

Wage – Labour Productivity Causality Comparisons: Croatia and Slovenia

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Prior to the collapse of former Yugoslav economy with enormous 22 million domestic tourists, gross domestic product (GDP) declined, tourist arrivals declined and recession continued in Slovenia and Croatia at the beginning of the 1990s. During this time, the two western Balkan countries introduced measures for transition from a centrally-planned, or self-management system, to a market economy which aimed to join the European Union (EU) and doubled tourist arrivals. Tourism becomes as important part of national economies in both analysed countries.

In present article, we are analysing wage – labour productivity causalities in tourism sector on the basis of monthly time-series data of variables for tourism output, employment in tourism sector and wages in tourism sector. The data are obtained from the Statistical Offices of the Republic of Croatia and Slovenia, and from Eurostat. The data vector is integrated by chain indices with the base year 2000=100. The econometric approaches in the empirical analyses are implemented by applied misspecification test, cointegration vector, and Granger Causality tests.

The empirical results show that labour productivity in Croatian and Slovenian tourism sector follows international trends in service sector. However, labour productivity can be increased by improvements in tourism sector, particularly in higher output and better quality solutions related for output prices. The results and findings are following new trajectory of the society where the era of services and sharing economy is present. Finally, such a process of service economy development has been made possible by the development of digital technologies developed in the 20th and 21st centuries.

Keywords: tourism, wage, labour productivity, service economy