

A stylized map of Europe composed of a grid of dots. Most dots are light gray, but several are highlighted in red, representing specific countries or regions.

Contours of a European Minimum Wage Policy

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- Demands for a European Minimum Wage Policy, which fundamental aim is to guarantee every worker in Europe an equitable wage, differ. So far minimum wages in many European countries are set at rather low levels and are thus insufficient to prevent income poverty.
- The aim of a European Wage Policy can not be the determination of a Europe-wide uniform minimum wage amount, but rather an agreement on a European Minimum Wage Norm. Such Norm could establish minimum wages as a certain percentage of national median or average wages.
- A possible European Minimum Wage Norm according to which all national minimum wages should at least be equivalent to 60 per cent of national median wages would affect about 28 million workers or 16 per cent of the overall European workforce.
- A European Minimum Wage Policy could also contribute to a better coordination of wages in Europe in order to stabilise domestic demand and to prevent deflationary developments.



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1. Introduction

Within the framework of his »core messages« for the 2014 European election campaign the then leading candidate of the European People's Party (EPP) and, in the meantime, the newly elected President of the European Commission Jean-Claude Juncker (2014a) announced that he »as Commission president (...) will advocate that all member states introduce a minimum wage adjusted to national collective bargaining traditions and economic conditions«. This will guarantee that all employees in Europe »have an income from work sufficient to ensure that they don't have to go to the social security office« (Juncker 2014b). By developing a European minimum wage policy Juncker aims to reinforce the social dimension in Europe and contribute to a »rehabilitation of the social market economy« (Juncker 2014c).

The notion of a minimum wage policy coordinated across Europe has long been discussed within the EU (Schulten 2008, 2012). Not by chance it was originally developed especially in France, which has long had a particularly strong national minimum wage system. Thus it was the French Socialists who in 2004, in their European election programme, first called for the introduction of a »*salaires minimum Européen*« (Parti Socialiste 2004). Since then the demand for a European minimum wage policy has been debated in France, including former European Commission president Jacques Delors (2006), who called on the European trade unions and employers' organisations to negotiate on the issue within the framework of the European social dialogue. The current French government is overtly seeking to introduce the notion of a European minimum wage into the EU institutions and has declared, with some relief, that discussions on the issue »are no longer taboo there« (Repentin 2013). In order to advance the European debate, in the meantime, a concept paper has been published, under the aegis of the French ministry of the economy, on a possible »European minimum wage standard« (Brischoux et al. 2014).

Within the framework of the European elections of 2014 it finally became clear that the idea of a European minimum wage policy is now under discussion in all major political camps (Sanial 2014). In particular in Germany, where the issue is particularly relevant because of the introduction of a national minimum wage, all leading political parties, to a greater or lesser extent, came out in

favour of a European minimum wage policy.¹ While the CDU advocates »that in all European countries wages should be paid on which people can live«, Bündnis 90/The Greens (2014) demand »a guaranteed minimum wage in all EU states based on criteria that must be agreed within the EU«. The SPD (2014) advocates »a European pact on minimum wages that lays down corridors for a minimum living wage measured in terms of average income in each member state«. Finally, Die Linke (2014) demands »in the short term (...) a binding European minimum wage regulation in the amount of 60 per cent of the relevant national average wage«.

The questions of what, exactly, is meant by a European minimum wage policy and how it is supposed to be implemented politically and institutionally within the EU are generally addressed in fairly vague terms in parties' lists of demands, however. But the implementation of such a political project faces the fundamental problem that the levels of the national minimum wage in individual EU states vary substantially. On top of that, the national minimum wage regimes – in other words, the procedures, institutions and actors who determine the national minimum wage – also exhibit major differences.

In what follows we shall thus systematically sketch the contours of a European minimum wage policy. In Section 2 we shall present the various minimum wage regimes in Europe, while in Section 3 we shall analyse the different minimum wage levels in the context of the respective national wage structures. In Section 4 we shall discuss the normative bases and the social and economic goals of a European minimum wage policy. Finally, in Section 5 we shall examine the specific proposals on implementation and their consequences. In the closing Section 6 we shall summarise the contours of a possible European minimum wage policy.

2. Minimum Wage Regimes in Europe

2.1 Universal and Sectoral Minimum Wage Regimes

In all European states, minimum wages constitute an established instrument of labour market regulation

1. In the case of the SPD, the Greens and Die Linke there were similar demands in their European election programmes in 2009 (Schulten 2009).



