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Heterogeneous effects of minimum wage increases. The case of Poland

The study aims to analyse the impact of minimum wage increases on the level of employment across different groups of workers: by sex, age, education, economic sections, and regions. We want to find whether the heterogeneity in estimated employment effects is systematic with negative effects in groups where we would expect them (e.g. young and low-skilled workers). We use individual data from the Structure of wages and salaries across occupations survey published every two years by Central Statistical Office in Poland. The research period covers the years from 2006 to 2016.

Analysing the topic of minimum wage effects in Poland is interesting for several reasons. Firstly, due to long history and simplicity of minimum wage policy. National minimum wage in Poland was introduced in 1956. It affects all the workers in all economic sectors and regions. Secondly, because of its coverage. According to the Eurostat data, Poland is the country with one of the highest shares of minimum wage workers among all European economies. Thirdly, because significant increases in the national minimum wage in Poland took place in the last ten years. Fourthly, Poland is country with large internal differences. Heterogeneous impact of minimum wage policy established at the national level could therefore be expected across different groups of workers.

The results show not significant relationship between minimum wage increase and overall employment in Poland. However we found considerable heterogeneity of the results for particular groups of workers, with many both negative and non-negative estimates. Not surprisingly young and low-skilled workers are found to be negatively affected by minimum wage increases, but positive signs are found for the older and high-skilled. Negative effects of minimum wage increases tend to be the highest in industry and construction sector as well as in market services. Heterogeneous impact of minimum wage increases was observed across regions, with both negative and non-negative estimates. The sign and size of the effect across regions derives not only from employment structure but the important role of the degree of competition between employers is confirmed.