Statutory and collectively agreed minimum wages in Europe – an international overview*

Thorsten Schulten

Today, in the majority of countries worldwide, a legally binding minimum wage is an established method of political regulation of the labour market. The International Labour Organisation (ILO) even has two Conventions which give minimum wages the notion of a universal labour norm. In total, 116 states have ratified at least one of these two ILO Conventions.[1] The respective regulations and systems used to determine minimum wages in almost 100 countries are documented in an ILO minimum wage database (Eyraud and Saget 2005).[2] Today, there is no country in Europe that does not have some system of minimum wage regulation (Funk and Lesch 2005).

1. Social and political significance of the minimum wage

There are two main ways of providing minimum wage regulation: either through collective agreements or statutory provision. In the case of collective agreements, minimum wages are set for a specific group (by country, sector, company or occupation); this means that no-one may be (legally) employed and receive wages below this set level. However, since the binding effect of these collective agreements, varies, at times considerably, in many countries, a number of

* Translation from German by Eileen Laurie.

1 This refers to ILO Convention no. 26, from 1928 and no. 131, from 1970 (Däubler et al. 1990).

2 The ILO minimum wage database can be accessed by all via the Internet (www.ilo.org/travaildatabase/servlet/minimumwages).

employees are not covered by these agreements. This is particularly the case in industries that belong traditionally to the low-pay sector (e.g. private service industry). As there is usually a lower level of organised labour in these industries, trade unions are often unable to enforce collectively agreed minimum wage protection. Therefore, in many countries, collectively agreed minimum wage regulation is extended through statutory regulations. In this instance, the state can extend the scope of a collective agreement to include employees and employers not formerly bound by the agreement. However, in those sectors where collective agreements either do not exist or where they are insufficient, the limitations of collectively agreed minimum wage regulations become apparent. In such cases, the state can introduce a supplementary statutory minimum wage that stipulates the minimum wage level within a society and so provides minimum wage protection for employees not covered by collective agreements.

The political legitimisation of the minimum wage is a result of the structural imbalance of power between labour and capital. Without collective minimum wage regulation, many sectors would be permanently confronted with the possibility of pay cuts; this, in turn, would undermine the effective functioning of the labour market. Minimum wages, therefore, do not conflict with a functioning labour market; on the contrary, they are an important institutional prerequisite for this very functioning (Schulten 2004). Trade unions display a distinct preference for collectively agreed minimum wage protection as this method gives them direct influence on minimum wage determination. In contrast, the statutory minimum wage is viewed as a 'second-best' option that only comes into effect when the bargaining power of the trade unions is insufficient to implement adequate minimum wages. It should be noted that the statutory minimum wage is generally not determined by the state alone, but is usually the result of societal debate, which gives trade unions the opportunity to politicise the issue of pay.

The socio-political significance of minimum wages becomes evident when one considers that the determination of the level of a national minimum wage is closely connected to normative notions of 'just' and 'fair' pay. The entitlement to 'just' and 'fair' pay has been laid down as a fundamental social right in numerous international agreements, including the 1948 Universal Declaration of Human Rights, the Council of Europe's European Social Charter of 1961 and the European Union's 1989 'Community Charter of Fundamental Social Rights for Workers' (Däubler et al. 1990). Three fundamental principles of social justice are generally cited as the criteria for 'just' or 'fair' pay. (Daloz 1993).[3] The first principle which is social justice based on individual performance (*Leistungsgerechtigkeit*) demands that wages be respective to work done. Since the issue of a fair pay related to the individual performance stands invariably in relation to other wages and earnings, the second principle, distributive justice (*Verteilungsgerechtigkeit*), takes the total distribution of income within a society into account.

Finally, the right to 'just' and 'fair' pay is based on the principle of justice based on need and social participation (*Bedarfs- und Teilhabegerechtigkeit*), where wage labour not only guarantees a minimum of subsistence, but also allows adequate participation in society, a notion encapsulated in the terms 'decent' or 'living wage'. In contrast to the minimum of subsistence provided by the welfare state (e.g. social welfare), the statutory minimum wage marks the 'first level of affiliation to employee status; this means that wages are more than mere economic remuneration' (Castel 2000: 333). The minimum wage gains its social legitimisation from the expectation that wage labour provides a certain standard of living, guarantees employees adequate social participation, and an adequate reproduction of their labour power.

2. The economic discussion of the minimum wage

The economic functions of statutory minimum wages are the subject of broad international debate in the academic field of economics;

3 For a discussion of the various notions of social justice, see also Möhring-Hesse (2004).

varying theoretical approaches have resulted in diametrically opposed positions on the issue. Adherents of neoclassical labour market theory view the political regulation of wages – be it through collective agreements or through a statutory minimum wage – as either ineffectual or even detrimental. If the minimum wage lies below the market wage created within the 'free' labour market through supply and demand, then the minimum wage is ineffective since it does not have any influence on existing wages. If the statutory minimum wage is higher than the market wage proposed by the standard neoclassical model then demand for labour automatically declines, resulting in unemployment. According to textbook neoclassical economics, statutory minimum wages are detrimental to employees in the lower wage bracket; these are the employees that minimum wages are intended to protect (see, for example, Samuelson and Nordhaus 1998: 97).

