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# IS THE MINIMUM WAGE DETRIMENTAL TO THE ECONOMY?

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Key words: minimum wage, unemployment, inflation, labour market.

Abstract

The minimum wage in Poland is relatively low. It amounts only 1,600 PLN in 2013. Therefore, it is no surprise that the trade unions have been making efforts to have it raised to the level of 50% of the average salary. However, this has been met with staunch resistance from employers. The liberal model of the economy, which dominates in Poland, favours employers. Moreover, the attitude of the government, politicians, the media, as well as many scientists towards this is not favourable.

These are the objections usually raised against the increase of minimum wage:

– raising the minimum wage entails unemployment growth;

– an increase in the minimum wage entails an increase in the average pay, with a consequent increase in the inflation rate;

– the amount of the minimum wage and its growth rate is frequently the basis for an index-linked pay increase in the budget institutions and some social benefits, which results in an increase in fixed budget spending, which is not justified economically;

– the minimum wage level, regarded by employers as too high, results in the practice of paying workers outside the official payroll, thereby extending the grey area;

– an increase in the minimum wage is a threat to businesses, especially to micro-enterprises, which operate on the brink of insolvency and may face bankruptcy;

– an increase in the minimum wage raises the cost of labour and makes businesses less competitive.

This paper, in its later part, provides arguments against the allegations. There is a one-sided view of the issue of the minimum wage in Poland. Wages are regarded exclusively as an element of the cost of labour and, as such, they should not increase as this is detrimental to entrepreneurs and to the economy. Such analyses disregard the social and economic (in a broad context) aspects of having a minimum wage.

## CZY PŁACA MINIMALNA SZKODZI GOSPODARCE?

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Słowa kluczowe: płaca minimalna, bezrobocie, inflacja, rynek pracy.

Abstrakt

Płaca minimalna w Polsce jest relatywnie niska. W 2013 roku wynosiła zaledwie 1600 zł. Nie jest więc zaskoczeniem, że związki zawodowe od kilku lat zabiegają o jej podniesienie do 50% płacy przeciętnej. Napotykają jednak stanowczy opór rządu i pracodawców. Liberalny model polityki gospodarczej realizowany w Polsce wyraźnie sprzyja przedsiębiorcom. Nieprzychylna jest też postawa rządu, polityków, pracodawców, mediów, a także wielu naukowców wobec płacy minimalnej.

Przeciwnicy płacy minimalnej najczęściej wysuwają następujące zarzuty:

– podnoszenie płacy minimalnej przyczynia się do wzrostu bezrobocia;

– wzrost płacy minimalnej sprzyja wzrostowi przeciętnego wynagrodzenia w gospodarce, co z kolei wywołuje inflacyjną spiralę płacowo-cenową;

– wysokość płacy minimalnej i tempo jej wzrostu często stanowi podstawę do dokonywania waloryzacji płac w sferze budżetowej oraz niektórych świadczeń socjalnych, co prowadzi do nieuzasadnionego kryteriami ekonomicznymi zwiększania sztywnych wydatków budżetu państwa;

– poziom płacy minimalnej uznawany przez przedsiębiorców za zbyt wysoki prowadzi do upowszechnienia praktyki płacenia pracownikom „pod stołem" i pogłębia rozmiary szarej strefy;

– wzrost płacy minimalnej zagraża istnieniu przedsiębiorstw, zwłaszcza mikropodmiotów, które działają na granicy opłacalności i może prowadzić do ich bankructwa;

– wzrost płacy minimalnej podnosi koszty pracy i obniża konkurencyjność gospodarki.

W artykule na podstawie danych statystycznych i wyników badań podjęto polemikę z wymienionymi zarzutami. Autorzy uważają, że w Polsce dominuje jednostronne podejście do płacy minimalnej. Jest ona traktowana jako element kosztów pracy, w konsekwencji więc jako kategoria, która nie powinna wzrastać, gdyż szkodzi to przedsiębiorcom i gospodarce. W analizach tych pominięto społeczny, a także ekonomiczny (w szerszym kontekście) aspekt płacy minimalnej.

