

Theses for a European minimum wage policy

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For the great majority of workers, the wage is their main source of income. The level of the wage essentially dictates their standard of living and consequently whether or not they can live a life of dignity. However, increasingly today in business and politics wages are viewed purely as cost factors and variables in the international competition over company locations. This has also pushed into the background the economic function of the wage as a significant component of national economic demand, without which a prosperous economy is not possible.

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For more than two decades, Europe is faced by a policy of market liberalisation and deregulation of employment and social legislation. As a result, wages have been systematically put under pressure. In many European countries, mass unemployment has also weakened the power of trade unions to protect workers and participate in shaping terms and conditions of employment. An ever-growing number of companies are taking advantage of the fact that the balance of power and negotiating positions shifting in their favour. Workers and their trade union representation are often being blackmailed into choosing either to agree to far-reaching concessions or risk losing their jobs. At the same time, against a background of the free movement of people, cross-border European labour markets are developing in a growing number of sectors which are undermining existing

standards of pay and employment. There is a threat that this trend will gather pace in future as a result of the planned European Services Directive.

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Since the 1980s, the trend in real wage levels has been characterised in most European countries by two fundamental trends. On the one hand, wages have lagged behind productivity growth, so that almost everywhere the wage ratio has followed a downward trend. The result of this trend is not only reflected in a large-scale redistribution of income in favour of capital, but also in a weakening of private consumer demand, in turn contributing to weak economic and employment growth in many European countries.

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The second fundamental trend is manifested in the majority of European countries by a widening of wage differentials. The gap between wages of individual groups of workers has widened ever more rapidly. This stems both from an above-average uptrend in wages in the upper wage groups (e.g. professional and managerial staff, etc.) and also from a massive expansion of the low-wage sector. The European Commission recently calculated that in 2000 alone in the old EU (EU 15) more than 15% of workers (i.e. over 20 million wage earners) fell into the bracket of low-wage earners.

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In structural terms, the proportion of low-wage earners among women is double that among men. At the same time, an over-average number of low-wage earners are employed on the basis of insecure employment relationships, and this number has also risen sharply in Europe since the 1990s. Furthermore, in some sectors (agriculture,

hotels and catering, commerce and private-sector services) there is a particularly high concentration of low-wage earners. A large proportion of low-wage earners are working poor, whose wages fall below 50% of the average national wage.

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The proliferation of the low-wage sector, along with mass unemployment, represents one of the central challenges facing European society and is threatening to undermine the social, moral and economic foundations of the European social model. While companies are abandoning their social responsibilities by paying low and poverty-level wages, the cost of the social consequences to the community as a whole is mounting and putting increasing strain on the institutions of the welfare state and public care provision. What is more, the expansion of the low-wage sector is further deepening the social divide in society and thereby fuelling chauvinistic, right-wing populist and nationalistic forces. To counter these forces, there is an urgent need for a progressive politicisation of the wage issue underpinned by basic principles of fair participation and distributive justice.

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The existence of low wages which exclude those concerned from normal participation in society stands in glaring contrast to the right to a 'decent' or 'fair' wage enshrined in many European and international agreements. The Community Charter of Fundamental Social Rights for Workers (abbreviated to the EU Social Charter) adopted by the EU in 1989 contains the principle that every job must be paid a fair remuneration (Title 1 (5)). According to the situation in each country workers should therefore be guaranteed a fair remuneration for work. The concept of fair remuneration for work is understood by the EU Social Charter to mean remuneration for work that is sufficient for a decent standard of living for workers. The 1961

'European Social Charter' of the European Council also contains express provision for 'the right to a fair remuneration sufficient for a decent standard of living..' (Article 4). Similar provisions concerning 'fair remuneration' are also to be found in the national Constitutions of many European countries, such as Belgium, Italy, Spain, Portugal and the Czech Republic, as well as in the federal constitutions of several German federal states (e.g. in Hesse or North Rhine Westphalia).

