# Minimum wage violation in Central Eastern European countries

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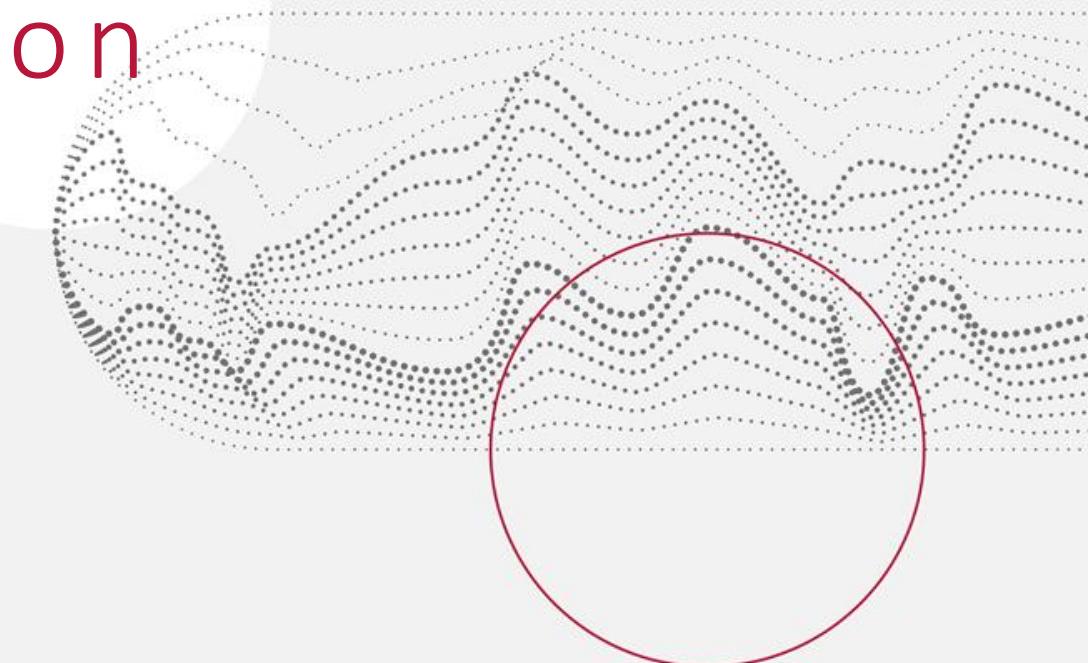
Motivation

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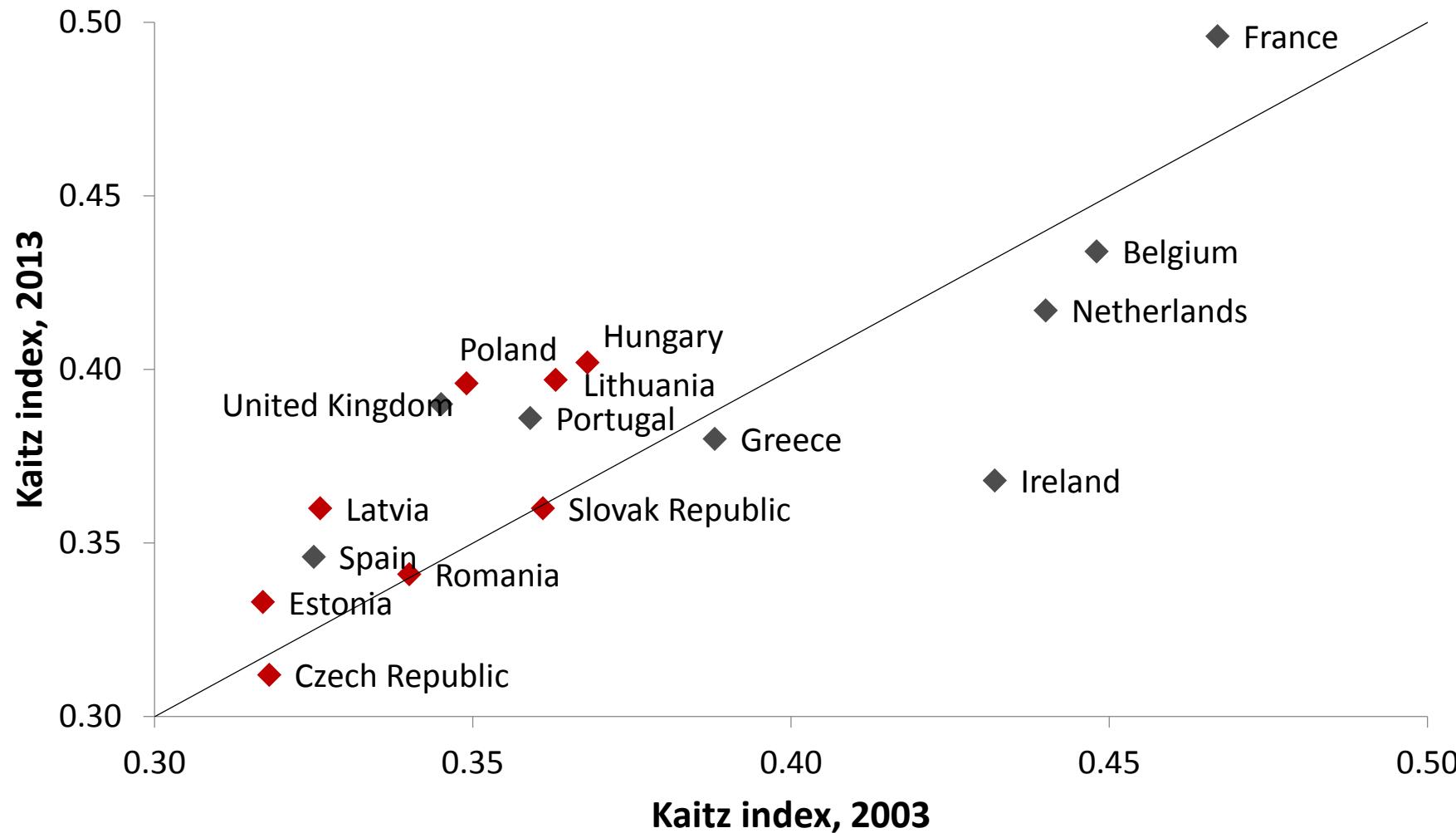
