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## Impact of Labor Costs on Entrepreneurs' Employment Decisions

### Wpływ poziomu kosztów pracy na decyzje przedsiębiorców dotyczące zatrudnienia

#### Summary

Labor costs constitute a crucial component in the cost structure of many economic entities. Therefore, it is extremely important to determine all elements shaping labor costs.

The aim of this article is to identify the components of labor costs and present the level of labor costs in Poland compared to other EU countries. The article also presents the results of research aimed at assessing respondents' knowledge of the main factors influencing labor costs in organizations and to understand the employment plans in the face of rising labor costs.

Both the subject literature and entrepreneurs still point to salaries along with derivatives to be the most important element of labor costs. In Poland, entrepreneurs' influence on this cost component is limited by the statutory introduction of the minimum wage. Despite the recent increasing level of wages and, consequently, labor costs, the majority of entrepreneurs declare the maintenance of employment at the current level. Tools for rationalizing labor costs may be helpful to entrepreneurs, however, the research indicates a lack of knowledge regarding possible solutions as well as limited time and financial resources available.

**KEYWORDS:** labor costs, salaries, non-wage costs, employee benefits

#### Streszczenie

Koszty pracy stanowią w wielu podmiotach gospodarczych najważniejszą pozycję w strukturze ponoszonych kosztów działalności. Dlatego niezwykle istotne jest określenie wszystkich elementów kształtujących koszty pracy.

Celem artykułu jest wskazanie elementów kosztów pracy oraz przedstawienie poziomu kosztów pracy w Polsce na tle krajów unijnych. W artykule przedstawiono także wyniki badań, których celem była ocena wiedzy respondentów w zakresie głównych elementów kształtujących koszty pracy w organizacjach oraz poznanie planów dotyczących wielkości zatrudnienia w obliczu rosnących kosztów pracy.

Zarówno w literaturze przedmiotu, jak i w opinii przedsiębiorców, najważniejszym elementem kosztów pracy pozostają wynagrodzenia wraz z pochodnymi. W Polsce wpływ przedsiębiorców

na ten składnik kosztów pracy jest ograniczony poprzez ustawowe wprowadzenie wynagrodzenia minimalnego. Mimo wzrastającego w ostatnich latach poziomu wynagrodzeń, a co za tym idzie kosztów pracy, przedsiębiorcy w zdecydowanej większości deklarują utrzymanie zatrudnienia na dotychczasowym poziomie. Pomocą dla przedsiębiorców mogłyby być narzędzia racjonalizacji kosztów pracy, jednak z badań wynika, że brakuje wiedzy o możliwych rozwiązaniach oraz czasu i środków finansowych na ich poszukiwanie.

SŁOWA KLUCZOWE: koszty pracy, wynagrodzenia, koszty pozapłacowe, świadczenia

## Introduction

In the face of increasing complexity and variability of business environment, primarily driven by globalization, trade liberalization of goods and services, technological progress, and growing competition, survival and further development pose significant challenges for many enterprises. Among the decisions that companies have to make are those concerning employment level, and consequently, the level of labor costs. Salary constitutes a significant component of labor costs, which, for the entrepreneur, refers to deliberately incurred costs in order to gain revenues and profits. This aspect of remuneration is economic in nature, but some entrepreneurs also perceive salaries from a social perspective because the employee is not the only party interested in the level of wages.

Salaries are not the only costs associated with employing workers. The fundamental difference between labor costs and remuneration is that the former includes all expenses related to maintaining the employee (Szczypta, 2019, p. 82). In Poland, an employer who employs an employee on the basis of an employment contract, bears the highest total labor costs. In this case, the difference between labor costs and remuneration is the greatest among all possible forms of employment. This is influenced by the amount of contributions the employer must pay.

The aim of this article is to present the structure of labor costs and analyze the level of labor cost components. The research methods used in the study are critical literature analysis and the analysis of data on the formation of labor costs in European Union (EU) countries. Numerical data on labor costs in EU countries were obtained from Eurostat (2025) reports. The diagnostic survey method was also used in the research. The aim of the conducted research is to assess the respondents' knowledge regarding the main elements shaping labor costs in organizations and to understand employment plans in the face of rising labor costs. An exploratory questionnaire was sent to economic entities in the Małopolskie Province via email.

