

Abstract

SME Test regarding the minimum wage for 2020

Regulation of the Slovak Government, by which the sum of the minimum wage for 2020 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 1 January 2020; upon preliminary information, its aim is to:

1. increase the monthly minimum wage from the current sum of € 520 to € 580

Under Section 8 (2) of Act on Minimum Wage, the sum of the 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 2018 was 106.2%. 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 part of the tax base 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 € 60** representing circa 11% **will affect almost 28,000 trade licence holders and more than 27,000 companies. The increase of yearly personnel costs of micro, small, and medium-sized enterprises** will represent **circa € 101.75 million** and such increase will be caused not only by **the increase of costs for gross wages by circa € 75.5 million**, but also by **levies to insurance funds paid by employers with the resulting costs of circa € 26 million**. At the same time, it is not the final increase of personnel costs for entrepreneurs, since extra pays for works performed in the night and in the weekends are derived from the sum of the minimum wage too.