



# Minimum wages in OECD countries

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# Overview

- Why minimum wages?  
Objectives associated with wage floors
- Generosity – what benchmark?
  - Gross wages
  - Labour costs
  - Poverty thresholds
  - Work incentives
- Conclusions: what role for MW?

# Why minimum wages?

- Wage determination / 'fairness'
- Pay differentials between domestic and foreign workers
- Tackle evasion
- Redistribution
- Make work pay

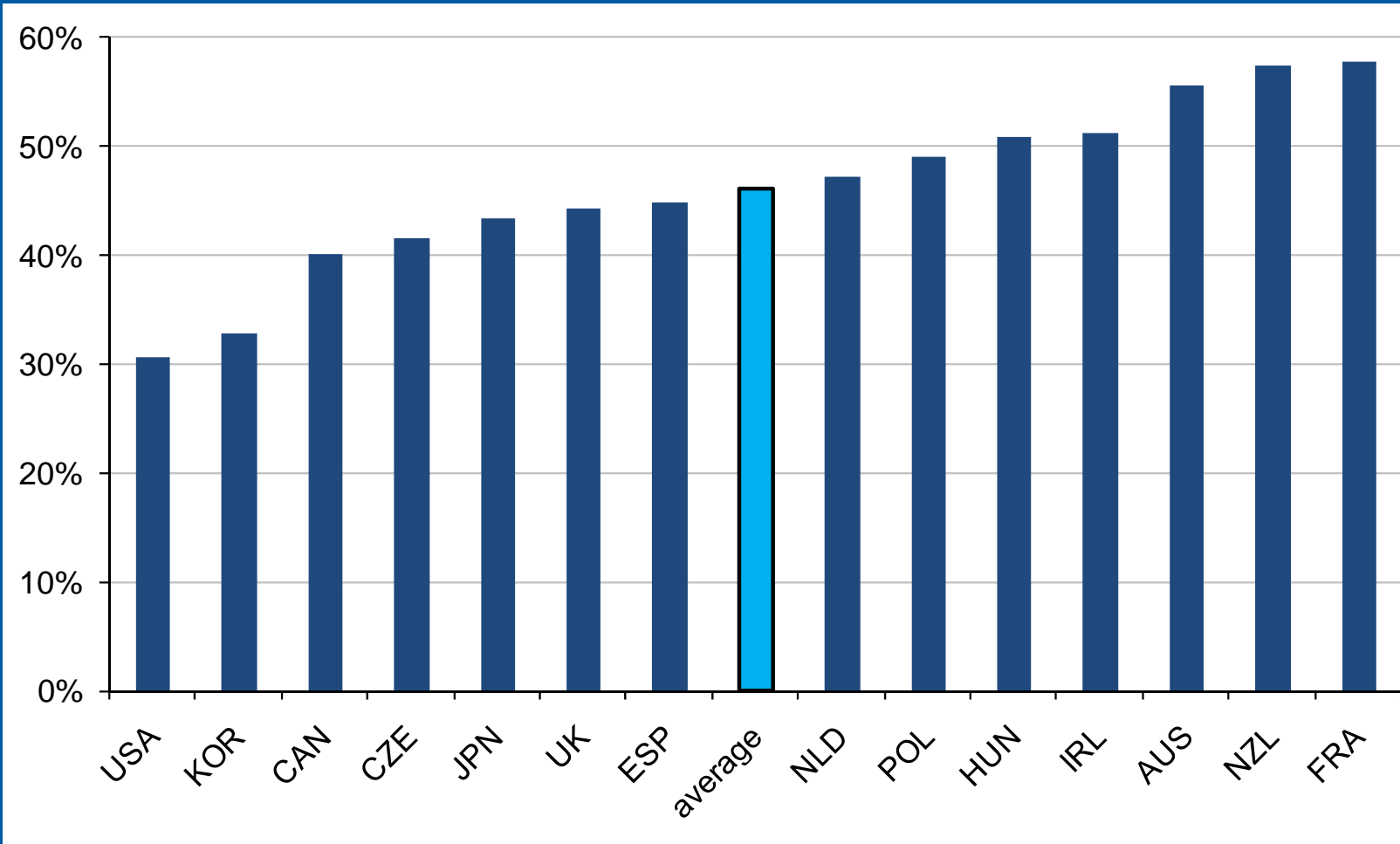
**... imply different benchmarks for MW levels**

