

ASSESSING THE IMPACT OF THE LABOUR MARKET DETERMINANTS IN ATTRACTING FDI

OANA CRISTINA POPOVICI

Bucharest University of Economic Studies

Institute for Economic Forecasting, Romanian Academy

popovici.oana@yahoo.com

Abstract

Labour market determinants are considered among the main factors attracting FDI in transition countries. The aim of this paper is to emphasize the importance of the labour market in attracting FDI in both Central and Eastern and Western European countries. Using a fixed-effects panel data approach during 1996-2013, we find that labour market determinants are still important for foreign investors, but that they are different according to the group of countries considered. Also, the quality of the labour market is more important for investors in the new EU countries than for the old EU member states. Finally, we are signaling that the variables used until recently for describing labour market are not enough for assessing its entire complexity; more variables expressing the quality of the labour market should be included in further empirical studies.

Keywords: foreign direct investments, labour market, panel data, Central and Eastern Europe, Western Europe

JEL classification codes: C23, F23, J2