Three measures of violation (Bhorat, Kanbur, Mayet 2013)

- ## Incidence of violation
  - Individual: $v_0 = \begin{cases} 1 \ if \ w < w^m \\ 0 \ if \ w \geq w^m \end{cases}$
  - Overall: $V_0 = \dfrac{\Sigma_{emp} \ v_0}{employment}$; share of violated workers

- ## Depth of violation
  - Individual: $v_1 = \dfrac{w^m - w}{w^m}$
 - Overall: $V_1 = \dfrac{\Sigma_{emp} \ v_1}{employment}$; 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)
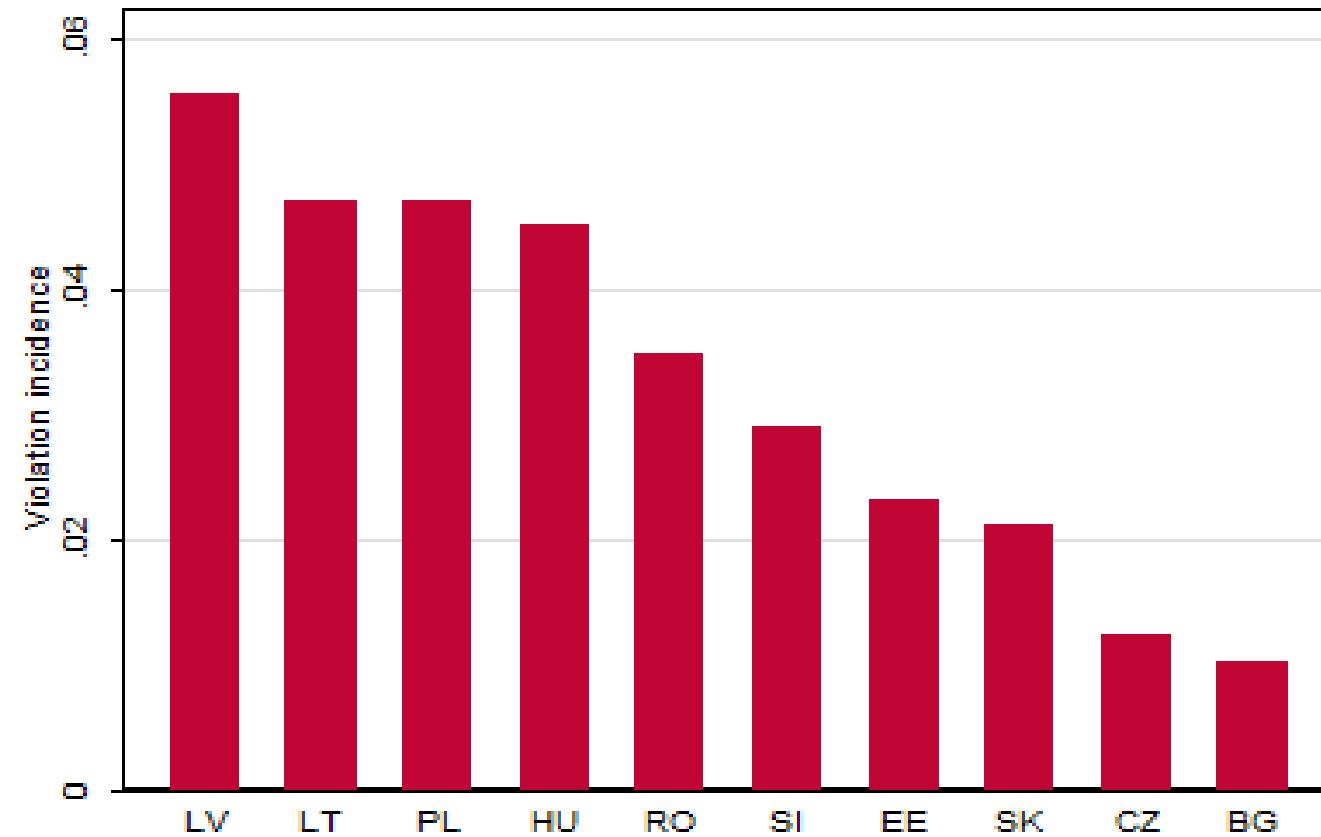
