

# Minimum wage in Poland

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# Minimum wage

- Long history; introduced for first time in 1956; regulated by law.
- The gross minimum wage level is established at the monthly and hourly (since 2017) level.
- MW level is proposed by the Council of Ministers by June 15th every year and discussed through negotiations within the Social Dialogue Council composed of representatives from the government, employers' organizations, and trade unions.
- If the Council is unable to reach a consensus by July 15th, the minimum wage level for the following calendar year is decided solely by the Council of Ministers no later than September 15th.

## Minimum wage setting

- The annual minimum wage increase is guaranteed to at least match the price level rise projected for the coming year.
- Additionally, in 2005, the Polish government introduced an automatic annual increase in the minimum wage, reflecting two-thirds of the forecasted gross domestic product (GDP) growth rate.
- This rule is set until the minimum wage reaches half of the average monthly wage in the national economy
- Projected inflation rate – annual increase in consumer price index used in government budget projection.

# Minimum wage setting

- If the price index forecasted for the next year amounts to:
  - ① At least 105 - minimum wage level should be increased twice during the year: on January, 1st and on July, 1st;
  - ② Less than 105 - minimum wage level should be increased once during the year: on January, 1st.

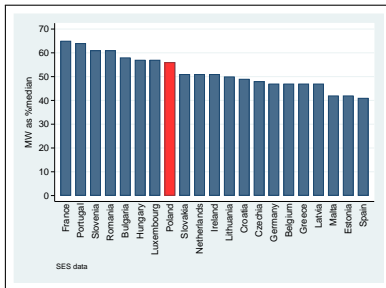
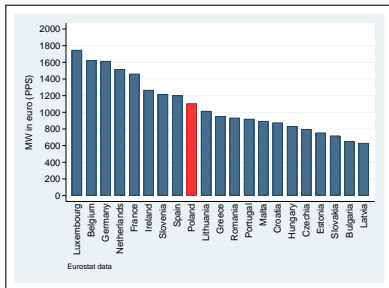
## Minimum wage coverage

- MW in Poland is established at the national level; it is not differentiated by region, sector, or occupation.
  - Up to 2016 there was a sub-minimum wage for first-entrants during their first year of employment at the level of 80% of statutory minimum wage.
- The coverage of MW in private sector is extensive. All private sector workers are subject to MW legislation.
- MW does not cover several public sector services (e.g. teachers, health, and military services) where wages are determined by separate regulations.

## Minimum wage impact

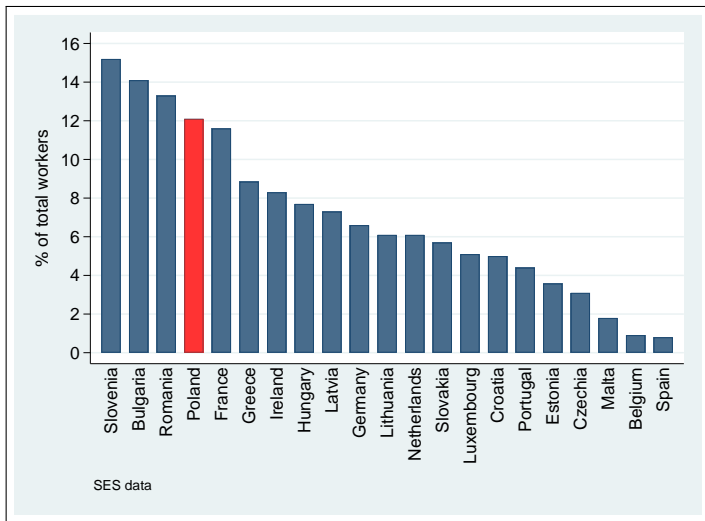
- Night work allowances (set at 20% of hourly minimum wage).
- The amount of severance pay for collective redundancies (they cannot exceed 15 times the minimum wage).
- The level of minimum compensation for the unequal treatment in employment and for the termination of the contract due to mobbing, and the level of minimum benefits for standby time or downtime.
- The amount of social and health insurance contributions.

# MW in EU countries



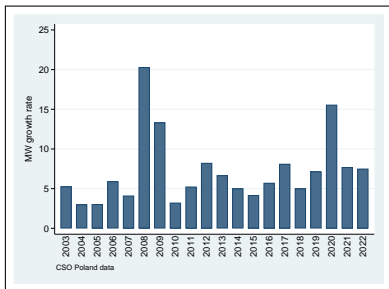
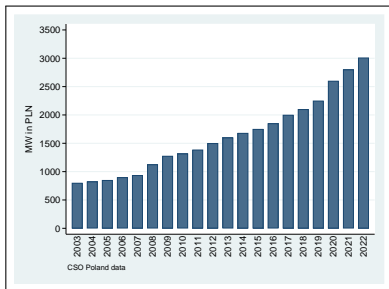


