

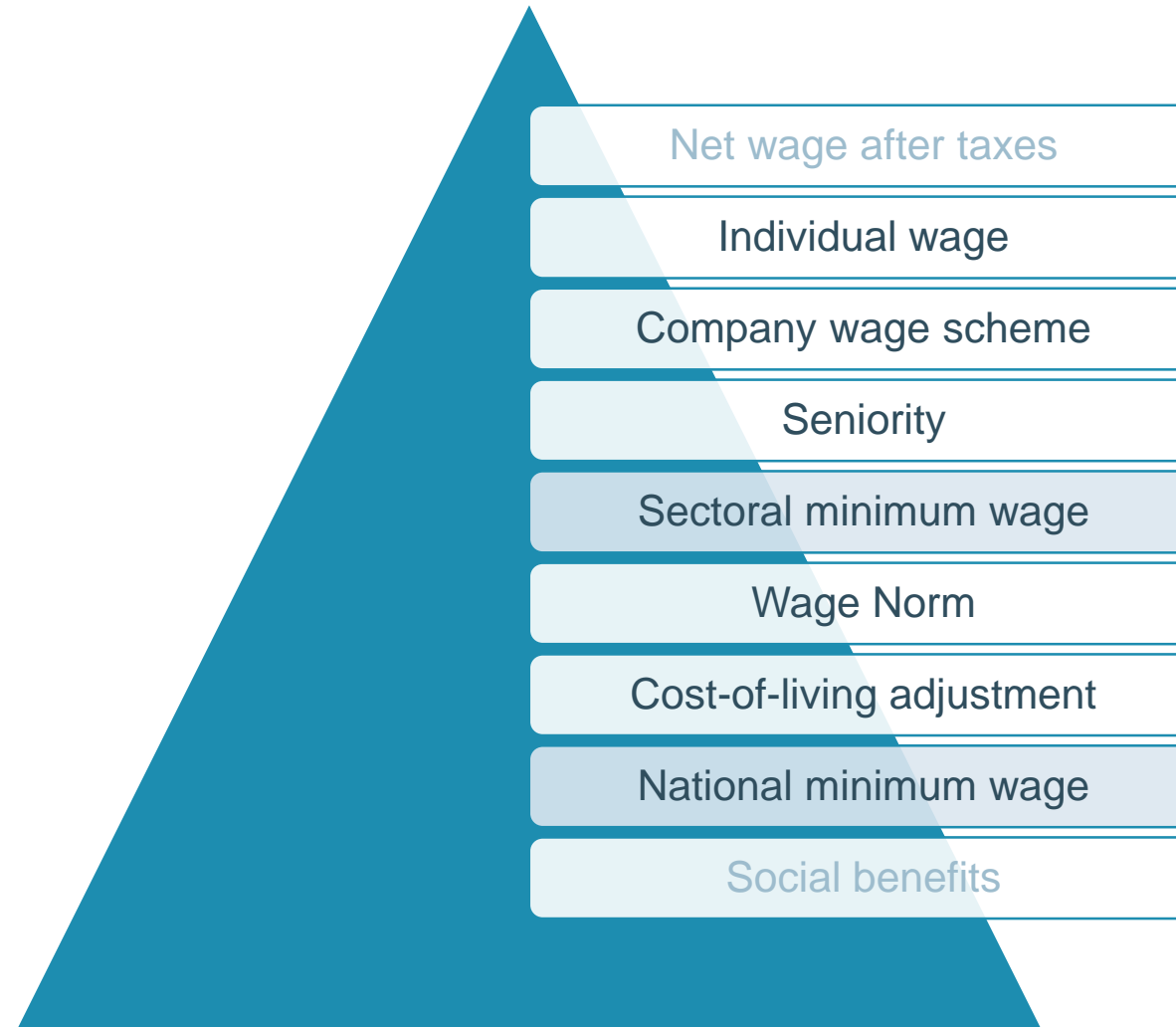
Minimum wages through collective bargaining: Reason or rigidity?