Table 1: Universal and Sectoral Minimum Wage Regimes in the EU

Regulatory Instrument / Scope	Law	Collective Agreement or Tripartite Agreement
<p>Universal Regimes (Single national minimum wage as general lower wage threshold)</p>	<p>Western Europe France, Luxembourg, Netherlands, Ireland, United Kingdom</p> <p>Southern Europe Greece (from 2012), Malta, Portugal, Spain</p> <p>Central and Eastern Europe Croatia (from 2008), Lithuania, Latvia, Romania (from 2011), Slovenia, Czech Republic, Hungary (from 2011)</p>	<p>Western Europe Belgium, Germany (from 2015)</p> <p>Southern Europe Greece (up to 2012)</p> <p>Central and Eastern Europe Bulgaria*, Estonia*, Poland*, Slovakia*, Croatia (up to 2008), Romania (up to 2011), Hungary (up to 2011)</p>
<p>Sectoral Regime (No general lower wage threshold, but minimum wages for certain branches or occupational groups)</p>	<p>Cyprus</p>	<p>Northern Europe Denmark, Finland, Sweden</p> <p>Western Europe Germany (up to 2015), Austria</p> <p>Southern Europe Italy</p>

* If a tripartite agreement is not reached the decision is made by the employer. Source: Schulten (2014a).

(Schulten 2014a).² The means used to determine the minimum wage and the scope of minimum wage regulations constitute a key distinguishing feature of national minimum wage regimes. A fundamental distinction can be drawn between *universal* and *sectoral* minimum wage regimes. Universal regimes are characterised by the establishment of a general lower wage threshold, usually at the national level, and applying – apart from possible exceptions – to all employees. By contrast, sectoral regimes do not have general lower wage thresholds, but set minimum wages for certain branches or occupational groups.

Within the EU, 21 of the 28 states have a universal minimum wage regime with a nationwide minimum wage rate (Table 1). In seven member states, however, there are only sectoral minimum wage regimes, including the Scandinavian countries Denmark, Finland and Sweden, as well as Cyprus, Italy, Austria and Germany. With the introduction of a national minimum wage from 2015 Germany will switch to a universal minimum wage regime.

Minimum wage regimes are also distinguished especially by the dominant regulatory instrument used to determine the minimum wage or minimum wages. Basically,

minimum wages can be set on a statutory basis or in collective agreements, or, within the framework of tripartite bargaining, by employers, the trade unions and the state. In most countries with a universal minimum wage system the main regulatory instrument is statutory. This applies, for example, to France, the Netherlands, Luxembourg, the United Kingdom and Ireland, as well as to most southern and central and eastern European countries with a statutory minimum wage set by the government.

In some central and eastern European countries, such as Poland (Aumann 2013), the minimum wage is negotiated, first and foremost, within the framework of a tripartite body at national level. If a tripartite agreement is reached the resulting minimum wage assumes a statutory character. If the negotiations fail the minimum wage is set unilaterally by the government.

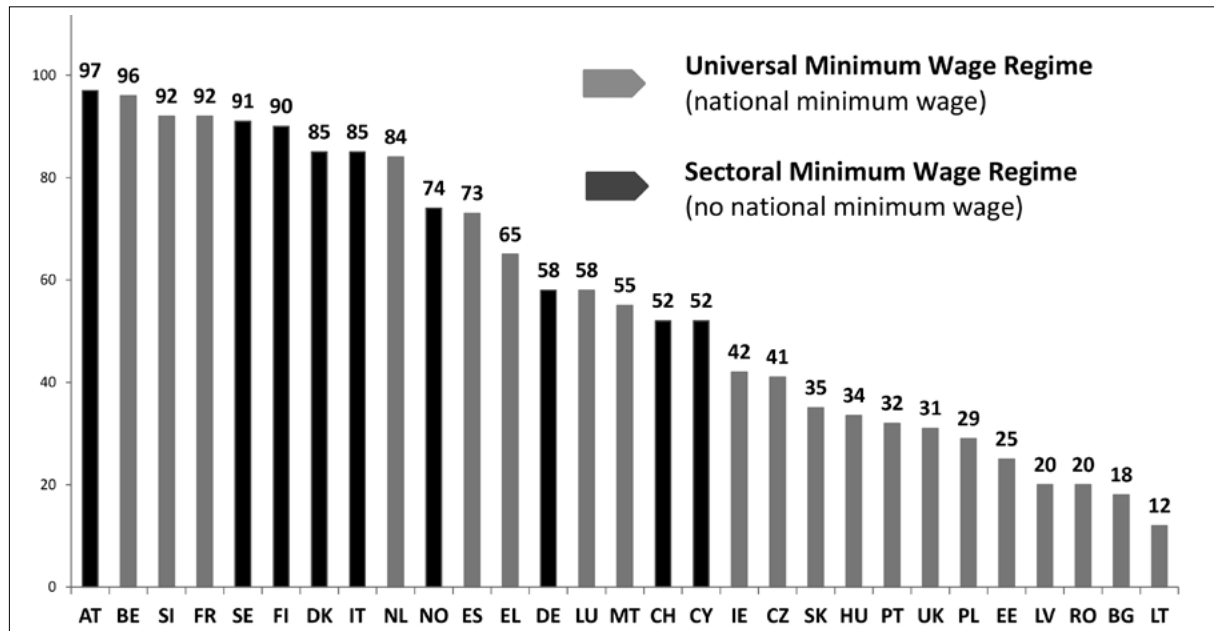
There is a distinctive model in Belgium, where the minimum wage is agreed within the framework of a national collective agreement for the private sector as a whole.³ In Germany the initial amount of the statutory minimum

2. A detailed presentation of national minimum wage regimes in Europe, with detailed national case studies, may be found in Schulten et al. (2006) and Vaughan-Whitehead (2010).

