The Impact of Foreign Direct Investment on Employment in Canada

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Abstract:

Purpose: Canada strives to make its national space conducive for foreign direct investment (FDI) due to the many years of benefit from such economic activities. FDI has contributed to the development of the country in several ways including the generation of employment opportunities, greater business activities, which leads to higher quality goods and services at lower prices, more consumer choices and an overall increase in the quality of life. This paper measures the sole impact of FDI on employment in Canada.

Design/methodology/approach: Engaging a quantitative data obtained from Statistics Canada, MacroTrends, and other reliable sources, and using a simple regression analysis, the paper examined the extent of the variation in employment in Canada that is explained by foreign direct investment. Several statistical analytics were used to analyze the data.

Findings: The $R^2 = 0.76$, indicates a significant positive relationship between FDI and employment. The $R^2 = 0.58$, shows that 58% percent of the variations in employment is explained by the regression line or by FDI. This is quite significant. The Adj $R^2 = 0.56$. The output of the test statistics also indicate that the results are statistically significant. The $F$-stat value of 36.79 versus $F$-critical value of 4.21 at 5% level of significance ($\alpha = 0.05$) indicates statistical significance. The five year forecast also indicates an increasing impact of FDI on employment.

Research limitations/implications: This paper examined the sole impact of foreign direct investment on employment in Canada. The regression results established a moderately strong positive relationship between the two variables thereby confirming the strong role of FDI on employment generation in Canada. With about 58% coefficient of determination, the study provides a room for further research into the remaining 42% factors that determine the variation in employment.

Practical implications: Canada depends largely on inward foreign direct investment to generate employment. This poses some threat to the country's employment rate in the event of any major obstacle to inward foreign direct investment. It also implies that the domestic investors or companies need to square up to compete in the market place in Canada. Finally, it means that foreign companies or foreign investors have great opportunities to thrive in Canada.

Social implications: Consumer choices in Canada is largely supported by the products and services provided by foreign investors. This provides significant improvement in the social status of many Canadian residents.

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Originality/value: Capturing the sole and specific impact of inward foreign direct investment on employment in Canada adds significant value to the body of knowledge about FDI in the country. It provides some clarity to this area of study to many scholars, business executives and government officials in Canada.

Keywords:

JEL codes: FDI, employment, Canada.

Paper Type: Research article.

1. Introduction

Statistics Canada (2020) defined foreign direct investment (FDI) as a cross-border investment made by an investor with the objective of establishing a lasting interest in an enterprise that is resident in another country. For most investors around the world, the motivation for FDI is usually to build a strategic long-term relationship to ensure a significant degree of influence in the management of its affiliate (Statistics Canada, 2020).

For many years, Canada has been a global hub for foreign direct investment including high tech investment due to its skilled and friendly social economic environment. A recent study by the Information and Communication Technology Council (ICTC) confirmed that Canada is considered an attractive destination for Artificial Intelligence (AI) investment by some of the world’s top business leaders because of its highly skilled talent base, strong AI-education offerings, and an immigration policy that attracts skilled AI talent for critical roles (ICTC, 2020).

Canada strives to make its national space conducive for foreign direct investment due to the many years of benefit from such economic activities. FDI has contributed to the development of the country in several ways including the generation of employment opportunities, greater business activities, which leads to higher quality goods and services at lower prices, more consumer choices and an overall increase in the quality of life.

The Government of Canada (2018) confirms that foreign investment offers far-reaching economic benefits for the middle class and everyone working hard to join it as it creates jobs for Canadians, expands trade, boosts productivity, provides access to new technologies, encourages innovation, and links Canadian firms to the global supply chains. In addition to these benefits, FDI plays a strong role in international economic integration among nations.

Although FDI relates to several macroeconomic variables such as inflation, gross domestic product (GDP), wages and other variables, this paper focuses only on the impact of FDI on employment/unemployment in Canada. The paper concludes with
a recommendation for attracting more foreign direct investments especially in the high technology industry.