# Poland, Latvia, Slovenia – increasing violation

PL
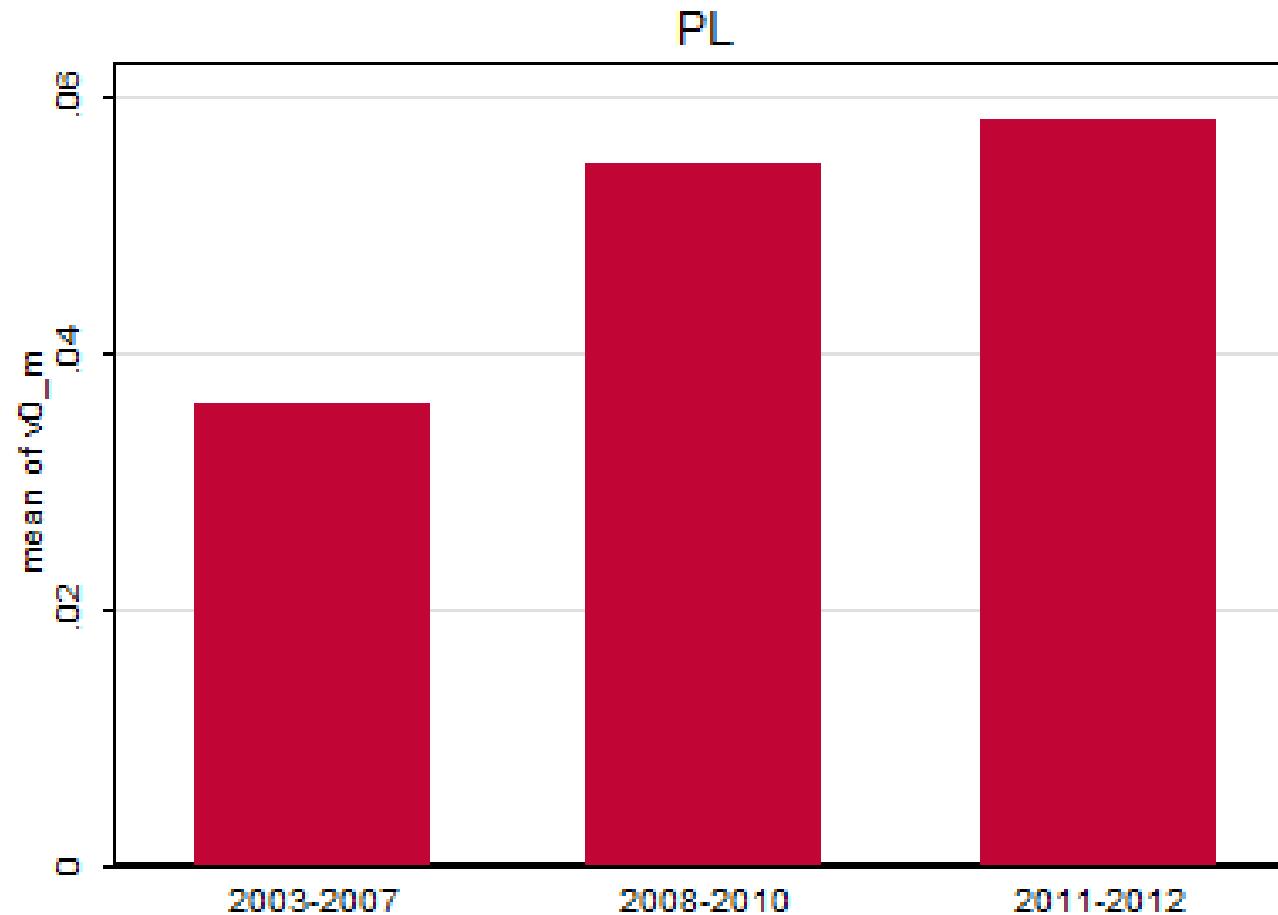
Czech Republic, Estonia, Hungary – decreasing violation
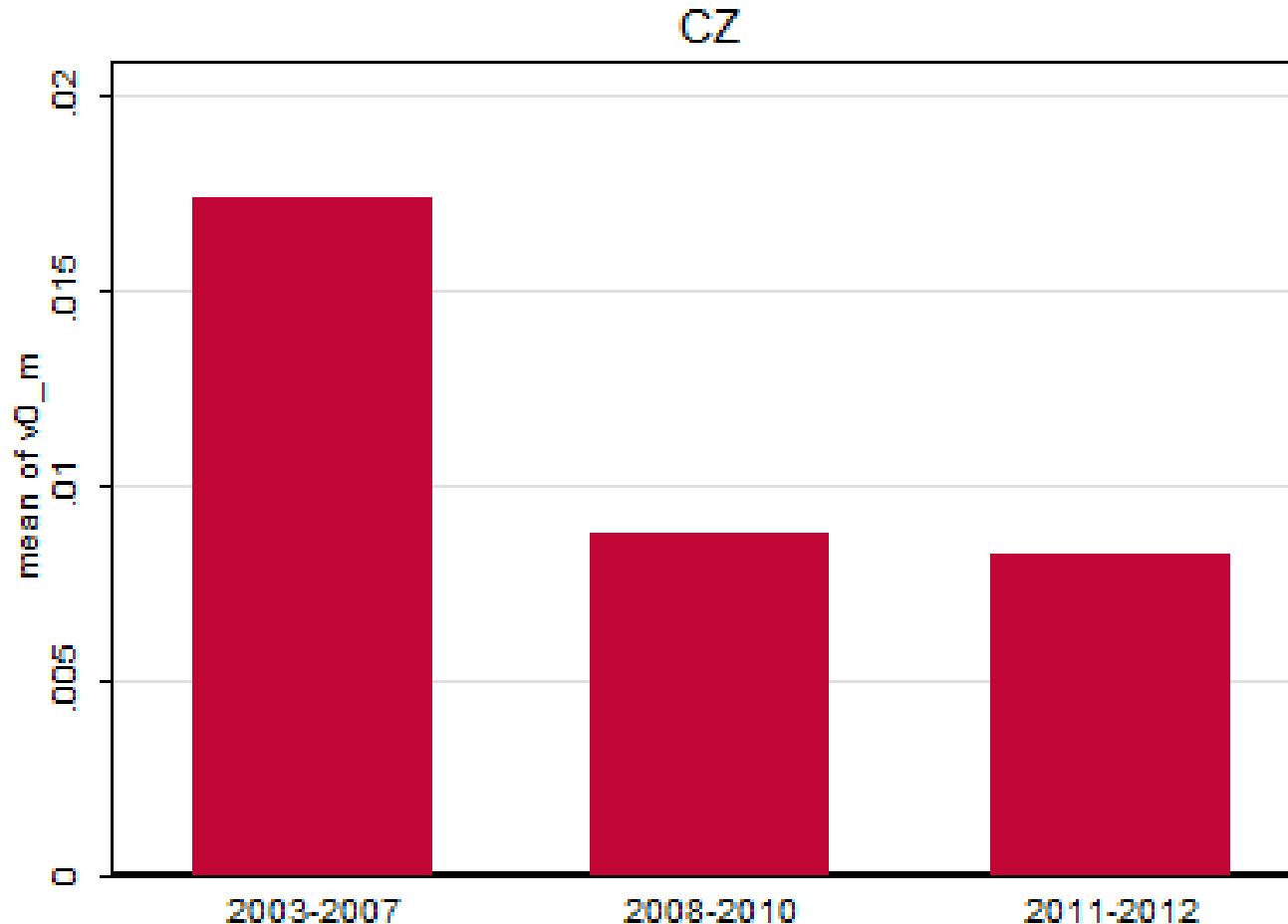
Bulgaria, Romania, Slovakia – violation increased in crisis
