

Foreign Direct Investment and Job Creation in Host Countries: A Comparative Study of Chinese and Advanced Economy Multinational Enterprises

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Note: This research has been published in *Economic Shocks and Globalisation between Deglobalisation and Slowbalisation* (Routledge), edited by Elsabé Loots in 2024
<https://doi.org/10.4324/9781003460459>.

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Abstract: This study contributes to the debate on whether Chinese multinational enterprises (CMNEs) are different from advanced-economy multinational enterprises (AMNEs) by applying the springboard perspective and the path dependence perspective to examine the differences between their practices of employing local workforce (namely *local hiring*) when they engage in greenfield FDI. The empirical results show that for both AMNEs and CMNEs greenfield FDI increases local hiring in host countries, but the effects differ drastically. For AMNEs, the local hiring effect is stronger in low-income countries and new FDI projects; for CMNEs, the effect is weaker in low-income countries and new FDI projects.

Key words: Chinese MNEs; Greenfield FDI; Local hiring; Income level; FDI project stage

1. Introduction

Many governments, both in emerging markets and advanced economies,¹ are keen to attract foreign direct investment (FDI) because they expect it to have a positive effect on the employment of nationals in their countries (namely *local hiring*). For example, both Pakistani and French governments work towards improving the investment environment and organize events to attract FDI to help local economy (Dawn, 2018; GOVERNMENT, 2019). On the other hand, local hiring forms a key aspect of firms' internationalization strategy by engaging and utilizing local skills and talents (Tung, 2007, 2016). Given China becoming the third largest FDI source (UNCTAD, 2019) and many differences between Chinese multinational enterprises (CMNEs) and advanced-economy multinational enterprises (AMNEs) (Cuervo-Cazurra, 2012; Jackson & Horwitz, 2018), researchers, managers and policymakers are also keen to know whether and how their foreign investment's local hiring differs upon their entry and when investment projects develop.

¹ Following the IMF (<https://www.imf.org/external/pubs/ft/weo/2020/01/weodata/groups.htm>), we use the term *advanced economies* in this article to mean countries whose economies are more post-industrial and developed. Following Cuervo-Cazurra (2012), we use the term *emerging markets* to mean countries that do not have advanced economies.

The impact of FDI on host countries' employment is not a new topic. However, in the economics literature, studies only probe the effect at the aggregate level (e.g., Jude & Silaghi, 2016). FDI can directly create new jobs in foreign affiliates, especially in the case of greenfield investment which paves the way for new jobs that did not exist previously. On the other hand, foreign firms may reduce the demand for labor if they are more productive than local firms, thereby creating competition and other spill-over effects. The effect of FDI has also attracted attention in international business (IB), e.g., the investment development path (Narula & Dunning, 2010) and the sustainable development goals, including job creation in emerging markets (Hendriks, 2017).

China, as a latecomer and the world's leading source of FDI, its unique context of internationalization and home country leads CMNEs to demonstrate particular internationalization paths and behaviors (Cuervo-Cazurra, 2012). CMNEs have been identified to be different, e.g., weak ownership advantage (Ramamurti & Hillemann, 2018), unique cultural background and preparedness for hardship (Luo & Tung, 2018), government support (Luo & Tung, 2007), institutional influences and hence international strategies (Zhu et al., 2022). Research on CMNEs and the differences from AMNEs can help "bring context more explicitly and comprehensively into theory...[and] better understand the use of ownership advantages and the internationalization process" (Cuervo-Cazurra, 2012, p. 155). Therefore, it is an interesting case that presents two important issues for more research: (a) the effect of FDI on local jobs in general, and (b) whether there are differences between CMNEs and AMNEs.

However, existing studies have not address these issue sufficiently. First, there is a lack of comparative research on CMNEs and AMNEs – are they really different or not, and why? This constitutes a clear weakness in the IB and international human resource management (IHRM) literatures, in which there is inadequate theorized knowledge of how managers in CMNEs and AMNEs deploy their unique resources and how they contribute to host-country economic development (Buckley et al., 2017; Cooke et al., 2019). The logical basis of the springboard perspective (Luo & Tung, 2007, 2018) and the path dependence perspective tends to suggest that CMNEs and AMNEs are constrained by the environment in which they are located and from which they operate, which creates differences between the two. Moreover, studies suggest that CMNEs differ from AMNEs in terms of their motivation, strategies and processes (Deng, 2012b; Ramamurti, 2009a; Ramamurti & Hillemann, 2018). However, direct comparisons that either confirm or disapprove the underlying theories are

still in short supply (Jindra et al., 2016; Sutherland et al., 2018). This limits our understanding of how best to manage in emerging markets, given their varying characteristics (Cuervo-Cazurra, 2012).

Second, we know very little about the extent of local hiring undertaken by CMNEs and AMNEs when they expand into international markets. For instance, Hennart (2012) acknowledges MNEs' use of expatriates and local employees but does not provide a clear view of the differences between them. To date, empirical research has even failed to arrive at a unanimous conclusion about the overall effect of FDI on employment and whether it offers a blend of positive effects (Fu & Balasubramanyam, 2005; Kim & Han, 2014; Liu, 2012; Radošević et al., 2003), negative effects (Jenkins, 2006; Jude & Silaghi, 2016) or mixed effects (Onaran, 2008). These inconsistencies imply that the impact of FDI on employment is complicated and may be conditional upon specific contextual factors (Hale & Xu, 2016; Jude & Silaghi, 2016). This means that the direct effect of FDI on local hiring at the micro level (i.e., the effect of greenfield FDI) has not been well researched, leaving serious gaps in the literature on FDI and CMNEs.

Third, the springboard perspective (Luo & Tung, 2007, 2018), a comprehensive framework analyzing MNEs that “aggressively seek strategic assets from the outset of outward FDI (OFDI) to augment their home capabilities and use their strengthened capabilities and improved home base to better compete globally” (Luo & Tung, 2018, p. 130) lacks an explanation as to how much home-built or home-grown ownership advantages can be transferred and utilized when MNEs go global through opportunity-seeking and asset-seeking (Luo & Tung, 2007, 2018); hence their use of local employees. This perspective also lacks a discussion on investment modes other than mergers and acquisitions (M&A), such as greenfield investments (Luo & Tung, 2018; Schaefer, 2020).

To address these research gaps, this study conducts a comparison using the springboard and path dependence perspectives. We investigate how greenfield FDI projects undertaken by CMNEs and AMNEs have different effects on local hiring practices in host countries. More specifically, using the two abovementioned perspectives and international greenfield investment projects data, the study focuses on two situational factors that differentiate between the effects of CMNEs and AMNEs: the host country's income level and the stage of a greenfield FDI project.

This study makes three important contributions to the literature. First, it adds to the IHRM and IB literatures by answering the call for further investigation into CMNEs (Buckley et al., 2017; Cooke et al., 2019) and enriches the understanding of the difference between CMNEs and AMNEs by theorizing and empirically testing different modes of hiring behaviors by CMNEs and AMNEs in host countries. It extends our understanding of how and why these two groups of organizations differ in their initial greenfield investment activities, particularly local hiring. Second, this study represents a meaningful attempt to address the “grand challenges” of understanding MNEs’ international employment practices (Buckley et al., 2017). The findings advance the understanding of international employment practices in different contexts and offers a more nuanced investigation of the comparative research, which is currently deficient (Luo & Tung, 2018). Third, this study enriches the springboard perspective (Luo & Tung, 2007, 2018) in two ways. From the perspective of hiring locals, it shows that CMNEs exploit ownership advantages by mobilizing and using their home-grown workforce to grasp market opportunities in other emerging markets, while also acquiring critical capabilities (e.g., local talent) from mature MNEs in advanced economies. Moreover, to fill the gap in terms of overlooked investment patterns (other than mergers and acquisitions) such as greenfield investments (Schaefer, 2020), as Luo and Tung (2018) note, our research reveals an important dimension of greenfield FDI across CMNEs and AMNEs, thereby advancing our understanding of these firms’ FDI in this arena.

2. Literature review and hypotheses

FDI and local jobs in host countries can be viewed from different perspectives. IHRM studies tend to focus on micro-level issues, e.g., HRM practices, expatriate management and MNE headquarters – subsidiary relations and employee relations (Cooke et al., 2019). From a more macro-level angle, the pertinent issue is how inbound FDI influences local employment as a whole (Jude & Silaghi, 2016). It is well established that new, organic investment and FDI create new job opportunities for the local economy (Bogliacino & Vivarelli, 2012; Denison et al., 1996).

At the business level, the focus is on how international firms organize their workforce in the host country to perform the investment-related tasks (Harzing & Punnington, 2010). FDI requires highly trained and developed human resources (human capital), either from the home or from the host market (Tung, 2007). Generally, all other things being equal, the larger the project (i.e., the larger the investment), the more the locals are likely to be hired, both by

CMNEs and AMNEs. This is particularly true for greenfield FDI as this type of project starts from scratch and does not take over existing facilities and workers (Dikova & Van Witteloostuijn, 2007). We call this positive relationship the effect of FDI on *local hiring*.

