

4.10 Minimum wage

In 2013 the minimum gross wage again grew more than the average gross wage¹. It amounted to EUR 783.66 and was 2.7% higher than in the previous year. For the fifth consecutive year it grew much more than the average gross wage, which, due to austerity measures in the public sector and a further decline in economic activity, even declined (by 0.2%). Since the beginning of the crisis, Slovenia has recorded one of the biggest drops in economic activity and the highest rise in the minimum wage in the EU (in the 2008–2013 period by almost 40% in nominal terms). Slovenia is also one of the few countries which during the crisis increased the minimum wage. In seven EU Member States the minimum wage remained unchanged for several years², while in eight it declined³.

After the coming into force of the new Minimum Wage Act the ratio between the minimum and the average gross wage increased significantly (from 41.2% in 2009 to 51.5% in 2013), which ranks Slovenia at the top of EU Member States. This happened due to the latest change in legislation regulating the minimum wage, which introduced a significant increase in the amount of the minimum wage and its annual adjustment with inflation, irrespective of the trends in other macroeconomic indicators. In the mentioned period these indicators showed weakening of economic activity and did not enable more favourable trends in the average wage⁴. Only Greece has such a high ratio (2011: 50.1%); in other EU Member States it is between 31% and 47%. In addition to Slovenia, in 2012 the ratio also grew in eight and declined in seven out of the sixteen Member States for which data are available⁵.

In 2013 the number of minimum wage earners increased the most since the adoption of the new Minimum Wage Act; relative to the year before the adoption of the act (2009), this number was 2.6-times higher (50,571). In 2013 the number of minimum wage earners was up 12.4% in year-on-year terms. The share of minimum wage earners in all employed persons increased as well, by 1.1 percentage points to 8.6% (2009: 3.0%). Around 84%

of all minimum wage earners were in private sector activities⁶. Last year their number increased (by 3,700 to 42,589; 2009: 18,596), while between 2009 and 2013 their share of the total rose from 3.8% to 9.3%. In public service activities, the increase in the otherwise small share was much larger (from 0.3% to 4.6% or from 451 to 7,982 persons), while in the last two years the increase in the number (by 3,393) was primarily a consequence of the reduction in public servants' wages. Relative to the situation before the coming into force of the new act, the number of minimum wage earners rose most notably in education and in human health and social work activities, where it jumped by 40-times and 14-times, respectively. In absolute terms, the increase was the highest in wholesale and retail trade and in manufacturing. Together with administrative and support service activities, construction, and accommodation and food service activities, these sectors employ around 70% of all minimum wage recipients⁷. With the exception of wholesale and retail trade, workers in these sectors are typically low-skilled.

In the previous four years, the increase in the minimum wage contributed to a significant rise in earnings in the private sector, and a decline in the share of low-wage earners and in income inequality, but it also led to losses in cost competitiveness (see indicator 1.4) and job losses. In our estimation, in 2010–2012 more than half of the average gross wage growth (more than 3 percentage points of the 6.0%) can be attributed to the rise in the minimum wage⁸. The impact was the greatest in 2012 (2.2 percentage points), while in the next two years it was around half a percentage point. The increase in the minimum wage thus put significant pressure on unit labour costs in 2010 in particular, reducing the competitiveness of the economy. In the short term, around 7,000 people are estimated to have lost work due to the higher minimum wage; in the long term the figure will be much higher⁹. At the same time, the large increase in the minimum wage resulted in lower inequality of wage distribution and a lower share of low-wage earners¹⁰ (2012: 17.3%; 2009: 19.3%). According to the latest European Union Structure of Earnings Survey, the comparable figure in the EU overall was 17.0% in 2010.

¹ The two grew by the same percent in the 1996–2009 period; the minimum wage grew slightly more than the average wage in the 2002–2006 period, when in addition to inflation it was adjusted to GDP growth. The current disparity is the greatest ever.

² In Belgium, Bulgaria, Estonia, Lithuania, Spain, Ireland and Portugal.

³ In the Czech Republic, Greece, Croatia, Hungary, Poland, Romania, the UK and Latvia.

⁴ The new Minimum Wage Act, which significantly increased the amount of the minimum wage, came into force in 2010; at the same time every year the amount is automatically adjusted to price growth.

⁵ It went up in Bulgaria, Luxembourg, Hungary, Poland, Portugal and the UK and down in the Czech Republic, Croatia, Estonia, Latvia, Lithuania, Malta and Romania.

⁶ Activities A–N and R–S; public service activities are defined as activities O–Q.

⁷ Manufacturing 25.8%, wholesale and retail trade 17.1%, administrative and support service activities 11.5%, construction 9.7%, and accommodation and food service activities 6.0%.

⁸ In private sector activities by 4.4 percentage points to 8.7%.

⁹ See IMAD Working Paper No. 3/2010 (Brezigar et al.: Estimation of the Impact of the Minimum Wage Rise in Slovenia) and Economic Issues 2012 (Box 2: Effects of the rise in minimum wage in 2010 on the loss of jobs – Updated estimation of the labour demand function and estimation of the effects of the rise in minimum wage and labour costs on employment).

