

16.

# Internationalisation and employment

Authors

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**The linked employer-employee database developed at Statistics Netherlands enables in-depth analyses of the effects of internationalisation on employment in the Netherlands. In this chapter we present figures for domestically and foreign controlled enterprises, with developments of the number of enterprises and jobs, the average enterprise size, workforce composition, wage distribution and job dynamics. About 12 percent of the total number of jobs in 2010 was accounted for by foreign controlled enterprises. Furthermore, these enterprises on average provided about 110 jobs each (i.e. mostly foreign multinationals). Since 2009, the year that marked the start of the economic crisis, the number of jobs at foreign controlled enterprises has decreased for two years in a row. Domestically controlled enterprises in the Netherlands, however, showed more stable job levels between 2009 and 2010.**

## 16.1 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.

This linked employer-employee database developed at Statistics Netherlands (see Fortanier and Korvorst 2009, Genee et al. 2010, Fortanier et al. 2012) enables in-depth analyses of the effects of internationalisation on employment. Merging enterprise information from the business survey together with registered jobs in the Social Statistical Database results in a match of more than 90 percent of all jobs in the Netherlands, for which ultimately 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 between domestically and foreign controlled enterprises active in the Netherlands (2006–2010) with respect to economic activity, enterprise size, job dynamics, workforce composition, and relative distribution of annual wage levels.

## 16.2 Developments in the number of domestically and foreign controlled enterprises with employees in the Netherlands

Incoming investments by foreign multinational enterprises (MNEs) directly affect not only employment but also the concomitant wages and working conditions in the host country. In general, foreign ownership of enterprises is in most countries linked 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).

In 2006 there were 451,567 enterprises with employees in the linked employer-employee database. This number increased between 2006 and 2008. The start of the economic crisis in 2009 hampered this growth, leading to a 7 percent overall decline from 2009 to 2010 in the number of enterprises with employees in the LEED. Table 16.2.1 shows that only domestically controlled enterprises with jobs were affected by this downward trend, showing a decrease of about 36 thousand enterprises between 2009 and 2010. A decline in the number of enterprises was found among small (0–49 employees), medium (50–249 employees) and large-sized enterprises (250 and more employees). For foreign controlled enterprises, the picture is mixed for different size classes. While the number of small foreign enterprises increased (+7 percent), the number of medium-sized foreign controlled enterprises in the Netherlands decreased slightly (–3.5 percent) from 2009–2010. The number of large foreign controlled enterprises with jobs remained stable.

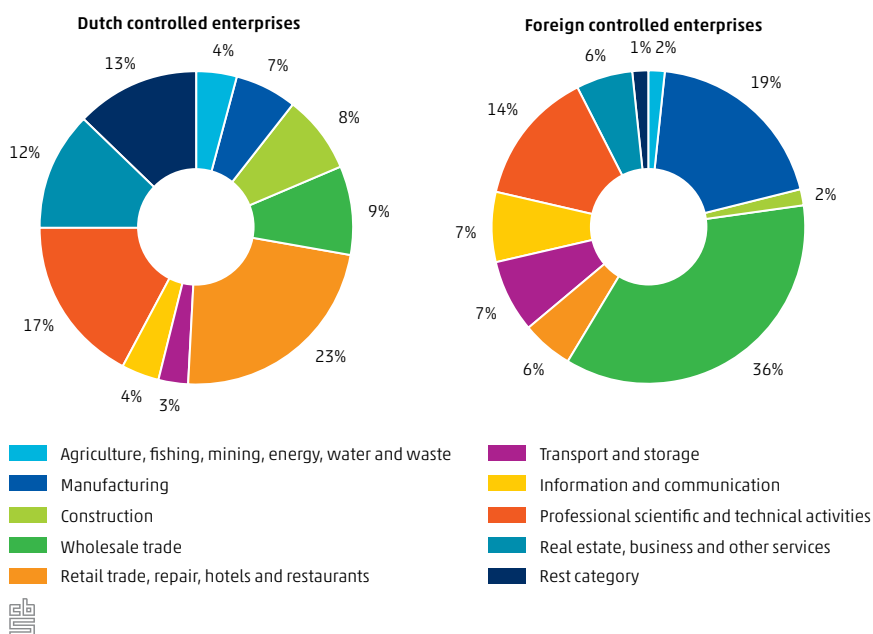
Domestically controlled enterprises with employees are relatively well represented in the sectors of retail trade, repair, hotels and restaurants, professional scientific and technical activities, and real estate, business and other services, see Table 16.2.2A. Foreign controlled enterprises show a different profile (Table 16.2.2B), with high prominence in sectors such as wholesale trade and manufacturing. Foreign controlled enterprises are relatively less often represented in construction and real estate.