# Introduction

The minimum wage in Poland is relatively low. Therefore, it is no surprise that the trade unions have been making efforts to have it raised to the level of 50% of the average salary. However, this has been met with staunch resistance from employers. Moreover, the attitude of the government, politicians, the media, as well as many scientists towards this is not favourable.

The opponents of the minimum wage usually object that its increase will have a damaging effect on the economy. This paper, based on statistical data and research results, provides arguments against such claims.

The analysis indicates the following conclusion: there is a one-sided attitude toward the issue of the minimum wage in Poland, which views it merely as an element of the cost of labour.

# The effect of the minimum wage on the Polish economy

The liberal model of the economy, which dominates in Poland, favours employers. This is reflected, amongst other things, in decreasing tax rates, a more flexible labour market, a small, short-term unemployment allowance, a reduced scope of social benefits and a tolerance of the vast grey labour market, which gives employers the possibility to evade taxation, as well as employing workers on short-term contracts with unsatisfactory wage conditions. Moreover, the attitude of the government, politicians, the media, as well as many scientists towards the minimum wage is not favourable.

These are the objections usually raised against the increase of minimum wage:

1) Raising the minimum wage entails unemployment growth;

2) An increase in the minimum wage entails an increase in the average pay, with a consequent increase in the inflation rate;

3) The amount of the minimum wage and its growth rate is frequently the basis for an index-linked pay increase in the budget institutions and some social benefits, which results in an increase in fixed budget spending, which is not justified economically;

4) The minimum wage level, regarded by employers as too high, results in the practice of paying workers outside the official payroll, thereby extending the grey area;

5) An increase in the minimum wage is a threat to businesses, especially to micro-enterprises, which operate on the brink of insolvency and may face bankruptcy;

6) An increase in the minimum wage raises the cost of labour and makes businesses less competitive.

These allegations in the extreme way expressed by WYŹNIKIEWICZ (2005) have not been confirmed by statistical data on the Polish economy or the results of empirical data. This paper, in its later part, provides arguments against the allegations.

## The minimum wage and unemployment

It must be admitted that there is no unanimity on the issue, either in terms of theory or in the findings of scientific research. According to the assumptions of classical economics, which assumes a perfectly competitive labour market, introducing a minimum wage results in an increase in the unemployment rate (BEGG et al. 1993, pp. 103, 319). However, the minimum wage does not have to entail a slump in employment in a monopsony and it may even entail an employment increase when certain conditions are met (KAMERSCHEN et al. 1999, p. 696).

The findings of empirical studies are also inconclusive. A review of American, Canadian and Polish studies, made by BORKOWSKA (2005, p. 90–94), has shown that an increase in the minimum wage leads to an increase in unemployment, mainly among young people. However, there have been several other papers presenting the findings of studies, mainly conducted in the USA, which do not confirm the negative impact of a minimum wage on the labour market; cf. ANDERSON (2013), AUERBACK (2012).

The level of correlation coefficients between the minimum wage to average pay ratio and the unemployment rate in the EU countries (Table 1) does not provide grounds for clear conclusions, because among the 20 countries with a minimum wage in place:

– the correlation coefficients are positive in 8 countries, which means that there is a relationship between an increase in the minimum wage to average pay ratio and an increase in the unemployment rate (or a decrease in the ratio leads to a decrease in the unemployment rate),

Table 1

Correlation coefficients between the minimum wage to the average pay ratio and the unemployment rate

| Country | Unemployment rate | |
|---|---|---|
| | total | among people under 25 years old |
| Belgium | –0.46 | –0.59 |
| Bulgaria | –0.49 | –0.55 |
| Czech Republic | 0.00 | –0.23 |
| Estonia | 0.60 | 0.69 |
| France | 0.05 | 0.26 |
| Greece | 0.00 | –0.03 |
| Spain | –0.10 | –0.02 |
| The Netherlands | –0.13 | –0.33 |
| Ireland | 0.37 | 0.36 |
| Lithuania | 0.49 | 0.40 |
| Luxembourg | 0.53 | 0.50 |
| Latvia | 0.69 | 0.74 |
| Malta | –0.47 | –0.45 |
| Poland | –0.59 | –0.53 |
| Portugal | –0.03 | –0.05 |
| Romania | 0.52 | 0.64 |
| Slovakia | –0.38 | 0.01 |
| Slovenia | 0.78 | 0.52 |
| Hungary | –0.80 | –0.81 |
| UK | 0.51 | 0.70 |

Source: The author's calculations based on Eurostat data (2000–2012).

