

## **Corporate reactions to the raise of the minimum wage and the guaranteed minimum wage**

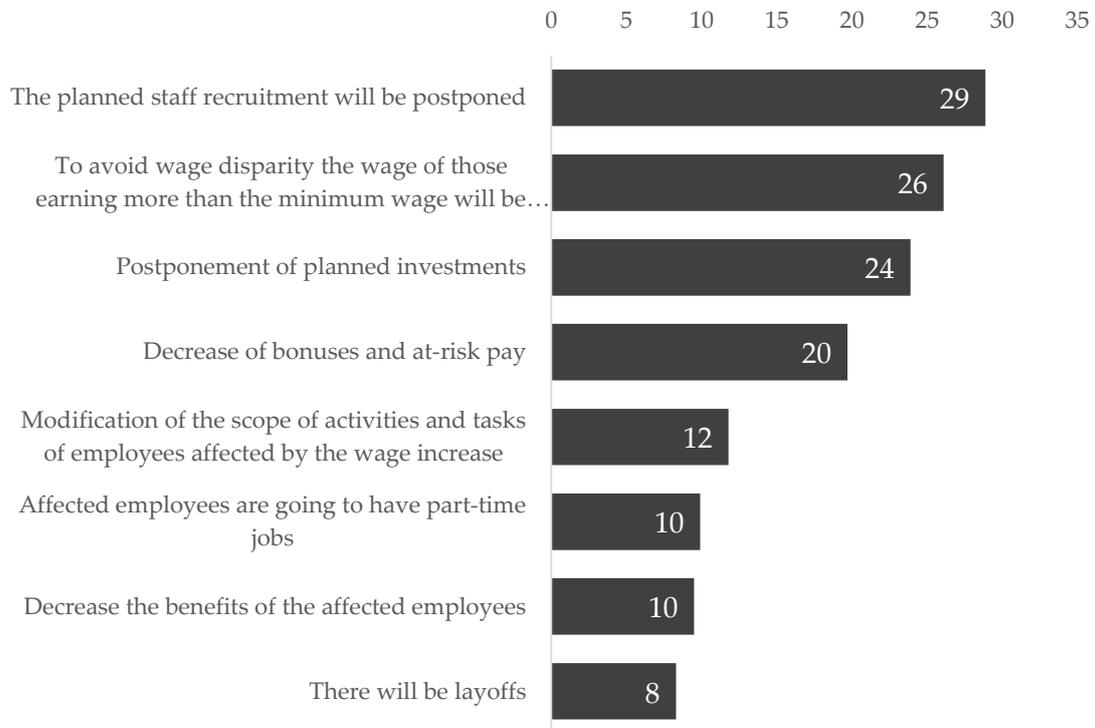
This brief analysis is to study what steps national corporations have already taken or they plan to take in 2017 concerning minimum wage raise and the increased guaranteed minimum wage for the skilled workforce in 2017. In the analysis eight taken or due steps in 2017 will be examined: (1) to avoid wage disparity those earning beyond the level of minimum wage will have a wage increase; (2) planned staff recruitment will be cancelled; (3) there will be layoffs; (4) planned investments will be postponed; (5) the scope of activity and tasks of those employees affected by the wage increase will be modified; (6) the affected employees' employment will become part-time employment; (7) the benefits of the affected employees will be cut; (8) variable pay/at-risk pay will be decreased (bonuses, on-target earnings).

This study used the research conducted in April 2017 on corporate prosperity by HCCI (Hungarian Chamber of Commerce and Industry) IEER (Institute for Economic and Enterprise Research); during this research more than 3200 corporate leaders provided answers to the research questionnaire.

According to the findings the most frequent corporate reaction to the January 2017 increase of minimum wage and of the guaranteed minimum wage for the skilled workforce was the postponement of planned staff recruitment; this option was chosen by nearly 29% of the respondents. The second most widely chosen option was to increase the wages of those earning more than the minimum wage (to prevent wage disparity); approximately one quarter (26%) of the respondents mentioned this.