CMNEs demonstrate unique features in their FDI, for example, inadequate experience and knowledge (Ramamurti & Hillemann, 2018), distinctive cultural background and readiness for challenges (Luo & Tung, 2018). The lack of sufficient professional knowledge for international operations (e.g., accounting and finance, marketing, legal system) can render them to hire local talent in conjunction with activities performed by expatriates and domestic units (Buckley et al., 2018; Luo & Tung, 2007). The fast internationalization pace via springboarding exacerbates the challenges. Many use expatriates to fill the void at the start. They also employ learning-by-hiring to learn more about local markets, and gain valuable experience and knowledge beyond the firm's existing technological and geographic boundaries (Song et al., 2003). A recent case study shows that Huawei as a latecomer hires offshore experts in its Greenfield subsidiaries to catch up with incumbents by accessing skills and knowledge for product innovation (Schaefer, 2020).

We go further to explain why there are differences between effects of CMNEs' and AMNEs' FDI on their local hiring in host countries, applying both the springboard perspective (Luo & Tung, 2007, 2018) and the path dependence perspective (e.g., Martin & Sunley, 2006). They offer very useful frameworks explaining economical, cultural and institutional differences in CMNEs and AMNEs internationalization contexts including their home countries which prompt them to have different investment patterns and choices, including hiring practices (Cuervo-Cazurra, 2012).

2.1 The springboard perspective

The springboard perspective, "greatly influenced by Chinese experience" (Ramamurti & Hillemann, 2018, p. 34), offers a useful means of explaining emerging-market MNEs' rapid internationalization (Luo & Tung, 2007, 2018). "International springboard is a global strategy to improve a firm's global competitiveness and catch up with established and powerful rivals in a relatively rapid fashion through aggressive strategic asset- and opportunity-seeking, and by benefitting from favorable institutions in foreign countries" (Luo & Tung, 2018, p. 130).

This view argues that MNEs systematically pursue internationalization as a springboard for several purposes, including acquiring strategic resources to compensate for their capability

voids and disadvantages, exploiting competitive advantages and market opportunities internationally, escaping constraints (institutional and market) at home and avoiding trade barriers into other markets, and competing with international rivals through augmented capabilities and an enhanced home base after strategic asset acquisitions (Luo & Tung, 2007). It considers the institutional, strategic and resource factors needed to address these firms' aggressive internationalization drives (Kumar et al., 2020). These will capture CMNEs' motivations and trends of FDI.

Nevertheless, the springboard perspective still needs to provide insights on MNEs' deployment and use of home-developed ownership advantages in their opportunity-seeking and asset-seeking operations abroad (Luo & Tung, 2007, 2018) and on the predicted effect of FDI modes other than M&A. Therefore, this study seeks to extend the springboard research by investigating MNEs' local hiring practices in international greenfield activities. Particularly, we theorize and test the notion that to exploit their ownership advantages, CMNEs, in comparison to AMNEs, are more likely to use workforce from home in other emerging markets for opportunity-seeking, and to employ local capabilities and labor when operating in advanced economies.

2.2 Path dependence

The concept of path dependence highlights the importance of context, contingency and history in the economic process (Martin & Sunley, 2006). At the macro level of analysis (Vergne & Durand, 2010), path dependence is "the constraints on the choice set in the present that are derived from historical experiences of the past" (North, 2005, p. 52). It emphasizes the process of institutionalization, where institutional contexts and inertia influence sets of organizations and their structuring over time (Sydow et al., 2009). Contextual parameters, such as resources, institutions and cultural traditions, are sources of path dependence (Litwin & Phan, 2013; Vergne & Durand, 2010).

The path dependence process is very relevant to MNEs' internationalization drives and patterns. An early history of economic and institutional development will be revealed in more recent behaviors which continue to influence firms. Moving to another country, they initially need to depend on their advantages sourced from home and to follow some of the routines that are embedded in the technical and management systems in the original context (Cuervo-Cazurra et al., 2007). Once they have accumulated new knowledge and experience, they may change these routines to adapt to the new environment (Martin & Sunley, 2006). The impact

of locations' specific factors upon MNEs' activities in these locations, including their local employment practices abroad.

Hence, drawing on the springboard perspective and the path dependence perspectives, we expect that while the local hiring effect applies to both CMNEs and AMNEs, the nature of the effect may differ. We focus on two possible boundary conditions for the FDI local hiring effect: the host country's income level (Buckley, 2009; Porter, 2000) and the stages of the investment projects (Bertrand & Betschinger, 2012). The income level of the host country reflects the labor cost, which is one of the most important factors determining whether or not MNEs hire locally (Becker et al., 2005; Duanmu, 2012). The investment project's stage indicates different levels of experience of the MNE and its subsidiary in operating locally (Bertrand & Betschinger, 2012), which also influences local hiring decisions. Below we first develop a baseline hypothesis for the generic impact of FDI on local hiring, followed by hypotheses for the effects of the host country's income level and the greenfield project stage across AMNEs and CMNEs.

2.3 Baseline hypothesis: impact of FDI on local hiring

The literature has documented that MNEs tend to hire more when their investment in a host country increases (e.g. Jude & Silaghi, 2016). This is particularly evident in the case of greenfield FDI as it starts from scratch and involve hiring local employees to facilitate activities like production, sales and administration (Dikova & van Witteloostuijn, 2007). Therefore, the baseline hypothesis is as follows:

H1: The FDI volume is positively related to the local hiring practices of CMNEs and AMNEs.

2.4 Host country's income level

We propose that for AMNEs, the effect of greenfield FDI on local hiring is negatively moderated by the the host country's income level, i.e., they will hire more locals in low-income countries than in high-income countries. However, the opposite effect is evident for CMNEs, i.e., they will hire more locals in high-income countries than in low-income countries.

For emerging-market host countries, most studies found that FDI had a positive effect on employment; in opposition, few studies found that FDI had a positive effect in the case of

advanced host countries (Hale & Xu, 2016). To reduce their costs, MNEs, especially AMNEs, usually locate their labor-intensive activities in low labor-cost countries to improve the cost-efficiency in their global value chains (Porter, 2000). A country's income level is closely related to the labor cost (Duanmu, 2012; Liu et al., 2017). A low labor cost is an important location advantage to attract FDI to an emerging market from advanced economies (Dunning, 1993). MNEs are more likely to hire locals in low-income countries than in high-income countries. The motivations and location choices for FDI research shows similar findings (Becker et al., 2005).

This is particularly evident where the FDI is part of an efficiency-seeking mandate (Dunning & Lundan, 2008). Buckley et al. (2007, p. 501) indicate that “[E]fficiency-seeking FDI will occur when outward investors seek lower-cost locations for operations, in particular in the search for lower-cost labor”. For host countries that have relatively lower income levels, AMNEs are more likely to hire local workforce (Kano et al., 2020). This is also the case with market-seeking FDI. To enter international markets to serve local customers, AMNEs need to combine their firm-specific advantages (technologies, brands) with complementary local resources such as “land utilities, employees, managers, access to suppliers” and market access (Hennart, 2012, pp. 1171-1172). In low-income host countries, the economic, cultural and institutional environments are quite different from advanced home countries, thus AMNEs can benefit from hiring local teams to bring in useful knowledge and skills relating to doing businesses in the host countries (Widmier et al., 2008).

Hence, we propose:

H2a: AMNEs' local hiring effect is stronger in low-income countries than in high-income countries.

The effect will be different for CMNEs. The springboard perspective shows the influence in CMNEs' endowment and deployment of firm resources (Locketta & Thompson, 2001). CMNEs often lack cross-cultural management skills and struggle to develop, evaluate and respond to cultural intelligence (Luo & Tung, 2018). As Luo and Wang (2012) assert, CMNEs demonstrate a shortage of cross-country experience, especially in the form of international management personnel, and a poor understanding of business norms and practices in host nations to help them deal with cultural differences when operating abroad. To compensate for this weakness, many CMNEs employ local talent in their foreign subsidiaries (Tung, 2016), thereby bridging cultural and institutional differences (Child &

Marinova, 2014). This is particularly evident when CMNEs invest in more advanced economies (Buckley et al., 2018).

The path dependence perspective also explains CMNEs' local hiring practices. Hiring practices are driven by firms' resources base, which in general is path dependent (Locketta & Thompson, 2001). First, an advantage for CMNEs in their country-specific factors (CSF) is low cost, especially low labor costs (Alon et al., 2018). For example, Huawei, ZTE and Haier took advantage of the availability of low-cost, skilled and unskilled labor at home to expand their businesses abroad (Luo et al., 2011; Rugman, 2009). When CMNEs invest in low-income countries, they may not be as interested in using local low-cost labor as AMNEs may be; instead, they seek opportunities in other emerging markets to leverage their cost-effective manufacturing capabilities (Child & Marinova, 2014; Luo et al., 2011). The government's supports also help to reduce the cost. From the early 2000s, the Chinese government has implemented a range of policies encouraging Chinese firms to go global. Among the measures was subsidized insurance for expatriates to facilitate OFDI (Outward FDI) (Peng, 2012). This means that CMNEs have a strong motive to leverage their own cost advantage to access new markets and sources of competitive advantage (Alon et al., 2018; Mathews, 2006).