– the correlation coefficients are negative in 6 countries, therefore, when the growth rate of the minimum wage is higher than that of average pay, it does not result in an increase in the unemployment rate (which means that an increase in the unemployment rate is caused by other factors than an increase in the minimum wage),

– the correlation coefficients are close to 0 in 6 countries, which means that the relationships between the variables under study are insignificant.

Statistical data for Poland indicate that changes in the unemployment rate are affected to the greatest extent by economic fluctuations (Table 2). In 2000–2011, when the minimum wage accounted for 34% of the average pay, the unemployment rate ranged from 7.1% (when the GDP growth rate was 5.1%) to 18.3–20% (when the GDP growth rate was 1.1–1.3%). The unemployment rate, especially among young people, started to drop after Poland;s accession to the European Union, due to a mass migration of young Poles, mainly to the UK and Ireland. However, the global economic downturn reduced the trend significantly.

Table 2

The GDP growth rate, unemployment rate and the minimum wage

| Year | Unemployment rate | | Minimum wage in relation to | | GDP growth rate |
|---|---|---|---|---|---|
| | total | among people under 25 years of age | average pay | median | |
| 2000 | 16.1 | 35.1 | 0.33 | 0.40 | 4.2 |
| 2001 | 18.3 | 39.5 | 0.34 | 0.42 | 1.1 |
| 2002 | 20.0 | 42.5 | 0.34 | 0.42 | 1.3 |
| 2003 | 19.8 | 41.9 | 0.35 | 0.43 | 3.6 |
| 2004 | 19.1 | 39.6 | 0.35 | 0.42 | 5.3 |
| 2005 | 17.9 | 36.9 | 0.34 | 0.41 | 3.5 |
| 2006 | 13.9 | 29.8 | 0.33 | 0.41 | 6.2 |
| 2007 | 9.6 | 21.6 | 0.31 | 0.39 | 6.8 |
| 2008 | 7.1 | 17.2 | 0.34 | 0.42 | 5.1 |
| 2009 | 8.1 | 20.6 | 0.37 | 0.45 | 1.6 |
| 2010 | 9.7 | 23.7 | 0.36 | 0.45 | 3.9 |
| 2011 | 9.7 | 25.8 | 0.36 | 0.45 | 4.3 |
| 2012 | 10.1 | 26.5 | · | · | 2.0 |

Source: Eurostat data.

## The minimum wage and inflation rate

Both economic theorists and practitioners have pointed out frequently that an increase in the minimum wage favours an increase in the average pay in the economy, which induces a pay-price spiral. This situation would occur if the pay grew faster than work productivity. Statistical data (Table 3) show that the GDP and work productivity, when expressed in current prices, grew faster than the pay. For example, assuming for the year 2000 = 100, the economic categories mentioned above were the following:
gross average pay – 180.0
gross minimum wage – 198.0
GDP at current prices – 204.6
work productivity (counted as GDP per employed person) – 220.4.

Table 3

Average pay, minimum wage, GDP and work productivity

| Item | 2011 | | | | |
|---|---|---|---|---|---|
| | 1992 = 100 | 1995 = 100 | 2000 = 100 | 2005 = 100 | 2010 = 100 |
| Average nominal pay | 955.9 | 400.5 | 180.0 | 144.0 | 105.6 |
| Minimum wage | 1,143.0 | 499.5 | 198.0 | 163.2 | 105.2 |
| GDP at current prices | 1,325.2 | 462.2 | 204.6 | 154.9 | 107.5 |
| Work productivity at current prices (GDP per employed person) | 1,394.7 | 488.3 | 220.4 | 141.4 | 106.7 |

Source: author's calculations based on the *Statistical Yearbook of the Republic of Poland*, GUS, Warsaw 1994, 2004, 2012.