2. Literature Review

2.1 Foreign Direct Investment Theories

There have been several schools of thought about foreign direct investment as FDI has generated much discussion among academics and non-academics across the world. There are several theoretical and empirical studies that have examined foreign direct investment issues. The main research on the motivations underlying FDI were developed by Dunning, Hymer or Vernon (Denisia, 2010). Economic literature generally classified the theories of foreign direct investment under four categories. These include the production cycle theory of Vernon, the theory of exchange rates on imperfect capital markets, the internalization theory and the eclectic paradigm of Dunning (Denisia, 2010).

Bajrami and Zeqiri (2019) affirmed that the product life cycle theory was developed by Raymond Vernon in 1966 and that he combined micro theory of the product cycle with trade theory. Vernon itemized four stages of production cycle which includes innovation, growth, maturity and decline (Denisia, 2010). Bajrami and Zeqiri (2019) described eclectic theory as referring to the ownership, location and internalization paradigm, which attempts to explain the international flows and FDI in terms of what is the motive rather than what should be the level and the structure of foreign investment.

Dunning (2008) defined ownership advantages as the degree to which a firm possesses sustainable ownership-specific advantages over other firms in the market. The exchange rate theory postulates that capital flow is driven by the rates of return. Bajrami and Zeqiri (2019) posited that the main idea and hypothesis of exchange rate theory of FDI is that capital flows from countries with low rates of return towards countries with higher rates of return and that internalization theory arises from the efforts by companies to replace market transactions with internal transactions. Further details of these theories are outside the scope of this paper. It suffices to mention at this point that the theories argue for and against foreign direct investment. This leads to the contemporary discussions about the benefits of foreign direct investment.

Studies regarding the benefits of FDI have produced mixed results. While some scholars have strongly supported FDI describing it as generators of employment, high productivity, competitiveness, and technology transfer (Yu et al., 2002), others have argued that FDI could crowd out local enterprises and deepen income inequality (Mahutga et al., 2008).
The discussion about the impact of FDI in different economies including the developing and developed economies seems to be a continuous debate. Melnyk et al. (2014) contested that Navaretti and Venables (2004) claim that the benefits of FDI inflows are the modernization of national economy and promotion of economic development is not supported by empirical evidence. Melnyk et al. (2014) argued that there are specific factors that determine whether or not a recipient country will benefit from FDI. The authors identified transition economies as a good case to test FDI influence given that transition economies have proper human capital and possess different levels of business environment and institutions.

In general, most critics of FDI would agree that the technology transfer component of FDI has benefited and is benefiting many recipient nations especially the least and the less developed countries. Even Melnyk et al. (2014), agreed that the positive influence of FDI is explained by technological diffusion originating from firms accepting foreign capital and spreading to related companies in a form of technical support of suppliers and business environment. Therefore, there seems to be a general consensus about FDI having a positive net benefit for less developed countries. The question then is what is the impact of FDI on developed countries such as Canada?

Bajrami and Zeqiri (2019) observed that theory and empirical studies share different views regarding the direct impacts of FDI in developed countries, but when it comes to transition and undeveloped economies, there is more agreement on the positive effects of FDI in economic development and human capital. Although not many, several studies have supported the hypothesis that FDI benefits developed countries as well. Rao and Chang (2019), observed that the economic impacts of inward FDI on real GDP and employment are significantly bigger than the outward FDI impacts. Hejazi (2019), in the study conducted for Competition Policy Review Panel, identified several advantages of FDI, including contribution to domestic capital formation and complementing trade. Therefore, it is logical to conclude that even developed countries like Canada also benefits from inward foreign direct investment.

3. Research Methodology

Using simple regression analysis the paper examines the extent of the variation in employment in Canada that is explained by foreign direct investment. The regression model is presented as:

\[ Y = a + bX \]

Where
- \( Y \) = dependent variable (employment)
- \( a \) = intercept
- \( b \) = slope of the regression line
- \( X \) = independent variable (FDI).
Using several statistical analytics, the output of the regression is given in the following tables and figures.