## Employees earning less than 105% MW



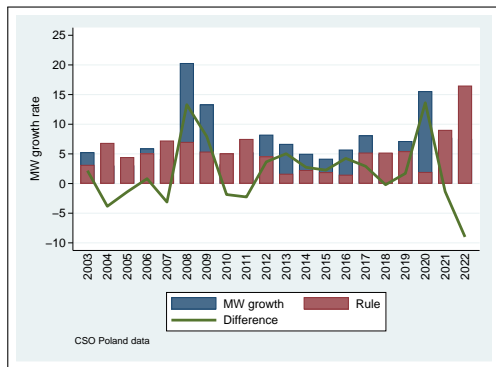
# MW in Poland

- Monthly MW in Poland increased in 2003-2022 by 316% (from 800 PLN in 2003 to 3010 PLN in 2022).



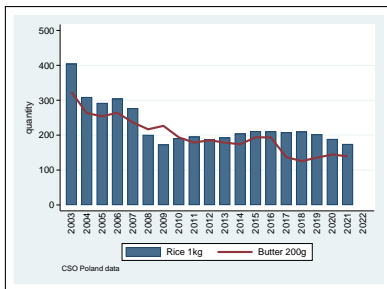
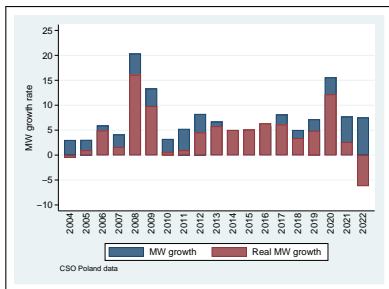
## MW in Poland

- Since 2003 in almost all years minimum wage level for the next year was decided solely by the Council of Ministers.
- In 2021-2022 due to higher than expected inflation rate, MW increase is lower than the rule.



## Real decrease of MW

- In 2005-2021 the nominal MW growth was higher than inflation rate.
- In 2022 the real MW is expected to fall by 6.2%.

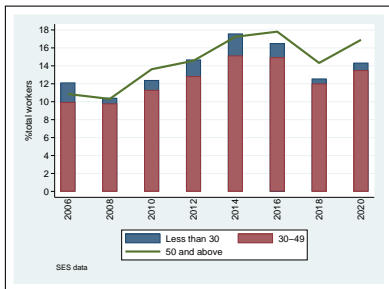
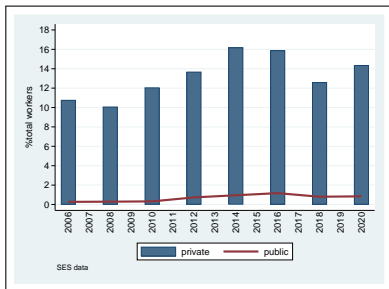


## MW in 2023

- MW will increase from 3010 PLN in 2022 to:
  - 3490 PLN since January, 1st (by 16% y/y).
  - 3600 PLN since July, 1st (by 20% y/y).
- The rise is substantially higher than projected CPI + 2/3 of projected GDP growth ( $9.8 + 2/3 * 1.7\% = 10.9\%$ ).

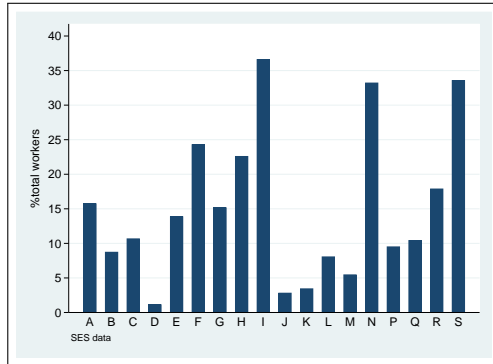
## MW workers

- MW workers are those employed mostly in private sector in all age groups.

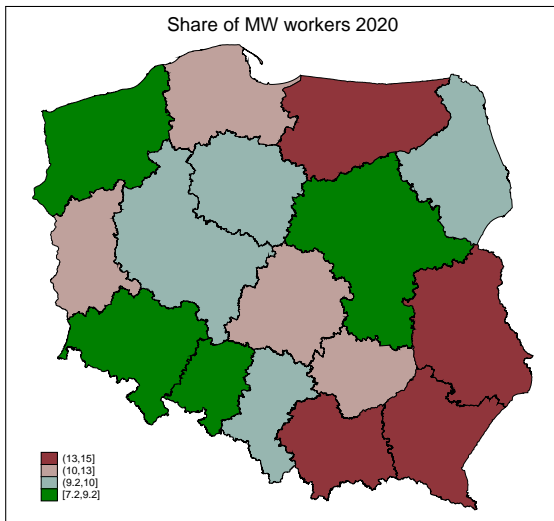


## MW workers

- Most of the MW workers are concentrated in services.