Whilst the standard neoclassical model claims that statutory minimum wages usually result in unemployment, conversely, the existence of unemployment is attributed to inadequate differentiation within the wage structure. Since the extent of wage dispersion in a society is essentially determined by the institutional structures of the labour market (collective bargaining systems, statutory minimum wages, etc.), these are identified as the primary factors that prevent the development of a 'market-driven' wage structure and are viewed as responsible for creating unemployment (see, for example, Siebert 1997).[4] Accordingly, employment problems can be solved by breaking down the 'institutional rigidity' of the labour market thus creating greater 'wage differentiation', a term that is normally little more than a euphemism for a massive expansion of the low-pay sector.

4 A comparison between the USA and Europe is generally used as evidence for this point of view. The relatively small rate of unemployment in the USA is linked to high wage dispersion, while high unemployment figures in some European countries are attributed to their relatively egalitarian wage structures. For a more extensive critique of this view, see Howell and Huebler (2004) and Hein and Schulten (2004).

The inverse correlation between the level of the statutory minimum wage and employment levels presumed by the standard neoclassical model has always been criticised by economists of more heterodox tradition. Increasingly, and particularly in the light of recent empirical studies (see below), alternative theoretical approaches are becoming more prevalent in economics literature; these arrive at different analyses of the economic function of the minimum wage (for an overview see Ragacs 2002, 2004).

The main focus of this critique is the neoclassical perception of the labour market – that is, of a market like any other – which attributes the labour market with all the ideal-typical characteristics of perfect competition (all the necessary information, unlimited mobility etc.). More realistic concepts, on the other hand, assume that a range of frictions are inherent in the labour market, which result in an extremely imperfect competitive situation. Furthermore, due to the particular character of the commodity of labour power, a structural imbalance between capital and labour power must be presumed, one that – especially given the existence of unemployment – governs wage determination.

In recent economic literature, there have been many moves to characterise the labour market as 'monopsonistic', (Card and Krueger 1995, Manning 2003). As businesses tend to act on the monopoly of demand (as monopsons) they are often in a position to pay wages below the level of the market wage that would have emerged under the conditions of perfect competition. Therefore, in monopsonistic markets, it is not possible to pinpoint a definite relationship between statutory minimum wages and employment. As long as the determination of, or increase in, statutory minimum wages balances the market power of an employer, and so facilitates the existence of a 'market wage', then even in a labour model that is, in other respects, neoclassical, a negative impact on employment is not to be expected. (Ragacs 2002: 70).

Moreover, if one investigates the link between wage level and productivity proposed in various efficiency wage theories (Akerlof and

Yellen 1986), then an increase in minimum wages can, in theory, have a positive effect on employment if this is accompanied by over-proportional increases in productivity. The initial steps towards the introduction of statutory minimum wages at the end of the 19th century gained their economic legitimisation, above all, by pointing out that productivity gains would result due to the creation of a lower limit to wage competition (Webb 1912).

Furthermore, the lack of an effective minimum wage due to the 'abnormal course' of the labour supply function can also be a contributory factor to negative impacts on employment. In contrast to the neoclassical view decreasing wages do not automatically result in a reduction in the labour supply. On the contrary, especially in the low-pay sector, this can lead to an increased supply of labour power as employees attempt to maintain a certain standard of living (Heine and Herr 2000: 118).

Finally, from the Keynesian perspective, two identifiable functions of statutory minimum wages have a positive impact on growth and employment (Herr 2002, Prasch 1996). First, statutory minimum wages can contribute to the stabilisation of demand, particularly since the low-pay sector exhibits high rates of consumption and low savings rate. Secondly, and especially during periods of high employment and correspondingly weakened trade unions, statutory minimum wages can provide an important protection against deflationary wage cuts.

3. Statutory minimum wages in Europe

Historically, the first statutory minimum wage regulations came into force during the last decade of the 19th century. Statutory minimum wages were first introduced in 1894 in New Zealand. Two years later, the first minimum wage legislation in Australia was introduced in the state of Victoria. The United Kingdom was the first European country to introduce statutory minimum wage regulations, in 1908. In the USA, in the state of Massachusetts, minimum wage legislation was passed for the first time in 1912 (Pesl 1914).

Initially, these first minimum wage regulations applied only to certain sectors or occupational groups, in the second half of the 20th century, an increasing number of countries introduced statutory minimum wages that set a general nation-wide minimum wage level, regardless of sectors or occupations. Here, the USA played a leading role; in 1938, the Fair Labor Standards Act was passed, the first modern national minimum wage legislation. Today, the majority of OECD countries – including most of the EU member states, and the USA, Canada, Australia, New Zealand, Japan and South Korea – as well as a range of developing countries, have national statutory minimum wages (OECD 1998; Eyraud and Saget 2005).

