

*Gabriel Hawryluk, FOR junior economic analyst  
Warsaw, September 27, 2023*

## FOR Communication 20/2023:

### Sharp increase of the minimum wage in Poland and its consequences

#### Synthesis:

- The Council of Ministers has decided to raise the minimum wage to PLN 4,242 gross from January 2024, and to PLN 4,300 from July<sup>1</sup>.
- In relation to the average or median salary, the Polish minimum wage is already one of the highest in Europe. Despite this, it will increase again next year by more than one fifth.
- According to the Ministry of Labor and Social Policy, the projected cost of raising the minimum wage for employers will exceed PLN 35 billion<sup>2</sup>. This is almost as much as the annual cost of the "500+" program in recent years<sup>3</sup>.
- The number of people receiving the minimum wage has been increasing in recent years. According to government forecasts, 3.6 million people are expected to be covered by the regulation<sup>4</sup>. This is over one quarter of those employed in the national economy<sup>5</sup>.

In recent years, the pace of minimum wage growth in Poland has accelerated. Over a span of five years, the nominal increase in the minimum wage has exceeded 15% YoY three times, a phenomenon not witnessed since 2008. This is partly due to inflation (especially last year's increase), but such high growth rates began earlier – already in 2020, the minimum wage rose by 16% YoY. Over years 2022–2024, the minimum wage in Poland will increase by almost 43% (with a forecasted growth of the average salary of just under 23% in the same period). Between 2010 and 2015, the growth of the minimum wage was 33%.

Looking at a five-year period, from 2019 to 2024, the Polish minimum wage would grow by 91%, with the average salary increasing by 58%. Naturally, this means that the minimum wage constitutes an increasingly larger proportion of the average salary. In 2006, the lowest salary was 36% of the national average; by 2015, it reached 45%, and next year – according to forecasts – it will be around 55% of the

---

<sup>1</sup> Rozporządzenie Rady Ministrów z dnia 14 września 2023 r. w sprawie wysokości minimalnego wynagrodzenia za pracę oraz wysokości minimalnej stawki godzinowej w 2024 r., Dz. U. z 2023 r., poz. 1893.

<sup>2</sup> <https://www.gov.pl/web/dialog/posiedzenie-plenarne-rady-dialogu-spolcznego27>

<sup>3</sup> Rada Ministrów, Wieloletni Plan Finansowy Państwa na lata 2023–2026, Warsaw, April 2023, p. 25-26.

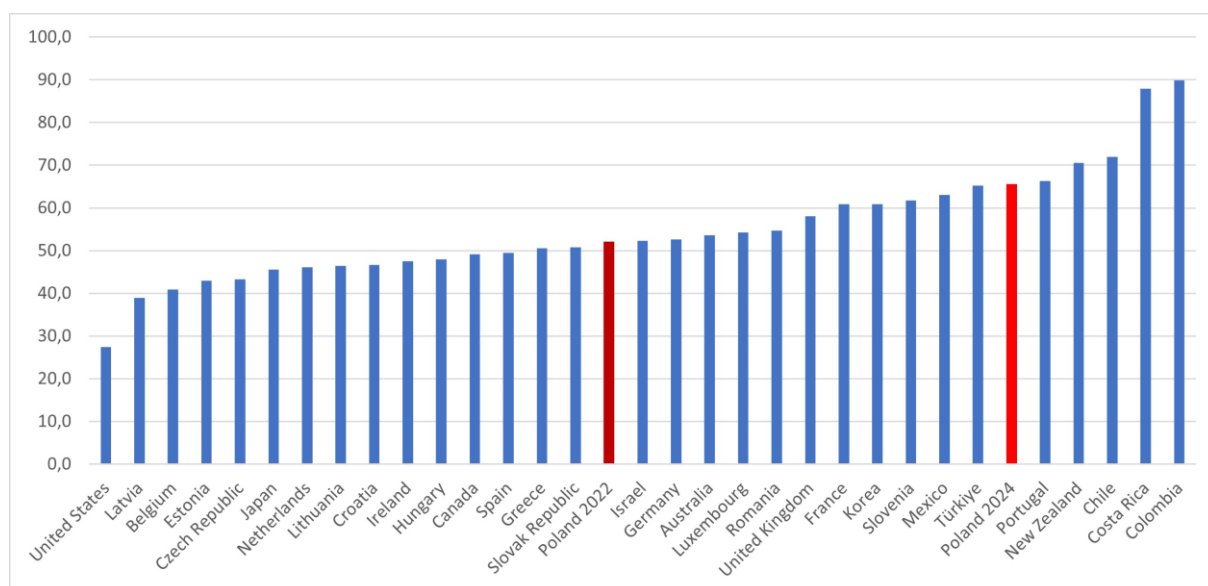
<sup>4</sup> <https://www.gov.pl/web/dialog/posiedzenie-plenarne-rady-dialogu-spolcznego27>

<sup>5</sup> GUS data

average salary<sup>6</sup>. Among the OECD countries<sup>7</sup>, the highest minimum wages in relation to the average wage are in Costa Rica, Colombia, Mexico, New Zealand, and Slovenia.