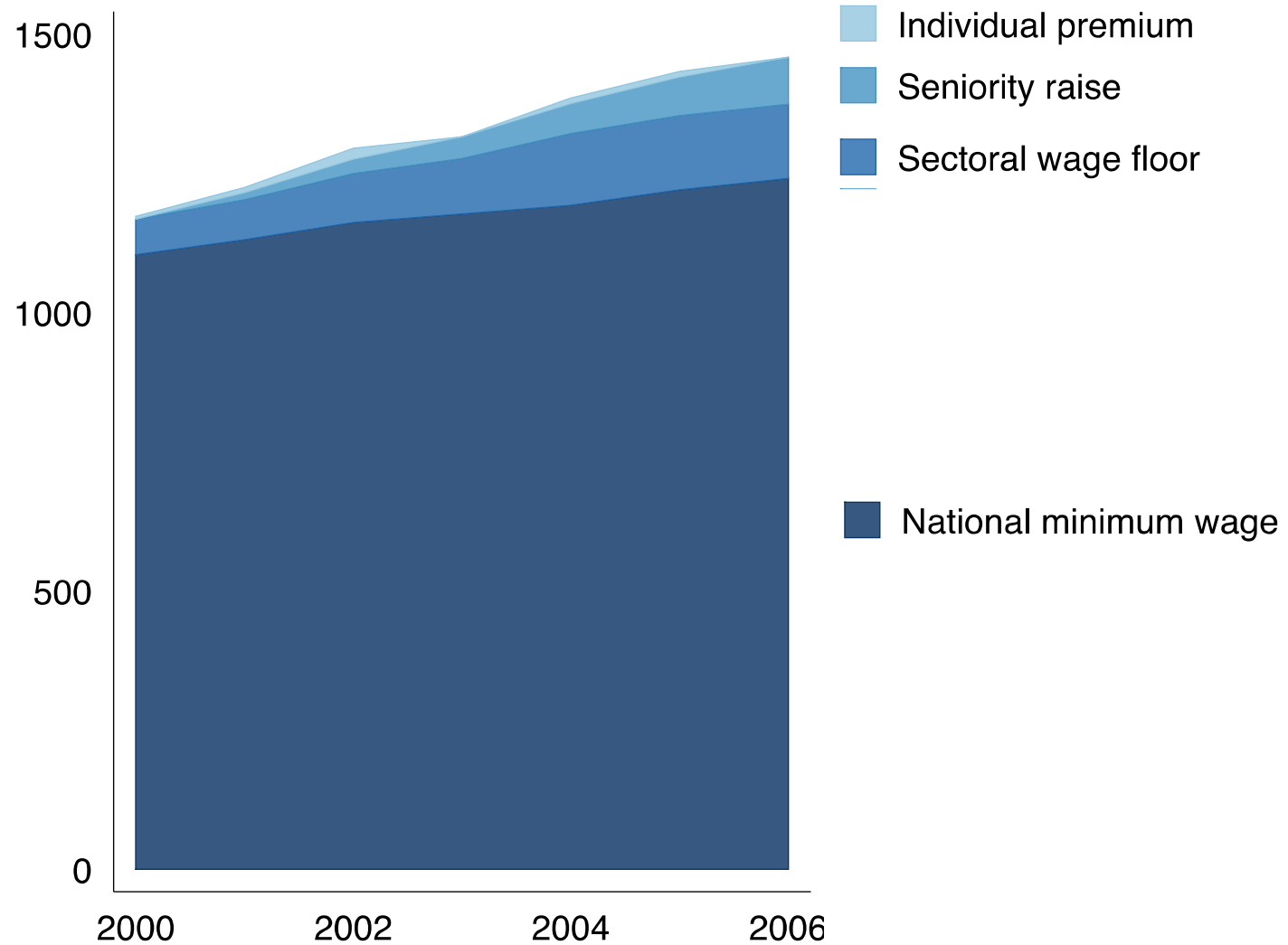
Sem Vandekerckhove, KU LEUVEN-HIVA

Mutual Learning Programme, Limassol
19 September 2019

The wage structure in Belgium



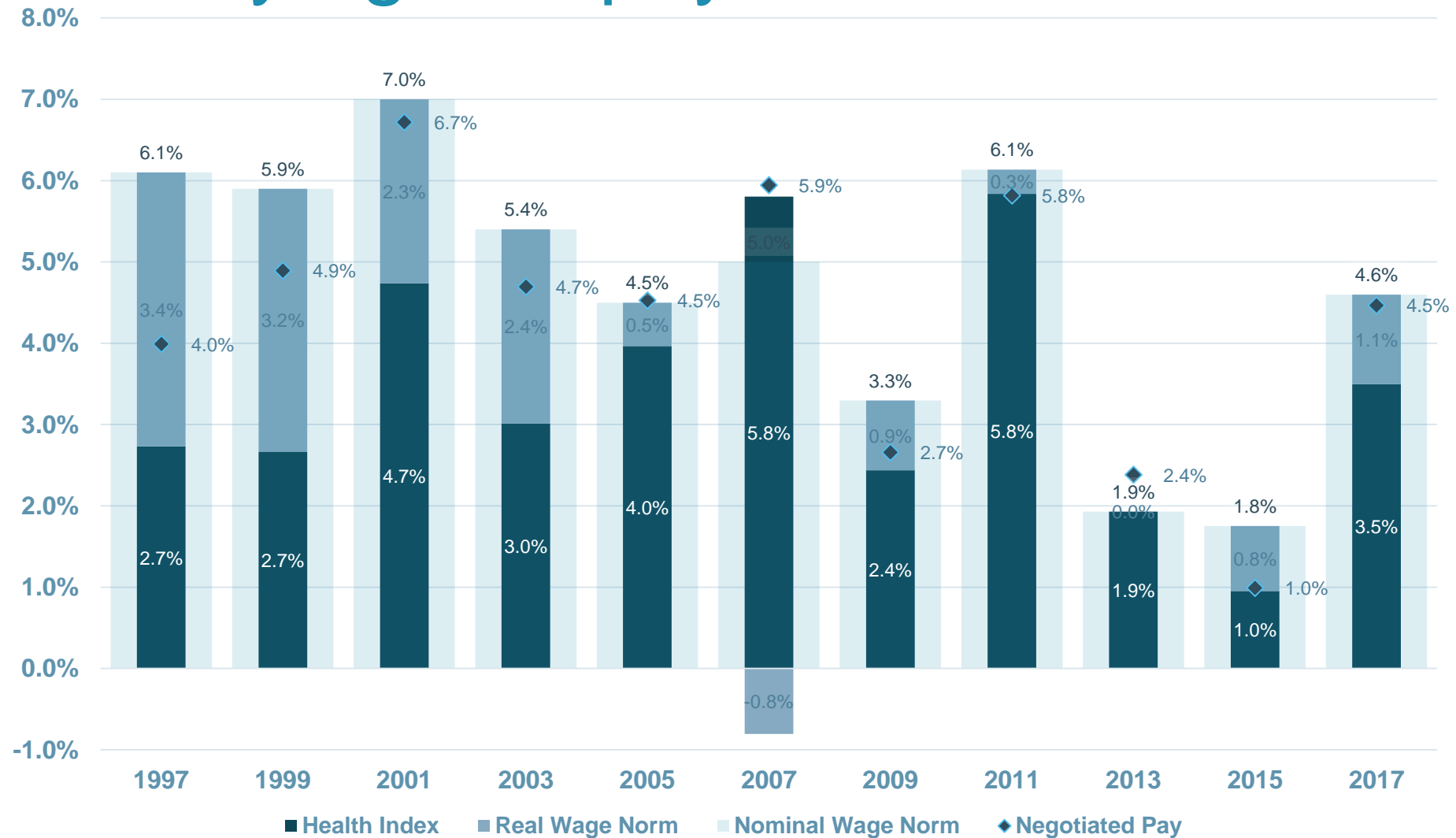
The wage of a shop assistant



Sectoral minimum wages

- Negotiated in **joint committees (#100)**
 - Minimum wage floors are a part of the sectoral wage scheme, not required (e.g. company agreements or no agreement)
 - Lowest: **EUR 1 578.12** (independent retailers)
 - Highest: **EUR 2 578.21** (petrol industry)
- **Covering 97%** of employment through automatic extension (Law of 1968)
- Growth is constrained by the **Wage Norm** (min = max)