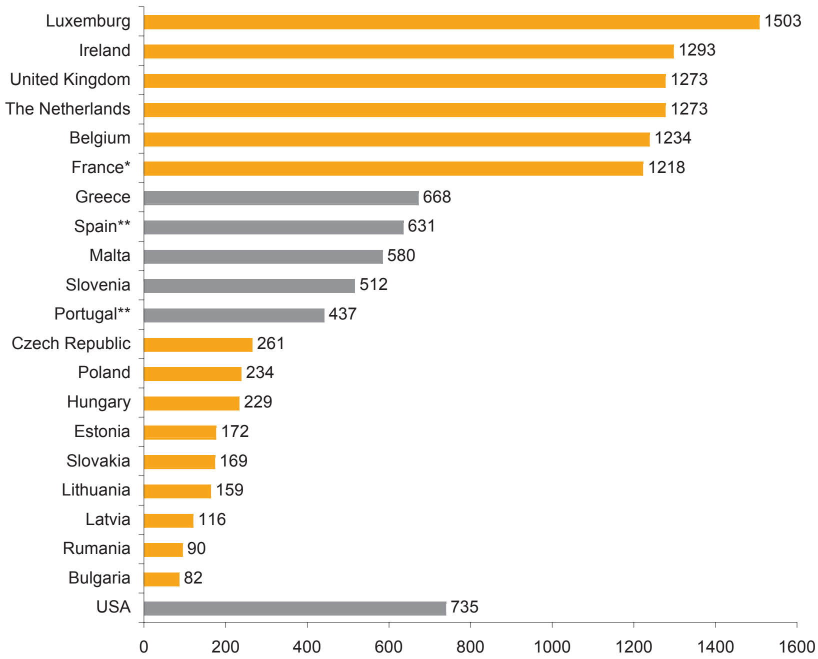
Within the EU, 18 of the 25 member states have a statutory minimum wage (Funk and Lesch 2005; Regnard 2005). While some EU countries have several decades of practical experience with statutory minimum wages, Ireland and the UK did not introduce national statutory minimum wages until the end of the 1990s. In most of the Central and Eastern European countries (CEE), new statutory minimum wage regulations were created during the period of transformation at the beginning of the 1990s. Against the background of the largely undeveloped collective bargaining systems in these countries, these regulations played a particularly important role for wage growth in general.[5]

With regard to absolute level of minimum wages, three groups of countries can be identified within the EU (Regnard 2005, *Figures 1 and 2*). The Benelux countries, France, the UK and Ireland, with relatively high minimum wages between 1,218 and 1,503 EUR per month and between 7.63 and 8.69 EUR per hour, belong to the first group.[6] A second middle group is that of the southern European EU member states of Spain, Portugal, Malta and Greece, as well as Slovenia; these have minimum wages between 437 and 668 EUR per month and hourly rates between 2.62 and 3.86 EUR. Finally, the third

5 See the chapter from Platzer and Kohl in this volume.

6 Statutory minimum wages are set at an hourly rate in some countries and as a monthly wage in others. If no hourly rate is given, then in the following discussion, this is calculated on the basis of the official average working week.

Figure 1: Statutory monthly minimum wages in euros (January 2006)

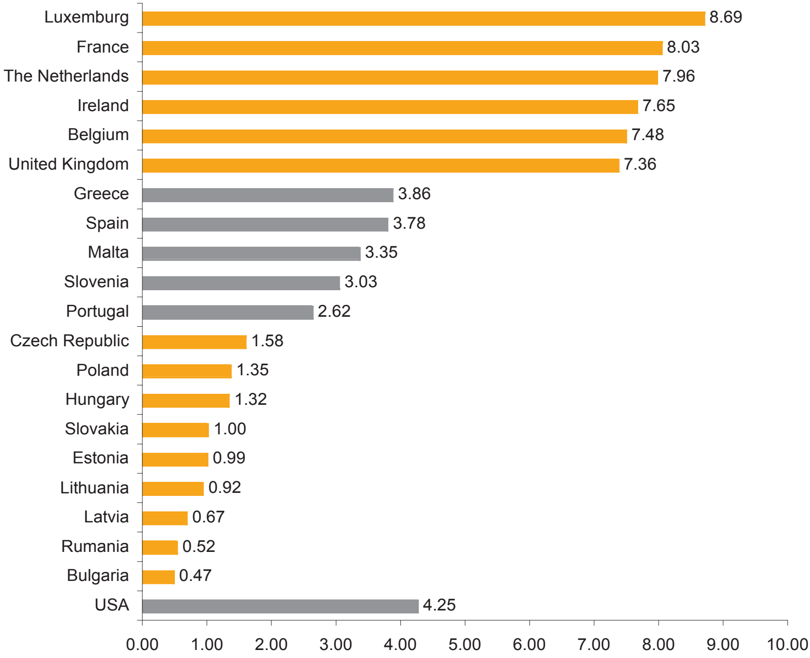


Notes: * Basis: 35-hour week; ** calculated on the basis of 14 monthly salaries
Source: Eurostat, national data, own calculations

group contains only CEE states; these have relatively low minimum wages between 116 and 261 EUR per month and hourly rates between 0.67 and 1.58 EUR. Only Bulgaria and Romania (due to join the EU) have an even lower minimum wage level. In the USA, the statutory minimum wage is approximately at the southern European level and so is well below the level of the leading Western European group. However, a number of US states demonstrate much higher statutory minimum wages.

