

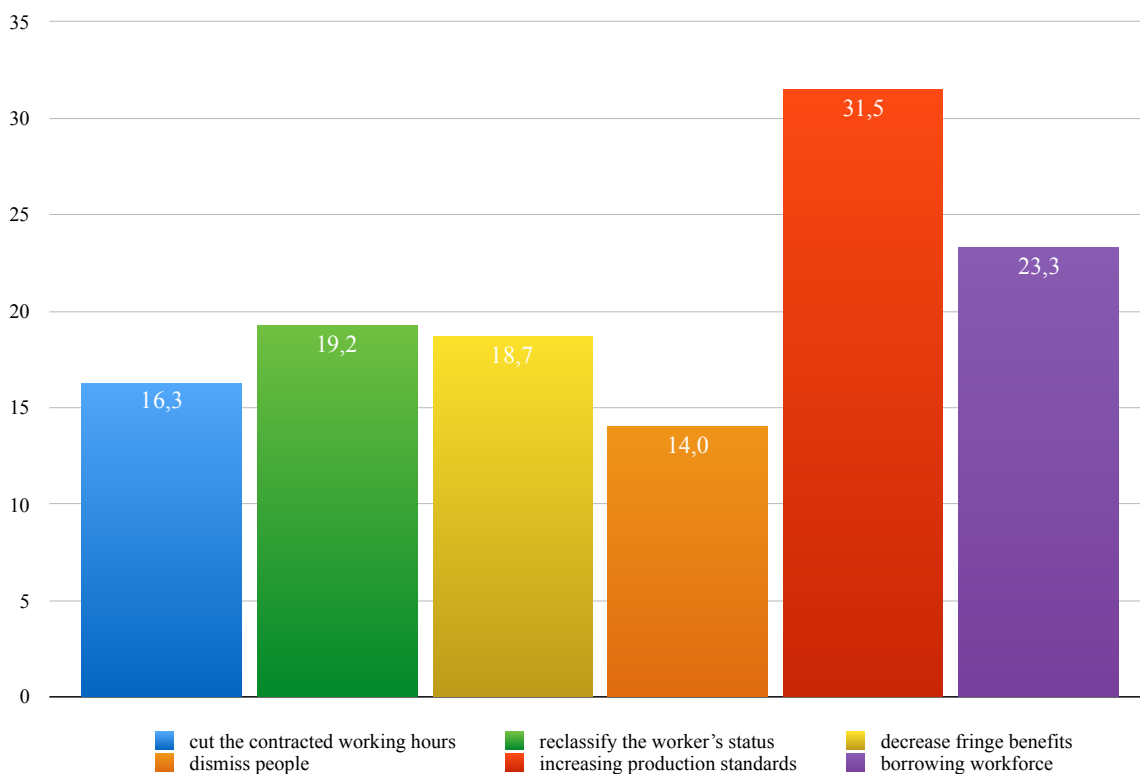


## 'Miraculously disappears' – How do the Hungarian SMEs diminish the rising cost caused by compulsory minimum wage increase?

It is said that “a magician never unveils its secret” but it turned out just the opposite in the February company survey conducted by GKI. **Companies even disclosed how they evade the obvious cost increase due to the increase in the minimum wage.** Important to note that Hungarian owned SMEs and large companies are overrepresented in the sample of companies with over 5 employees (931 answers) and foreign owned companies are less represented.

According to the company average, the most 'popular' solution to moderate the cost increase is by **raising the required productivity standards.** **Almost every third company** has grown its standards. This is not surprising, because it is the simplest way for maintaining the total working time (thus total output) of workers, while employers also comply with the law. In addition to this, **a quarter of the companies eased the burden by using temporary agency workers.** Furthermore, 14-19 per cent of the companies have cut the length of the contracted working hours (increasing the number of employees in the grey economy), or have reclassified the status of their employees, cut fringe benefits or dismissed people.

