
Minimum wages in Europe: Introduction on institutional/policy aspects and trends

London, 7-8 April 2014

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ILO definition and key principles (C131)

- A wage floor as *the lowest level of remuneration* permitted in law or fact; (...) *has the force of law* under threat of penal or other appropriate sanctions”; Should “*cover all wage earners*” with possible exceptions that States must explain, so largest possible coverage.
- **Minimum wage fixing institution**: Request to “create and maintain a “*Minimum wage machinery*”; Need for *full consultations of worker and employer representatives*’ so institutional capacity and social partners’ involvement
- **Need to take into account the needs of workers and their families**, the general level of *wages* in the country, the *cost of living*, *social security benefits*, and the relative living standards; but also *economic development*, levels of *productivity*, and the objective of a high level of *employment*. So both social and economic indicators
- **Other important principles**: keep it simple, adjust it regularly, empirical approach, keep in mind also the limitations of the MW
- All principles reminded in the new ILO General survey on MW in 2014
- UK and LPC offer a EU best practice (that could lead to C131 ratification)



THE MINIMUM WAGE REVISITED IN THE ENLARGED EU: ISSUES & CHALLENGES

Brussels, 30-31 October 2008
Crowne Plaza Rogier, Klimt room



Organized by the International Labour Office
In cooperation with the European Commission

ILO-EC Recent Comparative Project on Minimum Wage in the Enlarged EU

- Covering 30 European countries (EU28 + FYRM and Turkey)
- The result of nearly 2 years' work of a high-level experts group on 15 countries
- Reconstituting national MW 'Stories'
- Providing concrete enterprise or industry case studies on MW effects
- Specific highlights (migration; low pay etc.)



Book 'Minimum wage revisited'

Minimum wage revival in Policy: More reliance on a national minimum wage

- All 27 EU Members have a MW system (either national statutory or through collective bargaining)
- From 9 in EU-15 members to 21 in EU-28 (75 per cent) with a national statutory MW, and with Germany it will be 22 out of 28)
- Shift of the UK in 1999 and Ireland in 2000; in Austria, national MW fixed by collective agreement from 1 Jan. 2009
- From 2008 new provisions in Croatia, Turkey and others; under debate in Germany and Sweden; led to new MW in Germany

