European minimum wage policy: A concept for wage-led growth and fair wages in Europe

Thorsten Schulten
Hans Boeckler Foundation, Dusseldorf
Minimum wages on the European agenda

In February 2012, the Greek government decided on a radical, 22 per cent cut of the national minimum. The decision was taken in the face of opposition from both the trade unions and the employers’ associations which had jointly appealed to keep the minimum wage level as determined in the national collective agreement (Paphitis and Corder, 2012). However, the Greek government was under strong pressure of the so-called Troika, composed of the European Commission (EC), the European Central Bank (ECB) and the International Monetary Fund (IMF), which had insisted that a radical drop in the national minimum wage would be necessary in order to restore the competitiveness of the Greek economy. As a result, the workers in Greece are confronted with a measure which has already been described as being “among the most radical steps backwards inflicted in peacetime in modern Europe” (Taylor, 2012).

What happened in Greece was only the culmination to date of European interventions on national wage developments. At the beginning of 2011, it was Ireland which was the first country to cut its hourly minimum wage by 1 euro, which was equivalent to a reduction of 11.5 per cent. Again, it was the EU-ECB-IMF Troika which had strongly pushed in favour of the wage cut. Consequently, the Irish government included the reduction of the minimum wage as a major “structural reform” in its Memorandum of Economic and Financial Policies to the international creditors (Irish Government, 2010). When in February 2011 a new Irish government came to power with the promise to restore the old minimum wage level, this was accepted by the Troika only after the government’s announcement that it would compensate employers by an equivalent reduction in the pay-related social insurance contributions (IMF, 2011a).

In Portugal, the government agreed as part of its arrangement with the Troika that “any increase in the minimum wage will take place only if justified by economic conditions and agreed in the context of regular program reviews” (IMF, 2011b, p. 14). While the Portuguese government had frozen the minimum wage for the first time since decades, the Troika had de facto ensured itself a veto power against further wage increases in the coming years. Similar to Portugal, the Spanish government had decided for the first time since the introduction of the national minimum wage in the 1960s to suspend its annual adjustment (Carcar, 2011). At the same time the ECB had sent a letter to the Spanish government, demanding the introduction of a new form of “mini-jobs” to be paid below the national minimum wage in return for the central bank’s purchase of Spanish bonds (El País, 2011). Since several years a major influence on the development of minimum wages especially by the IMF could also be observed in many Eastern European countries (Schmidt and Vaughan-Whitehead, 2011).
Against the background of the recent economic crisis in Europe, wages have become a core issue on the European policy agenda. Although the EU Treaty has explicitly excluded wages from the regulatory competences of EU institutions, the latter are becoming more and more active in influencing both the national wage developments as well as the national systems of wage setting. With the adoption of the so-called Euro-Plus Pact in March 2011, wages have become officially declared as a main adjustment variable for economic imbalances and national competitiveness in Europe (Dufresne, 2012; Janssen, 2011). As the European Commission has put it, “reforms on labour markets and in particular to wage setting mechanisms need to ensure efficient adjustment of labour costs in order to facilitate absorption of macroeconomic imbalances and to reduce unemployment” (EC, 2011a, p. 20). The same view has been taken by the IMF, which demands to give priority to structural reforms at the labour market as a major precondition for economic recovery in Europe (Allard and Everaet, 2010).

The most direct European interventions in national wage policy can be found in those countries which currently depend on international loans by the EU and the IMF. However, within the new framework of European Economic Governance the systematic surveillance of national wage developments and the regular “recommendations” for national wage setting became a normal feature of European policy. In this context, the influence on minimum wages is of major importance for at least two reasons (see, for example, Groupe d’experts sur le SMIC, 2011). First, minimum wages have a strong influence on the national wage structure and the degree of wage dispersion. Second, in many European countries – especially those with relatively weak collective bargaining systems – minimum wages have a signalling character for the overall wage developments. Consequently, in its recent Macroeconomic Report the EC (2011a, p. 20) has complained that the Member States have so far made only “little progress on reforming wage indexation systems and on minimum wages” (author’s emphasis).