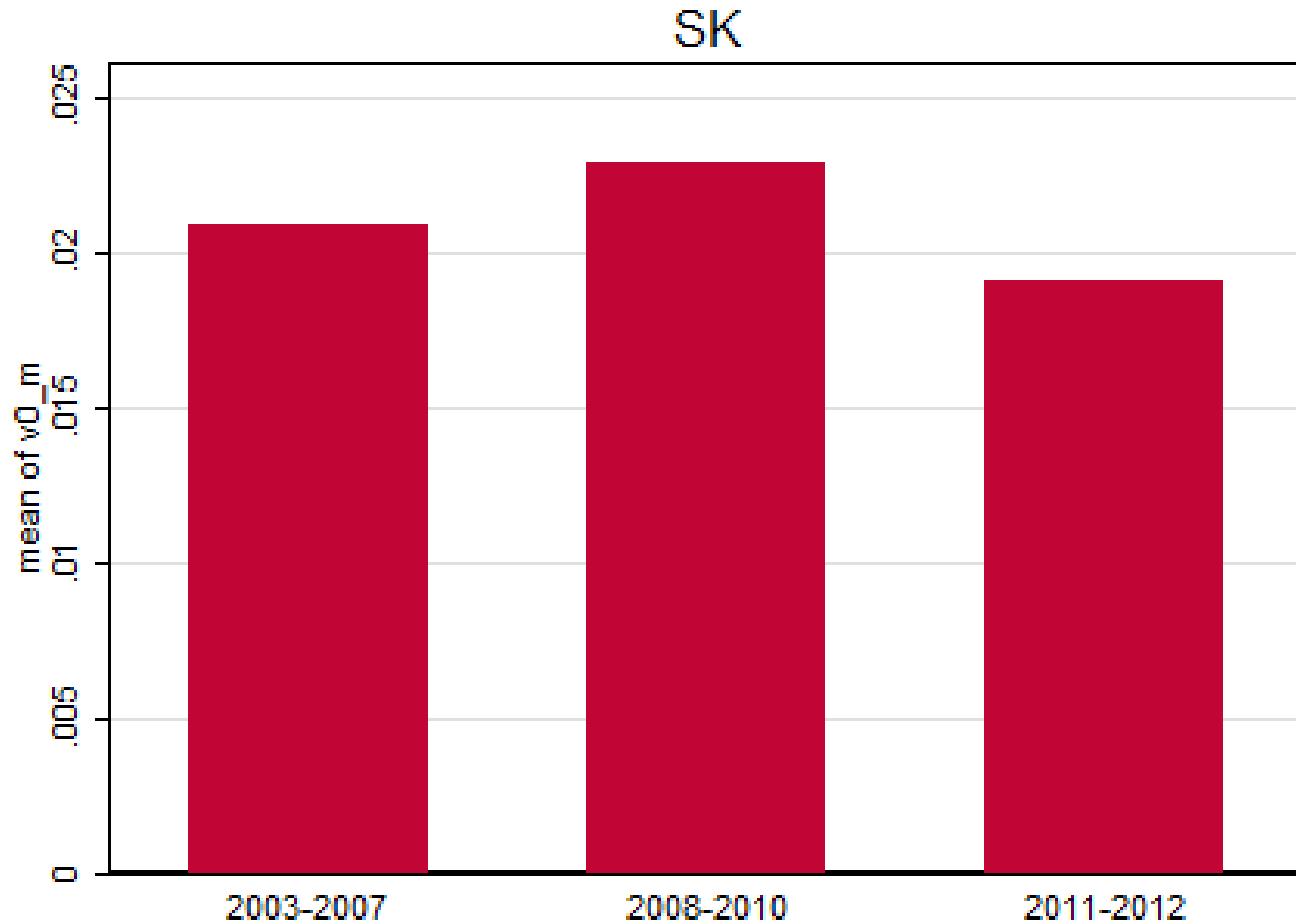
Low-skilled workers with simple jobs more likely to be violated

Marginal effects from probit regression on violation dummy
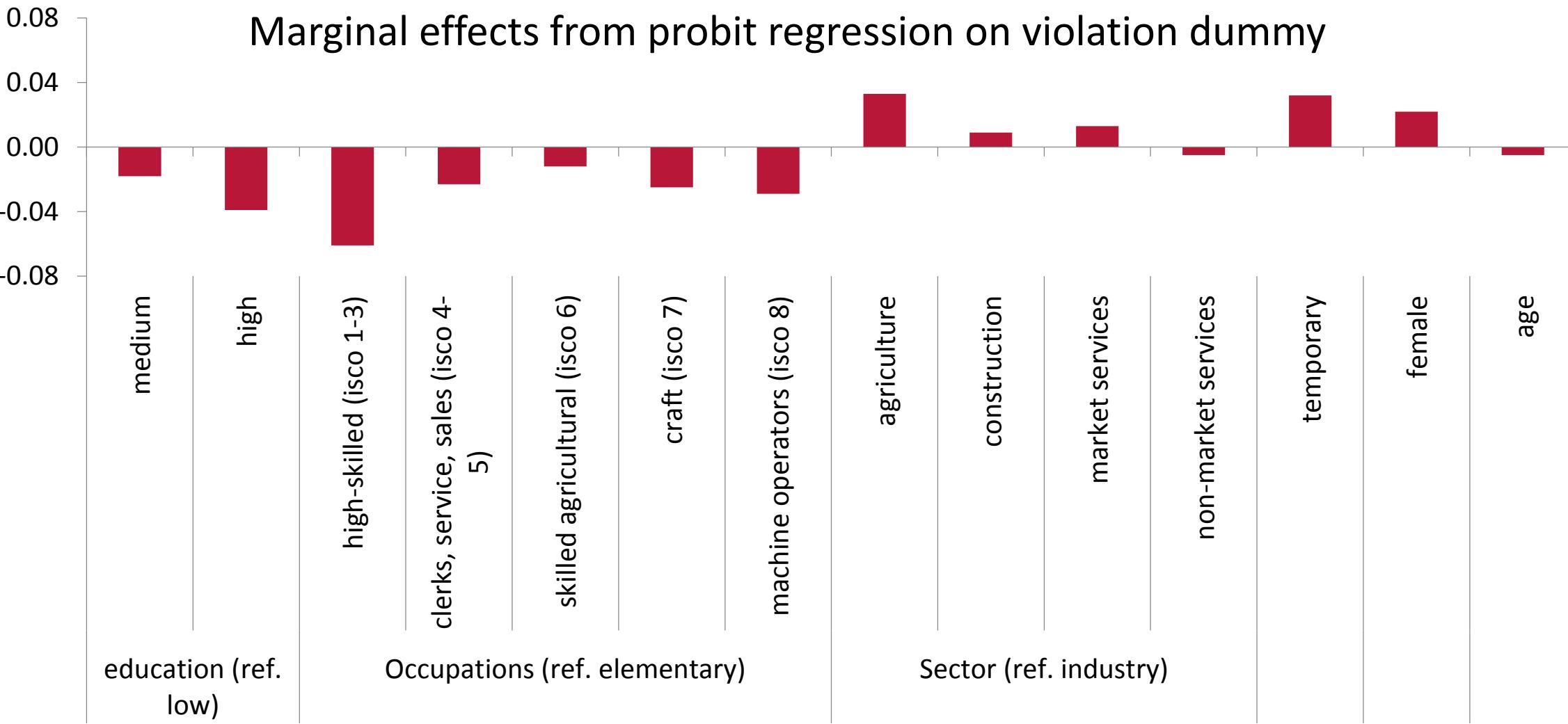
