

# **Recent Developments of Minimum Wages in Europe under the Conditions of the Crisis**

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**Collective Bargaining Coordination Committee**

**Brussels, 13 April 2010**

# Minimum Wages in Europe

## Overview

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### National Statutory Minimum Wage

#### European Union

#### 20 Countries:

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

### No National Statutory Minimum Wage

#### 7 Countries:

Austria, Cyprus, Denmark, Finland, Germany, Italy, Sweden

#### Outside the European Union

#### 18 Countries:

Albania, Armenia, Azerbaijan, Belarus, Bosnia, Croatia, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Montenegro, Russia, Serbia, Tajikistan, Turkey, Turkmenistan, Ukraine, Uzbekistan

#### 4 Countries:

Iceland, Macedonia, Norway, Switzerland

# Minimum Wages in Europe

## Data Sources:

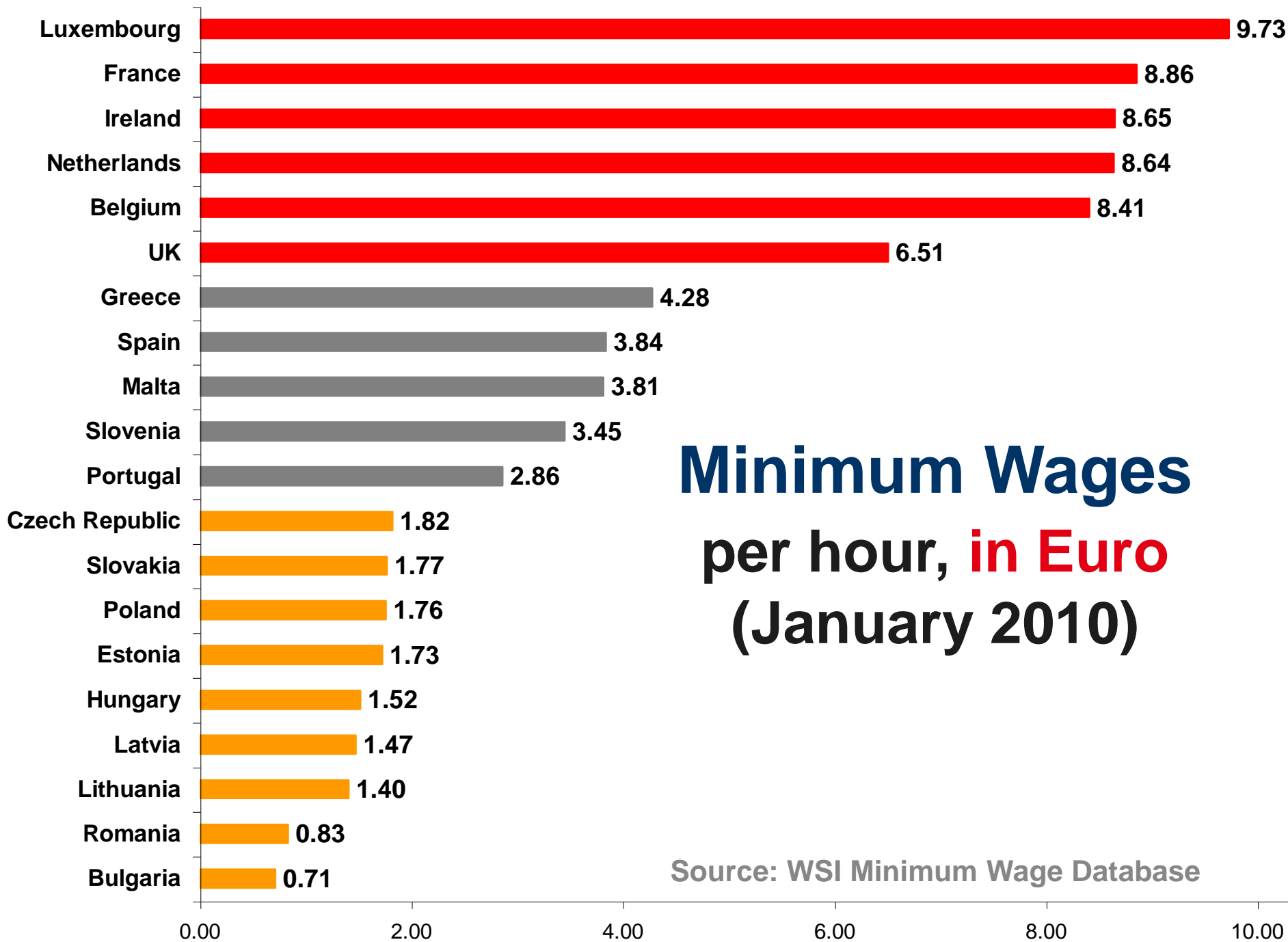