3. A similar system of national minimum wage agreements existed in Romania and Greece up to 2011 and 2012, respectively. Under pressure from the Troika (European Commission, European Central Bank and the IMF), however, this was abolished in favour of a unilateral statutory minimum wage system (Schulten and Müller 2013).



Figure 1: Minimum Wage Regimes and Collective Agreement Coverage, 2009–2011*
 (% of all employees subject to a collective agreement)



* Latest available data; Source: ICTWSS Database (Version 4.0), national sources.

wage from 2015 will be set at 8.50 euros an hour. Thereafter, however, a »social partners’ committee« will set the level of the minimum wage, which the government shall only implement and maintain its statutory character by decree. Thus a system of quasi-negotiations on the national minimum wage will be introduced in Germany, although the decisive benchmark will be the development of average wages laid down in collective agreements.

In countries with sectoral minimum wage regimes, by contrast – with the exception of the special case of Cyprus, where there are statutory minimum wages for certain occupational groups – minimum wages are laid down solely in collective agreements. The scope of sectoral minimum wages thus depends on the robustness of the collective bargaining system and collective bargaining coverage in the relevant country.

2.2 Minimum Wage Regimes and Collective Agreement Systems

Among the countries with sectoral minimum wage regimes a substantial number of states have a comprehensive collective agreement system that ensures that a large majority of employees – up to 85 per cent or more

– are protected by a collective agreement (Figure 1). This includes, especially, the Scandinavian states Denmark, Finland and Sweden, as well as Austria and Italy. The high collective agreement coverage in these countries ensures comprehensive minimum wage protection and makes statutory regulations largely superfluous. Correspondingly, the trade unions in these countries tend to reject a statutory minimum wage and instead emphasise autonomous minimum wage formation by means of collective agreements (Eldring and Alsos 2012).

However, in some of the countries with sectoral minimum wage regimes collective agreement coverage is much lower. This includes, in particular, Germany, where coverage is around 58 per cent, as well as Cyprus and – outside the EU – Switzerland, each with 52 per cent. In these countries a relatively large number of employees not subject to collective agreements have no minimum wage protection whatsoever. Against this background it is no surprise that in these countries the trade unions favour a switch to a general statutory minimum wage.

Among the countries with universal minimum wage regimes there are both states with low coverage and states with high coverage (Figure 1). This indicates that there can be very different forms of interaction between na-

tional minimum wages and wage determination by collective agreement (Bosch and Weinkopf 2013; Grimshaw and Bosch 2013). In countries with fairly poor coverage, which includes most central and eastern European states, the minimum wage has an important anchoring function for the wage structure as a whole. The development of the minimum wage here generally represents the main benchmark for general wage development. In other countries, such as France, which have a comparatively high minimum wage level, the development of the general minimum wage has a strong influence on the development of wages laid down in collective agreements, especially in lower wage categories. Finally, there are countries – such as the Netherlands – in which the scope of the statutory minimum wage is limited to a fairly small group of employees not subject to collective bargaining and has no influence on the development of wages laid down in collective agreements. Overall, statutory and minimum wages laid down in collective agreements are not necessarily in opposition but can be complementary. In many western and southern European countries the statutory minimum wage is thus merely a »safety net« for those employees who are not (adequately) covered by minimum wages laid down in collective agreements.

3. Absolute and Relative Minimum Wage Levels in Europe

3.1 Absolute Minimum Wage Levels

The scope and effectiveness of national minimum wage regimes is closely linked to the level of the relevant minimum wage protection, which varies considerably in Europe (Kampelmann et al. 2013; Schulten 2014b).⁴ In countries with universal minimum wage regimes three groups can be distinguished with regard to the level of national minimum wages (in euros) (Figure 2): (i) the group with relatively high minimum wages encompasses six states from western Europe, headed by Luxembourg, with a minimum wage of 11.1 euros per hour, followed by a core, all of whose minimum wages are now over 9 euros, made up of France (9.53 euros), the Netherlands (9.11 euros) and Belgium (9.10 euros). The minimum wage in Ireland is a little lower, at 8.56 euros. Bringing

up the rear in this group is the United Kingdom, with a minimum wage of 7.43 euros per hour. When Germany introduces a minimum wage of 8.50 euros from 2015 it will thus find itself at the lower end of this leading group.