The estimates of *domestically and foreign controlled enterprises* in the Netherlands reported in this section 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. The subsequent time series, running from 2006 to 2010, can be accessed online at our StatLine database.

## 16.2.1 Enterprises in the linked employer-employee database, by size class and origin of the parent enterprise, 2006–2010 (weighted)

	2006	2007	2008	2009	2010
	# enterprises				
Total	451,567	480,905	488,917	463,724	427,791
Dutch controlled	444,962	474,449	481,205	455,614	419,358
small enterprises	432,872	460,316	468,956	441,820	406,567
medium enterprises	9,588	11,266	9,674	11,080	10,223
large enterprises	2,502	2,866	2,575	2,714	2,567
Foreign controlled	6,605	6,456	7,712	8,110	8,433
small enterprises	4,437	4,126	5,355	5,541	5,930
medium enterprises	1,600	1,721	1,725	1,923	1,854
large enterprises	568	609	631	646	649

## 16.2.2 Distribution of enterprises with employees



## 16.3 Employment at domestically and foreign controlled enterprises in the Netherlands

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. Jobs at Dutch-controlled firms decreased in 2008 but between 2009 and 2010 their number increased again slightly. Compared to 2008, the number of jobs provided by domestically controlled enterprises fell by 112 thousand. Relatively, the reduction in terms of registered jobs between 2008 and 2010 was stronger for foreign controlled enterprises (-2 percent) than for domestically controlled enterprises (-1.6 percent).

Table 16.3.1 also identifies differences with respect to the development in and the level of the average number of jobs. Foreign enterprises are typically about six times larger with respect to job numbers. However, the average number of jobs provided by foreign enterprises decreased over the past two years (from 123 to 110), whereas it slightly increased for domestically controlled enterprises (from 15 to 16). The reduction in the average number of jobs provided by foreign enterprises reflects the increase in the number of small-sized enterprises of 7 percent, while at the same time the number of medium-sized enterprises decreased by 3.6 percent. The increase in the average number of workers in domestically controlled enterprises reflects the fact that there was a relative stronger decrease in the number of small- and medium-sized enterprises under domestic control (about 8 percent) than in large-sized enterprises (5 percent).

Table 16.3.2 presents the average number of registered jobs at domestically and foreign controlled enterprises in 2010, broken down by economic activity. The table shows that, irrespective of economic activity, foreign controlled enterprises provide more jobs on average than domestically controlled enterprises. The largest relative differences can be found in retail trade, repair, hotels and restaurants, construction and real estate.

### 16.3.1 Employment situation at Dutch and foreign controlled enterprises, 2006–2010 (weighted)

	2006	2007	2008	2009	2010
<b>Total Dutch economy</b>					
# enterprises	451,567	480,905	488,917	463,724	427,791
# jobs	7,525,034	7,852,727	7,910,511	7,782,694	7,779,462
average # of jobs per enterprise	17	16	16	17	18
<b>Dutch controlled enterprises</b>					
# enterprises	444,962	474,449	481,205	455,614	419,358
# jobs	6,740,133	7,070,589	6,960,169	6,847,384	6,848,546
average # of jobs per enterprise	15	15	14	15	16
<b>Foreign controlled enterprises</b>					
# enterprises	6,605	6,456	7,712	8,110	8,433
# jobs	784,901	782,138	950,342	935,310	930,916
average # of jobs per enterprise	119	121	123	115	110

### 16.3.2 Average employment at Dutch and foreign controlled enterprises, by industry, 2010 (weighted)

	Dutch controlled	Foreign controlled
<b>By economic activity</b>	<b>average number of jobs per enterprise</b>	
Agriculture, fishing, mining, energy, water and waste	10	102
Manufacturing	25	146
Construction	13	148
Wholesale trade	11	52
Retail trade, repair, hotels and restaurants	12	343
Transport and storage	19	160
Information and communication	12	123
Professional, scientific and technical activities	7	63
Real estate, business and other services	20	235
Rest category	50	120

## 16.4 Workforce composition and job dynamics at Dutch and foreign controlled enterprises

Domestically controlled enterprises employ relatively more workers aged over fifty than foreign controlled enterprises. They make up about 26 and 23 percent respectively of their workforce (Graph 16.4.1). Overall, domestically controlled enterprises employ more female workers: almost one in two employees is female compared to one in three at their foreign controlled counterparts. The data also show that domestically controlled enterprises employ relatively more native Dutch workers (81 percent), compared to foreign enterprises (73 percent). The difference was about 8 percentage points in 2010.