## 1. Literature review

Labor costs constitute a complex set of expenditures that an employer incurs in relation to the employment and maintenance of an employee within the enterprise (Kolegowicz, Kulisa, & Nehring, 2004, p. 7). They include both wage and non-wage components. All these elements form the economic foundation of the company's operation, as they influence both the structure of operating costs and the quality of employee relations. The remuneration system, which is a key element of labor costs, allows for the recruitment and retention of good employees (Bloom & Michel, 2002, pp. 33–42; Borkowska, 2006, pp. 120–139). The appropriate level of salaries also influences the shaping of desired employee behaviors, which determine the effectiveness of the entire organization (Jenkins, Mitra, Gupta, & Shaw, 1998, pp. 777–787). The evaluation of such effectiveness should be based on both financial and qualitative indicators (Greene, 2010, pp. 59–66; Scott, Morajda, & McMullen, 2006, pp. 50–59). Defining labor costs is not easy, as there are many diverse approaches to this issue. The theory of wages, as a component of economic theory, has undergone significant changes along with the development of economic thought (Kapela, 2022, pp. 13–28).

The concept of labor costs was first defined in the interwar period in the German economic literature. In 1925, the term was introduced by a German economist Leitner, who claimed that salaries are not the decisive determinant in the economic output. Employers cannot overlook other expenses related to acquiring and utilizing labor resources. Leitner divided labor costs into two categories (Wiktor, 1991, p. 12):

- salaries and employer expenses related to employees,
- additional costs (insurance, training, workwear, as well as bonuses and fringe benefits).

In Poland, the concept of labor costs was first introduced in the 1960s by Halama. According to him, labor costs include all expenses related to worker's employment by a company. Among these expenses, he distinguished not only salaries but also costs related to employee maintenance and indirect benefits (Jacukowicz, 2002, p. 57).

Sudoł identifies the difference between wage costs and labor costs. According to him, labor costs are a different concept and are related to incurring costs not only by employed workers at a given time but also with the future number of employed workers. In Sudoł's approach (1967, pp. 8–10), the classification of labor costs can be presented as follows:

- wages costs,
- social insurance costs,
- payroll tax costs,
- staff training and development costs,
- social and welfare costs,
- employee commuting costs.

In the 1970s, Polish economist Kardaszewski (1970, p. 42) carried out research on employment costs and defined labor costs as expenses incurred by the employer in connection with employees, as well as their families and trainees.

The division of labor costs into two basic and fundamentally distinct groups was made by Wiktor (1991, p. 12). He presented labor costs as an economic category that includes wages and non-wage costs related to the recruitment, retention, and improvement of labor resources.

Miśkiewicz (1976) divided labor costs with respect to the sources of their financing. In her opinion, employment costs can be considered as (Miśkiewicz, 1976, pp. 18–19):

- costs of labor in the strict sense, incurred as part of own costs, including all expenses and expenditures of the enterprise related to the employment of workers,
- costs of labor in the broad sense, which correspond to all labor costs incurred by the employer, taking into account both own costs and those covered by earned profit or subsidies,
- full (social) costs, which include all the above-mentioned enterprise expenditures, as well as those incurred by economic institutions.

Since 1993, the Central Statistical Office (Główny Urząd Statystyczny, GUS) has also included labor costs in its surveys. According to the Central Statistical Office, labor costs consist of the sum of gross wages and other costs borne by the employer, which are related to the recruitment, employment, and maintenance of employees in the workplace, as well as the improvement of workers' skills. Labor costs include the following components according to GUS classifications (GUS, 2021, p. 23):

- personal remuneration,
- extra annual payments (bonuses) for employees of budgetary institutions,
- remuneration for contract of mandate or contract of specific work,
- professional fees,
- expenses on staff development, education, and retraining,
- business travel expenses,
- expenses related to safety and hygiene at work,

- social security contributions and non-insurance contributions,
- company social benefits fund,
- benefits in kind,
- other expenses, including expenses for recruitment and staff selection, employee commuting expenses,
- payments for profit sharing or balance surplus in cooperatives.