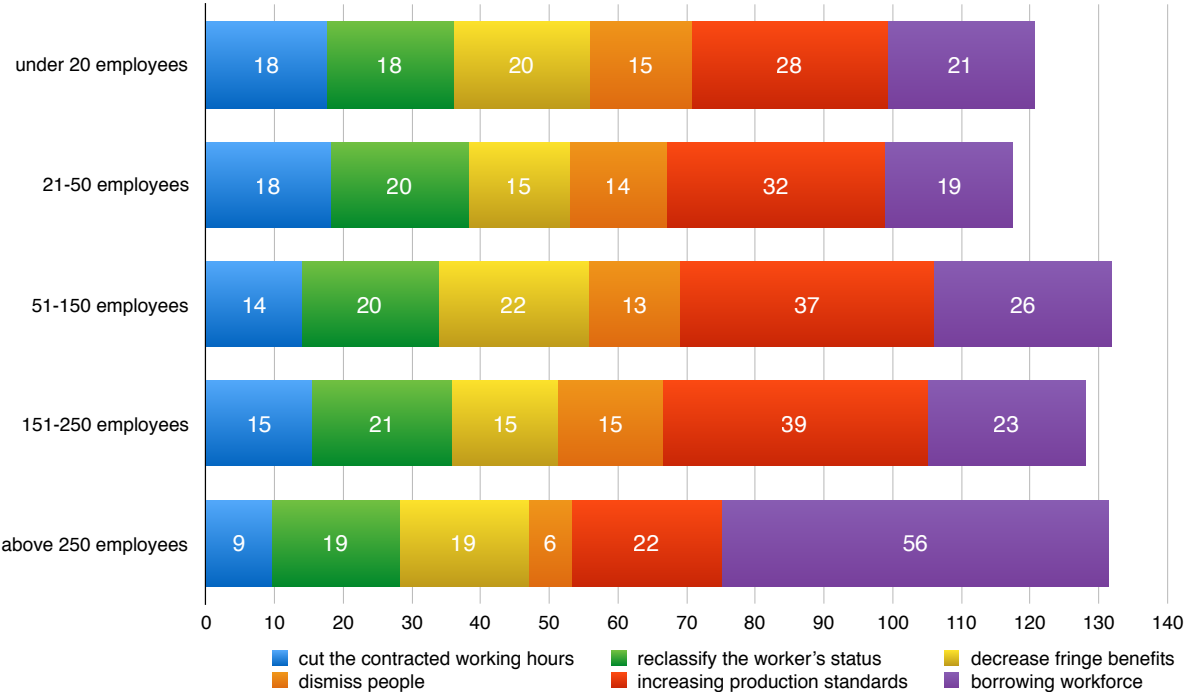
**Company measures countering cost increase caused by compulsory wage hikes  
(%, February 2017)**



Source: GKI

The company size breakdown clearly shows that most of the companies use several countermeasures at the same time. **Companies with less than 250 employees ‘prefer’ increasing productivity standards**, with an occurrence of 28-39 per cent, which is increasing with the size. **Large companies, above this threshold, mostly opt for temporary agency workers (56 per cent)**, which save them administration costs concerning the employees etc. **Dismissing and cutting the contracted hours of working features large companies the less.** Cutting on fringe benefits and reclassifying the status of employees are measures used independently from company size.