**Table 1. FDI, Employment and Unemployment in Canada**

| Year | FDI (in $Million) | Employment Rate | Unemployment Rate | Unemployment Rate % |
|------|------------------|-----------------|------------------|---------------------|
| 1991 | 135,234          | 0.8968          | 0.1032           | 10.32%              |
| 1992 | 137,918          | 0.8880          | 0.1120           | 11.20%              |
| 1993 | 141,493          | 0.8862          | 0.1138           | 11.38%              |
| 1994 | 154,594          | 0.8960          | 0.1040           | 10.40%              |
| 1995 | 168,167          | 0.9051          | 0.0949           | 9.49%               |
| 1996 | 182,126          | 0.9038          | 0.0962           | 9.62%               |
| 1997 | 194,277          | 0.9090          | 0.0910           | 9.10%               |
| 1998 | 219,389          | 0.9172          | 0.0828           | 8.28%               |
| 1999 | 252,563          | 0.9242          | 0.0758           | 7.58%               |
| 2000 | 319,116          | 0.9317          | 0.0683           | 6.83%               |
| 2001 | 340,429          | 0.9278          | 0.0722           | 7.22%               |
| 2002 | 356,819          | 0.9233          | 0.0767           | 7.67%               |
| 2003 | 373,685          | 0.9243          | 0.0757           | 7.57%               |
| 2004 | 379,450          | 0.9281          | 0.0719           | 7.19%               |
| 2005 | 397,828          | 0.9324          | 0.0676           | 6.76%               |
| 2006 | 437,171          | 0.9368          | 0.0632           | 6.32%               |
| 2007 | 512,266          | 0.9396          | 0.0604           | 6.04%               |
| 2008 | 550,539          | 0.9386          | 0.0614           | 6.14%               |
| 2009 | 573,901          | 0.9166          | 0.0834           | 8.34%               |
| 2010 | 592,406          | 0.9194          | 0.0806           | 8.06%               |
| 2011 | 603,455          | 0.9249          | 0.0751           | 7.51%               |
| 2012 | 633,778          | 0.9271          | 0.0729           | 7.29%               |
| 2013 | 688,873          | 0.9293          | 0.0707           | 7.07%               |
| 2014 | 744,671          | 0.9309          | 0.0691           | 6.91%               |
| 2015 | 782,912          | 0.9309          | 0.0691           | 6.91%               |
| 2016 | 810,668          | 0.9300          | 0.0700           | 7.00%               |
| 2017 | 828,991          | 0.9366          | 0.0634           | 6.34%               |
| 2018 | 904,648          | 0.9417          | 0.0583           | 5.83%               |
| 2019 | 973,889          | 0.9444          | 0.0556           | 5.56%               |

**Sources:** Stat Canada: https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=3610000801&cubeTimeFrame.startYear=1987&cubeTimeFrame.endYear=2019&referencePeriods=19870101%2C20190101. Trading Economics https://tradingeconomics.com/canada/unemployment-rate. Macrotrends: https://www.macrotrends.net/countries/CAN/canada/unemployment-rate?q=foreign+direct+investment.
**Table 2a. FDI and Employment**

| Regression Statistics |   |   |   |   |   |
|-----------------------|---|---|---|---|---|
| Multiple R            | 0.759468321 |   |   |   |   |
| R Square              | 0.57679213  |   |   |   |   |
| Adjusted R Square     | 0.561117765 |   |   |   |   |
| Standard Error        | 0.010546087 |   |   |   |   |
| Observations          | 29          |   |   |   |   |

| ANOVA                  | df | SS   | MS    | F     | Significance F |
|------------------------|----|------|-------|-------|----------------|
| Regression             | 1  | 0.00409272 | 0.00409272 | 36.79844 | 1.77744E-06   |
| Residual               | 27 | 0.003002939 | 0.00011122 |       |                |
| Total                  | 28 | 0.007095659 |           |       |                |

| Coefficients           | Standard Error | t Stat | P-value | Lower 95% | Upper 95% |
|------------------------|----------------|--------|---------|-----------|-----------|
| Intercept              | 0.900383831    | 0.004079531 | 220.7076554 | 1.66E-45 | 0.892013323 | 0.908754338 |
| FDI (in $Million)      | 4.70134E-08    | 7.7501E-09 | 6.066171405 | 1.78E-06 | 3.11115E-08 | 6.29153E-08 |

