



Minimum wages in Europe

Dublin Foundation conference
27-28 November 2008, Paris

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- ◀ **At the time of increased capital mobility and globalisation, when cca. 1 billion workers got integrated in the world economy (China, India, eastern Europe) – the previous balance between labour and capital has shifted**
- ◀ **Wage moderation is characteristic for most EU15 countries for the last 10 years**
- ◀ **Wage shares in GDP are falling**
- ◀ **Wage differentials are growing**
- ◀ **The danger of a downward spiral is real**



- ◀ **Decent pay – as basic principle – make work pay – a basic function of the European Social Model**
- ◀ **Reduce wage differentials**
- ◀ **Background: large low pay sector in Europe (20 million employees on low pay in Europe), precarious jobs**
- ◀ **lack of proper bargaining coverage in several sectors/countries**
- ◀ **Labour migration – migrant workers` wages and labour conditions**
- ◀ **Freedom of services (Vaxholm case)**



- ◀ **Function of MW also depends on the institutional setting of industrial relations in the given country**
- ◀ **Might be playing a substitute role in countries where collective bargaining coverage is low (or particular sectors are not covered)**
- ◀ **Might also be a way of stimulating wage growth – a tool for wage policy**
- ◀ **In several countries important reference value for certain welfare provisions**
- ◀ **Level of minimum wage can have an impact on undeclared economy and on tax and social security contributions revenues of the state**



- ◀ Poul Nyrup Rasmussen and Jacques Delors presented a report to the 7th PES Congress, where they call for “*decent minimum wages in Europe*”
- ◀ and demand the introduction of a “*EU target for the minimum wage in terms of GNP per capita*” (Rasmussen and Delors 2006)
- ◀ the goal of guaranteeing every employed person a decent minimum wage represents a concrete political project of “social Europe”.
- ◀ To oppose to the spread of precarious conditions of employment.
- ◀ Today more than 15% of all employees in the EU 15 – i.e. more than 20 million wage earners – work in the low-paid sector (that is earn an hourly wage less than 2/3 of the national median wage)



- ◀ **In Europe minimum wages are regulated either by law or by collective agreement**
- ◀ **20 out of 27 EU member states have a general statutory minimum wage laid down by the government, usually a say in the process by trade unions and employers.**
- ◀ **Seven EU member states have no national statutory minimum wage: Denmark, Sweden and Finland – as well as Germany, Austria, Italy and Cyprus rely on collective agreements alone**
- ◀ **most of these countries have functional equivalents that are used indirectly to ensure high coverage of collective agreements and also a functioning system of collectively agreed minimum wage protection**
- ◀ **in Italy, the constitution contains a clause on fair wages, interpreted by labour courts – Germany is the only country not having a functional equivalent – hot debates currently**



- ◀ The existence of statutory or collectively agreed minimum wages in so many European countries, and not least the introduction in
- ◀ 1999 of a national minimum wage in 'liberal' Great Britain, should be
- ◀ underlined
- ◀ former critics of MW such as the OECD (2006) say now that appropriately set minimum wages are not harmful for employment.
- ◀ on the contrary, they encourage labour supply and can form an important element in broader 'make work pay' strategies.
- ◀ UK - when the national minimum wage was introduced in 1999 predictions said, jobs would go and people would be worse off.
- ◀ This did not happen – employment grew, unemployment fell



- ▼ **Legal Framework across countries**
 - ▼ → **Parties entitled to conclude Agreements**
 - ▼ → **Parties covered by Agreements/Extension Mechanisms**
 - ▼ → **Levels of Bargaining**
 - ▼ → **Bargaining Coverage**
 - ▼ → **Influence of Tripartite Concertation**
 - ▼ → **Relationship of different Bargaining Levels**

- ▼ **In CEE: low CB coverage, no extension mechanism, weak branch level bargaining**
- ▼ **Focus: tripartite negotiations, strong legally anchored minimum levels**