The postponement of planned investment was mentioned also by nearly one quarter (24%) of the interviewed corporations. The decrease of at-risk pay is planned or has already been accomplished this year by one in five companies. Approximately one in ten companies changes or plans to change the scope of activity, tasks of the affected employees, and will employ them in part-time jobs, and will reduce their benefits or will make some employees redundant.

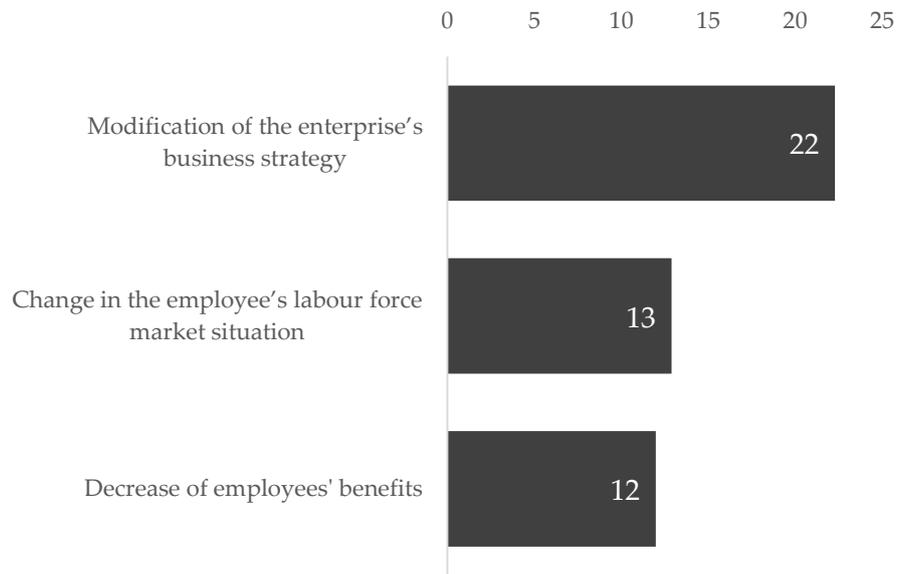
**Figure 1.: The rate of those enterprises where the aforementioned steps have already been taken/will be taken as a result of the increase of minimum wage and that of the guaranteed minimum wage in 2017, percentage**



Source: IEER 2017

Results demonstrate that due to the wage increase about one in five companies (22%) modify their business strategy: they postpone the earlier planned investments or planned staff recruitment. 13% of the enterprises plans to modify employment conditions: these companies have already taken or will take the following steps: layoffs, modification of scope of activities and tasks, or moving people affected by the wage increase from full-time to part-time jobs. The rate of those enterprises that choose to cut the benefits and the at-risk pay of the employees affected by the wage increase is above 10%.

**Figure 2.: The rate of those enterprises where the aforementioned steps have already been taken/will be taken as a result of the increase of minimum wage and that of the guaranteed minimum wage in 2017, percentage**



Sources: IEER 2017

The study of corporate background characteristics demonstrates that the aforementioned reactions are mostly common with micro-enterprises owned solely by Hungarian citizens, and these enterprises operate in the field of economic services, and they do not have any export activity.

**Table 1.: The rate of those enterprises where the abovementioned steps have already been taken/will be taken as a result of the increase of minimum wage and that of the guaranteed minimum wage in 2017, according to headcount category, percentage**

	x-9 emplo- yees	10-49 emplo- yees	50-249 emplo- yees	250-x emplo- yees
To avoid wage disparity the wage of those earning more than the minimum wage will also be raised	27	15	93	98
The planned staff recruitment will be postponed	45	9	2	1
There will be layoffs	13	2	1	0
Postponement of planned investments	38	7	1	0
Modification of the scope of activities and tasks of employees affected by the wage increase	13	4	46	0
Affected employees are going to have part-time jobs	20	2	1	0
Decrease the benefits of the affected employees	16	4	1	1
Decrease of at-risk pay	35	5	1	1

Source: IEER 2017