*All presented coefficients significant at 1% level. Country dummies, and time trend included.

**Violation incidence (V0)** vs Kaitz index: descriptive
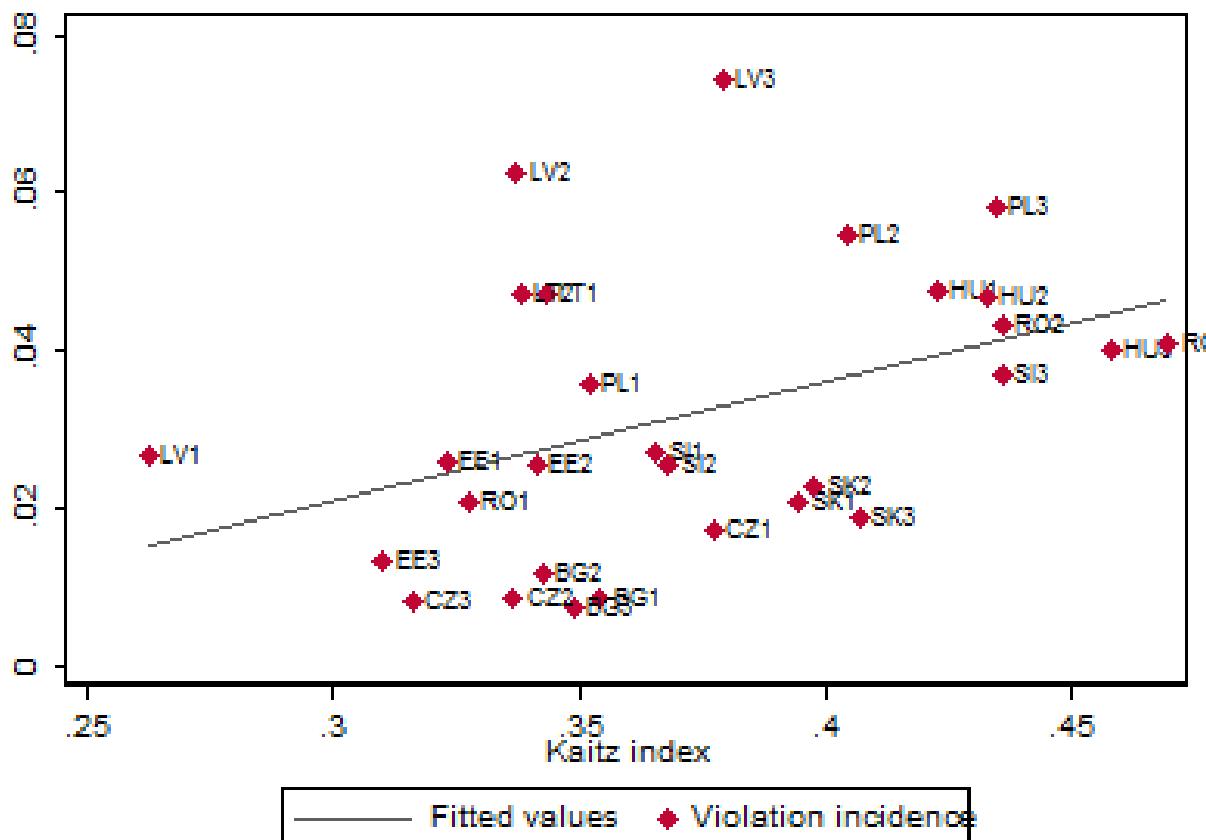
No visible relation between GNI and violation? Due to rising Kaitz index.