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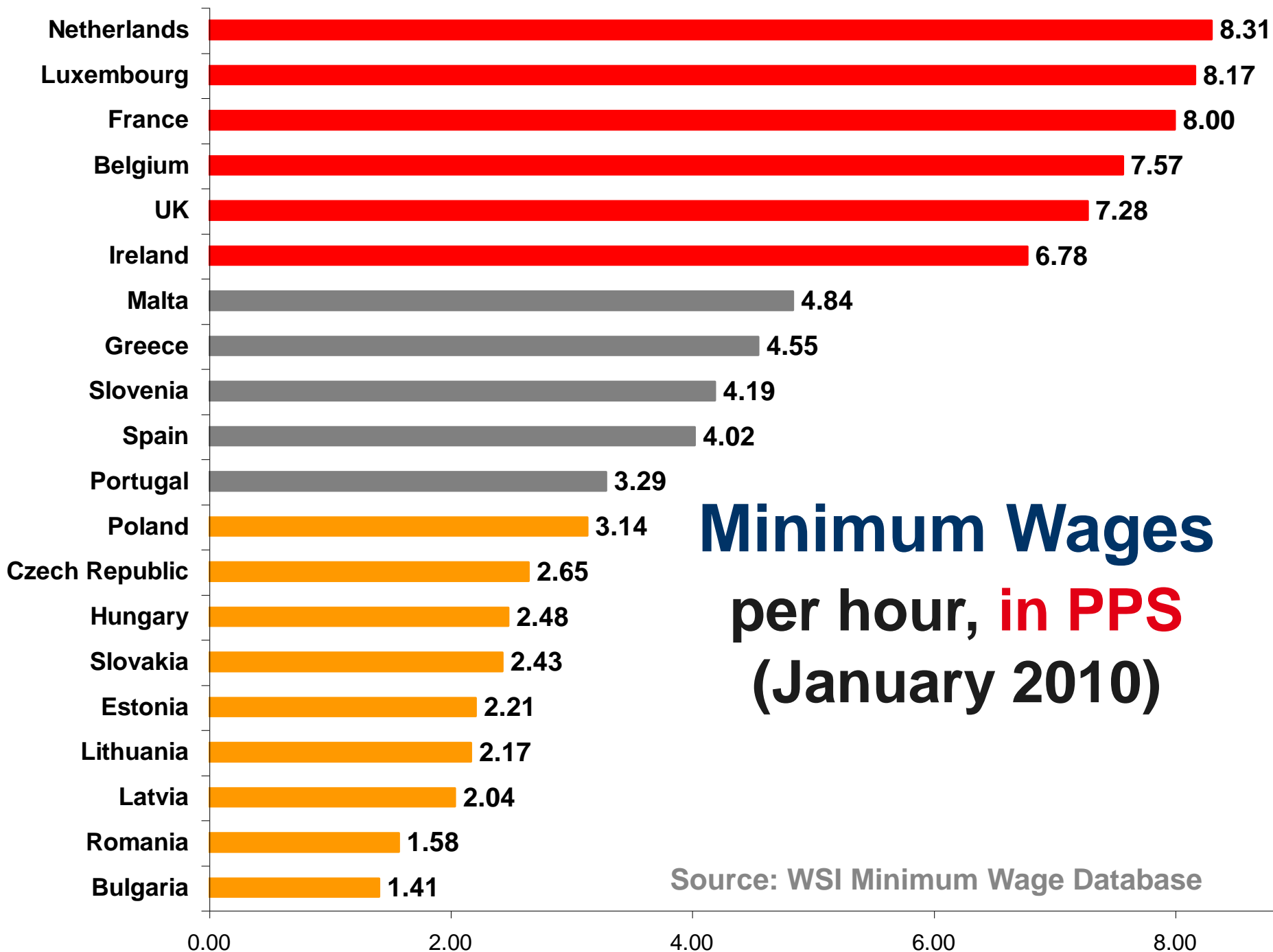
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<b>EUROSTAT</b>	<b>EU plus USA</b> <b>Monthly minimum wages and MW in % of average wage</b> <a href="http://nui.epp.eurostat.ec.europa.eu/">http://nui.epp.eurostat.ec.europa.eu/</a>
<b>OECD</b>	<b>OECD Countries:</b> <b>MW in % of average and median wage</b> <a href="http://stats.oecd.org/index.aspx">http://stats.oecd.org/index.aspx</a>
<b>ILO</b>	<b>More than 100 Countries</b> <a href="http://www.ilo.org/public/english/protection/condtrav/pdf/wagedatabase09.xls">http://www.ilo.org/public/english/protection/condtrav/pdf/wagedatabase09.xls</a>
<b>WSI</b>	<b>28 Countries (EU plus TK, US, CA, BR, AUS, NZ, JP, KO)</b> <b>Hourly minimum wages</b> <a href="http://www.boeckler.de/pdf/ta_mindestlohnDatenbank.pdf">http://www.boeckler.de/pdf/ta_mindestlohnDatenbank.pdf</a>

