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Employment at multinational enterprises in Canada

Introduction

Multinational enterprises (MNEs) are corporations with majority-owned operations in more than one country. In Canada, foreign MNEs (enterprises operating in Canada that are controlled by a foreign parent) and Canadian MNEs (Canadian-controlled enterprises with a foreign affiliate) together comprise around one percent of all corporate enterprises. Despite their relatively small number, MNEs play an important role in the Canadian economy as sources of jobs, capital and new technologies.

Statistics on activities of MNEs complement the already existing statistics on Foreign Direct Investment (FDI) by providing additional insights on the impact of such investment in domestic and foreign economies by identifying and analyzing the characteristics, activity, financial position and performance of MNEs. This year, Statistics Canada is publishing a comprehensive, provincial-level dataset on the domestic activities of Canadian MNEs in addition to those of foreign MNEs. Along with the Activities of Canadian Multinational Enterprises Abroad, Statistics Canada now has full coverage of MNE activities.¹

At the national level, the domestic activities of MNEs covered include financial position and performance, research and development activity, various trading activities, as well as employment and gross domestic product (also referred to as value added). At the provincial level, the domestic activities of MNEs measured are employment, gross domestic product and the imports and exports of goods.

This study focuses specifically on the employment characteristics in Canada, by province and industry, of foreign MNEs, Canadian MNEs and non-MNE corporations.

Identifying multinational enterprises in Canada

Foreign MNEs

Foreign MNEs are corporations operating in Canada that are controlled by a foreign parent. They are identified based on a majority ownership concept under the FDI framework. The ownership of more than 50% of voting shares is used to identify foreign MNEs. While the FDI concept of influence also includes ownership of 10% to 50% of the voting shares, this segment is excluded from the statistics on MNEs.

Canadian MNEs

In 2019, Statistics Canada expanded its coverage of Inward Foreign Affiliates Statistics by developing data on the domestic activities of Canadian MNEs. This expansion allows for analysis of the activities of all MNEs in Canada.

Like foreign MNEs, Canadian MNEs are identified using a majority ownership concept. Canadian MNEs are defined as enterprises based in Canada that own more than 50% of the voting shares of an enterprise abroad.

Non-MNEs

MNEs cannot be analyzed in isolation. Their activities should be compared with those of non-MNEs, which are Canadian-owned organizations without a controlling interest abroad.

Non-MNEs in Canada are separated into two groups: corporations and non-corporate organizations. This serves to nuance the analyses of MNEs, which reside entirely in the corporate sector and are best compared with other corporations only.

1. Statistics Canada (2019). *Activities of Canadian majority-owned affiliates abroad, 2017*. The Daily, September 24, Catalogue no. 190924a.

Together, Canadian MNEs, foreign MNEs and all other domestic corporations make up the Canadian corporate sector as defined in this study. The corporate sector and the residual non-corporate sector jointly comprise the total Canadian economy.

As an exercise undertaken for this program, the distribution of firms into corporate and non-corporate sectors is made using variables on the Statistics Canada Business Register that correspond to the Canadian Classification of Institutional Units and Sectors 2012.² Table 1 presents the total economy by institutional and economic sector:

Table 1
Economic sectors by the Canadian Classification of Institutional Units and Sectors, 2012

Institutional sector	Economic sector
Non-financial and financial corporations ¹	Corporate
General government	Non-corporate
Households	Non-corporate
Non-profit institutions serving households	Non-corporate

1. Includes government business enterprises.

Source: Statistics Canada.

This paper concerns employment within the corporate sector only, unless otherwise mentioned. All figures are for 2017, the most recent available year. Jobs totals by sector and by province are estimated at the establishment statistical unit, the level at which accounting data required to measure production are available (principal inputs, revenues, salaries and wages).

Summary of results

Multinationals employ one in three Canadian corporate sector workers

In 2017, MNEs employed 4.36 million Canadians. This was one-third (34.5%) of Canada's 12.6 million corporate sector workforce and was split between foreign MNEs (18.2%) and Canadian MNEs (16.3%). Within the full economy, MNEs employed 23.2% of Canadian workers, where foreign MNEs accounted for 12.2% and Canadian MNEs for 11.0%.