Similar relationships have been observed earlier (since 1992). Since the average pay has been growing more slowly than GDP and work productivity per employed person (except in 2005) it does not stimulate inflation. On the other hand, the faster growth of the minimum wage than the average pay can be regarded as a more general regularity which is observed in the economies under transformation. The level of minimum wages in the new EC member states was very low compared to the EU-15 countries and remains so (Table 4). However, it is noteworthy that only in Slovenia was the minimum wage growth rate in 2000–2013 lower than in Poland, but the minimum wage in that country is nearly twice as high as in Poland.

The absence of any relationship between an increase in the minimum wage and inflation has been confirmed by a recent survey conducted by the Economic Institute of the National Bank of Poland. The following are the main findings of the report: "An increase in wage pressure in 2006–2008 had only a short-term impact on inflation. Wage rises kept pace with the changes of work productivity in 2009. In 2011, the employer's market reduced pressure to stimulate pay increases. Despite an increase in the minimum wage, pay expectations of the unemployed have not increased since 2011, which has a relieving effect on pay increases throughout the economy" (*Badania ankietowe*, 2012, p. 4).

Table 4

Minimum wage in EU countries in 2000 and 2013

| Country | 2000 | | | 2013 | | | 2000 = 100 |
|---|---|---|---|---|---|---|---|
| | position | euro | Poland = 100 | position | euro | Poland = 100 | |
| Luxembourg | 1 | 1,221 | 731 | 1 | 1,874 | 497 | 153.5 |
| The Netherlands | 2 | 1,111 | 665 | 3 | 1,469 | 390 | 132.2 |
| Belgium | 3 | 1,096 | 656 | 2 | 1,502 | 398 | 137.0 |
| France | 4 | 1,083 | 649 | 5 | 1,430 | 379 | 132.0 |
| Ireland | 5 | 944 | 565 | 4 | 1,462 | 388 | 154.9 |
| UK | 6 | 936 | 560 | 6 | 1,264 | 335 | 135.0 |
| Greece | 7 | 540 | 323 | 7 | 863 | 229 | 159.8 |
| Malta | 8 | 509 | 305 | 10 | 697 | 185 | 136.9 |
| Spain | 9 | 496 | 297 | 9 | 753 | 200 | 151.8 |
| Slovenia | 10 | 372 | 228 | 8 | 784 | 208 | 210.8 |
| Portugal | 11 | 371 | 222 | 11 | 556 | 150 | 152.6 |
| Poland | 12 | 167 | 100 | 12 | 377 | 100 | 225.7 |
| Czech Republic | 13 | 126 | 75 | 16 | 312 | 83 | 247.6 |
| Lithuania | 14 | 112 | 67 | 17 | 289 | 77 | 258.0 |
| Hungary | 15 | 98 | 59 | 13 | 340 | 90 | 346.9 |
| Slovakia | 16 | 94 | 56 | 14 | 338 | 90 | 359.6 |
| Estonia | 17 | 89 | 53 | 15 | 320 | 85 | 359.6 |
| Latvia | 18 | 87 | 52 | 18 | 287 | 76 | 329.9 |
| Bulgaria | 19 | 38 | 23 | 19 | 158 | 42 | 415.8 |
| Romania | 20 | 34 | 20 | 20 | 157 | 42 | 416.8 |

Source: author's calculations based on Eurostat data.

## Minimum wage and social benefits

The allegation that the minimum wage and its growth rate provides the basis for indexing salaries in budget-financed institutions and some social benefits, which results in an unjustified increase in fixed budget spending, has no basis in either the social policy pursued in Poland nor in statistical data.