Acceptance of the above components of labor costs for the author's analysis is also in line with the methodology adopted by the European Statistical Office (Eurostat) for researching employment costs in the European Union. Eurostat has defined labor costs as the amount of wages due to employees for the work performed, as well as social security contributions paid by the employer and employment taxes recognized as labor costs reduced by any received subsidies, but excluding vocational training costs and other expenses such as recruitment costs and workwear expenses.

## 2. Labor costs in Poland compared to Europe

According to Eurostat data, in 2024, unit labor costs in Poland amounted to 17.3 EUR per hour, compared to the EU average of 33.5 EUR. The analysis of the Eurostat data reveals significant disparities between individual European countries. Poland belongs to the group of countries with relatively low labor costs. The lowest labor costs were observed in Bulgaria (10.6 EUR) and Romania (12.5 EUR). At the other extreme there were Luxembourg (55.2 EUR), Denmark (50.1 EUR), Belgium (48.2 EUR) and the Netherlands (45.2 EUR).

From the perspective of enterprises' willingness to employ workers, total labor costs, of which wages are only one component, are significant. However, from the perspective of employees, the share of wage costs in total labor costs is important. If this share is low, and therefore the participation of non-wage labor costs is high, it means that the state, not the employees themselves, benefits largely from high wages. In 2024, the share of non-wage labor costs in the total labor costs in the European Union was close to 25 per cent.

Table 1 presents data on the formation of labor costs in EU countries. Eurostat data distinguish the categories of labor costs, namely wage and salary costs and costs other than wages and salaries.

Table 1. Labor costs in European Union countries in 2024 (EUR/hour)

Country	Labour cost	Wages and salaries (total)	Share of wages and salaries (per cent)	Labour costs other than wages and salaries	Share of non-wage costs (per cent)
European Union – 27 countries	33.5	25.2	75.2	8.3	24.8
Belgium	48.2	37.1	77.0	11.1	23.0
Bulgaria	10.6	9.2	86.8	1.4	13.2
Czechia	18.2	13.7	75.3	4.5	24.7
Denmark	50.1	43.6	87.0	6.5	13.0
Germany	43.4	33.3	76.7	10.1	23.3
Estonia	19.6	14.6	74.5	5.0	25.5
Ireland	42.5	33.9	79.8	8.6	20.2
Greece	16.7	13.3	79.6	3.4	20.4
Spain	25.5	18.9	74.0	6.7	26.0
France	43.7	29.7	68.0	14.0	32.0
Croatia	16.5	14.6	88.5	1.9	11.5
Italy	30.9	22.3	72.2	8.6	27.8
Cyprus	21.0	16.9	80.5	4.1	19.5
Latvia	15.1	11.9	78.8	3.2	21.2
Lithuania	16.3	15.5	94.5	0.9	5.5
Luxembourg	55.2	48.4	87.7	6.8	12.3
Hungary	14.1	12.1	86.3	1.9	13.7
Malta	19.1	18.0	94.2	1.1	5.8
Netherlands	45.2	34.3	75.5	11.1	24.5
Austria	44.5	32.4	72.8	12.1	27.2
Poland	17.3	14.2	82.1	3.1	17.9
Portugal	18.2	14.7	80.8	3.5	19.2
Romania	12.5	11.9	95.2	0.6	4.8
Slovenia	27.1	23.3	86.0	3.8	14.0
Slovakia	18.5	13.3	71.9	5.2	28.1
Finland	37.7	31.2	82.8	6.5	17.2
Sweden	40.3	27.6	68.5	12.7	31.5

Source: own elaboration based on Eurostat, 2025.

The highest share of wages, and thus the lowest share of non-wage labor costs, is in Romania, where wages account for as much as 95.2 per cent of costs, as well as in Lithuania

and Malta – 94 per cent. Employers in France and Sweden are the most burdened by non-wage costs as they account for as much as 32 per cent of the overall labor costs. Table 2 illustrates the evolution of labor costs in EU countries between 2008 and 2024.