# Generosity 1: Gross wages



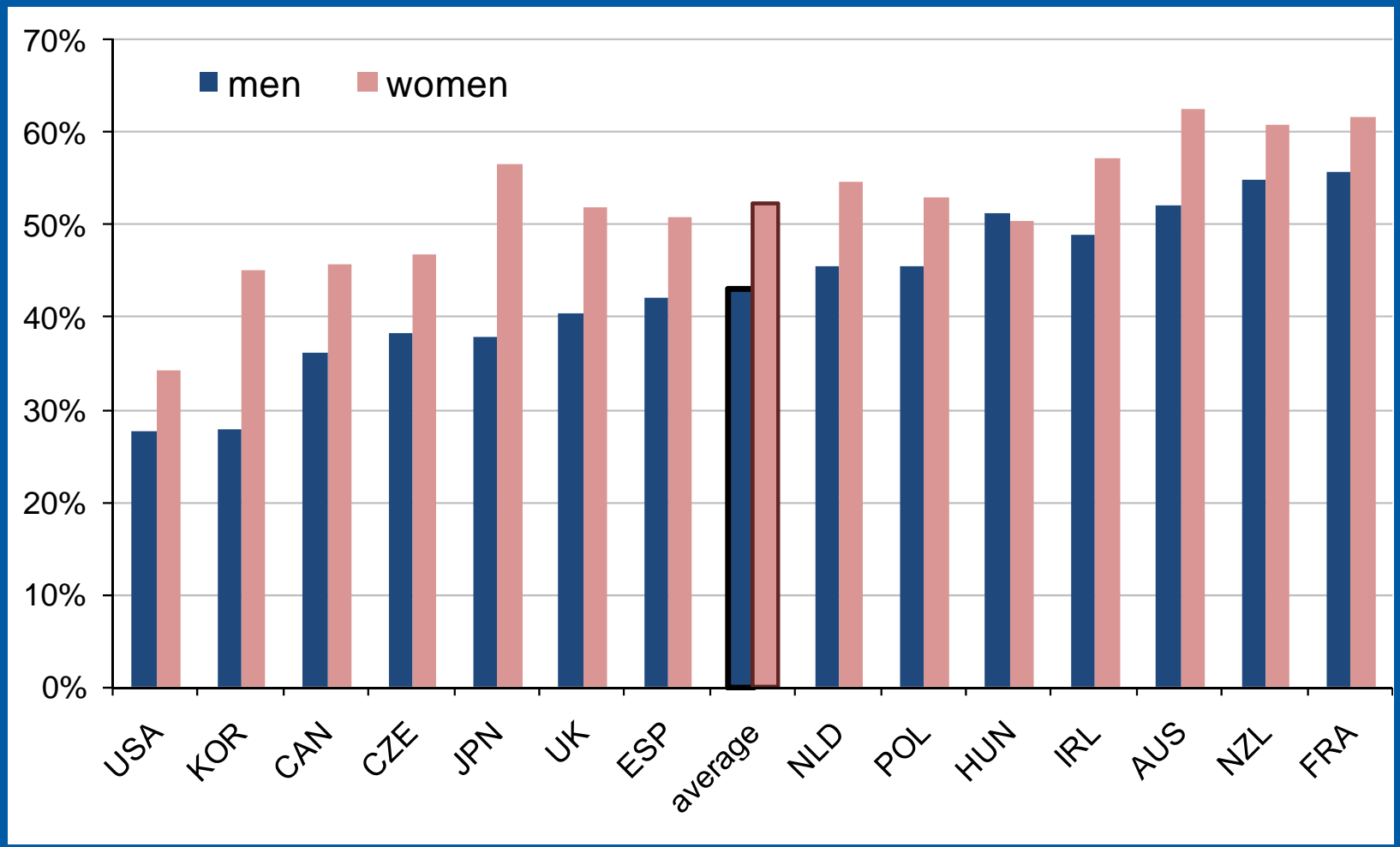
# MW ranging mostly between 30-60% of median... ... close to 'low-pay' cutoff in some countries

