MULTINATIONAL ENTERPRISES, INSTITUTIONS AND SUSTAINABLE DEVELOPMENT

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MULTINATIONAL ENTERPRISES, INSTITUTIONS AND SUSTAINABLE DEVELOPMENT

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7 MULTINATIONALS AND EMPLOYMENT: INWARD AND OUTWARD EFFECTS IN THE NETHERLANDS[1]

7.1 INTRODUCTION

The role of FDI in fostering development in host countries – both developed and developing – has already received considerable research attention (see reviews by Caves, 1996; Meyer, 2004). Especially the economic effects of MNE activity – their contribution to productivity and economic growth – have been studied extensively (see for some recent contributions e.g. Javorcik (2004) and Alfaro and Rodríguez-Clare (2004)). However, also the social consequences of MNE investments and the effects of FDI on employment are increasingly recognized as important and are consequently addressed (Görg, 2000; Lipsey and Sjöholm, 2004). At first sight, MNEs do not play a large role in absolute employment. The latest UNCTAD World Investment Report (2006) estimates suggest that worldwide only 62 million workers (or 2 percent of a total global workforce of 3.75 billion, see ILO, 2007) are directly employed by foreign affiliates. However, MNEs do have the possibility to create 'high quality' jobs, given their size (and associated need for managerial capacity) and level of technology. In addition, their indirect (multiplier) employment effects may be substantial, due to linkages with local suppliers and buyers (Bloom, 1992; Pack, 1997; UNCTAD, 1999). For example, British Telecom (2004: 22) calculated its direct and indirect contribution to British employment and concluded that it supported 'almost 1.7 percent of all employment in the UK'. And Coca-Cola (2004: 16) claims that 'the Coca-Cola system' is 'Africa's largest private sector employer', with 'nearly 60.000 employees' (see also chapter 8).

In particular the wages paid by MNEs to their employees are considered to be an important way in which they may contribute to the social dimensions of what is called sustainable development – meeting the needs of the present generation without compromising the ability of the future generations to meet their needs (WCED, 1987:43). Indeed, most empirical studies have now established that MNEs pay higher wages than domestic firms, not only in developing but also in developed countries (Görg, 2000; Lipsey and Sjöholm, 2004; Caves, 1996), although the distributional effects of such premiums – that are often substantially higher for high-skilled-labour – are sometimes questioned (ODI, 2002; Lipsey and Sjöholm, 2004; Aitken *et al.*, 1996). But the potential impact of MNE activity on other dimensions of employment has caused greater debate. For example, issues including labour rights (unionization), health and safety, and other labour conditions (equal opportunity, training) that are important for both developed and

[1] With many thanks to Kea Tijdens for making available the Wage Indicator dataset.

developing countries may be either positively or negatively affected by FDI. In addition, a great concern in many developed countries has been the export of jobs to low-wage countries (offshoring), thereby increasing unemployment for in particular lower-skilled employees (Agarwal, 1997).

Even though several studies have addressed the employment consequences of either outward FDI (Harrison and McMillan, 2006; Mariotti *et al.*, 2003) or inward FDI (Radosevic *et al.*, 2003; Neumeyer and De Soysa, 2005), much room for additional research exists. While substantial research exists that deal with the effect of inward FDI on wages, evidence on its consequences for labour conditions is still only limitedly available and far from conclusive – partly also due to the multitude of dimensions of labour conditions and employment practices. And with respect to the employment effects of outward investment, research has been dominated by the US context, while studies on the larger European countries have only recently emerged. Finally, very few papers have addressed the consequences of inward and outward FDI simultaneously.

This paper contributes to the literature on the employment effects of MNEs by studying the consequences of both inward and outward investment for a wide range of indicators related to wages and labour conditions in a small, open and developed country that is home as well as host to a large number of MNEs: the Netherlands. The Netherlands provides a unique context given its substantial share in worldwide FDI (as 7th largest recipient of FDI and 5th largest outward foreign investor), and the importance of both inward and outward FDI for the Dutch economy (respectively, 74 percent and 102 percent of GDP (UNCTAD, 2006)). This open character makes the Netherlands a unique context to test the domestic effects of (further) globalization. Other countries that move toward increased openness may learn from the experiences of successful 'small' and open economies like the Netherlands (other examples are Belgium, Canada, Sweden and Switzerland). Being both home and host to a large number of MNEs has important implications for industrial relations and policy making (cf. Van Tulder, 1998; Van den Bulcke and Verbeke, 2001).

A further contribution of this paper lies in the use of a unique employee level dataset that includes detailed information on more than 60,000 Dutch employees in the private sector between 2004 and 2006. It is possible to explore to what extent the wages and employment conditions of an employee are influenced by working for a foreign or a Dutch multinational vis-à-vis a domestic firm, while controlling for a wide range of personal (such as education and experience), firm (such as size, and country of origin), and industry characteristics (such as the extent of foreign ownership in the industry and in related industries). This dataset allows for a study of both the direct effects of MNEs (broken down by country of origin of the MNE), as well as the horizontal and vertical spillovers from FDI, for a large set of dependent variables that cover virtually all elements of 'good' employment: wages, but also the nature of employment contracts and hours, the provision of training, equal opportunity for women, perceived job stress, health and safety on the work floor, industrial relations, and overall job satisfaction.

This chapter is organized as follows. First, in section 7.2, the existing literature regarding the employment effects of inward and outward the FDI is reviewed. This literature

review results in a set of research questions that will guide the empirical analysis. Section 7.3 describes in detail the nature of the dataset and the variables used to answer these questions, and outlines the approach to estimating the various regression equations. The result of the analyses is presented in section 7.4, while section 7.5 concludes.

7.2 THEORY: CONSEQUENCES OF INWARD AND OUTWARD FDI FOR EMPLOYEES

The literature on the effects of inward and outward FDI for employment, labour conditions and wages can be divided into two main research streams: studies on the wage and employment effects of inward investment, and studies on the wage and employment effects of outward investment. The first can again be sub-divided into the direct effects of working for an MNE, and the indirect effects of inward investment on wages and labour conditions. As reviewed below, a substantial amount of literature has emerged that addresses these issues. But as much uncertainty still remains with respect to the multifaceted employment effects of FDI, and since some dimensions have only received scant attention, the present review of the literature results in open-ended research questions rather than strict hypotheses on the presence or absence of certain relationships. These research questions will be addressed in the empirical section of this chapter.

Inward investment

Inward investment may affect employment in host countries in a variety of ways. First of all, in setting up affiliates in host countries and hiring workers, MNEs directly affect employment, wages, and the labour conditions of their employees in these countries. Empirically, the studies on the effects of inward investment have generally indicated that foreign firms indeed create direct employment (see for some recent contributions e.g. Driffield, 1999; Fu and Balasubramanyam, 2005; Görg, 2000; Radosevic *et al.*, 2003). However, it has also been argued that their use of relatively (to local standards) capital intensive technology reduces their possible effect on employment (Lall, 1995), and that greenfield investments have more positive effects than acquisitions (Williams, 2003). MNE affiliates pay on average higher wages than local firms in developing countries (Caves, 1996). For example, even correcting for the relatively higher skilled workers that are hired by foreign firms, foreign firms paid higher wages in Indonesia than local firms (Lipsey and Sjöholm, 2004). Inward FDI has been found to also positively affect wages in developed countries including the UK (Taylor and Driffield, 2005), Ireland (Barry *et al.*, 2005) and the US (e.g. Figlio and Blonigen (2000) for South Carolina). Higher wages may be simply triggered by the fact that foreign firms are more productive due to their firm specific ownership advantages (Caves, 1996; Dunning, 1988). Another reason has been to keep employees from switching jobs to domestically owned competitors or to set up their own businesses (Globerman *et al.*, 1994). This 'labour migration' is an important channel through which technology transfer from MNEs to local firms may occur, especially if workers also receive extensive training (Bloom, 1992; Pack, 1997; UNCTAD, 1999; Fosfuri *et al.*, 2001).

A recent line of research has emerged into the role of FDI in changing the 'relative wage'. The relative wage is the ratio of skilled versus non-skilled wage, and may serve as a proxy for overall income inequality. While Das (2002) built a theoretical model that predicts that FDI can decrease the relative wage (and hence wage inequality), most other models (e.g. Wu, 2000) assume that foreign firms hire relatively high skilled labour, making it scarcer and therefore increase wage inequality. Feenstra and Hanson (1997) found strong empirical evidence for the Mexican maquiladoras that FDI increased the relative wage of high skilled workers (and thus wage inequality), especially in relatively skill-intensive industries. Te Velde and Morrissay (2002) reported only weak evidence that FDI reduced wage inequality in five East Asian countries over the 1985-1998 period, while in Thailand, wage inequality increased. Furthermore, in a different paper for African countries, Te Velde and Morrissay (2001) established that foreign ownership is associated with increases in wages and that there is a tendency for more skilled workers to benefit more from FDI (thereby increasing inequality). There is other evidence as well that although MNEs pay higher wages overall, skilled employees benefit more (ODI, 2002; Lipsey and Sjöholm, 2004; Aitken *et al.* 1996).

In addition to introducing higher wages, MNEs can also be important international diffusers of other employment practices, which are often distinctly home-country specific, due to embeddedness of MNEs in the business system of their country of origin (Ferner, 1997). MNEs may hence differ importantly in their employment practices and may challenge national systems of labour relations in host countries (Muller-Camen *et al.*, 2001). For example, US firms have been less inclined to participate in the European collective labour bargaining practices, while Japanese firms have often implemented 'lean production' and associated employment practices in their subsidiaries (Edwards, 2000). It could be expected that while working for a foreign firm has certain advantages over domestic firms, this effect may differ as to the country of origin of a firm. However, to what extent foreign ownership, and the country of origin of such foreign firms, affects the broad range of labour conditions (in addition to wages) is unknown. Hence we ask:

RQ1: Do wages and employment conditions differ between employees of domestic firms and employees of foreign firms, and do these differences vary by the level of education of an employee?

RQ2: Do wages and employment conditions of employees of foreign firms vary according to the country of origin of an MNE?

But besides these direct effects for employment by MNEs, it is particularly the indirect effects, or spillovers towards local firms, that constitute the prime means through which FDI may contribute to employment. Such indirect effects occur vertically, via linkages with local suppliers and buyers (Javorcik, 2004), as higher demand may increase employment at suppliers, while better intermediate products may allow buyers to grow as well. Indirect effects also occur horizontally, within the same industry in the form of changes in local market structure and competition (Kokko, 1996). On the one hand, FDI may out-compete local firms, with (at least in the short term) negative effects for employment. On the other hand, FDI is a reflection of corporate ownership advantages

with respect to capital, technology and skills that allow firms to overcome the liability of foreignness and to combine their advantages with those specific to the host country to create added value (Braconier and Ekholm, 2001; Rugman and Verbeke, 1992). Part of those technological and knowledge advantages may transfer – intended or unintended – to local firms (Baldwin *et al.*, 1999) which allows these firms to become more productive and competitive. Empirically, the studies on the effects of inward investment have generally indicated that foreign firms have indeed important indirect employment effects (see for some recent contributions e.g. Driffield, 1999; Fu and Balasubramanyam, 2005; Görg, 2000; Radosevic *et al.*, 2003).

While the indirect effect of FDI on employment and wages has received substantial attention, relatively little information is available on the indirect effects of FDI on employment conditions and labour conditions. For developing countries, the debate on labour conditions has centred on policy competition for FDI, which would tempt governments to be less vigilant in enforcing their national laws that promote (core) labour standards. In some cases, less stringent legislation is in place in export processing zones – specific geographical areas set up by governments to increase local employment, where labour-intensive, low value-added work is undertaken, mostly by MNEs interested in exploiting low-cost labour for assembly type operations in for example clothes and electronics (McIntyre *et al.* 1996). Overall, there is little evidence to suggest that there is a 'race to the bottom', whereby developing countries lower their labour standards to attract FDI (OECD, 1998), and MNEs themselves also do not generally appear to be strongly attracted to countries for low labour costs or conditions alone (Neumeyer and de Soysa, 2005; Kucera, 2002). But how FDI may indirectly affect the employment conditions and wages of employees at domestic firms in developed countries remains an empirical question. The following research question is therefore identified:

RQ3: Do the wages and employment condition of employees of domestic firms vary by the extent of inward FDI in their industry and in related (upstream and downstream) industries, and do these differences vary by the level of education of an employee?

Outward investment

Studies of the effects of outward investment from developed towards developing countries on the domestic labour market often address the issue of offshoring: jobs are relocated from developed country factories to plants in a developing country, which given the relative immobility of labour results in increased unemployment in the developed country, primarily among those with lower skill-levels. This outsourcing effect for home country labour markets has generated widespread concerns, even though labour cost are often not considered to be an important determinant of FDI in general (Kucera, 2002). For example, Zimmerman (1991) indicated that these concerns have even ensured that OPIC (the US investment guarantee scheme) is prohibited from supporting investors in countries that fail to take steps to adopt and implement internationally recognized worker rights.

Most research that addresses the effect of international outsourcing on home country employment builds on traditional trade models, with relatively little attention for the impact of FDI (as noted by e.g. Egger (2002) and Zhao (1998)). Yet, arguments both in favour of a 'substitution' and a 'complementation' effect (of home and host country employment) have been made (Agarwal, 1997; Baldwin, 1995). On the one hand, outward FDI may decrease employment if it substitutes for exports (i.e., if goods that were previously produced in the home country for foreign markets are produced in the foreign markets) or if intra-firm imports increase (products are imported from abroad instead of domestically manufactured). On the other hand, outward FDI may increase domestic employment if it is paired with increased domestically produced exports of intermediate products and capital goods (machinery) to the new foreign ventures. Similarly, outward FDI may result in greater demand for managerial capacity and other high-skilled functions to coordinate the new foreign venture from headquarters. Bruno and Falzoni (2003) suggest that the complementarity and substitutability effect of outward vertical FDI for home country employment may also change over time: after initial substitution effects, corporate growth creates additional employment.

A range of studies has empirically addressed the question whether or not outward FDI has detrimental effects for domestic employment and wages. Many studies focus on a single home country, often the US (Egger and Egger, 2003). For example, Feenstra and Hanson (1995) established that the outsourcing of production activities was an important contributing factor to the reduction in the relative employment and wages of unskilled workers in the US during the 1980s. More recently, Harrison and McMillan (2006) also found that the claim of the globalizations critics that MNEs shift employment abroad is generally substantiated. They do, however, highlight that this effect depends on the country of destination of outward investment: investments in low income countries are substitutes, in high income countries complements to US investment.

Others have focused on European countries, such as the UK (Heise *et al.*, 2000); Italy (Mariotti *et al.*, 2003); Sweden (Blomström *et al.*, 1997) and Austria (Egger and Egger, 2003), or Asian countries like South Korea (Debaere *et al.*, 2006). These studies reported very similar results as those for the US: labour intensity, employment and employment growth in the home country are negatively affected by outward FDI, particularly and predominantly in case of vertical investments to less developed countries, and for low-skilled labour. The effect also holds in cross-national studies: Gopinath and Chen (2003) found that international investments result in a convergence of wages across countries, implying a reduction in developed country wages. Braconier and Ekholm (2001), analysing Swedish FDI into Eastern Europe, suggest that this outsourcing effect may not only affect home country employment, but may have even stronger repercussions for other relatively low wage countries (like Portugal and Spain) that are replaced by new locations.