Table 2. Hourly labor costs in European Union countries in the years 2008–2024 (EUR/hour)

Country	2008	2012	2016	2020	2021	2022	2023	2024	Dynamics of change 2024/2023 (per cent)
European Union – 27 countries	21.6	24.4	25.6	28.6	29.0	30.5	31.8	33.5	105.35
Belgium	32.9	38.0	38.6	40.5	41.0	43.5	47.1	48.2	102.34
Bulgaria	2.6	3.4	4.5	6.6	7.1	8.2	9.3	10.6	113.40
Czechia	9.2	10.0	10.3	14.6	15.0	16.4	18.0	18.2	101.11
Denmark	34.6	39.4	41.3	44.9	45.7	46.8	48.1	50.1	104.16
Germany	27.9	30.5	32.8	36.8	37.4	39.5	41.3	43.4	105.08
Estonia	7.9	8.6	10.8	14.1	15.0	16.4	18.3	19.6	107.10
Ireland	28.9	29.8	30.6	33.5	34.7	38.8	40.2	42.5	105.72
Greece	16.8	15.7	15.2	13.8	14.0	14.5	15.7	16.7	106.37
Spain	19.4	21.1	21.2	23.0	22.9	23.5	24.6	25.5	104.68
France	31.2	34.3	34.6	38.8	39.3	40.8	42.2	43.7	103.66
Croatia	9.2	9.5	9.5	10.8	11.2	12.1	14.4	16.5	114.58
Italy	25.2	27.7	27.6	29.2	28.8	29.4	29.8	30.9	103.69
Cyprus	16.7	16.8	15.7	17.3	18.0	19.5	20.1	21.0	104.48
Latvia	5.9	6.0	7.7	10.7	11.3	12.2	13.5	15.1	111.85
Lithuania	5.9	5.9	7.4	10.3	11.6	13.2	14.7	16.3	110.88
Luxembourg	32.3	35.3	38.7	47.3	48.4	50.7	53.9	55.2	102.41
Hungary	7.8	7.4	7.8	9.8	10.3	10.7	12.8	14.1	110.16
Malta	11.4	11.8	14.2	16.9	17.2	17.7	18.2	19.1	104.95
Netherlands	29.8	32.5	34.5	37.7	38.2	40.5	43.3	45.2	104.39
Austria	26.4	29.7	32.5	36.4	37.0	38.1	40.9	44.5	108.80
Poland	7.6	7.9	8.7	10.9	11.5	12.5	14.5	17.3	119.31
Portugal	12.2	13.3	13.6	15.1	15.4	16.1	17.0	18.2	107.06
Romania	4.2	4.1	5.3	8.2	8.5	9.5	11.0	12.5	113.64
Slovenia	13.9	15.6	16.8	20.7	22.0	23.1	25.5	27.1	106.27
Slovakia	7.0	8.9	10.2	13.7	14.5	15.6	17.2	18.5	107.56
Finland	27.1	31.3	33.7	34.0	35.1	35.9	37.1	37.7	101.62
Sweden	31.6	37.3	37.7	38.0	40.8	40.1	38.9	40.3	103.60

Source: own elaboration based on Eurostat, 2025.

As indicated by Eurostat data, the highest dynamics of labor costs in 2024 compared to the previous year occurred in Poland – 19.3 per cent. A significant increase in labor costs is also noticeable in Bulgaria and Romania. In Poland, labor costs increased by 19 per cent compared to the previous year. Such an increase in wage costs places Poland above the EU average, which stood at 4.3 per cent. Regarding the data concerning the growth of wage costs, Sweden stands out, where these costs decreased by 3 per cent compared to the previous year.

### 3. Evolution of Wage Cost Levels in Poland

Labor costs constitute a specific category that, due to its connection with the human factor, is subject not only to market regulations but also to legal provisions. Additionally, the issue of labor costs must always be considered from the perspective of both the employee and the employer. There is a contradiction between employees and employers regarding the level of labor costs. Hence, legal regulations are necessary to protect the interests of employees.

