

Productivity and Wage Spillovers from FDI in Thailand: Evidence from Plant-level Analysis

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Abstract: This paper examines productivity and wage spillovers from Foreign Direct Investment (FDI) in Thai manufacturing, using a cross-sectional data from Industrial census 2007. Spillovers are examined at 2-digit and 4-digit industry level by spillover variables, foreign employment share and foreign output share. We find that increases in foreign participation lead to increases in labor productivity and average wages of domestic firms. The impact of FDI is also analyzed conditionally by plant size, location and form of organization and at regional level. The results suggest that foreign plants are more productive and pay higher wages than domestic plants in the whole sample but not for every industry. Caution is made regarding estimation based only on one spillover variable and at one industry level since results can be changed due to differences in research design and the quality of data.

JEL classification: F21, F23, D24

Keywords: FDI, spillovers, productivity, wage, Thailand

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