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# Minimum Wages in Europe

## Different level of Minimum Wages in Europe:

### In Euro:

⇒ 1: 14

### In Purchasing Power Standards:

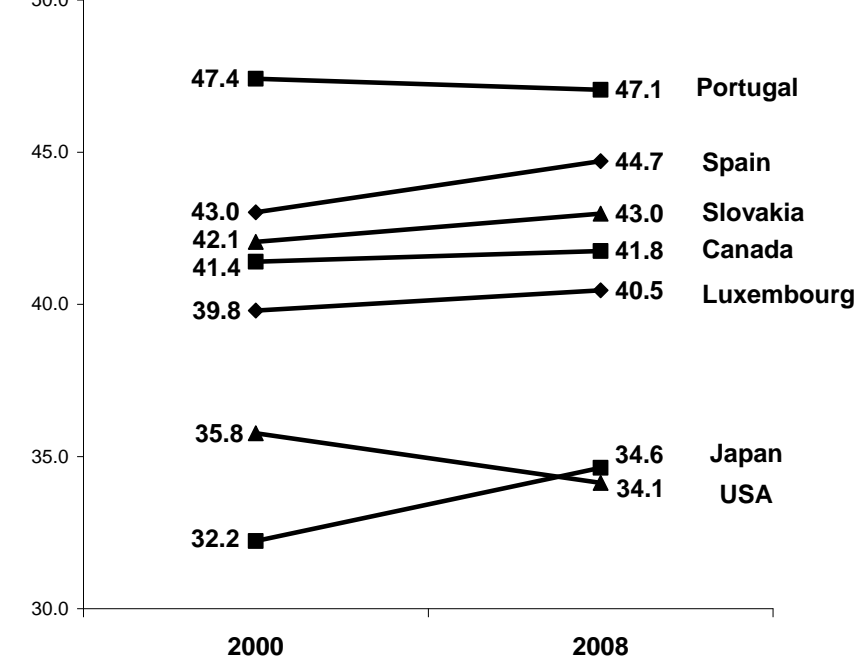
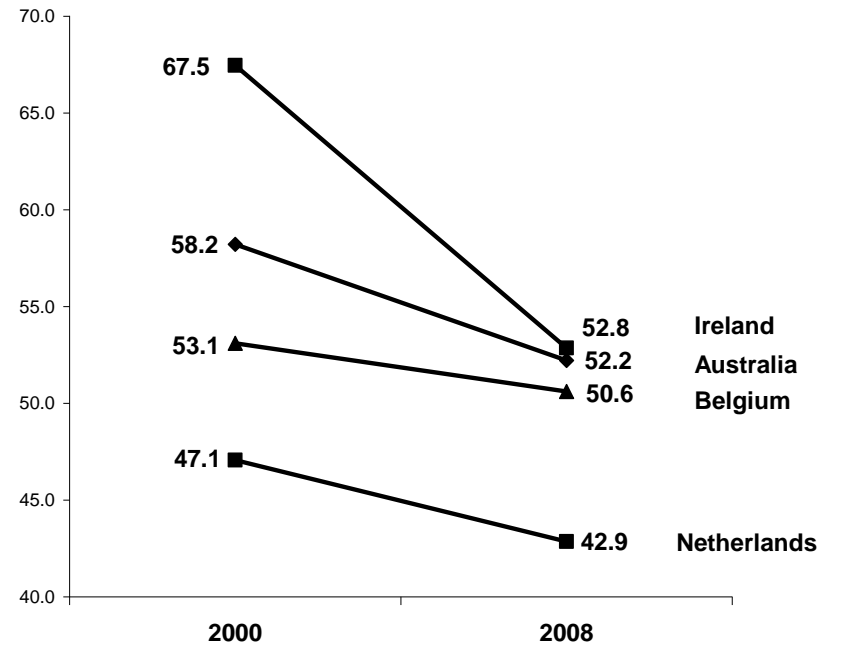
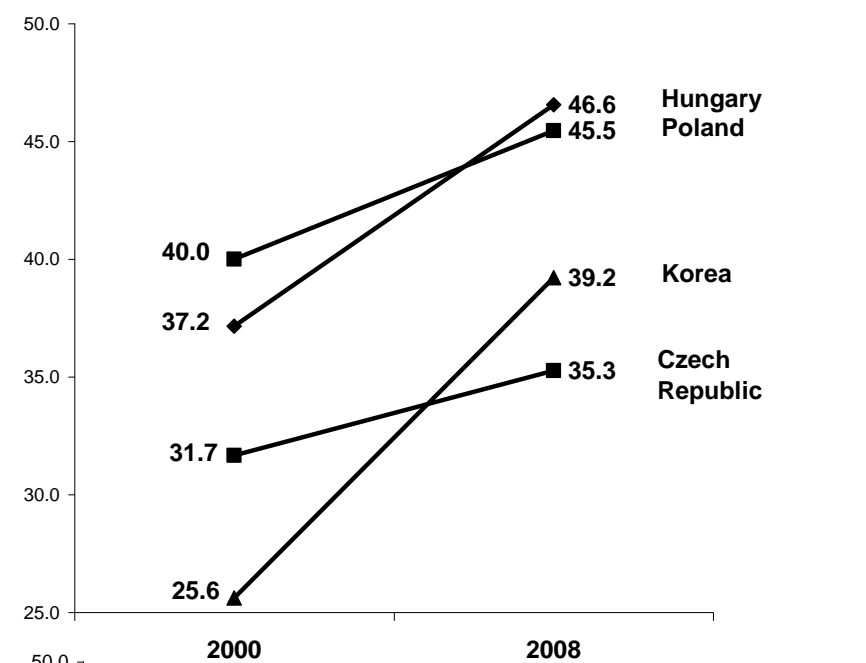
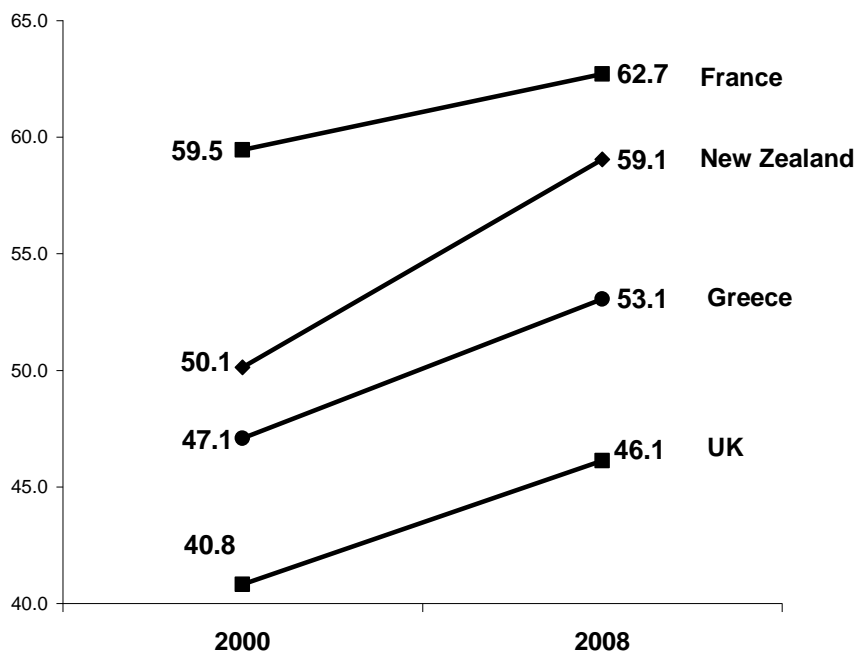
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# Minimum Wages in % of **Median** and **Average** Wages for Full-time Workers 2008 (Kaitz Index)