Outward FDI may not only result in lower wages and unemployment. Increased pressure on home country employees – either through intra-firm imports or by export substitution – to match the labour costs of foreign employees may also negatively affect labour conditions, including appropriate health and safety provisions, training, equal opportunity

for men and women, and industrial relations. These issues have received less attention in the traditional economic (trade) models of employment and wages. Yet, they have received (some) attention in the literature on industrial relations (Edwards, 2000; Muller-Camen *et al.*, 2001; Ruigrok and Van Tulder, 1995), and (international) human resource management (e.g. Ferner, 1997; Muller, 1998). These studies generally confirm that outward investment reduces labour conditions, especially for low-skilled labour. The research questions that follows from this overview is:

RQ4. Do the wages and employment conditions of employees vary by the extent of outward investment in their industry and in related (upstream or downstream) industries, and do these differences vary by the level of education of an employee?

7.3 DATA AND METHODOLOGY

Sample selection

The main source of data for this study is the dataset generated by the Wage Indicator Project (see Box 7.1). This dataset contains 102,373 questionnaires that were filled out (online) in the Netherlands between 1 September 2004 and 31 August 2006, and that addressed a variety of employment-related issues such as employment terms and conditions (including pay), contracts, work-life balance, employee demographics, organizational characteristics, and perceived job quality and satisfaction.

Box 7.1 The Wage Indicator Project

The Wage Indicator is an online instrument that consists of 1) a 'Salary Checker' that enables employees to compare their salary with the average salary of their professional peer group, and 2) an extensive wage and working conditions survey, the results of which are used as input for the Salary Checker and for research purposes, e.g. this paper. The questionnaire includes questions on occupation, education place of work, employment history, working hours, contract, salary, and personal characteristics.

The Wage Indicator is essentially an online research system that was first launched in the Netherlands in 2001, and it is currently online in 10 other EU member states, the US, and six developing countries (Brazil, India, South Africa, Korea, Argentina and Mexico). The Wage indicator has proven to be a viable concept that attracts large numbers of web visitors and completed questionnaires. In addition to being a research tool, the Wage Indicator is also an instrument that aims to empower individual workers and trade unions by increasing the transparency of the labour market and by providing insights into how wages, terms of employment and working conditions are structured across occupations, industries, regions and companies.

The project is managed by the Wage Indicator Foundation, which is a non-profit coalition of researchers (mainly from AIAS, the University of Amsterdam Institute for Labour Studies), trade unions, and web journalists. Each participating country has a similar foundation that brings these three groups together.

See also Tijdens (2004) and www.wageindicator.org.

For the analysis in this paper, we first removed respondents that were not in the private sector, but instead worked in public healthcare, education, for the government, or for foundations and non-profit organizations. This reduced the sample with 28,487 respondents to 73,886 remaining observations. Of this set, we removed those that were not employed (which included in addition to the 'real' unemployed, also people in apprenticeships or internships, full time university students with small jobs, and self-employed persons). Finally, removing all people younger than 18 years left us with a sample of 62,670 employees, on which the subsequent analysis is based. This set of employees represents 0.76 percent of the total Dutch work force (of 8.2 million) and 1.02 percent of the total Dutch work force excluding government and non-profit workers. The distribution of the sample across sectors of activity matches that of the total number of Dutch employees (see Annex), indicating that the sample is representative for the entire Dutch population. More men than women completed the survey (59 percent of respondents is male); the average respondent was 35 years old (σ = 10 years).

Independent Variables

Three main sets of independent variables are identified: personal characteristics (as control variables), firm characteristics, and industry characteristics.

Personal Characteristics

Four different variables are defined to measure individual differences in working conditions and pay: education, managerial position, experience, and gender. We expect that a higher education, a managerial position, extensive experience, and being male positively influence wages. The effect of these variables on other dimensions of employment conditions is less certain.

An employee's level of education is measured by his or her ISCED education level (ISCED). Having a managerial position is measured with two variables, that indicate whether someone holds a supervisory position (Supervisor), and how many people are supervised (nrSup). The variable experience (Experience) combines three variables: total work experience (excluding longer periods of unemployment), work experience at the current employer, and age. The variable is measured by the factor scores resulting from a factor analysis that indicated that the three variables loaded on a single factor (Eigenvalue = 2.52; 84 percent of variance explained, Cronbach's alpha = 0.87). Finally, gender (Gender) is measured by a dummy variable indicating if the respondent is male (0) or female (1).

Firm characteristics

Wages and labour conditions may also be dependent upon the type of firm for which an employee works. Larger firms are generally more productive due to economies of scale. In addition they have relatively more supervisory personnel. Both would suggest that larger firms pay more, and may also have more favourable other working conditions. Firm size (Size) is measured by the number of employees of firm within the Netherlands

(i.e., including all branches). For those companies with only one branch, the number of employees at the locality is taken.
In addition, whether or not a firm is active internationally may have important effects for its pay and employment practices, as discussed in detail in the theoretical section above. To assess this effect, a categorical variable (Type) is created that measures if a firm is 1) entirely domestic, 2) a Dutch MNE 3) a foreign MNE, or 4) partly Dutch, partly foreign owned. This categorization was based on a question inquiring after the presence of foreign branches, and another one regarding on the nationality of ownership of the firm. The frequencies for this categorical variable Type are displayed in table 6.1. A slightly modified variable (TypeCOO) is also created where the fully foreign owned establishments are further specified according to their country of origin, with a focus on the major investing countries in the Netherlands (the US, the UK, France, Germany, and Japan) that each employed a substantial number of employees. Of the nearly 11,000 employees in our sample that worked for a foreign MNE, 3,000 worked for American firms, and nearly 1,500 each for German, British and French firms. A final 400 people worked for Japanese firms. Although that is substantially less than for the other selected countries (and also less than firms from Belgium, which employ 650 employees in our sample but was not indicated as a separate category), employees working for Japanese firms still constitute a substantial group of workers, and given the important institutional and cultural differences with Japan, it may be expected that differences between Japanese and other firms may be substantial and enlightening. The remaining employees of foreign MNEs (3,000 in our sample) were grouped as 'other'.

Table 7.1 Number of observations in sample by firm type

Type	# employees	% of sample
Purely Domestic	37006	59.0
Dutch MNE	9580	15.3
Foreign MNE	10819	17.3
Partial Foreign	3295	5.3
Missing	1970	3.1
Total	62670	100.0

Industry characteristics

The questionnaire included questions regarding the sector of activity of the firm for which an employee was working. The sector codes used match those used by the EU and the Netherlands statistics office (all report NACE, aggregation level 2), which makes it possible to link the individual wage data with the overall extent of foreign ownership of a sector and of related sectors using data published by Eurostat on foreign direct investment, and Statistics Netherlands on GDP and input-output tables. The latest available data were used, for the year 2003, creating a 1 to 3 year time-lag between our independent industry level FDI variables and our dependent variables. The following variables were defined: inward FDI/GDP ratio per sector (FDI_{in}); outward FDI/GDP ratio per sector (FDI_{out}); the weighted average of inward foreign ownership of upstream sectors (FDI_up_{in}); the weighted average of outward foreign ownership of upstream sectors

(FDI_up_{out}); the weighted average of inward foreign ownership of downstream sectors (FDI_down_{in}) and the weighted average of outward foreign ownership of downstream sectors (FDI_down_{out}). The latter four variables aim to measure the indirect effects of MNEs via forward and backward linkages for employment. Although estimating the indirect effects of MNE activities via linkages is difficult (see Görg, 2000), the approach we take is commonly used in the literature (see also Javorcik, 2004).
The four latter indicators of upstream (downstream) inward (outward) FDI are calculated as a weighted average of FDI in all upstream (downstream) sectors from which firms in a particular sector source their inputs (sells outputs), where the weights are based on the shares of the inputs (outputs) of a particular upstream (downstream) sector in the total inputs (outputs) of a particular sector:

$$FDI(up)_i = \sum \frac{FDI_j * Input_{ij}}{Input_i}$$

Where FDI in the upstream (downstream) sectors for sector *i* is measured by multiplying the FDI/GDP ratio (FDI) for upstream (downstream) sector *j* with the input (output) from sector *j* used by sector *i*, divided by the total amount of input (output) used by sector *i*.
The descriptive statistics for these personal, firm level and industry level variables, including their measurement scales, are summarized in table 7.2.

Table 7.2 Descriptive statistics

Variable	Measurement	n	m	sd.
ISCED	ISCED level of education: 0 (none) – 6 (upper-tertiary)	62451	3.79	1.20
Supervisor	Supervisor: 0 (no), 1 (yes)	56303	.49	.50
nrSup	Number of people supervised	56303	7.24	88.42
Experience	Factor scores of three Experience variables	62599	.00	1.00
Gender	0 (male), 1 (female)	62600	.41	.49
Size	Firm size: 1(1-10) – 10(5000 or more) employees	62549	4.71	2.88
FDI_{in}	Inward FDI stock/GDP per sector	60620	101.35	87.57
FDI_{out}	Outward FDI stock/GDP per sector	60620	99.28	110.09
FDI_up_{in}	Weighted average Inward FDI in upstream sectors	60620	65.66	30.01
FDI_up_{out}	Weighted average Outward FDI in upstream sectors	60620	96.52	40.21
FDI_down_{in}	Weighted average Inward FDI in downstream sectors	60620	38.43	40.45
FDI_down_{out}	Weighted average Outward FDI in downstream sectors	60620	50.16	49.60

Dependent variables

In addition to the three sets of independent variables, also several sets of dependent variables are selected: wages, job quality, job satisfaction, and as a final and slightly different group of variables, organizational change.

Wages

One of the key dependent variables in analysing the effect of investments by MNEs – either inward or outward – is wages. We defined two separate variables for wages: first

of all, hourly gross wages in Euros (Wages), and secondly, the extent of overtime compensation (OverPay), which is measured by an ordinal variable that indicates that overtime is either uncompensated (0), compensated as normal hours or by free time (1), or extra compensated (2).

Job quality

In addition to the effect of inward and outward FDI for wages, their effect on the quality of jobs is also important. A total of seven different quality measures are identified: health and safety; working hours; training; equal opportunity; industrial relations; and underemployment. The majority of the job quality indicators (health and safety, working hours, equal opportunity and industrial relations) are based on the core labour standards identified by the ILO. Training and underemployment are important indicators of investments (or not) in human capital.

Health and safety (Safety) is measured by asking the respondents how often they work in a) dangerous, and b) unhealthy conditions; subsequently taking the highest value of these two strongly correlated variables ($r = 0.45$, $p<0.000$). Working hours are measured by the number of working hours of a regular work week (Hours); and by two binary variables indicating if overtime is normal at the workplace (Overtime), and if an employee had to work irregular working hours or in shifts (Irreg_hours). The variable training (Training) measured the amount (i.e., time) of training received from the employer in the year preceding the filling out of the questionnaire, whereas another question explores whether or not there is equal opportunity in the workplace (EqualOpp).

Several variables measure the nature of industrial relations: 1), whether employees feel that they are informed about what is going on in the work place (Informed); 2) whether there is a collective employment agreement in the organization (CAO); 3) whether the organization has a works council (WorksCouncil), and 4) if the employee is a member of a trade union (TUmember).

The final variable that is included involves underemployment (Underemploy), which measures if a job matches the level of education (i.e., an employee can be over- or under-qualified). With a dataset focusing on measures that relate to employed people only, this is probably the best proxy to assess the effects of MNE investment on total employment (and unemployment). Unemployment or the threat of unemployment may provide strong incentives for people to take jobs below their level of education (and hence result in overqualification).

Job satisfaction

Three perceptual measures of job quality are included, exploring to what extent employees consider their job stressful, challenging, and satisfying in general. Job stress (Stress) was calculated by six variables that measured on 1-5 point scales if a job was perceived stressful, how often there was no lunch break, how often there was unexpected overtime, how often an employee had to work at very high speed, had to work to tight deadlines, and the sufficiency of staffing levels. Factor analysis indicated all six load on one factor, that explains 46.2 percent of total variance (Eigenvalue=2.8, Cronbach's

alpha = 0.76). The simple average of the six variables was taken for those observations for which data on at least 4 out of 6 values was available.
Whether a job was considered as challenging and diverse (Challenging), was calculated by four variables that on a 1-5 point scale indicated if a job is sufficiently varied; monotonous; boring; or had become more interesting over the past year. The four variables (boring and monotonous on reversed scales) load on a single factor (54.0 percent of variance explained, Eigen-value 2.2, Cronbach's alpha = 0.71). The simple average of the six variables was taken for those observations for which data on at least 2 out of 4 values was available.
Finally, overall job satisfaction (Satisfaction) was based on 6 items that inquired into the satisfaction of the respondent with the support of their supervisor, the organization of work in their organization, their job in general, wages, leisure time, and life in general. All variables were measured on a 1-5 point scale (except satisfaction with life in general, which was measured on a 10-point scale and hence first divided by two). All variables loaded on one factor (41.0 percent of variance explained, Eigen-value 2.45, Cronbach's alpha = 0.70). The average of the variables was taken, for those observations for which data on at least 4 out of 6 values was available.

Table 7.3 Descriptive statistics

Variable	Measurement	n	m	sd
Wage	Hourly gross wage in €	60518	15.48	10.62
OverPay	Overtime compensation: 0 (none) – 1 (normal) – 2 (extra)	47002	0.81	0.59
Safety	Works in unhealthy/dangerous conditions: 1 (never) – 5 (daily)	57584	2.57	1.29
Hours	Regular number of working hours per week	62040	38.46	7.46
Overtime	Overtime is quite normal at workplace: 0 (no) – 1 (yes)	56571	0.57	0.50
Irreg_hours	works shifts or irregular hours: 0 (no) – 1 (yes)	53717	0.22	0.42
Training	Training from employer last year: 0 (none) – 6 (more than 2 months)	57470	1.35	1.56
EqualOpp	Equal opportunity in workplace: 1 (wholly disagree) – 5 (wholly agree)	51772	3.57	1.29
Informed	Informed on what's going on: 1 (wholly disagree) – 5 (wholly agree)	55784	3.37	1.21
CAO	Is in organisation collective agreement: 0 (no) – 1 (yes)	56652	0.73	0.45
WorksCouncil	In workplace works council: 0 (no) – 1 (yes)	55116	0.52	0.50
Tumember	Member of a trade union: 0 (no) – 1 (yes)	49507	0.24	0.43
Underemploy	Job matches education: 0 (under qualified) – 2 (overqualified)	54286	1.05	0.58
Stress	1 (low) – 5 (high)	55023	3.10	0.80
Challenging	1 (low) – 5 (high)	56714	3.66	0.89
Satisfaction	1 (low) – 5 (high)	59867	3.35	0.72
Merger	Organization faced merger: 0 (no) –1 (yes)	54324	0.16	0.36
Bankruptcy	Organisation faced bankruptcy: 0 (no) – 1 (yes)	53155	0.09	0.29
dWorkforce	Last year workforce change: 1 (strong decrease) – 5 (strong increase)	55192	3.16	1.16

Organizational Change

As final set of variables, three indicators of organizational change were included. These variables were included as they could yield important information on the indirect, competitive effect of MNE entry on employment. Respondents were asked whether the organization they work for, has recently faced a merger (Merger) or were threatened with bankruptcy (Bankruptcy). Mergers may be a way for domestic firms to deal with the entry of larger foreign firms, whereas the threat of bankruptcy is a clear indication that the domestic firms are not performing well, potentially due to competition from foreign entrants. An additional variable measures whether the organization has experienced workforce change (dWorkforce), either an increase or decline.