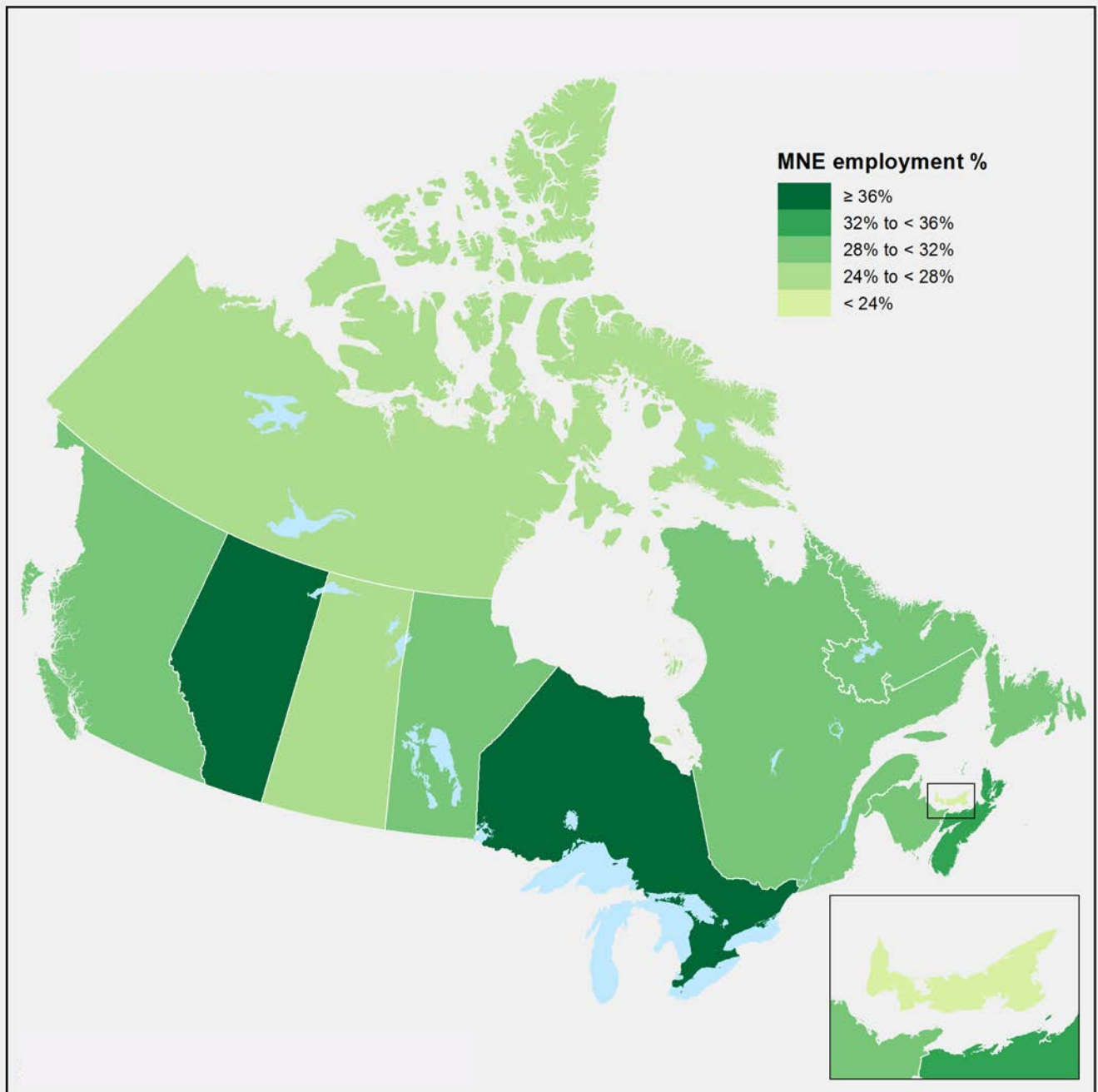
The Organisation for Economic Co-operation and Development (OECD) notes that, unlike in Canada, domestically-owned MNEs often account for a larger part of economic activity than foreign MNEs.³ The OECD estimates that in 2014, using the OECD analytical Activities of Multinational Enterprises database, MNEs on average employed 23% of workers in the total economy, with domestic MNEs at 16% and foreign MNEs at 7%.