CMNEs mobilize resources, including a home-grown, highly experienced and skilled workforce, to host countries – especially other low-income countries – to create advantageous price–value ratios that are attractive to cost-sensitive global consumers (Luo & Tung, 2018). They deploy managerial and operational expatriates with accumulated competencies who work closely and in an integrated manner in international projects. In this way, CMNEs are able to transfer the established knowledge of and expertise in mass assembly and production, the well-tuned organization of logistics and operations, and the clear grasp of consumer needs from home to host countries (Rui et al., 2017). This helps to reduce costs or to differentiate offerings and to transfer internal knowledge across borders, all of which contribute to enhanced competitive advantage (Alon et al., 2018; Rui et al., 2017). An example is Chinese firms in Vietnam that export workers from home to reduce overall costs and to maintain their hard-work culture and high productivity levels (Cooke & Lin, 2012). In sum, to exploit their cost-effectiveness advantage at home, CMNEs have little intention of hiring local people in low-income countries.

Second, another advantage for CMNEs relating to country-specific factors is the country's stage of development and its institutions. China's development status also their underdeveloped regulatory regimes, including enforcement mechanisms, termed "institutional voids" (Luo & Tung, 2007). CMNEs evolving and thriving in this context have experience and expertise in managing businesses in these voids (Cuervo-Cazurra & Genc, 2008; Yang, 2018). For example, many CMNEs develop and exercise a sophisticated relational capability of tackling difficult institutional conditions through building close business–government ties (Deng, 2012a). For CMNEs that invest in other low-income counties, the institutional environment – including market-support mechanisms – may be similar to that at home. With their unique competence in this regard developed and proved to be effective at home, CMNEs are less likely to depend on local employees to deal with the voids that they encounter.

Third, CMNEs enjoy an advantage that is path dependent on Chinese cultural traditions. National culture (value, schema and norms) forming part of informal institutions that underpin formal institutions (i.e., the 'rules of the game') is very important in explaining a firm's internationalization strategy (Peng et al., 2008). It is also an important source of path dependence which fosters a unique management style, including human resource policies and practices (Fu & Kamenou, 2011). Chinese culture and Chinese individuals' characteristics, which are bred by and reflect this culture, can influence CMNEs' employment preferences in different countries. The important values in China, shaped and heavily influenced by Confucianism and the Communist ideology, are self-sacrifice for collective interests, a learning spirit, diligence and dedication (Becton & Field, 2009; Ralston et al., 2008). Many CMNEs prefer Chinese expatriates to locals when operating overseas, particularly in developing countries (Rui et al., 2017), because they think Chinese expatriates are more hard-working, disciplined, skillful, hardship-tolerant and adaptable to change (Cooke & Lin, 2012; Luo et al., 2011; Luo & Zhang, 2016; Rui et al., 2017). Because of this path dependence, when Chinese firms expand overseas, they tend to take this preference with them (Rui et al., 2017), using more workers from home than local employees so as to be productive in low-income countries (Cooke & Lin, 2012).

Another perspective is the internalization process (Dunning, 1993; Tung 2007), which can impact MNEs' IHRM practices (Cooke et al., 2019). International firms may choose to internalize factors and operations to form an integrated, intrafirm structure because they feel less confident about using the local market as a source of the intermediate products/services

that they need. Managing sizeable, local labor forces can be a serious challenge for CMNEs that lack significant international experience and skills in managing cross-cultural international teams. Using expatriates also helps to bypass local labor regulations and avoid potential friction with trade unions (Cooke & Lin, 2012). To circumvent these challenges, CMNEs can choose to internalize the process and import their own labor into the host countries, especially emerging markets (Rui et al., 2017).

In sum, we conclude that CMNEs have a low intention of hiring local people in low-income countries. In contrast, CMNEs' greenfield investments in high-income economies tend to be linked to more local hires.

First, in higher-income countries, CMNEs require more complementary local assets, especially intangibles to enhance their global competitiveness (Deng, 2012b; Kedia et al., 2012; Rugman, 2009), including local employees and managers (Amighini et al., 2015). CMNEs will have host-country nationals as managers because they do not have a sufficient pool of international talent (Peng, 2012). There are cases where CMNEs in search of complementary knowledge opt to develop greenfield subsidiaries in foreign locations to attract experienced personnel. For example, Haier established an R&D subsidiary adjacent to the Ericsson headquarters in Sweden for this purpose (Hennart, 2012).

Second, the economic and institutional environments of high-income countries are different from those at home (Luo & Tung, 2007; Ramamurti & Hillemann, 2018), causing incompatibility of CMNEs' routines and practices, which are developed and dependent on the systems from home, with conditions in host countries (Cuervo-Cazurra et al., 2007). This forms a disadvantage for CMNEs. To deal with this problem, they need local employees to bridge the institutional distance and fill knowledge gaps (Peng, 2012).

Third, the often-preferred characteristics of Chinese expatriates derived from the culture become less important in high-income countries. CMNEs are in great need of knowledge and skills to help them understand the local market and customers better, which can only be provided by local talent. For example, Huawei has been engaging in international recruitment to hire more talent in high-income countries (Cheng & Li, 2021; Hall & Ren, 2020). Therefore, CMNEs are more likely to hire locals in high-income countries than in low-income countries.

Combining all these points, we propose:

H2b: CMNEs' local hiring effect is weaker in low-income countries than in high-income countries.

2.5 Greenfield FDI project stage

A greenfield FDI project can take one of two forms: (a) a new project, and (b) an expanded project, where an MNE invests in an existing project for the purpose of expansion. Reflecting the different stages of greenfield FDI, both forms see different effects on local hiring.

At the congregated level, while generally investments create jobs, new businesses contribute more to employment creation than existing ones (Bogliacino & Vivarelli, 2012). Hence, we argue that for greenfield FDI by AMNEs, the new investment's effect is greater than that project expansion. A new FDI project starts from scratch and needs to hire people to establish facilities and start the initial operation. Furthermore, the investing firm may be unfamiliar with the environment in the host country and to fill the experience gaps it is more likely to hire locals (Tung, 2016). In contrast, project expansion often focuses on updating or extending current operations, which can usually be performed by existing employees, expatriates or locals. When subsidiaries gradually accumulate knowledge and skills in managing in the host market through a learning-by-doing process, MNEs are likely to reduce reliance on (and thus reduce the proportion of) expatriates (Gong, 2003; Riaz et al., 2014).

As these analyses are largely based on research on AMNEs, we propose:

H3a: AMNEs' local hiring effect is stronger for new investment projects than for expanded projects.

Path dependence scholars stress the importance of evolutionary mechanisms, such as selection and adaptive learning, with which the processes of path destruction and new path creation are latent features of path dependence, and these processes coexist (Garrouste & Ioannides, 2001; Martin & Sunley, 2006). The international experience that CMNEs accumulate in their overseas operations affects follow-up investment projects (Lu et al., 2014). We propose that the effect of local hiring along the various project stages is different for CMNEs.

CMNEs tend to use more expatriates in new greenfield projects because they have administrative capacities which work as a bridge between the parent firm and the subsidiary, facilitating knowledge transfer, coordination and control between the two entities (Riaz et al.,

2014) and internalizing the parent firm's value and goals (Gong, 2003). Their expatriates help to ensure that the new subsidiary is equipped with similar capabilities, routines and procedures to those of their parent organization and is more adaptive.

As CMNEs are relatively new to international markets, learning constitutes a key component of their internationalization drive (Lyles et al., 2014; Peng, 2012). Many of them demonstrate flexibility and a willingness to adapt their strategies as well as follow an adaptive learning approach which plays a valuable role as they make their way along their evolutionary path (Buckley et al., 2007; Fu & Kamenou, 2011; Luo et al., 2011). A very different environment in the host country exposes CMNEs to the risk of being perceived as foreign, especially if they overwhelmingly rely on Chinese expatriates, which can prevent them from gaining legitimacy and recognition in the host country (Cooke & Lin, 2012). As they move into the expansion stage, with more experience and understanding of the environment in the host country, CMNEs are better able to cope with the risks and uncertainties in their operations (Lu et al., 2014).

CMNEs will also be in a stronger position to update their systems of international organization, human resource management and leadership, which they set up upon initial entry into the country, to better fit the host environment (Klossek et al., 2012). For instance, they may find the internalization process less attractive for expanded projects, with the perceived level of uncertainty declining over time (Dunning, 1993). CMNEs embarking on expanded projects may find it more comfortable working with the local labor force who have growing international experience and cross-cultural management skills in working with international teams.

Moreover, CMNEs find that a heavy reliance on expatriates can sometimes cause a backlash and trigger criticism from local communities and activists (Cooke & Lin, 2012). It can also result in the loss of local contracts if the host government imposes a condition that knowledge must be transferred to local workers (Rui et al., 2017). As a result, CMNEs are more likely to turn to local hiring in expanded projects, thereby enhancing their external legitimacy (Yang et al., 2022; Zhang et al., 2018).

In addition, with the extended presence of CMNEs and their interactions with local stakeholder groups, locals in host countries are more likely to know about these firms, which should help to shore up CMNEs' corporate and country image (Zhang et al., 2019). This may encourage more locals to work for CMNEs.

Based on these analyses, we propose:

H3b: CMNEs' local hiring effect is stronger for expanded projects than for new investment projects.