The descriptive statistics for these four sets of dependent variables, including their measurement scales, may be found in table 7.3.

Estimation

The empirical findings consist of several parts. First of all, the direct effects of working for an MNE are explored, by assessing to what extent pay and job quality in foreign MNEs, Dutch MNE, and partly foreign owned ventures differ from domestic firms. A distinction is further made with respect to the country of origin of the MNE. Second, the indirect inward effects of FDI for employment are explored, by examining the effect of horizontal spillovers and vertical linkages that result from inward investment. These indirect effects are measured by comparing employees that work for domestic firms in sectors that are highly penetrated by foreign firms and sectors that receive relatively little FDI. As a third and final step, we explore similar indirect effects for outward investors. The literature review showed that the effects of inward and outward FDI may be particularly different for low versus high skilled labour. We explore this effect by incorporating an interaction effect between inward (outward) FDI and the level of education. Hence, the following regression models were estimated:

$$Employ = \alpha_i + \beta_1 ISCED + \beta_2 Supervisor + \beta_3 nrSup + \beta_4 Experience + \beta_5 Gender + \beta_6 Size + \beta_7^{1-3} Type + \beta_8^{1-3} Type \times ISCED + \varepsilon \quad [1]$$

$$Employ = \alpha_i + \beta_1 ISCED + \beta_2 Supervisor + \beta_3 nrSup + \beta_4 Experience + \beta_5 Gender + \beta_6 Size + \beta_9^{1-8} TypeCOO + \beta_{10}^{1-8} TypeCOO \times ISCED + \varepsilon \quad [2]$$

$$Employ = \alpha_i + \beta_1 ISCED + \beta_2 Supervisor + \beta_3 nrSup + \beta_4 Experience + \beta_5 Gender + \beta_6 Size + \beta_{11} FDI_m + \beta_{12} FDI\_up_m + \beta_{13} FDI\_down_m + \beta_{14} FDI_m \times ISCED + \beta_{15} FDI\_up_m \times ISCED + \beta_{16} FDI\_down_m \times ISCED + \varepsilon \quad [3]$$

Where 'Employ' could be any of the dependent variables specified above (wages, quality, satisfaction, and for equation (3), also organizational change), and the subscript i designates sector specific intercepts (a total of 51 sectors are distinguished at NACE level 2). The subscript m for the FDI variables can be either inward (in) or outward (out) FDI.

Given the binary nature of some of the dependent variables, this linear model was replaced by a probit regression model when appropriate.
Heteroskedasticity tests (Breusch-Pagan, wages as dependent variable) showed that heteroskedasticity was a problem (χ^2_{6618}, $p<0.001$), hence we report robust standard errors. A second potential issue is endogeneity due to reversed causality: FDI is more likely to be attracted by high productivity (and hence high-wage) sectors. We generated a variable of average wages per sector (at NACE 3 level) and used it as instrument for inward FDI. Hausman tests of endogeneity showed that there was indeed endogeneity ($\chi^2_{17} = 456$, $p<0.001$). The instrument had a t-value of 145 in the first stage regression. We kept this instrument also in the regressions with other dependent variables, as high wages and good labour conditions likely go hand in hand. Despite the statistical evidence of endogeneity, correcting for it does not qualitatively change the results; hence the uncorrected models (that are more efficient) are reported. As illustration, we report the IV regressions for wages (the dependent variable for which endogeneity due to reverse causality is most likely to occur).

7.4 RESULTS

As a first exploration of the data, table 7.4 below gives the correlation coefficients of all dependent and dependent variables. Due to the high number of observations, even relatively small correlations become significant. In absolute terms, most correlations are not very high, with the exception of the industry level FDI variables: both inward and outward FDI are highly correlated, and due to the same sector structure, inward and outward backward FDI, and inward and outward forward FDI, are even higher correlated. Including both dimensions in the same regression equation resulted in high multicollinearity (VIFs above 50), making it difficult to disentangle individual effects. We therefore choose to split the analysis into two groups: first for inward, and then for outward FDI. This solved the collinearity problem: in all regression models reported below, VIF statistics are well below the thresholds (below 5) above which interpretation difficulties may start to occur.

Table 7.4 Correlation coefficients

		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
(1)	ISCED	1.00									
(2)	Supervisor	0.06†	1.00								
(3)	nrSup	0.03†	0.08†	1.00							
(4)	Experience	-0.23†	0.18†	0.05†	1.00						
(5)	Gender	0.03†	-0.20†	-0.03†	-0.22†	1.00					
(6)	Size	0.15†	0.01	0.05†	0.11†	-0.05†	1.00				
(7)	FDI_{in}	0.17†	-0.06†	0.00	0.03†	0.01	0.23†	1.00			
(8)	FDI_{out}	0.11†	-0.05†	0.00	0.06†	0.02†	0.22†	0.86†	1.00		
(9)	FDI_up_{in}	-0.02†	-0.04†	0.00	0.02†	0.09†	0.09†	0.22†	0.42†	1.00	
(10)	FDI_up_{out}	0.00	-0.05†	-0.01	0.02†	0.06†	0.09†	0.16†	0.37†	0.91†	1.00
(11)	FDI_down_{in}	0.00	-0.05†	-0.01	0.08†	-0.05†	0.04†	0.14†	0.18†	0.23†	0.19†
(12)	FDI_down_{out}	0.01†	-0.06†	-0.01	0.07†	-0.04†	0.05†	0.15†	0.19†	0.23†	0.21†
(13)	Wage	0.19†	0.19†	0.10†	0.25†	-0.19†	0.17†	0.13†	0.12†	0.02†	0.03†
(14)	OverPay	-0.25†	-0.10†	-0.02†	0.04†	0.00	0.03†	-0.03†	-0.01†	0.01	0.00
(15)	Healt_danger	-0.16†	0.03†	-0.01	0.04†	-0.13†	-0.03†	-0.07†	-0.05†	-0.02†	-0.03†
(16)	Hours	0.06†	0.10†	0.03†	0.01	-0.19†	-0.01	-0.02†	-0.03†	-0.06†	-0.04†
(17)	Overtime	0.03†	0.12†	0.01†	-0.02†	-0.11†	0.01	-0.04†	-0.04†	-0.05†	-0.07†
(18)	Irreg_hours	-0.21†	0.03†	0.00	0.02†	0.03†	0.10†	-0.06†	-0.02†	0.07†	-0.02†
(19)	Training	0.15†	0.08†	0.03†	0.00	-0.11†	0.24†	0.12†	0.11†	0.06†	0.07†
(20)	EqualOpp	0.06†	0.03†	0.01†	-0.08†	-0.04†	0.01	0.02†	0.01	0.02†	0.01
(21)	Informed	0.04†	0.08†	0.04†	0.01	0.00	0.03†	0.02†	0.03†	0.03†	0.03†
(22)	CAO	-0.18†	0.02†	0.00	0.11†	-0.06†	0.21†	-0.07†	0.01	0.09†	0.08†
(23)	WorksCouncil	0.11†	-0.03†	0.03†	0.13†	-0.04†	0.62†	0.19†	0.19†	0.08†	0.09†
(24)	Tumember	-0.16†	0.01	0.00	0.26†	-0.13†	0.04†	-0.04†	-0.02†	-0.01†	-0.01
(25)	Underemploy	0.24†	-0.14†	-0.02†	-0.14†	0.09†	0.00	-0.02†	-0.01	0.01†	0.00
(26)	Stress	0.09†	0.18†	0.02†	0.01	-0.08†	0.04†	-0.01†	-0.01	-0.03†	-0.04†
(27)	Challenging	0.06†	0.17†	0.04†	0.09†	-0.08†	0.00	0.00	0.00	-0.01†	0.00
(28)	Satisfaction	0.06†	0.06†	0.03†	0.03†	-0.02†	0.06†	0.05†	0.05†	0.04†	0.04†
(29)	Merger	0.04†	-0.01	0.02†	0.05†	-0.02†	0.22†	0.08†	0.07†	0.04†	0.05†
(30)	dWorkforce	0.06†	0.05†	0.01†	-0.11†	-0.06†	-0.05†	0.00	-0.02†	-0.03†	-0.01
(31)	Bankruptcy	-0.02†	0.03†	0.00	0.03†	0.00	-0.09†	-0.03†	-0.03†	-0.05†	-0.06†

		(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)
(11)	FDI_down_{in}	1.00									
(12)	FDI_down_{out}	0.99†	1.00								
(13)	Wage	0.05†	0.05†	1.00							
(14)	OverPay	0.06†	0.06†	-0.18†	1.00						
(15)	Healt_danger	0.03†	0.02†	-0.05†	0.11†	1.00					
(16)	Hours	0.01	0.00	-0.05†	-0.08†	0.05†	1.00				
(17)	Overtime	0.02†	0.01†	0.06†	-0.10†	0.12†	0.13†	1.00			
(18)	Irreg_hours	-0.07†	-0.08†	-0.10†	0.22†	0.15†	-0.08†	0.03†	1.00		
(19)	Training	0.05†	0.05†	0.13†	-0.03†	-0.03†	0.06†	0.04†	0.01	1.00	
(20)	EqualOpp	-0.04†	-0.03†	0.02†	0.00	-0.16†	-0.02†	-0.03†	0.06†	0.06†	1.00
(21)	Informed	-0.01	-0.01	0.08†	0.01	-0.18†	0.00	-0.03†	0.01	0.11†	0.32†
(22)	CAO	0.05†	0.04†	-0.04†	0.18†	0.09†	-0.06†	-0.03†	0.20†	0.01	0.00

Table 7.4 Correlation coefficients (ctd.)

	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)
(23) WorksCouncil	0.06†	0.06†	0.13†	0.07†	-0.04†	-0.03†	-0.03†	0.09†	0.23†	0.03†
(24) Tumember	0.03†	0.02†	0.02†	0.14†	0.13†	0.01	0.00	0.13†	0.00	-0.05†
(25) Underemploy	-0.02†	-0.02†	-0.10†	0.06†	0.06†	-0.05†	-0.04†	0.09†	-0.09†	-0.05†
(26) Stress	-0.02†	-0.02†	0.08†	-0.16†	0.24†	0.12†	0.37†	0.00	0.06†	-0.12†
(27) Challenging	0.00	0.00	0.13†	-0.04†	-0.18†	0.07†	0.07†	-0.09†	0.15†	0.18†
(28) Satisfaction	0.02†	0.02†	0.13†	0.04†	-0.25†	0.00	-0.08†	-0.02†	0.12†	0.31†
(29) Merger	0.03†	0.03†	0.06†	0.02†	0.01	0.00	0.00	0.01	0.10†	0.00
(30) dWorkforce	0.01†	0.01†	0.03†	0.00	-0.03†	0.06†	0.08†	-0.05†	0.05†	0.10†
(31) Bankruptcy	0.00	0.00	-0.02†	-0.03†	0.08†	0.00	0.03†	0.01	-0.07†	-0.05†

	(21)	(22)	(23)	(24)	(25)	(26)	(27)	(28)	(29)	(30)
(21) Informed	1.00									
(22) CAO	0.02†	1.00								
(23) WorksCouncil	0.08†	0.25†	1.00							
(24) Tumember	-0.04†	0.17†	0.09†	1.00						
(25) Underemploy	-0.10†	0.04†	-0.01†	0.00	1.00					
(26) Stress	-0.16†	-0.04†	0.01	0.03†	-0.07†	1.00				
(27) Challenging	0.31†	-0.02†	0.03†	-0.03†	-0.28†	-0.01	1.00			
(28) Satisfaction	0.52†	0.04†	0.10†	-0.04†	-0.14†	-0.29†	0.50†	1.00		
(29) Merger	-0.02†	0.05†	0.22†	0.04†	-0.02†	0.04†	-0.01	-0.01†	1.00	
(30) dWorkforce	0.13†	-0.10†	-0.08†	-0.07†	-0.05†	0.03†	0.16†	0.16†	-0.05†	1.00
(31) Bankruptcy	-0.12†	0.00	-0.05†	0.04†	0.00	0.08†	-0.07†	-0.15†	0.06†	-0.22†

† p<0.01

Direct effects of MNEs

Table 7.5 and 7.6 report the first regression results, respectively for those models with an ordinal or continuous variable as dependent (OLS with heteroskedasticity corrected standard errors), and for those with a binary variable as dependent (probit regressions, also with heteroskedasticity corrected standard errors). The tables show to what extent working for an MNE is associated with higher wages and different employment conditions (Research Question 1), correcting for an employee's level of education, experience, managerial position, and gender, and the size of the firm for which an employee is active.

The tables show that working for an MNE is positively associated with wages and training, but is also paired with less compensation for overtime, more stress, longer working hours and greater perceived gender inequality, compared to fully domestically owned firms. Foreign MNEs are less likely to hire overqualified employees than domestic firms. The probit regressions further show that working for a foreign MNE is coupled with more overtime and shift work. The likelihood of a CAO is reduced at foreign MNEs, but the likelihood of the presence of a Works Council increases. Many of these effects can also be observed for Dutch MNEs – although often slightly smaller – and hence seem to be 'MNE' effects rather than 'foreignness' effects. But there are a few key differences. Employees working for a Dutch MNE see themselves as better informed

about what is going on in the organization (which may have to do with headquarter functions), find their jobs more challenging and are overall more satisfied than employees for purely domestic or foreign firms. Working for partially foreign firms has similar effects to those for foreign or Dutch MNEs, though they are often less strong. But joint ventures stand out because employees feel that there is more equal opportunity, and are more often member of a trade union.

The tables 7.5 and 7.6 also report the results of the interaction effects of the type of firm with the level of education of the employee. This allows a differentiation between high and low skilled labour with respect to the relationship between working for a foreign firm and labour. Confirming existing literature, we find that working for a foreign firm is paired with higher wages especially for high skilled workers. With respect to overtime compensation, its overall negative association with working for an MNE is particularly strong for high-skilled employees, whereas lower skilled employees get equally, if not more, overtime compensation compared to their colleagues working for domestic firms. Health and safety, stress, and working long working hours are however particularly problematic for unskilled workers at MNEs: higher educated employees work in safer conditions, do not experience more stress or work longer hours at MNEs than at domestic firms, whereas lower educated employees do. The greater extent of overtime work is however predominantly concentrated with high-skilled employees, whereas shift work is more common among lower-skilled employees at MNEs.

