

Abstract

SME Test regarding the minimum wage for 2019

Regulation of the Slovak Government, by which the sum of the minimum wage for 2019 is set forth, has been submitted upon Section 2 (1) of Act No. 663/2007 Coll. on Minimum Wage as amended (hereinafter referred to as Proposal) with its effective date on 01/01/2019; upon preliminary information, its aim is to:

1. increase the monthly minimum wage from the current sum of € 480 to € 520

Under Section 8 (2) of Act on Minimum Wage, the sum of monthly minimum wage for the next calendar year shall be defined as product of the applicable monthly minimum wage and the index of the year-to-year average monthly nominal wage of employees in the Slovak economy published by the Statistical Office of the Slovak Republic for the calendar year preceding the calendar year, the proposal for revising the sum of the minimum wage is submitted in. In accordance with the data of the Statistical Office of the Slovak Republic, the year-to-year index of the minimum wage increase for 2017 was 104.6 %. However, under Section 8 (3) of Act on Minimum Wage, the final sum of the minimum wage will be decided by the Slovak Government taking into account standpoints of social partners, development of criteria for revision of the sum of the minimum wage under Section 6 of Act on Minimum Wage, development of the share of the net minimum wage on the net average wage for at least two previous calendar years, and development of work productivity.

One of the alternatives proposed by the Better Regulation Center to be applied with the amendment effective from 1 January of the next year was **to partially relieve the minimum wage of compulsory contributions to the state budget**, for example by means of an appropriately chosen tax allowance and/or deductible item for health insurance. Another alternative proposed by the Better Regulation Center is to change **the way of adopting the new sum of the minimum wage by a more exact and stricter arrangement** of the form of achieving compromise between the government and social partners, e.g. voting the rules of which will take into account the fact that representatives of employees are always of the same opinion as the government preferring maximum increase of the minimum wage. If absolute majority of votes is not achieved, the minimum wage will be increased upon the formula as defined by the law.

Based on the data provided by the Slovak Ministry of Labour, **the increase of the minimum wage by € 40 representing circa 8% will affect almost 29,000 trade licence holders and more than 15,000 companies. The increase of yearly personnel costs of micro, small, and medium-sized enterprises will represent circa € 51.1 million** and such increase will be caused not only by **the increase of costs for gross wages by circa € 37.8 million**, but also by **levies to insurance funds paid by employers with the resulting costs of circa € 13.3 million**. At the same time, it is not the final increase of personnel costs for entrepreneurs, since the aforementioned increase of yearly personnel costs of micro, small, and medium-sized enterprises does not include increased personnel costs for the employees, who are not paid minimum wages, indeed, but their work is evaluated in accordance with higher degrees of work difficulty in compliance with minimum wage claims.

Holiday vouchers starting with as many as one employee, 10 most important changes bringing entrepreneurs savings from 2019, 10 most important changes increasing entrepreneurs' costs from 2019, How will micro, small, and medium-sized enterprises be influenced by the new sum of the minimum wage?, European Enterprise Promotion Award EEPA, Minimum wage from 1 January 2019, Compromise with the social package – relief of taxes and levies.