Minimum and Living Wages in Europe

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1. MAPPING MINIMUM WAGES IN EUROPE
## Diversity of Minimum Wage Regimes

<table>
<thead>
<tr>
<th>Law</th>
<th>Collective Agreement</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Universal Regimes:</strong></td>
<td></td>
</tr>
<tr>
<td>Common national minimum</td>
<td>Western Europe:</td>
</tr>
<tr>
<td>minimum wage as an</td>
<td>FR, LU, NL, IE, UK</td>
</tr>
<tr>
<td>universalistic wage</td>
<td>Southern Europe:</td>
</tr>
<tr>
<td>floor</td>
<td>GR, MT, ES, PT</td>
</tr>
<tr>
<td></td>
<td>Eastern Europe:</td>
</tr>
<tr>
<td></td>
<td>EE, LT, (PL, SK)</td>
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<tr>
<td><strong>Sectoral Regimes:</strong></td>
<td></td>
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<tr>
<td>Minimum wages only for</td>
<td>Northern Europe:</td>
</tr>
<tr>
<td>certain sectors or</td>
<td>DK, FI, NO, SE</td>
</tr>
<tr>
<td>occupations</td>
<td>Western Europe:</td>
</tr>
<tr>
<td></td>
<td>AT, CH, IT</td>
</tr>
</tbody>
</table>
Diversity of **Absolute** Minimum Wage Levels in Euro per hour, January 2017

<table>
<thead>
<tr>
<th>Country</th>
<th>Minimum Wage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Luxembourg</td>
<td>11.27</td>
</tr>
<tr>
<td>France</td>
<td>9.76</td>
</tr>
<tr>
<td>Netherlands</td>
<td>9.52</td>
</tr>
<tr>
<td>Belgium</td>
<td>9.28</td>
</tr>
<tr>
<td>Ireland</td>
<td>9.25</td>
</tr>
<tr>
<td>Germany</td>
<td>8.84</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>8.79</td>
</tr>
<tr>
<td>Slovenia</td>
<td>4.65</td>
</tr>
<tr>
<td>Spain</td>
<td>4.29</td>
</tr>
<tr>
<td>Malta</td>
<td>4.25</td>
</tr>
<tr>
<td>Portugal</td>
<td>3.36</td>
</tr>
<tr>
<td>Greece</td>
<td>3.35</td>
</tr>
<tr>
<td>Estonia</td>
<td>2.78</td>
</tr>
<tr>
<td>Poland</td>
<td>2.65</td>
</tr>
<tr>
<td>Croatia</td>
<td>2.51</td>
</tr>
<tr>
<td>Slovakia</td>
<td>2.50</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>2.44</td>
</tr>
<tr>
<td>Hungary</td>
<td>2.35</td>
</tr>
<tr>
<td>Lithuania</td>
<td>2.32</td>
</tr>
<tr>
<td>Latvia</td>
<td>2.25</td>
</tr>
<tr>
<td>Romania</td>
<td>1.65</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>1.42</td>
</tr>
</tbody>
</table>

Source: WSI Minimum Wage Database 2017
Diversity of **Relative** Minimum Wages Levels
Minimum wages in % of full-time Median Wage, 2015

<table>
<thead>
<tr>
<th>Country</th>
<th>Minimum Wages in % of Full-Time Median Wage</th>
</tr>
</thead>
<tbody>
<tr>
<td>FR</td>
<td>62%</td>
</tr>
<tr>
<td>SI</td>
<td>60%</td>
</tr>
<tr>
<td>PT</td>
<td>57%</td>
</tr>
<tr>
<td>LU</td>
<td>55%</td>
</tr>
<tr>
<td>RO</td>
<td>54%</td>
</tr>
<tr>
<td>HU</td>
<td>52%</td>
</tr>
<tr>
<td>LV</td>
<td>52%</td>
</tr>
<tr>
<td>PL</td>
<td>51%</td>
</tr>
<tr>
<td>LT</td>
<td>50%</td>
</tr>
<tr>
<td>BE</td>
<td>49%</td>
</tr>
<tr>
<td>UK</td>
<td>49%</td>
</tr>
<tr>
<td>DE</td>
<td>48%</td>
</tr>
<tr>
<td>GR</td>
<td>47%</td>
</tr>
<tr>
<td>SK</td>
<td>47%</td>
</tr>
<tr>
<td>NL</td>
<td>46%</td>
</tr>
<tr>
<td>IE</td>
<td>44%</td>
</tr>
<tr>
<td>EE</td>
<td>41%</td>
</tr>
<tr>
<td>CZ</td>
<td>39%</td>
</tr>
<tr>
<td>ES</td>
<td>37%</td>
</tr>
</tbody>
</table>

Source: OECD
2. MAPPING THE TERRAIN OF LIVING WAGES INITIATIVES
Living Wages -
Background of the Debate

Current trends:

• Minimum wages **too low and insufficiently adjusted**
• Growing income and wage inequality
• Increase of in-work poverty / working poor

➤ **Failure of minimum wages in reversing these trends**
Living Wages -
Background of the Debate

1 out of 6 employees in the European Union is a low-wage earner

Greece and Croatia: data not available
Living Wages -
Background of the debate

Divergence of concepts

Minimum Wage ≠ Living Wage

Basic wage floor

Living Wage
Providing more than mere subsistence, enabling decent living standard, participation in society and scope to insure against unforeseen shocks

