

Alzbeta Bielikova<sup>1</sup>, Martina Paliderova<sup>2</sup>

## COMPARISON OF THE DEVELOPMENT OF THE MINIMUM AND AVERAGE WAGE IN CZECH AND SLOVAK REPUBLICS, 2008–2015 \*

*This paper deals with the analysis of the development of the minimum and average wage in Czech and Slovak Republics in the period of 2008–2015 and of the factors affecting its rise. Not only the frequency of changes is observed but also the causes of different development in the compared countries in the particular period. While the minimum wage fulfils the socio-protective function, the average wage is becoming one of the most monitored statistical indicators.*

*Keywords: minimal wage; average wages; unemployment benefits.*

*JEL classification: J24; J31; E24.*

Альжбета Белікова, Мартіна Палідерова

## ПОРІВННЯ ДИНАМІКИ РОЗВИТКУ МІНІМАЛЬНОЇ ТА СЕРЕДНЬОЇ ЗАРОБІТНИХ ПЛАТ В ЧЕХІЇ ТА СЛОВАЧЧИНІ: 2008–2015

*У статті проведено аналіз динаміки розвитку мінімальних та середніх заробітних плат в Чехії та Словаччині протягом 2008–2015 рр., а також факторів, що сприяють підняттю їх рівня. Відстежено не лише частоту змін в їх рівні, але й причини, за яких ці показники розвивались з різною динамікою в досліджених країнах. Обґрунтовано соціально-захисну функцію мінімальної зарплатної ставки, в той час як показник середньої зарплати по країні є скорше найбільш значущим статистичним індикатором для моніторингу.*

*Ключові слова: мінімальна заробітна платня; середня заробітна платня; допомога з безробіття.*

*Форм. 1. Табл. 6. Літ. 11.*

Альжбета Беликова, Мартина Палидерова

## СРАВНЕНИЕ ДИНАМИКИ РАЗВИТИЯ МИНИМАЛЬНОЙ И СРЕДНЕЙ ЗАРАБОТНЫХ ПЛАТ В ЧЕХИИ И СЛОВАКИИ: 2008–2015

*В статье проведён анализ динамики развития минимальных и средних заработных плат в Чехии и Словакии на протяжении 2008–2015 гг., а также факторов, способствующих поднятию их уровня. Отслежена не только частота изменений в их уровне, но и причины, по которым данные показатели развивались с различной динамикой в исследуемых странах. Обоснована социально-защитная функция минимальной зарплатной ставки, в то время как показатель средней зарплаты по стране является скорее наиболее значимым статистическим индикатором для мониторинга.*

*Ключевые слова: минимальная заработная плата; средняя заработная плата; пособие по безработице.*

**Introduction.** Incomes policy as a segment of economic policy contributes to the accomplishment of government's economic and political targets by regulating income flow (Vincur, 2007). It coordinates not only the quantity but also the quality of income flow, which ultimately affect living standards of households. The public often confuses incomes policy with wage policy. In fact, wage policy is a significant

<sup>1</sup> University of Zilina, Slovak Republic.

<sup>2</sup> University of Zilina, Slovak Republic.

\* This contribution is part of the research project VEGA 1/0696/16 and project VEGA 1/0244/16 "Personnel marketing as a new approach of the ensuring and maintaining the skilled workforce in Slovak companies".

part of incomes policy and wages make up the largest part of household incomes; in case of Slovak households it is approximately 53% of all the incomes. Minimum wage critics argue that the minimum wage is more harmful than beneficial for labour market because it protects small group of people and at the same time creates higher unemployment (Beran, 2012).

**Literature review and theoretical framework.** Czechoslovakia was one of the first European countries that established the minimum wage institute. It was back in 1919 when the minimum wage was first used for some low-paid professions. At the time of socialist Czechoslovakia the minimum wage was associated with the first job classes of wage scales. Statutory minimum wage is of a social function towards low-skilled staff (Lisy, 2000). Professional literature gives a number of various minimum wage definitions, we choose one of them. Minimum wage can be defined as the lowest level of wages that an employee must receive, regardless job title, work performed, results achieved and employer's solvency. It is stipulated by a legal decree and it amounts to the minimum subsistence level (Sibl, 2002). Such wage also includes an individual's wage supplements, benefits, incentive payments and other forms of extra money and it also applies to an employee who receives wage in addition to social security benefits, e.g. retirement benefit. The purpose of setting a minimum wage is to protect both employees and employers. According to (Beran et al., 2012) minimum wage fulfils two basic functions: socio-protective, which ensures employee's income does not fall below the socially acceptable level, and economic-criterial which motivates to search for work instead of receiving social benefits.