Labour dynamics involves job changes between two enterprises and the transition from and to work. In the linked employer-employee dataset for the Netherlands (2010) a distinction can be made between new job market entrants, employees who remain at a specific enterprise, and those who change jobs between enterprises.

Table 16.4.2 provides an overview of the job dynamics at domestically and foreign controlled enterprises in the Netherlands, broken down by size class and sector of economic activity. In 2010, around 80 percent of the employees worked for the same Dutch controlled enterprise as in the preceding year. Yet, foreign controlled enterprises in the Netherlands show higher levels of job stayers than domestically controlled enterprises, namely 83 versus 80 percent of workers per year respectively. These levels are especially high in manufacturing and construction in domestic as well as foreign enterprises. Higher job stayers among foreign controlled enterprises might be related to higher wages, better options of inter-firm education and/or opportunities for job mobility.

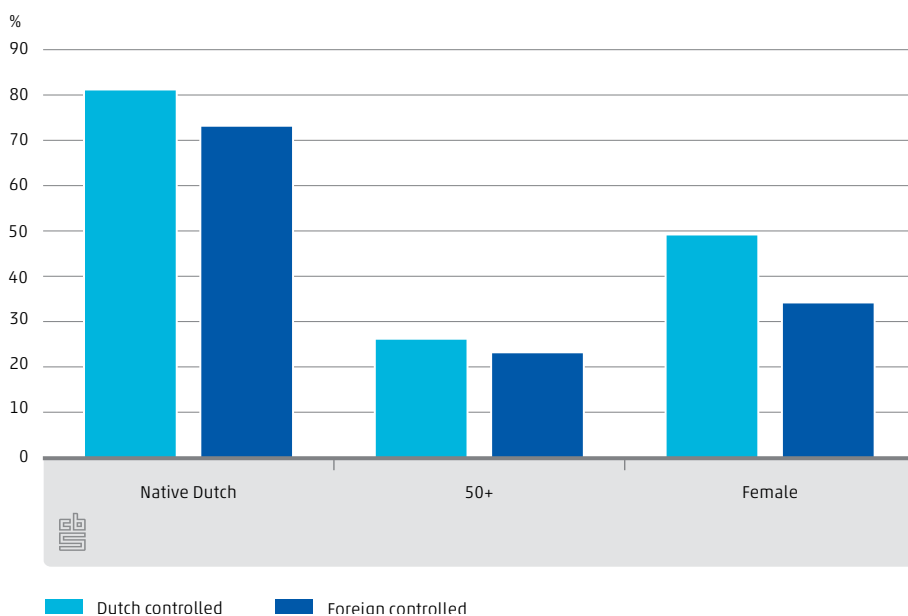
The share of job market entrants is highest at domestically controlled enterprises, around 10 percent in 2010. The job-market entrance rate is highest among the small- and medium-sized enterprises. Among domestic enterprises the share of entrants is highest in real estate and business (20 percent), followed by retail, repair and hospitality (16 percent) and agriculture (11 percent). Among foreign firms the share of entrants to the labour force is also highest among enterprises in real estate and business (18 percent) and retail, repair and hospitality (13 percent). The *composition of the workforce at domestically and foreign controlled enterprises* in the Netherlands reported in this chapter 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.

*Native Dutch workers* are workers whose parents were both born in the Netherlands, regardless of the country of birth of the individual. Note that definition differs from the definition used in chapter 10 where a native worker is someone who is born in the Netherlands or migrated to the Netherlands before the age of 18.

The *job dynamics* in terms of for example 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.