Collectively agreed pay increases



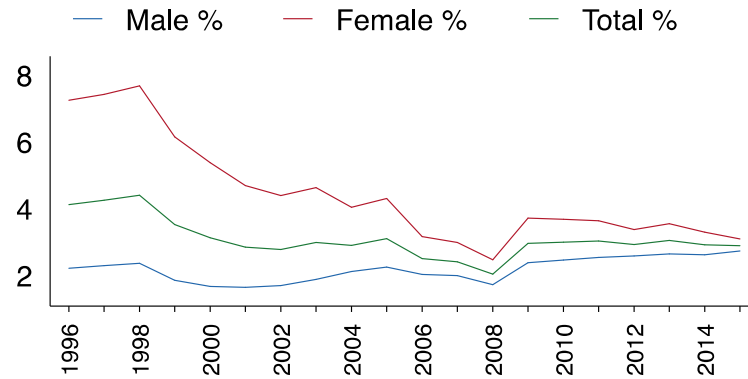
National minimum wage

- “**Guaranteed monthly average income**”: all labour income in jobs of over one month, averaged over a year, proportional for part-time work
- National CBA 43, 50 (National Labour Council)
- Currently EUR 1 593:
 - 16% below the average sectoral minimum wage
 - Evolution lagging behind (last update: 2008)
- Recent change: youth reform 2015. Increased wages and retention but decreased accession rates.

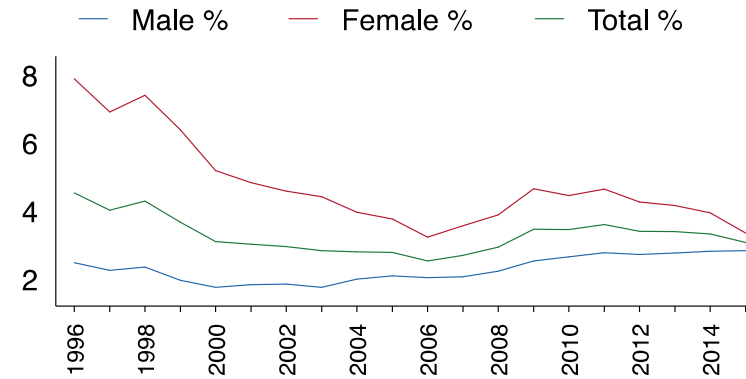
		Minimum wage (EUR)		
		21 years or older	21.5 years + 6m seniority	22 years + 12m seniority
1/10/2008	New base	1387.49	1424.31	1440.67
		18 years or older	19 years + 6m seniority	20 years + 12m seniority
1/1/2015	Youth reform	1501.82	1541.67	1559.38
1/6/2016	Indexation	1531.93	1572.58	1590.64
1/6/2017	Indexation	1562.59	1604.06	1622.48
1/9/2018	Indexation	1593.81	1636.10	1654.90

