

New study on minimum wages in Europe:

European minimum wage policy proposed

Today, in almost all European countries, binding minimum wages provided through collective agreements or statutory provisions are an established method of political regulation of the labour market. This is one of the main findings of a recent study on “Minimum wages in Europe” carried out by an international team of researchers under the coordination of the German Institute for Economic and Social Research (WSI) at the Hans Böckler Foundation.*

Within the EU, 18 of the 25 Member States have a statutory minimum wage. With regard to absolute level of minimum wages, three groups of countries can be identified (Figure 1): the Benelux countries, France, the UK and Ireland, with relatively high minimum wages of between €7.63 and €8.69 per hour, belong to the first group; a second middle group consists of the southern Member States of Spain, Portugal, Malta and Greece, as well as Slovenia, which have minimum wages with hourly rates of between €2.62 and €3.86; the third group contains only CEECs where minimum wages are relatively low with hourly rates between €0.67 and €1.58.

Seven EU member states have no national statutory minimum wage. The Scandinavian countries – Denmark, Sweden and Finland – as well as Germany, Austria, Italy and Cyprus rely on collective agreements alone to ensure minimum wage protection. Even so, most of these countries also have functional equivalents such as a high union density or particular legal provisions that are used indirectly to ensure high coverage of collective agreements and also a functioning system of collectively agreed minimum wage protection. Only Germany has no such functional equivalent, which explains why there is currently an intensive debate on the question of whether or not it should introduce a statutory minimum wage.

On the question of the effectiveness of a minimum wage, the study found that in many countries existing regulations have proved insufficient to prevent an increase in low-paid workers and working poor. The European Commission recently calculated that in the EU 15 more than 15% of workers (i.e. over 20 million wage-earners) fell into the bracket of low-wage earners.

The level of the minimum wage is often a rather low proportion of the national average wage (Figure 2). About half of the countries have a statutory minimum wage which is above or comes at least relatively close to the threshold value of 50% of the average national wage; wages below this level should be viewed as ‘poverty wages’. The highest minimum wage in relative terms can be found in France where it corresponds to 62% of the average wage. The other half of the countries have minimum wages which are no more

than 40% or in some cases even 30% of average wages. On this measure, Spain and the Czech Republic have the lowest minimum wages, corresponding to only 32% of the average wage.

In order to guarantee every employee equitable pay as laid down in the Community Charter of Fundamental Social Rights of Workers of 1989, the authors call for a European minimum wage policy. The aim of such a policy should be that every country in Europe would be obliged gradually to raise its minimum wage to a level of at least 50% – and, in the future, 60% – of national average earnings.

In order to implement a European minimum wage policy, it would be advisable to rely on the ‘open method of coordination’, whereby certain goals and deadlines for implementation are determined at European level, and are then implemented within the framework of the different national institutions and systems. According to each country’s national traditions, statutory minimum wages, extensions of collective agreements, or combinations of both regulatory methods would be used. At European level, the supervision of the implementation at national level and the comprehensive monitoring of national minimum wage policies would contribute to the dissemination of ‘good national practices’.

* *Minimum wages in Europe*

Thorsten Schulten, Reinhard Bispinck and Claus Schäfer (eds.)