Parties covered by Collective Agreements

	Employees		Employers		Employees		Employers
	Only Trade Union Members	All Employees	Extension Procedure		Only Trade Union Members	All Employees	Extension Procedures
Austria		X	Yes	Italy		X	Yes
Belgium		X	Yes	Latvia	X		Yes
Bulgaria	X		Yes	Lithuania	X	(X)	No
Cyprus		X	No	Malta		X	No
Czech Rep.		X	(Yes)	Netherlands		X	Yes
Denmark		X	No	Norway	X		No
Estonia	X		Yes	Poland		X	Yes
Finland	X	(X)	Yes	Romania		X	No
France		X	Yes	Slovakia		X	Yes
Germany	X		Yes	Slovenia		X	Yes
Greece		X	Yes	Spain		X	Yes
Hungary		X	Yes	Sweden	X		No
Ireland	X		Yes	UK	X		No

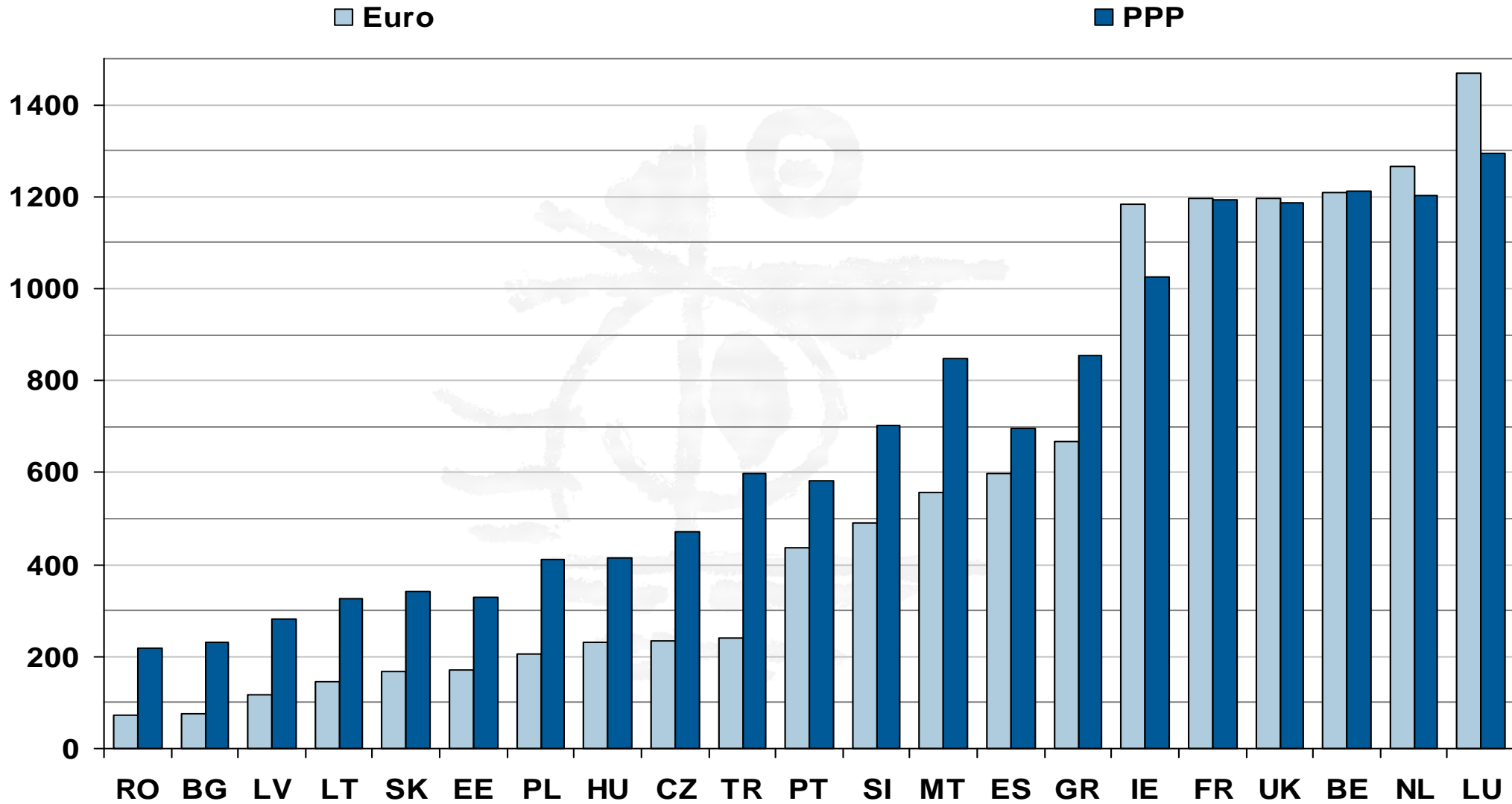
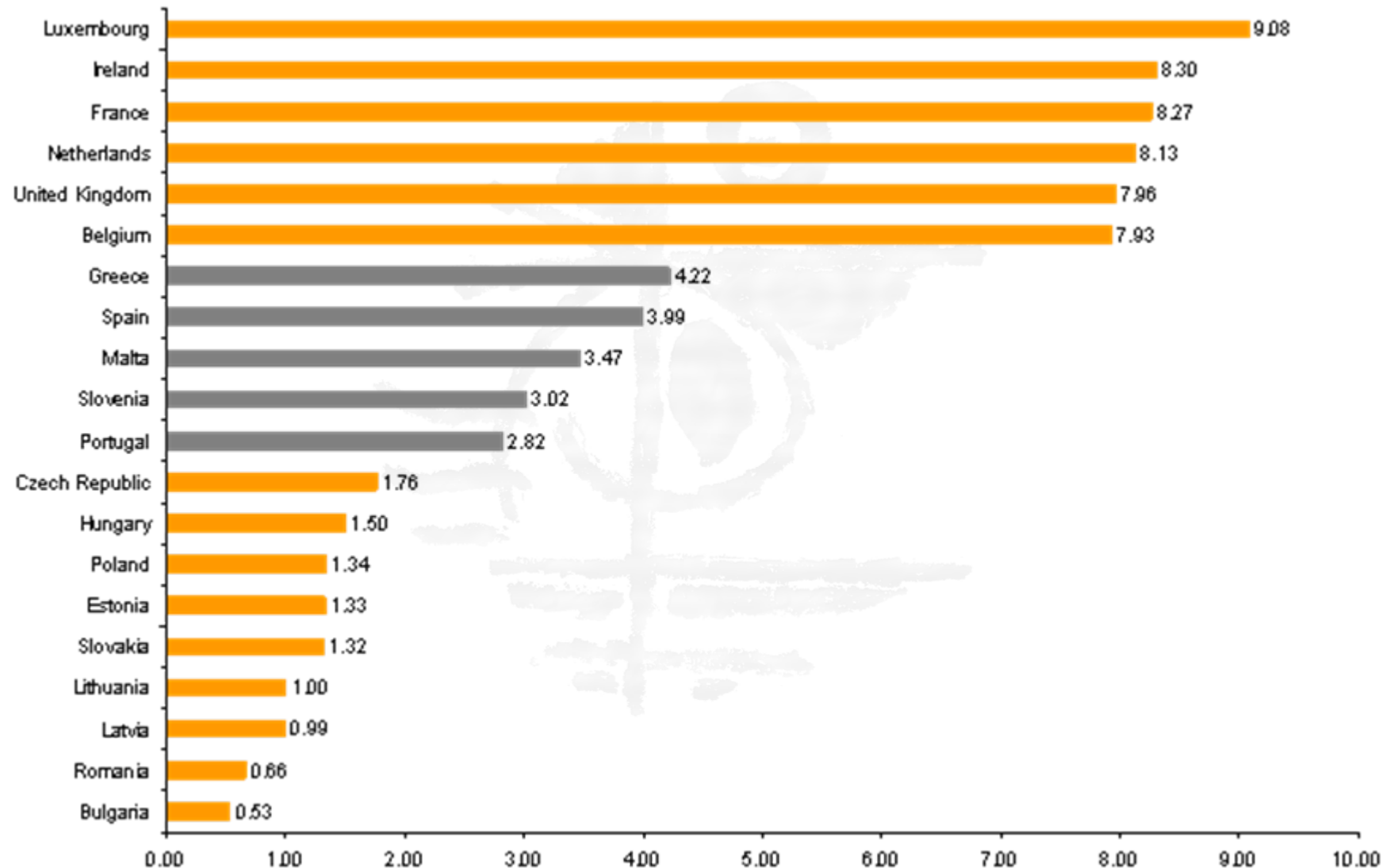




