THE FOREIGN DIRECT INVESTMENT EFFECTS ON LABOUR PRODUCTIVITY

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The labour market is one of the most important factors for economic growth, which is mainly determined by labour productivity. The existence of the disparity between wage and labour productivity growth impedes economic growth in the countries of Eastern Europe. Nevertheless of the radical economic reforms in East Europe, one can still observe high unemployment rate, low labour productivity, deterioration of quality of labour. The creation of new rules and institutions at the labour market aims strengthening and acceptance of formal rule, promote stable demand and income. The study goal is the analysis of foreign direct investment (FDI) effects on labour productivity and elaboration of the scenarios for economic development.

The main approaches to the analysis of the interdependence between foreign direct investment and labour productivity show that FDI is best seen as a means to extend control for reasons of corporate strategy rather than as a channel for shifting resources from one country to another. Some authors draw more attention to short-term adjustment problems rather than to the long-term possibilities. One can assume that workers in industries with a high presence of joint venture foreign investment are paid higher wages. As the magnitude of the foreign presence increases over time, it will be confirmed that workers in industries with greater foreign participation face a faster wage growth.

A government policy to support education and training affects the future opportunities for individuals and the ability of firms to enter new markets and adopt new technologies. It also needs to facilitate allocation of labour to its most productive use while helping workers to cope with mobility.
Improving the country's investment attractiveness goes hand in hand with enhancing human capital. A skilled workforce is essential for firms to adopt new and more productive technologies, and a better investment climate enhances the returns of investment in education. As firms are offered more opportunities and better access to new technologies, the demand for more skilled workers increases and the firms have stronger incentives to engage in growth-enhancing activities, which raise both the private and social returns to education.

From an investment climate perspective, the questions are how labour market interventions influence the opportunities and incentives for firms to invest in a productive

way, to create jobs, and to expand operations. Regulations might reduce incentives to induce new investments, to adjust the organization of work to take advantage of new technologies, or to hire more workers.

One could suggest that foreign investment inflow has a positive effect as it increases both labour productivity, export volumes and spill-over or indirect effect associated with higher performance compared to firms which do not receive FDI in the same regional industries. By reforming the labour rules in accordance with level of the OECD average indicators, countries of Eastern Europe with very strict employment regulations could reduce their productivity gap with the technological leaders in developed countries.

Keywords: labour productivity, foreign direct investment, investment attractiveness.