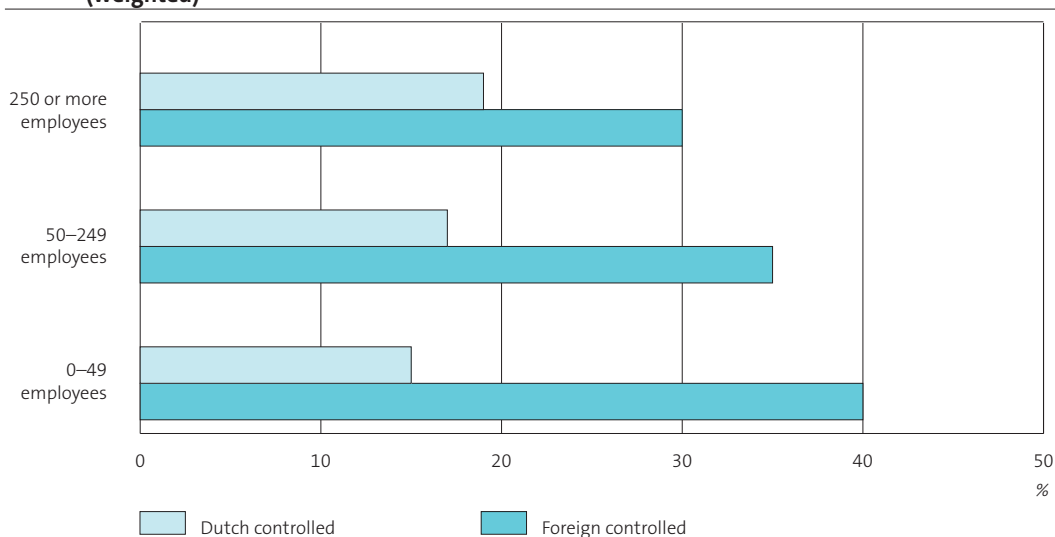
When comparing the ratio of high-paid employees by sector of economic activity, the differences between Dutch and foreign controlled enterprises are most pronounced in agriculture, fishing, extraction, energy, water and waste, manufacturing, and wholesale trade.

For both Dutch and foreign controlled enterprises alike, the sectors of retail trade, repair, hotels and restaurants and real estate, business and other services stand out with the highest shares of low-paid workers.

The **wages** that are annually paid to employees working at **Dutch and foreign controlled enterprises** in the Netherlands reported in this section are based on data in the CBS StatLine database (2006–2008). Data on 2009, as shown in 14.5.1 and 14.5.2, are based on an update of the linked employer-employee integrated micro dataset. Accompanying annotated tables and figures are broken down by size class and economic activity. Jobs are classified as high-paid if their wage is in the 81st percentile or higher of all registered jobs in the Netherlands. Jobs are classified as low-paid if they are at or below the 30th wage percentile.

The mean share of high-paid employees was calculated as the (weighted) average number of high-paid jobs, as a percentage of the average number of total jobs registered in the Netherlands per year, by locus of control (foreign versus Dutch controlled enterprises). A similar approach was taken to determine the mean share of low-paid employees. In addition, separate ratios were then calculated for each category of interest, i.e. economic activity and size class.

14.5.1 Share of high-paid employees at Dutch and foreign controlled enterprises by size class, 2009 (weighted)



14.5.2 Share of high and low-paid employees working at Dutch and foreign controlled enterprises, by economic activity, 2009 (weighted)

	High-paid		Low-paid	
	foreign controlled	Dutch controlled	foreign controlled	Dutch controlled
	%			
Total	33	17	19	33
<i>By economic activity</i>				
Agriculture, fishing, extraction, energy, water and waste	50	18	4	35
Manufacturing	39	18	4	19
Construction	39	21	4	11
Wholesale trade	42	21	10	22
Retail trade, repair, hotels and restaurants	6	4	54	65
Transport and storage	24	17	13	20
Information and communication	56	40	6	15
Professional scientific and technical activities	48	34	7	20
Real estate, business and other services	8	9	42	48
Rest category	23	16	29	28

Source: CBS.