

stocks, access to a commercially exploitable resource base can often be the decisive motivating factor behind ODI (e.g., investment in the mining sector). There is also evidence that ODI improves the profitability of the parent company as it grows, allowing it to stay in business longer, remain competitive, pay home country workers better wages, etc.⁶

Nonetheless, some wage adjustments linked to the effects that ODI can have on the skill mix of the domestic labour force can, and probably will, occur. Unpublished work by Gunderson and Verma (1993) and Globerman (1993) as well as work by the OECD suggests that the labour market restructuring that occurs as a result of ODI is from low wage, blue collar jobs to higher wage, white collar jobs.⁷ This is assumed to result partially from a change in the structure of exports to affiliates, which will require capital exports. Also, more managerial staff at the home office will be needed as the parent company expands. This shift in the composition of the labour force can be beneficial for domestic productivity and competitiveness.

This restructuring, however, could be quite painful for some labour groups, who may be highly organized and have political clout. For example, highly paid but lower skilled manufacturing jobs that are labour intensive may disappear or experience wage reductions, and workers in these industries might resist the change. Since it is possible for the aggregate effects and skill mix effects of ODI to work in opposite directions (i.e., positive skill mix effects increasing average wages but negative aggregate effects decreasing employment), the social weighting one gives to "good" jobs versus aggregate employment is an important policy concern. If higher unemployment with a higher average wage for those working is deemed more desirable, this would have different implications than if the reverse were true.

The employment effects are complicated further because different types of ODI can effect employment in different ways. ODI can take the form of greenfield investments, cross-border mergers or acquisitions. A foreign acquisition may result in less exports of capital equipment and intermediate products to the newly acquired firm than a greenfield investment. But, mergers and acquisitions may help maintain the overall competitiveness of the parent firm and reduce negative labour market

⁶Taylor and Fosler, *op. cit.*, S. McGuire, *FDI and Employment*. OECD, *Foreign Direct Investment, Trade and Employment in the United States*, DAFFE/IME(94)9.

⁷M. Gunderson and S. Verma, *Labour Market Implications of Outward Direct Foreign Investment*, unpublished, pp. 16-7. S. Globerman, *The Public and Private Interests in Outward Direct Investment*, unpublished, pp. 33-4. OECD, *FDI and Employment*, p.10.