In the second group, with national minimum wages between 2 and 7 euros an hour, are eight EU states from southern and central and eastern Europe. Heading this group is Slovenia, with a minimum wage of 4.53 euros per hour. Malta and Spain follow, with 4.15 and 3.91 euros, respectively. After a cut of more than 20 percentage points in February 2012 the minimum wage in Greece is now only 3.35 euros. At the bottom of the middle group come Portugal, Poland, Croatia, Estonia and Slovakia, with values between 2 and 3 euros. The third group, with minimum wages below 2 euros, encompasses only countries from central and eastern Europe. The minimum wage level here is between 1.70 euros and 2 euros an hour. Bringing up the rear in Europe as a whole are Bulgaria and Romania, with minimum wages just over 1 euro an hour.

Because of the lack of national minimum wages the minimum wage level in countries with sectoral minimum wage regimes can be determined only by analysing the lowest wages laid down in collective agreements. The few recent studies on this indicate that two groups of countries have to be distinguished (Eldring and Alsos 2012; Kampelmann et al. 2014). On one hand are the Scandinavian countries, whose minimum wages laid down in collective agreements are substantially above national minimum wages in the other EU states. On the other hand are the countries, such as Germany and Austria, in which, in some instances, very low minimum wages are laid down in collective agreements, which are substantially below national minimum wages in comparable western European countries.

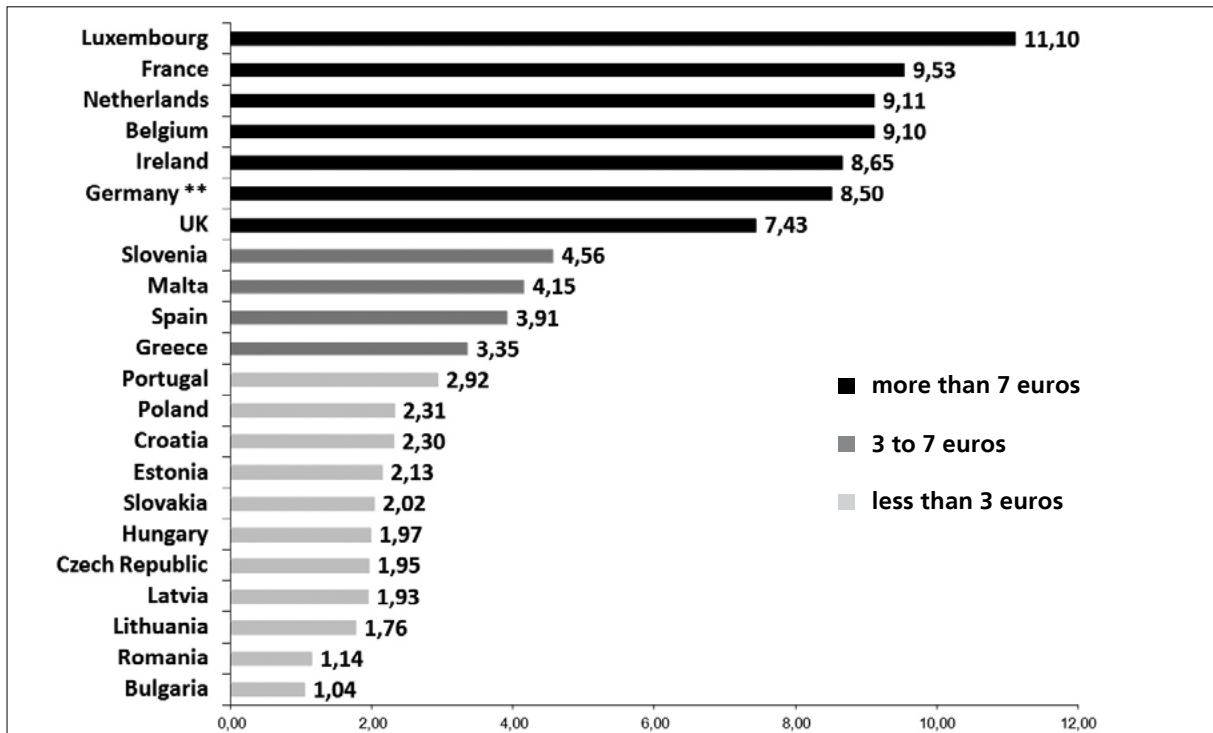
The comparison of national minimum wages measured in euros is in some instances considerably distorted due to exchange rate fluctuations. This applies in particular to the United Kingdom, whose currency has devalued by more than 30 per cent against the euro in recent years. Without this devaluation the British minimum wage would today be above 9 euros and thus would stand at a comparable level to the other western European countries.

When judging the level of a minimum wage its purchasing power must also be taken into consideration. To factor in the different living costs in Europe it helps

4. Current data on national minimum wages in Europe, as well as numerous non-European states can be found in the WSI Minimum Wage Database. An English version of the database is available at: http://www.boeckler.de/wsi-tarifarchiv_44064.htm.