The wage policy as currently enforced at the European level has been strongly criticized for both social and economic reasons. For the European Trade Union Confederation (ETUC), the current EU policy represents a fundamental “attack on wages” where the costs of the economic crisis are imposed exclusively on the mass of European workers. Furthermore, the ETUC has criticized EU policy as increasingly undermining the national autonomy of collective bargaining. The most obvious cases of this have been the “bailout arrangements” between the EC-ECB-IMF Troika and national governments, whereby the latter were pushed by the former to intervene in valid collective agreements. The legal cut of the collectively agreed minimum wage in Greece is a prominent example of this (ETUC, 2010 and 2011).

Moreover, the ETUC has argued that all European initiatives on wages amount only to moderate wage developments or a freeze, or even a cut in
existing wage levels. The economic consequences of such a restrictive wage policy are for many reasons rather problematic:¹ First, a freeze or a cut in minimum wages depresses aggregate demand, as low-wage earners have a particularly high consumer propensity and spend most of their wage income. This effect is even more pronounced in those countries where the minimum wage has an influence on the overall wage developments. Second, restrictive wage developments are even worse in an environment of austerity where they further reinforce economic stagnation. Finally, a restrictive wage policy could only help to improve national competitiveness if it is limited to certain countries. Since the EU is basically promoting the same wage concepts throughout Europe, however, there is a strong tendency towards downward wage competition, which could lead to a deflationary spiral and solidify economic depression.

The obvious shortcomings of current European wage policies require an alternative concept. This would have to focus more on the meaning of wages for aggregate demand in order to encourage a more wage-led growth strategy in contrast to the currently dominating debt- or export-led growth models. As the sharp increase in income inequality has been identified as one of the more fundamental causes for recent economic crises, the basic notion of a wage-led growth model is that a sustainable economic development needs a much higher degree of equality (Hein, 2011; Stockhammer, 2011b). Considering this, there is a crucial role for minimum wages because they can influence the income distribution between both capital and labour as well as between different groups of workers (Herr and Kazandziska, 2011).

As a possible alternative to a strategy of downward wage competition in Europe, the idea of a European minimum wage policy has gained more and more attention in recent years (Schulten, 2008). Basically, a European minimum wage policy aims to guarantee every worker in Europe a “fair wage” through European-wide criteria for equitable national minimum wage standards. In practice, a European minimum wage policy would have to lead to – in some countries a rather significant – increase in national minimum wages and would thereby contribute to more expansive wage developments in Europe. Before discussing such a concept in more detail, however, a brief analysis on the different wage setting systems and levels of minimum wages in Europe is needed.

**Different systems of minimum wage setting**

All countries in Europe have at least some form of minimum wage. The national systems, however, differ widely regarding levels, scope and political and

¹. For a critical view on the recent wage developments and policies in Europe see, for example, Andini and Cabral (2012), Busch (2012), Busch and Hirschel (2011), Collignon (2009), Janssen (2011), Stockhammer (2011a).
institutional setting of minimum wages. ² Basically, there are two main characteristics which can help to structure the various national minimum wage systems (table 1). First, there is a different scope and applicability of minimum wages. While some countries have a single national minimum wage, other countries set minimum wages only at sectoral or occupational level. Secondly, there are fundamental differences in the way minimum wage are determined which can be either by statutory regulation or by collective agreements.

Within Europe a majority of countries have a national minimum wage, including 20 out of 27 EU Member States and two EU candidate countries (Croatia and Turkey). There are only a few countries in which the national minimum wage is concluded by bipartite or tripartite collective agreements. In most countries it is the State that finally determines the national minimum wage by law.