Minimum wage is stipulated annually by the regulation of the government of Slovak Republic, namely by two amounts: EUR per month (monthly minimum wage), EUR per working hour (hourly minimum wage). Minimum wage compensates for excessive wage differences; however, in the long term it may lead to higher unemployment, demand decrease, and, ultimately, to a completely opposite effect (Bielikova, 2006). Average wage can be defined as the average of received remuneration, either in overall economy or in individual sectors (Sibl, 2002). Structure of average gross nominal monthly wage of an employee defines the share of individual wage components in the total gross wage. Average gross nominal monthly wage includes total cleared wage of an employee for the respective year before subtracting legal settlements or settlements agreed by the employee. It is the sum of basic salary, wage supplements and extra payments, bonuses and extra payments, wage compensations and other wage components (Bielikova, 2006). Average wages are detected for employees according to individual levels of achieved education or for employees at various managerial posts. Average monthly wage is calculated from average monthly wages in national economy for the first three quarters of the previous calendar year and it is usually announced by the Ministry of Labour, Social Affairs and Family in December.

**Analysis of the development of the minimum and average wage in Czech Republic.** In 2006, Czech government issued the regulation # 567/2006 Coll. on minimum wage which regulated minimum wage following the Labour Code. At present, the assessment basis for public healthcare insurance contributions is based on the level of minimum monthly wage.

Table 1. Development of minimum wage in Czech Republic, 2008–2015, calculated by the authors on the data from the Statistics Service of Czech Republic (www.czso.cz)

Year	Minimum monthly wage in CR, CZK	Hourly rate, CZK	Difference in % as compared to previous year
2008	8,000	44.70	-
2009	8,000	44.70	-
2010	8,000	44.70	-
2011	8,000	44.70	-
2012	8,000	44.70	-
2013	8,500	48.10	6.25
2014	8,500	48.10	-
2015	9,200	55.00	8.24

Czech government regulation as of 1 January 2007 assessed the level of minimum monthly wage of 8,000 CZK for 40 working hours per week or 48.10 CZK per working hour; this level kept unchanged until 2012. On 1 January 2013 it was increased to the level of 8,500 CZK. In September 2014 Czech government approved the increase of minimum wage to the level of 9,200 CZK with effect from 1 January 2015. § 79 of the Labour Code states that employees may be assigned different weekly working hours. Standard weekly working hours of employees who work underground and employees who are on a three-shift or continuous pattern (schedule) of work shall be on 37.5 hours per week. Employees who are on a two-shift pattern of work shall be on 38.75 hours per week. A reduction of the standard weekly working hours without a concurrent reduction of wage may be included in the relevant collective agreement or internal regulations. An employer shall deduce particular hourly rate according to appointed working hours in accordance with basic or lowered (in case of an employee with limited job opportunities) hourly rate according to the formula:

$$MM_x = MM_z \times k, \quad k = 40/x, \quad (1)$$

where  $MM$  – minimum wage for appointed weekly working hours;  $Z$  – 40 hours;  $X$  – other appointed weekly working hours, e.g. 37.5 hours.

**Analysis of the development of the average wage in Czech Republic.** Average (gross nominal monthly) wage is calculated by the Czech Statistical Office from wages and salaries that were, in the reference period, paid to employees. These are gross wages before deductions to the public healthcare insurance system and social security system, before advance payments of personal income tax, and other statutory deductions (Pelesova, 2005). Average gross wage includes also extra payments for overtime, incentive payments, wage compensations etc. Almost two thirds of employees in Czech Republic earn a wage of a level lower than the national average. An employer shall be obliged to levy mandatory contributions, calculated from the gross wage, to social security and healthcare insurance in the name of their employees. The development of average wage in the Czech Republic during 2008–2015 is shown in Table 2.

**Analysis of the development of the minimum and average wage in Slovak Republic.** Legal regulations of wages in Slovak Republic are stipulated mostly in the Labour Code, Minimum Wage Act, Social Insurance Act, Health Care Insurance Act, and other significant legislation. The minimum wage in Slovak Republic for the subsequent year is stipulated by the government regulation, which defines the level of mi-

nimum monthly and hourly wage with the effect from 1 January of the subsequent year. Legal entitlement to minimum wage applies not only to employees in employment relationship or in similar labour relation but also to natural persons performing work for an employer on the basis of one of the agreements on work performed outside and employment relationship (work performance agreement, agreement on work activities, agreement on temporary jobs for students). The development of the minimum wage in Slovak Republic during 2008–2015 is shown in Table 3.