3. Data and method

3.1 Sample

To comparatively test the local hiring effect of CMNEs and AMNEs, we chose the greenfield FDI projects from China and three advanced economies: the US, Germany and the Netherlands as among the largest investors in the more advanced economies (UNCTAD, 2018), accounting for 46.9 per cent of the OFDI stock of advanced economies in 2017.² Excluding the tax haven of Hong Kong, they were also the top three investors worldwide in terms of OFDI stock in the same year. In addition, they have different economic structures, cultures and politics, which help our sample's representativeness.

Our sample was derived from the *Financial Times* fDiMarkets Database, the most comprehensive online database of cross-border greenfield investments available. It consists of new investment projects and major expansions of existing FDI projects, and is used by international organizations such as UNCTAD (UNCTAD, 2018), the European Commission (European Political Strategy Centre, 2017) and the OECD (OECD, 2017), and in the academic literature, e.g., Duanmu (2014), Nguyen et al. (2017) and Sutherland et al. (2018).

All FDI projects originating in the four countries from 2003–2016 were included in this study. After removing the missing data sample, the following sub-samples were retained for the purpose of our analysis: China (4,437 FDI projects in 144 countries), the US (39,693 FDI projects in 171 countries), Germany (17,447 FDI projects in 149 countries) and the Netherlands (5,004 FDI projects in 125 countries).

3.2 Variables

Employment was the dependent variable, indicating the magnitude of local hiring, measured by the number of local jobs created by each project. The data were derived from the fDiMarkets Database.

² The ratio was calculated on the basis of data from UNCTAD, acquired on 12 April 2019 from https://unctadstat.unctad.org/wds/ReportFolders/reportFolders.aspx?sCS_ChosenLang=en

Investment was the independent variable, measured by the capital volume of the greenfield investment project in millions of US dollars. The data were derived from the fDiMarkets Database.

Income level was the first moderating variable, indicating the income level of a host country, which was measured by the GDP per capita of the host country in the year that an investment took place. The data were derived from the World Development Indicators (WDI).

New project was the second moderating variable, indicating whether an FDI project was a new investment (coded as 1) or an expanding investment (coded as 0). The data were derived from the fDiMarkets Database.

In addition to the key variables given above, we also included the following control variables:

Capital intensity indicated the capital intensity of the industry in which a project took place. *Experience* indicated whether the investing firm had international investment experience before the project. *EU* indicated membership of the European Union. *Visa* indicated the visa requirement of a host country for an investing country's citizens. *Industry activity* indicated the specific activity on which a project is focused. *Year* indicated the year that an investment took place. *Working permit* indicated the difficulty in obtaining temporary work permits for foreign executives and specialist staff in a host country. *Controls on FDI* indicated restrictions in the movement of foreign capital and people. This variable was used in a robustness test since the data were not available for many years and countries.

Hiring regulations indicated the restraints on the labor market. This variable was used in a robustness test. The justification for these control variables can be found in the supplementary document.

To test H2 and H3, we had to estimate the moderating effect of the two moderators, *Income level* and *New project*. Therefore, we created two interaction terms, *Investment*Income level* and *Investment*New project*. With reference to Wooldridge (2009), we used the mean centered interaction term to reduce potential multicollinearity effects. To further check for potential multicollinearity problems, we conducted a variance inflation factor (VIF) test. VIF values and tolerance values were calculated for each model. The results (see Table 1) show that the VIF values are well below the cut-off level of 10, indicating no problems with multicollinearity in our data (Hair et al., 2019).

(INSERT TABLE 1 ABOUT HERE)

4. Estimations and findings

4.1 Main estimations

The details of the regression model results are presented in Table 2. As a benchmark specification, Models 1, 5, 9 and 13 included the independent variable *Investment*, control variables and a constant. Models 2, 6, 10 and 14 added the first interaction, *Investment*Income level*. Model 3, 7, 11 and 15 added the second interaction term, *Investment*New project*. Models 4, 8, 12 and 16 added the two interaction terms simultaneously. Although the models in Table 2 show the coefficients and the significant level of the interaction, there is a risk of overestimating the moderating effect (Kingsley et al., 2017).

To assess the moderating effects properly, we used the approach recommended by Brambor, Clark and Golder (2006) and Friedrich (1982), which employs a combination of the coefficients' variance, the covariance of the corresponding variables and interactions, and the value of the moderating variable. This approach can overcome the weakness of the traditional approach which only analyses the coefficient of the interaction term in the regression, avoiding overstating and understating evidence of the moderating effect (Kingsley et al., 2017). Following the suggestion by Kingsley et al. (2017), we assessed the moderating effects by considering both the significance of the interaction term and the marginal effect of *Investment* on the condition of two moderators.

(INSERT TABLES 2 and 3 ABOUT HERE)

Figure 1 demonstrates the marginal effects of *Investment* on *Employment* as a function of *Income level* in the case of China, the US, Germany and the Netherlands. In the case of the US, Germany and the Netherlands, the figures show that the positive marginal effect of *Investment* on *Employment* decreases when *Income level* increases. In the case of the US,

Figure 1b indicates that the marginal effect is statistically different from zero in the full range of *Income level* (as seen in both dashed lines being above zero). In the case of Germany, Figure 1c indicates that the marginal effect is statistically above zero when *Income level* is lower than 56,774. In our sample, 96.84 per cent of the observations fall within this range. When *Income level* is higher than this benchmark, the marginal effect is no longer significant and even turns negative. In the case of the Netherlands, Figure 1d indicates that the marginal effect is statistically above zero when *Income level* is lower than 83,048. In our sample, 99.52 per cent of observations fall within this range. When *Income level* is higher than this benchmark, the marginal effect is no longer significant.

These pieces of evidence strongly support H2a that AMNEs' local hiring effect is stronger in low-income countries than in high-income countries. In the case of China, Figure 1a shows that the marginal effect of *Investment* on *Employment* is positive and significant in the full range of *Income level* and increases when *Income level* increases, indicating a positive moderating effect. These pieces of evidence support H2b that CMNEs' local hiring effect is stronger in low-income countries than in high-income countries.

Figure 2 demonstrates the marginal effects of *Investment* on *Employment* as a function of *New project* in the case of China, the US, Germany and the Netherlands. In the case of the US, Germany and the Netherlands, the figures show that the positive effect of *Investment* on *Employment* is higher when *New project* is 1 than when it is 0, indicating a positive moderating effect. Models 7, 8, 11, 12, 15 and 16 in Table 2 also show that the coefficients of the interaction are positive and significant. Figures 2b, 2c and 2d indicate that the marginal effect in these three cases is significantly different from zero in the full range of *New project*, which further confirms the moderating effect. These pieces of evidence strongly support H3a that AMNEs' local hiring effect is stronger for new projects than expanding projects. In the case of China, Figure 2a shows that the marginal effect of *Investment* on *Employment* is positive and significant when *New project* is 0, and it becomes insignificant when *New project* is 1, indicating a negative moderating effect. This result is in line with H3b that CMNEs' local hiring effect is weaker for new projects than for expanding projects.

(INSERT FIGURES 1–2 ABOUT HERE)

4.2 Robustness tests

The number of new jobs created in the host country may also be influenced by the immigration policy affecting work permits for foreigners. For example, it may be relatively easy to get permission for expatriates to work in the host country and therefore more likely that an investing firm will send expatriates to run the project instead of hiring local people. Hence, fewer jobs are created for local people. To exclude the effect of the policy, we conducted the first robustness test by including an extra control variable, *Working permit*, in the estimations. The results presented in Table 3 are similar to those in Table 2. The results for the marginal effect are also similar, as indicated in Figures 1 and 2, which are presented in Figures A1 and A2 in the Appendix.

In addition to working permission, other regulations related to foreign firms, such as government restrictions on the labor market and foreign people and capital, may also influence local hiring. More restriction implies less possibility of sending expatriates, which may lead to more local hiring. To exclude the effect of the restrictions, we conducted the second robustness test by including two control variables, *Controls on FDI* and *Hiring regulations*, in the estimations. The former reflects restrictions on the movement of foreign capital and people, while the latter reflects restraints on the labor market. The results presented in Table 4 are similar to those in Table 2. The results for the marginal effect are also similar, as indicated in Figures 1 and 2, which are presented in Figures A3 and A4 in the Appendix.

5. Discussion

It is common practice for countries to attract FDI as a way of boosting their local job prospects. However, how well different modes of FDI actually work and how they vary across different groups of MNEs have not been sufficiently researched or recorded in the literature. Following the logic of the path dependence perspective, this study investigated the varying effects of greenfield FDI by CMNEs and AMNEs on local hiring in host countries, using an international comparative approach. Notably, we adopted Cuervo-Cazurra's (2012) approach towards theorization which points to emerging markets' unique characteristics – in our case, path dependence – that impact their MNEs' internationalization efforts. Our study moved beyond the generic finding of a positive effect by MNEs in host countries (Brautigam, 2011); it uncovered that the effect varies between CMNEs and AMNEs.

Our findings show that: (a) AMNEs' greenfield FDI has a stronger local hiring effect in low-income countries and new FDI projects; (b) CMNEs' greenfield FDI has a stronger local hiring effect in high-income countries and extended FDI projects. Our analysis provides a theoretical explanation for how the path dependence process in terms of the early history of economic and institutional development – which shapes CMNEs' competitive advantages and routines (Cuervo-Cazurra et al., 2007) – is shown in CMNEs' internationalization behaviors and, more specifically, local hiring in host countries. We also show that CMNEs routinely adapt to new environments, which enables them to expand their knowledge and develop experience in international operations (Martin & Sunley, 2006).