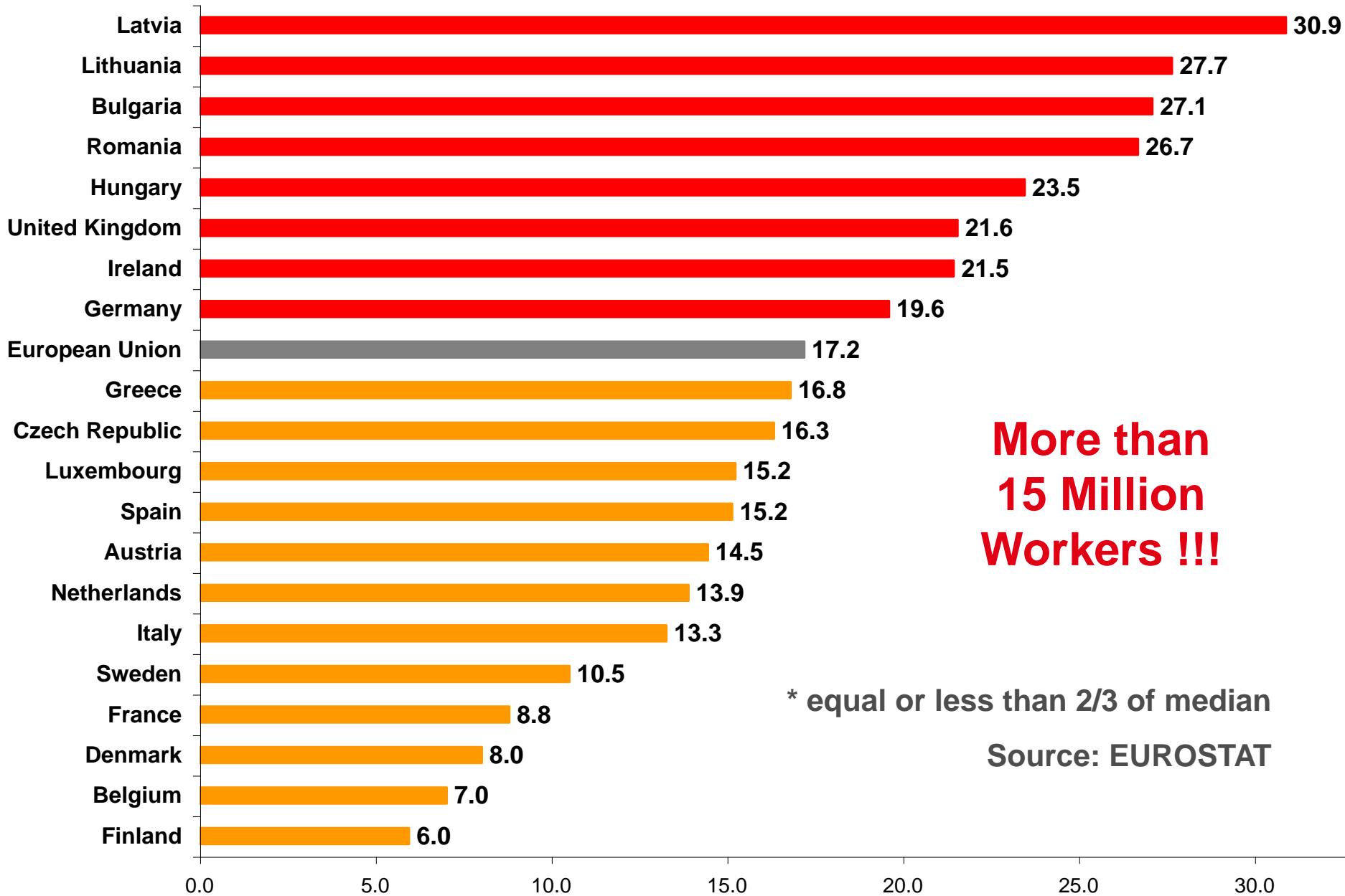
	Median	Average
France	62.7	50.0
New Zealand	59.1	50.5
Greece	53.1	41.3
Ireland	52.8	44.5
Australia	52.2	45.0
Belgium	50.6	43.7
Slovenia	50.0	not available
Portugal	47.1	33.2
Romania	47.0	33.9
Hungary	46.6	34.6
UK	46.1	38.0
Poland	45.5	36.7
Spain	44.7	35.3
Slovakia	43.0	32.8
Netherlands	42.9	37.6
Lithuania	42.1	33.9
Luxembourg	40.5	33.2
Korea	39.2	32.0
Czech Republic	35.3	30.0
Japan	34.6	30.4
USA	34.1	25.4