#### 16.4.1 Share of female, older (50+) and native Dutch employees working at Dutch and foreign controlled enterprises in 2010 (weighted)





## 16.4.2 Job dynamics at Dutch and foreign controlled enterprises, by economic activity and size class, 2010 (weighted)

	Dutch controlled			Foreign controlled		
	new entrants	stayers	switchers	new entrants	stayers	switchers
<b>Total</b>	10	80	10	7	83	10
<i>By economic activity</i>						
Agriculture, fishing, mining, energy, water and waste	11	80	9	3	89	8
Manufacturing	5	88	7	3	92	5
Construction	4	88	8	2	92	6
Wholesale trade	7	83	10	5	87	9
Retail trade, repair, hotels and restaurants	16	72	12	13	73	14
Transport and storage	7	82	11	4	89	7
Information and communication	7	81	12	5	87	8
Professional, scientific and technical activities	8	81	11	7	83	10
Real estate, business and other services	20	61	19	18	62	20
Rest category	6	86	8	8	81	11
<i>By size class</i>						
Small and medium-sized enterprises	11	78	11	7	83	10
Large enterprises	8	83	9	7	83	9

## 16.5 Wages at domestically and foreign controlled enterprises in the Netherlands

Foreign controlled enterprises in the Netherlands have a substantially higher share of high-paid employees in their workforce than their domestically controlled counterparts: 31 percent and 17 percent respectively in 2010, as shown in 16.5.2. Differences are most pronounced for the small enterprise range of 0–49 employees. Conversely, domestically controlled enterprises have a higher share of low-paid employees: The wages of about one in three workers belonged to the lowest 30 percent of the overall wage distribution in the Netherlands.

**31%** of the workforce at foreign controlled firms is high-paid



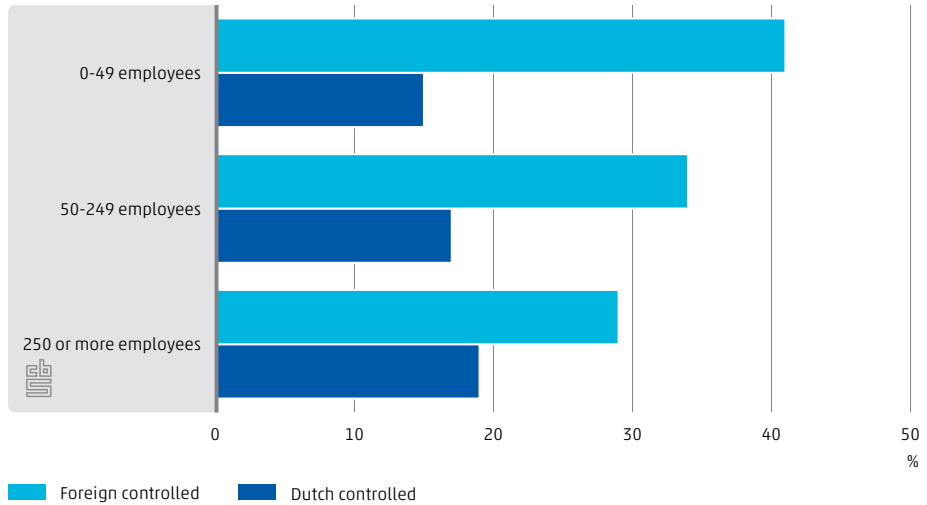
This wage gap might be a result of FDI requiring more highly-skilled labour and therefore higher paid personnel in host countries. In addition, foreign firms are often said to pay higher wages to avoid labour migration to nearby domestic enterprises. Furthermore, foreign enterprises may be more productive 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-income workers by sector of economic activity (Table 16.5.2), the differences between domestically and foreign controlled enterprises are most pronounced in the agriculture, fishing, mining, energy, water and waste, manufacturing, and wholesale trade sectors. In these sectors the differences in the shares of low-paid workers are relatively higher.

The *wages* that are annually paid to employees working at *domestically and foreign controlled enterprises* in the Netherlands reported in this chapter 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 over the 81st percentile 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 domestically 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.

### 16.5.1 Share of high-paid employees at Dutch and foreign controlled enterprises by size class, 2010 (weighted)



### 16.5.2 Share of high and low-paid employees working at Dutch and foreign controlled enterprises, by economic activity, 2010 (weighted)

	High-paid		Low-paid	
	foreign controlled	Dutch controlled	foreign controlled	Dutch controlled
Total	31	17	19	33
<i>By economic activity</i>				
Agriculture, fishing, mining, energy, water and waste	50	8	6	47
Manufacturing	36	16	6	28
Construction	45	16	7	18
Wholesale trade	47	25	8	26
Retail trade, repair, hotels and restaurants	18	4	34	63
Transport and storage	37	16	8	27
Information and communication	57	42	6	18
Professional, scientific and technical activities	57	47	7	19
Real estate, business and other services	32	15	16	44
Rest category	36	17	18	38