Remuneration is the basic component of labor costs. The amount of remuneration is determined when establishing an employment relationship, but it cannot be lower than the regulated minimum wage. Every employee has the right to fair remuneration for work. The conditions for implementing this right are determined by labor law regulations and the state's wage policy, e.g., by setting a minimum wage (Jacewicz & Małkowska, 2022, p. 90). The concept of “minimum wage” was introduced in 2003 by the Minimum Wage Act (Ustawa z dnia 10 października 2002 r. o minimalnym wynagrodzeniu za pracę, Dz. U. z 2002 r. Nr 200, poz. 1679). Table 3 presents the amount of the minimum wage in Poland (Table 3, p. 79).

Employing workers based on contracts regulated by civil law reduces expenses incurred by the employer (Biernacki, 2024, pp. 95–117). The increase in the minimum wage is one of the factors influencing significant dynamics in the growth of average salary. The level of average salary in Poland is presented below (Table 4, p. 79).

Table 3. Gross minimum wage in Poland in the years 2017–2024 (in PLN)

Year	2017	2018	2019	2020	2021	2022	2023*	2024**
Minimum wage	2000	2100	2250	2600	2800	3010	3600	4300
* In 2023, the amount of minimum wage was changed twice, from 1.01.2023 to 30.06.2023, the minimum wage was 3490 PLN.								
** In 2024, the amount of minimum wage was changed twice, from 1.01.2024 to 30.06.2024, the minimum wage was 4242 PLN.								

Source: own elaboration based on Rozporządzenie Rady Ministrów z dnia 9 września 2016 r. w sprawie wysokości minimalnego wynagrodzenia za pracę w 2017 r. (Dz. U. z 2016 r. poz. 1456); Rozporządzenie Rady Ministrów z dnia 12 września 2017 r. w sprawie wysokości minimalnego wynagrodzenia za pracę oraz wysokości minimalnej stawki godzinowej w 2018 r. (Dz. U. z 2017 r. poz. 1747); Rozporządzenie Rady Ministrów z dnia 11 września 2018 r. w sprawie wysokości minimalnego wynagrodzenia za pracę oraz wysokości minimalnej stawki godzinowej w 2019 r. (Dz. U. z 2018 r. poz. 1794); Rozporządzenie Rady Ministrów z dnia 10 września 2019 r. w sprawie wysokości minimalnego wynagrodzenia za pracę oraz wysokości minimalnej stawki godzinowej w 2020 r. (Dz. U. z 2019 r. poz. 1778); Rozporządzenie Rady Ministrów z dnia 15 września 2020 r. w sprawie wysokości minimalnego wynagrodzenia za pracę oraz wysokości minimalnej stawki godzinowej w 2021 r. (Dz. U. z 2020 r. poz. 1596); Rozporządzenie Rady Ministrów z dnia 14 września 2021 r. w sprawie wysokości minimalnego wynagrodzenia za pracę oraz wysokości minimalnej stawki godzinowej w 2022 r. (Dz. U. z 2021 r. poz. 1690); Rozporządzenie Rady Ministrów z dnia 13 września 2022 r. w sprawie wysokości minimalnego wynagrodzenia za pracę oraz wysokości minimalnej stawki godzinowej w 2023 r. (Dz. U. z 2022 r. poz. 1952); Rozporządzenie Rady Ministrów z dnia 14 września 2023 r. w sprawie wysokości minimalnego wynagrodzenia za pracę oraz wysokości minimalnej stawki godzinowej w 2024 r. (Dz. U. z 2023 r. poz. 1893).

Table 4. Average salary in the national economy in Poland in the years 2017–2024 (in PLN)

Year	2017	2018	2019	2020	2021	2022	2023	2024
Average wage	4271.51	4585.03	4918.17	5167.47	5662.53	6346.15	7155.48	8181.72