In practice, however, even in the case of statutory minimum wages trade unions are usually very much involved in the process of minimum wage fixing. Most countries foresee even an institutionalized participation of unions and employers through national bodies such as the Low Pay Commission in the United Kingdom or the Commission Nationale de la Négociation Collective in France. Moreover, the determination of national statutory minimum wage is often a topic in public and political debates, which gives unions the opportunity to influence wage developments beyond the traditional channels of collective bargaining. From a union point of view statutory minimum wages are therefore not about leaving the initiative for wage setting to the State but more about shifting the wage battle to a more societal level.

Apart from Belgium and Greece (and more recently also Estonia), where national minimum wages are concluded within a national bipartite collective agreement, during the last two decades many Eastern European

². For more detailed studies on the various systems of minimum wage setting in Europe, see the contributions in Schulten, Bispinck and Schäfer (2006) and Vaughan-Whitehead (2010).

<table>
<thead>
<tr>
<th>Statutory regulation</th>
<th>Collective agreements</th>
</tr>
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</table>
| A single national minimum wage as a universal wage floor | Western countries: France, Luxembourg, Netherlands, Ireland, United Kingdom  
Southern countries: Malta, Spain, Portugal  
Eastern countries: Croatia, Czech Republic, Hungary, Latvia, Lithuania, Romania, Slovenia, Turkey | Bipartite agreements: Belgium, Estonia, Greece  
Tripartite agreements: Bulgaria, Poland, Slovakia |
| No universal wage floor but sectoral and occupational minimum wages | Cyprus | Nordic countries: Denmark, Finland, Norway, Sweden  
Continental countries: Austria, Germany, Italy, Switzerland |
countries have developed a tradition of negotiating national minimum wages within national tripartite commissions. In recent years, however, unions and employers’ associations have found it more and more difficult to reach an agreement so that the State often had to overcome the blockade through unilateral determination of a concrete minimum wage level (Schulten, 2009, 2010a, 2011a). In Hungary the right-wing populist government even took the decision that unions are no longer consulted on the regular minimum wage adjustment (Komiljovics, 2011).

There is also a significant group of countries in Europe which has no national minimum wage but only minimum wages at sectoral or occupational level. This group involves mainly countries from northern and continental Europe plus Cyprus. The latter is rather an exception, as it is the only country where there is a statutory minimum wage but it applies only to a group of nine different occupations including security guards, caretakers, cleaners, etc. (Soumeli, 2011). In all other countries belonging to this group minimum wages are exclusively determined by collective agreements at sectoral and company level.

Among the countries which have no statutory national minimum wage are in particular those which still have a rather high union density (figure 1). Considering their relatively strong organizational power, the unions from the Nordic States especially but also those from Austria and Italy do not want to give the State any influence on wage setting and therefore reject any ideas of a statutory minimum wage (Eldring and Alsos, forthcoming). In contrast to that the unions from Germany and Switzerland, where union density is relatively low, have changed their position after long controversial debates and are currently running a campaign for the introduction of a national statutory minimum wage (SGB, 2011; Bispinck and Schulten, 2011).

The advantage of a national minimum wage is that it provides an universal wage floor which covers (almost) all employees. In countries with only sectoral minimum wages based on collective agreements the applicability depends mainly on the collective bargaining coverage (figure 2). Consequently, most of the countries with no national minimum wage as the Nordic States or Austria and Italy have a relatively high collective bargaining coverage of 80 and more per cent, so that the great majority of workers are protected by collectively agreed minimum wages. In contrast, in Cyprus, Germany and Switzerland the collective bargaining coverage is only between 50 and 60 per cent so that a significant proportion of workers are not protected by any minimum wages. This explains why the Cypriot, German and Swiss trade unions are in favour of the introduction of a national statutory minimum wage.