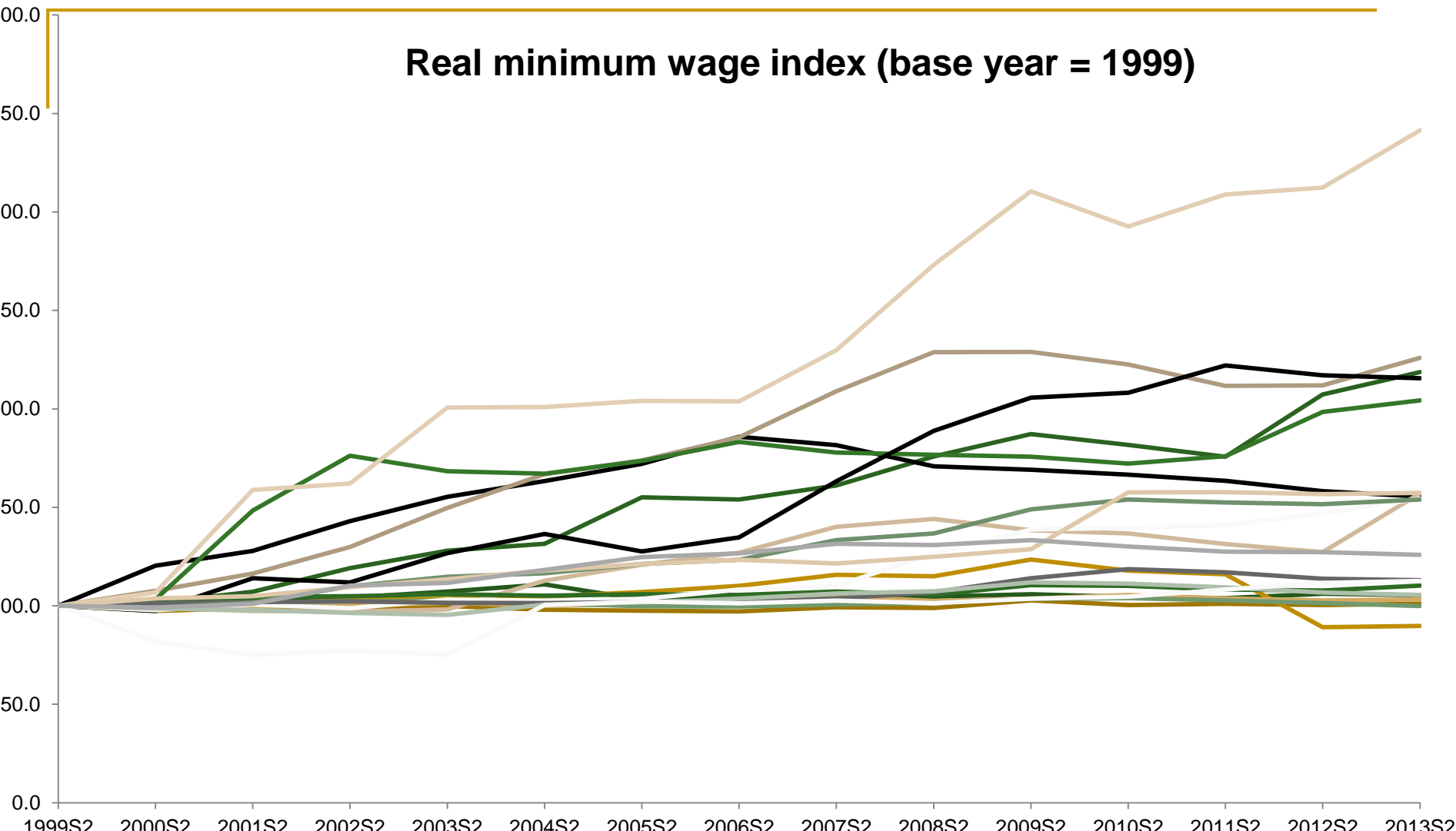
Explanatory factors

- Increased movements of labour and capital along EU enlargement and intensified flows at international level
- Reliance since the late 1990s on new forms of employment contract often associated with lower wages
- Progressive decline in trade union membership and collective bargaining coverage (example of Germany)
- Adverse wage trends (wage moderation; falling wage share; increased wage differentials; and working poor)

