

Effects of the pandemic on employees' wages in the Slovak Republic

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Abstract. The present paper analyzes the effects of the COVID-19 pandemic on the labor market in terms of the impact on employees' wages. The labor market is one of the segments that has suffered the most from the pandemic. The year-on-year changes in the wage growth rate that can be analyzed clearly show how significantly the development of the Slovak economy has been slowed down. The pandemic ended several good times, when the world's economies prospered above average and pointed out weaknesses. Residents were not prepared for a decline or loss of their income. This paper will analyze the indicators of wages of employees in Slovakia and their year-on-year development.

Keywords: COVID-19, Labour Market, Wages

JEL classification: J30, J31, J33

1 Introduction

The COVID-19 pandemic has been affecting our lives for a year and a half. Its effects can be monitored in many areas. The most important area is, of course, the health of the population, because the most dangerous weapon of this virus is the victims of human lives. From an economic point of view, the effects of the pandemic can be monitored, especially in the labor market, which is undergoing significant changes. The pandemic itself ended many years of carefree economic growth. It has hit us unprepared and has caused devastating changes in many areas of the national economy. An example is the tourism and gastronomy sector, which has suffered significantly due to pandemic restrictions. Employers stopped hiring new employees and some decided to lay off. Seasonal employees who worked for their contractors by agreement were affected the most. Thus, from an economic point of view, the pandemic affected the income area of the population the most. Some had to ask for a deferral of their loan repayments, others had to spend their several annual savings. The longer the period since the outbreak of the pandemic, the more relevant the data analyzed on the effects of the pandemic and show us the consequences of this crisis. When analyzing the wage area, it is necessary

to consider that in the national economy, labor income is a decisive source of livelihood for most households. Author Rievajová (2016) describes the importance of wages as follows: In the national economy, labor incomes are a crucial source of livelihood and social security for most households.¹ In this article, the author discusses the impact of the COVID-19 pandemic in terms of its impact on employees' wages.

1.1 Methodology

For the purposes of the presented paper, the author processed a set of data on the development of wage earnings in the Slovak Republic in the period 2018 – 2021 (1st quartal) - ISCP² Labor Price Information System 1-04. Statistics from the ISCP information system are based on the widest set of respondents, data are obtained directly from employers in the form of electronic collection and are therefore the most representative and objective statistical basis for analyzing wage differentiation and employment developments in the labor market, especially in terms of job structure.

For the purposes of the analysis, the author processed the above statistical data and evaluated them in the following structure:

1. Annual comparison of the development of the monthly wage in the Slovak Republic (comparison of data on the development of the average gross monthly wage and the median for the period 1Q 2018, 1Q 2019, 1Q 2020 and 1Q 2021). Wage development recorded as "Year-on-year difference in the average monthly wage"
2. Annual comparison of the development of the "Benefits and bonuses" wage component as part of the average gross monthly wage (evaluation of the percentage share of this wage component in the total wage to point out the declining share as a result of a pandemic)
3. Annual comparison of the development of the average gross monthly wage in the Slovak Republic divided into regions (the aim is to evaluate the percentage change in the amount of wage for the pandemic period). Comparison period: 1Q 2021 vs. 1Q 2020.
4. Annual comparison of the development of the average gross monthly wage by industry of the SK NACE Rev. 2 (The statistical classification of economic activities is intended to categorize data that relate to an economic entity as a statistical unit.)³
5. Analysis of the year-on-year change within the average gross monthly wage of individual employment subgroups (comparison of employment groups with the highest decrease in wages and the highest increase in wages for the period 1Q 2021 vs. 1Q 2020).

¹RIEVAJOVÁ, Eva, Eva PONGRÁCZOVÁ a Roman KLIMKO. Trh práce a politika zamestnanosti. 2. preprac. vyd. Bratislava: Vydavateľstvo EKONÓM, 2016. [16,57 AH]. ISBN 978-80-225-4356-9, s. 123.

² ISCP – Informačný systém o cene práce (in Slovak)

³ STATISTICAL CLASSIFICATION OF ECONOMIC ACTIVITIES SK NACE Rev. 2; Available at: https://www.slov-lex.sk/pravne-predpisy/SK/ZZ/2007/306/vyhlasene_znenie.html

2 Development and changes in the labor market in terms of wages of employees

2.1 Year-on-year changes in employees' wages

The effects of the COVID-19 pandemic can be traced from several areas. One of them is the area of remuneration and wages. The year-on-year comparison of the gross average monthly wage provides an accurate picture of how the pandemic affected employees' wages. The Slovak Republic has experienced very good times in recent years, which have been reflected in a declining unemployment rate at a record level, a rapidly growing increase in average wages in all sectors and a shortage of skilled labor. The Table 1 shows that until the pandemic period, the increase in the average monthly wage was at the level of about 6 to 7 %, which in real terms represents a difference of about 80 EUR. The median monthly gross wage expresses the division of the working population into two exact halves. Thus, it can be argued that 50 % of the working population of the Slovak Republic earned in the first quarter of 2021 an average gross monthly wage of up to EUR 1,101.82. The remaining half of the working population earns more than this amount per month.