Table 2. **Development of average wage in CR, 2008–2015**, calculated by the authors on the data from the Statistics Service of Czech Republic ([www.czso.cz](http://www.czso.cz))

Year	Average monthly wage in CR, CZK
2008	22,691
2009	23,488
2010	23,951
2011	24,319
2012	25,109
2013	25,128
2014	25,942
2015	26,287

Table 3. **Development of minimum wage in Slovak Republic, 2008–2015**, calculated by the authors on the data from the Statistics Service of Slovak Republic ([www.slovak.statistics.sk](http://www.slovak.statistics.sk))

Year	Minimum monthly wage in SR, EUR	Minimum monthly wage in SR converted to CZK	Difference in % compared to previous year
2008	268.87	6,759	-
2009	295.50	7,429	9.71
2010	307.70	7,736	4.12
2011	317.00	7,969	3.02
2012	327.20	8,226	3.22
2013	337.70	8,490	3.21
2014	352.00	8,850	4.23
2015	380.00	9,549	7.95

The level of minimum wage in Slovak Republic in the reference period was constantly increasing. The highest increase was experienced between 2008 and 2009 when it rose up to 9.71%; on the other hand, the lowest increase was experienced between 2010 and 2011. During the period from 2008 to 2015, the minimum wage increased by 111.13 EUR, that is 41.33%. There was another increase of the minimum wage in Slovak Republic on 1 January 2016, it grew to 405 EUR per month and the minimum hourly rate was set to 2.328 EUR. When comparing 2016 with 2015, the level of minimum wage was increased by 25 EUR, accounting for 6.58% rise; however, there are only 3% of employees in Slovakia working for the minimum wage.

**Development of average wage in Slovak Republic.** *Average net nominal monthly wage* represents the difference between gross wage and contributions to healthcare and pension insurance, contributions to employment fund and advance payments of personal income tax. Share of the minimum wage on the average wage in Slovakia for a long time was at the level of 40%; in 2015 it increased to the level of 43% and

according to the recommendations of the European Committee on Social Rights it should amount to 60%.

*Table 4. Development of average wage in Slovak Republic, 2008–2015, calculated by the authors on the data from the Statistics Service of Slovak Republic (www.slovak.statistics.sk)*

Year	Average monthly wage, EUR	Average monthly wage converted to CZK	Difference in % compared to previous year	Difference in % for 5 years
2008	723	18,176	-	21.72
2009	744	18,704	2.90	
2010	769	19,333	3.36	
2011	786	19,760	2.21	
2012	805	20,238	2.42	
2013	824	20,424	2.36	
2014	858	20,707	4.13	
2015	880	22,114	2.56	

Average wage for the reference period has increased by 157 EUR, i.e. by 21.72%. Annual variations of average wage are not as notable as in case of minimum wage. The lowest increase in the average wage was between 2010 and 2011 – 2.21%. On the other hand, the highest increase was experienced between 2013 and 2014; the rise amounted to 4.13%. 58% of all employees in Slovakia earn less than the average wage. While the average wage in Slovakia was in 2014 at the level of 858 EUR a month, the median indicating medium value of wages was lowered by 9%.

**Discussion. Comparison of the development of minimum and average wages in CR and SR.** The minimum wage is, as well as the average wage, an increasing parameter in both of these countries in the reference period. Comparison of the development of the minimum wage for the reference period in both countries is shown in Table 5.

*Table 5. Comparison of the development of the minimum wage in CR and SR, 2008–2015, calculated by the authors on the data from the Statistics Service of Slovak Republic (www.slovak.statistics.sk) and the Statistics Service of Czech Republic (www.czso.cz)*

Year	Minimum monthly wage in CR converted to EUR	Minimum monthly wage in SR, EUR	Difference between minimum monthly wage in CR and SR, EUR	Difference between minimum wage in CR and SR, %
2008	296.01	268.87	27.14	9.17
2009	296.01	295.50	0.51	0.17
2010	296.01	307.70	-11.69	-3.95
2011	296.01	317.00	-20.99	-7.09
2012	296.01	327.20	-31.19	-10.54
2013	314.51	337.70	-23.19	-7.37
2014	314.51	352.00	-37.49	-11.92
2015	340.41	380.00	-39.59	-11.63

As shown in Table 5 the minimum wage in 2008 and 2009 was lower in SR than in CR. However, since 2010 the minimum wage in Slovakia has been rising faster than

in CR and this difference in recent years has been of 12% level in favour of Slovakia. Generally speaking, too high minimum wage can avoid employing less-skilled staff (an employer is not willing to pay a minimum wage considered as too high), on the other hand, the minimum wage set at low levels can degrade work motivation of less-skilled staff and it focuses their attention on taking advantage of social benefits. Comparison of the development of average wages in both countries in the reference period is shown in Table 6.

