

[DOI: 10.20472/IAC.2016.024.026](https://doi.org/10.20472/IAC.2016.024.026)

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THE EFFECT OF LABOR FLOWS, OWNERSHIP AND SKILL-RELATEDNESS ON FIRM PRODUCTIVITY

Abstract:

Labor flows are major source of knowledge spillover between companies, in which the characteristics of the companies play an important role. Previous research found the more productive the sending firm is the bigger effect of labor flows on the productivity of the receiving firm. Another literature claims that domestic firms benefit from labor flows from multinational enterprises (MNE). We test these arguments by analyzing an anonymized employer-employee linked panel database from Hungary for the 2003-2011 period and also look at the similarity of necessary skills in the sending and receiving firm because industry-specific skills of employee's matter in organizational learning and therefore in productivity growth. We construct the skill-relatedness network of industries based on inter-industry labor mobility and distinguish related and non-related labor inflows by comparing the observed level of mobility to an expected level of mobility. Our results suggest that labor flows from more productive firms increases the effect of labor flows significantly. Domestic companies obtain productivity gains from labor inflows coming from MNEs; however, inflows from MNEs have the greatest positive effect if the receiving firm is also a MNE. The effect of flows from skill-related industries, and particularly from the same industry outperform the effect of flows from unrelated industries, however, these effects are mitigated by the relative productivity effect.

Keywords:

skill-relatedness network, firm productivity, knowledge spillover, labor mobility, productivity gap, firm ownership

JEL Classification: D22, J24, J60