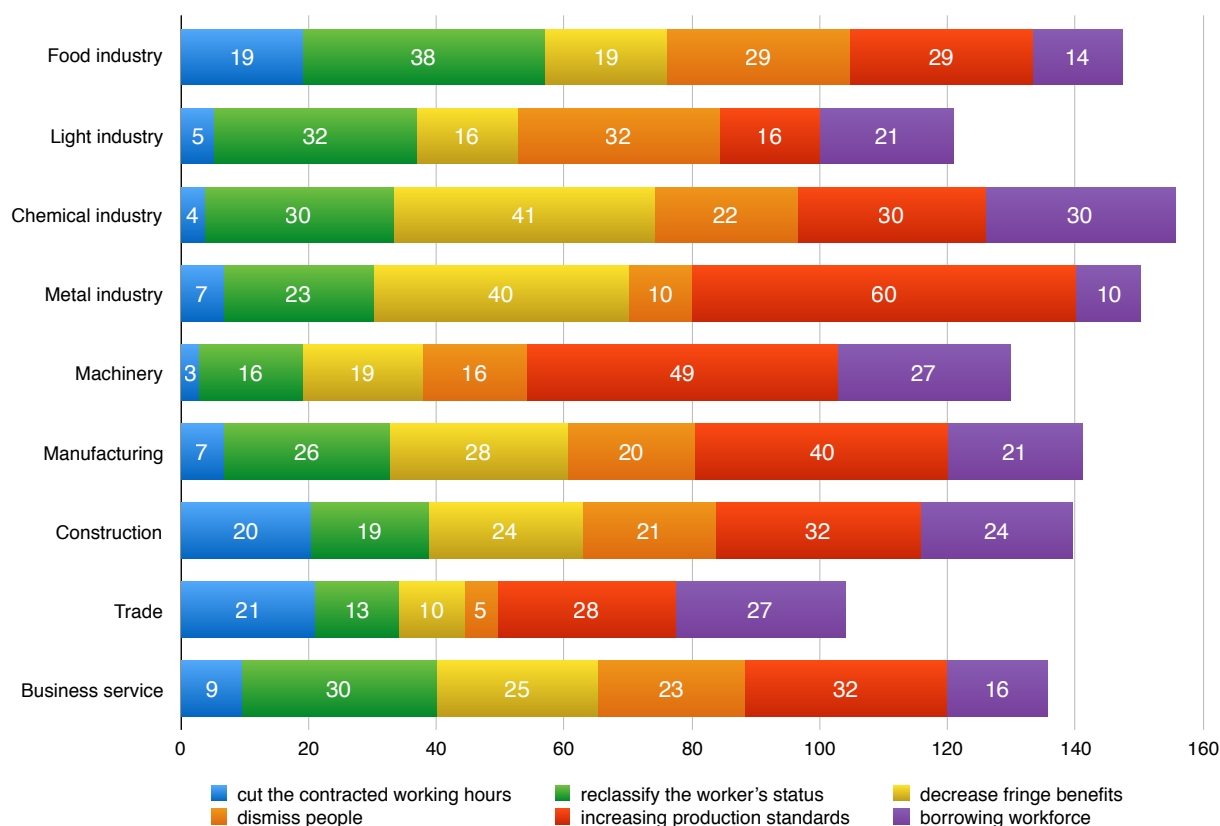
**Company measures countering cost increase caused by compulsory wage hikes by company size (% , February 2017)**



Source: GKI

Some sectors show clear preference for a selected measure. **Increased productivity standards** were observed with high frequency in machinery and metal industries and in manufacturing (60 per cent, 49 per cent and 40 per cent respectively), while this measure was unpopular in the food, light and chemical industries and in retail. Using **temporary agency workers** had a frequency of 27-30 per cent in machinery, in chemical industry and in trade. **Dismissals** occurred over average in the light and food industries (32-29 per cent). **Cutting on fringe benefits** was popular in the metal and chemical industries (40-41 per cent). **Reclassifying the status of employees** was most observed in the food industry (38 per cent) but it was also popular in the light and chemical industries and among business service providers (30-32 per cent). The occurrence of **cutting the amount of contracted working hours** was above average in the food industry, construction and retail.

### Company measures countering cost increase caused by compulsory wage hikes by sectors (% , February 2017)



Source: GKI

It is clear, that companies are using several measures at the same time to tackle the sock caused by the minimum wage increase. Fortunately, **dismissals are the least frequent techniques**, concerning the 1.7 percentage of their total labour force. That is other measures preferred to layoffs. Responding companies followed the goal not to exceed the previously planned wage increase scheduled for this year, and preserve financial resources for those employees, who are making more than the minimal wage. An additional important consequence, that new employees are more likely to join as borrowed workforce.

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