

## **Description for the general public**

The aim of the project is to analyse the impact of changes in minimum wage in Poland on changes in employment, wages and prices in regional labour markets in the last years.

The annual changes in minimum wage level in Poland raise the discussion both among employers' and employee' organisations as well as among economists. On the one hand, minimum wage aims to ensure fair remuneration for the workers and reduction of in-the-job poverty. On the other hand, the increases in the minimum wage and thus in labour costs raise concerns about possible employment reductions and decrease in firms' competitiveness. The minimum wage in Poland covers all workers in all regions, sectors and occupations.

Changes in minimum wage level affect mainly workers with relatively low professional qualifications and low labour market experience. Uneven distribution of workers with these characteristics across regions may result in the differences in the impact of minimum wage changes in regional labour markets. Due to asymmetric distribution of low-paid workers across occupations, industries and sectors, the structure of employers and the size of enterprises will also be important for the flexibility of employment, wages and prices: for small and medium-sized firms, the cost of wage adjustment is higher. According to the literature the degree of competition between employers in the local market is also an important factor affecting the adjustment processes.

In the project the authors wish to answer two important questions: How the regional labour markets in Poland have reacted to changes in national minimum wage? Which factors are responsible for the existing differences in elasticity: the differences in individuals' characteristics by regions, the differences in employers' characteristics or the degree of competition on local labour markets? The research in the project will be carried out on both individual and regional data. The authors will use individual data from the Structure of Wages and Salaries by Occupations database provided by the Central Statistical Office of Poland (CSO) every two years as well as on data published by CSO at the regional level (across voivodships and, wherever possible, at the districts level). The research will cover the period of 2006-2016 in the case of individual data and the period of 2002-2016 in the case of regional data.

In the literature, the number of studies on the impact of the minimum wage on employment / unemployment and salaries is enormous. In recent years, the analyses of regional asymmetries in adjustments to minimum wage changes have become increasingly important. Apart from number of analyses for the USA or Canada, the countries where minimum wages are regionally diversified, the impact of a uniform national minimum wage on regional labour markers has been examined for example in Germany. The results of these studies indicate that low and often insignificant impact of minimum wage changes on employment at the national level is often due to strong internal differences of economic variables across regions.

Poland is a country with relatively high regional differences, the hitherto results of the authors' analyses indicate that changes in minimum wage asymmetrically affected employment and unemployment across Polish regions: negative effects were observed in less developed regions of Poland. The literature underlines that big differences between regions are not optimal from the national point of view as they may accelerate inflation and decrease the economic growth rate in the country. The authors will try to find out how important are the differences across regions in the analysed research area and what are the possible consequences for further economic development of Poland. Spatial interactions between variables will be included in the modelling strategy: the results for other countries confirm their significance for the estimated elasticity. To the best of authors' knowledge there is no research on minimum wage impact in Poland with spatial correlations included.