5.1 Theoretical implications

The findings from this study provide important insights for researchers. First, the study enriches the IHRM and IB literatures by uncovering how CMNEs and AMNEs diverge in their local hiring activities in host countries. Previous research has revealed areas in which CMNEs and AMNEs differ in terms of their use of resources and their behaviors due to the influence of their home countries (Cuervo-Cazurra, 2012; Ramamurti & Hillemann, 2018). Nevertheless, the literature provides no theoretical analyses or empirical answers to the important question of how and why CMNE and AMNE FDI, especially greenfield investment, prompts different local hiring practices. Our research brings clarity to the issue of MNEs' local hiring for both initial and expanded greenfield FDI projects, while also offering theoretical explanations based on a combined logic base of the springboard (Luo & Tung, 2007, 2018) and the path dependence perspectives.

Second, compared with other CMNE research (Luo & Tung, 2018), this study provides a more nuanced analysis of the way in which greenfield investments by CMNEs and AMNEs impact local employment in host countries, along two dimensions: the income level of the host countries and the stages of the investment projects. This study applies the springboard and the path dependence perspectives to theoretically reason why the two groups are different along these two dimensions. It demonstrates that CMNEs differ in their local hiring behavior when it comes to greenfield FDI projects because of their different ownership configurations, as shaped by the contextual settings at home (Buckley & Ghauri, 2004; Luo & Tung, 2018) and the path dependence process (Martin & Sunley, 2006). In this regard, the study helps to address a key weakness in the IHRM (Cooke et al., 2019) and IB literatures by shedding light

on how CMNEs' managers deploy and leverage their unique resources and how they add to host-countries' local employment (Buckley et al., 2017).

Third, this study adds to the literature on the springboard perspective (Luo & Tung, 2007, 2018). As it is useful for understanding MNEs' rapid internationalization, the springboard perspective needs more research to provide explanations on how CMNEs can transfer and use home-built or home-grown ownership advantages overseas through opportunity seeking and asset seeking (Luo & Tung, 2007, 2018). From a local hiring angle, this study demonstrates that CMNEs can leverage their ownership advantages by deploying their workforce from home to other less-advanced economies to take advantage of the latter's market opportunities, while acquiring key capabilities and talent from advanced economies. It also responds to the recent call by Luo and Tung (2018) to extend research efforts on M&A to other FDI modes by investigating the effect of greenfield investment – an important FDI mode that represents a concrete step towards the development of the springboard perspective.

5.2 Research limitation and future direction

As one of the few examples of research to have been conducted on the effect of CMNEs' FDI local-hiring activities, it nevertheless had limitations, which constitute the starting points for further research. First, we addressed only two conditional factors for the local hiring effect of FDI, i.e., host country income level and investment stage. Future studies should investigate other conditions so as to arrive at a more comprehensive understanding of the effect. For example, ownership structure, such as a joint venture versus a wholly-owned subsidiary or state-owned versus privately owned, can make a difference in MNEs' hiring practices (Delios & Björkman, 2000; C. J. Zhu & Dowling, 2002). Future research is needed to investigate how different ownership structures influence hiring practices across different groups of MNEs.

Second, this study focused only on the local hiring effect of greenfield FDI projects, leaving other entry modes unexplored. M&A activity is emerging as an important entry mode for CMNEs (Alon et al., 2018; Deng, 2012b). The local hiring effect of CMNEs' cross-border acquisitions could be an interesting area for future research.

Third, China shares some commonalities with other emerging countries. We encourage peer researchers to also explore if the differences between CMNEs and AMENs this study has identified can be applied to other EMNEs.

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Table 1. Multicollinearity tests

	China		US		Germany		Netherlands	
Variable	VIF*	Tolerance	VIF*	Tolerance	VIF*	Tolerance	VIF*	Tolerance
Investment	3.020	0.331	3.040	0.329	1.960	0.509	2.190	0.457
Capital intensity	1.020	0.977	1.020	0.982	1.040	0.960	1.050	0.952
Income level	1.050	0.950	1.010	0.994	1.010	0.987	1.020	0.981
New project	1.020	0.982	1.010	0.994	1.010	0.987	1.040	0.964
Investment*Income level	2.710	0.369	1.060	0.945	1.340	0.745	1.630	0.615
Investment*New project	1.260	0.794	1.050	0.948	1.240	0.806	1.930	0.519
Mean VIF	1.590	0.629	1.610	0.629	1.300	0.629	1.680	0.629

*VIF=Variance inflation factors

Table 2. Estimation results: Effects of investment in greenfield projects on local hiring

	China				US			
	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7	Model 8
Investment*Income level		9.16e-06***		9.30e-06***		-9.47e-06***		-6.69e-06***
		(0.000)		(0.000)		(0.000)		(0.000)
		0.0000		0.0000		0.0000		0.0000
Investment*New project			-0.625***	-0.649***			0.422***	0.302***
			(0.120)	(0.119)			(0.021)	(0.023)
			0.0000	0.0000			0.0000	0.0000
Investment	0.426***	0.604***	0.463***	0.646***	0.989***	0.911***	1.018***	0.955***
	(0.016)	(0.027)	(0.018)	(0.028)	(0.010)	(0.010)	(0.010)	(0.011)
	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
New project	77.31***	70.55***	63.33**	55.95**	24.90***	23.20***	21.74***	21.44***
	(26.420)	(26.230)	(26.480)	(26.280)	(4.129)	(4.110)	(4.111)	(4.103)
	0.0035	0.0072	0.0168	0.0333	0.0000	0.0000	0.0000	0.0000
Income level	-0.00265***	-0.00251***	-0.00252***	-0.00238***	-0.00205***	-0.00214***	-0.00203***	-0.00210***
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Capital intensity	-97.57***	-104.5***	-99.94***	-107.1***	-72.28***	-72.21***	-72.54***	-72.42***
	(18.970)	(18.840)	(18.920)	(18.790)	(4.473)	(4.451)	(4.450)	(4.441)
	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Experience	28.51**	25.58*	28.31**	25.33*	11.04***	12.13***	11.14***	11.88***
	(14.350)	(14.250)	(14.310)	(14.200)	(2.995)	(2.981)	(2.980)	(2.975)
	0.0471	0.0727	0.0480	0.0746	0.0002	0.0000	0.0002	0.0001
Neighbors	67.42***	69.60***	69.75***	72.06***	3.821	5.235	5.298	5.876
	(22.940)	(22.760)	(22.870)	(22.690)	(5.544)	(5.517)	(5.517)	(5.506)
	0.0033	0.0022	0.0023	0.0015	0.4910	0.3430	0.3370	0.2860
Visa requirement	-5.229	-6.291	-6.274	-7.391	-5.904***	-6.458***	-5.954***	-6.331***
	(8.418)	(8.353)	(8.395)	(8.329)	(1.576)	(1.569)	(1.568)	(1.565)
	0.5340	0.4510	0.4550	0.3750	0.0002	0.0000	0.0001	0.0001

EU members	-49.49***	-42.49**	-47.32***	-40.14**	-32.26***	-33.72***	-32.66***	-33.58***
	(17.220)	(17.110)	(17.170)	(17.060)	(3.632)	(3.615)	(3.614)	(3.607)
	0.0041	0.0130	0.0059	0.0187	0.0000	0.0000	0.0000	0.0000
Industry activity Dummies	Included	Included	Included	Included	Included	Included	Included	Included
Year Dummies	Included	Included	Included	Included	Included	Included	Included	Included
Constant	-48.36	-36.29	-34.91	-22.15	85.20***	90.98***	89.35***	92.25***
	(58.180)	(57.750)	(58.060)	(57.620)	(8.656)	(8.618)	(8.615)	(8.600)
	0.4060	0.5300	0.5480	0.7010	0.0000	0.0000	0.0000	0.0000
Observations	4,437	4,437	4,437	4,437	39,693	39,693	39,693	39,693
R-squared	0.400	0.409	0.403	0.413	0.343	0.349	0.350	0.352
Adjusted R-squared	0.394	0.404	0.398	0.408	0.342	0.349	0.349	0.352
F-test	193.7	147.2	194.1	155.6	2816	2143	2938	2150
Prob > F	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000

	Germany				NL			
	Model 9	Model 10	Model 11	Model 12	Model 13	Model 14	Model 15	Model 16
Investment*Income level		-1.51e-05***		-1.47e-05***		-8.19e-06***		-5.15e-06***
		(0.000)		(0.000)		(0.000)		(0.000)
		0.0000		0.0000		0.0000		0.0000
Investment*New project			0.181***	0.114***			0.326***	0.211***
			(0.029)	(0.029)			(0.024)	(0.029)
			0.0000	0.0001			0.0000	0.0000
Investment	1.126***	0.986***	1.152***	1.007***	0.390***	0.416***	0.459***	0.451***
	(0.014)	(0.016)	(0.015)	(0.017)	(0.013)	(0.013)	(0.013)	(0.013)
	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
New project	2.175	0.267	0.0632	-1.004	11.91	8.961	4.872	5.494
	(5.762)	(5.709)	(5.766)	(5.716)	(10.050)	(9.880)	(9.887)	(9.842)
	0.7060	0.9630	0.9910	0.8610	0.2360	0.3640	0.6220	0.5770
Income level	-0.00182***	-0.00190***	-0.00182***	-0.00190***	-0.00156***	-0.00157***	-0.00154***	-0.00155***
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)