The share of minimum wage workers

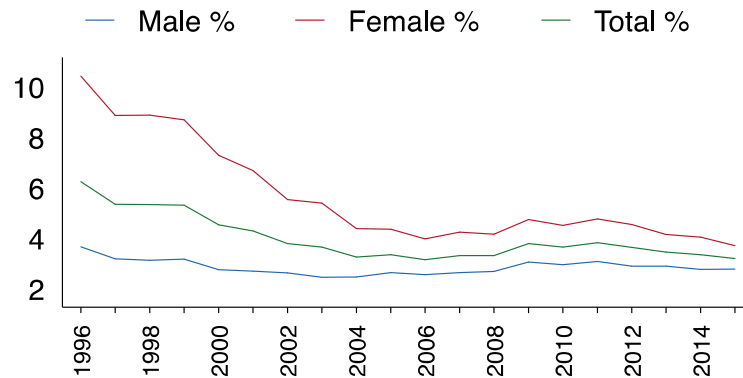
Q1



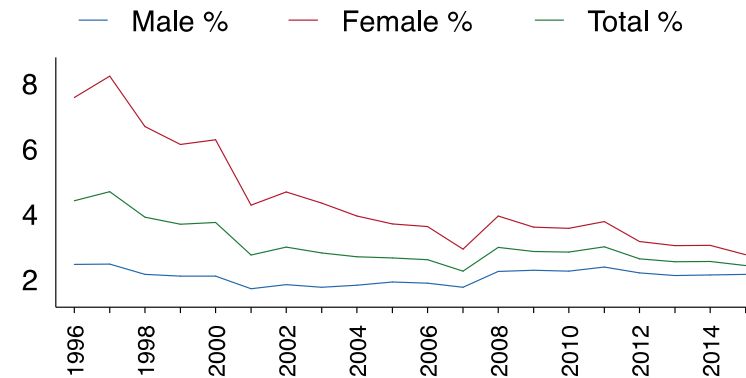
Q2

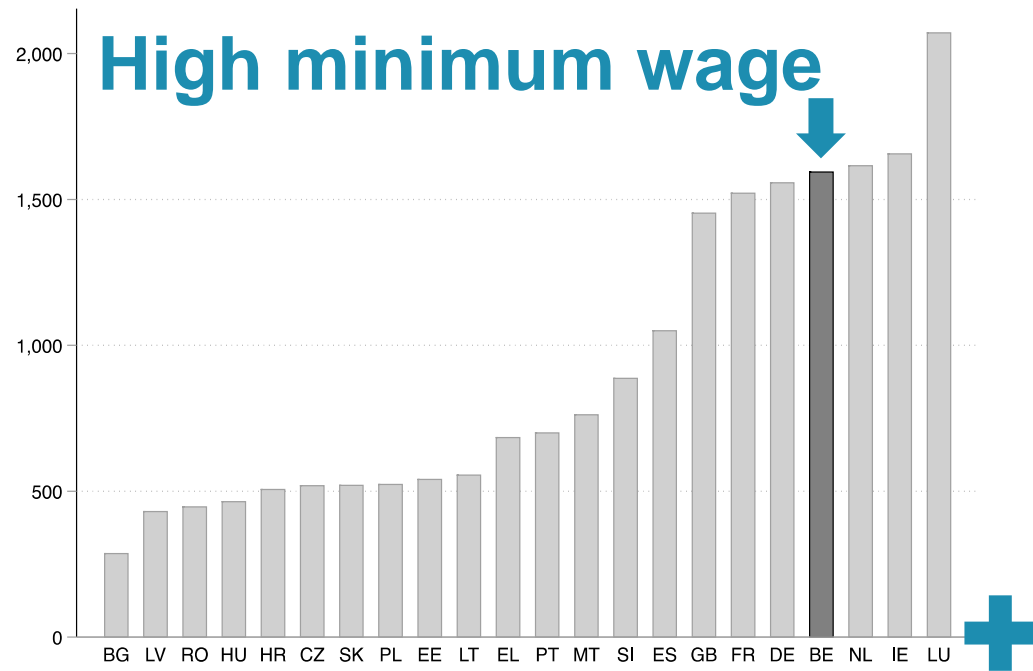


Q3

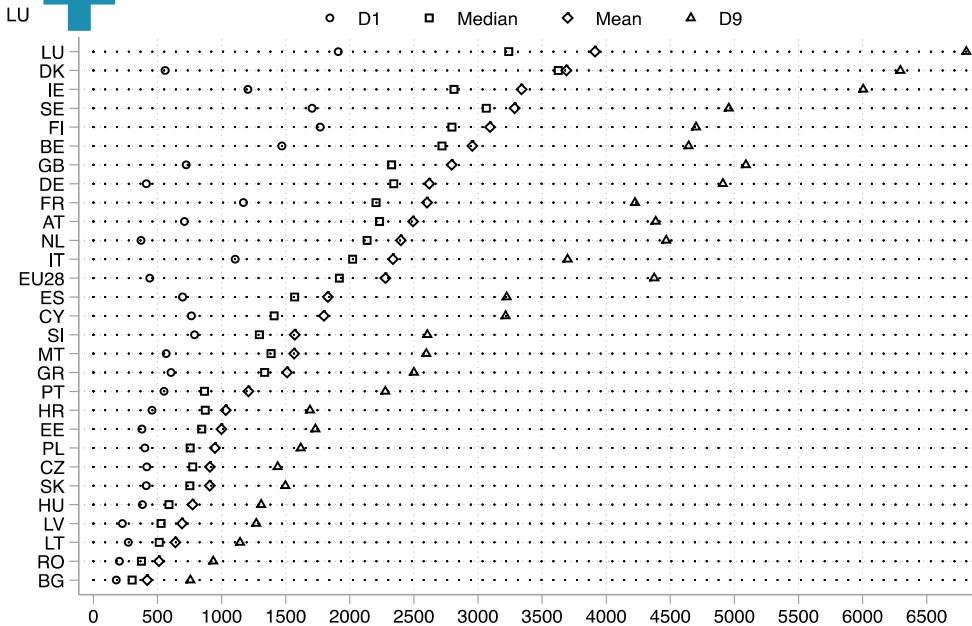


Q4

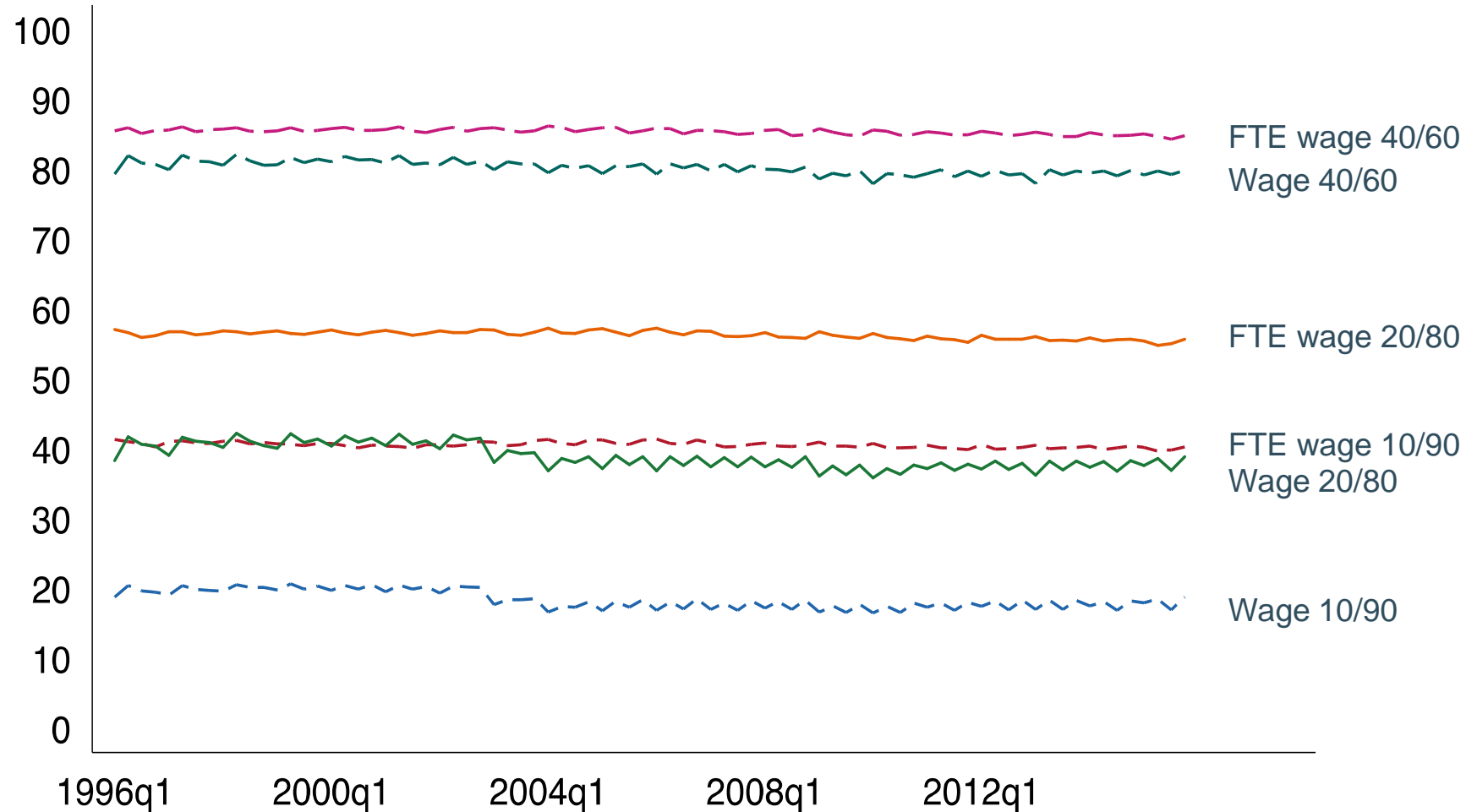




Low wage inequality →



Wage inequality has been stable for 20 years



Reason or rigidity?

Collective bargaining

- Valuing functions, not persons (gender, race, etc.)
- Intrasectoral wage compression > redistribution

Decent pay: yes, following Rehn-Meidner and including COLA, but other social motives largely absent (CAWIE 3)

Flexibility?

- In theory: autonomous CB (subsidiarity principle)
- In practice: little innovation, increasing state intervention

Coverage?

- Automatic extension (universality principle)
- Social inspectorates
- Ca. 50% union density

		Legal enforcement	
		Weak	Strong
Agreement	Negotiation	Commitment Flexibility: ++ Coverage: +	Compliance Flexibility: + Coverage: ++
	Law	Choice Flexibility: - Coverage: --	Compulsion Flexibility: -- Coverage: ++