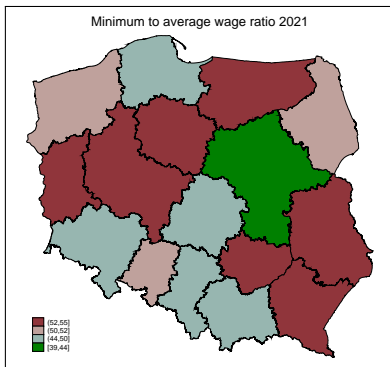
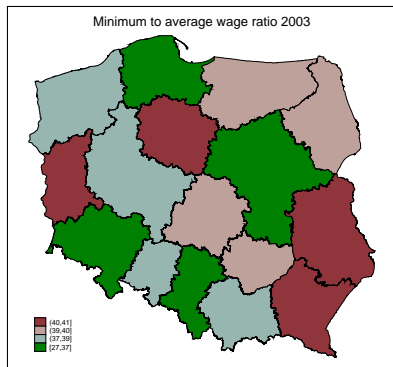


## MW workers in regions

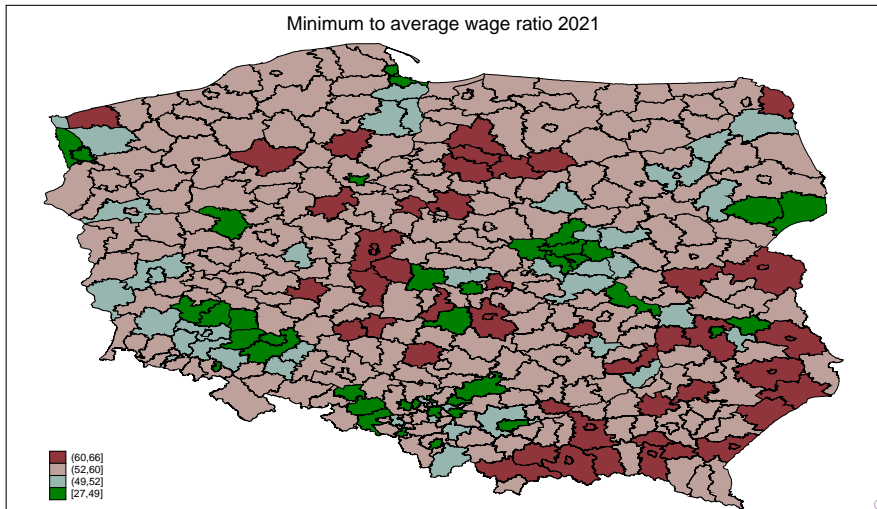




# MW to average wage in regions



# MW to average wage in poviats



## Evaluation of empirical analyses for Poland

- Impact on employment growth / unemployment / job separations
- Impact on wage growth / wage distribution / gender wage gaps
- Impact on inflation

## The literature from last 10 years

- Ciżkowicz, P., Rzońca, A., Wojciechowski W. (2012) Determinants of regional variations in employment growth in Poland from 1999 to 2008, *Gospodarka Narodowa*, 11–12(255–256), 59–77.
- Majchrowska, A., Żółkiewski, Z. (2012) The impact of minimum wages on employment in Poland, *Journal of Regional Research / Investigaciones Regionales*, 24, 211-239.
- Baranowska-Rataj, A., Magda, I. (2015) The impact of the minimum wage on job separations and working hours among young people in Poland, *Institute of Statistics and Demography Working Papers*, 75, Warsaw School of Economics.
- Broniatowska, P., Majchrowska, A., Żółkiewski, Z. (2015) Minimum wage and youth unemployment in local labor markets in Poland, *Roczniki Kolegium Analiz Ekonomicznych*, 39, 57-70.
- Kamińska, A., Lewandowski, P. (2015) The effects of minimum wage on a labour market with high temporary employment, *IBS Working Paper*, 07/2015.
- Ciżkowicz, P., Kowalczyk, M., Rzońca, A. (2016) Heterogeneous determinants of local unemployment in Poland, *Post-Communist Economies*, 28(4), 487-519.

## The literature from last 10 years

- Majchrowska, A., Broniatowska, P., Żółkiewski, Z. (2016) Minimum Wage in Poland and Youth Employment in Regional Labor Markets, *Emerging Markets Finance and Trade*, 52(9), 2178-2194.
- Albinowski, M. (2018) Short-term and long-term employment effects of minimum wage: evidence from Poland, *MF Working Papers*, 31.
- Majchrowska, A., Strawiński, P. (2018) Impact of minimum wage increase on gender wage gap: Case of Poland, *Economic Modelling*, 70, 174–185.
- Babiak, M., Chorna, O. (2019) Minimum Wage Increase and Firm Profitability: Evidence from Poland, *Charles University Prague Working Papers IES*, 14.
- Chorna, O., van der Velde, L. (2020) Do Women Benefit from Minimum Wages?, *Working Papers IES*, 36, Charles University Prague.
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- Majchrowska, A., Strawiński, P. (2021) Minimum wage and local employment: A spatial panel approach, *Regional Science, Policy and Practice*, 13(5), 1581–1602.