| Observation | Predicted Employment Rate (%) | Residuals | Standard Residuals |   |   |
|-------------|--------------------------------|-----------|--------------------|---|---|
| 1           | 0.906741645                    | 0.009941645 | 0.959984124 |   |   |
| 2           | 0.906867829                    | 0.018867829 | 1.821913394 |   |   |
| 3           | 0.907035902                    | 0.020835902 | -2.01195426 |   |   |
| 4           | 0.907651825                    | 0.011651825 | 1.125122355 |   |   |
| 5           | 0.908289939                    | 0.003189939 | 0.308026521 |   |   |
| 6           | 0.908946199                    | 0.005146199 | 0.496926747 |   |   |
| 7           | 0.909517459                    | 0.000517459 | 0.049966851 |   |   |
| 8           | 0.910698061                    | 0.006501939 | 0.627839606 |   |   |
| 9           | 0.912257684                    | 0.011942316 | 1.153172673 |   |   |
| 10          | 0.915386569                    | 0.016313431 | 1.575255834 |   |   |
| 11          | 0.916388566                    | 0.01411434 | 1.101909674 |   |   |
| 12          | 0.917159117                    | 0.006140883 | 0.592975349 |   |   |
| 13          | 0.917952045                    | 0.006347955 | 0.612970561 |   |   |
| 14          | 0.918223078                    | 0.009876922 | 0.953734365 |   |   |
| 15          | 0.919087091                    | 0.01312909 | 1.285519803 |   |   |
| 16          | 0.92093674                    | 0.01586326 | 1.531786488 |   |   |
| 17          | 0.924467214                    | 0.015132786 | 1.46125056 |   |   |
| 18          | 0.926266559                    | 0.012333441 | 1.190940485 |   |   |
| 19          | 0.927364887                    | 0.010764887 | 1.039477879 |   |   |
| 20          | 0.92823487                     | -0.00883487 | 0.853111831 |   |   |
| 21          | 0.928754322                    | 0.003854322 | 0.372180609 |   |   |

| Observation | Probability OUTPUT |   |   |
|-------------|--------------------|---|---|
| 1           | 1.724137931        | 0.8862 |   |
| 2           | 5.172413793        | 0.888 |   |
| 3           | 8.620689655        | 0.896 |   |
| 4           | 12.06896552        | 0.8968 |   |
| 5           | 15.51724138        | 0.9038 |   |
| 6           | 18.96551724        | 0.9051 |   |
| 7           | 22.4137931         | 0.909 |   |
| 8           | 25.86206897        | 0.9166 |   |
| 9           | 29.31034483        | 0.9172 |   |
| 10          | 32.75820699        | 0.9194 |   |
| 11          | 36.206696555       | 0.9233 |   |
| 12          | 39.65517241        | 0.9242 |   |
| 13          | 43.10344828        | 0.9243 |   |
| 14          | 46.55172414        | 0.9249 |   |
| 15          | 50.00000000        | 0.9271 |   |
| 16          | 53.44827586        | 0.9278 |   |
| 17          | 56.89555172        | 0.9281 |   |
| 18          | 60.34482759        | 0.9293 |   |
| 19          | 63.79310345        | 0.93 |   |
| 20          | 67.24137931        | 0.9309 |   |
| 21          | 70.68965517        | 0.9309 |   |
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Table 2b. FDI & Unemployment

| r² | n   | Dep. Var. |
|----|-----|-----------|
| 0.577 | 29 | Unemployment Rate |

ANOVA table

| Source | SS     | df | MS | F     | p-value |
|--------|--------|----|----|-------|---------|
| Regression | 0.00409272 | 1 | 7 | 36.80 | 1.78E-06 |
| Residual | 0.00300294 | 27 | 2 |       |         |
| Total   | 0.00709566 | 28 |    |       |         |