It must be noted that the different national minimum wage levels correspond, for the most part, to the different cost of living in the respective countries. Measured in purchasing power parity (PPP), the

Figure 2: Statutory hourly minimum wages in euros (January 2006)



Notes: 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: Spain, Portugal; 38 hours: Belgium, Czech Republic; 37 hours: The Netherlands. The values for Spain and Portugal were calculated taking the 14 obligatory monthly salaries into consideration.

Source: Eurostat, national data, own calculations.

relation between the lowest and the highest statutory minimum wage in the EU is reduced from 1:13 (calculated in EUR) to around 1: 4.5 (Regnard 2005).

Statutory minimum wage development is, in the final analysis, greatly influenced by its political and institutional definition. Considering the determination and periodical adjustment of the statutory minimum wage, four different ideal-typical systems can be identified, although, in practice, systems often occur in combination (Table 1). The first type is that of a 'purely political' system where the respective national government, without participation in any institutional discussions or consultation forums, and without statutory adjustment, decides on the level of the statutory minimum wage, completely independently. This 'purely political' system is particularly prevalent in the USA, and in recent decades, has often led to the situation where a Republican government has not increased the national minimum wage for several years and, as such, its real value has been considerably reduced.[7]

In most European countries, in contrast, an institutionalised consultation process exists where employers' associations and trade unions are involved in minimum wage development and make recommendations to the government on the periodical increase thereof. A particularly developed model of this second type is the Low Pay Commission in the UK: a three-party collaboration between employers' associations, trade unions and academics that makes annual recommendations on minimum wage increases on the basis of comprehensive studies.[8]

In Belgium and Greece and some CEE countries, a third type can be identified; here, the national minimum wage is negotiated at national level between the umbrella organisations of the trade unions and employers and is subsequently made law by the state. In Ireland, increases in the statutory minimum wage are negotiated within the framework of national tripartite social pacts. If no agreement is reached, then the increase in the minimum wage is determined by the government.[9]

Finally, there is the fourth type found in the Benelux countries and France, and, in recent years, in Poland. Minimum wages are index-linked; the respective minimum wage level is automatically adjusted

7 See the chapter from Burmeister in this volume.
8 See the chapter from Burgess in this volume.
9 See the chapter from Erne in this volume.

Table 1: Mechanisms for determining and adjusting statutory minimum wages

	Automatic adjustment to price and/or wage growth	Bi- or tripartite negotiations	Determination by the state after consultation with employers and unions	Unilateral determination by the state
Belgium	X	X		
Bulgaria			X	
Estonia		X		
France	X		X	
Greece		X		
UK			X	
Ireland		X	X	
Latvia			X	
Lithuania			X	
Luxemburg	X		X	
Malta	X	X		
Netherlands	X		X	
Poland	X		X	
Portugal			X	
Romania		X		
Slovakia		X		
Slovenia		X		
Spain			X	
Czech Republic			X	
Hungary		X		
USA				X

Source: own compilation on the basis of Funk and Lesch (2005) and Eyraud and Saget (2005).

to price and/or wage growth. This indexing is normally carried out in combination with political considerations. In most cases, this fourth type provides the most security over a longer period of time as minimum wage development keeps pace with general economic development (OECD 1998). However, in the Netherlands, for example, the temporary suspension of automatic increases in the minimum wage is possible.[10]

10 See my chapter on minimum wages in the Benelux countries in this volume.

4. European countries with no statutory minimum wage

Seven member states of the EU 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 (Lesch and Funk 2005).[11] Even so, most of these countries also 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 (Schulten 2005). This applies, in particular, to the Scandinavian countries, where the 'Ghent System' – where trade unions administer unemployment insurance – means that there is high trade union membership and this guarantees that more than 90% of employees are covered by collective agreements. In Austria, compulsory membership of employers in the Austrian Federal Economic Chamber ensures that the binding effect of collective agreements applies to almost the entire country. Furthermore, collectively agreed minimum wage protection is coordinated by comprehensive minimum wage campaigns run by Austrian trade unions.[12] Finally, in Italy, the constitution contains a clause on fair wages, which, in practice, ensures that every employee has to get the collectively agreed minimum wage (Peter 1995: 177). These various functional equivalents for a statutory minimum wage make sure that there is comprehensive and effective collectively agreed minimum wage protection in these countries.