Historically:
Living Wages = Minimum Wages
Modern Living Wages Movements

USA

Since 1994: Living Wage Ordinances
Since 2012: Fight for 15 movement

United Kingdom

Since 2005: London Living Wage
Since 2011: UK Living Wage
Since 2016: National Living Wage

Other countries

Mainly Anglophone countries
(Australia, New Zealand, Ireland, Canada)
Modern Living Wages Movements

Tools to implement living wages:

- Self-commitment of public authorities
- Requirement in public procurement
- Self-commitment of companies linked to certification
- Minimum wage legislation at local, regional or national level
- Collective agreements
Social and economic impact

Voluntary Initiatives

- Limited scope
- Large increases in income for people concerned
- Majority of studies find no negative impact on employment
- Impact on economic development negligible

Statutory Initiatives (USA States/Cities, UK)

- Larger scope and impact
- So far no negative employment effects
Initiatives for Higher Minimum Wages

Slovenia 2010: Trade Union Campaign led to 23% increase

Austria 2016/2017: Campaign for a minimum wage of 1,700 Euro per Months (around 10,00 per hour) as the lowest wage grade in all collective agreements

Eastern Europe: Catching up of minimum wages with levels in western Europe.

Southern Europe: Catching up after several years of minimum wage freezes

Most countries: Trade unions call for substantial increases towards Living Wage Levels
Median Increases of Minimum Wages in the EU, 2000-2016 in %

Source: WSI Minimum Wage Database 2017
3. ARGUMENTS IN SUPPORT OF LIVING WAGES IN EUROPE
Living Wages in Europe

Economic Arguments

„Set Minimum Wages at Living Wage Levels“

Inequality. What can be done?

Economic aims:

• Reduce wage inequality/
  Strengthen wage dynamics

• Support more wage-led/
  demand-led recovery
International and European conventions on “fair”, “decent” or “equitable” wages

**UNO** (Universal Declaration of Human Rights 1948)

**ILO** (Convention on Minimum Wages No. 131 (1970) (No. 26 from 1928)

**Council of Europe** (Europ. Social Charter 1961)

**European Union** (EU Community Charter of Fundamental Social Rights for Workers 1989)
“Everyone who works has the right to just and favorable remuneration ensuring for himself and his family an existence worthy of human dignity, and supplemented, if necessary, by other means of social protection.” (Article 23, 3)
“Each Member of the ILO which ratifies this Convention undertakes to establish a **system of minimum wages** …” (Article 1)

The elements to be taken into consideration in determining the level of minimum wages shall … include

(a) the **needs of workers and their families**, taking into account the **general level of wages in the country**, the **cost of living**, social security benefits, and the relative **living standards of other social groups**; …” (Article 3)
Living Wages in Europe
Normative Arguments

European Social Charter (1961)
Council of Europe

“The right to a fair remuneration … the right of workers to a remuneration such as will give them and their families a decent standard of living.“ (Part I, Article 4)

Definition (1998):
A wage of at least 60% of the national average net wage
"Workers shall be assured of an **equitable wage**, *i.e.* a wage sufficient to enable them a decent standard of living."

(Article 6)
Charta of Fundamental Rights of the EU (2000)

- No explicit right to fair remuneration, but …

- Right to fair and just working conditions (Article 31)
4. LIVING WAGES – TOWARDS A EUROPEAN COORDINATED POLICY?
Jean-Claude Juncker reiterates his commitment to minimum wages:

„There should be a minimum salary in each country of the European Union (...) There is a level of dignity we have to respect“

Brussels, 23 January 2017
“recognises that decent living wages are important as a means of avoiding in-work poverty; (...) calls on the Commission to support actively wider coverage for collective agreements (...)\; recommends the establishment of wage floors in the form of a national minimum wage, where applicable, with due respect for the practices of each Member State and after consulting the social partners”

A European Pillar of Social Rights, 19 January 2017
Living Wages - Towards a European Coordinated Policy?

European Parliament

calls for minimum wages “attaining at least 60% of the respective national average wage, …, to avoid excessive wage disparities, to support aggregate demand and economic recovery and to underpin upward social convergence”

Report on Social Dumping in the European Union, 18.08.2016
French Parliament Proposals:

- MW should become a **basic European social right**
- MW should be **above poverty threshold**, i.e. between 50-60% of Median
- Aim of **convergence** of (relative) MW levels
- MW as part of the **European Macro-Economic Dialogue**
- Recommendations for MW within the **European Semester**
5. EUROPEAN LIVING WAGES – SOME INITIAL THOUGHTS FOR DEBATE
European Approach to Living Wages

Why a European approach?

- **Social inequality** and **in-work poverty** are European phenomena aggravated by crisis and crisis management based on austerity and „structural reforms“

- Failure of traditional bulwarks against social inequality and poverty by ensuring higher wages: decline of **union density** and **collective bargaining coverage** as well as **low statutory minimum wages** across Europe
Why a European approach?

- Living wage policy as one element of a broader macro-economic re-orientation towards demand-side and wage-led growth model

- Living wage policy as concrete political project reviving the idea of a “Social Europe“ and re-gaining lost credibility of European institutions among European citizens
European Approach to Living Wages

Some key questions:

• What lessons can be learned from experience in Anglophone countries?

• How to avoid „one-size-fits-all“ approach in light of institutional diversity across Europe?

• Which concept: basic living costs approach vs. income distribution approach – or mixture?

• What are appropriate tools to implement living wages?

• How to convince political decision-makers, companies and broader public?
Thank you very much for your attention!!!

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