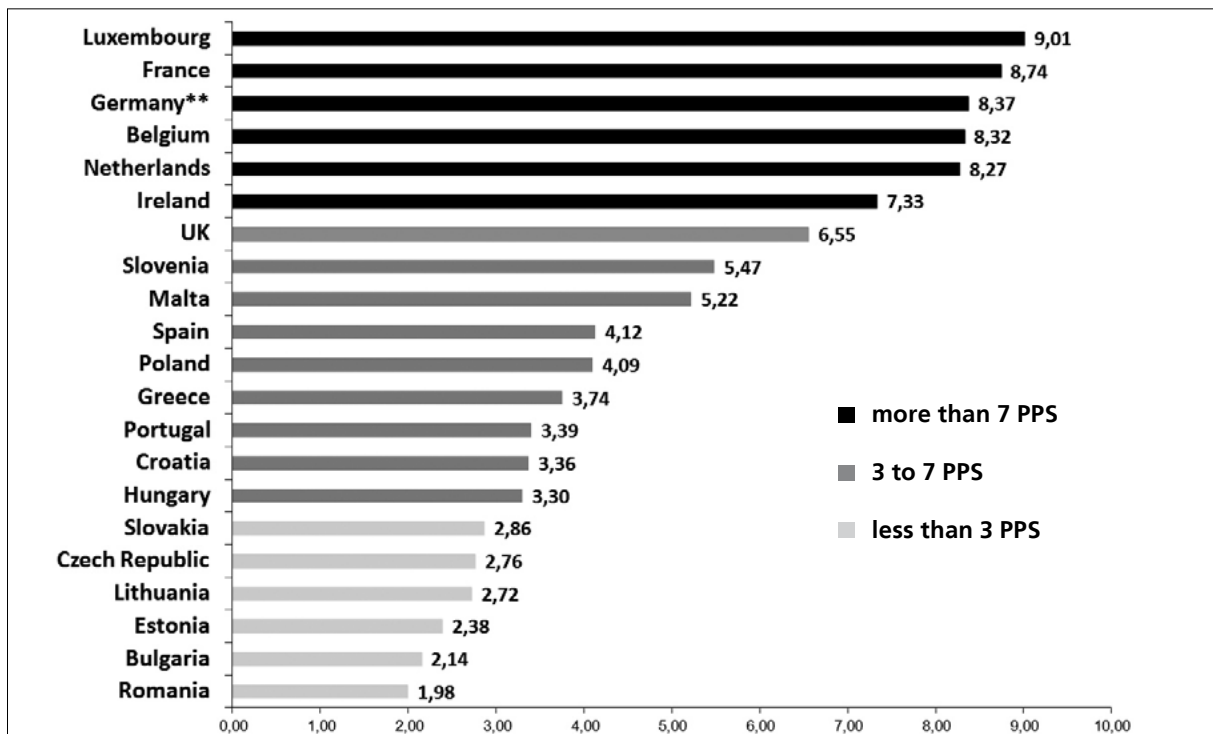


Figure 2: National Minimum Wages per Hour 2014* (in Euro)



* January 2014, ** from 1.1.2015; Source: WSI Minimum Wage Database 2014.

Figure 3: National Minimum Wages per Hour 2014* (in Purchasing Power Standards, PPS)