In many countries statutory minimum wage regulation and collective bargaining also form a rather complementary system. While the State fixes a general wage floor, above that level trade unions conclude higher minimum wages through collective agreements at sectoral level. There is not much
evidence that an existing national minimum wage weakens collective bargaining and puts downward pressure on collectively agreed wage levels. In many countries, as in France or the United Kingdom, for example, it is more a case of increases in national minimum wages creating a push factor for collective bargaining (Groupe d’experts sur le SMIC, 2011). Furthermore, in countries with very weak collective bargaining as, for example, in the Baltic States, for a large proportion of workers national minimum wages are the only form of collective wage regulation.

Figure 1. Union density and national minimum wages in Europe at the end of the 2000s*

* Net union density: organized employees as percentage of all employees, latest available figures.
Source: ICTWSS database (Version 3.0) for Croatia: Nestić and Bakarić, 2011.

Figure 2. Collective bargaining coverage and national minimum wages in Europe at the end of the 2000s*

* Employees covered by collective agreements as percentage of all employees, latest available figures.
Source: ICTWSS database (Version 3.0) for Croatia: Nestić and Bakarić (2011).
Finally, countries with no national minimum wage also depend to a certain extent on supportive state regulation. Since the level of minimum wage protection relies on the collective bargaining coverage, in many countries the latter becomes stabilized by the State through the extension of collective agreements (e.g. Finland, Norway, Germany, Switzerland) or through more indirect forms of legal support, as in Austria and Italy (Schulten, 2010b).

**Levels of minimum wages in Europe**

There are at least three methods on how to compare the levels of minimum wages in Europe. The *first* is to match the current value of the minimum wage calculated in a common currency, for example the euro. The problem with this way of comparison is that it always includes statistically distorting effects as a result of exchange rate developments. In addition, the current value of a minimum wage contains only little information on its real meaning for the workers in a certain national socio-economic framework. A *second* way on how to compare minimum wages in Europe is, therefore, to calculate them in Purchasing Power Standards, which reflects the different price levels and costs of living in the various countries. The *third* method is to compare the relative value of minimum wages in comparison to national average or median wages. The latter gives information on the real level of minimum wage protection and the status of minimum wage earners within the overall national wage hierarchy.

Comparison on minimum wage levels can be carried out on an *hourly* or a *monthly* basis. The Minimum Wage Databases of EUROSTAT and the OECD provide only information on monthly minimum wages. In contrast, the *WSI Minimum Wage Database* also contains information on hourly minimum wages. Since many countries (e.g. Belgium or the Netherlands) have only fixed a monthly minimum wage rate, the hourly rate has been recalculated on the basis of the average collectively agreed standard working time.

**Minimum wages in euros**

With regard to the current level of national minimum wages calculated in euros, three groups of countries can be distinguished (figures 3 and 4). The first group with the highest minimum wages covers only countries from Western Europe including France, the Benelux countries, Ireland and the United Kingdom. By far the highest national minimum wage, with an hourly rate of 10.41 euros, is paid in Luxembourg. In the other countries the hourly

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3. For a comparison on the different database on minimum wages, see Schulten (2009).
minimum wage varies between 9.33 euros in France and 8.65 in Ireland. With an hourly minimum wage of 7.01 euros, the United Kingdom lags somewhat behind the other members of that group. However, this is mainly due to exchange rate effects, as in recent years the British pound has shown a significant devaluation against the euro. Without that devaluation the UK national minimum wage would have been at a similar level as the other western European countries.

The second group of countries, where the hourly minimum wage is between 2 and 4.50 euros, comprises mainly southern European countries – Greece, Malta, Spain and Portugal, alongside Slovenia, Croatia and Poland. The third group, with minimum wages of below 2 euros per hour, comprises exclusively central and eastern European countries, with Romania and Bulgaria – in both of which the minimum wage is still below 1 euro – bringing up the rear.

As the national minimum wages should in principle cover all employees, many countries have defined some exceptions. This holds true in particular for younger workers, job starters and apprenticeships for which many countries have established some special youth minimum wage rates below the general “adult” minimum wage level. A few countries such as Luxembourg also have a second minimum wage for more qualified workers which is somewhat above the general minimum wage.