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A fundamental instrument for safeguarding a decent remuneration of work is the setting of minimum wages. As far back as 1928, the International Labour Organisation (ILO) adopted an Agreement on Minimum-wage fixing machinery (ILO Convention No. 26). A subsequent Convention adopted in 1970 again confirmed the importance of minimum wages (ILO Convention No. 131). In the view of the ILO all states should introduce a national system of minimum wages to protect wage earners against inappropriately low wages. Depending on the general social and economic conditions in each country, the level of the minimum wage should be determined 'in agreement or after full consultation with the representative organisations of employers and workers concerned.'

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National rules guaranteeing minimum wages are in wide application throughout Europe. In the majority of the European States there exist statutory minimum wages which lay down a specific rate of minimum wage applicable across all sectors. In other countries minimum wages are laid down exclusively by collective agreements, some of which have been officially declared generally binding. In yet other countries a mixed model exists whereby minimum wages are governed in some sectors by collective agreements and in others by law.

Regardless of their respective national form, however, safeguards for the minimum wage system – in common with wages policy in general – are under huge pressure.

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Against a background of a common European internal market and an increasingly integrated European economy, there is an urgent need for a European minimum wage policy. The aim of such a policy would be to halt the spread of poverty-level wages as well as preventing the menace of cross-border wage dumping, a phenomenon to which the low-wage sector is particularly vulnerable. In this way, the policy would make an important contribution to implementing the principle of ‘equal pay for equal work at the same place’. Furthermore, a European minimum wage policy would also send out positive signals for other social objectives, such as narrowing the wage differential between men and women and improving the quality and productivity of work. Finally, regarding its macroeconomic function, a European minimum wage policy would contribute significantly to stabilising private demand and serve as a buffer against deflationary tendencies.

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In order to implement the right to ‘decent pay’ enshrined in the EU Social Charter, as far back as the early 1990s the European Commission recognised the need for a European minimum wage policy. In a statement dating from 1993, the Commission urged the EU member states to take appropriate measures to ensure that the right to a decent remuneration for work is protected. During the same year, the European Parliament called for the introduction of a fair reference remuneration at national level to serve as the basis for collective bargaining, and appealed for mechanisms to set statutory minimum wages in relation to the average national wage.

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Accordingly, the proposal for a European minimum wage policy would essentially comprise laying down Europe-wide specific common objectives and criteria on the basis of which national minimum wage policy can be coordinated with one another. In so doing, the purpose cannot be to lay down a uniform level of minimum wage across Europe, given the continuing existence of widely-differing levels of economic development in Europe and the associated huge wage differentials. Instead, the aim must be to lay down a specific minimum norm in each country for the lowest wage groups representing a specific ratio of the national wage system. As a target figure, all European countries should set their sights on a national minimum wage norm of at least 60% of the average national wage. As a short-term interim target, all countries should introduce a minimum norm corresponding to 50% of the average national wage.

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In similar fashion to the approach employed in other policy areas, a European minimum wage policy could operate according to the 'open method of coordination'. Accordingly, specific concrete objectives and timetables for implementation would need to be agreed at European level which would then be implemented in individual countries via the existing local institutions and procedures. Depending on national tradition and practice, statutory minimum wages, collective agreements declared generally applicable or combinations of both systems can be applied. Responsibility would then reside at European level for the task of supervising implementation at national level and, by closely monitoring national minimum wage policies, helping to disseminate 'good national practices'. These practices also include improving the statistical database on European trends in low wages.

The European trade unions have a key role in implementing a European minimum wage policy. They first need to develop their own concept for a European minimum wage policy. Such a concept would be linked, on the one hand, to the existing initiatives aiming a European coordination of collective bargaining policy. On the other hand, the concept would serve as a basis for formulating ambitious objectives at European level and driving forward their implementation at national level. Finally, the age-old task of the European trade unions continues to be to uphold a fundamental principle of the European social model whereby the wage must enable every dependent worker to live their lives in dignity and financial independence.

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