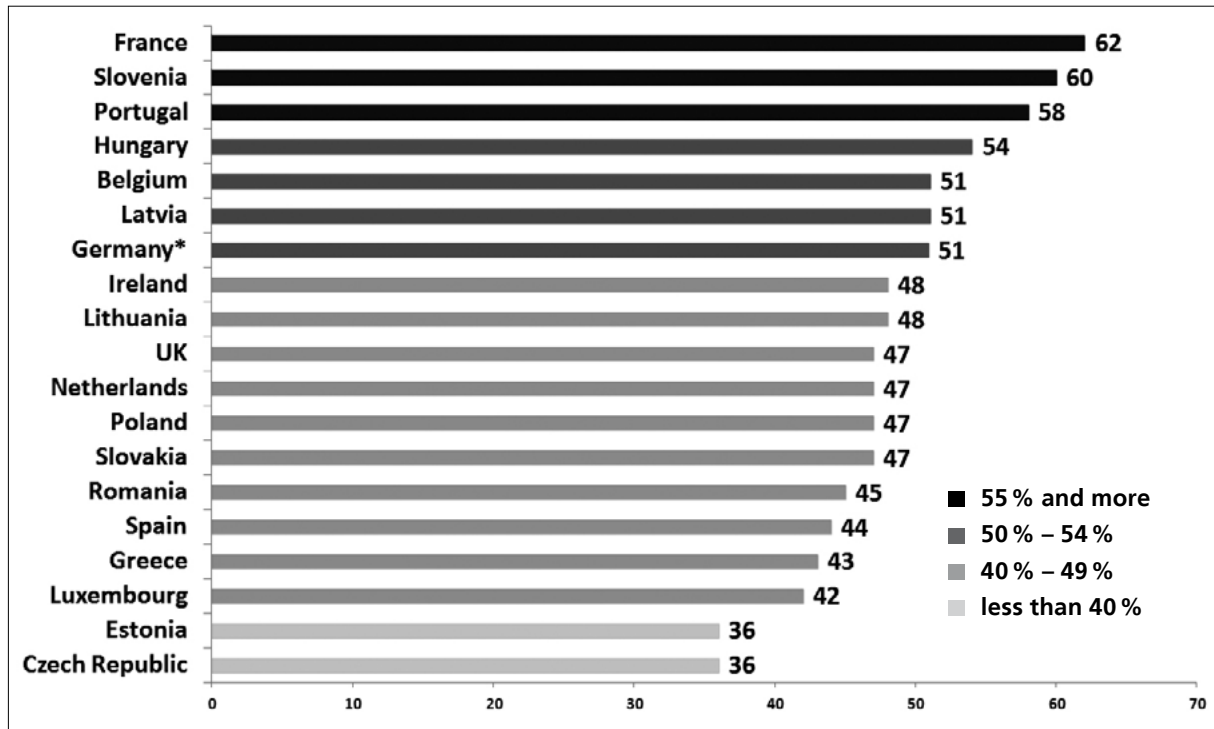


* As of January 2014, converted into PPS at the purchasing power parities calculated by Eurostat for private household consumption for 2013.

** Assuming a minimum wage of 8.50 euros (from 1 January 2015). Source: WSI Minimum Wage Database 2014



Figure 4: Minimum Wage in Percentage of Median Wage of Full-time Employees (2012)



* On the basis of a fictitious minimum wage of 8.50 Euro per hour.

Source: OECD. For Germany: calculations of the WSI based on data from the employment statistics of the Federal Employment Agency.

to make an international comparison of statutory minimum wages in terms of purchasing power standards (PPS) (Figure 3). In contrast to a comparison of nominal minimum wages in euros the differences between national minimum wage levels are much more evident from a comparison in terms of PPS: while the difference between the highest and the lowest minimum wage, measured in euros, is 1:11, in PPS it is much lower, at 1:4.5.

3.2 Relative Minimum Wage Level

The real level of the minimum wage is not derived from its absolute value, however, but from its relative level in relation to the national wage structure. The latter can be measured with the so-called »Kaitz index«, which measures the minimum wage as a percentage of the national median wage.⁵

5. The median wage is the wage between that half of all employees who earn more and that half of all employees who earn less. It must be distinguished from the average wage, which is calculated as the arithmetical mean of all wages.

The available data on this, which are published regularly by the OECD, are based, however, on unharmonised national data sources and can thus be regarded only as approximate values. According to OECD figures, minimum wages varied in 2012, measured in terms of the median wages of full-time employees in the EU, between 62 per cent in France and 36 per cent in Estonia and the Czech Republic, with the majority of countries registering a value of between 40 and 49 per cent (Figure 4). In Germany a postulated minimum wage of 8.50 euros per hour in 2012 would have represented 51 per cent of the median wage. In the Scandinavian countries, which have a strong tradition of solidaristic wage policy, with particular support for low wage groups, the Kaitz index for minimum wages laid down in collective agreements is generally over 60 per cent and thus well above the level of countries with universal minimum wage regimes (Eldring and Alsos 2012; Kampelmann et al. 2014).

Measured in terms of respective national wage structures statutory minimum wages in Europe are at a relatively low level. All of them lie below the so-called low-wage threshold, which by international convention

stands at two-thirds of the median wage. In conformity with the poverty threshold used in international poverty research one can call a wage that lies below 50 per cent of the median wage a »poverty wage«. In many EU countries, accordingly, the statutory minimum wages are not above the poverty wage level (Marx et al. 2012).

4. Bases for a European Minimum Wage Policy

Given the considerable differences between national minimum wage levels in Europe two lines of argument and justification are generally put forward to legitimise the call for a European minimum wage policy. First of all there is the *normative justification*, according to which every employee in the EU has the right to an adequate (minimum) wage that guarantees a certain socio-cultural subsistence minimum. Furthermore, *economic reasons* are increasingly playing an important role in the demand for a European minimum wage policy. For example, European coordination would, by strengthening minimum wages, help to stabilise wage development in Europe and prevent reciprocal wage dumping.

4.1 Normative Principles

The normative justification of a European minimum wage policy can find support in a series of international and European conventions and agreements, from which the principle of fair and adequate remuneration can be derived as a basic social right (Schulten 2008; Ofek-Ghendler 2009). There is already a corresponding clause in the 1948 UN General Declaration of Human Rights, according to which »Everyone who works has the right to just and favourable remuneration ensuring for himself and his family an existence worthy of human dignity« (Article 23, para 3).

In its Constitution, whose original text dates from 1919, the International Labour Organisation (ILO) calls for »the provision of an adequate living wage« (Preamble) for all employees. The notion of a »living wage« continues to stand for a demand that the minimum wage should not amount merely to a wage floor, but should establish a wage level that makes possible a (minimum) standard of living in keeping with the level of development of the society in question (Anker 2011). Within the framework

of two Conventions (No. 26 of 1928 and No. 131 of 1970), accordingly, explicit minimum requirements are formulated for determining minimum wages. According to ILO Convention No. 131 »in determining the level of minimum wages (...) 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« should be taken into consideration (Article 3, para a).