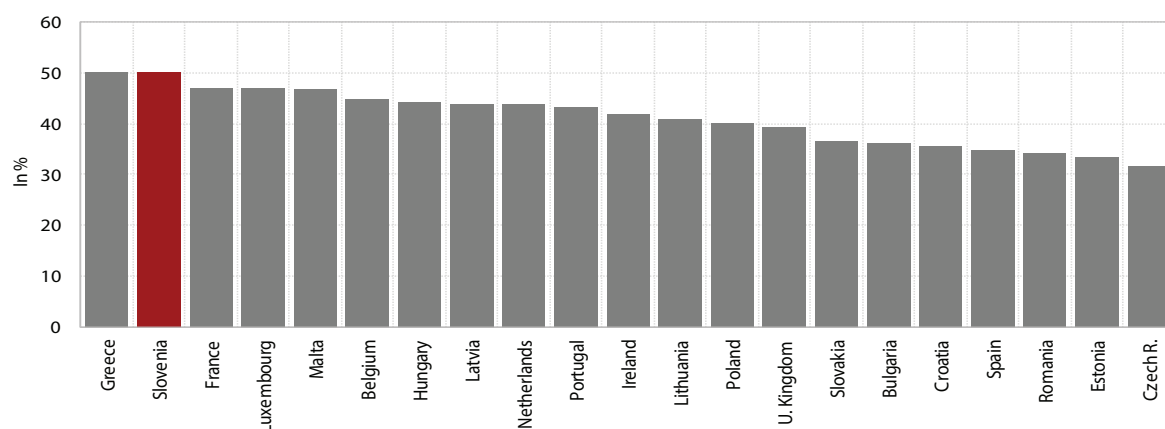
¹⁰ According to the OECD's methodology, these are full-time workers who receive less than two-thirds of median earnings, i.e. up to EUR 897 in 2012.

Table: Average minimum gross wage, average gross wage and the ratio between the two, Slovenia

	Minimum gross wage	Nominal growth of the minimum wage	Real growth of the minimum wage	Average gross wage	Nominal growth of the average gross wage	Real growth of the average gross wage	Ratio of the minimum to the average gross wage
2000	322	10.3	1.3	800	10.6	1.6	40.3
2001	366	13.5	4.7	895	11.9	3.2	40.9
2002	408	11.5	3.7	982	9.7	2.0	41.5
2003	445	9.0	3.2	1.057	7.5	1.8	42.1
2004	476	7.0	3.3	1.117	5.7	2.0	42.6
2005	499	4.9	2.4	1.157	4.8	2.2	43.1
2006	516	3.3	0.9	1.213	4.8	2.2	42.5
2007	529	2.5	-1.1	1.285	5.9	2.2	41.2
2008	571	8.0	2.2	1.391	8.3	2.5	41.1
2009	593	3.7	2.8	1.439	3.4	2.5	41.2
2010	679	14.6	12.6	1.495	3.9	2.1	45.4
2011	718	5.7	3.8	1.525	2.0	0.2	47.1
2012	763	6.3	3.5	1.525	0.1	-2.4	50.0
2013	784	2.7	0.9	1.523	-0.2	-2.0	51.4

Source: SURS, SCA 2002 until 2008, SCA 2008 from 2009 onwards, MDDSZ, AJPEŠ.

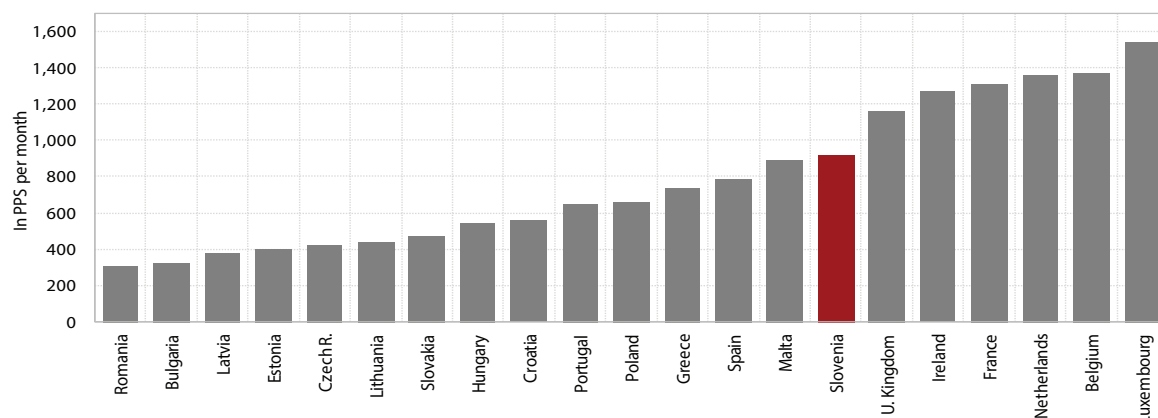
Figure 1: Ratio of the minimum gross wage to the average gross wage, 2012



Source: Eurostat Portal Page, 2014.

Note: For France, Greece, Ireland and the Netherlands data for 2011; for Belgium data for 2010. Other EU-28 Member States do not have statutory minimum wages, so no data are available for them.

Figure 2: Minimum gross wage, July 2013, PPS



Source: Eurostat Portal Page, 2014.