	<i>0.0000</i>	<i>0.0000</i>	<i>0.0000</i>	<i>0.0000</i>	<i>0.0000</i>	<i>0.0000</i>	<i>0.0000</i>	<i>0.0000</i>
Capital intensity	-103.5***	-103.0***	-105.3***	-104.1***	-20.79**	-17.76*	-21.11**	-19.09*
	(7.295)	(7.227)	(7.292)	(7.230)	(10.150)	(9.978)	(9.972)	(9.929)
	<i>0.0000</i>	<i>0.0000</i>	<i>0.0000</i>	<i>0.0000</i>	<i>0.0406</i>	<i>0.0751</i>	<i>0.0343</i>	<i>0.0545</i>
Experience	35.33***	37.62***	35.60***	37.72***	20.41***	21.55***	19.34**	20.43***
	(4.751)	(4.709)	(4.746)	(4.707)	(7.748)	(7.616)	(7.613)	(7.579)
	<i>0.0000</i>	<i>0.0000</i>	<i>0.0000</i>	<i>0.0000</i>	<i>0.0085</i>	<i>0.0047</i>	<i>0.0111</i>	<i>0.0070</i>
Neighbors	3.968	-0.0269	3.668	-0.0999	-8.968	-11.7	-9.328	-10.92
	(6.317)	(6.262)	(6.310)	(6.259)	(12.520)	(12.300)	(12.300)	(12.240)
	<i>0.5300</i>	<i>0.9970</i>	<i>0.5610</i>	<i>0.9870</i>	<i>0.4740</i>	<i>0.3420</i>	<i>0.4480</i>	<i>0.3720</i>
Visa requirement	15.21***	14.10***	14.75***	13.85***	12.64***	10.26**	11.83***	10.62***
	(2.339)	(2.318)	(2.338)	(2.318)	(4.135)	(4.068)	(4.063)	(4.048)
	<i>0.0000</i>	<i>0.0000</i>	<i>0.0000</i>	<i>0.0000</i>	<i>0.0023</i>	<i>0.0117</i>	<i>0.0036</i>	<i>0.0088</i>
EU members	-16.21***	-16.10***	-16.55***	-16.32***	5.026	4.152	4.318	4.017
	(5.411)	(5.361)	(5.405)	(5.359)	(9.404)	(9.243)	(9.239)	(9.196)
	<i>0.0027</i>	<i>0.0027</i>	<i>0.0022</i>	<i>0.0023</i>	<i>0.5930</i>	<i>0.6530</i>	<i>0.6400</i>	<i>0.6620</i>
Industry activity Dummies	Included	Included	Included	Included	Included	Included	Included	Included
Year Dummies	Included	Included	Included	Included	Included	Included	Included	Included
Constant	67.82***	72.06***	70.14***	73.40***	36.5	33.62	30.41	30.74
	(14.670)	(14.530)	(14.660)	(14.530)	(23.610)	(23.200)	(23.200)	(23.090)
	<i>0.0000</i>	<i>0.0000</i>	<i>0.0000</i>	<i>0.0000</i>	<i>0.1220</i>	<i>0.1470</i>	<i>0.1900</i>	<i>0.1830</i>
Observations	17,447	17,447	17,447	17,447	5,004	5,004	5,004	5,004
R-squared	0.365	0.377	0.367	0.378	0.407	0.428	0.428	0.433
Adjusted R-squared	0.364	0.376	0.365	0.376	0.403	0.423	0.424	0.429
F-test	1659	1059	1602	1002	253.2	289	307.3	297.8
Prob > F	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000

Notes: Coefficient estimates bolded, standard error in parentheses, p-values in italics.

*** p< 0.01, **p<0.05, *p<0.1

Table 3. Estimation results: Robustness test 1 (with *Work permit* included)

	China		US		Germany		The Netherlands	
	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7	Model 8
Investment*Income level		1.07e-05***		-3.05e-06***		-1.56e-05***		-3.27e-06***
		(0.000)		(0.000)		(0.000)		(0.000)
		0.000		0.000		0.000		0.003
Investment*New project		-1.091***		0.266***		0.270***		0.0849**
		(0.144)		(0.024)		(0.035)		(0.043)
		0.000		0.000		0.000		0.047
Investment	0.420***	0.708***	0.866***	0.870***	1.010***	1.015***	0.498***	0.501***
	(0.017)	(0.031)	(0.010)	(0.011)	(0.018)	(0.020)	(0.016)	(0.016)
	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
New project	77.54***	36.57	23.92***	21.75***	-3.594	-6.156	1.575	0.308
	(28.210)	(28.100)	(4.426)	(4.411)	(6.476)	(6.409)	(10.810)	(10.780)
	0.006	0.193	0.000	0.000	0.579	0.337	0.884	0.977
Income level	-0.00283***	-0.00248***	-0.00229***	-0.00230***	-0.00227***	-0.00233***	-0.00157***	-0.00158***
	(0.001)	(0.001)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Capital intensity	-84.20***	-90.49***	-70.70***	-71.02***	-95.06***	-96.17***	-6.604	-5.688
	(20.900)	(20.570)	(4.928)	(4.908)	(8.545)	(8.458)	(11.110)	(11.070)
	0.000	0.000	0.000	0.000	0.000	0.000	0.552	0.608
Experience	25.88*	21.17	9.196***	9.647***	35.10***	37.55***	16.54*	17.29**
	(15.520)	(15.280)	(3.288)	(3.275)	(5.395)	(5.337)	(8.441)	(8.414)
	0.095	0.166	0.005	0.003	0.000	0.000	0.050	0.040
Neighbors	75.83***	78.24***	6.615	7.827	-6.874	-8.724	-9.556	-10.89
	(25.710)	(25.290)	(5.556)	(5.535)	(7.842)	(7.756)	(14.600)	(14.560)
	0.003	0.002	0.234	0.157	0.381	0.261	0.513	0.454
Visa requirement	-0.508	-2.678	-6.112***	-6.032***	18.13***	17.49***	11.36**	10.83**

	(9.801)	(9.642)	(1.917)	(1.909)	(2.998)	(2.967)	(4.968)	(4.952)
	<i>0.959</i>	<i>0.781</i>	<i>0.001</i>	<i>0.002</i>	<i>0.000</i>	<i>0.000</i>	<i>0.022</i>	<i>0.029</i>
EU members	-47.38**	-33.32*	-22.50***	-23.20***	-11.95*	-11.22	16.33	16.65
	(19.310)	(19.030)	(4.437)	(4.421)	(6.999)	(6.921)	(10.880)	(10.850)
	<i>0.014</i>	<i>0.080</i>	<i>0.000</i>	<i>0.000</i>	<i>0.088</i>	<i>0.105</i>	<i>0.134</i>	<i>0.125</i>
Working permit	-1.546	-1.928	-0.877***	-0.882***	0.7	0.62	-2.023**	-2.099**
	(1.801)	(1.772)	(0.301)	(0.300)	(0.609)	(0.602)	(0.896)	(0.893)
	<i>0.391</i>	<i>0.277</i>	<i>0.004</i>	<i>0.003</i>	<i>0.251</i>	<i>0.303</i>	<i>0.024</i>	<i>0.019</i>
Industry activity Dummies	Included	Included	Included	Included	Included	Included	Included	Included
Year Dummies	Included	Included	Included	Included	Included	Included	Included	Included
Constant	-49.06	1.594	104.5***	107.9***	71.02***	75.40***	53.11**	51.62*
	(63.330)	(62.470)	(9.635)	(9.599)	(17.100)	(16.910)	(26.600)	(26.510)
	0.439	0.005	0.000	0.000	0.000	0.036	0.046	0.033
Observations	3,955	3,955	30,996	30,996	13,696	13,696	3,922	3,922
Adjusted R-squared	0.393	0.413	0.336	0.341	0.297	0.312	0.449	0.453
F-test	167.9	145.4	1964	1636	877.7	748.5	248.4	245.9
Prob > F	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000

Notes: Coefficient estimates bolded, standard error in parentheses, p-values in italics.

