Relationship of Labour Costs and Labour Productivity with Foreign Direct Investment in the V4 Countries

Jarmila Hudakova[1], Viera Papcunova[2], Michaela Stubnova[3], Marta Urbanikova[4],

[1]Institute of Economics and Management, Faculty of Natural Sciences,
Constantine the Philosopher University in Nitra, Nitra, Slovak Republic,
[2] Institute of Economics and Management, Faculty of Natural Sciences,
Constantine the Philosopher University in Nitra, Nitra, Slovak Republic,
[3] Institute of Economics and Management, Faculty of Natural Sciences,
Constantine the Philosopher University in Nitra, Nitra, Slovak Republic,
[4]Institute of Economics and Management, Faculty of Natural Sciences,
Constantine the Philosopher University in Nitra, Nitra, Slovak Republic,

https://doi.org/10.35609/gcbssproceeding.2020.11(147)

ABSTRACT

The free movement of capital brings us increased interest but also a struggle for a foreign investor among individual countries. Four Central European countries joined their forces and created the Visegrad Group. The Visegrad Group (V4) represents an informal grouping of 4 Central European countries – the Czech Republic, Hungary, the Republic of Poland and the Slovak Republic. It is a lively and informal regional structure of 4 EU member states, which share the same values, have a common history, culture and geographical status. These countries work closely together; however, on the other hand, they also compete with each other. After the accession of these countries to the European Union (in 2004), there is a gradual convergence of these economies towards the original EU countries. The gradual convergence of prices of goods and services in these countries also causes the population's demand for growth in wages and salaries, which leads to an increase in the total labour costs. Labour productivity in these countries is on the rise, but still lags behind the EU average. Foreign direct investment is the driving force of any economy. In this context, we were interested in the relationship between labour costs and labour productivity in relation to foreign investment. It is important to see whether rising labour costs and lower labour productivity can lead to a slowdown in foreign direct investment inflows.

Keywords: labour costs, labour productivity, foreign direct investment, countries V4