Minimum wage revival in statistics

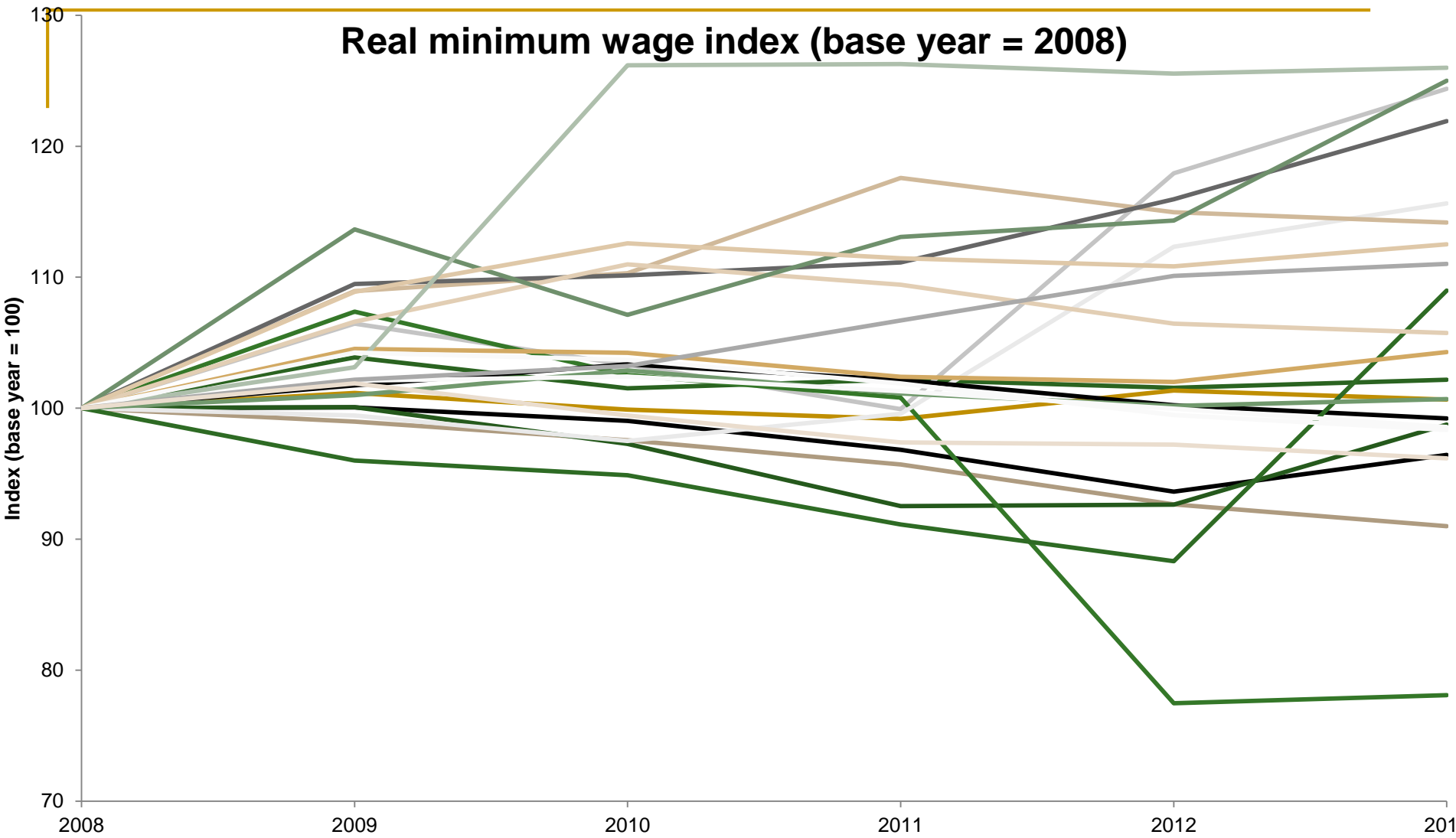
- In 2000–8, nearly all countries –18 out of the 20 with a statutory minimum wage– had increased their minimum wage in real terms
- Increase in the minimum wage relative to the average wage in a majority of countries –between 1995 and 2008 in 15 out of 20, that is, 80 per cent – with the EU-27 average ratio increasing from 40 per cent to 41.5 per cent
- Minimum wage better following GDP growth than wages

Real minimum wage index (base year = 1999)



