

**FOREIGN DIRECT INVESTMENT AND WAGES:  
A BARGAINING POWER APPROACH**

**Ramya M. Vijaya**  
*Department of Economics*  
*Richard Stockton College of New Jersey*  
vijayar@stockton.edu

**Linda Kaltani**  
*World Bank*  
lkaltani@worldbank.org

**ABSTRACT**

*This paper presents a cross-country empirical investigation of the impact of Foreign Direct Investment (FDI) on manufacturing wages. Our results indicate that FDI-Flows have a negative impact on overall wages in the manufacturing sector and this impact is stronger for female wages. We argue that one possible explanation for such an impact may be a decrease in the bargaining power of labor due to new labor market arrangements in a global economy where capital is free to move across countries in search of more favorable conditions. This decline in labor power also tends to have a greater impact on the more vulnerable workers female workers whose bargaining positions have been traditionally lower than male workers.*