The minimum wage is also rising rapidly in relation to the median salary. In 2008, it represented 43% of the median, and in 2020, it already accounted for 55%. Next year, based on forecasts of the average salary and the historical relationship between median and average, it is expected to reach approximately 62–68% of the median salary. In this respect, we would also be among the top OECD countries, only behind Colombia, Costa Rica, Chile, New Zealand, and possibly Portugal, Turkey, and Mexico. On the opposite end are countries like the Netherlands, Japan, Czech Republic, Estonia, Belgium, Latvia, and the United States. In these countries (except for the US, where this ratio is considerably lower), the minimum wage is usually about 40–45% of the median salary<sup>8</sup>.

**Chart 1: Minimum wage as a percentage of median salary among OECD countries in 2022**



Data: OECD and own forecast for Poland in 2024

In 2018, according to the Eurostat data, the minimum wage in Poland already constituted 57% of the median, ranking seventh among the 21 European Union countries with such regulations. This was before the period of most intense increases. France and Portugal reached the highest ratios - 66% and 64% of the median, respectively<sup>9</sup>. Therefore, it can be expected that in 2024, Poland will be at the forefront of this ranking.

<sup>6</sup> Own calculation based on GUS data.

<sup>7</sup> In calculations of the minimum wage to average wage ratio, the OECD used a different methodology, therefore, this ratio will not be the same as the one based on GUS data.

<sup>8</sup> OECD data.

<sup>9</sup> Eurostat data.

## Flattening wage structure

Such dynamic increases in the minimum wage lead to a noticeable flattening of a wage structure. In 2012, around 1.3 million working Poles received the minimum wage, and in 2017–2019, it had increased to approximately 1.5 million. Throughout this period, this constituted around 11–12% of the total number of employed<sup>10</sup>. According to calculations by the Irish Economic and Social Research Institute, in 2017–2018, 14.8% of those working in Poland earned the minimum wage. This was the third-highest result among the 14 reviewed countries, but with a small distance to the leader - Portugal (15.6%)<sup>11</sup>. By the end of 2022, according to minister Marlena Maląg, 2.5 million Poles were already receiving the minimum wage<sup>12</sup>. If we believe this data, it would be approximately 18.5% of the total employed. According to the government, next year's regulation will cover 3.6 million people, almost a quarter (26.8%) of the employed. Of course, not everyone will ultimately receive the minimum wage—some will get higher raises. However, it remains alarming that the minimum wage is set at a level where over a quarter of Poles working under employment contracts currently earn below the minimum wage for 2024.

Such a clear flattening of wage structure is harmful to many groups. Those who earn slightly better—individuals with higher than basic qualifications—lose, as their earnings are equalized with those of workers without any qualifications. Flattening wages also diminishes incentives for development and increasing productivity. Entrepreneurs lose, as the rising costs of maintaining the least qualified workers mean fewer opportunities to seek more highly qualified employees. Consumers also lose on growing prices due to dynamically increasing costs.

Above all, it is crucial to remember that an excessively high minimum wage impacts the poorest and least skilled workers. Ultimately, their work may prove to be not worth the legally established price. An excessively high minimum wage can create incentives for increased automation and a reduction in the number of jobs. According to microeconomic theory, setting a minimum price above the market price leads to a surplus of supply over demand. In the case of labor, this means that there may be many willing to work for a high wage, but not necessarily there will be employers willing to buy the services they offer. While we do not have all the data and cannot determine the exact equilibrium price, such rapid increase in the minimum wage in relation to the average or median could lead to a relative increase in unemployment. Even if other market factors lead to further employment growth, it does not mean that raising the minimum wage has not harmed workers with the weakest negotiating position.

Flattened wages and an inflated minimum wage are also significant obstacles for young people just starting their careers. In this situation, employers may find it less profitable to hire inexperienced individuals if they must pay an equally experienced worker the same or only slightly more. Beginners in the job market often compete with price. A situation where both beginners and more experienced workers

---

<sup>10</sup> Own calculations based on GUS data.

<sup>11</sup> P. Redmond et al., A Comparative Assessment of Minimum Wage Employment In Europe, Economic & Social Research Institute, April 2021, p. 21.