For the countries with no national but only sectoral minimum wages, no fully comparable data are available. However, studies have indicated that in the Nordic States the lowest collectively agreed wages are mostly above the national minimum wages of most other European countries (Eldring and Alsos, forthcoming). In Germany currently there are sectoral minimum wages on the basis of extended collective agreements for 11 branches, varying between around 7 and 13 euros. Some 13 per cent of all wage grades in German collective agreements are still below the threshold of 8.50 euros per hour which is currently demanded by the German unions for a national statutory minimum wage (Bispinck and Schulten, 2011). In some cases hourly wages in Germany are as low as 6 or even 5 euros (Schulten, 2011b).

The problem of relatively low collectively agreed minimum wages exists also in Austria. In 2007 the main unions and employers’ organizations reached an agreement that no wage grade in collective agreements should be below 1,000 euros per month, which corresponds to an hourly wage of around 6 euros (Hermann and Schulten, 2007). However, thus far the agreement has never been adjusted. In Switzerland the unions are faced more with the problem of a relatively low collective bargaining coverage which led to a situation where about 10 per cent of all workers earn less than 22 Swiss francs per hour. This amount is demanded by the Swiss unions as the value for a new statutory minimum wage (SGB, 2011). Finally, in Cyprus, the statutory minimum wage for a couple of occupations is currently at 855 euros per month, which corresponds to an hourly wage of around 5 euros.
Minimum wages in Purchasing Power Standards

In order to identify the real value of minimum wages, an international comparison has to be recalculated on the basis of Purchasing Power Standards which reflect the different price levels in the various countries. Figure 5 provides data for the same group of countries based on EU Purchasing Power Standards (EU PPS). At first glance it becomes clear that the differences between countries are much less pronounced. Measured in EU PPS, the ratio between the lowest and the highest minimum wage falls from 1:13 to around 1:6.

Relative minimum wages levels (Kaitz Index)

Apart from the different purchasing power of minimum wages, the real significance of minimum wage protection can be measured by its relative value, i.e. the national minimum wage in relation to the national wage structure. The latter can be determined through the so-called Kaitz Index, that is, the relative minimum wage level measured as the proportion of either the national median wage or the national average (or mean). Considering median
wages, which is a statistical expression for a “middle” wage where 50 per cent of the workforce earns more and 50 per cent earns less, the differences in the relative minimum wage levels represent more than 30 percentage points (see table 2). The highest level with around 66 per cent can be found in Turkey, followed by France with 60 per cent, and a small group of countries with a relative minimum wage level of more than 50 per cent including Slovenia, Portugal, Latvia, Belgium and Ireland. In most countries the relative minimum wage levels vary between 40 and 50 per cent of the median wage. At the bottom there is the Czech Republic with a very low relative minimum wage level of only 35 per cent of the median wage.

Considering the average wages, the highest relative minimum wage level can be found in France (48 per cent) and Slovenia (47 per cent), followed by a few countries with more than 40 per cent. In the majority of the countries the relative value of the minimum wage varies between 30 and 40 per cent of average wages, while the Czech Republic is again at the bottom of the table with only 29 per cent.

For countries that have no national minimum wages there exist no comparable data. However, some studies have indicated that the lowest collectively agreed wages in the Nordic countries are usually well above 70 per cent of the median or 60 per cent of the average wage (Hansen and Andersen, 2007; Eldring and Alsos, forthcoming). In contrast, some of the collectively agreed wages in Germany are still far below 30 per cent of the average and median wage (Schulten, 2011).