*MW in % of median full-time wages, around 2006.*



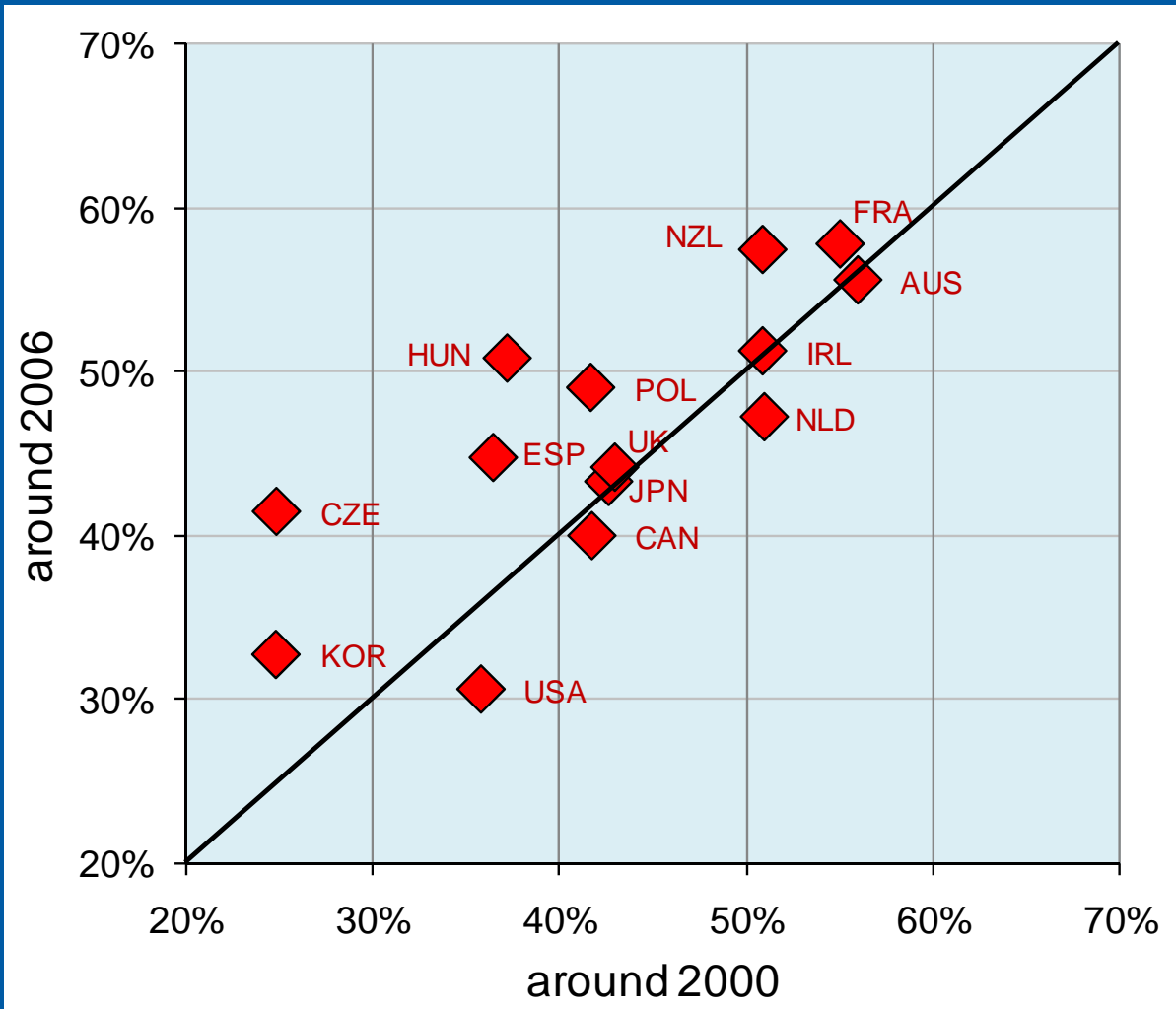
... but relative MW can be much higher for women, young workers, or in particular geographical areas