*Table 6. Comparison of the development of average wages in CR and SR, 2008–2015, calculated by the authors on the data from the Statistics Service of Slovak Republic ([www.slovak.statistics.sk](http://www.slovak.statistics.sk)) and the Statistics Service of Czech Republic ([www.czso.cz](http://www.czso.cz))*

Year	Average monthly wage in CR converted to EUR	Average monthly wage in SR, EUR	Difference between average monthly wage in CR and SR, EUR	Difference between average monthly wage in CR and SR, %
2008	839.60	723	116.60	13.88
2009	869.09	744	125.09	14.39
2010	886.22	769	117.22	13.23
2011	899.84	786	113.84	12.65
2012	929.07	805	124.00	13.35
2013	929.77	824	105.77	11.38
2014	959.89	858	101.89	10.61
2015	972.66	880	92.66	9.53

Based on the abovementioned, average wages in CR are in the long-term higher level than in SR. Although the average wage in CR was higher by 116.60 EUR in 2008, Slovakia has been successful in decreasing this difference and the average wage in 2015 in CR was higher by 92.66 EUR than the one in Slovakia. Remuneration of employees in the compared countries can be objectively evaluated by the median value. This value indicates how much a "median" employee is paid; half of employees are paid higher remuneration than the median and the second half receives wages lower than the median. In the current conditions of Slovak Republic, 65% of employees are paid less than the disclosed average wage and about one third receives wages above the average. Average net monthly wage in that year in SR was at the level of 665 EUR while it was higher by about 60 EUR in CR. The median value in SR in 2015 was of 800 EUR and the difference between the average nominal wage and the median was 80 EUR. Most employees in Slovakia have wages in the range from 600 to 800 EUR. In the same year the average wage in CR was at the level of 972.66 EUR and the median value was of 822.57 EUR, being higher by 22.57 EUR than in SR.

**Conclusion.** When comparing wages it is necessary to take into account not only the value of wage but also the price level and cost of living (Bielikova, 2006). The mere level of wage is always determined by two factors: labour demand and labour offer; this appears in a situation when one employer is willing to offer a particular wage for a particular work and an employee is willing to accept it; however, such agreement between an employer and an employee in other country may be on a completely different level. At present, the absolute net income of the minimum wage receiver, even in a full-time agreement, is often below the poverty threshold. 58% of the Slovaks are

paid less than the average wage. The biggest group of people in Slovakia is paid a wage from 501 to 700 EUR, the second most numerous group is formed by the employees receiving from 701 to 900 EUR. This shows that a considerable group of employees in CR is actually paid higher wages, resulting in better social conditions than in SR.

**References:**

- Kucher G.V.* Фінансовий потенціал як економічна категорія // Актуальні проблеми економіки.– 2014.– №9. – С. 46–52.
- Kucher H.V.* Finansovýi potentsial yak ekonomichna katehoriia // Aktualni problemy ekonomiky.– 2014.– №9. – S. 46–52.
- Beran, V.* (2012). Danova a socialni optimalizace. Ostrava. 194 s.
- Bielikova, A, Paliderova, M.* (2014). Analyza danovo-odvodoveho za azenia vybranych subjektov v SR. Ekonomicko-manazerske spektrum, Vol. 2.
- Bielikova, A., Bartosova, V., Sroslik, M.* (2006). Vseobecna ekonomicka teoria. Zilina.
- Kotlan, I.* (2005). Hospodarska politika. Karvina. 141 s.
- Lisy, J.* (2000). Ekonomia. Vyd. Ekonomia. Bratislava. 507 s.
- Pelesova, P.* (2005). Hospodarska politika. Karvina. 141s.
- Sibl, D.* (2002). Vel'ka ekonomicka encyklopedia. Bratislava: SPRINT.
- Statisticka rocenka // [www.czso.cz](http://www.czso.cz).
- Statisticka rocenka // [www.slovak.statistics.sk](http://www.slovak.statistics.sk).
- Vincur, P.* (2007). Teoria a prax hospodarskej politiky. Bratislava: SPRINT.

Стаття надійшла до редакції 1.03.2013.