<table>
<thead>
<tr>
<th>Country</th>
<th>Median</th>
<th>Average</th>
</tr>
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<tbody>
<tr>
<td>Turkey</td>
<td>66</td>
<td>France 48</td>
</tr>
<tr>
<td>France</td>
<td>60</td>
<td>Slovenia 47</td>
</tr>
<tr>
<td>Slovenia</td>
<td>58</td>
<td>Belgium 45</td>
</tr>
<tr>
<td>Portugal</td>
<td>56</td>
<td>Ireland 44</td>
</tr>
<tr>
<td>Latvia</td>
<td>54</td>
<td>Netherlands 42</td>
</tr>
<tr>
<td>Belgium</td>
<td>52</td>
<td>Latvia 40</td>
</tr>
<tr>
<td>Ireland</td>
<td>52</td>
<td>Portugal 39</td>
</tr>
<tr>
<td>Greece</td>
<td>49</td>
<td>United Kingdom 38</td>
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<tr>
<td>Hungary</td>
<td>47</td>
<td>Lithuania 37</td>
</tr>
<tr>
<td>Netherlands</td>
<td>47</td>
<td>Poland 37</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>46</td>
<td>Slovakia 36</td>
</tr>
<tr>
<td>Lithuania</td>
<td>45</td>
<td>Hungary 35</td>
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<tr>
<td>Poland</td>
<td>45</td>
<td>Luxembourg 35</td>
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<tr>
<td>Slovakia</td>
<td>45</td>
<td>Spain 35</td>
</tr>
<tr>
<td>Spain</td>
<td>44</td>
<td>Turkey 35</td>
</tr>
<tr>
<td>Romania</td>
<td>44</td>
<td>Estonia 34</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>43</td>
<td>Greece 33</td>
</tr>
<tr>
<td>Estonia</td>
<td>41</td>
<td>Romania 30</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>35</td>
<td>Czech Republic 29</td>
</tr>
</tbody>
</table>

All in all, the relative values of minimum wages show very clearly that in most countries the minimum wage is fixed at a rather low level. In all countries it is below the low-pay threshold used by the OECD and other international organizations, that is, two-thirds of the median wage. Using the common thresholds on poverty, which are 60 per cent of the median income or 50 per cent of the average income, it must be said that in some countries minimum wages even determine “poverty wages” (EC, 2011b).

Low-wage sector in Europe

Despite the different systems of minimum wage setting, all countries in Europe have a significant low-wage sector (George, 2011). Following the international standard definition of a low wage, which is a wage below two-thirds of the national median wage, the low-wage sector in Europe ranges from 10.5 per cent of all workers in Belgium to 29.6 per cent in Latvia (figure 5). There seems to be no clear relation between the size of the low-wage sector and the particular national system of minimum wage setting. Countries with a relatively small low-wage sector include both countries with a national minimum wage (e.g. Belgium and France) and those with only sectoral minimum wages (e.g. Denmark and Finland). Countries with a low-wage sector of more than 20 per cent of the workers are mainly those with a national minimum wage, but also Germany and Cyprus.

**Figure 5. Proportion of low-wage earners and national minimum wages in Europe, 2007***

*Low-wage earners with a wage below two-thirds of the national median wage as percentage of all employees.

The concept of a European minimum wage policy

Although all European countries have some form of minimum wage, in many cases these are set at a rather low level and do not prevent the existence of a significant low-wage sector. The basic idea behind the concept of a European minimum wage policy is, therefore, to develop a coordinated policy approach at the European level in order to make sure that everywhere in Europe workers receive equitable wages. The debate on equitable wages has a long tradition and many countries recognize a right to a fair wage as laid down in several conventions at international, regional or national level (Ofek-Ghendler, 2009). In Europe the right to a fair remuneration, which should allow all workers a “decent standard of living”, was recognized for the first time in the 1961 European Social Charter of the Council of Europe (Lörcher, 2006). In order to operationalize the idea of a fair wage, during the 1970s the Council of Europe agreed on a definition according to which all work should get a gross wage which should not be below 68 per cent of the gross average wage in the respective countries. During the 1990s the Council of Europe changed its consideration from gross to net wages and developed a new threshold which determined that a fair net wage should be at least 60 per cent of the national average net wage.

