

Summary

In Slovenia, pressures on wage growth are strengthening mainly as a consequence of strong economic growth, demographic trends and uncertain wage policy in the public sector. The unemployment rate is gradually approaching its long-term equilibrium, and firms are finding it increasingly difficult to recruit an appropriately qualified workforce, which is, in addition to high economic activity, also due to demographic factors. In the public sector, most of the austerity measures from the period of fiscal consolidation (2012 and 2013) have been relaxed in the last three years, but several years of wage containment followed by selective wage rises for only a few groups have strengthened the demands for higher wages. This also points to the uncertainty of wage policy and the absence of a systematic approach to its (re)formulation.

Such circumstances emphasise the need to design an effective wage policy. Wage policy must ensure adequate pay and motivation for work. As wage developments also affect macroeconomic balance, it should at the same time also enable flexibility of wages through an appropriate response to changes in the economic environment and ensure the long-term alignment of wages with productivity.

In the public sector, an effective wage policy taking into account the financial capacity of the government is closely related to employment policy, where determining appropriate pay for qualified public sector employees is becoming a greater and greater challenge. The estimates of the wage premium, which is the difference in earnings for comparable occupations in the public and private sectors, indicate that in Slovenia this difference is negative in the public sector in medium- and high-skilled occupational groups. With the decline in public sector wages in 2012 and 2013, the negative wage premium increased further, which is contributing to difficulties in recruiting an appropriately qualified workforce. The wage premium is otherwise also affected by other factors that could not be included in the analysis, such as differences in individuals' skills and productivity, motivation, organisation of work and non-monetary benefits in the public sector (for example higher job security, more days off, etc.). Moreover, the wage system in the public sector allows insufficient autonomy to the management to plan its staff and remuneration policy according to business needs. In adopting wage policy measures for the public sector, the demonstration effect must be considered in addition to financial capacity. More specifically, as wage rises in the public sector to a certain extent spill over into private sector wages, partial and systemically unfounded interventions in public sector wages may have an unsustainable effect on private sector wages from the aspect of maintaining a sustainable macroeconomic environment.