



## Arms-length influence: Public sector wage setting and export-led economic growth in Czechia and Slovakia

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#### **Abstract (co-authored with Katarína Staroňová, Comenius University Bratislava)**

Studies on the drivers of public sector wage setting (PSWS) within the broader political and economic conditions in Central and Eastern Europe are scarce. To fill this gap, the paper questions to what extent the export-led growth model, based on foreign direct investment as driver of economic growth, influenced PSWS in Czechia and Slovakia after the 2008-2009 crisis. The paper provides new evidence of the appropriateness of the growth model literature, integrated by consideration of global production chains integration, for understanding PSWS in CEE conditions. The analysis shows that PSWS followed institutional traditions and established practices that only indirectly related to the countries' export orientation and integration into global production chains. The indirect growth model impact on PSWS in CEE conditions is channeled through a strong role of the statutory minimum wage, which serves as a wage benchmark both for the export sector and PSWS.

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