The tables also report several interesting findings with respect to the other independent variables. For example, highly educated people have higher wages but get less (extra) compensation for overtime. They tend to have jobs that are safer, but also more stressful. They make longer hours, but receive more training, enjoy greater equal opportunity, and are better informed about what is going on in the organization. Having a managerial/supervisory position has the expected effects of higher pay, more stress, longer working hours, and better information about what is going on in the organization. But the number of people supervised (i.e., the position on the corporate ladder) is less important: it has a positive effect on pay, working hours and information, but it does not affect the other variables. Despite continuing efforts to reduce the gap between male and female pay, women still earn lower wages on average. But they also have less dangerous or unhealthy jobs and experience less stress. Yet they also receive less training, perceive the equality of opportunity as less favourable than men do, and report to be less informed about what is going on at the workplace.

Table 7.5 Regression results

	Wage		OverPay		Health_danger		Stress		Hours		Training	
ISCED	1.61 ***	1.29 ***	-0.12 ***	-0.09 ***	-0.14 ***	-0.13 ***	0.04 ***	0.04 ***	0.32 ***	0.30 ***	0.09 ***	0.08 ***
	37.65	26.13	-44.02	-30.57	-26.59	-20.16	13.25	10.68	10.04	7.84	14.07	10.77
Supervisor	2.91 ***	2.91 ***	-0.10 ***	-0.10 ***	0.02 **	0.02 **	0.27 ***	0.27 ***	1.03 ***	1.03 ***	0.26 ***	0.26 ***
	32.11	32.15	-16.95	-16.96	2.09	2.06	37.18	37.17	15.98	15.96	19.39	19.41
nrSup (x 10^{-4})	86.61 ***	86.43 ***	-0.56	-0.53	-1.06	-1.05	0.03	0.03	15.31 ***	15.31 ***	1.97 **	1.96 **
	2.98	2.98	-1.24	-1.19	-1.32	-1.32	0.06	0.05	2.64	2.64	2.15	2.15
Experience	2.10 ***	2.11 ***	-0.01 *	-0.01 **	-0.06 ***	-0.06 ***	-0.04 ***	-0.04 ***	-0.31 ***	-0.31 ***	-0.09 ***	-0.09 ***
	35.28	35.55	-1.91	-2.21	-8.53	-8.59	-8.70	-8.69	-8.24	-8.23	-11.71	-11.66
Gender	-2.74 ***	-2.72 ***	0.01 **	0.01 *	-0.26 ***	-0.26 ***	-0.10 ***	-0.10 ***	-2.44 ***	-2.44 ***	-0.33 ***	-0.33 ***
	-30.90	-30.73	2.14	1.91	-20.51	-20.57	-12.55	-12.56	-35.49	-35.53	-22.69	-22.65
Size	0.23 ***	0.23 ***	0.02 ***	0.02 ***	0.00 *	0.00 *	0.00	0.00	-0.10 ***	-0.10 ***	0.10 ***	0.10 ***
	12.48	12.64	15.13	14.90	1.71	1.68	1.42	1.43	-7.95	-7.88	35.12	35.14
Dutch MNE	0.84 ***	-2.37 ***	-0.07 ***	0.16 ***	-0.04 **	0.16 ***	0.08 ***	0.10 ***	0.68 ***	1.50 ***	0.11 ***	-0.04
	6.18	-4.84	-8.44	5.76	-2.29	2.72	7.86	2.62	7.16	4.31	5.36	-0.58
Foreign MNE	2.18 ***	-1.52 ***	-0.11 ***	0.13 ***	0.00	0.12 **	0.13 ***	0.11 ***	0.71 ***	0.03	0.28 ***	0.18 ***
	15.69	-3.37	-12.21	4.73	0.00	2.08	12.60	3.24	7.64	0.10	14.04	2.77
PartForeign	0.65 ***	-2.57 ***	-0.05 ***	0.04	0.02	-0.02	0.12 ***	0.08	0.40 ***	-1.06 *	0.22 ***	0.25 **
	3.38	-3.96	-3.38	0.87	0.87	-0.27	7.53	1.51	2.66	-1.72	6.94	2.35
ISCED_Dutch		0.83 ***		-0.06 ***		-0.05 ***		0.00		-0.21 **		0.04 **
		7.03		-8.77		-3.65		-0.39		-2.53		2.38
ISCED_Foreign		0.95 ***		-0.06 ***		-0.03 **		0.00		0.17 **		0.03
		8.50		-9.06		-2.27		0.46		2.15		1.62
ISCED_PartFor		0.84 ***		-0.02 **		0.01		0.01		0.37 ***		-0.01
		4.80		-2.05		0.52		0.72		2.60		-0.28

Sector dummies not reported; t-values based on heteroskedasticity corrected s.e. below the coefficients.

*** p<0.01, ** p<0.05; * p<0.10

Table 7.5 Regression results (ctd.)

	EqualOpp		Informed		Challenging		Satisfaction		Underemploy	
ISCED	0.03 ***	0.03 ***	0.03 ***	0.03 ***	0.04 ***	0.04 ***	0.03 ***	0.03 ***	0.15 ***	0.15 ***
	5.72	4.87	6.35	4.61	11.52	8.38	9.94	7.49	61.22	50.31
Supervisor	0.04 ***	0.04 ***	0.17 ***	0.17 ***	0.28 ***	0.28 ***	0.07 ***	0.07 ***	-0.19 ***	-0.19 ***
	3.35	3.35	15.23	15.24	34.98	35.00	11.14	11.15	-34.34	-34.35
nrSup (x 10^{-4})	1.62 *	1.62 *	4.70 ***	4.69 ***	3.09 ***	3.07 ***	1.42 **	1.42 **	-0.91 **	-0.90 **
	1.67	1.67	2.86	2.86	3.59	3.59	1.96	1.96	-2.55	-2.55
Experience	-0.06 ***	-0.06 ***	0.03 ***	0.03 ***	0.06 ***	0.06 ***	0.04 ***	0.04 ***	-0.01 ***	-0.01 ***
	-8.74	-8.75	5.09	5.11	14.59	14.63	10.05	10.07	-4.87	-4.81
Gender	-0.29 ***	-0.29 ***	-0.01	-0.01	-0.06 ***	-0.06 ***	-0.01	-0.01	0.05 ***	0.05 ***
	-22.18	-22.19	-1.18	-1.15	-6.34	-6.30	-1.27	-1.23	8.39	8.41
Size	0.00	0.00	0.00 **	0.00 **	0.00 ***	0.00 ***	0.01 ***	0.01 ***	0.00	0.00
	-1.24	-1.24	2.17	2.19	-2.77	-2.73	4.97	4.96	1.23	1.23
Dutch MNE	-0.03	0.01	0.04 ***	-0.03	0.02 **	-0.05	0.03 ***	-0.03	-0.05 ***	-0.08 ***
	-1.44	0.11	2.75	-0.50	2.02	-1.16	3.24	-0.89	-6.63	-2.75
Foreign MNE	-0.03 *	-0.02	0.01	-0.04	0.02	-0.05	0.01	0.00	-0.08 ***	-0.11 ***
	-1.92	-0.32	0.64	-0.79	1.35	-1.31	1.23	-0.01	-10.63	-3.79
PartForeign	0.08 ***	0.08	0.08 ***	0.18 **	-0.03 *	0.00	0.01	0.03	-0.04 ***	-0.13 ***
	3.00	0.81	3.05	2.05	-1.80	-0.06	0.58	0.60	-3.63	-2.80
ISCED_Dutch		-0.01		0.02		0.02 *		0.02 *		0.01
		-0.56		1.39		1.90		1.95		1.02
ISCED_Foreign		0.00		0.01		0.02 *		0.00		0.01
		-0.25		1.05		1.85		0.41		1.01
ISCED_PartFor		0.00		-0.03		-0.01		-0.01		0.02 **
		0.03		-1.25		-0.46		-0.45		1.99

Sector dummies not reported; t-values based on heteroskedasticity corrected s.e. below the coefficients.

*** p<0.01, ** p<0.05; * p<0.10

Table 7.5 Regression results (ctd.)

	Wage		OverPay		Health-danger		Stress		Hours		Training	
N	52494	52494	40347	40347	51439	51439	50433	50433	53717	53717	51288	51288
F	135.3 ***	131.1 ***	78.56 ***	76.6 ***	65.96 ***	63.11 ***	55.78 ***	53.26 ***	53.77 ***	51.59 ***	125.1 ***	119 ***
R-squared	0.175	0.177	0.096	0.099	0.07	0.07	0.061	0.061	0.082	0.082	0.116	0.116
F interactions		38.71 ***		44.82 ***		5.72 ***		0.32		6.97 ***		2.54 *

	EqualOpp		Informed		Challenging		Satisfaction		Underemploy	
N	47416	47416	51093	51093	51520	51520	52172	52172	46922	46922
F	40.05 ***	38.14 ***	14.55 ***	13.98 ***	42.8 ***	40.92 ***	17.05 ***	16.38 ***	99.55 ***	94.79 ***
R-squared	0.047	0.047	0.016	0.017	0.046	0.047	0.019	0.019	0.115	0.115
F interactions		0.11		1.63		2.19 *		1.42		1.67

*** p<0.01, ** p<0.05; * p<0.10

Table 7.6 Probit Regressions

	Overtime		Irreg_hours		CAO		WorksCouncil		TUmember	
ISCED	0.03 ***	0.02 ***	-0.22 ***	-0.16 ***	-0.12 ***	-0.13 ***	0.06 ***	0.07 ***	-0.10 ***	-0.09 ***
	5.57	3.03	-33.94	-20.38	-18.24	-16.38	8.77	9.75	-16.86	-11.85
Supervisor	0.25 ***	0.25 ***	0.02	0.02	-0.05 ***	-0.05 ***	-0.09 ***	-0.09 ***	-0.08 ***	-0.08 ***
	20.87	20.85	1.49	1.49	-3.38	-3.38	-6.44	-6.45	-5.48	-5.47
nrSup (x 10^{-4})	0.44	0.43	-0.66	-0.61	-2.12 ***	-2.16 ***	-1.87 *	-1.89 **	-1.48	-1.46
	0.56	0.54	-0.79	-0.74	-2.79	-2.81	-1.91	-1.99	-1.31	-1.31
Experience	-0.08 ***	-0.08 ***	-0.01	-0.01	0.11 ***	0.11 ***	0.13 ***	0.13 ***	0.25 ***	0.25 ***
	-11.20	-11.15	-0.83	-1.11	13.32	13.31	16.28	16.26	33.01	32.95
Gender	-0.27 ***	-0.27 ***	-0.04 **	-0.04 ***	-0.01	-0.01	-0.01	-0.01	-0.22 ***	-0.22 ***
	-20.92	-20.91	-2.47	-2.60	-0.80	-0.71	-0.66	-0.68	-13.70	-13.75
Size	0.00 *	0.00 *	0.08 ***	0.08 ***	0.17 ***	0.17 ***	0.33 ***	0.33 ***	0.02 ***	0.02 ***
	-1.75	-1.67	25.96	25.80	55.34	55.33	89.71	89.63	6.90	6.82
Dutch MNE	0.11 ***	0.15 **	-0.03	0.44 ***	-0.16 ***	-0.58 ***	0.42 ***	0.47 ***	-0.01	0.15 **
	6.22	2.49	-1.32	6.54	-6.81	-7.49	18.71	6.16	-0.49	2.25
Foreign MNE	0.21 ***	0.04	0.06 ***	0.58 ***	-0.44 ***	-0.40 ***	0.47 ***	0.73 ***	-0.02	0.15 **
	12.19	0.76	2.82	9.15	-21.09	-5.47	22.74	10.05	-1.15	2.40
PartForeign	0.07 ***	-0.26 ***	0.24 ***	0.71 ***	-0.10 ***	0.11	0.78 ***	1.12 ***	0.17 ***	0.14
	2.73	-2.79	7.79	6.96	-2.89	0.83	21.12	8.38	5.37	1.44
ISCED_Dutch		-0.01		-0.13 ***		0.11 ***		-0.01		-0.04 ***
		-0.55		-7.67		5.70		-0.73		-2.59
ISCED_Foreign		0.04 ***		-0.14 ***		-0.01		-0.07 ***		-0.05 ***
		3.13		-9.03		-0.48		-3.82		-2.99
ISCED_PartFor		0.09 ***		-0.13 ***		-0.05		-0.09 ***		0.01
		3.74		-5.12		-1.57		-2.74		0.24
N	49336	49336	46639	46639	49381	49381	49412	49412	42257	42257
Wald chi2(58)	2927 ***	2945 ***	7797 ***	7897 ***	14292 ***	14333 ***	12642 ***	12637 ***	3923 ***	3936 ***
Log pseudoLL	-32155	-32144	-20049	-19987	-21565	-21545	-21633	-21621	-21817	-21810
Pseudo R2	0.05	0.05	0.19	0.19	0.25	0.25	0.37	0.37	0.08	0.08
Chi2 interactions		23.56 ***		126.53 ***		39.26 ***		20.46 ***		13.74 ***

Sector dummies not reported; t-values based on heteroskedasticity corrected s.e. below the coefficients. ***p<0.01; **p<0.05; *p<0.10

Table 7.7 Effects of MNE by country of origin, compared to domestic firms

	Wage	OverPay	Health / Danger	Stress	Hours	Training	Equal Opp	Informed
Dutch MNE	0.85***	-0.07***	-0.04**	0.08***	0.67***	0.11***	-0.03	0.04***
	6.25	-8.47	-2.30	7.83	7.14	5.42	-1.43	2.71
US_MNE	3.02***	-0.17***	-0.05*	0.17***	1.01***	0.40***	0.02	0.01
	13.04	-11.77	-1.80	10.22	7.64	11.57	0.67	0.38
JP_MNE	2.63***	0.03	-0.16**	0.08*	-0.33	0.35***	-0.21***	-0.04
	4.36	0.67	-2.41	1.71	-0.81	3.58	-2.75	-0.60
UK_MNE	2.14***	-0.11***	-0.01	0.07***	0.56***	0.19***	0.05	0.04
	5.45	-5.17	-0.33	2.90	2.77	3.98	1.30	1.12
FR_MNE	2.14***	-0.06***	0.05	0.05**	0.13	0.30***	-0.10**	-0.07*
	5.72	-3.03	1.34	2.05	0.60	5.91	-2.44	-1.93
GER_MNE	1.66***	-0.10***	-0.08**	0.08***	0.07	0.24***	-0.10**	0.06
	5.30	-4.76	-2.09	3.48	0.33	5.27	-2.51	1.63
REST_MNE	1.85***	-0.09***	0.05**	0.15***	0.94***	0.24***	-0.03	0.01
	10.11	-8.12	2.26	11.61	7.24	9.35	-1.55	0.55
PartForeign	0.52***	-0.04***	0.05*	0.14***	0.55***	0.21***	0.08***	0.07***
	2.62	-2.87	1.71	8.28	3.49	6.30	2.87	2.92