Source: own elaboration based on Komunikat Prezesa Głównego Urzędu Statystycznego z dnia 9 lutego 2018 r. w sprawie przeciętnego wynagrodzenia w gospodarce narodowej w 2017 r. (M.P. z 2018 r. poz. 187); Komunikat Prezesa Głównego Urzędu Statystycznego z dnia 11 lutego 2019 r. w sprawie przeciętnego wynagrodzenia w gospodarce narodowej w 2018 r. (M.P. z 2019 r. poz. 154); Komunikat Prezesa Głównego Urzędu Statystycznego z dnia 11 lutego 2020 r. w sprawie przeciętnego wynagrodzenia w gospodarce narodowej w 2019 r. (M.P. z 2020 r. poz. 174); Komunikat Prezesa Głównego Urzędu Statystycznego z dnia 9 lutego 2021 r. w sprawie przeciętnego wynagrodzenia w gospodarce narodowej w 2020 r. (M.P. z 2021 r. poz. 137); Komunikat Prezesa Głównego Urzędu Statystycznego z dnia 9 lutego 2022 r. w sprawie przeciętnego wynagrodzenia w gospodarce narodowej w 2021 r. (M.P. z 2022 r. poz. 175); Komunikat Prezesa Głównego Urzędu Statystycznego z dnia 9 lutego 2023 r. w sprawie przeciętnego wynagrodzenia w gospodarce narodowej w 2022 r. (M.P. z 2023 r. poz. 171); Komunikat Prezesa Głównego Urzędu Statystycznego z dnia 9 lutego 2024 r. w sprawie przeciętnego wynagrodzenia w gospodarce narodowej w 2023 r. (M.P. z 2024 r. poz. 110); Komunikat Prezesa Głównego Urzędu Statystycznego z dnia 11 lutego 2025 r. w sprawie przeciętnego wynagrodzenia w gospodarce narodowej w 2024 r. (M.P. z 2025 r. poz. 125).

The level of labor costs depends on wage costs and to a large extent on non-wage burdens associated with employment, which include social and health

insurance contributions, as well as income tax (Wojciuk & Dziemianowicz, 2017, p. 392). The difference between the total labor cost incurred by the employer and the net wage for the employee is referred to as the tax wedge. In practice, the tax wedge is a percentage indicator representing the share of all non-wage burdens to the total labor costs borne by the employer (Kotlorz, 2009, p. 35). The tax wedge can be presented using the equation:

$$\text{taxwedge} = \frac{\text{taxes imposed on labor}}{\text{total labor cost}} \times 100 \text{ per cent}$$

The higher the tax burdens on wages from personal income tax and social security contributions, the higher the tax wedge. The tax wedge varies among different countries and also among employees, partly due to differences in employment status (type of employment contract) and the employee's family situation.

The level of non-wage burdens has a significant impact on decisions made by employers. High taxation on labor can discourage employers from creating new job opportunities, and potential employees from taking up employment due to a significant decrease in net income resulting from high non-wage costs (Zieliński, 2018, p. 501). Therefore, it can be stated that a high tax wedge restricts the demand for labor and labor supply, while simultaneously increasing unemployment and the informal economy (Woźniak-Jęchorek, 2016, pp. 204–205). The impact of a permanent increase in taxation on labor supply and labor demand is presented in Table 5.

Table 5. Impact of permanent increase in taxation on labor supply and labor demand

Aggregate	Short-term	Long-term
Labor supply	A decrease in labor supply, assuming wages are flexible – that is an increase in taxation rapidly translates into the reduction in net income. Otherwise, it is irrelevant	A decrease in labor supply due to a decrease in net wages, additionally strengthened when an increase in taxation leads to a permanent decrease in the ratio of income from work to income from other sources
Labor demand	A decrease in demand for labor, assuming wages are rigid downward, that is when an increase in taxation translates into an increase in total labor costs. Otherwise, it is irrelevant	In conjunction with the minimum wage, a decrease in demand for the least productive workers occurs. If there is no minimum wage, it is irrelevant

Source: Bukowski, 2005, p. 159.

Tax wedge is considered the most common measure of labor taxation and is one of the most significant factors determining the employment decisions of

business entities. The tax wedge undoubtedly has a number of negative consequences for the labor market, especially for people with the lowest earnings (Jarmołowicz & Ziębakowski, 2018, p. 298).

The increase in labor costs caused by excessively high minimum wage rates and wage burdens can lead employers, seeking to reduce their obligations, to encourage self-employment among workers, i.e., running a sole proprietorship. This is a beneficial solution for employers because it relieves them of the obligation to comply with labor code regulations, such as timely payment of wages and the obligation to provide safe and hygienic working conditions. This solution is also financially advantageous for businesses from a tax perspective.