Recently, however, the statutory minimum wage has become more of an issue in some of these countries, as the increasing liberalisation of the European service industry sector and the connected increase of labour migration in some sectors (e.g. the construction industry) threatens to undermine existing collectively agreed minimum wage protection. This is true, in particular, for the Scandinavian coun-

11 In Cyprus, statutory minimum wages exist for a few selected occupational groups (Funk and Lesch 2005).

12 See the chapter from Hermann in this volume.

tries.[13] A paradigmatic case therefore is that of 'Vaxholm' in Sweden (Rönngren 2005). In 2004, a Latvian construction company won the tender to build a school in the Stockholm suburb of Vaxholm. This company then sent Latvian employees to Sweden, who were to be paid according to Latvian conditions. When the Latvian construction company rejected the demands of Swedish trade unions for a collective agreement with Swedish conditions, Swedish trade unions blocked the construction site until the Latvian company gave up their plan. In response, Charlie McCreevy the EU Internal Market Commissioner declared that the behaviour of the Swedish trade unions contradicted European Internal Market regulations. The case is now being debated by the European Court of Justice (ECJ). If the ECJ passes a judgement that is not in favour of the Swedish trade unions, then, according to the President of the trade union umbrella organisation LO, it will be necessary to discuss the introduction of statutory minimum wages and the extension of collective agreements (Lundby-Wendin 2005).[14]

In Germany, an especially intensive debate on the introduction of a statutory minimum wage is currently taking place.[15] Unlike other European states, there are no functional equivalents in Germany to provide political support of the collective bargaining system. The increasing growth of the low-pay sector since the middle of the 1990s suggests that collectively agreed minimum wage protection in Germany is now failing to cover large groups of employees. Collective bargaining coverage has decreased greatly since the middle of the 1990s with the result that the percentage of employees paid according to a collective agreement is relatively low in traditional low-paid jobs in the private service industry. At the same time, a large number of collective agreements for low-pay groups set rates of pay that are below the level of a living wage. In order to close the gaps in

13 See the chapter from Lismoen in this volume.

14 In Norway, for similar reasons, the introduction of minimum wage protection is also being discussed (Lismoen and Stokke 2005).

15 See the chapter from Bispinck and Schäfer in this volume.

minimum wage protection not covered by collective agreements, some trade unions are supporting the view that collective agreements be extended and that a statutory minimum wage be introduced.

5. The impact of minimum wages on employment and income distribution

The academic discussion on the impact of statutory minimum wages on employment and income distribution policy was dominated by US literature for a long time. Well into the 1980s, most empirical studies on the USA concluded that statutory minimum wages – particularly in the case of young employees – tended to have a slightly negative impact on employment (Brown et al. 1982). Since this time, assessments of the employment policy implications of statutory minimum wages have, however, changed greatly. In 1990, 63% of US economics professors were of the opinion that statutory minimum wages would lead to a rise in youth unemployment; in 2000, however, only 46% believed this to be the case (Fuller and Geide-Stevenson 2003).

This change of attitude in the USA was triggered, above all, by studies carried out by David Card and Alan B. Krueger: these used new empirical methods and came to the conclusion that there was no clear connection between minimum wages and employment (Card and Krueger 1995). Their 'natural experiments' have achieved renown; here, they investigated employment growth in fast-food restaurants in the neighbouring US states of New Jersey and Pennsylvania. In New Jersey the statutory minimum wage was increased, while in Pennsylvania it remained constant. The studies came to the unequivocal conclusion that an increase of the minimum wage has no negative effect on employment (Card and Krueger 1994, 2000).

Although the studies by Card and Krueger have faced some criticism (Neumark and Wascher 1995); today, the US economic mainstream assumes no definite connection between minimum wages and employment. One exemplary case that underlines this is that of the Council of Economic Advisers, which in 1999, in its annual report to the American president supported this position: 'The weight of the evidence suggests that modest increase in the minimum wage have had very little or no effect on employment' (Council of Economic Advisers 1999, cited in Chasanov 2004: 11).

In Europe too, the vast majority of new studies have come to the conclusion that statutory minimum wages are not linked to any direct negative impact on employment (Dolado et al. 1996; OECD 1998; Teulings et al. 1998; Ragacs 2003). This also applies to youth unemployment, where the statutory minimum wage has been presumed to have a particularly negative impact on employment (Ghellab 1998).[16] Statutory minimum wages can have very different effects in different sectors and dependent on the particular economic situation; however, their effect on the economy as a whole is minimal. The situation in the UK and Ireland has been studied in great detail; the introduction of statutory minimum wages in these countries at the end of the 1990s has been the subject of numerous studies. There is broad general agreement in both countries that the introduction of statutory minimum wages has not had any negative effect on general employment (Nolan et al. 2003; Steward 2004).

With regard to the implications for income and distributive policy, a statutory minimum wage, by definition, prevents wages from falling below a certain level and creates a lower limit of the societal wage structure. The experience of many European countries has shown that, in the past, statutory minimum wages prevented wage dispersion from becoming too large or even led to a reduction in wage dispersion (OECD 1998; Rubery 2003). Conversely, increased wage dispersion in the USA, for example, during the 1980s, can, for the most part, be explained by the lack of adjustment of the statutory minimum wage to general wage and price growth (Manning 2003).

16 Even so, a great number of countries have determined a minimum wage for young people that is well below that of the general minimum wage (OECD 1998, Funk and Lesch 2005).

Furthermore, statutory minimum wages have proven to be a suitable instrument in combating wage discrimination against women and ethnic minorities, as these occupational groups are usually clearly over-represented at the bottom end of the wage scale (Rubery 2003). Ultimately, statutory minimum wages can also contribute to the reduction of poverty. However, the impact of this attribute is limited, firstly, in it only applies to the working poor (given that a large percentage of the poor are unemployed) and secondly, not all employees earning the minimum wage live in households affected by poverty (OECD 1998).

