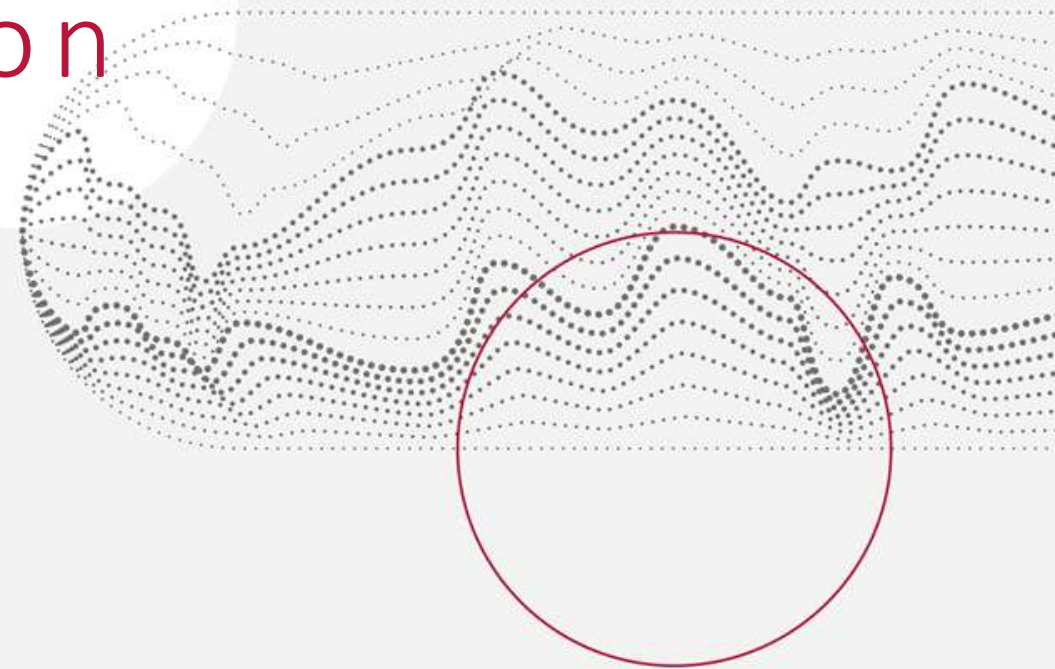


Minimum wage violation in Central Eastern Europe

Piotr Lewandowski
Karolina Goraus

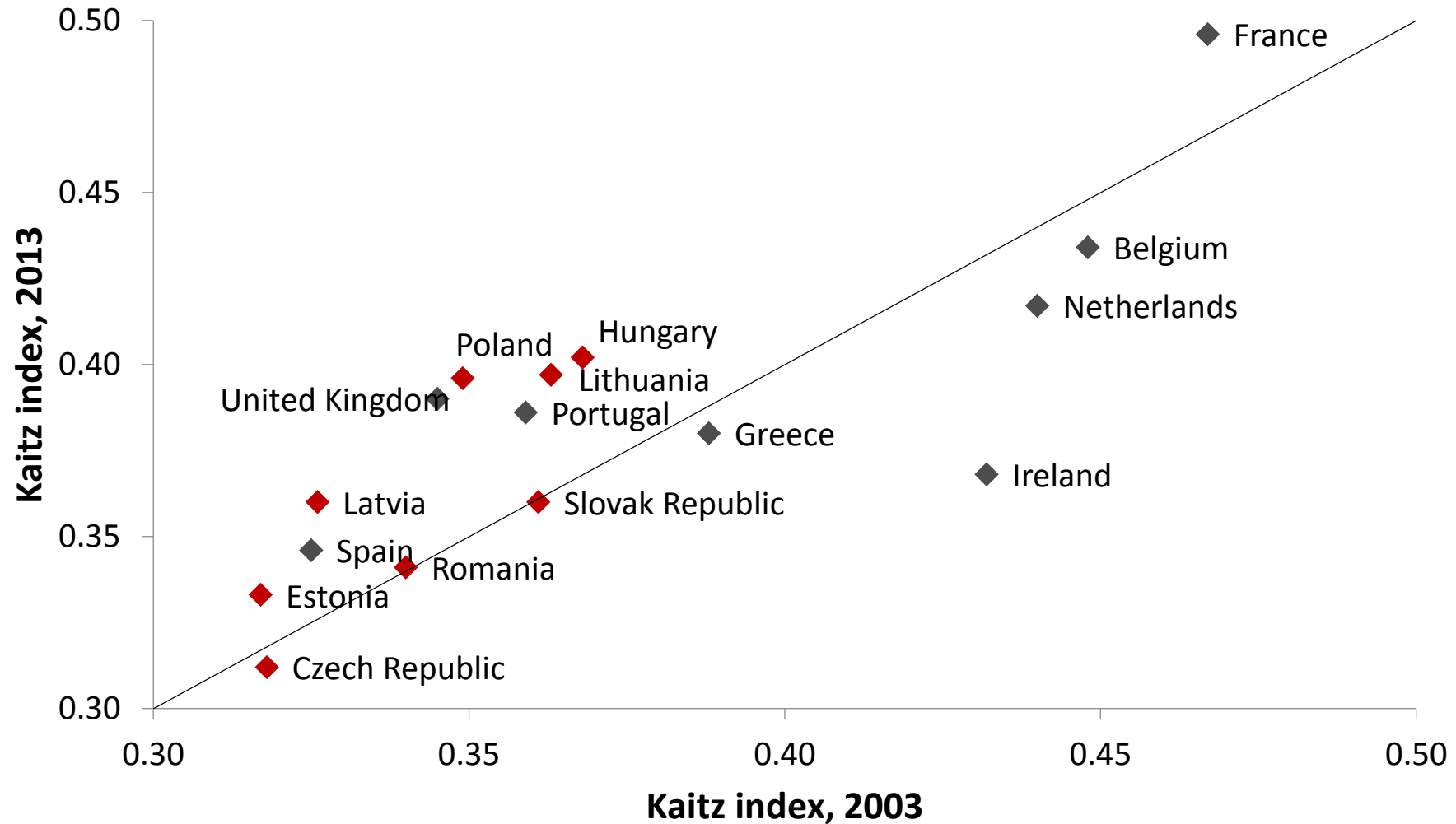


Motivation



- Minimum wage at national level in all CEE countries
- Lack of clear policy enforcement mechanism
- Polarised, ideological debate on MW impact
- Research focused on employment effects

In most CEE countries MW increased more than the average wage



Three measures of violation (Bhorat, Kanbur, Mayet 2013)



- **Incidence of violation**

- Individual: $v_0 = \begin{cases} 1 & \text{if } w < w^m \\ 0 & \text{if } w \geq w^m \end{cases}$

- Overall: $V_0 = \frac{\sum_{emp} v_0}{employment}$; share of violated workers

- **Depth of violation**

- Individual: $v_1 = \frac{w^m - w}{w^m}$

- Overall: $V_1 = \frac{\sum_{emp} v_1}{employment}$; depth of violation per worker