*MW in % of median full-time wages, around 2006.*



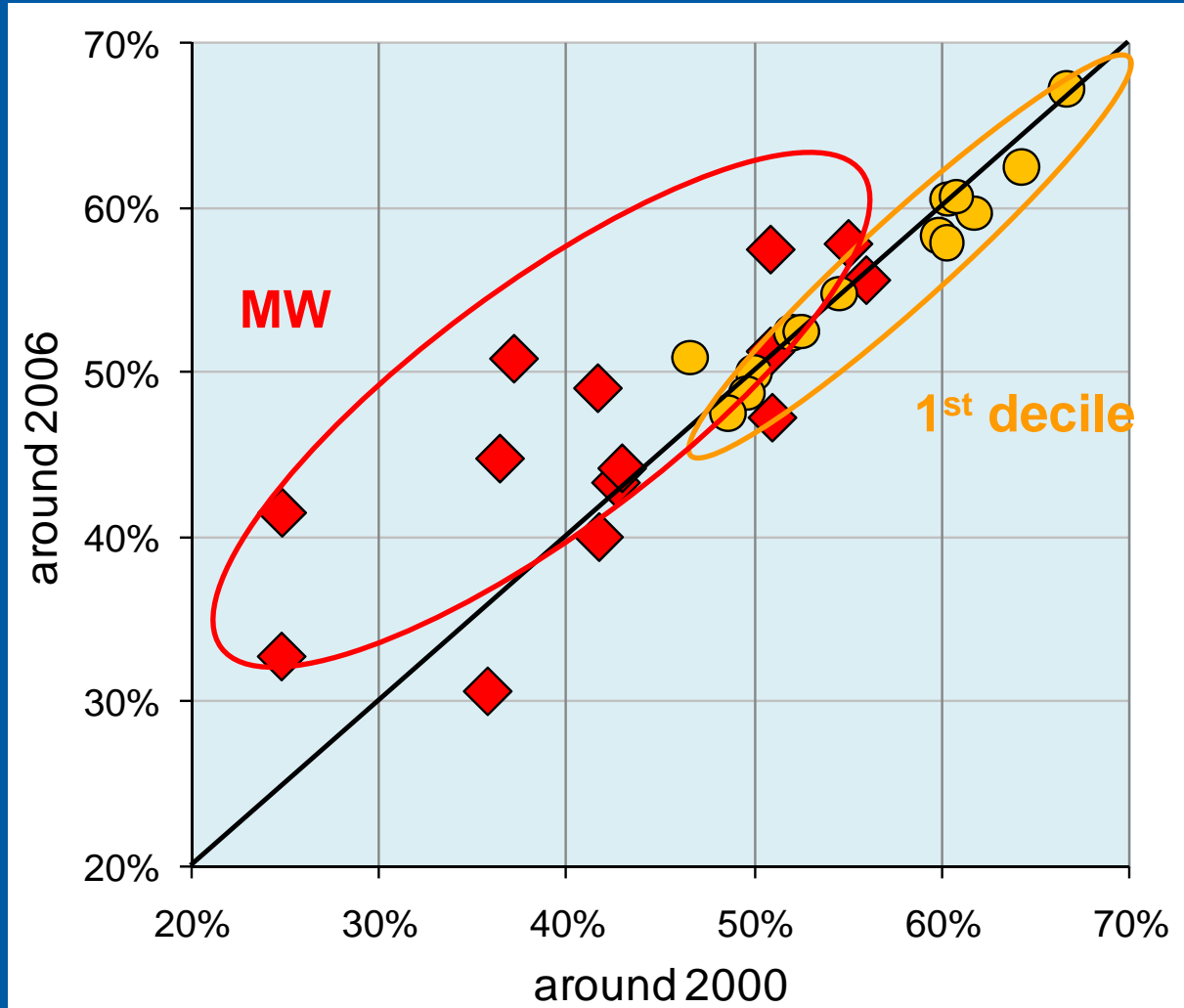
# Recent increases in most countries ...

*MW in % of median full-time wages*



... but lower half of wage distribution otherwise unchanged or widening ...