6. Perspectives for a European minimum wage policy

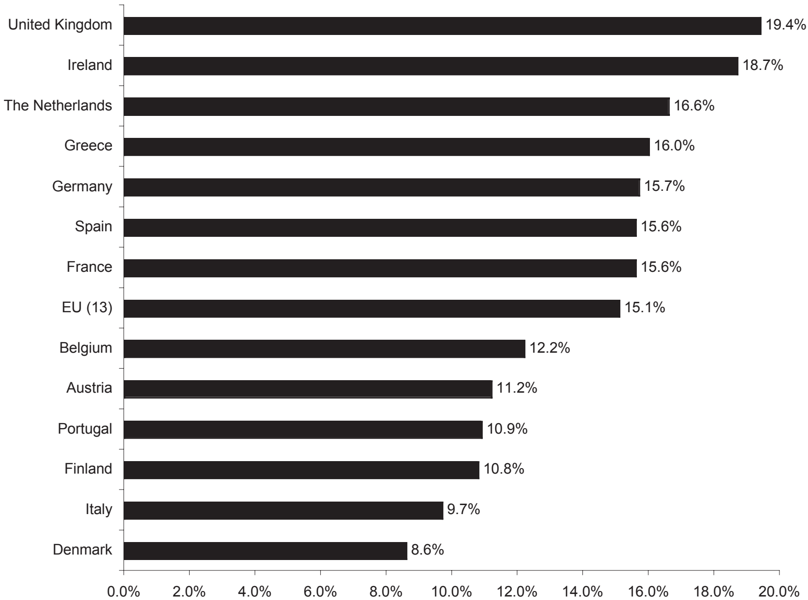
Although the Community Charter of Fundamental Social Rights for Workers from 1989 and many other international agreements postulate the right to 'fair' pay that allows adequate participation in society; for many employees in most European countries this is still not the case.[17] In recent years, in contrast, there has been observable growth of the low-pay sector. In 'old' Europe alone (EU 15) over 15% of all employees (over 20 million employees) work in the low-pay sector (European Commission 2004, *Figure 3*). This development has been promoted by a neoliberal economic policy in the EU that focuses primarily on the liberalisation of markets and the deregulation of labour and social rights. Furthermore, due to the eastward expansion of the EU and the concomitant increase in national wage differentials, existing wage structures, especially in border regions, are being placed under pressure. Finally, if the proposed EU service industry guidelines, which would sanction the country of origin principle, are passed, then the Europeanisation of labour markets in many sectors would be further accelerated and, at the same time, existing national minimum wage regulations would be undermined.

17 However, in 2000 the right to 'fair' pay was not included in the EU Charter of Fundamental Social Rights, which was passed at the EU summit in Nice in 1990. This was, especially in France, an influential argument used against the EU Charter and the EU Constitution (Husson 2005).

European minimum wage regulations are insufficient in most countries to counter the growing phenomenon of the 'working poor'. Ireland, Luxemburg and Malta are the only countries where the national minimum wage even comes close to the threshold value of 50% of the average national wage; wages below this level must be viewed as 'poverty wages' (*Figure 4*). In 10 European countries, the statutory minimum wage is even less than 40% of the average national wage.

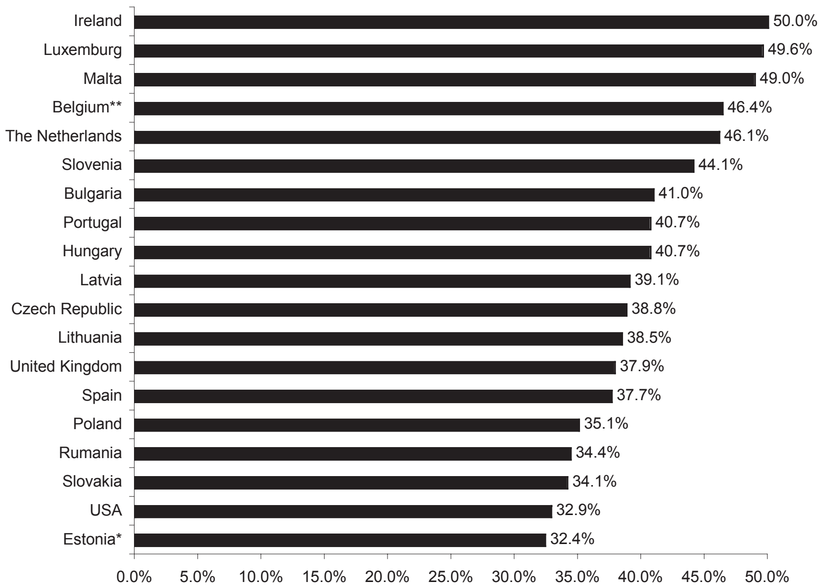
Against the background of a growing low-pay sector and an increasing danger of 'wage dumping', there have been more discussions in Europe recently on the necessity of introducing a European minimum wage policy. An especially intense debate on this issue took