	Challenging	Satis-faction	Under-employ	Overtime	Irreg. Hours	CAO	Works Council	TU member
Dutch MNE	0.02**	0.03***	-0.05***	0.11***	-0.03	-0.16***	0.42***	-0.01
	1.99	3.21	-6.60	6.23	-1.43	-7.01	18.68	-0.54
US_MNE	0.04**	0.03*	-0.07***	0.35***	-0.05	-0.67***	0.39***	-0.13***
	1.99	1.89	-6.15	11.91	-1.50	-20.20	10.76	-3.63
JP_MNE	-0.04	0.03	-0.14***	-0.01	0.03	-0.69***	0.51***	-0.14
	-0.75	0.85	-4.01	-0.17	0.35	-7.46	5.92	-1.52
UK_MNE	-0.01	0.00	-0.07***	0.17***	0.03	-0.50***	0.58***	-0.03
	-0.41	-0.16	-4.06	4.15	0.67	-10.87	10.43	-0.53
FR_MNE	-0.04	-0.04*	-0.07***	0.07	-0.11**	-0.32***	0.77***	0.01
	-1.49	-1.85	-3.61	1.55	-2.09	-5.95	11.21	0.30
GER_MNE	0.05*	0.03	-0.07***	0.14***	0.13***	-0.30***	0.44***	0.00
	1.70	1.40	-3.66	3.61	2.82	-6.14	9.12	-0.07
REST_MNE	0.02	0.01	-0.09***	0.21***	0.13***	-0.32***	0.45***	0.02
	1.20	0.83	-9.10	9.44	5.09	-11.89	16.53	0.78
PartForeign	-0.03	0.01	-0.05***	0.08***	0.28***	-0.05	0.75***	0.19***
	-1.59	0.62	-3.93	2.93	8.70	-1.34	19.63	5.71

Sector dummies not reported; t-values based on heteroskedasticity corrected s.e. below the coefficients.
*** p<0.01, ** p<0.05; * p<0.10

The regression analyses in table 7.7 further disentangle the findings regarding the different working conditions at MNEs by country of origin, hereby addressing Research Question 2. The table shows to what extent the wages and employment conditions of employees in the Netherlands may differ between MNEs from different home countries. The exact same regressions as reported in tables 7.5 and 7.6 were run, but now replacing

the ‘foreign MNE’ dummy with a set of variables indicating the country of origin of the MNE. Significance of the findings should be interpreted as the significance of difference from the reference category, in this case purely domestic firms. The results in table 7.7 only report the findings for the different types of MNEs and the country of origin of firms. The parameter estimates for the other variables are very similar to those presented in tables 7.5 and 7.6.

The results show important differences across the various countries of origin of MNEs, but also for the various dimensions of employment conditions. With respect to gross wages, all international firms pay higher wages than non-international firms. The highest wages are paid by US firms, followed by Japanese firms. The other firms also pay higher wages than domestic Dutch firms, but substantially less than these two groups. Foreign MNEs in the Netherlands are also similar with respect the presence of a works council (most often in UK and French firms), and lack of CAO agreements (especially in Japanese and US firms). Also, international firms tend to abstain from hiring overqualified staff. For the other variables however, substantial differences exist across firms. All firms but the Japanese are less inclined to compensate overtime than domestic firms, with the US and UK firms scoring most extreme. Employees from MNEs from ‘other’ (including developing) countries are substantially more likely to work in dangerous or unhealthy working conditions, whereas the health and safety situation is best in German and Japanese firms. Stress is also highest for firms from ‘other’ countries, closely followed by US firms. Employees for US and ‘other’ firms also report the longest working hours, and score highest on overtime. Unionization is significantly lower for US firms.

US and Japanese firms give most training to their employees, but differ with respect to their attitude towards equal opportunity: whereas US firms do not differ from Dutch domestic firms, Japanese firms (and to a lesser extent also German and French firms) score lower than local firms with respect to ensuring equal opportunity for women. Employees’ job satisfaction and perception of whether their work is challenging does not differ across countries of origin (with the exception of employees of US firms, who score slightly higher on both), nor are the differences with entirely domestic firms significant. Employees for German and ‘other’ MNEs are more likely to work in shifts or have irregular hours than domestic firms, whereas this is significantly less for employees of French firms.

In summary, especially the US, Japanese and ‘other’ firms seem to have a quite different (and to some extent also stereotypical) style of dealing with employees than Dutch domestic firms, and appear to be transferring their home country practices to the host country in which they do business. The differences with European firms (UK, France, and Germany) are much smaller. The most explicit differences are that the British and French are the most likely to have a works council, whereas the French also score highest in the absence of irregular working hours. Employees for German firms do work relatively more often in shifts or irregular hours, but have very safe working conditions.

US firms seem to expect their employees to ‘work hard and play hard’ (and don’t complain): with the highest working hours, overtime (with relatively little

compensation), and stress levels, but also the highest wages, substantive training, and the most challenging work. But they are least likely to have a collective labour agreement and unionization rates are lowest. In contrast, Japanese firms appear to offer high quality employment: high wages, much training, very little dangerous or unhealthy work, very few overqualified workers, but this is coupled with much less equal opportunity than in domestic (and many other international) firms, and an absence of collective labour agreements.

Indirect effects of inward investment

In addition to the direct effects of working for an MNE, the entry of multinationals (and also their investments abroad) can have important effects for other firms operating in the same sector (horizontal spillovers) or in related sectors in the value chain (vertical spillovers), as specified in Research Question 3.

Starting with the spillovers from inward investments, tables 7.8 and 7.9 display the results for the models with either an ordinal or continuous variable as dependent (OLS with heteroskedasticity corrected standard errors) or a binary variable as dependent (probit regressions, also with heteroskedasticity corrected standard errors). Each model includes the three inward FDI variables as independents (in addition to the control variables). Only the employees that work for domestic firms are selected, in order to best capture the effect of inward FDI on incumbents. While Dutch MNEs may be the firms that are most 'capable' to capture the knowledge spillovers from FDI, they may also be more productive (and hence pay higher wages, and provide better employment conditions) for other reasons in addition to inward FDI, for example their own competitive advantages including their international exposure. Since it is not possible to control for these factors, including Dutch MNEs in the sample for this question of spillovers could lead to biased results. (It should be noted however that the differences between the results including and excluding employees that work for Dutch MNEs do not differ substantially).

The results for spillovers from inward FDI are displayed in table 7.8 and 7.9. These tables show that the coefficient for the variable measuring inward investment in a sector is often significant in explaining the wages and labour conditions for employees in domestic firms, especially if the level of education is taken into consideration. This points at the presence of spillovers (positive or negative) from FDI. Exploring the effects in more detail, it can be seen that inward FDI in a sector is positively associated with wages, a relationship that becomes stronger if employees are higher educated. At the same time, inward FDI reduces job stress for these highly skilled employees, and is positively associated with the extent to which such employees feel informed. However, inward FDI is also paired with underemployment among high skilled employees at domestic firms. Inward FDI is coupled with higher degrees of training and equal opportunity for all employees in domestic firms. The relationship with job satisfaction is negative for low-skilled, but positive for high-skilled employees, and low-skilled workers have to work more shift or irregular hours (whereas high-skilled do not). With respect to labour relations, inward FDI is associated with higher unionization rates among low-

Table 7.8 Spillovers to employees at domestic firms from inward FDI

	Wage		OverPay		Health_danger		Stress		Hours		Training	
ISCED	1.22 ***	1.23 ***	-0.09 ***	-0.11 ***	-0.12 ***	-0.20 ***	0.05 ***	0.05 ***	0.38 ***	0.28 ***	0.07 ***	0.06 ***
	23.77	9.06	-27.80	-13.38	-18.61	-11.37	10.58	4.72	9.35	2.83	8.70	2.82
Supervisor	2.33 ***	2.34 ***	-0.08 ***	-0.08 ***	0.01	0.01	0.28 ***	0.28 ***	1.16 ***	1.16 ***	0.25 ***	0.25 ***
	20.34	20.39	-11.25	-11.22	0.85	0.86	29.55	29.53	13.87	13.87	14.39	14.40
nrSup (x 10^{-4})	109.1 *	109.1 *	-4.24 **	-4.25 **	-0.85	-0.92	-1.43 **	-1.43 **	0.27 *	0.27 *	2.27	2.28
	1.70	1.71	-2.43	-2.44	-0.38	-0.41	-2.01	-2.02	1.89	1.88	1.17	1.18
Experience	1.88 ***	1.88 ***	-0.01	-0.01	-0.06 ***	-0.06 ***	-0.04 ***	-0.04 ***	-0.32 ***	-0.32 ***	-0.09 ***	-0.09 ***
	26.49	26.49	-1.34	-1.31	-7.05	-7.00	-7.50	-7.49	-6.62	-6.60	-9.39	-9.39
Gender	-2.48 ***	-2.46 ***	0.01 **	0.02 **	-0.28 ***	-0.28 ***	-0.11 ***	-0.11 ***	-2.67 ***	-2.67 ***	-0.33 ***	-0.33 ***
	-22.72	-22.63	1.97	2.09	-17.37	-17.14	-10.72	-10.84	-29.73	-29.70	-18.10	-18.03
Size	0.27 ***	0.27 ***	0.01 ***	0.01 ***	0.00	0.00	0.01 ***	0.01 ***	-0.07 ***	-0.07 ***	0.11 ***	0.11 ***
	11.91	11.99	9.40	9.39	-0.43	-0.45	3.78	3.76	-3.66	-3.67	29.59	29.60
FDI_{in}[1]	2.71	-9.69	0.02	0.09	0.05	-0.27	-0.52	0.02	8.90	10.32	1.89 **	1.55 *
	0.29	-1.03	0.06	0.26	0.06	-0.26	-0.78	0.04	1.07	1.19	2.41	1.86
FDI_up_{in}[1]	31.12	44.91	-2.72	-4.10 **	9.45	5.47	5.11	5.00	130.2	124.6	-1.99	-1.81
	0.34	0.49	-1.49	-2.20	1.14	0.67	0.88	0.86	1.60	1.52	-0.33	-0.30
FDI_down_{in}[1]	2.92	4.00	-0.40	-0.04	4.48 **	5.66 ***	1.52	1.22	58.52 **	57.72 **	1.48	1.31
	0.13	0.17	-0.48	-0.06	2.09	2.59	1.04	0.81	2.33	2.29	0.73	0.62
$ISCED\_FDI_{in}$[1]		3.83 ***		-0.02		0.09		-0.16 ***		-0.48		0.10
		6.19		-0.58		1.01		-3.06		-0.88		1.02
ISCED_ FDI_up_{in}[1]		-4.68 ***		0.43 ***		1.26 ***		0.00		1.98		-0.05
		-2.63		3.88		5.28		0.24		1.39		-0.20
ISCED_ FDI_down_{in}[1]		-0.27		-0.11		-0.39 **		0.00		0.18		0.05
		-0.26		-1.45		-2.51		1.01		0.21		0.29
F interactions		14.57 ***		5.29 ***		10.71 ***		3.28 **		0.86		0.4
N	31437	31437	23783	23783	31014	31014	30379	30379	32109	32109	30856	30856
F	73.88 ***	70.32 ***	38.74 ***	36.98 ***	45.99 ***	44.24 ***	35.25 ***	33.62 ***	35.88 ***	34.12 ***	67.6 ***	64.16 ***
R^2	0.138	0.139	0.080	0.080	0.074	0.075	0.060	0.061	0.078	0.078	0.101	0.101

Sector dummies not reported; t-values based on heteroskedasticity corrected s.e. below coefficients. *** p<0.01, ** p<0.05; * p<0.10.

[1] (x 10^{-3})

Table 7.8 Spillovers to employees at domestic firms from inward FDI (ctd.)

	EqualOpp		Informed		Challenging		Satisfaction		Underemploy		dWorkforce	
ISCED	0.04 ***	0.10 ***	0.02 ***	0.02	0.03 ***	0.05 ***	0.03 ***	0.03 ***	0.13 ***	0.10 ***	0.02 ***	0.03
	4.82	5.40	3.71	1.09	7.31	3.90	6.39	2.89	42.86	13.09	3.35	1.58
Supervisor	0.05 ***	0.05 ***	0.18 ***	0.18 ***	0.27 ***	0.27 ***	0.07 ***	0.06 ***	-0.16 ***	-0.19 ***	0.13 ***	0.13 ***
	3.07	3.05	11.69	11.72	25.77	25.78	7.56	7.20	-22.32	-26.15	9.39	9.39
nrSup (x 10^{-4})	2.37	2.43	4.26	4.28	4.26 **	4.29 **	1.77	1.71	-1.65	-2.10	3.09 *	3.09 *
	0.91	0.93	1.31	1.32	2.35	2.36	0.94	0.95	-1.09	-1.22	1.71	1.72
Experience	-0.05 ***	-0.06 ***	0.02 **	0.02 **	0.06 ***	0.06 ***	0.04 ***	0.04 ***	-0.01 ***	-0.01 ***	-0.12 ***	-0.12 ***
	-5.67	-5.74	2.04	2.04	10.93	10.92	7.09	7.38	-3.11	-2.81	-14.44	-14.46
Gender	-0.21 ***	-0.21 ***	0.01	0.01	-0.05 ***	-0.05 ***	0.00	0.01	0.04 ***	0.04 ***	-0.12 ***	-0.12 ***
	-12.43	-12.55	0.68	0.74	-4.18	-4.23	0.46	1.00	5.92	5.76	-8.17	-8.06
Size	-0.01 ***	-0.01 ***	0.00	0.00	0.00 **	0.00 **	0.01 ***	0.01 ***	0.00	0.00	-0.03 ***	-0.03 ***
	-2.66	-2.64	0.24	0.26	-2.09	-2.07	4.00	5.22	-0.44	-0.36	-9.96	-9.95
FDI_{in}[1]	2.44 ***	2.66 ***	1.62	0.96	0.34	0.23	0.50	-0.39 **	-0.44 ***	-0.32	2.35 **	1.73 *
	2.62	2.68	1.60	0.91	0.64	0.41	1.26	-2.06	-9.72	-0.67	2.50	1.75
FDI_up_{in}[1]	-24.28 ***	-21.32 ***	-2.11	-1.30	-4.69	-3.52	-3.61	1.23 **	0.60 ***	1.11	-1.74	-1.46
	-3.01	-2.65	-0.25	-0.15	-1.19	-0.89	-1.38	2.18	5.13	0.30	-0.21	-0.17
FDI_down_{in}[1]	-3.07	-2.81	0.05	-0.53	-0.57	-1.34	-1.56	-0.40	-0.45 ***	2.00 **	4.21 *	5.46 **
	-1.57	-1.40	0.04	-0.36	-0.42	-0.95	-1.23	-1.32	-5.24	2.47	1.82	2.30
$ISCED\_FDI_{in}$[1]		-0.05		0.20 **		0.03		0.12 ***		0.14 ***		0.19 **
		-0.58		2.36		0.58		2.60		3.52		2.28
ISCED_ FDI_up_{in}[1]		-0.94 ***		-0.26		-0.36 **		-0.17		0.74 ***		-0.08
		-3.70		-1.11		-2.24		-1.29		6.66		-0.38
ISCED_ FDI_down_{in}[1]		-0.06		0.18		0.24 **		0.13		-0.17 **		-0.03 ***
		-0.36		1.20		2.24		1.49		-2.41		-2.63
F interactions		5.26 ***		2.65 **		2.95 **		3.47 **		21.85 ***		3.78 ***
N	28037	28037	30816	30816	31084	31084	31152	31223	27709	27646	29166	29166
F	26.63 ***	25.47 ***	8.07 ***	7.82 ***	26.54 ***	25.28 ***	8.68 ***	22.45 ***	306.7 ***	65.73 ***	20.36 ***	19.53 ***
R^2	0.049	0.050	0.014	0.014	0.044	0.044	0.015	0.009	0.091	0.124	0.036	0.036

Sector dummies not reported; t-values based on heteroskedasticity corrected s.e. below coefficients. *** p<0.01, ** p<0.05; * p<0.10.

