

## **Labor Productivity Changes and Wages: The Case of Slovakia**

Topic: Productivity and efficiency analysis 1

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One of the causes for current economic problems in the European Monetary Union (EMU) is the increasing differences in the competitiveness among the members of EMU. The real wages e.g. in Germany grew in the last years very slowly, significantly behind the growth of the labor productivity and consequently the competitiveness of Germany was rising stronger than in the other economies. Recent studies deal mostly with aggregated models and overlook structural changes behind. In this article, we would like to analyze the changes in labor productivity and wages in the export oriented Slovak economy between 2000 and 2005, based on Open Static Leontief Model and a so called Structural Decomposition Techniques. Changes in compensations of employees according to particular industries will be decomposed into the contribution of changes in average wage, changes in overall labor productivity, changes in the structure of production (Leontief inverse) and changes in final demand. In the next step, the changes in wage-share in Slovakia between 2000 and 2005 are analyzed.