

Minimum Wage in the Big Picture: Employment Protection and Contractual Forms

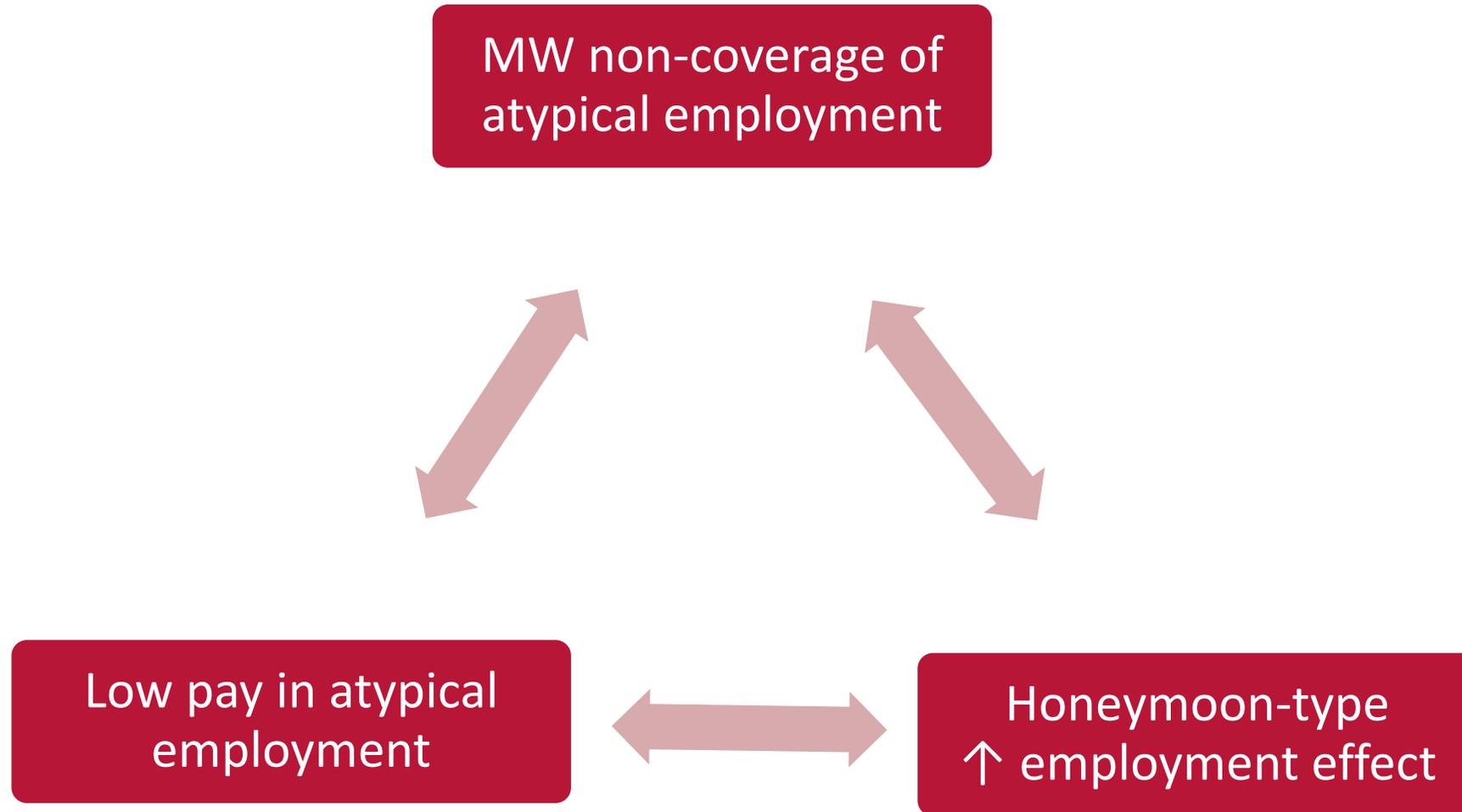
Piotr Lewandowski

Interactions between MW and EPL matter

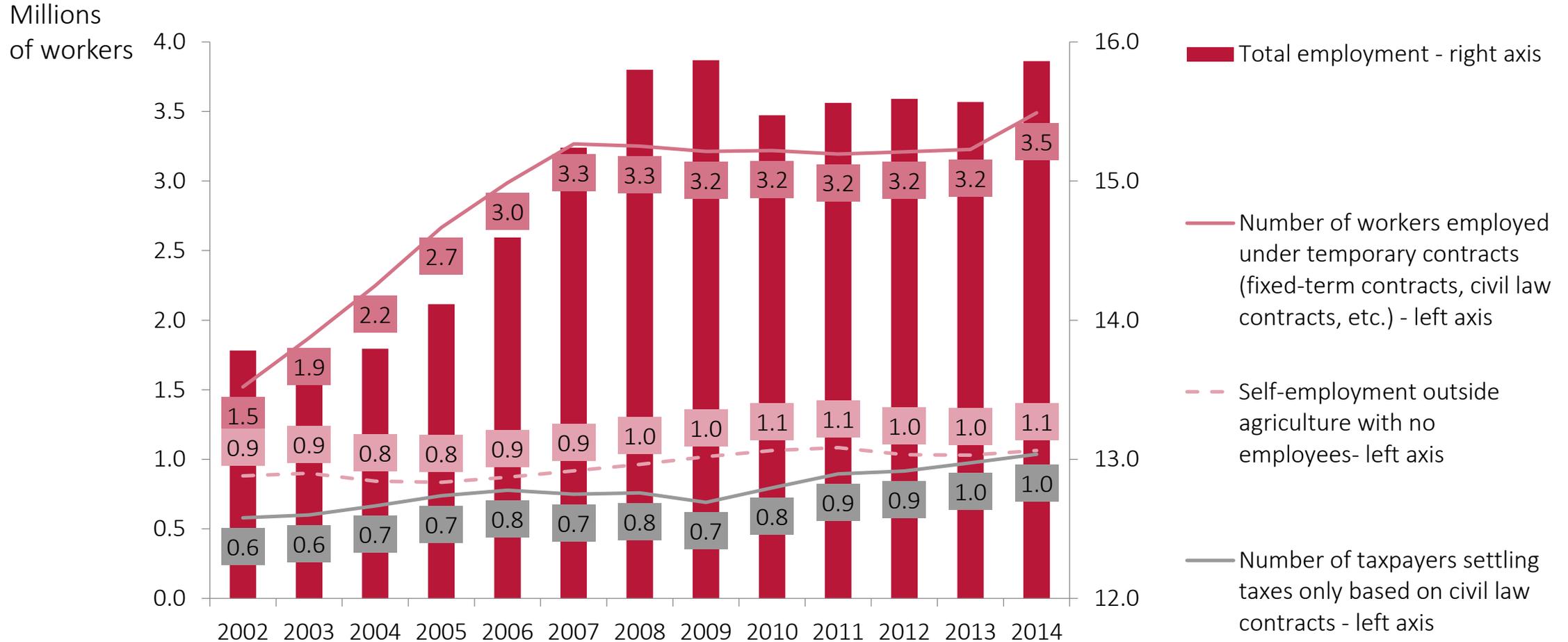


- Effective MW requires coverage and compliance
- Heterogeneity of employment forms may impede them
- Non-coverage may contribute to precariousness of atypical employment
- Feedback loop between atypical employment and MW may emerge
- EPL and MW policies need to be consistent with each other:
cases of Poland and Germany

Feedback loop between the minimum wage non-coverage of atypical employment forms and their abuse



All net employment growth after 2002 in Poland is in temporary contracts . | :