By province, Ontario had the largest share of its corporate workforce employed by an MNE at 39.6%, with Alberta the second highest (36.2%) and Prince Edward Island the lowest (20.3%).

2. For more information on classifying economic sectors, please consult Statistics Canada's *Canadian Classification of Institutional Units and Sectors (CCIUS), 2012*.

3. Organisation for Economic Co-operation and Development (2018). Policy Note: *Multinational Enterprises in the Global Economy*. OECD Publishing, Paris.

Map 1
Percent of corporate sector jobs at MNEs, by province and territory, 2017



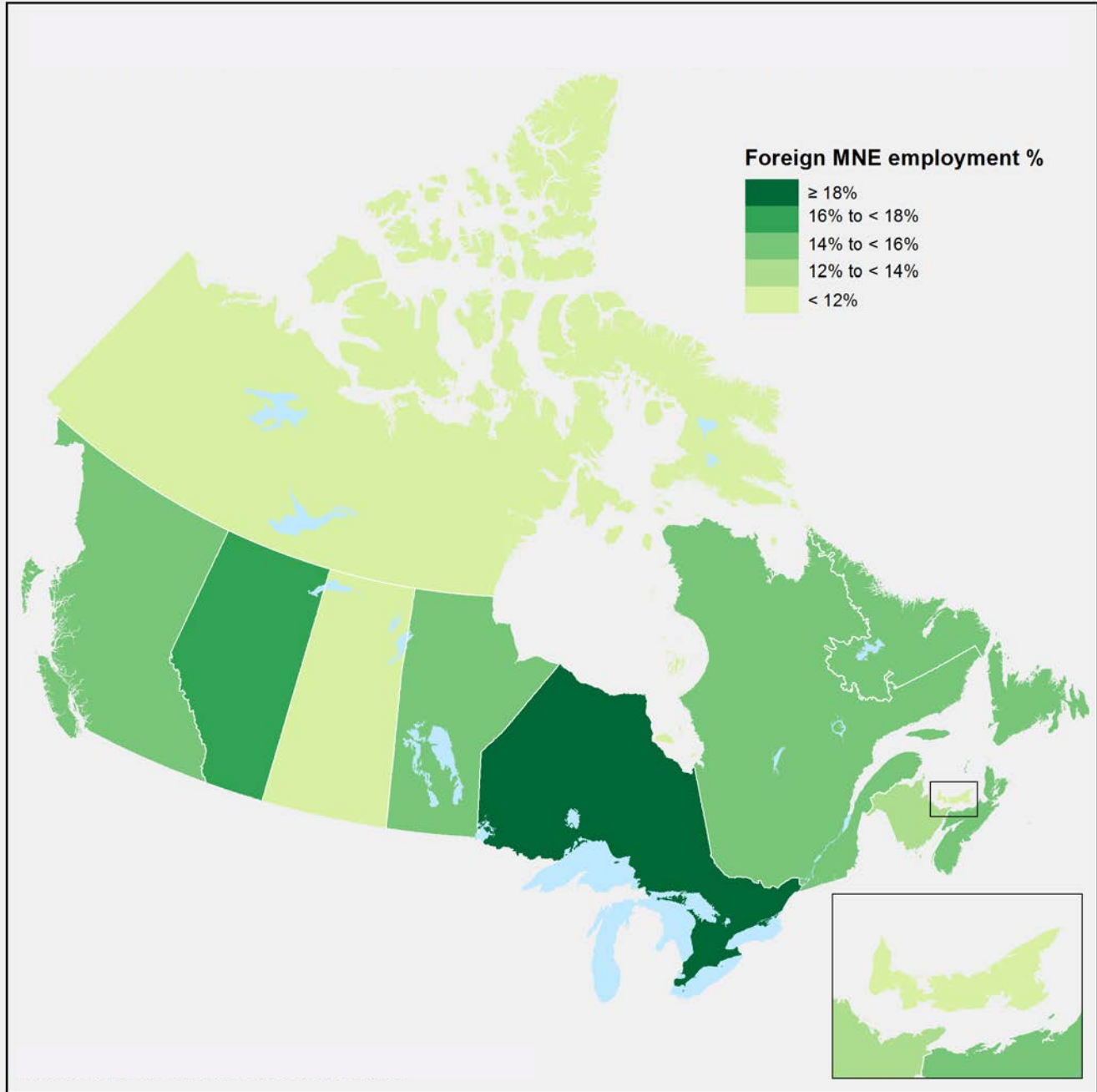
Source: Statistics Canada, table 36-10-0620-01.