Source: OECD

# Relative Value of MW, 2000 and 2008, in % of Median



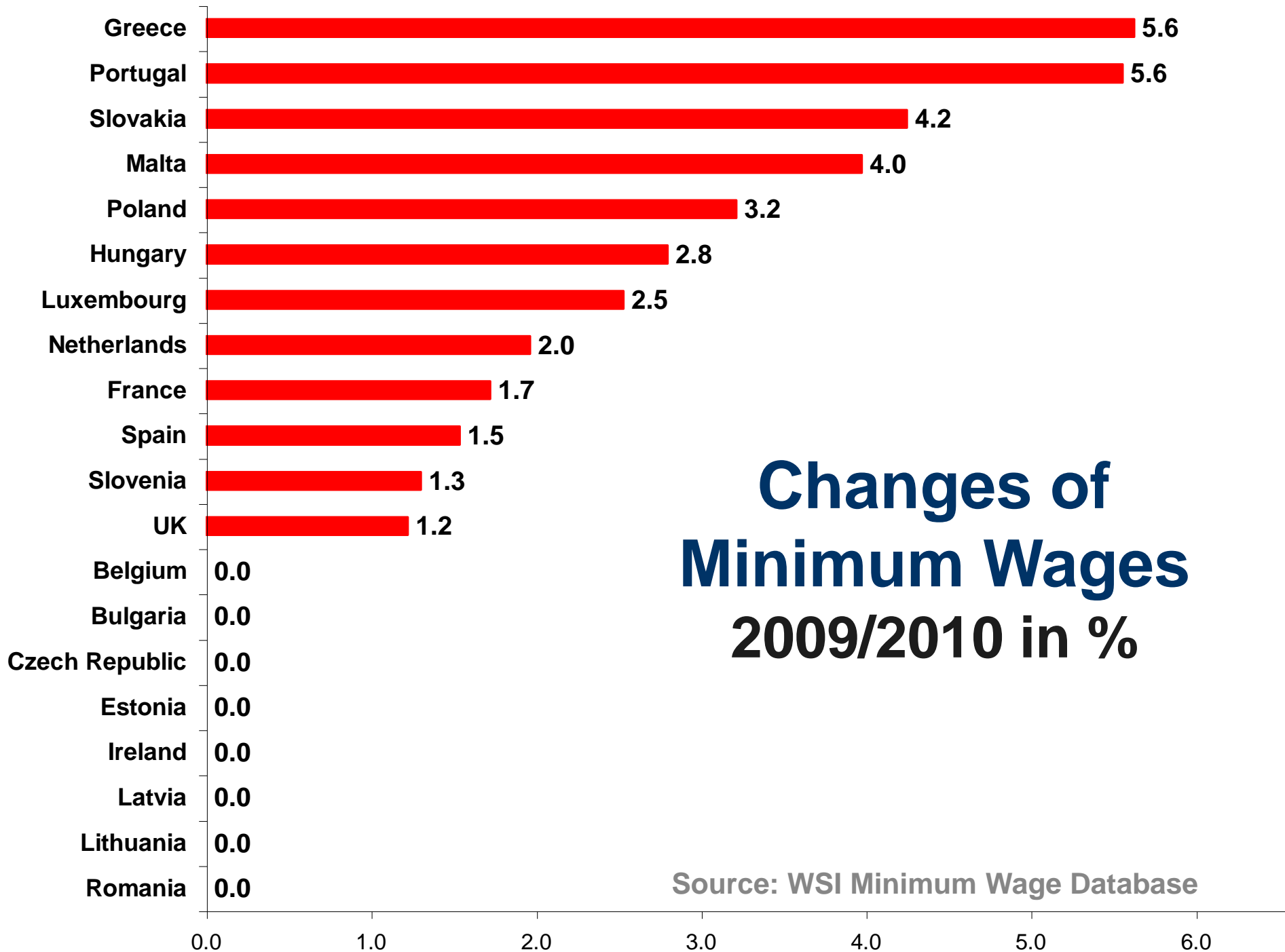
# Low Wage Earners in Europe (2006. in %)