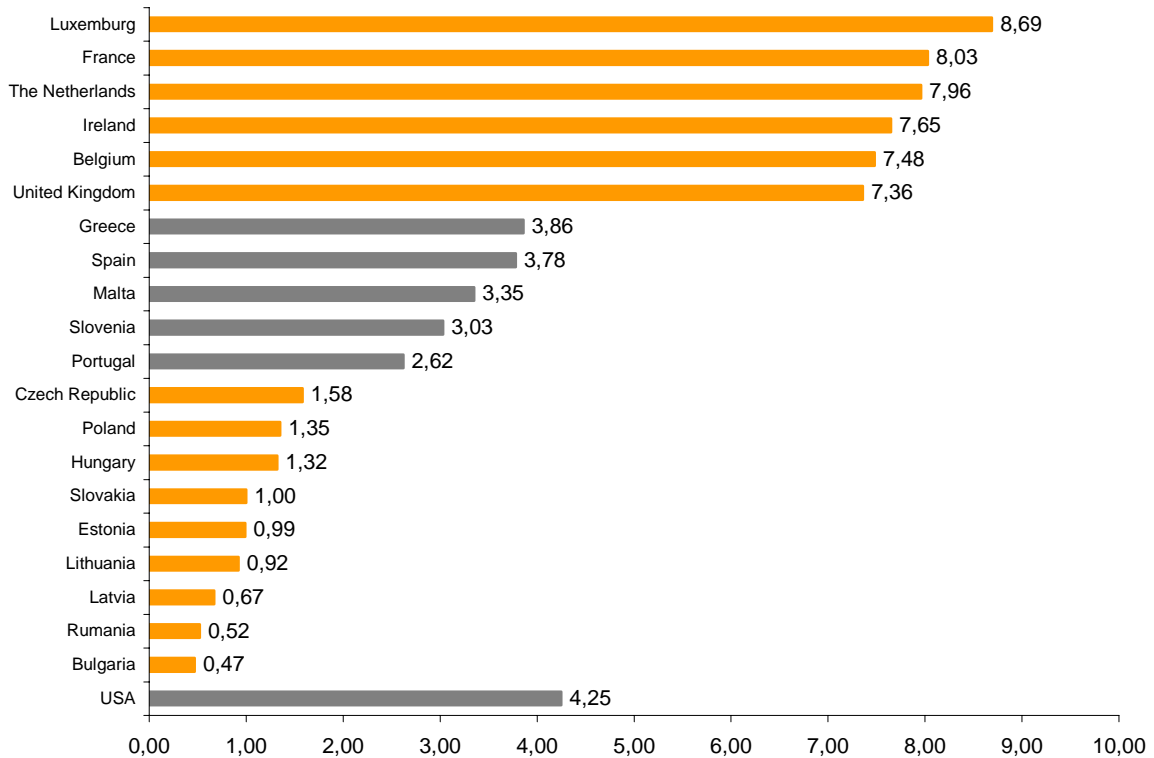
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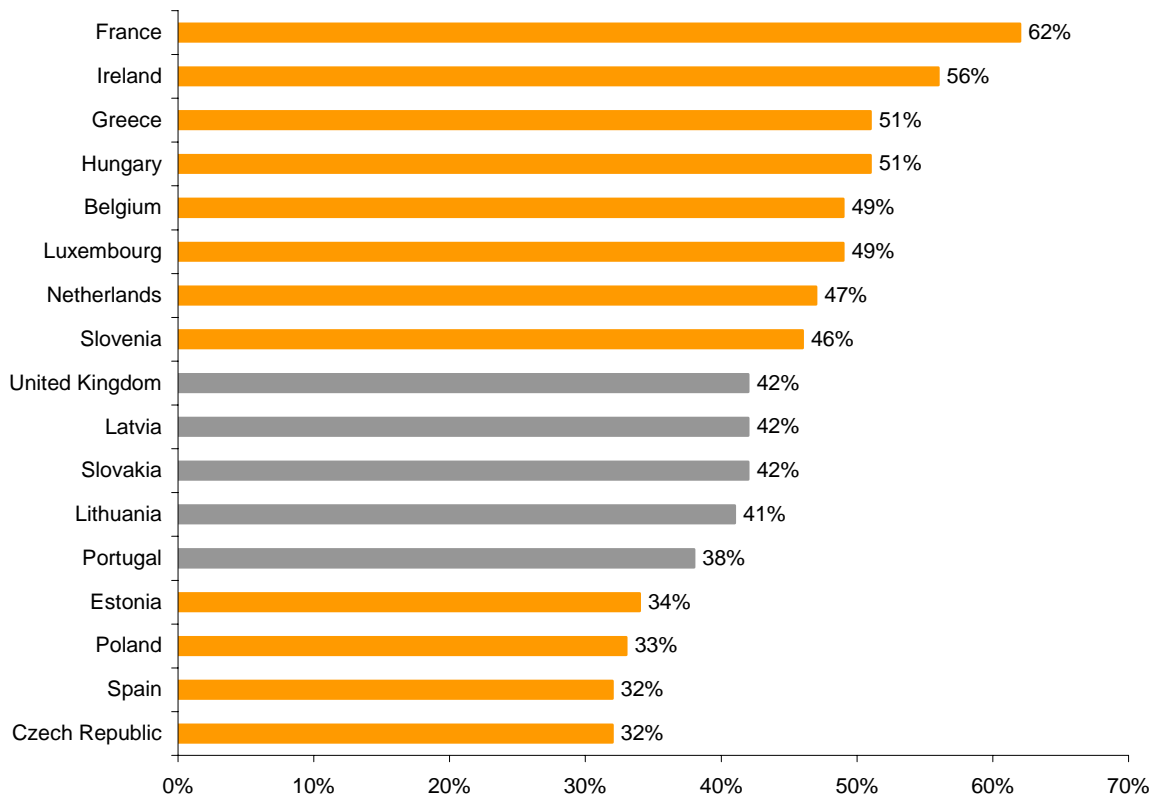
- Dr. Thorsten Schulten, WSI, +49 (0)211 7778 239,
thorsten-schulten@boeckler.de
- Dr. Reinhard Bispinck, WSI, +49 (0)211 7778 232,
reinhard-bispinck@boeckler.de
- Dr. Claus Schäfer, WSI, +49 (0)211 7778 232,
claus-schaefer@boeckler.de
- Birgit Buggel-Asmus, ETUI-REHS (press), +32 (0)2 22 40 486
basmus@etui-rehs.org

Figure 1: Statutory hourly minimum wages in EURO (January 2006)



Statutory hourly minimum rate of pay: Luxemburg, France, United Kingdom, Ireland, USA (UK and USA calculated at rate of exchange from 16.1.06)
 Hourly rates of pay calculated on the basis of the following working weeks: 40 hours: Greece, Malta, Slovenia, Hungary, Poland, Estonia, Lithuania, Latvia, Bulgaria, Rumania; 39 hours: Slovakia; 38.5 hours: Portugal were calculated taking the 14 obligatory monthly salaries into consideration.
 Source: Eurostat, national data, own calculations

Figure 2. Statutory minimum wage in % of average wage (2002)



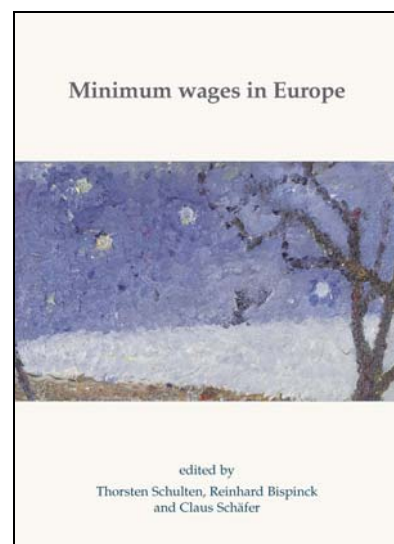
Source: European Commission

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Documentation:

Theses for a European minimum wage policy