Canadian and foreign MNEs have different provincial employment patterns

Canadian MNEs were responsible for similar shares of employment across most provinces. Canadian MNEs employed between 13.9% and 18.8% of the corporate workforce in each province except Prince Edward Island (10.6%).

On the other hand, employment by foreign MNEs was clustered in several provinces, notably Ontario. Nearly one in four (23.2%) workers in Ontario were employed by a foreign MNE. It was the only province whose share of jobs at foreign MNEs was above the national average (18.2%). Alberta was the second highest at 17.5%, while Prince Edward Island was the lowest at 9.7%.

Map 2
Percent of corporate sector jobs at foreign MNEs, by province and territory, 2017



Source: Statistics Canada, table 36-10-0620-01.

More manufacturing jobs at foreign MNEs than at Canadian MNEs

In 2017, MNEs employed similar shares of the corporate sector workforce of both goods- (35.6%) and services-producing (34.2%) industries.⁴

Around one in five (20.1%) jobs in Canada’s goods-producing industries were at foreign MNEs, while 15.5% were at Canadian MNEs.

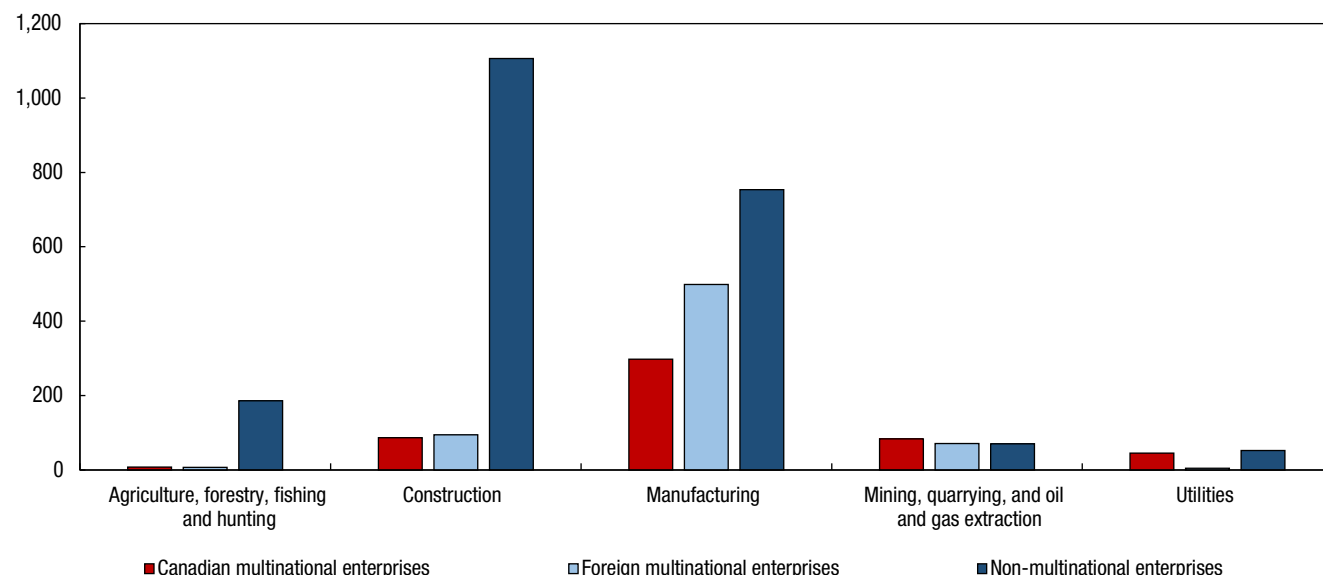
Foreign MNEs accounted for almost one-third (32.2%) of manufacturing jobs in Canada, compared with one-fifth (19.2%) for Canadian MNEs. In Ontario alone, two-fifths (39.8%) of manufacturing jobs were at foreign-owned firms. The manufacturing sector is the highest recipient of foreign direct investment in Canada. This sector accounted for more than one-fifth (\$185 billion) of the total stock of inward direct investment in 2017, a share that has been generally declining in recent years.