*MW and p10 in % of median full-time wages*

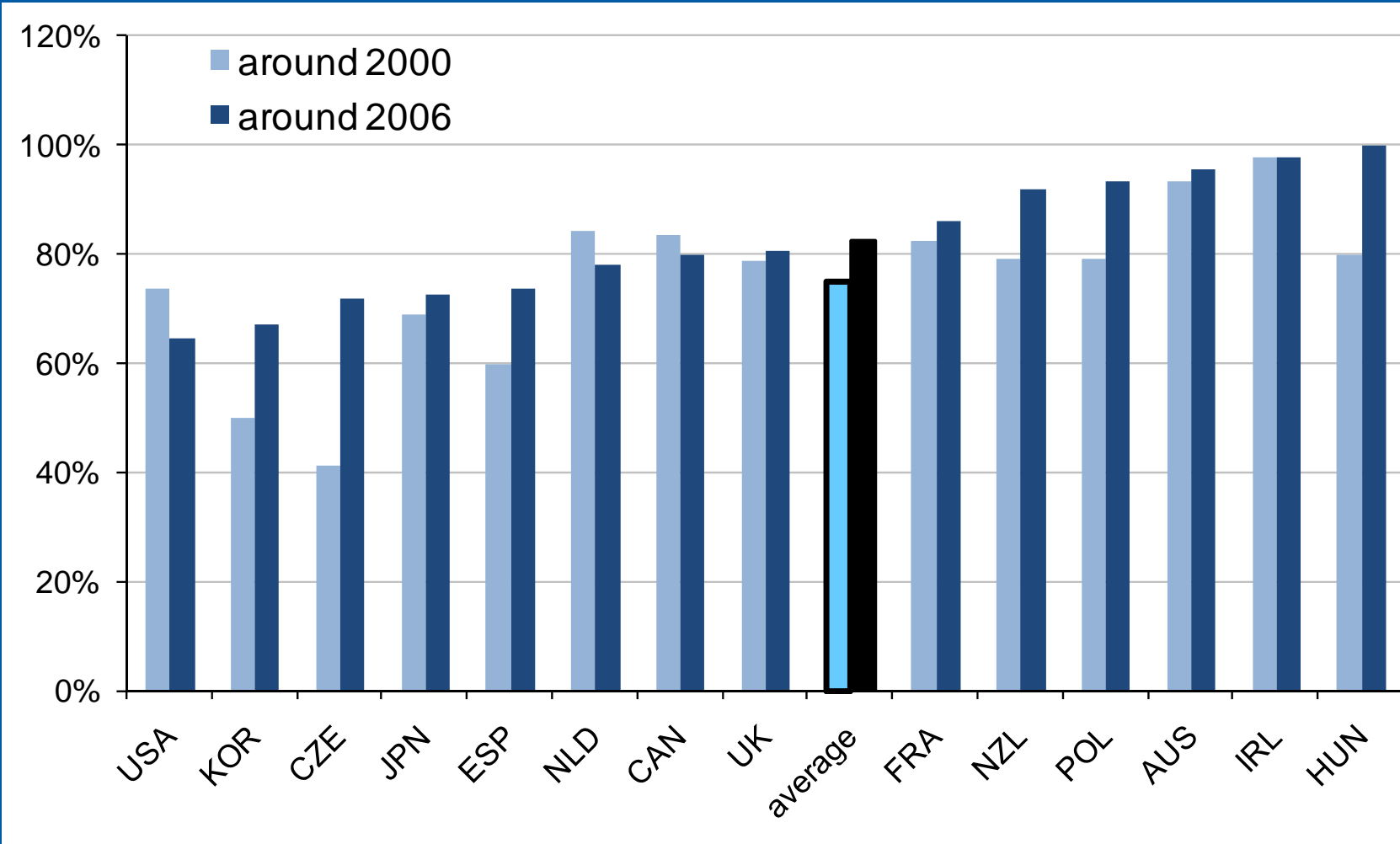






... resulting in a compression at the lower end and increasing importance of minimum wages.