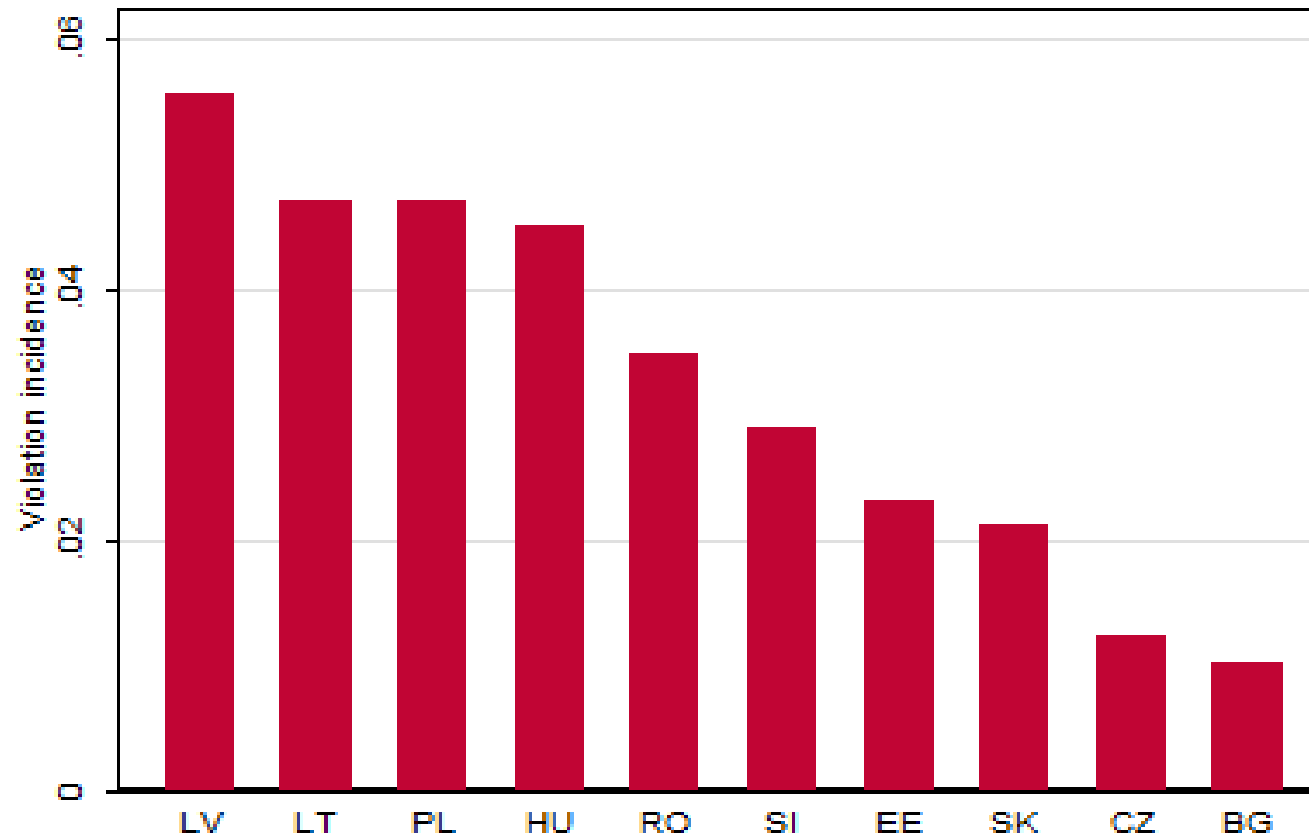
- **Average shortfall**

- V_1/V_0 ; depth of violation per violated worker

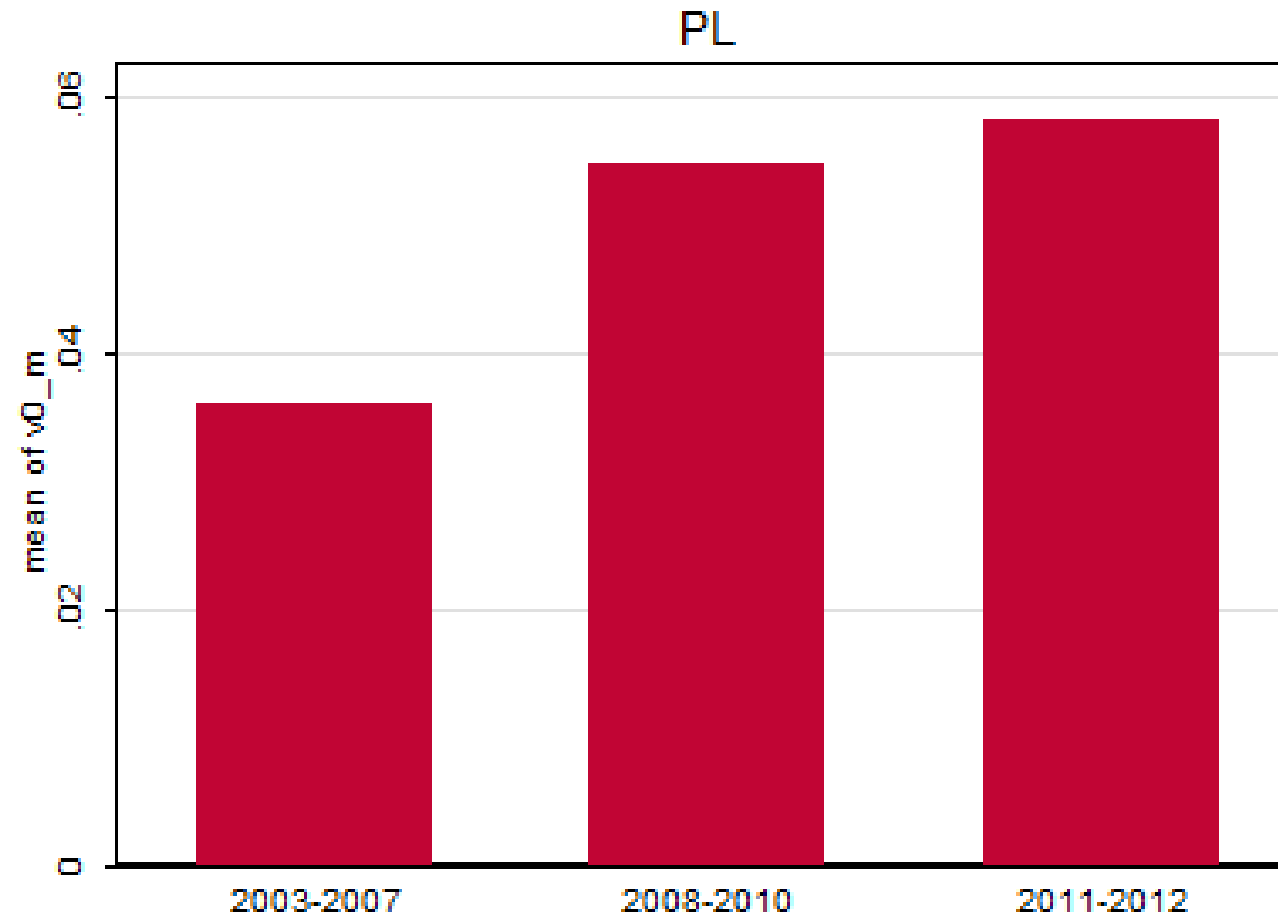
