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CONSEQUENCES OF RAISING THE MINIMUM WAGE IN UKRAINE

According to Article 1 of the Law of Ukraine "On Remuneration of Labor", wages are remuneration, calculated, as a rule, in monetary terms, which under the employment contract the employer pays the employee for the work performed by him.

According to Article 3 of the Law of Ukraine "On Remuneration of Labor", the minimum wage is the statutory minimum wage for the employee's monthly (hourly) rate of work and is a state social guarantee, mandatory throughout Ukraine for enterprises of all forms of ownership. and management and individuals who use the labor of employees, under any system of remuneration. It is installed simultaneously in monthly and hourly sizes.

The minimum hourly wage is applied at enterprises of all forms of ownership, as well as persons-entrepreneurs who use hired labor, if they set an hourly wage using standardized tasks and taking into account the actual working hours.

Today the minimum wage is UAH 6,000 (monthly) and UAH 36.11 per hour. From December 1, 2021, it is planned to increase the amount of monthly and hourly wages to UAH 6,500 and UAH 39.12, respectively.

As financial expert Vasyl Matiy explained, the basis for raising the minimum wage is to increase labor efficiency, which in turn is a sign of GDP growth. But there is a very important factor which, unfortunately, must always be taken into account. It is a coronavirus that causes significant losses in business and thus significantly reduces GDP.

"A sharp increase in the minimum wage without GDP growth, that is, without productivity growth, will lead to inflation," said expert Vasyl Matiy.

The Ministry of Finance emphasizes that raising the minimum wage stimulates the growth of consumer demand, provides de-shadowing of "gray" wages. This will increase the budget revenues of the Pension Fund, strengthen the stability of the budget and pension system, as well as improve the protection of labor and social rights of citizens.

At the same time, expert Vasyl Matiy believes that the secondary consequences of the increase will put pressure on the budget. In particular, inflation will lead to the indexation of pensions. And since the Pension Fund is in short supply, it will need to be replenished with public funds.

MP Danylo Hetmantsev emphasizes that the salary increase may lead to the shadowing of the economy, because people will be transferred to 0.5 rates. The optimal amount for a salary increase is UAH 6,000, not UAH 6,500.

Expert Vasyl Matiy adds to the shadowing of the economy another consequence of raising the minimum wage. It is inflation that leads to rising prices and the devaluation of money. Therefore, wage increases may be partially offset by inflation.

Another negative consequence is the increase in pressure on enterprises.

Vasyl Matiy notes that a significant number of companies that planned capital investments in 2021 will probably not be able to do so, because a lot of money will go to staff maintenance. Therefore, it will not be possible to invest, that is, increase production intensity.

Lastly, many taxes and fees are tied to the minimum wage. Its increase will increase the single social contribution for individual entrepreneurs, real estate tax, car parking fee, transport tax, tourist tax, etc. So perhaps a small part of the population will feel better, but most will see that their spending has risen in addition to inflation.

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