

# The Impact of Labor Movement Between FDI and Domestic Firms on the Labor Productivity of Domestic Firms

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## **Abstract**

The appearance of FDI firms generates the labor movement between them and domestic firms and that can affect the productivity of the domestic firms. However, most papers only focus on one-way movement by examining either the movement from FDI to domestic firms or the movement from domestic firms to FDI firms. Therefore, the paper examines the impact of the two-way labor movement between FDI and domestic firms on the productivity of domestic firms. It is applied in the case of the Czech Republic from 2005 to 2019. By using GMM with dynamic panel data, the paper finds the following results. The paper detects the positive impact of the labor movement from FDI to domestic firms (labor horizontal) and other vertical spillovers (labor backward and competition backward). However, the result shows that the movement from domestic firms to FDI firms does not bring a statistically significant impact on domestic firms. However, the labor movement from domestic groups to FDI groups can enhance the positive impact of Labor Backward and Competition Backward on the productivity of domestic firms.

**Keywords:** Decomposition, Interaction effect, Spillover effects, Shift effect, Within effect