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The flexibility of the Slovenian labour market

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Summary

This working paper analyses the current state and movements on the Slovenian labour market. It focuses on different measures of labour market flexibility, on the identification of key issues and on the search for various options for improving the Slovenian labour market. Flexibility is measured with basic measures like partial flexibility measures and the employment protection legislation index, and with econometric estimations of labour demand function. Estimates of labour cost and sales elasticities in Slovenia are the central theme of this paper. Besides the estimates of the economy as a whole, the special attention is also given to the estimation of the manufacturing and services sectors. A large battery of tests is provided for differences in the elasticities between firms, with respect to the size, profit or loss, business cycle, export orientation, technological intensity, sectors, regions and years. Within this framework, the impact of minimum wage increase on employment was also analysed.