The Council of Europe is doing regular evaluations on the adherence to the European Social Charter including a review on the conformity to the right to a fair remuneration by using the 60 per cent threshold. According to its latest evaluation in 2010, there were only five European countries which fulfilled the criteria for fair wages (table 3). Among them were only two States with a national minimum wage (France and Malta), plus three Scandinavian countries: Denmark, Norway and Sweden. For the Netherlands the Council of Europe considered that the national minimum wage fulfilled the criteria of a fair wage but criticized the much lower, sub-minimum wages for younger workers. For other countries, as for example Portugal, Spain, the United Kingdom and some of the Eastern European countries, the Council of Europe concluded that the national minimum wage has been set on a level clearly below the fair wage threshold. Non-conformity with the right to fair remuneration has also been considered for Germany and Italy, neither of which has a national minimum wage.

Table 3. Conclusion of the Council of Europe on the national conformity with the “right to a fair remuneration” (Article 4) of the European Social Charter, 2010

<table>
<thead>
<tr>
<th>In conformity</th>
<th>Not (fully) in conformity</th>
<th>No conclusion because of insufficient information</th>
</tr>
</thead>
<tbody>
<tr>
<td>Denmark, France, Malta, Norway, Sweden</td>
<td>Germany, Italy, Lithuania, Netherlands, Portugal, Romania, Slovenia, Spain, United Kingdom</td>
<td>Austria, Belgium, Finland, Greece, Ireland</td>
</tr>
</tbody>
</table>

Source: Council of Europe (2010).
Considering the often rather low level of national minimum wages, in many European countries the trade unions have demanded more substantial increases in order to make the minimum wage a real “living wage”, i.e. a wage which allows for a certain socio-economic minimum (Schulten, 2009, 2010, 2011). In the second half of the 2000s, in some countries (e.g. Spain, Portugal, Poland, Romania) the trade unions were even able to reach agreements with their governments for more substantial increases during a certain number of years. Usually, these agreements included a certain target figure for a minimum wage to become at least 50 per cent of the national average wage. In the Spanish case there was even explicit reference to the fair wage threshold of the European Social Charter (Banyuls, Cano and Aguado, 2010). However, during the recent crisis most countries have stopped their policy towards an upward adjustment of existing minimum wage levels (Schulten, 2012). The only exception was Slovenia, where in 2010 the national minimum was increased by more than 30 per cent in order to lift it well above the Slovenian subsistence level (Lukić, 2011).

Against the background of these national battles on minimum wages, the idea of a coordinated European minimum wage policy has received increasing attention in recent years (Schulten, 2008; Vaughan-Whitehead, 2010; Eldring and Alsos, forthcoming). Several prominent EU policymakers, such as Luxembourg Prime Minister Jean-Claude Juncker and the former European Commission President Jacques Delors have called for a European minimum wage policy, according to which every employee should be entitled to a decent wage. However, the debate at EU level dates back already to the 1990s with the adoption in 1989 of the Community Charter of Fundamental Social Rights for Workers. This states that “workers shall be assured of an equitable wage, i.e. a wage sufficient to enable them to have a decent standard of living”. In 1993 the EC published an opinion on an equitable wage in which it demanded the Member States to take appropriate measures to ensure that the right to an equitable wage is protected. It emphasized that “the problem of low pay is an issue in all countries of the European Community” and that “the persistence of very low wage levels causes problems of equity and social cohesion, which could be harmful to the effectiveness of the economy in the long term” (EC, 1993). In reaction to the Commission’s activities the European Parliament demanded more binding European guidelines for national minimum wages and encouraged all Member States “to establish a minimum wage that amounts to a certain proportion of the national average wage” (European Parliament, 1993).