Figure 1: Statutory minimum wages per hour in Euro (January 2007)



Calculation method: Statutory hourly rate: France, UK, Ireland. Calculated hourly rate on the basis of the following weekly working hours: 49 hours: Luxembourg, Greece, Malta, Slovenia, Hungary, Poland, Estonia, Lithuania, Latvia, Bulgaria, Romania. 50.5 hours: Spain, Portugal, Slovakia. 50 hours: Belgium, Czech Republic. 37 hours: Netherlands.

Minimum wage as percentage average wage.



	2003	2004	2005	2006
BE	-	46.6	-	-
CZ	36.7	37.1	37.8	39.1
EE	32.1	34.0	33.3	32.7
ES	35.6	36.5	38.3	41.0
FR	-	-	-	46.0
HU	36.4	36.4	36.0	36.9
LU	36.5	35.8	35.9	-
LV	36.5	37.9	32.5	32
PL	36.3	35.9	35.7	36.1
PT	47.9	47.4	46.6	-
SI	42.0	44.0	43.0	43.0
SK	42.3	41.3	39.9	40.3



- ◀ **Minimum wages do not seem to enjoy a `positive discrimination` or special attention**
- ◀ **They follow the general wage trends in most countries**
- ◀ **Minimum wages range between 32,5% (Latvia) to 46,6% (Portugal) of the average wage**
- ◀ **There are no significant differences in share between old and new member states**
- ◀ **For all countries it is true, the share of min wage is under 50% of the average wage**
- ◀ **It must be added that in some countries minimum wages enjoy tax preferences (in Hungary they are tax free), thus their share in net wages is higher than in the gross wages**



- ◀ **the partnership model of centralized wage bargaining has proved successful in the period between 1995 and 2005 to improve competitiveness but still maintain a sustainable wage growth**
- ◀ **In 2000, a statutory minimum wage was introduced in Ireland as a mechanism aimed at fighting against low pay and poverty.**
- ◀ **Initially, it was set at 55% of the average industrial wage. Following a report elaborated by the National Minimum Wage Commission appointed by government and including members of social partners, the Irish government decided to implement it (at a lower rate..)**



- ◀ **Number of employees directly effected was highest in the retail industry (11.6%), followed by hotels, restaurants and bars (8.9%), and textile manufacturing (7%).**
- ◀ **Since its introduction in 2000, the minimum wage has increased at a lower rate compared to the evolution of average earnings of full-time industrial worker, but the trend was reversed in 2004 and 2005.**
- ◀ **The increase in earnings dispersion had become under control and increase of wage differentials in the early 2000s (due to high wage growth in qualified jobs) has not been accompanied by any significant increase in low pay employment.**



- ◀ **Since 1994, the increases of the national minimum wage (Salário Mínimo Nacional, SMN) have oscillated around the general evolution of wages, and the trend over the decade was a gradual decrease of the SMN in relation to the average wages.**
- ◀ **According to the Labour Code (2003), the official designation of the Statutory Minimum Wage is “Retribuição Mensal Mínima Garantida” (RMMG), but the term SMN is still dominant.**
- ◀ **The SMN has lost some of its importance in the sense that the share of employees who receive the SMN decreased between 2003 and 2005 from 6.2% to 4.5%.**
- ◀ **Hotels & restaurants and manufacturing belong to the sectors with the highest rate of workers receiving the SMN**



- ◀ **The importance of the minimum wage is clearly increasing across Europe, even in countries, where it was not a priority before**
- ◀ **Experiences in the UK, Ireland and Portugal are positive, not negative effect on employment had been observed**
- ◀ **Germany has a crucial debate on the issue and a certain kind of a national MW will most probably be introduced soon**
- ◀ **Minimum wage targets – as measures in % of average wage or GNP/capita – are also discussed**
- ◀ **It is a difficult debate even trade unions have diverse views (Denmark, Italy have serious reservations) – fears that TU influence would be undermined or that a low European target level could be used to get national standards under pressure**