The other goods-producing sector with significant foreign presence was mining, quarrying and oil and gas extraction, in which employment was split between foreign MNEs (31.7%), Canadian MNEs (37.1%) and non-MNEs (31.1%).

Utilities was the only goods-producing sector with a low foreign MNE presence (4.2%) but a high Canadian MNE employment share at 44.3%. By nature, there are relatively few firms in the utilities sector, some of which are government business enterprises.

Chart 1
Number of jobs in goods-producing industries, by sector and type of corporation, 2017

number of jobs (thousands)



Source: Statistics Canada, table 36-10-0620-01.

4. Goods-producing industries are classified into North American Industry Classification System (NAICS) sectors 11 (agriculture, forestry, fishing and hunting) through 31-33 (manufacturing). Services-producing industries are classified as sectors 41 (wholesale trade) through 91 (public administration). There are 20 sectors, however, for purposes of this paper, the public administration sector is excluded because it is entirely non-corporate.

Canadian MNEs employ half of workers in the finance and insurance sector

Similar to goods-producing industries, a slightly greater share of people in services-producing industries worked for foreign MNEs (17.5%) than for Canadian MNEs (16.6%).

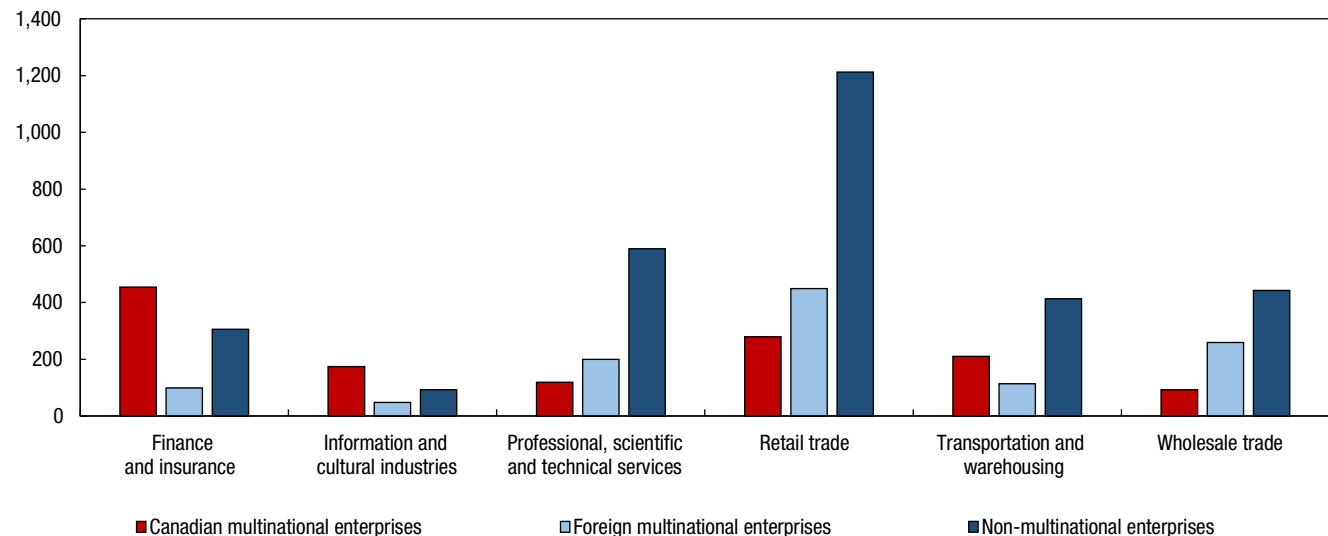
Canadian MNEs were focused in certain services-producing industries. Finance and insurance was the sector with the highest Canadian MNE employment at 455,000 people. They also employed a majority of Canadians in the information and cultural industries sector (55.3%). Both sectors have or have had restrictions on foreign ownership in Canada.

In contrast, there were no sectors in which foreign MNEs employed a majority of people—their largest share was in wholesale trade, where 32.6% of workers were employed by a foreign MNE.