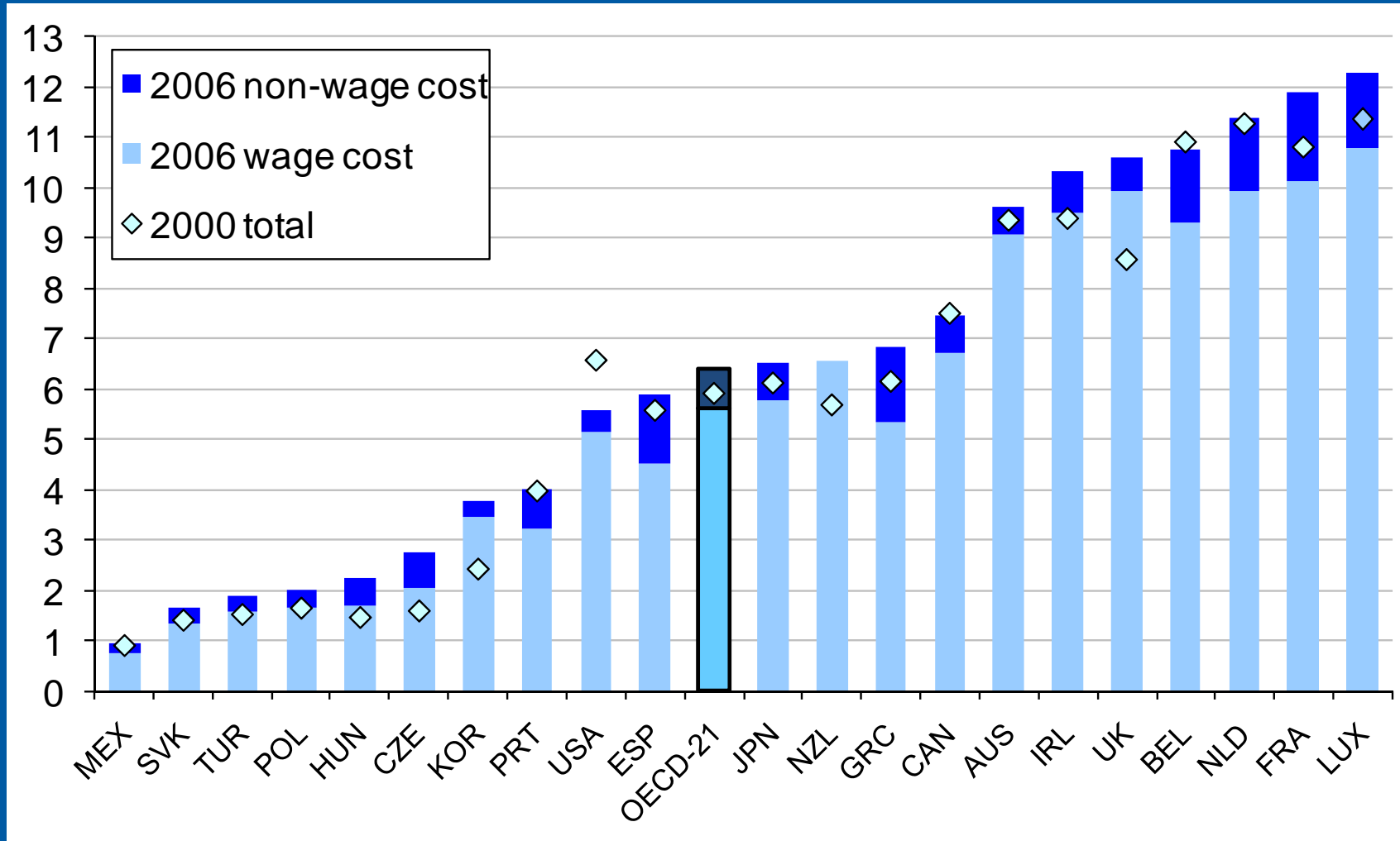
*MW in % of p10*



# Generosity 2: Labour costs

# Minimum labour costs: enormous country differences

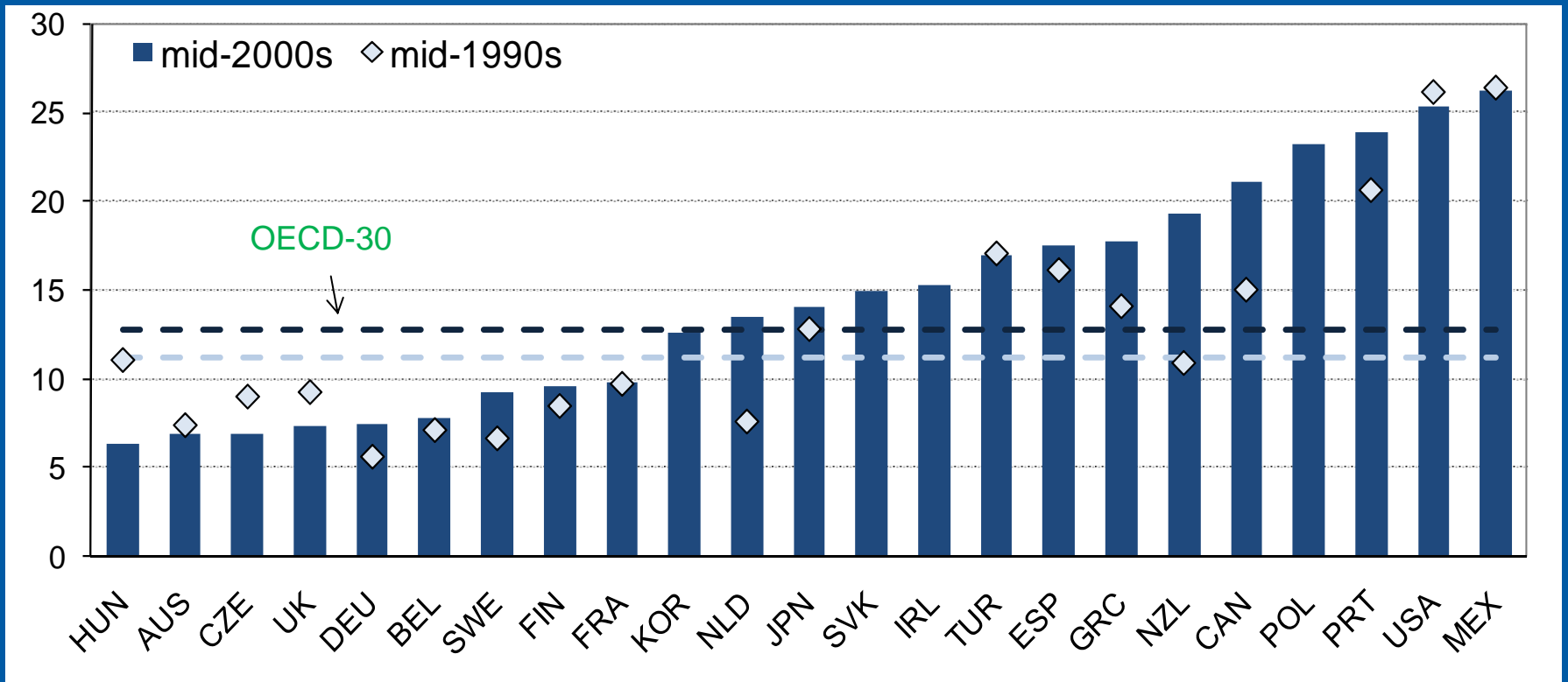
*Hourly minimum labour costs  
USD at 2006 exchange rates and prices*