<sup>12</sup> Kwadrans Polityczny, 30.12.2022, <https://vod.tvp.pl/informacje-i-publicystyka,205/kwadrans-polityczny-odcinki,274096/odcinek-1570,S01E1570,385059>; Demagog, Ilu Polaków zarabia minimalną pensję?, <https://demagog.org.pl/wypowiedzi/ilu-polakow-zarabia-minimalna-pensje/>.



Those differences become even more apparent when dividing regions into counties. In the past year, among the highest-earning counties, we find primarily large cities and regions strongly linked to mining—leading top four are Lubin, Jastrzębie-Zdrój, Warsaw, and Bełchatów. According to projected wages at the end of 2023<sup>14</sup>, there will be only 19 counties and cities (5%<sup>15</sup>), where earnings will exceed PLN 8,492 gross, which is twice the proposed minimum wage for the next year. On the contrary, there will be 69 counties (18%) where earnings will be lower than PLN 6,066 gross, meaning that the minimum wage in these counties will constitute at least 70% of the average wage. In the poorest Kępno county (Wielkopolskie Voivodeship), this will be approximately 82% of the average wage, implying that the minimum wage will likely be at a similar level as the median—according to GUS data, the median salary often hovers around 80–82% of the average. For comparison: in Lubin, the minimum wage will represent around 33% of the average wage, and in Warsaw, 43%.

Perhaps a good alternative would be to set the minimum wage at the level of voivodeships or even counties. The Civil Development Forum proposed such solution already 10 years ago<sup>16</sup>. An identical minimum wage for a 38-million country where earnings and living costs vary significantly depending on the location is harmful and primarily impacts the poorest regions. This leads to even greater wage flattening in these regions, and entrepreneurs may not be able to afford salary increases. This could contribute to the expansion of the informal economy or lead to a decline in employment, which in the long term will further impact the prosperity of such region.

### Costs for businesses

According to the forecasts of the Council of Ministers, the increase in the minimum wage will cost employers over PLN 35 billion. A raise of PLN 642 gross per month will result in a net increase of PLN 438 for the employee. However, for the employer, this means an additional cost of PLN 774 per month. Over the year, including the mid-year increase in the minimum wage, the raise of nearly PLN 5.5 thousand for the employee translates to a cost of almost PLN 10 thousand for the employer. Thus, the employee will receive only about 56% of the additionally spent amount by the employer. This will significantly increase the costs of doing business and may also be an inflationary factor—rising costs may be reflected in prices.

Rising costs of business—resulting from both inflation and dynamically increasing minimum wages—may lead to the expansion of the informal economy. Hiring workers without contracts or officially part-time can noticeably reduce these costs, and in some places in Poland, employees may not have sufficient negotiating power to resist such conditions, and often it may be beneficial for them as well. The growing share of the informal economy in Poland is also noted by the State Labor Inspectorate in its report for 2022. The Labor Inspectorate observes a disproportionate increase in detected infringements and acknowledges that factors such as rising labor costs, inflation, and economic and geopolitical situations

---

<sup>14</sup> Own analysis based on data from GUS and the Multi Year State Financial Plan.

<sup>15</sup> 5.8% of the population lives in them.

<sup>16</sup> K. Cyrbus, A. Czepiel, K. Kartus, Jednakowa stawka płacy minimalnej hamuje rozwój polskich województw, Analiza FOR 6/2013, April 26, 2013, <https://for.org.pl/pl/a/2590,Analiza-62013-Jednakowa-stawka-placy-minimalnej-hamuje-rozwoj-polskich-wojewodztw>.

could have influenced this situation<sup>17</sup>. The growth of the informal economy is already a fact, and further dynamic increases in the minimum wage may only deepen this trend.

### Political maneuver

Such substantial increase of the minimum wage is purely political, intended to yield specific propaganda and election effects. The determination of an optimal minimum wage (if such exists) should take place at the regional level and in relation to other factors (such as median or average wages) rather than being the result of arbitrary decisions by the central government. During consultations on next year's minimum wage proposal, the OPZZ alliance of trade unions argued that the average minimum wage in 2024 should not be lower than PLN 4,420<sup>18</sup>. This is justified by the statutory goal of achieving a minimum wage at 50% of the average salary<sup>19</sup>. Regardless of the validity of such threshold, it is worth questioning the basis for the Alliance's stance, given that it apparently assumes that the average salary will be nearly PLN 9,000 gross next year—over PLN 1,000 more than government estimates. Especially since the representative of the Alliance, while presenting their position, acknowledged wage flattening as one of the major problems<sup>20</sup>, which did not prevent them from demanding an increase in the minimum wage to almost 57% of the forecasted average salary.