[1] (x 10^{-3})

Table 7.9 Spillovers to employees at domestic firms from inward FDI: probit models

	Overtime		Irreg_hours		CAO		WorksCouncil	
ISCED	0.03 ***	0.05 ***	-0.18 ***	-0.23 ***	-0.12 ***	-0.20 ***	0.06 ***	0.07 ***
	4.48	2.58	-20.73	-9.58	-13.58	-8.77	7.19	3.39
Supervisor	0.26 ***	0.26 ***	0.00	0.00	-0.01	-0.01	-0.10 ***	-0.10 ***
	16.20	16.19	-0.07	-0.11	-0.73	-0.74	-5.48	-5.48
nrSup (x 10^{-4})	2.60	2.59	-1.81	-1.89	-2.37	-2.47	-2.61	-2.57
	1.41	1.41	-0.95	-0.98	-1.01	-1.04	-1.53	-1.50
Experience	-0.09 ***	-0.09 ***	-0.03 **	-0.03 **	0.11 ***	0.11 ***	0.11 ***	0.11 ***
	-9.25	-9.28	-2.49	-2.48	9.16	9.25	10.00	9.99
Gender	-0.28 ***	-0.28 ***	-0.02	-0.02	-0.05 **	-0.04 **	-0.02	-0.02
	-16.25	-16.23	-0.93	-0.98	-2.27	-2.20	-0.98	-0.92
Size	0.00	0.00	0.09 ***	0.09 ***	0.19 ***	0.19 ***	0.39 ***	0.39 ***
	-1.31	-1.31	21.64	21.65	41.03	41.01	74.12	74.10
FDI_{in} [1]	0.28	0.29	0.46	2.31 **	-8.48 ***	-8.25 ***	1.01	0.38
	0.30	0.29	0.54	2.43	-8.84	-7.85	0.87	0.31
FDI_up_{in} [1]	9.14	9.39	-12.42 **	-17.95 ***	-50.32 ***	-55.28 ***	-5.42	-4.45
	1.50	1.53	-2.34	-3.31	-9.05	-9.79	-0.54	-0.44
FDI_down_{in} [1]	4.78	5.80 *	-5.59 **	-4.55 *	-23.24 ***	-22.19 ***	-1.98	-1.24
	1.60	1.91	-2.24	-1.77	-8.71	-7.85	-0.65	-0.40
$ISCED\_FDI_{in}$ [1]		0.00		-0.60 ***		-0.08		0.18
		-0.02		-5.40		-0.69		1.63
ISCED_ FDI_up_{in} [1]		-0.06		1.76 ***		1.48 ***		-0.30
		-0.26		5.20		5.08		-1.02
ISCED_ FDI_down_{in} [1]		-0.31 *		-0.38 *		-0.34		-0.22
		-1.95		-1.77		-1.29		-1.24
F Interactions		4.21		51.71 ***		25.98 ***		5.16
N	29132	29132	27371	27371	29389	29389	29325	29325
Wald χ^2_{54}	1763 ***	1767 ***	5119 ***	5240 ***	10172 ***	10193 ***	6934 ***	6923 ***
Log pseudoLL	-19195	-19193	-10985	-10958	-12068	-12055	-12728	-12726
Pseudo R2	0.046	0.046	0.218	0.22	0.297	0.297	0.344	0.344

Sector dummies not reported; t-values based on heteroskedasticity corrected s.e. below coefficients. *** p<0.01, ** p<0.05; * p<0.10.
[1] (x 10^{-5})

Table 7.9 Spillovers to employees at domestic firms from inward FDI: probit models (ctd.)

	TUmember		Merger		Bankrupt	
ISCED	-0.10 ***	-0.16 ***	-0.01	-0.01	0.01	0.05 *
	-12.08	-7.50	-0.64	-0.66	1.26	1.79
Supervisor	-0.07 ***	-0.07 ***	0.02	0.02	0.10 ***	0.10 ***
	-3.45	-3.44	0.97	0.96	4.82	4.81
nrSup (x 10^{-4})	0.41	0.36	-2.27	-2.28	-1.41	-1.40
	0.27	0.24	-1.40	-1.40	-0.64	-0.63
Experience	0.23 ***	0.23 ***	0.05 ***	0.05 ***	0.05 ***	0.05 ***
	22.56	22.59	4.11	4.12	3.75	3.73
Gender	-0.24 ***	-0.24 ***	-0.02	-0.01	0.05 *	0.04 *
	-11.58	-11.37	-0.70	-0.64	1.95	1.88
Size	0.02 ***	0.02 ***	0.13 ***	0.13 ***	-0.05 ***	-0.05 ***
	6.12	6.12	32.24	32.24	-10.37	-10.37
FDI_{in} [1]	6.00 ***	5.47 ***	2.87 **	2.58 **	3.71 **	4.21 ***
	6.32	5.32	2.37	1.99	2.48	2.68
FDI_up_{in} [1]	52.78 ***	50.02 ***	66.32 ***	65.81 ***	51.15 ***	52.32 ***
	11.95	11.11	7.10	7.03	8.99	9.00
FDI_down_{in} [1]	26.69 ***	27.05 ***	23.73 ***	24.80 ***	24.58 ***	24.95 ***
	12.97	12.68	9.30	9.37	8.70	8.59
$ISCED\_FDI_{in}$ [1]		0.17		0.09		-0.16
		1.60		0.78		-1.22
ISCED_ FDI_up_{in} [1]		0.86 ***		0.20		-0.32
		2.88		0.67		-0.86
ISCED_ FDI_down_{in} [1]		-0.13		-0.31		-0.10
		-0.75		-1.36		-0.49
F Interactions		12.24 ***		2.49		2.73
N	24990	24990	29330	29330	28373	28373
Wald χ^2_{54}	2189 ***	2191 ***	1957 ***	1960 ***	459 ***	465 ***
Log pseudoLL	-12782	-12776	-9835	-9834	-9126	-9125
Pseudo R^2	0.079	0.079	0.086	0.086	0.024	0.025

Sector dummies not reported; t-values based on heteroskedasticity corrected s.e. below coefficients. *** p<0.01, ** p<0.05; * p<0.10.
[1] (x 10^{-3})

skilled workers in domestic firms, and lower rates of coverage by collective labour agreements. Inward FDI appears to be linked with a higher extent of mergers and bankruptcies among domestic firms (as reported by employees), but also leads to increases in workforce in domestic firms, both of high and low-skilled labour.

The conclusion that could be drawn from these findings is that inward FDI in a particular sector is matched with a competitive reaction by Dutch firms, that try to make better use of human resources by investing in training and improving the equality of opportunity. Firms also improve communication particularly among their high-skilled workers, and engage in mergers to increase the scale of their activities (but are also more likely to go bankrupt). This increased competition due to FDI is paired with increased labour market competition especially for high skilled workers, which benefit through higher wages and less stressful jobs, although they may also face underemployment (over-qualification for their job). Lower skilled labour however seems to benefit less from inward FDI. They do not receive higher wages, but have to work more often in shifts or irregular hours, and are less often covered by collective labour agreements. Higher unionization rates do not seem to change these effects (but may have prevented worse). In all however, the effect of inward FDI for domestic firms seem to be net positive, given the increase in jobs that are recorded both for high-skilled and low-skilled workers.

Spillovers from inward FDI do not only occur horizontally, but also vertically. By creating backward linkages, MNEs may increase output and employment at suppliers and promote technology transfer and training, but with their large size, MNEs may also have a strong bargaining position towards supplying firms to deliver for low prices and according to tightly specified standards. The 'backward linkages' effect of FDI is captured by the investments in the downstream sector (from the point of view of the responding employee). Sectors in the dataset that are characterizes by high foreign investments in their downstream sectors are agriculture, mining and petroleum extraction, and basic and fabricated metals. Here we see that a higher extent of backward linkages is positively associated to the extent to which especially lower-skilled employees are engaged in dangerous and unhealthy work, and also increases working hours (for both high and low-skilled). Backward linkages are positively associated to challenging work for high-skilled employees, which is paired with the negative relationship between backward linkages and underemployment for high skilled staff (but this effect is smaller for low skilled employees). Backward linkages are associated with higher workforce growth, more so for low-skilled than higher skilled employees. Shift work and irregular hours are reduced, although there is a small effect that indicates that low-skilled workers may have to work more overtime. Backward linkages are also associated with fewer collective labour agreements, more unionization, and more organizational change (mergers, but also bankruptcies).

In sum, backward linkages from inward FDI seem to increase employment in the Netherlands. Increased demand results both in more workers, especially lower skilled. But it also increases work pressure, as witnessed by the longer working hours per employee and slightly more overtime for lower-skilled workers, and increased work in unhealthy or dangerous conditions. Most additional work due to increased demand

appears to be planned however, so the extent to which employees have to work irregular hours is reduced. Taking into consideration the reduced use of collective labour agreements and the higher rates of unionization associated with inward FDI, it may be that while backward linkages increase demand and employment, the quality of such employment is not always very high. This could potentially be explained by MNEs using strict price standards that increase pressures on firms to reduce inefficiencies. Such an argument could also explain the positive association between the extent of backward linkages in an industry, and the rate of mergers (scale enlargement to cut costs) and bankruptcies (those firms that did not make it).

Finally, inward FDI can also create spillovers to their buyers, by providing (higher quality or lower cost) goods and services that can help in the competitiveness of a firm and benefit its employees. Put differently, forward linkages imply studying the effect of having foreign-owned suppliers. Such foreign-owned suppliers may help their customers with for example marketing and distribution. Such assistance may however also become more compulsory and binding, in the form of e.g. fixed sales prices. As in the case of backward linkages, large MNEs may also use their bargaining power in the relationship with clients, particularly smaller distributors. The 'forward linkages' effect of FDI is captured by the investments in the upstream sector (from the point of view of the responding employee). Sectors in the dataset that are characterized by high foreign investments in their upstream sectors are chemicals, rubber and non-metallic minerals manufacturing, utilities (gas, electricity) and finance. The results in tables 7.8 and 7.9 indicate that a high extent of forward linkages is related to lower wages for high-skilled employees in entirely domestic firms, and a higher frequency of work in unhealthy or dangerous circumstances, but also of over-time compensation (unlike for low-skilled labour). Equality of opportunity is reduced for both high and low skilled workers. Forward linkages are associated with less challenging work for high-skilled employees, that are also more frequently underemployed, but lower-skilled employees are more satisfied in the presence of forward linkages. Irregular hours become more frequent for high than for low-skilled employees, but they are also more often covered by collective labour agreements. Forward linkages are associated with high unionization rates, and the occurrence of mergers, and the threat of bankruptcies.

Hence, the effects of forward linkages of FDI for employment are not particularly beneficial. They are not associated with increases in employment, but do seem to be linked to lower quality jobs, especially for high-skilled workers. It appears that foreign-owned suppliers dictate the terms to the domestically owned users and distributors of their products, which makes working for domestic firms in sectors characterized by large shares of foreign-owned suppliers a less challenging and less attractive option for high-skilled employees.

Indirect effects of outward investment

One of the main concerns in developed countries regarding MNEs (and globalization in general) is the loss of jobs to low-wage countries (Research Question 4). From that view, the effect of outward investment may be particularly harmful for employment quantity

and quality in the home country. At the same time, taking advantage of the international division of labour may also contribute to firm and employment growth. Tables 7.10 and 7.11 display the regression results for the effect of outward FDI on wages and labour conditions in the Netherlands for the models with an ordinal or continuous variable as dependent (OLS with heteroskedasticity corrected standard errors), and with a binary variable as dependent (probit regressions, also with heteroskedasticity corrected standard errors). The entire sample of Dutch and international firms is considered, as outward investments can be expected to be made primarily by Dutch MNEs, and hence also to affect not only domestic firms (as suppliers of the MNEs) but also employees at international firms.

Starting with the horizontal spillovers from outward investments, table 7.10 and 7.11 show that outward investment is associated with higher wages, mostly for high-skilled employees. The wages of lower skilled employees are not negatively affected. All employees however get less compensation for overtime, have to work longer hours, and experience less equal opportunity in sectors with substantial outward investment. The higher the level of education of an employee, the more outward investment is associated with being well-informed about what is happening within the firm, and with having a challenging and satisfying job. Working in shifts or irregular hours occurs less frequent for high-skilled employees in the presence of outward investment. For all employees, coverage by collective labour agreements is reduced, whereas union membership, mergers and also bankruptcies occur more often.

On the basis of these findings, it is possible to conclude that concerns of large scale job relocation due to outward investment are generally unsubstantiated (although sector differences could remain). However, the positive effects of outward FDI in terms of higher wages, more challenging and satisfying jobs, and less irregular working hours, are concentrated among high-skilled employees, whereas the costs – a deterioration of overtime compensation, longer hours, less equal opportunity, are equally distributed across high and low skilled labour. Outward investment is also associated with changes in labour relations, as seen in the reduction of CAO coverage and increased union membership, and with organizational change in an industry (in particular mergers and bankruptcies).

Outward investment may not only have effects for work in the industry from which these investments originate, but also for related industries, both suppliers and buyers. Starting with the effect of outward investment on suppliers, if outward investment increases intra-firm trade or the use of local suppliers in the countries of foreign investment, domestic (Dutch) sourcing and backward linkages are reduced, hence employees in domestic suppliers suffer. On the other hand, outward investment that is aimed at serving foreign markets tends to be accompanied with exports from the home country of e.g. machinery and a range of other inputs. Suppliers of those products may hence benefit from the increased demand due to the outward investment of their clients. The net effect remains an empirical question.