# Generosity 3: in-work poverty

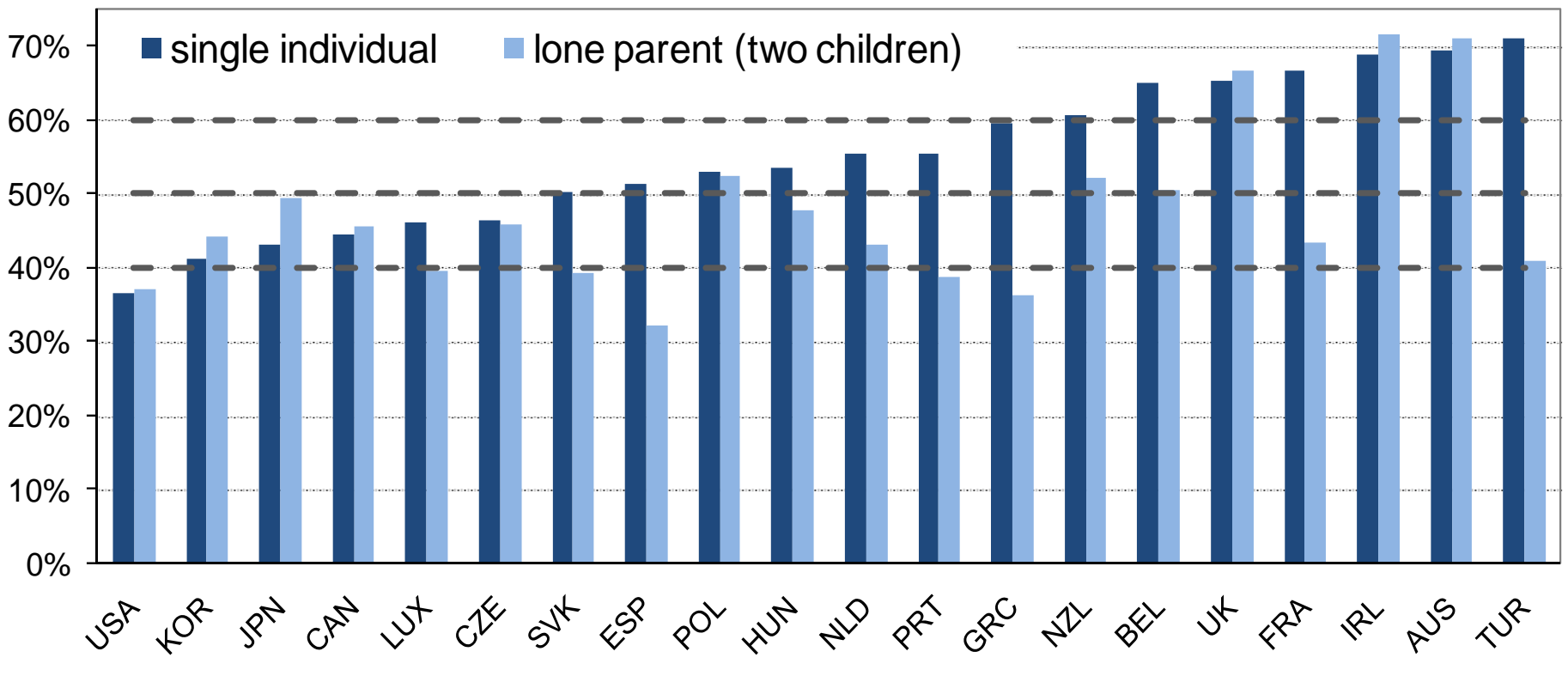
# In-work poverty in one-earner households: often high and mostly increasing