# Minimum Wages in Europe

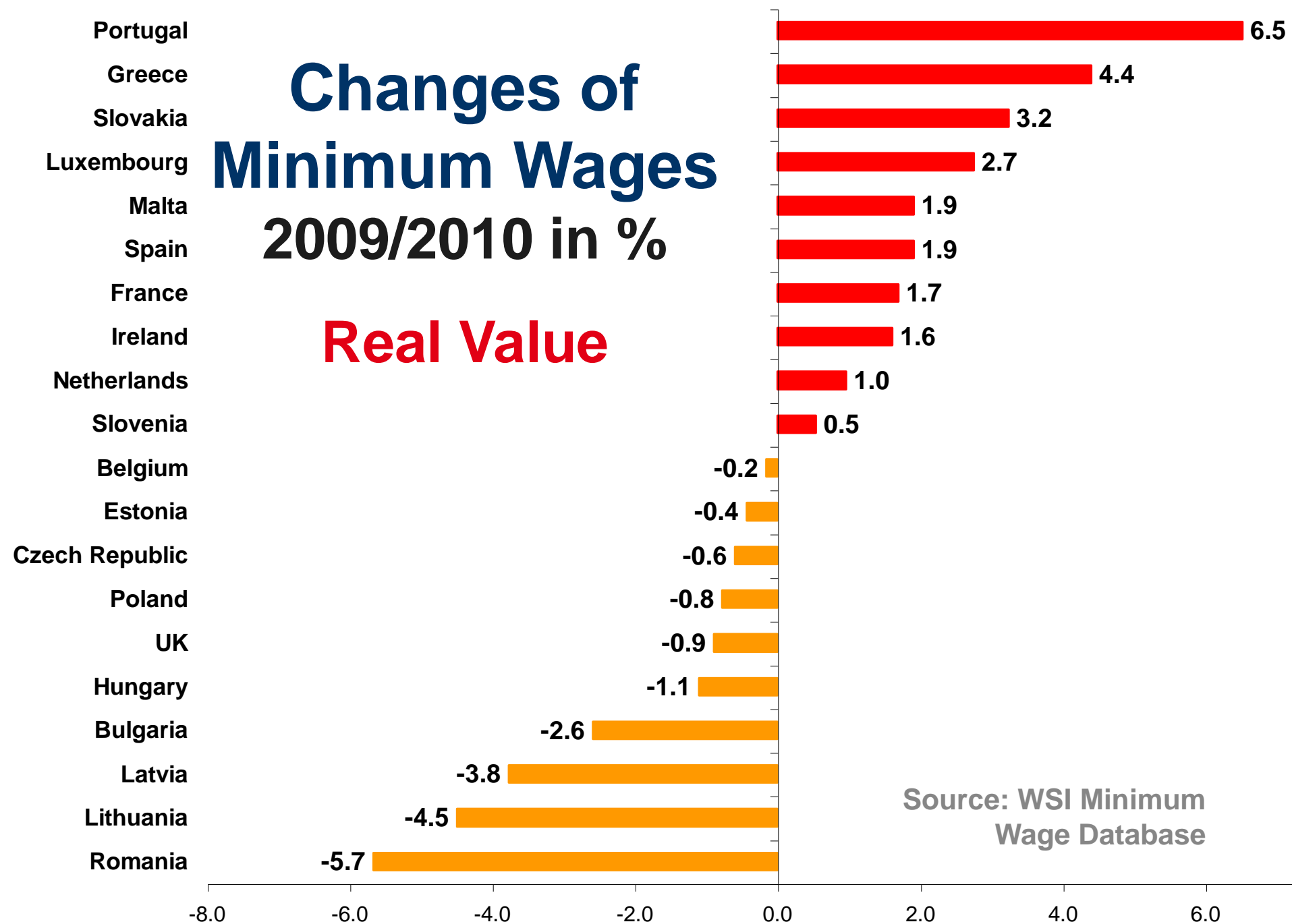
## Trends under the conditions of the economic crisis:

- ➔ **Economic crises** puts strong pressure on minimum wages
- ➔ Speed of increases slows down
- ➔ **Freeze** of minimum wages in many countries
- ➔ Employers call for a **cut** of minimum wages
- ➔ Despite the crisis: **Significant increases** of minimum wages in some countries



# Changes of Minimum Wages 2009/2010 in %

Real Value



Source: WSI Minimum  
Wage Database

# Current Developments of Minimum Wages:

## Slovenia

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**August 2009:** Small increase of **1.3%**  
towards € 597 per month (€ 3.45 per hour)



**November 2009:** Demonstration  
with 30.000 participants for a  
Substantial Increase of the MW in  
order to allow a Decent Life

**March 2010:** Increase of **23%** towards € 734 per month  
(€ 4.24 per hour)

*(Companies in trouble can opt for a gradual increase over two years)*

# Current Developments of Minimum Wages:

## Benelux countries and France

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### Benelux countries:

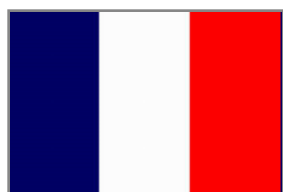
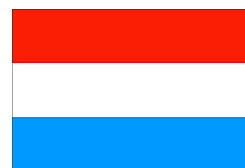
Indexation of minimum wages

**Belgium:** Freeze of MW



**Netherlands and Luxembourg:**

Adjustment according to indexation



**France:** A newly established “Group d’Experts sur le SMIC” recommended an adjustment limited to the legal minimum requirements of indexation

**2009:** Lowest increase (1.7%) since more than ten years

Unions demand much higher MW level

(**CGT:** € 1,600 per month; € 10,50 per hour)

# Current Developments of Minimum Wages: **Ireland and UK**

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**Ireland:** No more increases since July 2007

**Employers** strongly push for a cut  
of MW

**Unions** have to defend the current MW Level



**UK: 2009:** Lowest Increase (**1.2%**) since  
the introduction of MW in 1999

Increase for the first time 0.9 percentage  
points below inflation

**2010:** Low Pay Commission proposed  
moderate increase of MW by **2.2%**  
(from £ 5.80 to £ 5.93 per hour)

# Current Developments of Minimum Wages:

## Spain and Portugal

**Spain:** Government and unions have the view that MW should be increased towards 60% of average wage

**2008:** Government plan to increase MW per month from € 600 to € 800 in 2012

**2010:** MW increased only by **1.5%**  
(the 2008 plan foresaw an increase of 8% in 2010)



**Portugal:** Tripartite agreement of 2006: Between 2007-2011 average increase of MW by 5.3% to a monthly MW of € 500 on 2011

**2010:** Portuguese government stick to the agreement and increased MW by 5.6%

**Highest increase in the EU**

# Current Developments of Minimum Wages: **Baltic States**

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## **Estonia and Lithuania:**

**2009:** Freeze of MW



## **Latvia:**

**2009:** Government presented a legal draft to cut the MW by 22%.

Unions and larger parts of employers are against cut of MW

No cut, but freeze of MW



# Current Developments of Minimum Wages:

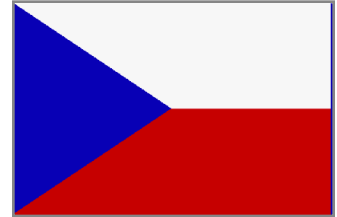
## MW Freeze in Eastern Europe

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### Czech Republic:

**2009:** Freeze of MW for the third year running

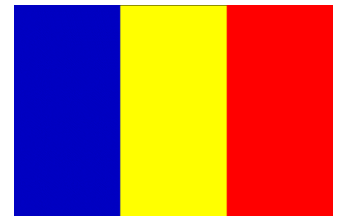


### Romania:

**2008:** Tripartite agreement called for a structural increase of MW towards 50% of average wage.

**Autumn 2009:** Agreement to increase MW by 17.5%

**December 2009:** Newly elected government decided to postpone the increase



### Bulgaria:

**2009:** Against the vote of unions government decided to freeze MW



# Current Developments of Minimum Wages:

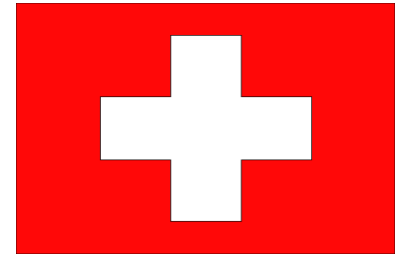
## Switzerland

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1998ff.:

Unions run a campaign for a MW of **3,000 Swiss Francs** per month to be concluded in collective agreements



2008:

Renewal of the campaign with the new demand for a MW of **3,500 Swiss Francs** per month or **20 Swiss Francs** per hour to be concluded in collective agreements

2009:

Unions took the decision to launch a **referendum** for the introduction of a national statutory MW of **3,500 Swiss Francs** per month in **2010**

# Current Developments of Minimum Wages:

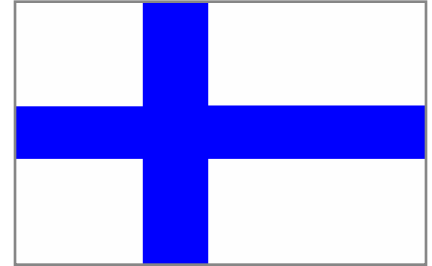
## Finland

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2009:

Controversial debate on MW  
between the unions



The Finish Trade Union Confederation (SAK) called for a Minimum wage of **€ 1,500 per month** (€ 9.20 per hour) to be concluded in collective agreements

# Current Developments of Minimum Wages:

## Germany

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2004/2006ff.:

Unions run a campaign for then introduction of a national statutory MW of **€ 7.50** per hour



2010:

DGB Congress will decide on future MW policy. There is a proposal to change the demand towards a MW of **€ 8.50** per hour.



Current **government** is against the introduction of a statutory MW

Introduction of **sectoral MW** on the basis of extended collective agreements

# Current Developments of Minimum Wages:

## Germany

### Sectoral MW on the basis of extended collective agreements:

Mining related services (unskilled worker)	11.17
Mining related services (skilled worker)	12.41
Construction (unskilled worker)	10.80
Construction (skilled worker)	12.90
Roofing	10.40
Electronic Trade	9.60
Painting (unskilled worker)	9.50
Painting (skilled worker)	11.25
Care sector	8.50
Commercial Cleaning	8.40
Waste Industry	8.02
Industrial Laundries	7.65
Security services	6.53-8.46

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Per hour, in €, only  
West Germany

Source: WSI  
Collective  
Agreement Archive

# Conclusion

Instead of freezes and cuts:

**More substantial increases of MW are needed!**

- ➔ to make MW a **“living wage”**  
to allow a decent work standard
- ➔ to limit low paid and to reduce the overall wage dispersion in order to **promote a more egalitarian distribution of income**
- ➔ **to stabilise private demand**, as MW are an important signal for overall wage developments
- ➔ to support the function of wages as a **nominal anchor for the price level** against deflation
- ➔ **European Coordination**  
of National Minimum Wage Policy ???

# European Minimum Wage Policy

## Belgian Parliament ...

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in a resolution from 1 April 2010 demands the  
Belgian Government during its EU Presidency in 2010 ...

1. ... to reach an agreements that all EU member states should provide **decent minimum wages above poverty line**
2. ... to ask the **European Commission** of providing a study on the possibility to introduce MW in all EU member states
3. ... to launch a consultation process with **European Social Partners**
4. ... to launch a discussion on a European minimum wage imitative within the **Employment, Social Policy, Health and Consumer Affairs Council (EPSCO)**



# Prominent European Politicians argue in favour of a European Minimum Wage Policy



**Joaquin Almunia:**  
**‘Social Europe’:**  
‘every country in the EU should have a minimum wage’



**Jean-Claude Juncker:**  
**‘A European minimum wage’** according to which ‘every working person should be entitled to a decent wage.’



**Jacques Delors:**  
European employers and trade unions should discuss the introduction of a **European minimum wage policy** in the context of the European social dialogue.

# European Minimum Wage Policy

## European Parliament ...

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**2007:** „Firmly believes that a **decent living minimum wage** should be established at Member State level in cooperation with the social partners ... but recognises **that in many Member States the minimum wage is set very low or at below subsistence level**“



**2008:** „Calls on the Council to agree an **EU target for minimum wages** (statutory, collective agreements at national, regional or sectoral level) **to provide for remuneration of at least 60% of the relevant** (national, sectoral, etc.) **average wage** and, further, to agree a timetable for achieving that target in all Member States“

## European Federation of Public Service Unions (EPSU)



*“To campaign for improvements of pay and working conditions of public service workers across Europe, and in particular ... to tackle low pay by increasing minimum wages in line with the **targets** defined by the EPSU Executive Committee – in countries that use **national legal minimum wages** these should amount at **least 60%** and **minimum wages in collective agreements** to be at **least 70%** of average monthly wages.”*

**8th EPSU Congress in Brussels from 8-11 June 2009,**  
Resolution on Collective Bargaining and Social Dialogue