Chart 2

Number of jobs in selected services-producing industries, by sector and type of corporation, 2017

number of jobs (thousands)



Note: Excludes real estate and rental and leasing; management of companies and enterprises; administrative and support, waste management and remediation services; educational services; health and social assistance; arts, entertainment and recreation; accommodation and food services; other services; and public administration.

Source: Statistics Canada, table 36-10-0620-01.

Foreign MNEs active in producing and selling goods

Foreign firms were relatively focused on producing goods (manufacturing) and selling goods (wholesale trade and retail trade). These sectors comprised half (52.5%) of all foreign firms' jobs in Canada, compared with one-third (32.5%) of all Canadian MNEs' jobs.

With respect to foreign firms, this pattern is similar in the United States. The Bureau of Economic Analysis reported that in 2017, manufacturing, wholesale trade and retail trade made up 54.2% of employment at foreign firms operating in the United States.⁵ However, unlike in Canada, these three sectors comprised a similar percent (53.1%) of all jobs at American MNEs in the United States.⁶

5. Bureau of Economic Analysis (2019). *Activities of U.S. Affiliates of Foreign Multinational Enterprises, 2017*.

6. Bureau of Economic Analysis (2019). *Activities of U.S. Multinational Enterprises: 2017*.

MNEs employ five times more people per establishment than non-MNEs

It is expected that MNEs have more employees per establishment than non-MNEs because their larger size is generally associated with operations in multiple countries.

In 2017, an MNE employed five times as many people (14.3) per establishment as a non-MNE (2.7), while the average Canadian MNE employed slightly more people per establishment than did a foreign MNE.

Table 2
Median^{1,2} number of jobs per establishment, by type of corporation, 2017

	Non-multinational enterprises	All multinational enterprises	Foreign multinational enterprises	Canadian multinational enterprises
	number of jobs			
Total	2.7	14.3	13.8	14.6
Goods-producing industries	3.0	40.0	37.9	43.2
Services-producing industries	2.5	12.8	12.2	13.4

1. Median is used as the measure of central tendency to exclude outliers.

2. Due to benchmarking, the number of jobs at each establishment is not necessarily an integer.

Note: All employment per establishment figures are computed for establishments with non-zero employment only. Without this specification, figures are lower but the rankings hold, although non-MNEs have significantly lower median jobs per establishment due to employment data being less available for non-MNEs than for MNEs.

Source: Statistics Canada, custom tabulation.

Majority of foreign MNE employment in Canada at U.S.-owned firms, especially in western Canada