A pandemic has been affecting our lives for more than a year and a half. The longer the period since the outbreak of the pandemic, the more relevant data on the effects of the pandemic will be able to be processed. In this case, the break that occurred after the outbreak of the pandemic could be observed. The year-on-year growth rate of the average gross monthly wage was 4.92 % in the first quarter of 2021, which is a decrease of almost 3 % compared to the years before the pandemic. Although the average gross monthly wages of employees grew, the pace of their growth was not as the Slovaks were used to before the pandemic.

Table 7. Development of the average gross monthly wage and median in the Slovak Republic

	1Q 2018	1Q 2019	1Q 2020	1Q 2021
Median monthly gross wage	903,51 €	977,70 €	1 051,48 €	1 101,82 €
Average gross monthly wage	1 115,25 €	1 187,07 €	1 272,24 €	1 334,79 €
Year-on-year difference in the average monthly wage		106,44 %	107,17 %	104,92 %

Source: Štvrťročný výkaz o cene práce ISCP (MPSVR SR) 1-04, author's processing

An interesting component of the wage structure is "benefits and bonuses", which are a variable component of wages. Their amount is decided by the employee's performance and is often conditioned by a decision of the company's management. In good times, when companies are doing well, it is possible to observe a high share of this component in the total average wage of an employee. An example of this is the Table 2, according to which "benefits and bonuses" accounted for about 10 % of an employee's total gross salary. During the pandemic period, a year-on-year decrease in

this indicator can be observed. Already in the first quarter of 2020, the share of bonuses and rewards decreased to the level of 8,78 %, and this trend continued throughout the year in which the pandemic began.

Table 2. Benefits and bonuses as a share of the average gross monthly wage

	Average gross monthly wage	of this: Benefits and bonuses	Percentage share of benefits and bonuses in the average gross monthly wage
1Q 2021	1 335 EUR	117 EUR	8,73 %
1Q 2020	1 272 EUR	112 EUR	8,78 %
1Q 2019	1 187 EUR	115 EUR	9,68 %
1Q 2018	1 115 EUR	114 EUR	10,26 %

Source: Štvrťročný výkaz o cene práce ISCP (MPSVR SR) 1-04, author's processing

In terms of wage remuneration according to the regional breakdown, an interesting situation can be observed. The Bratislava Region, as the most developed region of the Slovak Republic (it also accounts for the highest wage⁴), has long shown a significantly higher standard of living of the population in terms of their income. However, during a pandemic, the rate of wage growth is highest in the regions with the lowest wage earnings. For comparison, while in the Bratislava region there was an increase in the average wage of employees by 3,20 %, in the Košice region it was more than double this value (year-on-year change 1Q 2021 vs. 1Q 2020). In this respect follow Table 3 below (the annual development of the average gross monthly wage broken down by region of the Slovak republic).

Table 3. Development of the average gross monthly wage by region

	1Q 2021	1Q 2020	1Q 2019	1Q 2018	Difference 1Q 2021 vs. 1Q 2020
Average gross monthly wage	1 335 EUR	1 272 EUR	1 187 EUR	1 115 EUR	4,92 %
Bratislava Region	1 702 EUR	1 650 EUR	1 568 EUR	1 486 EUR	3,20 %
Trnava Region	1 263 EUR	1 196 EUR	1 110 EUR	1 042 EUR	5,58 %
Trenčín Region	1 262 EUR	1 187 EUR	1 105 EUR	1 036 EUR	6,33 %
Nitra Region	1 178 EUR	1 136 EUR	1 045 EUR	977 EUR	3,73 %
Žilina Region	1 251 EUR	1 182 EUR	1 095 EUR	1 020 EUR	5,86 %

⁴ European Commission, Internal Market, Industry, Entrepreneurship and SMEs. Bratislava region. Available at: <https://ec.europa.eu/growth/tools-databases/regional-innovation-monitor/base-profile/bratislava-region>

	1Q 2021	1Q 2020	1Q 2019	1Q 2018	Difference 1Q 2021 vs. 1Q 2020
Banská Bystrica Region	1 170 EUR	1 114 EUR	1 021 EUR	959 EUR	5,03 %
Prešov Region	1 091 EUR	1 026 EUR	949 EUR	879 EUR	6,31 %
Košice Region	1 261 EUR	1 169 EUR	1 102 EUR	1 044 EUR	7,86 %

Source: Štvrťročný výkaz o cene práce ISCP (MPSVR SR) 1-04, author's processing

A comparison of 1Q 2021 and 1Q 2020 (Table 4) shows that changes in remuneration were filled by various selected sectors of the national economy. While in a sector such as Human health and social work activities, the average wage was higher by more than EUR 196 year-on-year compared to the same period in 2020, in the Accommodation and food service activities sector there was almost no increase in wages.

