

quality to be employed by a multinational.³⁸ Even so, this would suggest that emerging markets will be increasingly capable competitors for highly sought-after internationally mobile R&D activities.

Headquarters

Corporate headquarters often contain many of the highest paying positions in a company such as management, finance, legal, accounting, human resources and so on. These are often called 'headquarter functions', but as with other stages of the value chain, their links to a specific location or to other functions are weakening. They too are becoming increasingly mobile. Indeed, much of the fear surrounding offshore outsourcing is the potential loss of these high-paying and high-skilled activities to low-wage locations. And, even more so than R&D, corporate headquarters (HQs) can have an impact on the local and in some cases even the national economy well beyond the impact of their direct employment – banks are worried about losing their customers, stock exchanges their listings and auditors and lawyers their clients. Furthermore, the headquarter embodies the decision making power of the firm, provides the top management positions for all members of the firm to aspire to, is often associated with local philanthropy, and can act as a national champion. It is for these reasons that corporate headquarters, and their associated functions, are among the most sought-after activities. This may be best illustrated by some high-profile headquarter movements in recent years. In 2001 Boeing relocated its headquarters from Seattle to Chicago and is expected to employ about 500 people. One of the reasons cited for the move was the generous incentives offered by the State of Illinois and the City of Chicago estimated at about US\$62 million in tax breaks, grants and

other benefits. That puts a value of about US\$124 thousand per employee.

Canadians in particular have been worried about the state of their head offices. In the late 1990s and into the early part of this decade, there was a concern that the low value of the Canadian dollar was contributing to an acceleration of takeovers of Canadian companies by foreign raiders at 'fire-sale prices' and resulting in a 'hollowing out' of corporate Canada. More recently, this fear has been renewed with the large number of foreign acquisitions of Canadian companies that have taken place in recent years even as the dollar has appreciated. Some of Canada's most recognizable corporate names have been acquired by foreigners including; Hudson's Bay Co., Falconbridge, Inco, Dofasco, Algoma Steel and Four Seasons Hotels. Royal Bank CEO Gordon Nixon noted that "Over the past year, 116 Canadian public companies were acquired by foreign interests, more than any other major country including much bigger economies such as the United States, the United Kingdom, France and all of the Nordic countries combined".³⁹

This raises two questions:

- 1) What has happened to the number of head offices in Canada?
- 2) Does it matter if these head offices are foreign owned?

On the first account, the total number of head offices in Canada has actually increased, rising to 4,161 in 2005 from 4,061 in 1999 while head office employment increased by even more, rising by 17 thousand to reach 175 thousand in 2005.⁴⁰ As for the second question; foreign controlled firms accounted for all of the gains in the number of headquarters in Canada over this period and for 6 out of 10 net new headquarter jobs. It was also

38 McKinsey Global Institute "The Emerging Global Labour Market: Part 2- the Supply of Offshore Talent in Services" June 2005.

39 Reported in the Toronto Star "Target Canada" April 21, 2007.

40 Statistics Canada Daily Thursday July 12, 2006. "Head Office Employment in Canada"