## The literature from last 10 years

- Chorna, O. (2021) Firm-level Effects of Minimum Wages, *Prague Economic Papers*, 30(4), 402-425.
- Fialová, K., Mysíková, M. (2021) Minimum wage and youth employment in regions of the Visegrad countries, *Eastern European Economics*, 59(1), 82–102.
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- Majchrowska, A. (2022) Does minimum wage affect inflation?, *in review*.
- Majchrowska, A., Strawiński, P. (2022) Heterogeneous employment effects of minimum wage policies, University of Warsaw, *Faculty of Economic Sciences Working Paper*, 18/2022(394).
- Strawiński, P., Majchrowska A. (2022) Effects of Minimum Wage Changes on the Wage Distribution in Low-wage and High-wage Sectors, *in review*.

## Impact on (un)employment

- Most of the research use regional / local data due to short time series.
- Minimum to average wage ratio on regional / local labour market is mostly used.
- All of them show that on average the impact of minimum wage on employment / unemployment is insignificant.

## Impact on (un)employment

- Negative employment effects are found for poorest regions and young workers
- Moderate negative effects on employment growth found only in regions in the first tercile of the regional wage distribution (Albinowski, Lewandowski, 2022).
- Negative effects for youth employment growth found in some of the less-developed regions both during an economic downturn and economic growth periods (Majchrowska and Żółkiewski, 2016 and 2012; Fialová, Mysíková, 2021).



## Impact on (un)employment

- Employment effects differ across regions.
- They are the result of a combination of specific labour market features related to the composition of workers and employers.
- High share of employment in private sector, in manufacturing, and in small firms increase the probability of negative employment effects.
- Negative employment effects are found for young workers in industry and market services in most of the regions.
- Mostly insignificant effects are found for middle-age workers. Positive and significant effects for 50+ workers (Majchrowska, Strawiński, 2022).

## Impact on (un)employment

- Positive spatial employment effects are found.
- Insignificant local effects for most of the period became significant and negative in the last years.
- Significant and positive spatial employment effects of minimum to average wage ratio increases are confirmed (Majchrowska, Strawiński, 2021).

## Effects on aggregate data

- Increases in the MW decreased by 6% the fraction of workers remaining in employment. More job separations, especially among temporary workers, and higher flows from permanent to temporary jobs found (Kamińska, Lewandowski, 2015).
- Employment levels declined among young people, but the number of hours worked increased among those young people who remained employed after the minimum wage was raised (Baranowska-Rataj, Magda, 2015).
- Young workers earning around the level of MW have a significantly lower probability of returning to employment after a job loss than their peers from higher part of the income distribution (Albinowski, 2018).

## Impact on wage growth

- MW increases were associated with higher wages (Kamińska, Lewandowski, 2015).
- MW increase contributed positively to average wages and negatively to firm profitability (Babiak, Chorna, 2019).
- MW hikes had a significant positive effect on wage growth only in regions of Poland that were up to the first tercile of the regional wage distribution (Albinowski, Lewandowski, 2022).

## MW decreases wage inequalities

- MW increases produce different effects on the wage distributions in low- and high-wage sectors.
- In low-wage sectors, the increase in wages among workers in the left tail of the wage distribution can be attributed almost entirely to the increase in the MW level.
- Spill-over effects are present throughout the distribution. In high-wage sectors spill-over effects are not found (Strawiński, Majchrowska, 2022).
- MW changes decreases wage inequalities in Poland (Pereira, Galego, 2020).

## MW lower gender wage gaps

- The increase in MW in 2006–2010 closed the GWG by almost 4 pp. at the bottom of the wage distribution with a small spill-over effect around the minimum wage (Chorna, van der Velde, 2020).
- MW increase in 2006–2010 resulted in the reduction of GWG among young workers by more than 5 pp. The effects were negligible for the middle-aged workers (Majchrowska, Strawiński, 2018).

## MW increases inflation

- MW price effects differ across 16 NUTS2 regions and depend on the regional employment structure.
- Low-wage regions, agricultural regions, regions with lower degree of competition between employers are those where the MW pass-through effects are higher.
- Permanent increases in MW level observed in Poland during last 15 years led to increased inflation pressure (Majchrowska, 2022).

Thank you