At the European level a »right of workers to a remuneration such as will give them and their families a decent standard of living« was first laid down in the European Social Charter adopted within the framework of the European Council in 1961 (Article 4, para 1). Finally, the EU, too, with the adoption of the Community Charter of the Fundamental Social Rights of Workers at the EU summit in Strasbourg in December 1989, recognises the right to »an equitable wage« as a basic social right. In the document also known as the European Social Charter all workers in Europe should receive a wage »sufficient to enable them to have a decent standard of living« (Title I, para 5). The task of a European minimum wage policy, accordingly, would be to coordinate national minimum wage policies in such a way that the fundamental social right of »an equitable wage« is realised throughout Europe.

4.2 Economic Principles

In particular against the background of the current crisis in Europe, besides normative reasons, economic arguments for a European minimum wage policy are increasingly being raised (Schulten 2012; OfCE et al. 2013; Brischoux et al. 2014). The economic debate to date has focused on the possible impact of minimum wages on employment. For a long time the debate was shaped largely by representatives of neoclassical labour market theory, according to which minimum wages by their very nature have negative effects on employment. The continuing influence of this belief is attested by current EU crisis policy, which prescribes that the allegedly too high minimum wages in numerous countries should be frozen or – as in the case of Greece – savagely cut (Schulten and Müller 2013).

More recent international empirical research on minimum wages, however, overwhelmingly takes the view that there are no negative effects of the labour market from existing minimum wage regimes (for a summary

see Schmitt 2012; Bosch and Weinkopf 2014). Against this background an alternative theoretical approach to minimum wages based on Keynesian economics focuses on the influence of the minimum wage on general wage development and thus the development of aggregate demand (Herr et al. 2009; European Commission 2012). The macroeconomic significance of the minimum wage can vary considerably within the framework of the specific national minimum wage regime (see Section 2.2). In many European countries, however, the development of the minimum wage not only influences wages in the lower wage segment, but also forms an important benchmark for wage development as a whole. The higher the relative value of the minimum wage the more the wage structure of the economy can be compressed from below and the lower the wage differentiation between different groups of employees. A more egalitarian wage structure, however, boosts aggregate demand because the propensity to consume of low wage earners is much greater; that is, they spend a much higher proportion of their income and save less.

Against the background of high unemployment, wage development in Europe since the outbreak of the crisis in 2009 has been characterised in many countries by persistent real-wage losses (Schulten 2013). These losses have contributed substantially to the collapse of aggregate demand and thus have exacerbated economic stagnation in these countries. EU crisis policy has been a decisive factor in triggering a downward spiral in wage policy that has encouraged strong deflationary tendencies and now has even brought a European deflation crisis into the realm of possibility (Bernoth et al. 2014). On top of all that, Europe overall continues to be characterised by stark economic imbalances between (current account) deficit- and surplus countries, reductions in which have to date not been discernible, in particular with regard to the surplus countries (notably Germany).

A European minimum wage policy could constitute a substantial starting point for closer coordination of wage policy in Europe, which first and foremost as a kind of European deflation brake could prevent further falls in real wages and also stabilise aggregate demand. Furthermore, especially in the surplus countries a sharper increase in minimum wages could boost the dynamics of the domestic economy and thus help to reduce economic imbalances in Europe (OFCE et al. 2013; Brischoux et al. 2014).

5. Implementation of a European Minimum Wage Policy

Given the enormous differences between minimum wage levels in Europe it is evident that the aim of a European minimum wage policy cannot be to set a single minimum wage level throughout the EU. Rather it is a question of agreeing on minimum wage norms at the European level that would then be implemented at the national level in accordance with domestic circumstances. The main focus here must be the question of what the »equitable« and »adequate« wages postulated in the international and Europe conventions might mean.

5.1 Definitions of an »Equitable« and »Adequate« Minimum Wage

An early attempt to operationalise the concept of a fair wage was undertaken within the framework of the European Council in the 1970s (Lörcher 2006). This primarily involved finding criteria with which compliance with the European Social Charter could be verified. After long discussions the European Council reached agreement on defining an »equitable wage« within the meaning of the European Social Charter as a gross wage in the amount of at least 68 per cent of the national average gross wage. In the mid-1990s the definition was changed and henceforth the basis for the minimum wage was to be at least 60 per cent of the national average net wage. This definition is still used by the European Council in monitoring compliance with the European Social Charter (Schulten 2012).

Within the EU the debate on adequate wages kicked off in the early 1990s (Schulten 2008). In order to implement the right to an »equitable wage« laid down in the 1989 Social Charter the Europe Commission set up an international group of experts at the end of 1990 to look into the scale of low wages in Europe. After the group already at that time recognised the existence of a substantial low wage sector (Schäfer 1991) the European Commission published its first Opinion on an Equitable Wage in 1993. In this document it is emphasised that »low wages represent a problem in all countries of the European Communities« and »very low income levels at both individual state and Community level (...) [cause] problems concerning justice and social cohe-

sion that could have a detrimental effect on economic performance in the long term» (European Commission 1993).