Compliance varies in CEE



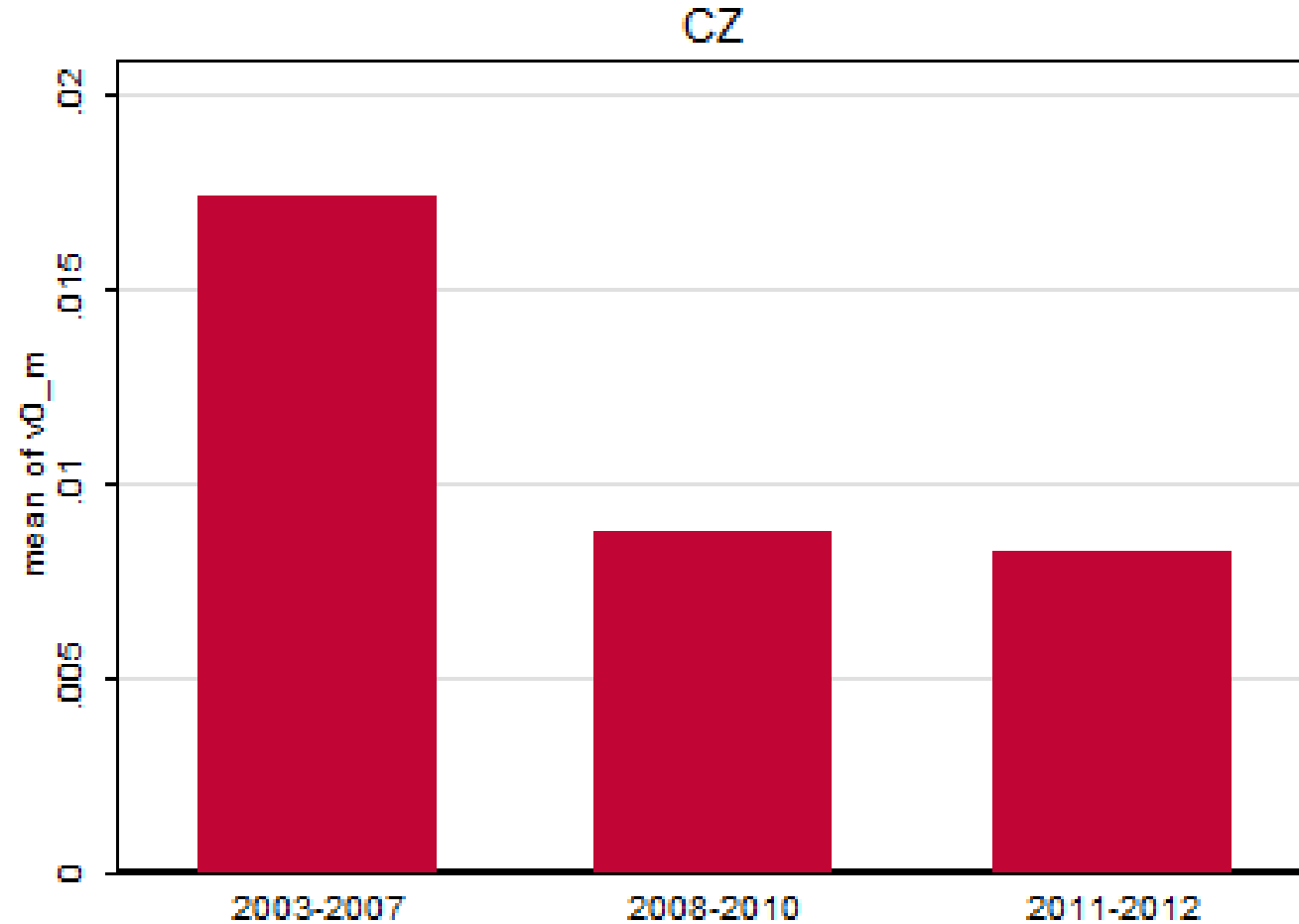
Incidence of violation (V_0), average 2003-2012 (EU-SILC)