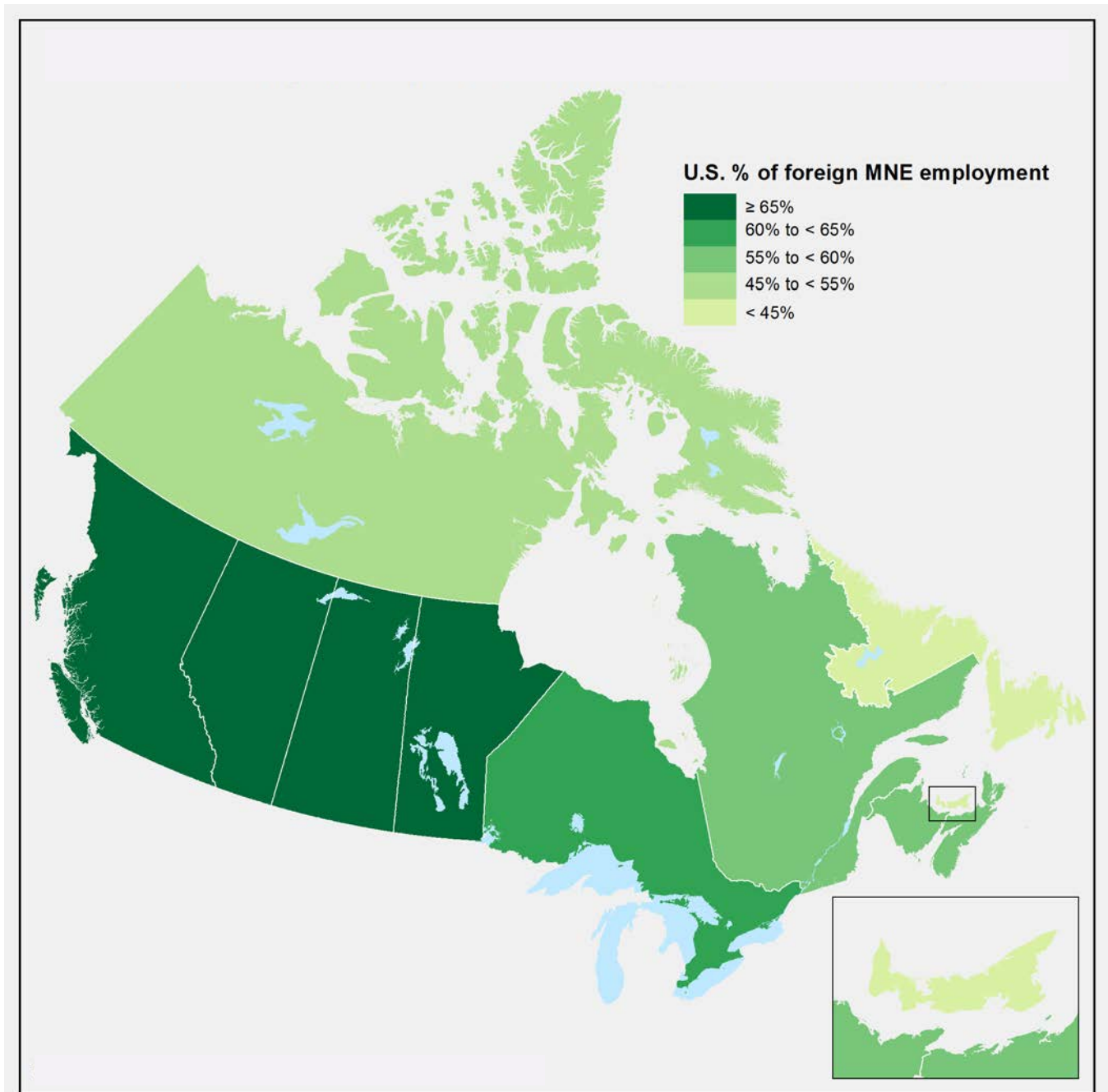
Of the 2.30 million jobs at foreign firms, 1.47 million of them were at U.S.-owned firms. The second-largest foreign source of employment was the United Kingdom, whose firms employed 145,000 people, followed by France with 108,000 workers.

In goods-producing industries, U.S. enterprises employed half (51.6%) of workers at foreign enterprises. The next highest country was France at 6.0%.

In the services-producing industries, enterprises from the United States employed over two-thirds (69.7%) of workers at foreign enterprises, with the United Kingdom second at 7.3%.

Ontario and all provinces west of it (except for the Territories) had an above average share (>63.8%) of their foreign firms' jobs at U.S. businesses. Each province east of Ontario was below average.

Map 3
Percent of foreign MNEs' jobs at U.S. firms, by province and territory, 2017



Source: Statistics Canada, special tabulation.

Conclusion

This study demonstrates the importance of MNEs in Canada's corporate sector and how employment characteristics in the country differ between foreign and Canadian MNEs, by province and industry.

In 2017, MNEs employed one-third of Canada's corporate workers in both goods- and services-producing industries. Foreign MNEs employed slightly more people than Canadian MNEs, but each employed around one-sixth of Canadian workers.

Foreign MNEs were concentrated in goods-producing industries as well as in wholesale and retail trade, while Canadian MNEs had a large absolute and relative presence in certain services-producing industries such as finance and insurance or information and cultural industries. MNEs employed by far more people per establishment than non-MNEs. In turn, Canadian MNEs were slightly larger, per firm, than foreign MNEs.