Civil law contracts are less regulated than fixed-term contracts



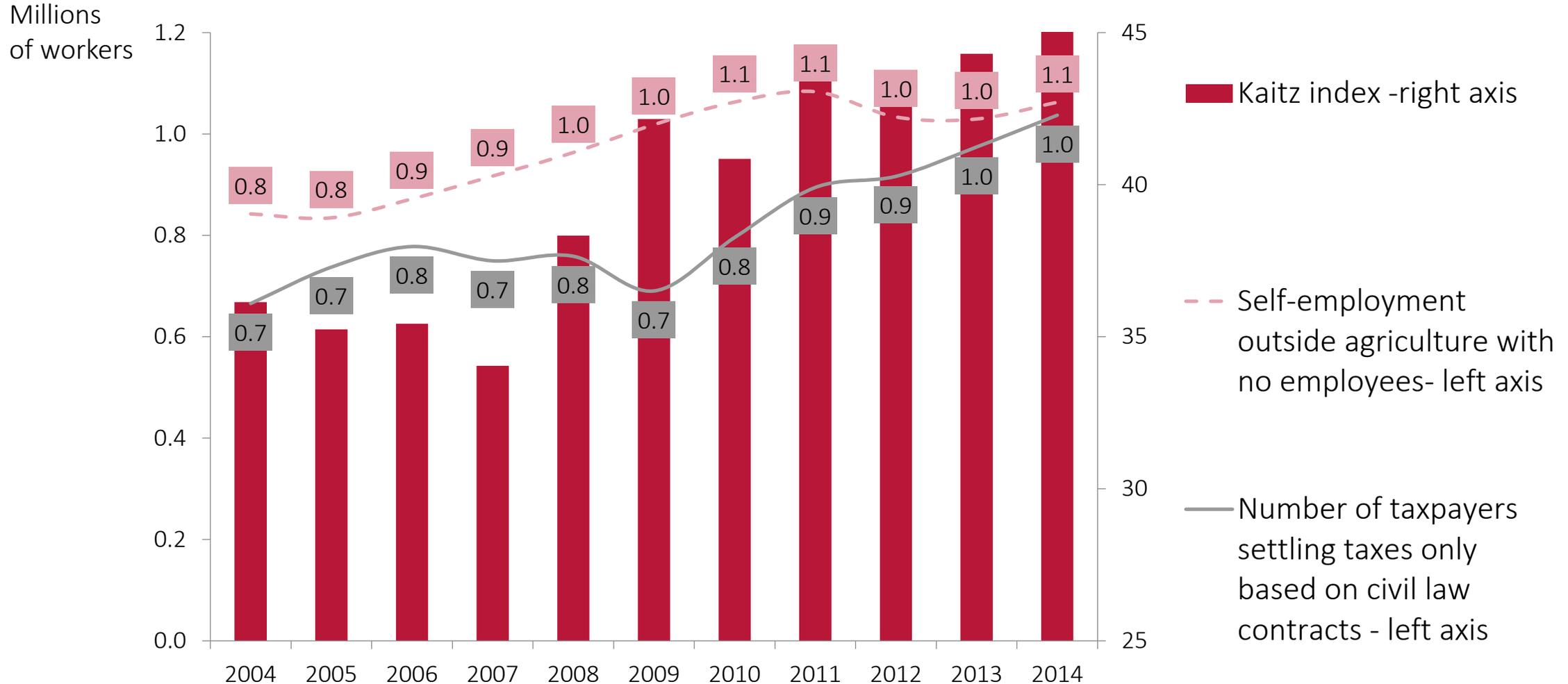
Lower social security contributions:

- Higher net wages
- Lower total labour costs

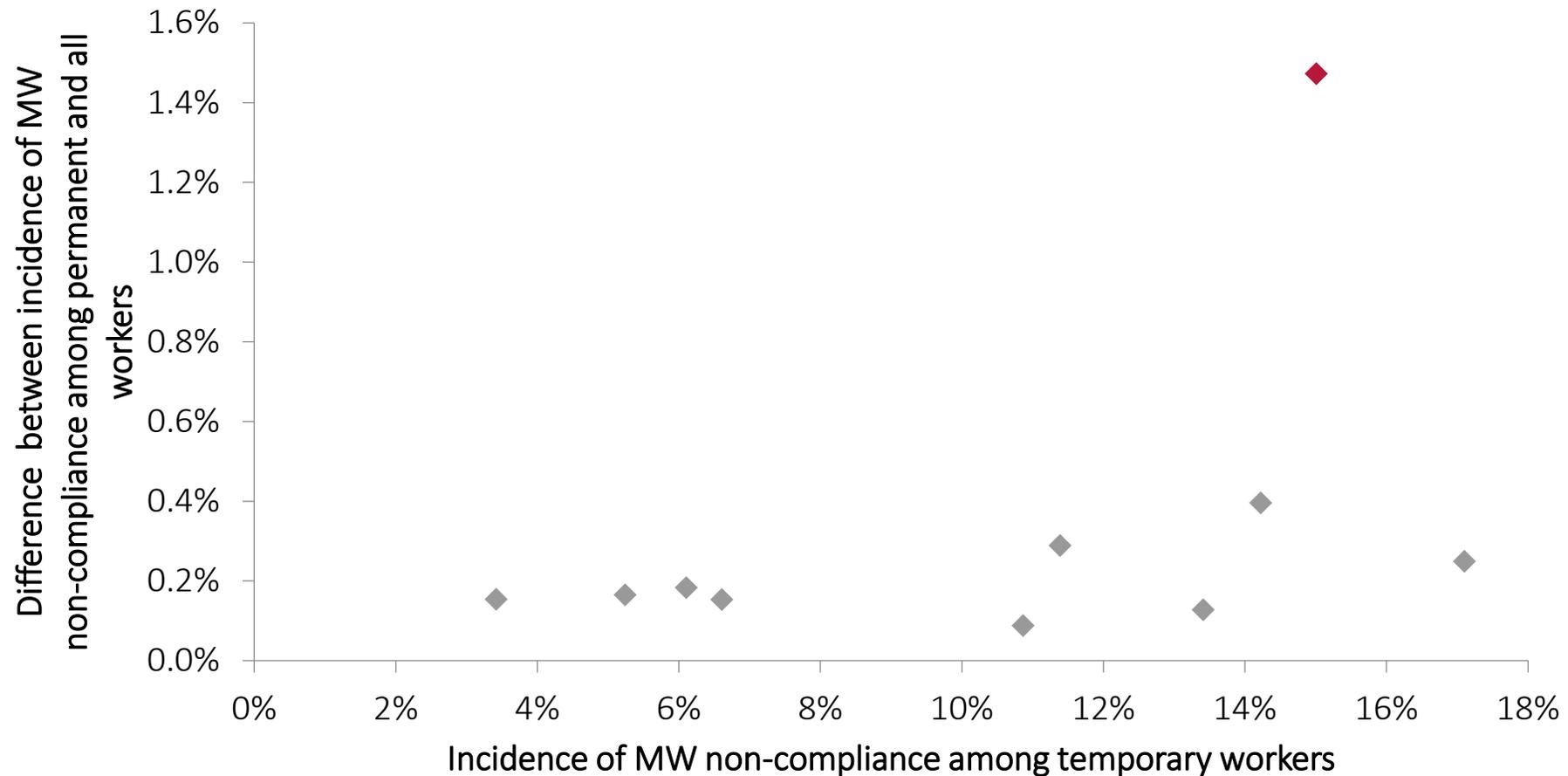
Minimum wage is not binding

Easier to terminate than employment contracts

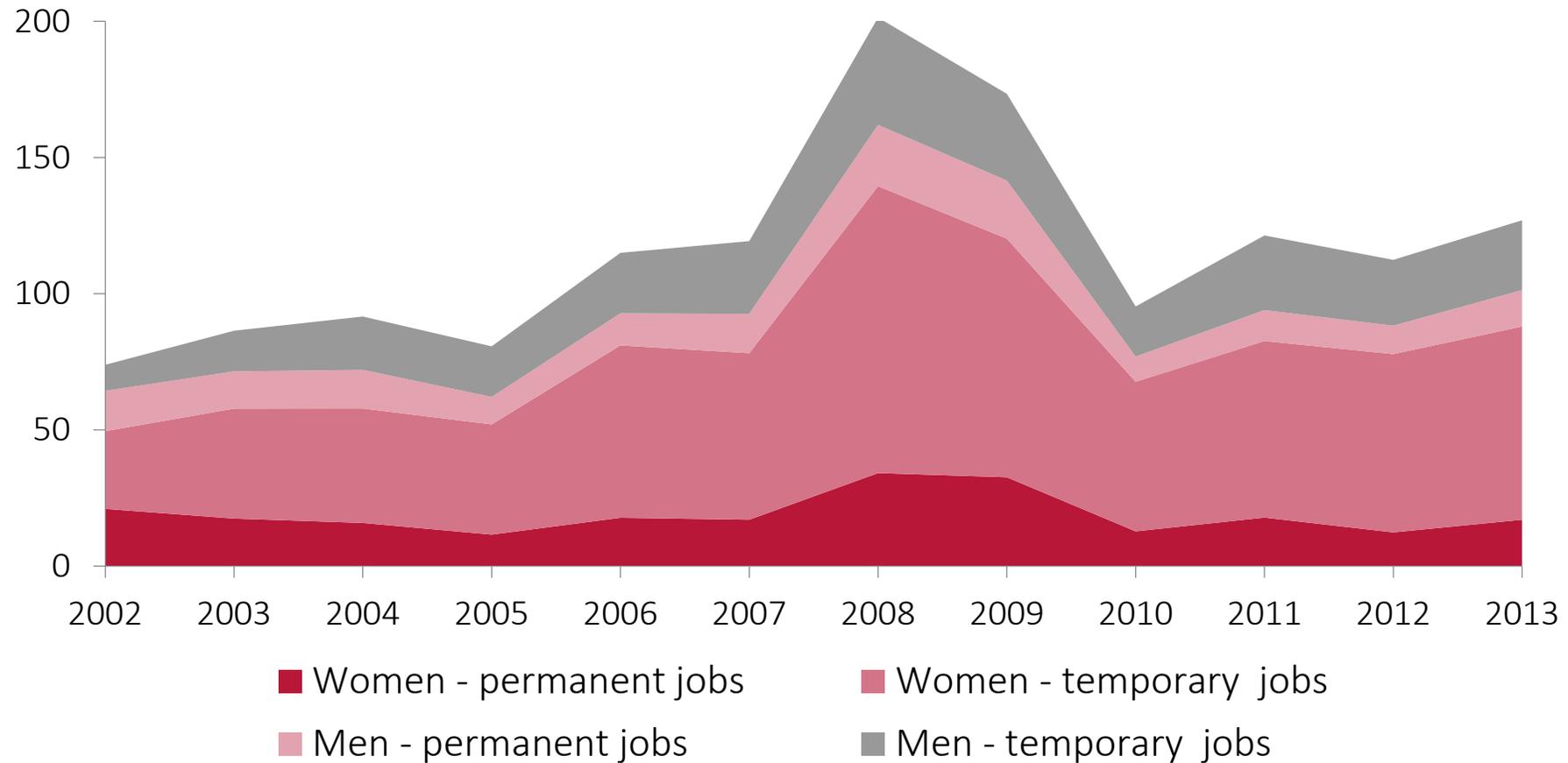
The Kaitz index and the incidence of work forms not covered by MW increased



Poland is the only CEE country where high MW non-compliance on temporary contracts matters for overall incidence of non-compliance



Women on temporary contracts constitute the majority of workers losing jobs due to minimum wage hikes in Poland



Source: Kamińska A., Lewandowski P., 2015, The effects of minimum wage on a labour market with high temporary employment, IBS Working Paper 07/2015

Civil law contracts have been reformed in some CEE countries



- Romania – CLC abolished in 2003
- CLC in Slovakia:
 - Used mainly for casual jobs: in 2013 over 75% of workers earned less than €150 monthly (MW was €352)
 - Incidence increased sharply in the 2009 crisis
 - Since 2013 covered with social security contributions and MW, number of workers on CLC declined by 40%

Polish government plans to cover civil law contracts and self-employed with an hourly MW of 12 zlotys (gross)



Pros

- Closing an obvious loophole
- Non-compliance of monthly MW via extra hours is noticeable

Polish government plans to cover civil law contracts and self-employed with hourly MW of 12 zlotys (gross)