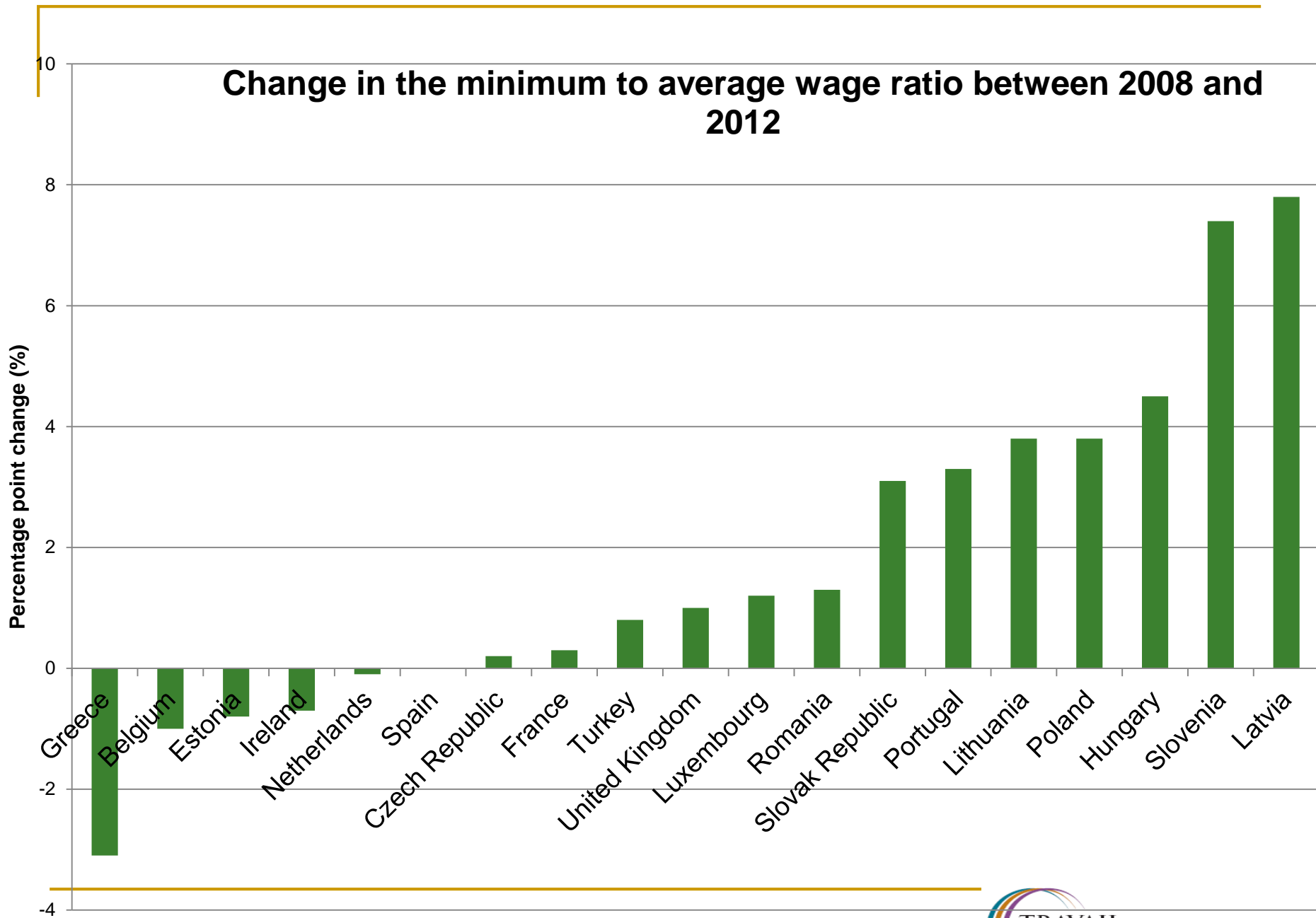
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- Bulgaria
- Czech Republic
- Estonia
- France
- Greece
- Hungary
- Latvia
- Lithuania
- Luxembourg
- Malta
- Netherlands
- Poland
- Portugal
- Romania
- Slovakia
- Slovenia
- Spain
- Turkey
- United Kingdom

Real minimum wage index (base year = 2008)



- Belgium
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Change in the minimum to average wage ratio between 2008 and 2012



Some results on minimum wage effects

- No convincing evidence of adverse effects of MW on employment
- No role of the MW in attracting or **detering FDI** (ex. in Ireland after MW introduction; evidence also in Turkey, Croatia and Bulgaria)
- Minimum wage playing a role to **increase inward migration** (helped to attract migrant workers to services in Ireland) and **limit outward migration** (to retain workers in health sector in Poland)
- In the UK and Ireland the minimum wage combined with large migration flows (immediate labour mobility to CEECs' workers) has not led to 'price out of jobs' local workers (**no substitution effect**)
- MW in host countries has helped to **protect local workers from unfair competition**
- **Wage distribution** (Evidence in France, the UK and Nordic states that MW reduces wage disparity)
- Helped to **protect most vulnerable and limit low paid in the crisis** (ILO general survey 2014)
- Minimum wage considered by the EC as a '**demand stabilizer**'

Policy discussion at EU level but also austerity

- Suggestion of MW guidelines put forward by a number of EU leaders, and debated at the European Parliament
- Motivated by the large scope of the MW in the enlarged EU – more than 5 million workers
- Common MW level not desirable at EU level considering the gap in MW levels (in January 2013 from 157 EUR in Romania to 1,874 in Luxembourg)
- But define a number of common basic principles: MW existence, scope and beneficiaries; regular adjustments; linking MW to eco and soc. indicators such as the average wage, GDP per capita or per worker and the subsistence minimum. Exchange of best practices, and eventual coordination on MW
- But MW under more serious attack under austerity packages (-22 % in Greece, frozen in Romania, Portugal, Spain etc.) with adverse social and also economic effects: need for more evidence