

2 A Note on Productivity: - Definition, Measurement Issues and Relation to the Wage Policy -

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Abstract

In the last several years there have been several attempts in Croatia to reach social consensus on the main economic and social determinants of the mid-term development. It appears that wage policy issues and their implied relation to the productivity have been the major obstacles to reaching such an agreement. This note aims at clarifying the notion of productivity, mostly from the aggregate point of view (at the level of industry or overall economy), it considers productivity measurement issues and points to the possible use of available data in defining wage policy in Croatia. Analysis shows relatively large discrepancy in labor productivity measures depending on the concept or data source used. Therefore, it has been proposed that real wage increase in social agreement should lay on some pre-agreed fixed increase in real wage rate. The author suggests that a wage increase up to 3 percent plus inflation rate could be well-suited for the purpose of potential future social agreement in Croatia.

Key words: productivity, social agreement, wage policy

JEL classification: O47, J58, J38

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