Violation incidence (V0) vs GNI per capita (in PPP): descriptive
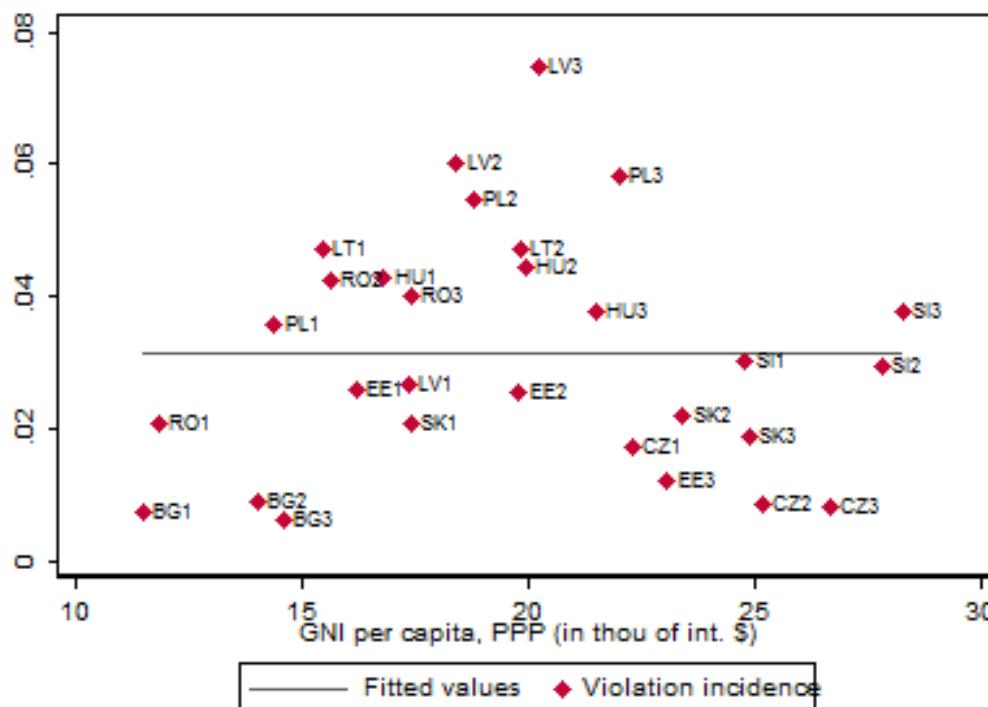
Kaitz index vs GNI per capita (in PPP): descriptive
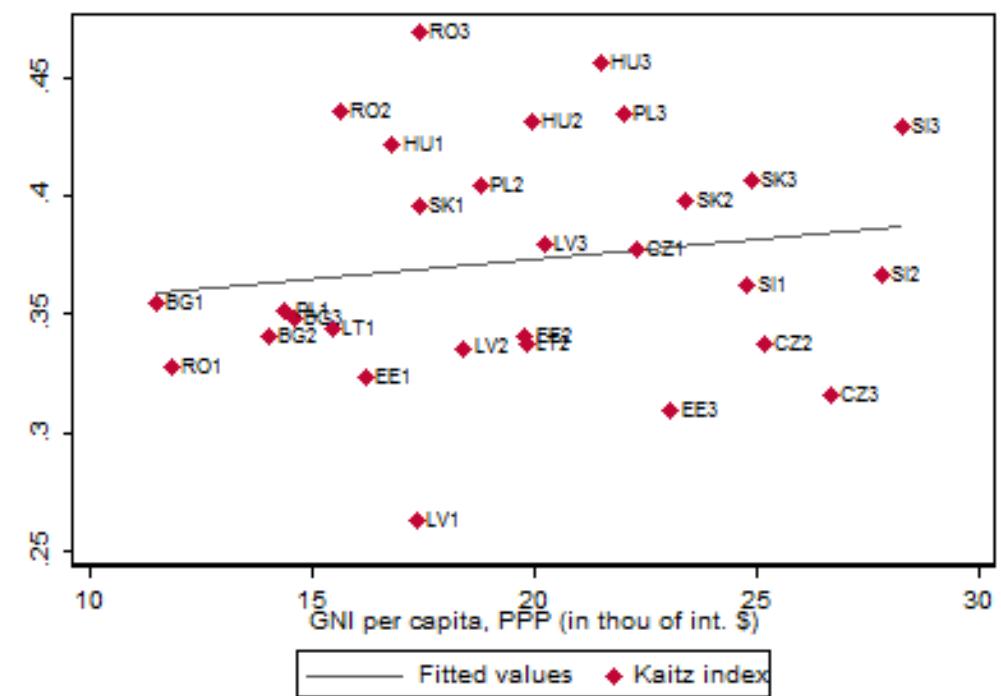
Within country patterns dominate

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