Table 7.10 Effects for employees of outward FDI

	Wage		OverPay		Health_danger		Stress		Hours		Training	
ISCED	1.65 ***	1.64 ***	-0.12 ***	-0.10 ***	-0.14 ***	-0.15 ***	0.05 ***	0.04 ***	0.41 ***	0.38 ***	0.09 ***	0.07 ***
	38.85	13.99	-45.51	-11.18	-26.69	-10.64	14.99	3.87	12.91	4.78	14.13	3.94
Supervisor	2.93 ***	2.94 ***	-0.10 ***	-0.08 ***	0.02 *	0.02 *	0.28 ***	0.28 ***	1.12 ***	1.12 ***	0.26 ***	0.26 ***
	32.64	32.69	-16.61	-11.24	1.95	1.92	37.98	37.98	17.46	17.45	19.00	19.00
nrSup	0.01 ***	0.01 ***	0.00	0.00 **	0.00	0.00	0.00	0.00	0.00 ***	0.00 ***	0.00 **	0.00 **
	3.02	3.02	-1.23	-2.43	-1.21	-1.21	-0.11	-0.11	2.70	2.71	2.21	2.20
Experience	2.14 ***	2.15 ***	-0.01 **	-0.01	-0.06 ***	-0.06 ***	-0.04 ***	-0.04 ***	-0.35 ***	-0.35 ***	-0.09 ***	-0.08 ***
	35.71	35.88	-2.23	-1.34	-8.56	-8.56	-8.59	-8.56	-8.79	-8.81	-11.38	-11.34
Gender	-2.77 ***	-2.75 ***	0.02 ***	0.02 **	-0.25 ***	-0.25 ***	-0.10 ***	-0.10 ***	-2.37 ***	-2.37 ***	-0.34 ***	-0.34 ***
	-31.23	-31.04	3.12	2.00	-20.52	-20.47	-12.55	-12.52	-34.33	-34.29	-23.20	-23.12
Size	0.29 ***	0.29 ***	0.01 ***	0.01 ***	0.00	0.00	0.01 ***	0.01 ***	-0.04 ***	-0.04 ***	0.11 ***	0.11 ***
	17.85	17.84	12.19	9.38	1.01	1.02	6.96	6.95	-3.15	-3.14	42.00	42.00
FDI_{out}	0.01	-0.01	0.00 ***	0.00	0.00	0.00	0.00	0.00	0.02 ***	0.03 ***	0.00	0.00
	1.30	-0.88	-3.99	-0.96	0.18	0.43	0.87	0.97	3.40	3.51	0.90	0.52
FDI_up_{out}	0.03	0.05	0.00 **	0.00 **	0.00	0.00	0.00	0.00	0.09 **	0.09 **	0.01 *	0.01 *
	0.75	1.16	-2.25	-2.45	0.71	0.36	1.39	1.13	2.19	2.07	1.79	1.66
FDI_down_{out}	0.01	0.01	0.00	0.00	0.00 **	0.01 **	0.00	0.00	0.06 **	0.07 **	0.00	0.00
	0.46	0.28	-1.17	-0.46	1.98	2.36	1.25	1.14	2.42	2.53	1.05	1.02
$ISCED\_FDI_{out}$		0.00 ***		0.00		0.00		0.00		0.00		0.00
		7.96		-0.40		-0.78		-0.50		-1.10		1.41
$ISCED\_FDI\_up_{out}$		0.00 ***		0.00 *		0.00 **		0.00		0.00		0.00
		-3.48		1.72		2.13		1.54		1.32		0.45
$ISCED\_FDI\_down_{out}$		0.00		0.00		0.00 ***		0.00		0.00 *		0.00
		1.49		-1.07		-2.66		0.72		-1.76		0.01
F Interaction		23.00 ***		1.29		3.60 **		1.05		1.68		0.93
N	52205	52205	40040	23783	51104	51104	49768	49768	53443	53443	50760	50760
F	142.8 ***	137.8 ***	77.37 ***	36.86 ***	67.17 ***	63.88 ***	54.5 ***	51.71 ***	54.19 ***	51.47 ***	125.2 ***	118.8 ***
R^2	0.17	0.17	0.09	0.08	0.07	0.07	0.06	0.06	0.08	0.08	0.11	0.11

Sector dummies not reported; t-values based on heteroskedasticity corrected s.e. below coefficients.
*** p<0.01, ** p<0.05; * p<0.10.

Table 7.10 Effects for employees of outward FDI (ctd.)

	EqualOpp		Informed		Challenging		Satisfaction		Underemploy		dWorkforce	
ISCED	0.03 ***	0.08 ***	0.03 ***	0.04 ***	0.04 ***	0.05 ***	0.03 ***	0.04 ***	0.13 ***	0.12 ***	0.02 ***	0.03 **
	5.60	5.27	6.55	3.13	11.86	5.41	10.34	5.24	53.93	17.47	4.30	1.98
Supervisor	0.03 ***	0.04 ***	0.17 ***	0.17 ***	0.28 ***	0.28 ***	0.07 ***	0.08 ***	-0.16 ***	-0.18 ***	0.12 ***	0.12 ***
	2.82	2.83	15.04	15.07	35.28	35.32	11.28	11.44	-29.21	-33.98	10.82	10.79
nrSup	0.00 *	0.00 *	0.00 ***	0.00 ***	0.00 ***	0.00 ***	0.00 *	0.00 *	0.00 ***	0.00 ***	0.00 ***	0.00 ***
	1.73	1.74	2.84	2.85	3.59	3.59	1.94	1.95	-2.58	-2.59	2.69	2.69
Experience	-0.06 ***	-0.06 ***	0.04 ***	0.04 ***	0.06 ***	0.06 ***	0.04 ***	0.04 ***	-0.01 ***	-0.01 ***	-0.12 ***	-0.12 ***
	-8.59	-8.67	5.67	5.69	14.74	14.77	10.88	11.41	-5.04	-5.07	-20.37	-20.38
Gender	-0.29 ***	-0.29 ***	-0.01	-0.01	-0.06 ***	-0.06 ***	-0.01	-0.01	0.07 ***	0.06 ***	-0.15 ***	-0.15 ***
	-21.96	-22.04	-1.05	-1.05	-6.31	-6.30	-1.11	-1.04	11.78	9.86	-12.69	-12.63
Size	-0.01 **	0.00 **	0.01 ***	0.01 ***	0.00 ***	0.00 ***	0.01 ***	0.01 ***	0.00 ***	0.00	-0.03 ***	-0.03 ***
	-2.28	-2.26	3.11	3.10	-2.69	-2.70	5.82	6.23	-2.99	-1.61	-13.04	-13.02
FDI_{out}	0.00 ***	0.00 ***	0.00	0.00	0.00	0.00 **	0.00	0.00	0.00 ***	0.00	0.00	0.00
	-3.20	-2.83	-0.15	-0.89	-1.25	-2.00	0.17	-1.07	-8.13	0.96	0.18	0.28
FDI_up_{out}	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00 ***	0.00 ***	0.00	0.01 *	0.01
	-1.23	-0.73	1.10	1.64	-0.07	0.47	-0.81	3.28	2.86	-0.03	1.72	1.55
FDI_down_{out}	0.00 **	0.00 **	0.00	0.00	0.00	0.00	0.00	0.00	0.00 ***	0.00 **	0.00	0.00 **
	-2.21	-2.01	0.36	-0.09	-0.55	-0.97	-1.05	0.10	-6.05	2.55	1.54	2.05
$ISCED\_FDI_{out}$		0.00		0.00 **		0.00 ***		0.00 ***		0.00		0.00
		-0.86		2.30		2.81		2.78		1.33		-0.30
$ISCED\_FDI\_up_{out}$		0.00 ***		0.00 **		0.00 ***		0.00 *		0.00 ***		0.00
		-2.61		-2.15		-3.01		-1.82		6.00		1.04
$ISCED\_FDI\_down_{out}$		0.00		0.00 *		0.00 ***		0.00		0.00 *		0.00 ***
		-0.93		1.77		2.58		0.33		-1.89		-4.00
F Interaction		4.29 ***		3.61 **		6.70 ***		2.94 **		16.50 ***		5.62 ***
N	46836	46836	50413	50413	51200	51200	51603	51729	46826	46710	48623	48623
F	42.05 ***	40.13 ***	14.75 ***	14.23 ***	46.53 ***	44.39 ***	17.83 ***	62.69 ***	509.9 ***	102 ***	33.33 ***	31.94 ***
R^2	0.047	0.047	0.016	0.016	0.047	0.048	0.019	0.015	0.090	0.116	0.036	0.036

Sector dummies not reported; t-values based on heteroskedasticity corrected s.e. below coefficients.
*** p<0.01, ** p<0.05; * p<0.10.

Table 7.11 Effects for employees of outward FDI – probit regressions

	Overtime		Irreg_hours		CAO		WorksCouncil	
ISCED	0.03 ***	0.05 ***	-0.18 ***	-0.23 ***	-0.12 ***	-0.20 ***	0.06 ***	0.07 ***
	4.48	2.58	-20.73	-9.58	-13.58	-8.77	7.19	3.39
Supervisor	0.26 ***	0.26 ***	0.00	0.00	-0.01	-0.01	-0.10 ***	-0.10 ***
	16.20	16.19	-0.07	-0.11	-0.73	-0.74	-5.48	-5.48
nrSup	2.60	2.59	-1.81	-1.89	-2.37	-2.47	-2.61	-2.57
	1.41	1.41	-0.95	-0.98	-1.01	-1.04	-1.53	-1.50
Experience	-0.09 ***	-0.09 ***	-0.03 **	-0.03 **	0.11 ***	0.11 ***	0.11 ***	0.11 ***
	-9.25	-9.28	-2.49	-2.48	9.16	9.25	10.00	9.99
Gender	-0.28 ***	-0.28 ***	-0.02	-0.02	-0.05 **	-0.04 **	-0.02	-0.02
	-16.25	-16.23	-0.93	-0.98	-2.27	-2.20	-0.98	-0.92
Size	0.00	0.00	0.09 ***	0.09 ***	0.19 ***	0.19 ***	0.39 ***	0.39 ***
	-1.31	-1.31	21.64	21.65	41.03	41.01	74.12	74.10
FDI_{out}	0.28	0.29	0.46	2.31 **	-8.48 ***	-8.25 ***	1.01	0.38
	0.30	0.29	0.54	2.43	-8.84	-7.85	0.87	0.31
FDI_up_{out}	9.14	9.39	-12.42 **	-17.95 ***	-50.32 ***	-55.28 ***	-5.42	-4.45
	1.50	1.53	-2.34	-3.31	-9.05	-9.79	-0.54	-0.44
FDI_down_{out}	4.78	5.80 *	-5.59 **	-4.55 *	-23.24 ***	-22.19 ***	-1.98	-1.24
	1.60	1.91	-2.24	-1.77	-8.71	-7.85	-0.65	-0.40
$ISCED\_FDI_{out}$		0.00		-0.60 ***		-0.08		0.18
		-0.02		-5.40		-0.69		1.63
$ISCED\_FDI\_up_{out}$		-0.06		1.76 ***		1.48 ***		-0.30
		-0.26		5.20		5.08		-1.02
$ISCED\_FDI\_down_{out}$		-0.31 *		-0.38 *		-0.34		-0.22
		-1.95		-1.77		-1.29		-1.24
F Interactions		4.21		51.71 ***		25.98 ***		5.16
N	29132	29132	27371	27371	29389	29389	29325	29325
Wald χ^2_{54}	1763 ***	1767 ***	5119 ***	5240 ***	10172 ***	10193 ***	6934 ***	6923 ***
Log pseudoLL	-19195	-19193	-10985	-10958	-12068	-12055	-12728	-12726
Pseudo R2	0.046	0.046	0.218	0.22	0.297	0.297	0.344	0.344

Sector dummies not reported; t-values based on heteroskedasticity corrected s.e. below coefficients.

*** p<0.01, ** p<0.05; * p<0.10.

Table 7.11 Effects for employees of outward FDI – probit regressions (ctd.)

	TUmember		Merger		Bankrupt	
ISCED	-0.10 ***	-0.16 ***	-0.01	-0.01	0.01	0.05 *
	-12.08	-7.50	-0.64	-0.66	1.26	1.79
Supervisor	-0.07 ***	-0.07 ***	0.02	0.02	0.10 ***	0.10 ***
	-3.45	-3.44	0.97	0.96	4.82	4.81
nrSup	0.41	0.36	-2.27	-2.28	-1.41	-1.40
	0.27	0.24	-1.40	-1.40	-0.64	-0.63
Experience	0.23 ***	0.23 ***	0.05 ***	0.05 ***	0.05 ***	0.05 ***
	22.56	22.59	4.11	4.12	3.75	3.73
Gender	-0.24 ***	-0.24 ***	-0.02	-0.01	0.05 *	0.04 *
	-11.58	-11.37	-0.70	-0.64	1.95	1.88
Size	0.02 ***	0.02 ***	0.13 ***	0.13 ***	-0.05 ***	-0.05 ***
	6.12	6.12	32.24	32.24	-10.37	-10.37
FDI_{out}	6.00 ***	5.47 ***	2.87 **	2.58 **	3.71 **	4.21 ***
	6.32	5.32	2.37	1.99	2.48	2.68
FDI_up_{out}	52.78 ***	50.02 ***	66.32 ***	65.81 ***	51.15 ***	52.32 ***
	11.95	11.11	7.10	7.03	8.99	9.00
FDI_down_{out}	26.69 ***	27.05 ***	23.73 ***	24.80 ***	24.58 ***	24.95 ***
	12.97	12.68	9.30	9.37	8.70	8.59
$ISCED\_FDI_{out}$		0.17		0.09		-0.16
		1.60		0.78		-1.22
$ISCED\_FDI\_up_{out}$		0.86 ***		0.20		-0.32
		2.88		0.67		-0.86
$ISCED\_FDI\_down_{out}$		-0.13		-0.31		-0.10
		-0.75		-1.36		-0.49
F Interactions		12.24 ***		2.49		2.73
N	24990	24990	29330	29330	28373	28373
Wald χ^2_{54}	2189 ***	2191 ***	1957 ***	1960 ***	459 ***	465 ***
Log pseudoLL	-12782	-12776	-9835	-9834	-9126	-9125
Pseudo R2	0.079	0.079	0.086	0.086	0.024	0.025

Sector dummies not reported; t-values based on heteroskedasticity corrected s.e. below coefficients.

*** p<0.01, ** p<0.05; * p<0.10.

The results show that outward investment in downstream sectors has important effects on employees at supplying firms, but that many of these effects are different for high and low skilled workers. Safety is reduced for low-skilled workers, and increased for high-skilled employees. For all employees, working hours are increased and equal opportunity is reduced. For high skilled workers, jobs are more challenging, and they are slightly better informed in the case of outward FDI of their suppliers. Underemployment is higher (though slightly less so for high-skilled workers), but the workforce also increases (for low skilled more than high-skilled). Less skilled workers work more overtime, high-skilled workers less. Outward FDI in the downstream sector is associated with lower use of collective labour agreements, and higher degrees of unionization, and organizational change (mergers, bankruptcies).

In sum, the effect of outward investment for employees at the suppliers of those firms is rather mixed. For low skilled workers, although the total size of employment is positively affected and salaries are not adjusted downwards, outward investment in downstream industries does negatively affect the quality of their jobs. Safety and equal opportunity are reduced, while working hours and overtime increase. For high-skilled employees, workforce growth is negatively affected by outward investment, although the quality of their job increases: they have more challenging work and work less in unhealthy or dangerous conditions, and have to spend less overtime.