#### 4. Methodology

In this study, the research tool used was a questionnaire survey. Surveys are one of the primary research tools, consisting of a series of questions addressed to a specific group of respondents who provide answers by selecting one of several available options or by entering their own responses. Surveys allow for the quick and efficient collection of large amounts of data from various respondents.

The study results presented in the article are the effect of broader research that was conducted thanks to the courtesy of the Accountants Association in Poland (Stowarzyszenie Księgowych w Polsce, SKwP), branch in Nowy Sącz. The survey, which included some questions prepared by the author of this article, was sent to the members of the Association of Accountants. The questions concerned labor costs and their impact on business entities.

The questionnaire was directed at business entities in the Małopolskie Voivodeship. The study was conducted from February to March 2024. The survey was conducted using a structured, closed questionnaire, via an electronic form using Computer-Assisted Web Interview (CAWI) technology. The questions in the survey form were, among others, the following:

- a) Are labor costs in Poland (understood as wage costs and non-wage costs) currently at an appropriate level?
- b) Which area of labor costs is the biggest challenge for the company?
- c) Are changes in the level of employment planned in your company in the coming years in the face of increasing labor costs?
- d) Which barriers to rationalizing labor costs are relevant to the company?

## 5. Results

The study involved 108 respondents – employees of companies from various industries. Taking into account the business sector, respondents who were employees from the financial and accounting services sector constituted the largest group – 52.8 per cent, participants from other service sectors – 30.2 per cent. A large group of respondents also included employees from the processing industry and production sectors – 13.2 per cent. The respondents also included employees representing the retail and wholesale sectors – 3.8 per cent.

The respondents were predominantly individuals with professional experience exceeding 10 years – 54.7 per cent of respondents. A significant part also included individuals with professional experience ranging from 5 to 10 years – 20.8 per cent of respondents. People with professional experience ranging from 3 to 5 years constituted 7.5 per cent of respondents. The respondents with the least professional experience of up to 3 years constituted 17 per cent.

The significant information for the authors was the size of the companies where the respondents worked. It was considered from the point of view of the number of employees. The largest group of the respondents were people who worked for companies that employed up to 5 employees – 38.9 per cent, and companies that employed from 11 to 50 employees – 22.2 per cent. The next group of the respondents included people who worked for companies that employed from 51 to 250 employees – 16.7 per cent of all respondents and finally, people who represented companies that employed from 6 to 10 employees – 14.8 per cent. The study group also included people who represented large companies that employed over 250 employees – 7.4 per cent.

Table 6 presents the respondents' answers to the question: "Are labor costs in Poland (understood as wage costs and non-wage costs) currently at an appropriate level?"

Table 6. Level of labor costs

Answers	Data (per cent)
Labor costs are at an excessively high level	50.9
Labor costs are at an appropriate level	30.2
Labor costs are at a level that is too low	18.9

Source: own elaboration based on empirical research.

The vast majority of respondents believe that labor costs in Poland are currently set at too high a level – 50.9 per cent, while 30.2 per cent of those

surveyed consider the current level of labor costs to be appropriate. Just under 19 per cent of respondents believe that labor costs are at too low a level. Table 7 presents the respondents' answers to the question: "Which area of labor costs is the biggest challenge for the company?"

Table 7. Components of labor costs as a challenge for the employer

Answers	Data (per cent)
Employee salaries and wage surcharges	68.5
Non-labour costs and costs of work station equipment	29.6
Costs of improving employees' qualifications	1.9

Source: own elaboration based on empirical research.

As many as 68.5 per cent of the respondents consider remuneration along with its contributions to be the biggest burden for the company in terms of labor costs. At the same time, wages constitute the largest part of labor costs both in Poland and in EU countries. Non-wage employment costs, which include various employee benefits and workplace equipment, pose a challenge for 29.6 per cent of the respondents. Regarding the costs of employee training, it turns out that this component has little influence on the level of labor costs among the surveyed entities. Respondents were also asked whether changes in the level of employment in the company are planned in the face of increasing labor costs. The answers to this question are presented in Table 8.