Table 3
Number of jobs by sector and type of corporation, establishment level, 2017

	Canadian multinational enterprises	Foreign multinational enterprises	All multinational enterprises	Non-multinational enterprises	Corporate sector	Canadian multinational enterprises	Foreign multinational enterprises	All multinational enterprises	Non-multinational enterprises
	number of jobs					percent			
All sectors	2,059,621	2,299,751	4,359,371	8,265,624	12,624,996	16.3	18.2	34.5	65.5
Agriculture, forestry, fishing and hunting	7,351	7,042	14,393	186,179	200,572	3.7	3.5	7.2	92.8
Mining, quarrying, and oil and gas extraction	83,426	71,254	154,680	69,885	224,565	37.1	31.7	68.9	31.1
Utilities	45,065	4,314	49,379	52,440	101,818	44.3	4.2	48.5	51.5
Construction	86,596	94,140	180,736	1,106,341	1,287,077	6.7	7.3	14.0	86.0
Manufacturing	297,851	498,905	796,756	753,144	1,549,900	19.2	32.2	51.4	48.6
Wholesale trade	92,294	258,850	351,144	443,468	794,612	11.6	32.6	44.2	55.8
Retail trade	279,827	448,913	728,740	1,212,403	1,941,143	14.4	23.1	37.5	62.5
Transportation and warehousing	210,484	113,446	323,930	412,877	736,807	28.6	15.4	44.0	56.0
Information and cultural industries	174,027	48,204	222,232	92,481	314,712	55.3	15.3	70.6	29.4
Finance and insurance	454,574	99,180	553,754	306,353	860,107	52.9	11.5	64.4	35.6
Real estate and rental and leasing	31,826	39,408	71,234	194,346	265,580	12.0	14.8	26.8	73.2
Professional, scientific and technical services	119,552	199,447	318,998	589,656	908,654	13.2	21.9	35.1	64.9
Management of companies and enterprises ¹	29,251	26,023	55,274	71,760	127,034	23.0	20.5	43.5	56.5
Administrative and support, waste management and remediation services	74,401	183,923	258,324	539,065	797,389	9.3	23.1	32.4	67.6
Educational services	1,718	4,160	5,879	67,526	73,405	2.3	5.7	8.0	92.0
Health care and social assistance	17,683	15,852	33,535	453,591	487,127	3.6	3.3	6.9	93.1
Arts, entertainment and recreation	17,575	27,637	45,212	194,233	239,445	7.3	11.5	18.9	81.1
Accommodation and food services	31,025	116,015	147,041	1,095,130	1,242,170	2.5	9.3	11.8	88.2
Other services	5,093	43,036	48,130	424,748	472,878	1.1	9.1	10.2	89.8

1. Excludes head offices (551114).

Note: Figures may not add up to totals due to rounding.

Source: Statistics Canada, table 36-10-0620-01.

Table 4
Number of jobs by province and territory and by type of corporation, establishment level, 2017

	Canadian	Foreign	All	Non-	Corporate	Canadian	Foreign	All	Non-
	multinational	multinational	multinational	multinational	sector	multinational	multinational	multinational	multinational
	enterprises	enterprises	enterprises	enterprises		enterprises	enterprises	enterprises	enterprises
	number of jobs					percent			
Canada	2,059,621	2,299,751	4,359,371	8,265,624	12,624,996	16.3	18.2	34.5	65.5
Newfoundland and Labrador	18,472	19,583	38,056	94,633	132,688	13.9	14.8	28.7	71.3
Prince Edward Island	4,541	4,154	8,695	34,214	42,909	10.6	9.7	20.3	79.7
Nova Scotia	49,460	42,554	92,014	181,903	273,917	18.1	15.5	33.6	66.4
New Brunswick	41,131	31,627	72,758	155,559	228,317	18.0	13.9	31.9	68.1
Quebec	434,615	393,409	828,024	1,983,310	2,811,334	15.5	14.0	29.5	70.5
Ontario	820,983	1,161,026	1,982,009	3,028,458	5,010,467	16.4	23.2	39.6	60.4
Manitoba	66,317	57,708	124,025	271,467	395,492	16.8	14.6	31.4	68.6
Saskatchewan	55,170	40,280	95,450	259,058	354,508	15.6	11.4	26.9	73.1
Alberta	318,281	295,761	614,043	1,080,056	1,694,099	18.8	17.5	36.2	63.8
British Columbia	246,547	250,622	497,169	1,157,370	1,654,539	14.9	15.1	30.0	70.0
Territories	4,103	3,026	7,129	19,597	26,726	15.4	11.3	26.7	73.3

Note: Figures may not add up to totals due to rounding.

Source: Statistics Canada, table 36-10-0620-01.

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