More recently, the European Parliament returned to the issue in 2007 when it noted that in many EU countries “the minimum wage is set very low or at below subsistence level” (European Parliament, 2007, p. 469). In 2008 it called “on the Council to agree an EU target for minimum wages ... to provide for remuneration of at least 60 per cent of the relevant ... average wage” (European Parliament, 2008, author’s emphasis). Moreover,
in 2010 it approved “that every worker should have a decent living wage” and stated “that a living wage must always be above the poverty threshold”. Furthermore, it took the view that “the Commission should study the impact which a legislative proposal it might submit concerning the introduction of an adequate minimum income at European level would have in each Member State; suggests, in particular, that any such study should examine the difference between the adequate minimum income and the minimum wage in the Member State concerned” (European Parliament, 2010). Finally, in 2011 it confirmed that the existence of “working poor” in Europe should be overcome “through pay levels in general and minimum wage levels in particular, whether regulated by legislation or by collective bargaining, so that they can ensure a decent standard of living” (European Parliament, 2011).

While the idea of a European minimum wage policy had already gained a lot of support in the political sphere, the issue has been much more contested within the European trade union movement (Schulten, 2008; Furåker and Bengtsson, 2011). While in many European countries the unions are rather supportive (e.g. Vande Keybus, 2012), a more sceptical view has come in particular from the Scandinavian and Italian trade unions which come from countries with a rather strong tradition of collective bargaining autonomy with only little state interference. Since the collective bargaining coverage in these countries is still rather high, the unions are against any form of statutory intervention on minimum wages. Moreover, the unions from the Nordic countries are afraid that any European norm on minimum wages might put downward pressure on their relatively high wage levels.

However, a European minimum wage policy is neither about a single European minimum wage rate nor about an institutional harmonization of national minimum wage setting. It does not mean that every country in Europe has to introduce a national statutory minimum wage. As proposed by the Party of European Socialists it is more about a “European Pact on Wages”, which should stipulate “that EU Member States ensure that all workers and employees receive a wage above the poverty threshold, either through collective bargaining or by law, while ensuring compatibility with, and respect for, national traditions and praxis and the autonomy of social partners” (PES, 2010). In practice, this could mean that the EU defines a European target or norm for national minimum wages which represents a certain percentage of the national average or median wages. Implementation of a European minimum wage policy might become a classic case of the so-called open method of coordination (OMC), according to which specific goals and deadlines are set at a European level and then have to be implemented in the national frameworks via the customary institutions and procedures (Schulten, 2008). Regardless of whether minimum wages are set by law or by collective agreements, a European minimum wage policy would offer a way to make sure that every worker in Europe gets a decent wage.
After long and controversial debates the ETUC finally came forward with a reasonable proposal whereby in all European countries with national minimum wages the levels should be at least 50 per cent of the national average and 60 per cent of the national median wage (ETUC, 2012). For many European countries the implementation of such a European target would imply rather substantial increases of their national minimum wage levels. In so far as a European minimum wage policy represented a real alternative to the current EU policy of downward wage competition, in many respects it would have positive social and economic effects:

- it would compress the national wage structures from below and would lead to a more egalitarian distribution of income between different groups of workers (including the reduction of the gender pay gap);
- it would also contribute to strengthen the overall wage developments in order to stabilise or even increase the wage share;
- it would help to fight poverty and would disburden the State from paying social welfare benefits;
- it would help to stabilize or increase private demand, since workers with low income will put the largest part of their additional income into consumption;
- it would support the function of wages as a nominal anchor for the price level in order to prevent deflation.

To sum up, a European minimum wage policy could make a major contribution for the development of a new more sustainable, wage-led growth model in Europe. At the same time it would give a concrete expression for the idea of “Social Europe” and would bring new legitimacy to the European integration process. However, the political enforcement of a European minimum wage policy requires a European social movement which is able to push this issue at the European policy agenda. In this respect it seems that the European trade unions and other social forces still have some way to go.

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