*** p< 0.01, **p<0.05, *p<0.1

Table 4. Estimation results: Robustness test 2 (with Controls on FDI and Hiring regulations included)

	China		The US		Germany		The Netherlands	
	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7	Model 8
Investment*Income level		9.98e-06***		-1.18e-05***		-1.77e-05***		-1.48e-05***
		(0.000)		(0.000)		(0.000)		(0.000)
		0.0000		0.0000		0.0000		0.0000
Investment*New project		-1.090***		0.335***		0.198***		0.313***
		(0.140)		(0.026)		(0.031)		(0.044)
		0.0000		0.0000		0.0000		0.0000
Investment	0.422***	0.694***	1.065***	1.025***	1.083***	0.987***	0.771***	0.927***
	(0.017)	(0.030)	(0.011)	(0.012)	(0.016)	(0.018)	(0.022)	(0.023)
	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
New project	78.51***	39.16	26.61***	23.56***	1.612	-1.184	4.613	1.604
	(27.440)	(27.340)	(4.368)	(4.307)	(6.042)	(5.966)	(9.862)	(9.437)
	0.0042	0.1520	0.0000	0.0000	0.7900	0.8430	0.6400	0.8650
Income level	-0.00277***	-0.00227***	-0.00210***	-0.00225***	-0.00182***	-0.00199***	-0.00160***	-0.00189***
	(0.001)	(0.001)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Capital intensity	-86.85***	-94.06***	-67.07***	-66.32***	-101.5***	-101.7***	-18.95*	-19.71**
	(19.910)	(19.610)	(4.745)	(4.678)	(7.773)	(7.669)	(10.030)	(9.596)
	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0591	0.0400
Experience	26.36*	21.74	13.14***	14.38***	34.07***	36.64***	6.664	4.702
	(14.950)	(14.720)	(3.230)	(3.184)	(5.061)	(4.992)	(7.634)	(7.299)
	0.0778	0.1400	0.0000	0.0000	0.0000	0.0000	0.3830	0.5190
Neighbors	62.11**	64.03**	-0.344	3.244	1.298	-2.689	-4.278	-7.38
	(26.850)	(26.440)	(5.906)	(5.823)	(6.646)	(6.555)	(12.540)	(11.990)
	0.0208	0.0155	0.9540	0.5780	0.8450	0.6820	0.7330	0.5380
Visa requirement	-2.479	-6.555	-8.441***	-9.034***	14.39***	12.27***	5.601	0.278

	(9.325)	(9.186)	(2.008)	(1.980)	(3.482)	(3.436)	(5.374)	(5.144)
	<i>0.7900</i>	<i>0.4760</i>	<i>0.0000</i>	<i>0.0000</i>	<i>0.0000</i>	<i>0.0004</i>	<i>0.2970</i>	<i>0.9570</i>
EU members	-55.68***	-45.83**	-23.21***	-24.26***	-15.86***	-14.61**	-6.15	-2.934
	(19.790)	(19.500)	(3.970)	(3.913)	(5.860)	(5.778)	(9.557)	(9.139)
	<i>0.0049</i>	<i>0.0188</i>	<i>0.0000</i>	<i>0.0000</i>	<i>0.0068</i>	<i>0.0115</i>	<i>0.5200</i>	<i>0.7480</i>
Controls on FDI	-0.502	-1.256	-3.036***	-3.016***	-0.941	-1.281	0.0848	-1.028
	(2.654)	(2.614)	(0.615)	(0.606)	(1.226)	(1.209)	(1.783)	(1.705)
	<i>0.8500</i>	<i>0.6310</i>	<i>0.0000</i>	<i>0.0000</i>	<i>0.4430</i>	<i>0.2890</i>	<i>0.9620</i>	<i>0.5460</i>
Hiring regulations	0.768	-1.923	5.194***	5.795***	0.609	2.332	-0.686	0.486
	(5.656)	(5.573)	(1.228)	(1.211)	(1.849)	(1.825)	(2.913)	(2.785)
	<i>0.8920</i>	<i>0.7300</i>	<i>0.0000</i>	<i>0.0000</i>	<i>0.7420</i>	<i>0.2010</i>	<i>0.8140</i>	<i>0.8610</i>
Industry activity Dummies	Included	Included	Included	Included	Included	Included	Included	Included
Year Dummies	Included	Included	Included	Included	Included	Included	Included	Included
Constant	-8.566	48.3	67.15***	70.25***	77.96***	80.29***	111.0***	112.3***
	(72.650)	(71.710)	(12.600)	(12.420)	(19.740)	(19.480)	(30.440)	(29.100)
	<i>0.9060</i>	<i>0.5010</i>	<i>0.0000</i>	<i>0.0000</i>	<i>0.0001</i>	<i>0.0000</i>	<i>0.0003</i>	<i>0.0001</i>
Observations	4,139	4,139	34,295	34,295	15,607	15,607	4,317	4,317
Adjusted R-squared	0.396	0.415	0.351	0.369	0.344	0.363	0.465	0.511
F-test	171.5	147.1	2504	2038	1275	839	324.5	432.1
Prob > F	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000

Notes: Coefficient estimates bolded, standard error in parentheses, p-values in italics.

*** p< 0.01, **p<0.05, *p<0.1

Figure 1. The marginal effect of Investment on Employment as a function of Income level

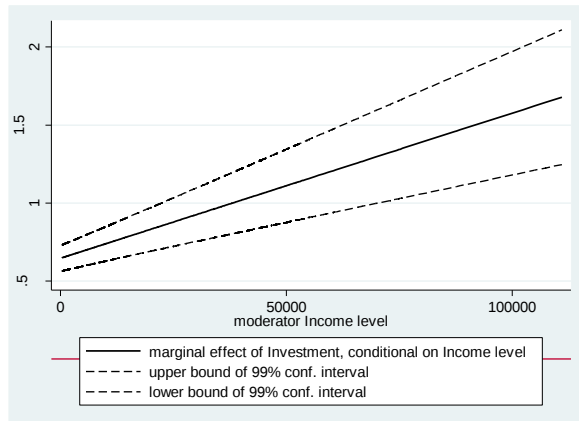


Fig. 1a China

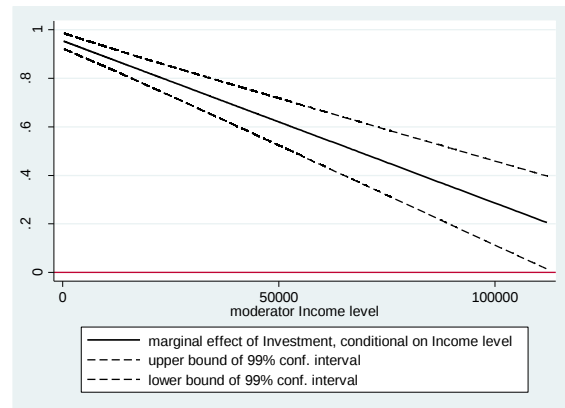


Fig. 1b The US

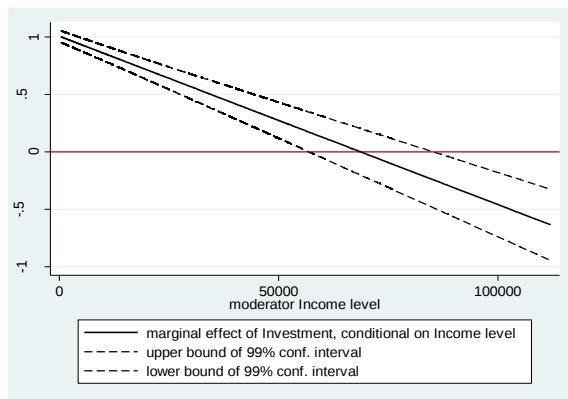


Fig. 1c Germany

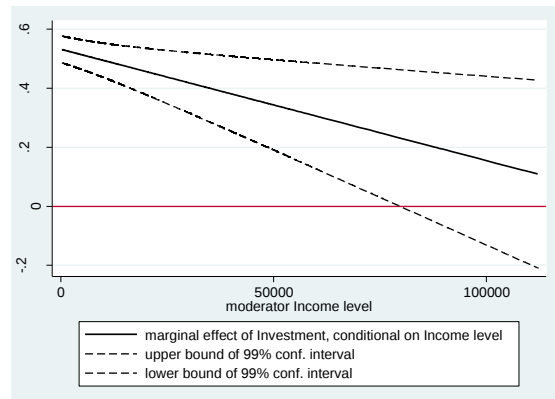


Fig. 1d The Netherlands

Figure 2. The marginal effect of Investment on Employment as a function of New project

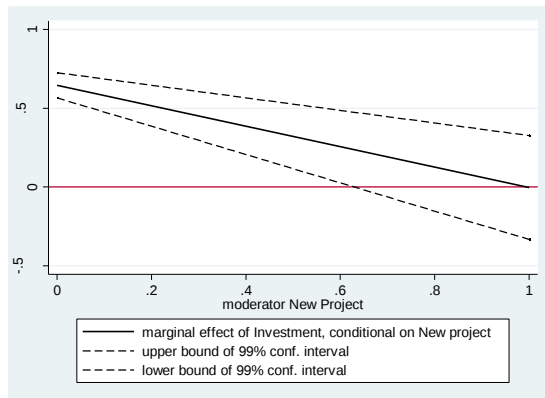


Fig. 2a China

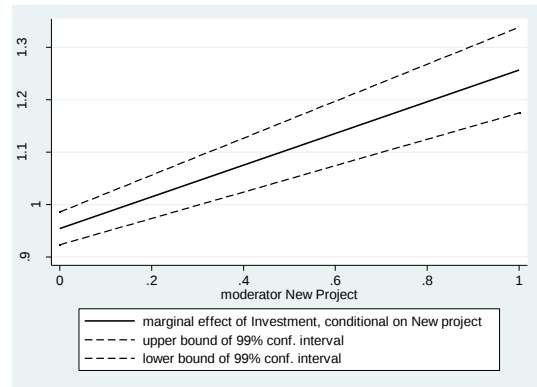


Fig. 2b The US

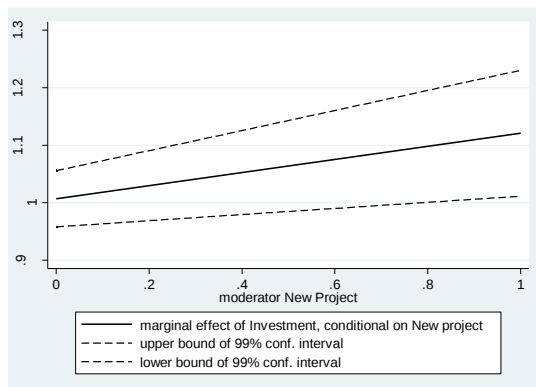


Fig. 2c Germany

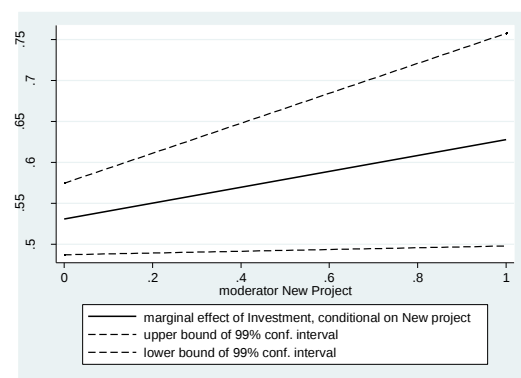


Fig. 2d The Netherlands

Appendix

Figure A1. Robustness test 1: The marginal effect of Investment on Employment as a function of Income level