Regression output

| Variables | Coefficients | Std. Error | t (df=27) | p-value | 95% lower | 95% upper | Std. coeff. |
|-----------|--------------|------------|-----------|---------|-----------|-----------|-------------|
| Intercept | 0.0996       | 0.0041     | 24.419    | 0.0912  | 0.1080    | 0.000111  |
| FDI (in $Million) | -0.00000000 | 0.00000000 | 1.78E-09 | -0.577  | -0.4339 | -0.6075 | 0.00000000 |

Observations

| n | Unemployment Rate | Predicted | Residual | Leverage | Studentized Deleted Residual |
|---|------------------|-----------|----------|----------|-------------------------------|
| 1 | 0.10320          | 0.09326   | 0.00994  | 0.992    | 0.989                         |
| 2 | 0.11200          | 0.09313   | 0.01887  | 0.991    | 1.877                         |
| 3 | 0.11380          | 0.09296   | 0.02084  | 0.990    | 2.071                         |
| 4 | 0.10400          | 0.09235   | 0.01165  | 0.858    | 1.155                         |
| 5 | 0.09490          | 0.09171   | 0.00319  | 0.813    | 0.316                         |
| 6 | 0.09620          | 0.09105   | 0.00515  | 0.777    | 0.508                         |
| 7 | 0.09100          | 0.09048   | 0.00052  | 0.733    | 0.051                         |
| 8 | 0.08280          | 0.08930   | -0.00650 | 0.666    | -0.638                        |
| 9 | 0.07580          | 0.08774   | -0.0194  | 0.058    | -1.167                        |
| 10| 0.06830          | 0.08461   | -0.01631 | 0.045    | -1.583                        |
| 11| 0.07220          | 0.08361   | -0.0114  | 0.042    | -1.106                        |
| 12| 0.07670          | 0.08284   | -0.00614 | 0.040    | -0.594                        |
| 13| 0.07570          | 0.08205   | -0.00635 | 0.039    | -0.614                        |
| 14| 0.07190          | 0.08178   | -0.00988 | 0.038    | -0.955                        |
| 15| 0.06760          | 0.08091   | -0.01331 | 0.037    | -1.286                        |
| 16| 0.06320          | 0.07906   | -0.01586 | 0.035    | -1.531                        |
| 17| 0.06040          | 0.07553   | -0.01513 | 0.036    | -1.461                        |
| 18| 0.06140          | 0.07373   | -0.01233 | 0.039    | -1.193                        |
| 19| 0.08340          | 0.07264   | 0.01076  | 0.041    | 1.042                         |
| 20| 0.08060          | 0.07177   | 0.00883  | 0.044    | 0.857                         |
| 21| 0.07510          | 0.07125   | 0.00385  | 0.045    | 0.374                         |

Source: Own study.
|   |   |   |   |   |   |
|---|---|---|---|---|---|
| 22 | 0.07290 | 0.06982 | 0.00308 | 0.050 | 0.300 | 0.295 |
| 23 | 0.07070 | 0.06723 | 0.00347 | 0.062 | 0.340 | 0.334 |
| 24 | 0.06910 | 0.06461 | 0.00449 | 0.078 | 0.444 | 0.437 |
| 25 | 0.06910 | 0.06281 | 0.00629 | 0.090 | 0.625 | 0.618 |
| 26 | 0.07000 | 0.06150 | 0.00850 | 0.100 | 0.849 | 0.845 |
| 27 | 0.06340 | 0.06064 | 0.00276 | 0.107 | 0.277 | 0.272 |
| 28 | 0.05830 | 0.05709 | 0.00121 | 0.140 | 0.124 | 0.122 |
| 29 | 0.05560 | 0.05383 | 0.00177 | 0.176 | 0.185 | 0.182 |

**Source:** Own study.

**Figure 1. Regression Analysis: Employment Rate versus FDI (in $Million)**

The regression equation is:

\[
\text{Employment Rate} = 0.9004 + 0.000000 \text{ FDI (in $Million)}
\]

**Model Summary**

|   | R-sq | R-sq(adj) |
|---|------|-----------|
| S | 0.0105461 | 57.68% | 56.11% |