*In-work poverty headcounts among one-earner households*



# (one) minimum-wage job is often not enough to comfortably clear poverty threshold

*Net income of full-time MW worker  
% of median household income, 2005*

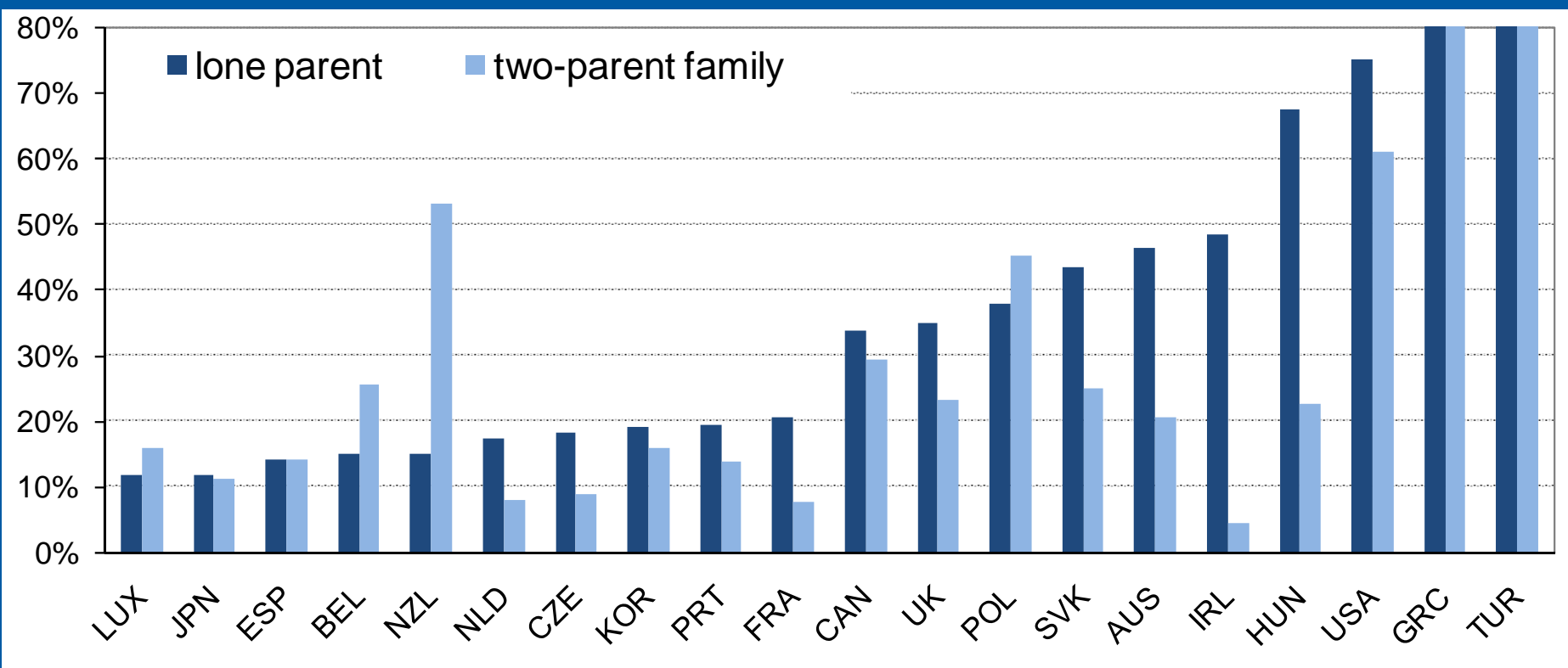


# Generosity 4: work incentives



# Even with high MW levels, work incentives can be limited if tax/benefit system not employment-friendly

*Income gain for somebody taking up a full-time MW job, 2005*





# Conclusions

- MW an important driving factor of
  - cost of low-wage work
  - incomes of low-paid workers
- ... but only *one* factor among several
- Need for co-ordination of different policy areas
- Changing economic or policy context has implications for MW policy

Thank you