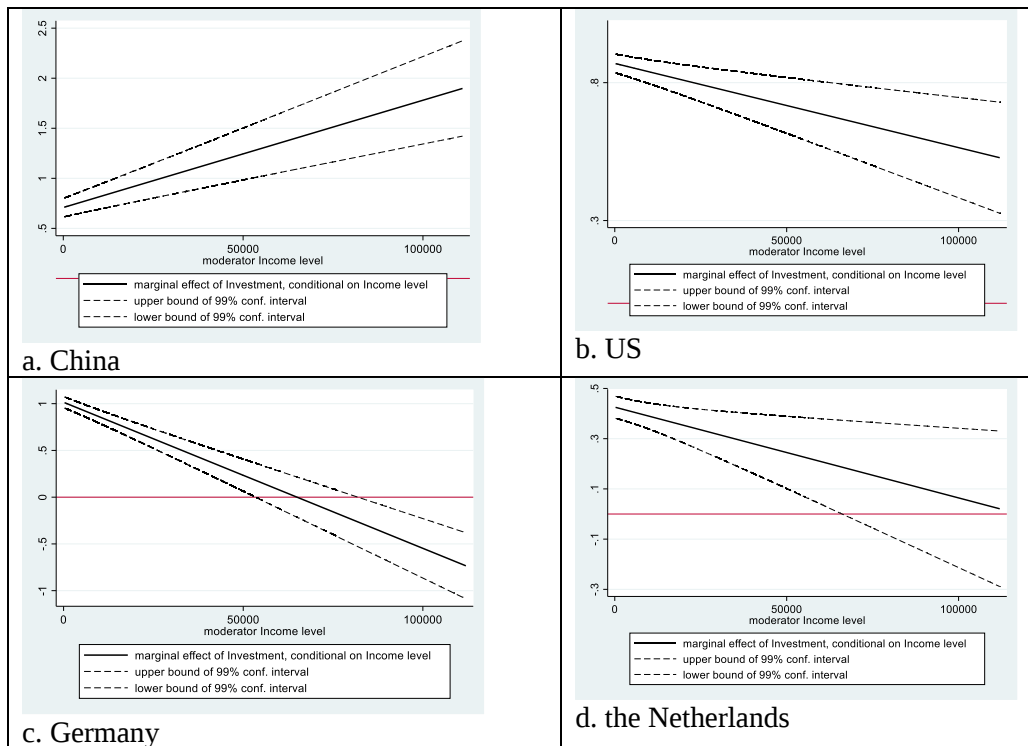


Figure A2. Robustness test 1: The marginal effect of Investment on Employment as a function of new project

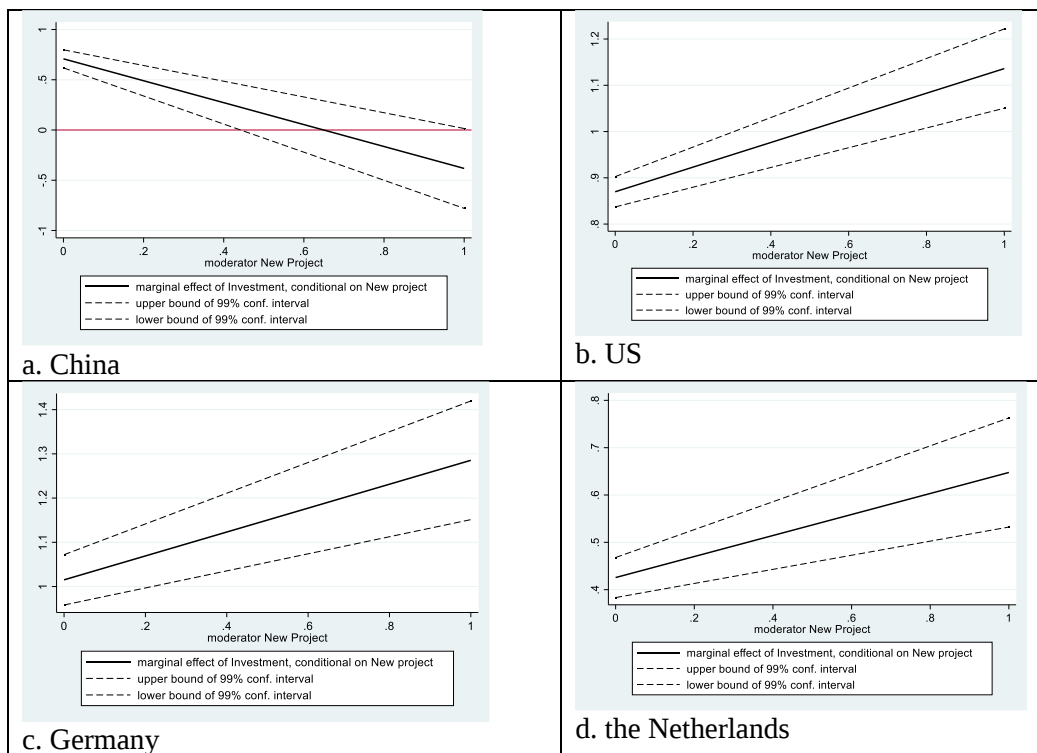


Figure A3. Robustness test 2: The marginal effect of Investment on Employment as a function of Income level

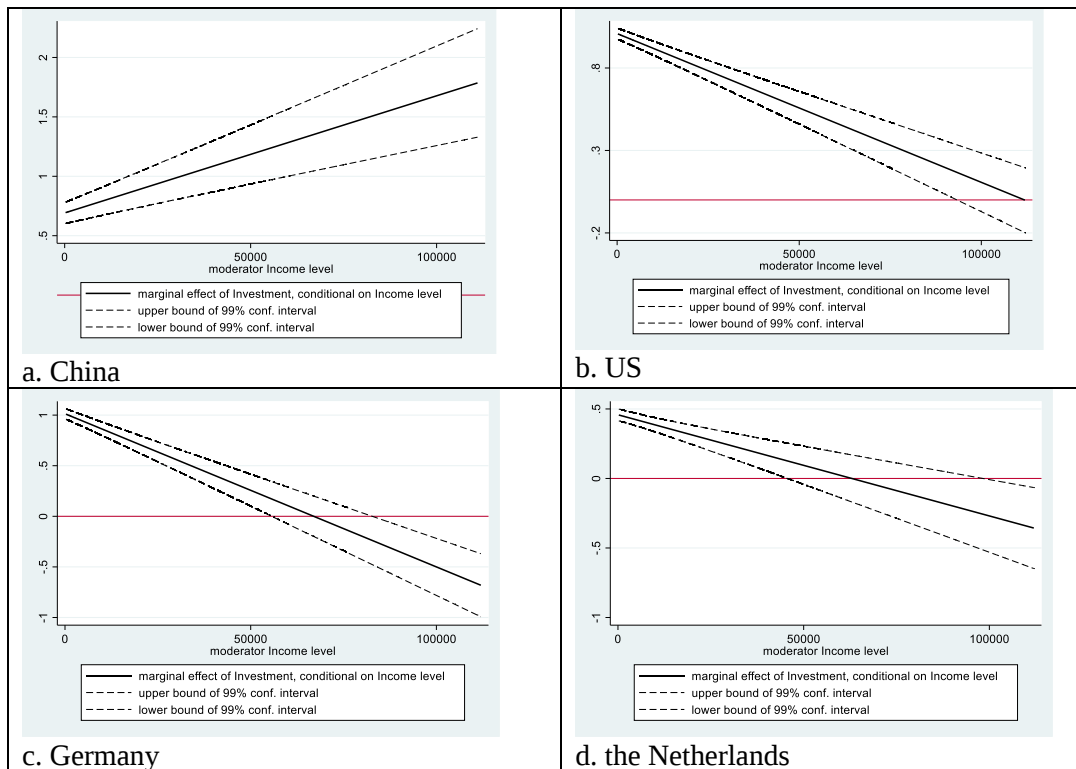


Figure A4. Robustness test 2: The marginal effect of Investment on Employment as a function of new project