Table 4. Development of the average gross monthly wage according to the classification of industries SK NACE Rev. 2

	1Q 2021	1Q 2020	1Q 2019	1Q 2018	Difference 1Q 2021 vs. 1Q 2020
NACE classification / average gross monthly wage	1 335 EUR	1 272 EUR	1 187 EUR	1 115 EUR	
Q Human health and social work activities	1 505 EUR	1 309 EUR	1 193 EUR	1 085 EUR	196 EUR
N Administrative and support service activities	1 123 EUR	1 016 EUR	967 EUR	959 EUR	107 EUR
F Construction	1 168 EUR	1 076 EUR	1 054 EUR	992 EUR	92 EUR
I Accommodation and food service activities	766 EUR	794 EUR	726 EUR	662 EUR	-29 EUR
D Electricity, gas, steam and air conditioning supply	2 083 EUR	2 125 EUR	1 888 EUR	1 746 EUR	-42 EUR
L Real estate activities	1 184 EUR	1 239 EUR	1 074 EUR	1 077 EUR	-56 EUR

Source: Štvrťročný výkaz o cene práce ISCP (MPSVR SR) 1-04, author's processing

2.2 The most significant effects of the pandemic in terms of sectors of the national economy

The pandemic affected mainly the art world and the gastrosector. Theaters, cinemas, museums, galleries were closed and the ban on gatherings also did not contribute to their development. The year 2020 can therefore be considered one of the worst even for restaurants, bars and hotels that have been closed for many months. In some jobs in these sectors, there was also a year-on-year decline in wages. The average monthly

salary of actors or musicians, singers and composers fell by more than 18 % year-on-year, but dancers and choreographers also got worse by 14%. The salaries of chefs and bartenders fell by an average of 8 %, respectively 5%. The growth of wages of waiters and sommelier slowed from 12 % last year to 0,5 % this year. The coronary crisis also affected employees in higher positions. In the first quarter of this year, managers in accommodation establishments earned on average almost 9 % less than in the same period last year. The above information is given in Table 5.

Table 5. Year-on-year decrease in the average gross monthly wage in selected groups of employment

EMPLOYMENT SUBGROUP	AVERAGE GROSS MONTHLY WAGE 1Q 2021	YEAR-ON-YEAR DECREASE IN AVERAGE GROSS WAGE IN %)
Musicians, singers and composers	1 022 EUR	-18 %
Actors	989 EUR	-18 %
Dancers and choreographers	1 093 EUR	-14 %
Managers (managers) in accommodation facilities	1 535 EUR	-9 %
Bartenders	737 EUR	-8 %
Chefs	825 EUR	-5 %

Source: Štvrtročný výkaz o cene práce ISCP (MPSVR SR) 1-04, author's processing

2.3 Medical workers' wages rose sharply

The opposite development of wages can be observed in health care. High surcharges for medical staff who worked in the front line and in red covid zones were reflected in extreme wage increases. The healthcare sector recorded a year-on-year increase in the average gross monthly wage at the level of 15 %. In the first quarter of this year, the wages of specialists in hygiene, public health and occupational health increased the most. They improved by 48 % year-on-year. Compared to the first quarter of last year, personal health care workers earned almost a third more. Nursing specialists and nurses had an average of 28 %, respectively, on the payroll 23 % more than in the first quarter of last year. As for wages, their growth cannot be complained about even by general practitioners or specialist doctors, who earned an average of 18 % in the first quarter, respectively 10 % more than in the same period last year. The following Table 6 describes the highest wage increases in the pandemic period.

Table 6. Year-on-year increase in the average gross monthly wage in selected groups of employment

EMPLOYMENT SUBGROUP	AVERAGE GROSS MONTHLY WAGE 1Q 2021	YEAR-ON-YEAR INCREASE IN AVERAGE GROSS WAGE IN %
Hygiene, public health and occupational health specialists	1 575 EUR	increase 48 %
Personal health care workers	1 173 EUR	increase 32 %
Nursing specialists	1 788 EUR	increase 28 %
Medical assistants	1 234 EUR	increase 23 %
General practitioners	2 223 EUR	increase 18 %
Doctors specialists	2 571 EUR	increase 10 %

Source: Štvrťročný výkaz o cene práce ISCP (MPSVR SR) 1-04, author's processing

3 Conclusions and policy implications

Based on the data published in this paper, it can be confirmed that the COVID-19 pandemic significantly affected the domestic labor market in the Slovak Republic. The average growth rate of employees' wages has decreased significantly, but significant differences can be observed in terms of the breakdown into sectors of the national economy. There are sectors where a significantly high year-on-year increase in the average wage can be observed. This is particularly the health sector, which can be interpreted as a consequence of the established benefits and bonuses for employees in this sector during a pandemic. On the contrary, the most significant decline in average monthly wages was recorded in sectors such as real estate activities, or in accommodation and food service activities in general, which were mainly affected by government regulations and restrictions. The Spring 2021 Economic Forecast projects that growth rates will continue to vary across the EU, but all Member States should see their economies return to pre-crisis levels by the end of 2022.⁵

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