



The Impact of the Total Factor Productivity on Wages and Unit Labor Costs

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The analysis is devoted to estimation of the total factor productivity on firm level in years 2001 to 2007 and explores its impact on wages, the number of employees, the number of hours worked per employee, and the share of wages on value added. We use the method of Levinsohn and Petrin for estimation of TFP. By applying a dynamic panel estimator we came to the conclusion, that the TFP impacts the share of wages on value added through several channels: through hourly wages that rise with the firm TFP and drop with the branch TFP and through hours worked per employee - here the increase of the firm TFP has a negative impact and the level of the branch TFP has a positive impact. The first (wage) channel is dominant in the determination of the share of wages on value added that approximates unit labor costs.

JEL classification: J30, D20

Key words: production function, TFP, share of wages on value added

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