With the year 2000 as the basis, it turns out that the minimum wage in 2011 reached the level of 198.0, whereas the average pay in the public sector was lower – 193.0 (*Statistical Yearbook of the Republic of Poland*, 2012, p. 255). The growth rate for the main social benefits (except maternity allowance) was also lower than the minimum wage growth rate. This is shown in the following list:

unemployment allowance – 161.6
pre-retirement allowance – 140.8
pre-retirement benefit – 95.6
sickness benefit – 182.5
maternity allowance – 230.1
burial allowance – 125.3
rehabilitation allowance – 140.0
(*Statistical Yearbook of the Republic of Poland*, 2012, p. 273, 276).

No benefit increase pressure was confirmed by the above-mentioned NBP study, which found: "Rare indexing, usually below the productivity growth rate. The lowest pressure was observed in the construction sector and in small enterprises" (*Survey*, 2012, p. 4)

According to statistical data, social budget spending in Poland is decreasing: from 18.1% of GDP in 2004 to 17% in 2010, while at the same it is lower than in the EU-27 countries (Table 5).

Table 5

Public spending in EU-27 and in Poland (w % GDP)

| Item | 2004 | 2007 | 2008 | 2009 | 2010 | 2011 |
|---|---|---|---|---|---|---|
| EU-27 | | | | | | |
| Public sector spending (total) | 46.8 | 45.6 | 47.1 | 51.1 | 50.6 | 49.1 |
| including salaries in the public sector | 10.8 | 10.4 | 10.6 | 11.3 | 11.1 | – |
| social spending (other than transfers in kind) | 19.7 | 18.9 | 19.5 | 21.7 | 21.6 | – |
| investment expenditure | 2.4 | 2.6 | 2.7 | 2.9 | 2.7 | – |
| cost of servicing public debt | 2.8 | 2.7 | 2.8 | 2.6 | 2.7 | 2.9 |
| Poland | | | | | | |
| Public sector spending (total) | 42.6 | 42.2 | 43.2 | 44.5 | 45.4 | 43.6 |
| includingsalaries in the public sector | 10.1 | 9.6 | 10.0 | 10.2 | 10.1 | - |
| social spending (other than transfers in kind) | 18.1 | 16.2 | 16.1 | 16.9 | 17.0 | - |
| investment expenditure | 3.5 | 4.3 | 4.6 | 5.3 | 5.7 | - |
| cost of servicing public debt | 2.8 | 2.3 | 2.2 | 2.6 | 2.7 | 2.8 |

Source: *General government expenditure by function*, Eurostat (20.07.2012).

The counter-cyclical policy pursued by countries of Western Europe has resulted not only in an increase in public spending (from 45.6% of GDP in 2007 to 50.6% in 2010), but it has also resulted in an increase in social spending (from 18.9% of GDP in 2007 to 21.6% in 2010). But it is notable that the proportion of salaries in overall public spending during the global crisis was rather stable (both in Poland and, on average, in EU-27).

## Minimum wage and the grey labour market

People can start work in the grey market voluntarily, frequently as an extra job or, because they must, as a sole source of income. The main motive of working in the grey area is to increase the family income, while at the same time reducing their tax burden. According to data provided by Central Office for Statistics (*Praca nierejestrowana*, 2011), over half of the people who worked in the grey area in 2010 took their jobs because they had to and it was their main source of income. This concerned 395 thousand people out of the 732 thousand working in the grey area. Dominating among them were people with low qualifications and residents of villages or small towns, where the unemployment rate is high. They found jobs mainly in the construction industry and in repair work, in gardening and agriculture and in shops. The average monthly income amounted to 827 PLN for men and 540 PLN for women. The gross minimum wage at the time amounted to 1,317 PLN and the net wage amounted to 948.15 PLN, with the total cost of labour incurred by an employer amounting to 1,560.39 PLN, which is nearly twice as much as the average income earned by men in the grey market. This shows the extent of "savings" made by employers and the total disregard for legal standards. However, the large extent of the grey market in Poland is not caused by the existence of the Minimum Wage Act or any concern for it, but rather by the ineffective fiscal system which tolerates such activity, as well as by high unemployment rates (especially in small towns and villages) among young people, as well as the poor social security system, which forces people to accept any conditions proposed by employers.