Figure 3: Percentage of employees working in the low-pay sector (2000)



Note: * All employees working at least 15 hours per week who earn less than 2/3 of the national median wage
Source: European Commission (2004: 168)

Figure 4: Monthly statutory minimum wages as percentage of the average monthly wage in industry and services (2004)



Note: * 2003; ** 2002.
Source: European Commission.

place in France, when the French Parti Socialiste proposed the introduction of a 'European minimum wage' (*salaire minimum européen*) in their programme for the European Parliament elections in 2004 (Parti Socialiste 2004: 3). However, the exact meaning of the term 'European minimum wage' remains rather vague. Those who support the position of parts of the French Left that a Europe-wide universal minimum wage (around 1000 EUR) is necessary have been rightly criticised for the fact that this is hardly feasible given the great economic differences between the European states (See, for example, Maurice 2004, Monks 2004).

More realistic concepts assume that a 'European minimum wage' could come into existence via a European norm that would define a specific national minimum wage level in relation to national economic performance. Along these lines, for example, peoples within the Parti Socialiste proposed that a common European minimum wage should be set against purchasing power parity and that this should be implemented at European level in a social convergence process by 2010 (Filoche 2004).

Furthermore, in spring 2005, researchers at the Institute of Economic and Social Research (WSI) of the Hans Böckler Foundation in Germany, Denknetz in Switzerland and the Institut de Recherches Economiques et Sociales (IRES) in France worked together to elaborate 'Theses for a European minimum wage policy', where they proposed a European coordination of national minimum wage policies.[18] These theses refer explicitly to considerations raised by the European Commission and the European Parliament in the early 1990s, during the debate on the implementation of the EU Social Charter of 1989, for a coordinated European minimum wage policy (e.g. European Commission 1993).

The German–French–Swiss research group basically proposes that every country in Europe be obliged to gradually 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 – as in the case of other European fields of policy – to rely on the 'open method of coordination', whereby certain concrete goals and time frames of implementation are determined at European level, and are then implemented within the framework of the national institutions and systems of the respective countries. 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'.

18 See the documentation on 'Theses for a European minimum wage policy' in this volume.

Such a European minimum wage policy could make a concrete contribution to the development and strengthening of a 'European Social Model', which has as a fundamental principle, the situation where wages paid to every dependent employee enable a 'decent' life and financial independence.

References

Akerlof, G. and J. Yellen (ed.) (1986): Efficiency wage models of the labour market, Cambridge.

Card, D. and A.B. Krueger (1994): Minimum wages and employment: a case study of the fast-food industry in New Jersey and Pennsylvania, in: American Economic Review. Vol. 84 (4), 772–793.

Card, D. and A.B. Krueger (1995): Myth and measurement: The new economics of the minimum wage. Princeton, NJ: Princeton University Press.

Card, D. and A.B. Krueger (2000): minimum wages and employment: a case study of the fast-food industry in New Jersey and Pennsylvania: Reply, in: American Economic Review. Vol. 90 (5), 1397–1420.

Castel, R. (2000): Die Metamorphosen der sozialen Frage. Eine Chronik der Lohnarbeit, Konstanz.

Chasanov, A. (2004): No longer getting by. An increase in the minimum wage is long overdue, EPI Briefing Paper No. 151, Washington D.C.: Economic Policy Institute

Daloz, J. P. (1993): Research into a method of defining 'decent' and 'fair' wages within the meaning of Article 4, Paragraph 1, of the European Social Charter, Mimeo, March 1993.

Däubler, W., M. Kittner and K. Lörcher (eds) (1990): Internationale Arbeits- and Sozialordnung, Cologne.

Dolado, J., F. Kramarz, S. Machin, A. Manning, D. Margolis and C. Teulings (1996): The economic impact of minimum wages in Europe, in: Economic Policy Vol. 23, 319–372.

European Commission (1993): Stellungnahme der Kommission zu einem angemessenen Arbeitsentgelt, KOM (93) 388 endg., Brussels, 1 September 1993.

European Commission (2004): Employment in Europe 2004. Recent trends and prospects, European Communities.

Eyraud, F. and C. Saget (2005): The fundamentals of minimum wage fixing, Geneva: ILO.

Filoche, G. (2004): L'Europe et le Smic unique Européen, in: Democartie & Socialisme (4 June 2004) [www.democratie-socialisme.org/article.php3?id_article=415].

Fuller, D. and D. Geide-Stevenson (2003): Consensus among economists: revisited, in: Journal of Economic Education, 34, S. 369–387.

Funk, L. and H. Lesch (2005): Minimum wages in Europe, EIROnline, [www.eiro.eurofound.eu.int/print/2005/07/study/tn0507101s.html].

Ghellab, Y. (1998): Minimum wages and youth unemployment, ILO Employment and Training Papers No. 26 [www.ilo.org/public/english/employment/strat/download/etp26.pdf].