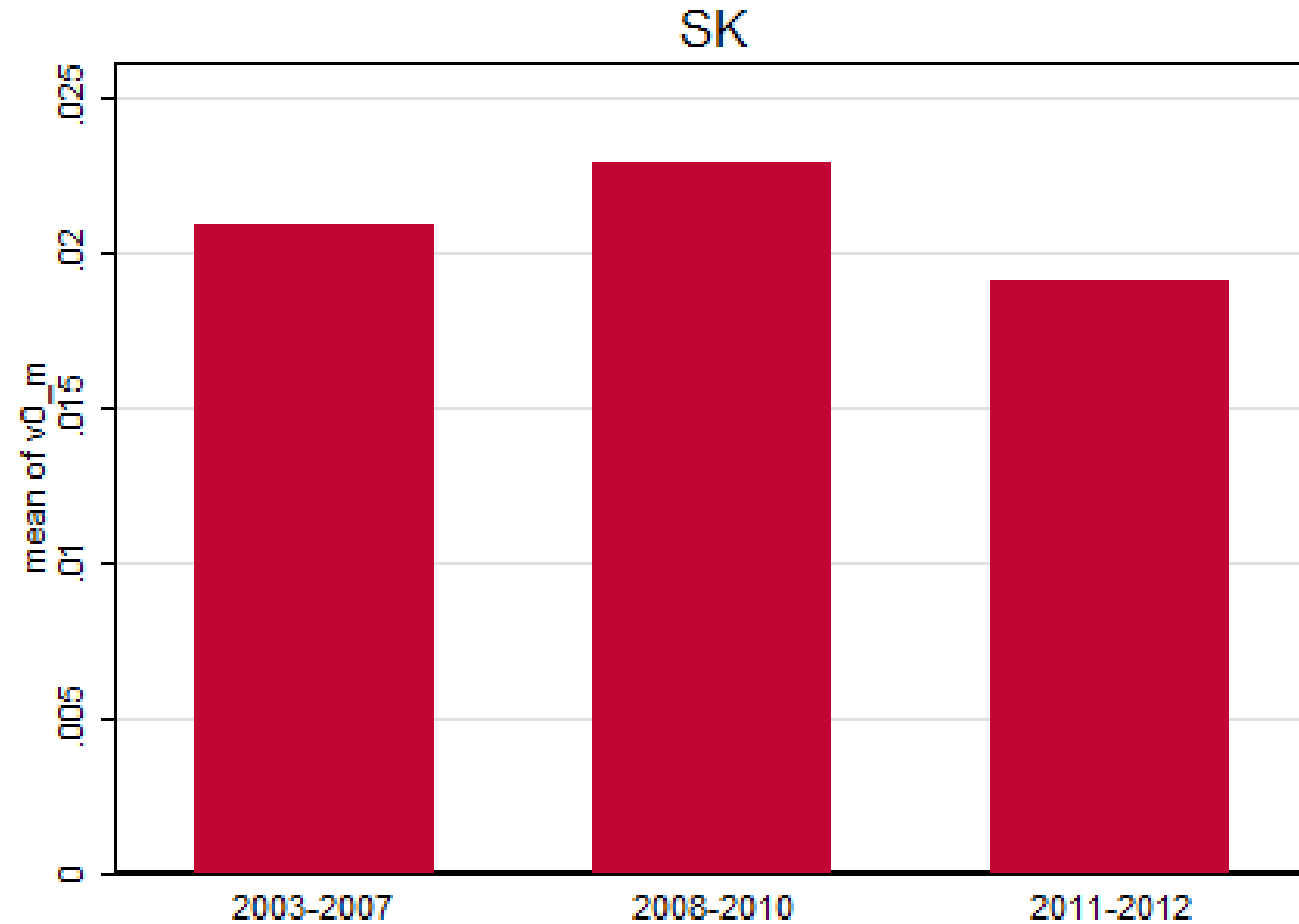
Poland, Latvia, Slovenia – increasing violation