For both the government and trade unions, introducing or "winning" a high minimum wage is media-friendly and is supposed to show concern for the weakest workers, even if it is not in their own best interest and is, in fact, harmful to them. Probably for similar reasons, the New Left party proposes in its program to set the minimum wage at 66% of the average wage from the previous year, and also, instead of the regionalization we propose, to introduce a minimum wage at the EU level<sup>21</sup>. The first of these ideas would result in a minimum wage of about 60-62% of the average wage in a given year.

Already in 2019, Jarosław Kaczyński promised to raise the minimum wage to at least PLN 4,000 by the end of the current parliamentary term<sup>22</sup>. Fulfilling this promise clearly shows that the minimum wage is primarily a political tool, not an economic one. For the government, this is also beneficial because the increase in the minimum wage ensures additional budget revenues financed by entrepreneurs. It is, therefore, another form of hidden taxation.

Given the increasing share of people earning the minimum wage among workers, the flattening of the wage structure, regional wage differences in Poland, and the fact that minimum and maximum prices do not make economic sense and do not protect the poorest in any way (actually, they harm them), it must be stated that the increase in the minimum wage by over PLN 700 (about 20% YoY) does not seem

---

<sup>17</sup> Państwowa Inspekcja Pracy, Sprawozdanie z działalności Państwowej Inspekcji Pracy w 2022 roku, Warsaw 2023, p. 165–166.

<sup>18</sup> T. Jurczak, Podwyżka płacy minimalnej 2024. Tyle zapłacą za nią firmy, Dziennik Gazeta Prawna, <https://praca.gazetaprawna.pl/artykuly/8770502,podwyzka-placy-minimalnej-2024-tyle-zaplaca-za-nia-firmy.html>.

<sup>19</sup> Rada Dialogu Społecznego, Protokół z posiedzenia plenarnego Rady Dialogu Społecznego z dnia 10 lipca 2023 r., p. 9.

<sup>20</sup> Ibid., p. 10.

<sup>21</sup> Program Wyborczy KW Nowa Lewica, 2023, p. 5.

<sup>22</sup> P. Skrzat, Wynagrodzenie minimalne. Kaczyński obiecuje 4 tys. zł. Ekspert: przedsiębiorcy odbiją sobie w cenach, money.pl, <https://www.money.pl/gospodarka/wynagrodzenie-minimalne-kaczynski-obiecuje-4-tys-zl-ekspert-przedsiębiorcy-odbija-sobie-w-cenach-6421952034867329a.html>.

either necessary or justified. If the government wanted to only offset inflation for the lowest earners (which according to the latest NBP projection is 11.9%), the minimum wage for 2024 should not exceed PLN 4,000, and in its calculation, only the last two quarters should be considered, as we already had a mid-year increase. Setting the minimum wage at PLN 4,242 and then PLN 4,300 gross should therefore be treated as a purely political move.



## Civil Development Forum (FOR)

FOR was founded in 2007 by prof. Leszek Balcerowicz in order to effectively protect freedom and promote truth and common sense in the public discourse.

Our goal is to change the awareness of Polish people and existing and planned law in direction of freedom.

FOR achieves its goals by organizing debates, publishing reports and studies on important socio-economic topics, in particular: the state of public finances, the situation on the labor market, economic freedom, the judicial system and the creation of law. On the initiative of FOR, a public debt counter was launched in the Warsaw city center and on the Internet, it draws attention to the problem of the growing state debt. FOR's activities also include economic education projects and participation in campaigns to increase voter turnout.

## Support us!

Common sense and a liberal point of view will not defend themselves. They need planned, strenuous, effective effort and your support. If you hold dear the social order that respects freedom and you are concerned about unwise decisions of politicians pretending to be Santa Claus at your expense, support our activities financially.

Send a transfer to the FOR's account (in PLN): 68 1090 1883 0000 0001 0689 0629

For donations, please contact:

Kinga Królik, member of the board, FOR administrative and financial manager

tel. 691 908 904

e-mail: [kinga.krolik@for.org.pl](mailto:kinga.krolik@for.org.pl)

Help us protect our freedom today – Support us.

## CONTACT TO THE AUTHOR



### Gabriel Hawryluk

FOR economic analyst

e-mail: [gabriel.hawryluk@for.org.pl](mailto:gabriel.hawryluk@for.org.pl)

Fundacja Forum Obywatelskiego Rozwoju – FOR

ul. Ignacego Krasickiego 9A

02-628 Warszawa

tel. 22 628 85 11

e-mail: [info@for.org.pl](mailto:info@for.org.pl)

[www.for.org.pl](http://www.for.org.pl)