Pros

- Closing an obvious loophole
- Non-compliance of monthly MW via extra hours is noticeable

Cons

- 12 zlotys is above the hourly equivalent of the current MW
- Complex enforcement and tricky monitoring of hours

German lesson - a need to cover temporary agency work



- Number of TWA workers tripled in 2002-2011 (900 000 in 2011)
- Equal Pay and Equal Treatment rule – unless an agency is covered by a collective agreement (*Tarifvertrag*)
- The CGZP union signed dozens of agreements, with low wages agreed upon (sometimes < 5€/h)

Germany moved to a centralised solution



- In 2010 employment tribunal invalidated all CGZP agreements, covering 1600 enterprises and 280 000 workers
- In 2011 Federal Ministry of Labour and Social Affairs established a federal MW for the TWA: 7.89€/h in the West, 7.01 €/h in the East in 2012, 8.50€/h in all states in 2016
- National MW of 8.50€/h introduced in 2015

MW and EPL policies should be coherent



Heterogeneity of employment forms may create MW non-coverage

Non-coverage contributes to precariousness of atypical employment

Collective bargaining may not be a cure

MW enforcement on atypical employment can be challenging

Thank you for your attention

piotr.lewandowski@ibs.org.pl

www.ibs.org.pl

[@ibs_warsaw](#)