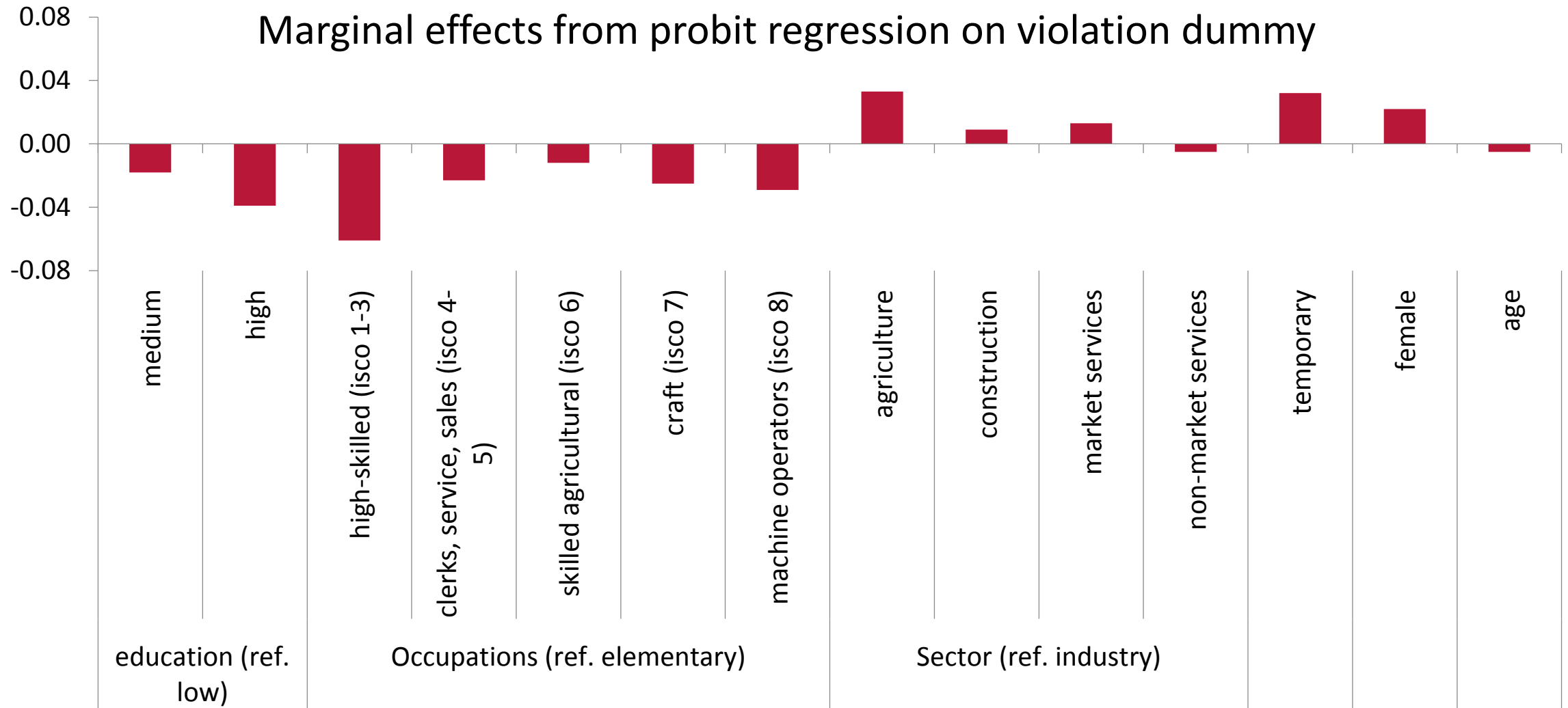
Czech Republic, Estonia, Hungary – decreasing violation



Bulgaria, Romania, Slovakia – violation increased in crisis