Finally, tables 7.10 and 7.11 also give insights into the employment effects of outward FDI in upstream industries. What are the effects of buying products from firms in sectors with much outward investment? Again, the effects may be twofold. On the one hand, one may expect that if outward FDI looking for lower labour costs results in cheaper inputs, the buyers of those products benefit. At the same time, outward FDI that is aimed at exploiting foreign markets may substitute domestic distributors that used to sell those products internationally with buyers in those foreign markets, or use outward investment as a means of forward integration, making domestic buyers obsolete.

The empirical results indicate that especially for high skilled workers, outward investments results in lower pay and also lower job quality, as safety, equal opportunity, information, satisfaction and the extent of challenging work decrease, while underemployment, overtime and irregular hours increase. The effects for low-skilled labour are less disadvantageous. This indicates that outward investment by firms in upstream sectors may indeed be coupled with an increased use of foreign market distributors or by forward integration, where more advanced tasks are being placed in other (not necessarily low labour cost) countries.

Robustness checks: Instrumental variables estimations

Many of the findings reported above are interpreted as the effect of investment for employment and wages. A final step in the analysis is to check for the robustness of these results, particularly in the light of endogeneity and reverse causality. The time lag between the sector-level FDI data and the various measures of wages and employment conditions should already partly mitigate such concerns. In addition, it is theoretically more likely for many variables that the direction of causality runs from FDI to the particular employment condition, rather than the other way around. It is highly unlikely, to say the least, that FDI is attracted to the Netherlands by the frequency of unhealthy or dangerous work, by stress levels, inequality between men and women, or the job satisfaction of employees.

For several other variables, such a reversed causality may be more likely: unionization rates may deter FDI, whereas a highly trained workforce may attract investment. Workforce growth, mergers (and even bankruptcies) may be signs of dynamic sectors, which in turn may also attract investors. But the most prominent example of potential reversed causality relates to wages. FDI may affect wages, but may also be attracted by them as signs of high quality and productive labour. In order to explore to what extent our findings are driven by reversed causality, and to what extent controlling for the fact

that FDI may be attracted by certain sectors would lead to false conclusions regarding the effect of FDI, we have re-estimated all models with instrumental variables regressions, where inward (outward) FDI was instrumented with the average wage per NACE sector (at 3-digit level). The results indicated that endogeneity was indeed present, but that it did not affect the results of our findings. Hence, although FDI was indeed attracted by the wage level in a particular sector, it in turn also greatly affected these wages. As example of these IV regressions, table 7.12 reports the results for the models with wages as a dependent variable. Comparing the findings of the IV regressions with the regression not controlling for endogeneity, there are no differences with respect to the effect of FDI on wages.

Table 7.12 IV regressions for the effect of inward and outward FDI for gross wages

Inward FDI			Outward FDI		
ISCED	1.22***	1.23***	ISCED	1.65***	1.40***
	23.77	9.06		38.85	12.72
Supervisor	2.33***	2.34***	Supervisor	2.93***	2.94***
	20.34	20.39		32.64	32.72
nrSup	0.01*	0.01*	nrSup	0.01***	0.01***
	1.70	1.71		3.02	3.01
Experience	1.88***	1.88***	Experience	2.14***	2.15***
	26.49	26.49		35.71	35.83
Gender	-2.48***	-2.46***	Gender	-2.77***	-2.74***
	-22.72	-22.63		-31.23	-30.92
Size	0.27***	0.27***	Size	0.29***	0.29***
	1.91	11.99		17.85	17.85
FDI_{in}[1]	2.71	-9.69	FDI_{out}[1]	8.44	-1.13
	0.29	-1.03		1.30	-0.17
FDI_up_{in}[2]	3.11	4.49	FDI_up_{out}[2]	2.86	3.17
	0.34	0.49		0.75	0.82
FDI_down_{in}[1]	2.92	4.00	FDI_down_{out}[1]	11.02	2.63
	0.13	0.17		0.46	0.11
$ISCED\_FDI_{in}$[1]		3.83***	$ISCED\_FDI_{out}$[1]		4.91***
		6.19			9.62
ISCED_ FDI_up_{in}[1]		-4.68***	ISCED_ FDI_up_{out}[1]		-4.06***
		-2.63			-2.77
ISCED_ FDI_down_{in}[1]		-0.27	ISCED_ FDI_down_{out}[1]		1.32
		-0.26			1.36
F interactions		14.57***	F interactions		32.6***
N	31437	31437	N	52205	52205
F	73.88***	70.32***	F	142.81***	138.14***
R^2	0.1376	0.1389	R^2	0.1727	0.1747

Sector dummies not reported; het.cor. s.e.; *** p<0.01, ** p<0.05; * p<0.10. T values below coefficients.

[1] ($\times 10^{-3}$)

[2] ($\times 10^{-2}$)

7.5 CONCLUSIONS

The debate on the effects of globalization addresses a number of different issues, but the social effects – in particular for the quantity and quality of employment – of globalization constitute one of the central themes. Both the effects of inward investment and outward investment have been questioned. On the one hand, positive effects have been identified: locating productive capacity in other countries can both contribute to wages and employment conditions in those host countries, and by enabling firms to grow through international investments, the demand for high quality jobs increases in the home country as well. But it has also been theorized that foreign investment exports jobs from high to low wage countries, and may negatively affect labour conditions in both countries (the 'race to the bottom'). The tendency of MNEs to use similar employment practices in their subsidiaries as in their home countries, can both diffuse superior knowledge on organizing work, but may also challenge the existing system of industrial relations in a host country.

Despite an already substantial body of work on some of the labour dimensions of FDI, much uncertainty remains with respect to the employment impact of international investments. To what extent do inward and outward investments contribute to wages and employment conditions in home and host countries? This paper has addressed this issue for the Netherlands, structuring the analysis along four different research questions. Using a unique dataset of employee level data that includes not only wages but a wide range of other dimensions of labour conditions, the effect of both inward and outward investment for working hours and overtime, industrial relations, and several perceptual measures of for example job satisfaction or job stress was addressed. Both the direct and indirect effects of MNE investment were assessed, and a distinction was made among MNEs from various countries of origin, to explore if MNEs indeed are – as suggested in the literature – diffusers of organizational practices in host countries. At the same time, the assessment of the effects of outward investment is in particular for developed countries an important concern: to what extent are jobs exported, and to what extent does globalization benefit only the elite or an entire economy and work force?

The empirical analysis in this paper was organized along the four research questions, addressing first the direct effects of working for a foreign firm (RQ1 and 2), subsequently the indirect effects of inward investments (RQ3), and finally the consequences of outward FDI (RQ4).

Direct effects of MNEs in the Netherlands

With respect to the direct effects of MNEs in the Netherlands, the findings of this paper confirm existing literature in that working for a foreign firm is associated with higher wages. This effect is more prominent for high-skilled workers: the average low-skilled (education level is lower secondary) employee earns €12.75 per hour (gross) for a domestic firm; changing jobs to a foreign employer would increase his or her wage with 1.1 percent to €12.89. For high-skilled workers (tertiary education), the wage premium of working for a foreign firm is much higher at 15.2 percent, increasing average gross

wages from €17.26 to €19.89 per hour. These numbers are in line with previous research on the wage effect of foreign investment.
This wage differential is very likely due to productivity differences between domestic and foreign firms (for example, employees at MNEs receive more training), and may also aim to prevent labour migration. But it may also reflect the fact that working for an MNE is more demanding. Lower-skilled workers at MNEs report to work more often in dangerous or unhealthy conditions, work longer working hours as well as more irregular hours or shift work, and experience more job stress. High skilled employees at MNEs have more overtime work than employees for domestic firms.
Exploring differences between working for foreign firms from different countries of origin, we found that especially the US and Japanese firms seem to have a quite different (and to an extent also stereotypical) style of dealing with employees than Dutch domestic firms, and appear to be transferring their home country practices to the host country in which they do business. For example, the focus of Japanese firms on quality and process innovation (Ruigrok and Van Tulder, 1995) is reflected in the high degrees of training, and the absence of dangerous or unhealthy working conditions. The relatively masculine Japanese culture (see Hofstede, 1980) appears to have resulted in the very low scores on equal opportunity within Japanese firms. The adage 'work hard and play hard' seems to best describe labour conditions at US firms: with the highest working hours, overtime (with relatively little compensation), and stress levels, but also the highest wages, extensive training, and the most challenging work. Both US and Japanese firms appear to avoid the collective bargaining systems in the Netherlands, and are associated with very low unionization rates and collective labour agreements.

Indirect effects of FDI

The findings with respect to the indirect or spillover effects of inward FDI suggest that the presence of foreign investment is followed by a competitive reaction by Dutch firms, which try to make better use of human resources by investing in training and improving equal opportunity, or engage in mergers to increase the scale of their activities (though exit via bankruptcies of domestic firms is also positively related to inward FDI). Overall, the effect of inward FDI appears to be positive, given the positive association between FDI and workforce growth for both high and low skilled employees, suggesting a transfer of knowledge and technology. But the benefits of spillovers from FDI are mainly concentrated at high-skilled workers (who earn higher wages due to increased labour market competition from FDI). Lower-skilled labour appears to bear the burden of increased competition and has to work more often in shifts or irregular hours, and are less often covered by collective labour agreements. This may explain for the increased unionization rates among domestic employees in the presence of FDI.
Inward FDI also affects employment via backward linkages. The increased demand for suppliers' products is positively associated with low-skilled work force growth. But it appears that the buying power of MNEs pressures suppliers to reduce inefficiencies, implying longer working hours per employee, (slightly) more overtime, and increased work in unhealthy or dangerous situations. This may also explain for the positive

association between the extent of backward linkages in an industry, and the rate of mergers (scale enlargement to cut costs) and bankruptcies (those firms that did not make it). Forward linkages on the other hand are also not very beneficial for employees working in those forward sectors. It appears that the foreign-owned suppliers dictate the terms to the domestically owned users and distributors of their products, which implies that working for domestic firms in sectors characterized by large shares of foreign-owned suppliers is a less challenging and less attractive option for high-skilled employees.

Effects of outward investment

Finally, with respect to outward FDI, the findings suggest that concerns of large scale job relocation due to outward investment are generally unsubstantiated (although sector differences could remain). However, as with inward FDI, the positive effects of outward FDI in terms of higher wages, more challenging and satisfying jobs, and less irregular working hours, are concentrated among high-skilled employees, whereas the costs – a deterioration of overtime compensation, longer hours, less equal opportunity – are equally distributed across high and low skilled labour. Outward investment is also associated with changing labour relations, as seen in the reduction of CAO coverage and increased union membership, and with organizational change in an industry (mergers and bankruptcies).

The findings on the effect of outward investment for domestic suppliers (backward linkages) also do not suggest that a major replacement of domestic for foreign inputs occurs, although outward investment in downstream industries does negatively affect the quality of low-skilled jobs. Also for the effect of FDI on employment via forward linkages, the results are not entirely positive: outward investment by firms in upstream sectors may indeed be coupled with an increased use of foreign market distributors or by forward integration, where more advanced tasks are being placed in other (not necessarily low labour cost) countries. This is suggested by the lower pay and lower job quality for high skilled employees.

Implications and further research

As overarching conclusion, both inward and outward FDI seem to have beneficial effects for Dutch employment, wages and labour conditions, but the benefits are much larger for high-skilled than for low-skilled employees. This means that globalization via FDI has positive overall effects but detrimental distributional effects for the Dutch workforce. These findings suggest important implications for policy makers, who in order to smooth the adjustment of the Dutch workforce to a global environment and dampen the negative distributional effects, need not only create and maintain social safety nets, but especially need to invest more in education and training. This will both increase the overall benefits of international investment and reduce negative distributional effects.

The findings of this paper have also important implications for trade unions bargaining with MNEs and domestic firms over wages and labour conditions. The relocation of employment from the Netherlands to low-wage countries is not a widespread phenomenon, but outward investment (and inward investment) does negatively affect

working conditions for low-skilled workers, the traditional union members. Unions may hence prefer to focus on the quality of employment in labour negotiations, as the quantity of jobs is less likely to be affected by globalization (though individual exceptions may exist). The positive effects of globalization are concentrated among higher-skilled workers. Therefore, in bargaining over labour conditions, trade unions may want to attach more importance to the training of employees, and less on wage increases (that will follow automatically with education).

These are still relatively general recommendations. For more detailed suggestions, further research into the effects of globalization on employment, wages and labour conditions in the Netherlands is warranted, as the present study suffers from some important limitations. First of all, this paper is based on cross-sectional data, making it very difficult to disentangle causes and effects. Within the limits of the cross-sectional data, all possibilities to ensure that the findings were not caused by reversed causality were explored. Endogeneity has been addressed by IV regressions, and for the sector level FDI data, a time lag between 1 to 3 years was included in the analysis, further reducing the chance that FDI was pulled towards, rather than influences, the labour characteristics of a particular sector. For some of the dependent variables, reversed causality was also theoretically rather unlikely. But although all these controls showed that the results were indeed influenced, but not qualitatively changed, by reversed causality, further research is necessary to explore this issue further before strong conclusions can be drawn. Especially the study of these phenomena over time should yield more certainty as to the direction of causality.

A second issue is that many of the results presented here generalize findings across sectors, whereas slope heterogeneity in the effect of FDI on employment could be expected among high-tech versus low tech sectors, or sectors that are open or closed to trade. Further studies should yield more insights into how the effect of FDI differs in various contexts. This does not only apply to the sector of activity, but to the characteristics of investments. This paper studied the role of the country of origin of FDI and suggested that home country institutions and culture play an important role in the employment practices of foreign subsidiaries. Further research could elaborate this point further and explore exactly what dimensions of home culture, and what kinds of home country institutions result in the most positive contribution of foreign subsidiaries to employment and employment conditions. Also other firm characteristics require further study. For example, Hamill (1992) theorized that the type of subsidiary (as defined by Bartlett and Ghoshal, 1989) would matter as well in determining the employment effect of inward FDI. And also the mode of entry – greenfield versus acquisitions – could be an important determinant of the net contribution of a foreign affiliate to employment. With respect to outward investment, in particular its geographical direction (developed versus developing countries) has been shown to distinguish between positive and negative effects for domestic employment (see Harrison and McMillan, 2006). While it was impossible to correct for this issue with the present dataset, further research should take this into account in order to shed more light on the employment effects of FDI in the Netherlands.

Finally, more research is necessary to differentiate between the employment consequences of the various motives for internationalization. This paper does not distinguish between strict relocation (closing down one factory in order to open up another in a more favourable location), broad relocation (relocating part of a factory to improve a firm's competitive position), offshoring (international in-sourcing of production mostly to low wage countries) and outsourcing (as part of a move back to core competencies) (see Mol *et al.*, 2005). It is acknowledged, however, that each motive can have different repercussions for labour content and labour conditions both at home and abroad (Cf. Van den Berghe, 2003). Further research is needed to investigate this distinction in more detail.

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