**Analysis of Variance**

| Source         | DF | SS     | MS      | F      | P       |
|----------------|----|--------|---------|--------|---------|
| Regression     | 1  | 0.0040927 | 0.0040927 | 36.80 | 0.000 |
| Error          | 27 | 0.0030029 | 0.0001112 |       |         |
| Total          | 28 | 0.0070957 |          |       |         |

**Regression Statistics**

- Multiple R: 0.759468
- R Square: 0.576792
- Adj R Square: 0.561118
- Standard Error: 0.010546
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**ANOVA**

| Source      | df | SS     | MS      | F        | Significance F |
|-------------|----|--------|---------|----------|----------------|
| Regression  | 1  | 0.004093 | 0.004093 | 36.79844 | 1.77744E-06    |
| Residual    | 27 | 0.003003 | 0.000111 |          |                |
| Total       | 28 | 0.007096 |          |          |                |

**Coefficients**

|         | Standard | t Stat  | P-value | Lower 95% | Upper 95% | Lower 95.0% | Upper 95.0% |
|---------|----------|---------|---------|-----------|-----------|-------------|-------------|
| Intercept | 0.00408 | 220.7077 | 1.66E-45 | 0.89201323 | 0.908754 | 0.892013 | 0.908754 |
| FDI (in $M) | 0.00408 | 6.066171 | 1.78E-06 | 3.11115E-08 | 6.29E-08 | 3.11E-08 | 6.29E-08 |

**Residual Output**

| Observation | Predicted Employment Rate | Residuals | Standard Residuals | Percentile | Employment Rate |
|-------------|---------------------------|-----------|--------------------|------------|-----------------|
| 1           | 0.900384                  | 0.00408   | 220.7077           | 1.66E-45   | 0.89201323      |
| 2           | 0.900384                  | 0.00408   | 220.7077           | 1.66E-45   | 0.89201323      |
| 3           | 0.900384                  | 0.00408   | 220.7077           | 1.66E-45   | 0.89201323      |
| 4           | 0.900384                  | 0.00408   | 220.7077           | 1.66E-45   | 0.89201323      |
| 5           | 0.900384                  | 0.00408   | 220.7077           | 1.66E-45   | 0.89201323      |
| 6           | 0.900384                  | 0.00408   | 220.7077           | 1.66E-45   | 0.89201323      |
| 7           | 0.900384                  | 0.00408   | 220.7077           | 1.66E-45   | 0.89201323      |
| 8           | 0.900384                  | 0.00408   | 220.7077           | 1.66E-45   | 0.89201323      |
| 9           | 0.900384                  | 0.00408   | 220.7077           | 1.66E-45   | 0.89201323      |
| 10          | 0.900384                  | 0.00408   | 220.7077           | 1.66E-45   | 0.89201323      |
| 11          | 0.900384                  | 0.00408   | 220.7077           | 1.66E-45   | 0.89201323      |
| 12          | 0.900384                  | 0.00408   | 220.7077           | 1.66E-45   | 0.89201323      |
| 13          | 0.900384                  | 0.00408   | 220.7077           | 1.66E-45   | 0.89201323      |
| 14          | 0.900384                  | 0.00408   | 220.7077           | 1.66E-45   | 0.89201323      |
| 15          | 0.900384                  | 0.00408   | 220.7077           | 1.66E-45   | 0.89201323      |
| 16          | 0.900384                  | 0.00408   | 220.7077           | 1.66E-45   | 0.89201323      |
| 17          | 0.900384                  | 0.00408   | 220.7077           | 1.66E-45   | 0.89201323      |
| 18          | 0.900384                  | 0.00408   | 220.7077           | 1.66E-45   | 0.89201323      |
| 19          | 0.900384                  | 0.00408   | 220.7077           | 1.66E-45   | 0.89201323      |
| 20          | 0.900384                  | 0.00408   | 220.7077           | 1.66E-45   | 0.89201323      |
| 21          | 0.900384                  | 0.00408   | 220.7077           | 1.66E-45   | 0.89201323      |
| 22          | 0.900384                  | 0.00408   | 220.7077           | 1.66E-45   | 0.89201323      |
| 23          | 0.900384                  | 0.00408   | 220.7077           | 1.66E-45   | 0.89201323      |
| 24          | 0.900384                  | 0.00408   | 220.7077           | 1.66E-45   | 0.89201323      |
| 25          | 0.900384                  | 0.00408   | 220.7077           | 1.66E-45   | 0.89201323      |
| 26          | 0.900384                  | 0.00408   | 220.7077           | 1.66E-45   | 0.89201323      |
| 27          | 0.900384                  | 0.00408   | 220.7077           | 1.66E-45   | 0.89201323      |
| 28          | 0.900384                  | 0.00408   | 220.7077           | 1.66E-45   | 0.89201323      |
Figure 2. Employment Versus Predicted Employment Rate