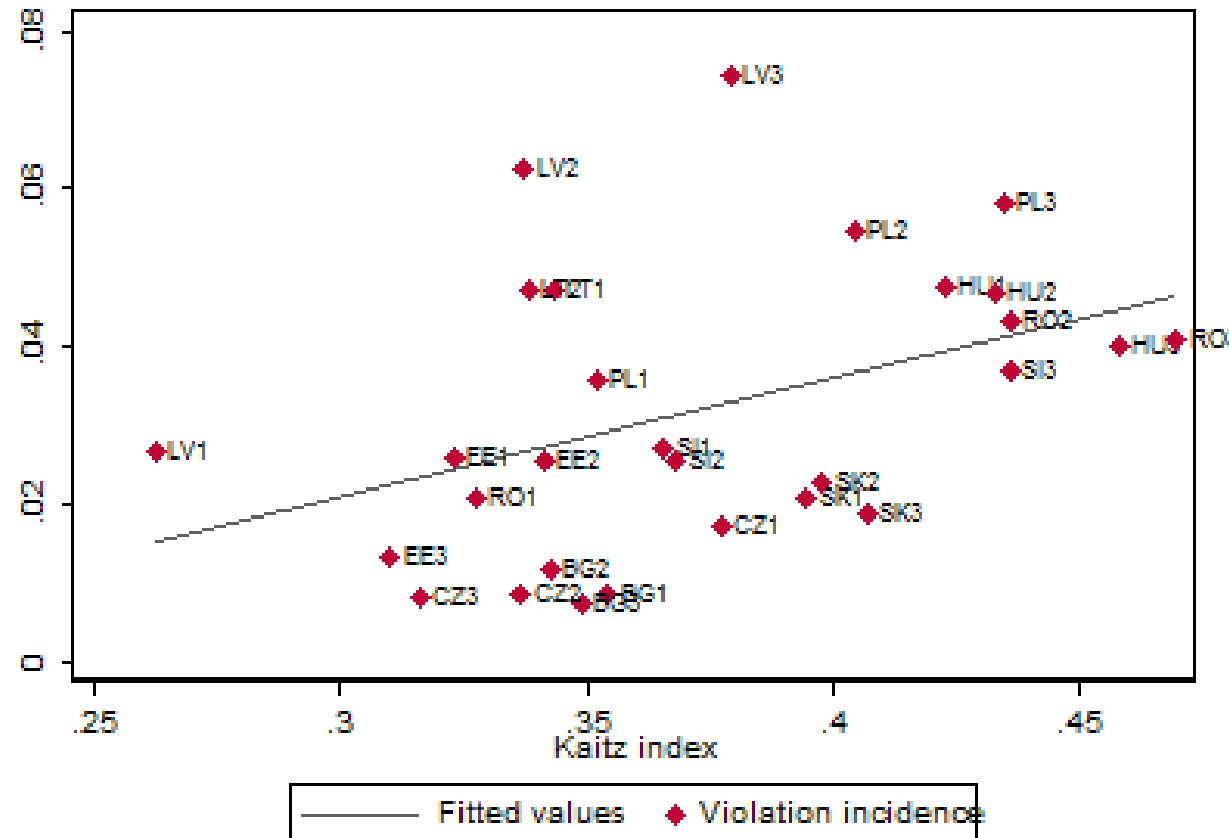
Low-skilled workers with simple jobs more likely to be violated



*All presented coefficients significant at 1% level. Country dummies, and time trend included.