Average shortfall vs violation incidence: descriptive
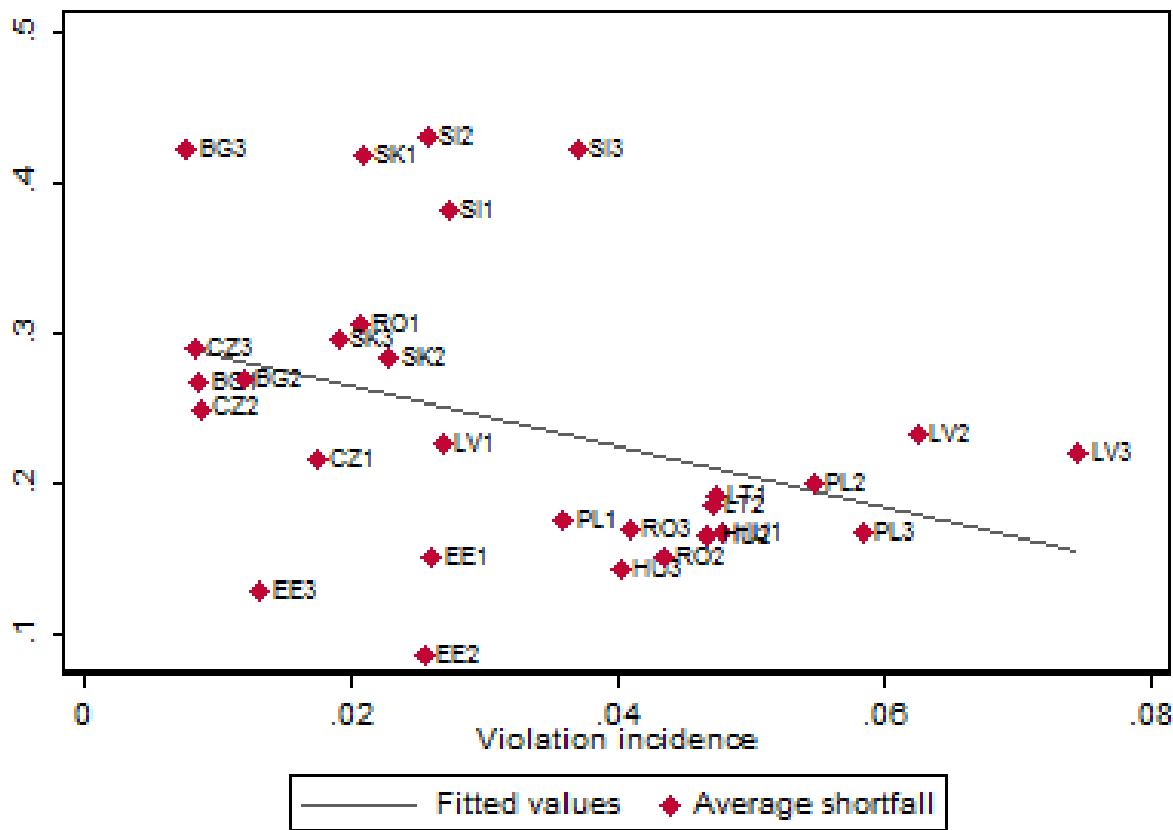
Again related to within-country developments

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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