## The minimum wage and the bankruptcy of enterprises

The argument that an increase in the minimum wage is a threat to the existence of enterprises and may result in their bankruptcy was used by Michael Howard, the British Minister of Labour, when he forced through an abolition of the Minimum Wage Act in 1992, arguing that "there is no justification for a policy which by itself would destroy our economy and limit the prospects of employment" (SLOMAN 2001, p. 213), and by contemporary Polish economists and other experts who deal with social policy. For example, WYŹNIKIEWICZ (2012) claims that an increase in the minimum wage has a detrimental effect on the conditions in which micro-enterprises operate, especially in small towns, because the entrepreneurs cannot ensure the minimum wage to low-qualified workers. Furthermore, to GOLINOWSKA (2005), the minimum wage of about 40% of the average pay is relatively too high because: "Thus defined, the minimum wage is a significant barrier for the development of small enterprises, and this is where the largest numbers of new jobs are created".

These arguments are based on the assumption that the productivity of a worker who earns the minimum wage is so low that he/she will not produce enough for the employer to be able to pay his/her wage. But this would mean that productivity depends only on the worker, which is not the case. It is largely affected by the means of production provided and work organisation. Moreover, if work productivity is regarded not in technical, but in commercial categories (as the value of products sold or added value per a person employed), then the factors to be taken into account must include entrepreneurship (and the resulting business decisions and the structure of production) as well as the market situation and the company's market position. If an entrepreneur's income is so low that he is not able to provide the statutory minimum wage to workers who do simple jobs, it is proof of his poor managerial skills. Therefore, the argument that raising the minimum wage is a threat to the existence of many small, non-competitive enterprises, could be refuted by what the chairman of the OPZZ trade union and deputy head of the Trilateral Commission said: "Entrepreneurs who are unable to pay their employees fairly, should quit their business activities" (GUZ 2011).

## The minimum wage and the competitiveness of the economy

The opinion that the minimum wage raises the cost of labour and reduces the competitiveness of the economy is too one-sided and it is contrary to statistical data, according to which:

1) The profitability of the enterprise sector in Poland, even during the global crisis, is high. In 2009, pre-tax profit margin was 4.9% and the net profit margin was 4.1%; in 2010 it even improved to reach: 5.2% and 4.4%, respectively, and in 2012 it was 4.2% and 3.4% (table 6);

2) The investment growth rate is lower than the GDP growth rate. Assuming that the year 2000 = 100, the quantities for 2011 (at current prices) were as follows:

GDP – 204.6;
investment outlays – 187.2;
including:
public investment – 236.1;
private investment – 154.3 (*Statistical Yearbook of the republic of Poland*, 2012, p. 649).

Therefore, high profits of enterprises are not consumed in full to stimulate their growth and to create new jobs. The low growth rate of investment outlays in the private sector is also a cause for concern.

3) The proportion of employment costs in the GDP is decreasing with other production factors benefiting – from 40.2% in 2000 to 36.0% in 2010 – whereas, for example, in Denmark, it is 55.4%, and in the UK – 53.7% (*Statistical Yearbook of the Republic of Poland*, 2012).

All of these data show that according to the dominant way of thinking of entrepreneurs in Poland, the cost of labour has to be "axed". However, they do not reflect on whether it is possible to live and think of establishing a family while working for a gross minimum wage of about 1,600 PLN. In addition, they do not reflect the economic consequences of a decreasing proportion of the cost of labour in the GDP with an increasing proportion of other means of production.