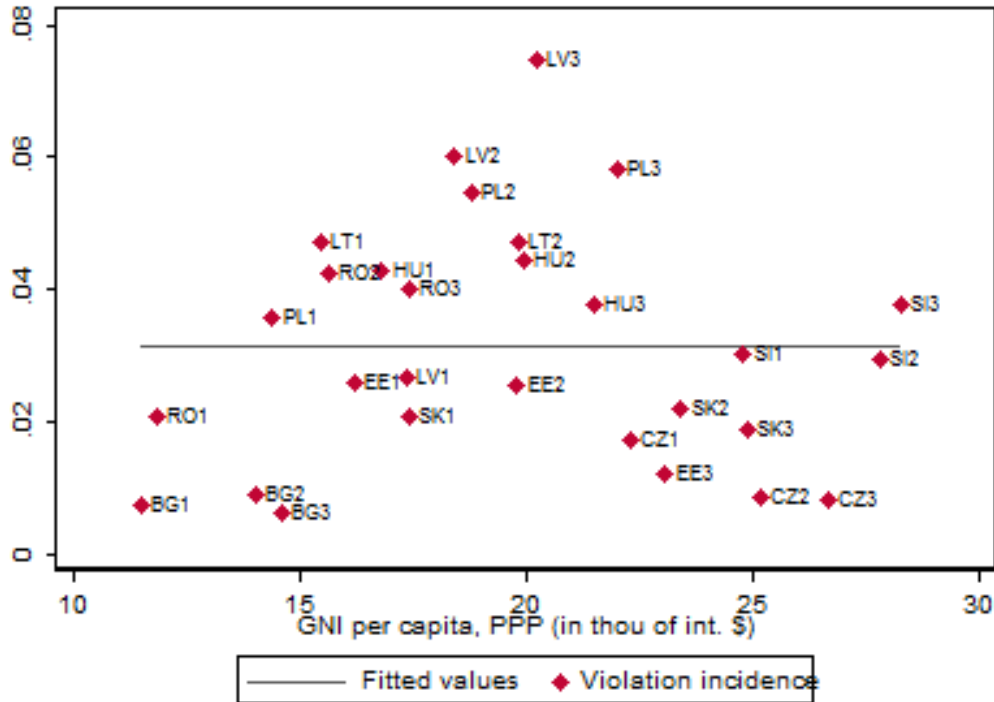
Positive relation between violation incidence and Kaitz index . | :

Violation incidence (V0) vs Kaitz index: descriptive

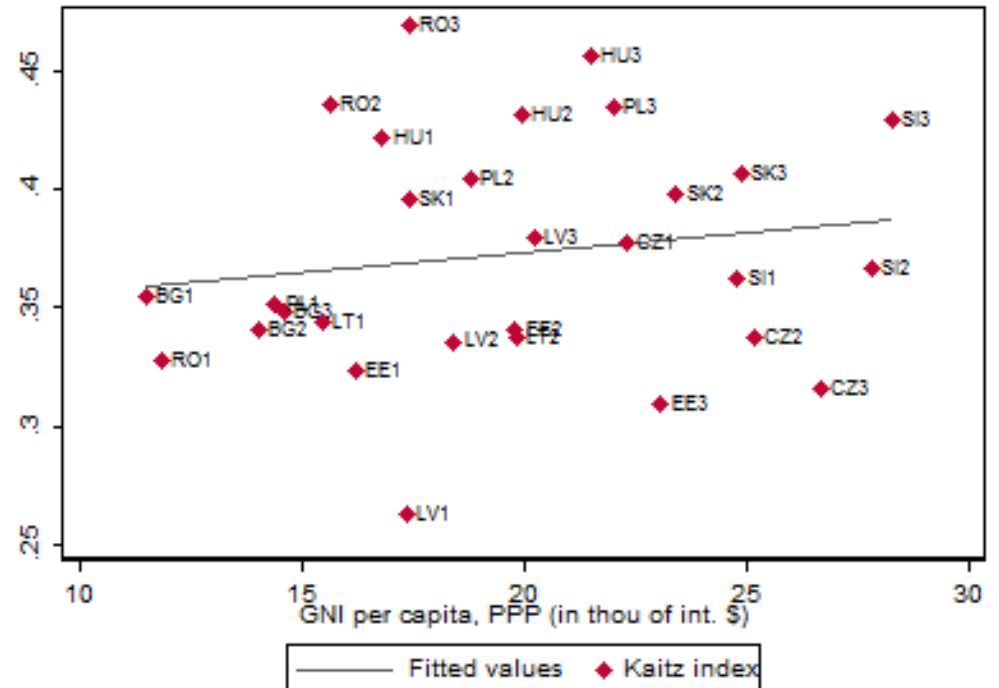


No visible relation between GNI and violation? Due to rising Kaitz index. | :