Table 8. Increase in labor costs and planned changes in the level of employment

Answers	Data (per cent)
Company plans to maintain current employment levels	66.7
The company plans to increase staffing levels	24.1
The company plans to reduce staffing levels	9.2

Source: own elaboration based on empirical research.

Despite the recent increase in labor costs, the majority of surveyed entities plan to maintain the current level of employment – as declared by 66.7 per cent of the respondents. A large number of respondents are even willing to increase the level of employment in their company in the coming years – 24.1 per cent. For a small number of respondents, the increasing labor costs are a reason to reduce the amount of employed workers in the near future. This is declared by 9.2 per cent of the respondents.

The rationalization of labor costs constitutes an important issue from the perspective of corporate finances. Companies can employ various tools in this area, such as flexible forms of employment (temporary work), part-time work, modification of the working hours system, employment based on civil law contracts, or employees starting their own business activities. However, not all entities utilize these methods for rationalizing labor costs. Table 9 presents the respondents' answers to the question regarding barriers to the rationalization of labor costs.

Table 9. Barriers to the use of tools for rationalizing labor costs

Answers	Data (per cent)
Lack of time to take action in this area	62.6
Lack of knowledge about available solutions	22.2
No barriers to cost rationalization were encountered	20.4
Lack of financial resources to cooperate with consulting firms	14.8

Source: own elaboration based on empirical research.

Some respondents indicate that they have not encountered any barriers to rationalizing labor costs so far. However, the majority of respondents (62.6 per cent) point out that the biggest barrier for employers is the lack of time to take cost-rationalizing actions within the company. A large number of respondents (22.2 per cent) admit that they are not familiar with tools enabling the optimization of employment costs. Nearly 15 per cent of respondents declare that the lack of financial resources available to cooperate with specialized consulting firms prevents them from introducing appropriate tools for rationalizing labor costs.

## Conclusion

Labor costs constitute a crucial component in the cost structure of many economic entities. Therefore, it is extremely important to determine all elements shaping labor costs. The level of labor costs varies across European countries. Poland belongs to the group of countries with relatively low labor costs. From the employees' perspective, the share of wages in labor costs is important. According to Eurostat data, in Poland in 2024, wages accounted for 82.1 per cent of total labor costs. In EU countries, this share ranged from 68.5 per cent in Sweden to 95.2 per cent in Romania. The level of wages, which are a fundamental component of labor costs, has been dynamically increasing in Poland in recent years. This was due, among

other factors, to a significant increase in the minimum wage, which is regulated by law in Poland. The conducted research indicates that the current level of labor costs is considered too high by the majority of respondents. Nevertheless, these entities do not have plans to reduce the employment. They also do not take actions to rationalize labor costs mainly due to lack of time to take such actions and lack of knowledge about available solutions. The conducted research, based on the analysis of the literature, constitutes the author's theoretical considerations regarding labor costs. The analysis of the survey indicates that companies are facing the issue of rising wages, which has become the biggest challenge for entrepreneurs.

The author is aware of the existence of certain factors that could have influenced the results and interpretation of the conducted research. These factors are worth discussing. The main area of limitations of the conducted research was the selection of respondents. It was purposeful and covered enterprises from the Małopolskie Voivodeship. The largest group of respondents were representatives of microenterprises operating in the financial and accounting services sector. There is no doubt that the answers obtained from representatives of microenterprises may differ from the answers of representatives of large enterprises. However, it should be emphasized that it is micro, small and medium-sized enterprises that constitute the largest group of economic entities in Poland. Another area of limitations is the degree of return of surveys. In the research process, every effort was made to achieve a high return rate of survey questionnaires. This effort is expressed by the use of an electronic system for completing surveys and cooperation in this area with the Association of Accountants in Poland. As a result of these activities, 108 surveys were obtained. The choice of the research tool is of key importance for the results of the study. The use of mainly single-choice questions allows for an easy comparison of preferences, opinions or behaviors of respondents, but it is not possible to obtain as much data from them as, for example, from questions with a scale.

Taking into account the results of the conducted research and all factors that may influence these results and their interpretation, it would be advisable to conduct further analysis in this area.

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