Source: Own study.

Figure 3. FDI and Employment Rate

Source: Own study.

Figure 4. Probability Plot of Employment Rate (%)
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Figure 5. Probability Plot of FDI (in $Million)

Source: Own study.

Figure 4. Normal Probability Plot of Residuals

Source: Own study.

Figure 5. Trend Analysis for FDI (in $Million)

Method
Model type Linear Trend Model
Data FDI (in $Million)
Length 29
Missing 0

Fitted Trend Equation
\[ Y_t = 14243 + 29835 \times t \]

Accuracy Measures
MAPE 11
MAD 30466
MSD 1542492476

Forecasts
Period Forecast
30 909292
Figure 6. Trend Analysis for Employment Rate (%)

| Method          | Linear Trend Model          |
|-----------------|-----------------------------|
| Model type      | Linear Trend Model          |
| Data            | Employment Rate (%)         |
| Length          | 29                          |
| Missing         | 0                           |

**Fitted Trend Equation**

\[ Y_t = 0.89948 + 0.001507 \times t \]

**Accuracy Measures**

- MAPE: 0.864452
- MAD: 0.007955
- MSD: 0.000086

**Forecasts**

| Period | Forecast |
|--------|----------|
| 30     | 0.944704 |
| 31     | 0.946211 |
| 32     | 0.947719 |
| 33     | 0.949226 |
| 34     | 0.950733 |

Source: Own study.
The Impact of Foreign Direct Investment on Employment in Canada

Source: Own study.

Figure 7. Summary Report for FDI (in $Million), Employment Rate

Source: Own study.
4. Analysis of Results

The regression output indicates the following summary of results:

\[ R = 0.76 \]
\[ R^2 = 0.58 \]
\[ \text{Adj } R^2 = 0.56 \]
\[ F\text{-stat} = 36.79 \]
\[ F\text{-critical} = 4.21 \]
\[ \text{Level of significance (} \alpha \text{) = 0.05} \]
\[ P\text{-Values < 0.05} \]

The \( R = 0.76 \), indicates a significant positive relationship between FDI and employment. The \( R^2 = 0.58 \), shows that 58% percent of the variations in employment is explained by the regression line or by FDI. This is quite significant. The \( \text{Adj } R^2 = 0.56 \). The output of the test statistics also indicate that the results are statistically significant. The \( F\text{-stat} \) value of 36.79 versus \( F\text{-critical} \) value of 4.21 at 5% level of significance (\( \alpha = 0.05 \)) indicates statistical significance. The five year forecast also indicates an increasing impact of FDI on employment.

5. Recommendation

There is a clear evidence that a positive correlation exists between inward foreign direct investment and employment rate in Canada. Given its positive net effect on employment and the overall standard of living in Canada, this paper recommends that Canada should engage more proactive policies and to seek an increase in inward FDI especially in the technology and automation industry. Governance is a key factor in attracting FDI. Canada must continue to maintain a conducive political environment and a strong and inclusive governance, engage in infrastructure development, maintain friendly immigration policies, minimize unnecessary red tapes, improve research and development and create room for greater investment in technology and innovation.

6. Conclusion

This paper examined the sole impact of foreign direct investment on employment in Canada. The regression results established a moderately strong positive relationship between the two variables thereby confirming the strong role of FDI on employment generation in Canada. With a 58% coefficient of determination, the study provides a room for further research into the remaining 42% factors that determine the variation in employment.
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