Violation incidence (V0) vs GNI per capita (in PPP): descriptive



Kaitz index vs GNI per capita (in PPP): descriptive



Within country patterns dominate



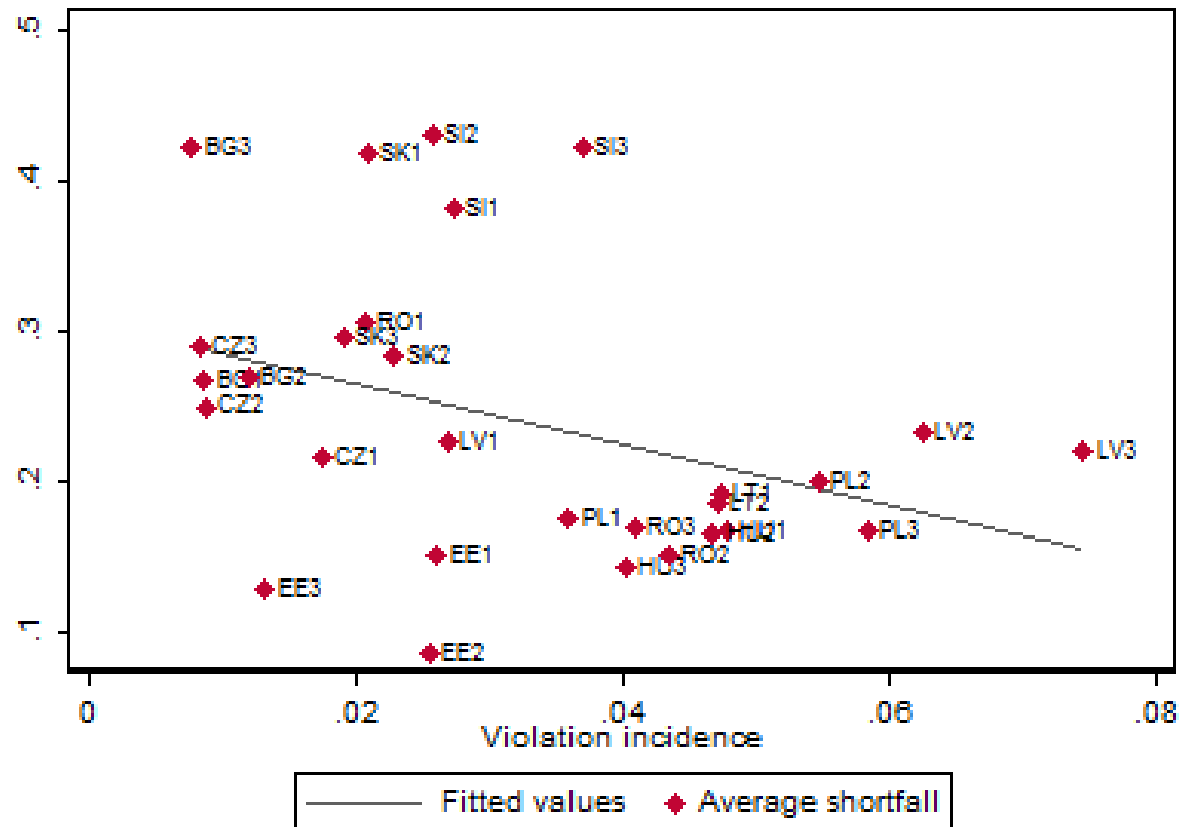
Violation incidence (V0) vs GNI per capita and Kaitz index: panel regression

	Between-effects	Fixed-effects
GNI per capita, PPP (in int. \$k)	-0.001	-0.002***
Kaitz index	0.111	0.329***
Constant	0.021	0.051***
Observations	76	76
R-squared	0.08	0.66
No. of countries	10	10

Negative relation between violation incidence and average shortfall



Average shortfall vs violation incidence: descriptive



Again related to within-country developments



Average shortfall vs violation incidence: panel regression

	Between-effects	Fixed-effects
Violation incidence	-2.22	-1.43**
Constant	0.31***	0.29***
Observations	76	76
R-squared	0.17	0.08
No. of countries	10	10

Conclusions



- Violated workers characteristics – typical for the low-paid
- MW violation in CEE diversified...
- ... but not due to different country MW levels
- Increasing MW associated with higher incidence of violation...
- ...but lower average shortfall

Thank you for your attention

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