Hein, E. and T. Schulten (2004): Unemployment, wages and collective bargaining in the European Union, in: Transfer – European Review of Labour and Research Vol. 10 (4), 532–551

Heine, M. and H. Herr (2000): Volkswirtschaftslehre. Paradigmenorientierte Einführung in die Mikro- and Makroökonomie, Munich, Vienna.

Herr, H. (2002): Wages, employment and prices. An analysis of the relationship between wage level, wage structure, minimum wages and employment and prices, Business Institute Berlin at the Berlin School of Economics (FHW-Berlin), Working Paper No. 15.

Howell, D. R. and F. Huebler (2004): Wage compression and the unemployment crisis: labor market institutions, skills, and inequality–unemployment tradeoffs', in: Howell, D. R. (ed.), Fighting Unemployment: the limits of free market orthodoxy, Oxford, 35–71.

Husson, M. (2005): Pour des salaires minimaux en Europe, in: Politis No. 850, 5 Mai 2005

Lismoen, H. and T.A. Stokke (2005): Lovfestet Minstelønn i Norge?, Oslo: FAFO-Notat 13 [www.fafo.no/pub/rapp/772/772.pdf].

Lundby-Wendin, W. (2005): Vaxholm Case could lead to EU crisis of confidence, in: EU Observer 2 November 2005 [http://euobserver.com/7/20215].

Manning, A. (2003): Monopsony in motion, imperfect competition in labour markets, Princeton.

Maurice, P.J. (2004): Faut-il instaurer un salaire minimum européen? in: Dehove, M. (ed.), Le nouvel état de l'Europe, Paris: La Découverte, 137–139.

Möhring-Hesse, M. (2004): Die demokratische Ordnung der Verteilung. Eine Theorie der sozialen Gerechtigkeit, Frankfurt/New York.

Monks, J. (2004): 'La constitution européenne représente un pas en avant pour les travailleurs', Interview mit John Monks, in: Le Monde 17 April 2005.

Neumark, D. and W. Wascher (1995): The effect of New Jersey's minimum wage increase on fast-food employment: A re-evaluation using payroll records, Cambridge.

Nolan, B., J. Williams and S. Blackwell (2003): New Results on the impact of the minimum wage in Irish firms, in: Quarterly Economic Commentary (ESRI, Dublin, December 2003), 1–10.

OECD (1998): Making most of the minimum: statutory minimum wages, employment and poverty, in: Employment Outlook 1998, Paris, 31–79.

Parti Socialiste (2004): Une ambition socialiste pour l'Europe. Texte adopté par le Conseil National du Parti Socialiste du 17 Avril 2004 pour les Elections Européennes.

Pesl, D. (1914): Der Mindestlohn, Munich.

Peter, G. (1995): Gesetzlicher Mindestlohn. Eine Maßnahme gegen Niedriglöhne von Frauen, Baden-Baden: Nomos

Prasch, R.E. (1996): In defense of the minimum wage, in: Journal of Economic Issues 30, 91–397.

Ragacs, C. (2002): Warum Mindestlöhne die Beschäftigung nicht reduzieren müssen. Neoklassische Ansätze im Überblick, in: Wirtschaft and Gesellschaft, 28, S. 59–84.

Ragacs, C. (2003): Mindestlöhne and Beschäftigung: Die empirische Evidenz, in: Wirtschaft and Gesellschaft, 29, S. 215–246.

Ragacs, C. (2004): Minimum wages and employment. Static and dynamic non-market-clearing equilibrium models, Houndmills.

Regnard, P. (2005): Minimum wages 2005, Statistics in focus, Series: Population and Social Conditions No. 7, Eurostat.

Rönngren, B. (2005): The Directive on the posting of workers – the case of Sweden, Memorandum, Stockholm, 21 September 2005 [www.lo.se/home/lo/home.nsf/unidView/50752E66BDB777D8C125 70A60040F102/$file/waxholm.pdf].

Rubery, J. (2003): Pay equity, minimum wage and equality at work, International Labour Office (ILO) Working Paper Series of the InFocus Programme on Promoting the Declaration on Fundamental Principles and Rights at Work, WP No. 19, Geneve.

Samuelson, P.A. and W.D. Nordhaus (1998): Volkswirtschaftslehre (15. Aufl.), Frankfurt.

Schulten, T. (2004): Solidarische Lohnpolitik in Europa. Politische Ökonomie der Gewerkschaften, Hamburg.

Schulten, T. (2005): Changes in national collective bargaining systems since 1990, Study on behalf of the European Industrial Relations Observatory (EIRO) [www.eiro.eurofound.eu.int/2005/03/study/ tn0503102s.html].

Siebert, H. (1997): Labor market rigidities: at the root of unemployment in Europe, in: Journal of Economic Perspectives Vol. 11 (3), 37–54.

Steward, M.B. (2004): The employment effect of the national minimum wage, in: Economic Journal, 114, 110–116.

Teulings, C.N., E. Vogels and L. van Dieten (1998): Minimumloon, arbeidsmarkt en inkomensverdeling, The Hague: Sdu Uitgevers.

Webb, S. (1912): The economic theory of a legal minimum wage, in: The Journal of Political Economy, 20, 973–998.