Table 6

Profit margin index*

| Item | 2005 | 2009 | 2010 | 2011 |
|---|---|---|---|---|
| Pre-tax profit margin | | | | |
| Total | 4.8 | 4.9 | 5.2 | 4.8 |
| Public sector | 4.5 | 4.3 | 7.5 | 8.6 |
| Private sector | 4.9 | 5.0 | 4.9 | 4.3 |
| Net profit margin | | | | |
| Total | 3.8 | 4.1 | 4.4 | 3.9 |
| Public sector | 4.4 | 3.3 | 6.3 | 7.3 |
| Private sector | 3.9 | 4.2 | 4.1 | 3.5 |

* the relationship of the gross/net financial result and the revenue from all the activities
Source: *Statistical Yearbook of the Republic of Poland*, GUS, Warsaw 2012, s. 579.

## Conclusions

The issue of the minimum wage has not been given too much attention in Western Europe because it concerns only a small minority of the employed. However, in Poland, the social significance of the minimum wage is much greater for the following reasons:

1) Low-wage workers account for a large portion of the employed population. According to the data provided by GUS, 8.6% of the employed earned about 40% of the average pay. However, in the next interval of the wage level (40–50% of the average pay), the percent of such low-wage earners doubles to reach 17.9% (*Statistical Yearbook of the Republic of Poland*, 2012, p. 258). However, according to the data provided by Eurostat, 24.2% of those working for companies employing 10 and more workers in 2010 earned less than 50% of the average pay (*Low-wage earners*, 2012);

2) The portion of low-wage earners in the total employed population is growing. Only 4.7% of workers (i.e. less than every 20$^{th}$ worker) earned below 50% of the average pay in 1998 (Jacukowicz, 2003, p. 183). Meanwhile, in 2010, according to the data provided by GUS, nearly every 5$^{th}$ worker earned what is referred to as a low wage. Furthermore, taking the Eurostat data, every fourth worker earned a wage referred to as low.

According to the theory of motivation, low wages should be earned by people who do simple, unqualified jobs in normal conditions. However, no significant changes in the production technology or work organisation have been made in Poland during the past quarter of a century which would justify a nearly fourfold increase in the percentage of low-wage earners in the total employment. One would rather expect the trend to be opposite. This means that the wage level in Poland decreased dramatically for non-economic reasons.

This is indicated by the following list, showing the percentage of those earning less than 50% of the average pay in these professions in October 2008 (*Statistical Yearbook of Labour* 2010, p. 286–259):
– specialists of mathematical, physical and technical science – 3.9%
– technicians and middle-level personnel – 9.3%
– internship teachers and instructors – 15.3%
– office service personnel – 14.6%
– financial trade and customer service personnel – 15.0%
– personal service personnel and shop assistants – 49.3%
– industrial workers and craftsmen – 25.7%
– operators and installers of machines and devices – 16.8%
– personnel employed to do simple jobs – 45.0%

These data show that among low-wage earners in Poland there are also people who do jobs regarded as modern. This is a dangerous phenomenon, especially for young people, as it encourages them to consider economic migration.

The percentage of low-wage earners, which has been increasing rapidly, brings a number of economic and social consequences. These are the main ones:

1) it has a negative impact on the global demand, as the savings of the rich are not necessarily spent on investments and creating new jobs. This argument is especially important in an environment when entrepreneurs are reluctant to make investments, which results in low export activity;

2) it is not in line with the theory of motivation and it encourages young people to consider economic migration;

3) It delays the time when young people enter the period of "maturity", understood to denote financial independence, setting up a family and having children. High rates of unemployment among young people and the low wages they earn can be seen as the cause of an alarmingly low population growth in Poland (0.3 per 1000 people) in 2011, compared to 4.2 in France, and 4.1 in the UK (*Statistical Yearbook of the Republic of Poland*, 2012, p. 762);

4) great, socially unacceptable income diversity, expensive and unaffordable flats – all of this discourages social integration and induces a demanding attitude and populist ideas, which have a negative impact on economic reforms.

These statistical data show that there is a one-sided view of the issue of the minimum wage and low earnings in Poland. Wages are regarded exclusively as an element of the cost of labour and, as such, they should not increase as this is detrimental to entrepreneurs and to the economy. Such analyses disregard the social and economic (in a broad context) aspects of having a minimum wage.

Translated by Joanna Jensen

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