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A Game-Theoretic Model of International Influenza Vaccination Coordination.

This paper examines theoretically and empirically how employment protection legislation affects location decisions of multinationals. We depart from the "conventional wisdom" by examining not only the effect of protection on inward foreign direct investment (FDI), but also a country's ability to "anchor" potential outward investment. Based on our simple theoretical framework, we estimate an empirical model, using data on bilateral FDI and employment protection indices for OECD countries, and controlling for other labour market institutions and investment costs. We find that, while an "unfavourable" employment protection differential between a domestic and a foreign location is inimical to FDI, a high domestic level of employment protection tends to discourage outward FDI. The results are in line with our conjecture that strict employment protection in the firm's home country makes firms reluctant to relocate abroad and keeps them "anchored" at home.