Given the existence of a low wage sector in Europe the European Commission called on the member states to »take appropriate measures to protect the right to an equitable wage«. Besides the member states the »social partners« were also called upon to address the issue of an »adequate wage« at »Community, national, regional and local level«. For itself the European Commission formulated the task of keeping an eye on the development of national wage structures in Europe and of monitoring national implementation of the right to an adequate wage through further studies (European Commission 1993).

The European Commission's Opinion can be interpreted as a first hesitant and still very vague attempt to coordinate national minimum wage policies at the European level. In particular the European Parliament had spoken out in favour of a much more far-reaching Opinion in the run up to the report and in that connection had proposed binding requirements with regard to national minimum wage policy. Thus in early 1993 in the report by the European Parliament's Committee for Social Affairs, Employment and the Working Environment (the so-called Wilson Report) the »introduction of a fair reference wage at the national level« was called for, to serve »as basis for collective bargaining«. Furthermore, all member states were to introduce »mechanisms to establish a minimum wage related to the national average wage« (European Parliament 1993).

In the second half of the 1990s, however, the development of a Europe-wide coordinated minimum wage policy foundered on the obduracy of a number of member states. For the Progress Report on equitable wages presented by the European Commission in 1997 (»Equitable Wages – A Progress Report«) only seven member states were even willing to provide data on their national wage structures (European Commission 1997). The majority of EU member states took the position that minimum wage policy is a purely national matter and that no competences should be established at the European level in that regard.

In fact, already in the early 1990s, when social policy competences at the EU level were extended, the area of

»remuneration« was explicitly excluded from the scope of the new social policy chapter of the European Treaty (TFEU Article 153, No. 5). On top of that, quite a few governments, with a view to »labour market flexibilisation«, far from seeking to limit the low wage sector and precarious employment, had begun to champion them. This also explains why in the Charter of Fundamental Rights in the European Union, which was adopted at the EU summit in Nice in December 2000, the wage issue was no longer even taken up and the establishment of a right to an adequate wage came to grief in the face of the resistance of numerous national governments from the very outset (Lörcher 2006).

Since the end of the 1990s the European Commission has given up trying to develop minimum wage policy as a European policy area in its own right. In numerous publications the Commission – especially DG Economy and Finance – has, on the contrary, embraced the neoliberal demand for »wages in line with productivity«, thus favouring wider wage differentiation and expansion of the low wage sector. On the other hand, in various European Commission social policy documents, largely produced by DG Employment and Social Affairs, many lines of approach may be found in which the need for an adequate wage are stressed positively (for example, European Commission 2012).

After a group of German, French and Swiss economists had presented their relatively widely read »Theses for a European Minimum Wage Policy« in 2005 (Schulten et al. 2006a) the topic was taken up again in the second half of the 2000s especially by the European Parliament (Eldring and Alsos 2012; Schulten 2012). In an opinion presented in 2007 it was stated, first, that »in many Member States the minimum wage is set very low or at below subsistence level« (European Parliament 2007: 469). Against this background a year later the European Parliament called on the European 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 Parliament 2008).

The recommendations of the European Trade Union Confederation are along similar lines, demanding that, where national minimum wages exist, they should be

at least 50 per cent of the relevant national average wage or 60 per cent of the median wage (ETUC 2012). However, the European trade unions to date have not been able to reach a common position on a European minimum wage policy, mainly because the Scandinavian trade unions are strongly opposed to any kind of wage policy guidelines from Brussels (Eldring and Alsos 2012; Furaker and Loven Selden 2013).

5.2 Political-Institutional Implementation

The implementation of a European minimum wage policy would require, first, that the EU states were able to reach agreement on criteria for an »adequate« minimum wage. In order to take properly into account national wage differences and related different levels of economic development in Europe such criteria could take their bearings only from a relative minimum wage that would stand in a particular ratio to the national wage structure. Most proposals for a European minimum wage policy thus aim at establishing a European minimum wage norm, defined as a certain percentage of the national average or median wage.

Besides agreement on the content of a European minimum wage policy, however, a number of political and institutional obstacles would have to be overcome. This involves, first, the fundamental problem that regulatory competences in the area of wage policy are explicitly ruled out in the European Treaty. On the other hand, in recent times the EU has been perfectly willing to intervene in the (minimum) wage policy of individual member states, sometimes massively (Schulten and Müller 2013). This has been most striking in the so-called crisis states – such as Greece, Ireland and Portugal – where the Troika (made up of the European Commission, the European Central Bank and the IMF) linked the payment of credits to extensive reform requirements, including drastic intervention in wage and collective bargaining policy. Furthermore, with its establishment of the European Semester, the EU has created an institutional framework for the purpose of imposing also wage policy requirements on individual member states as part of a Europe-wide coordination of economic policy.

Against this background it is perfectly conceivable that, within the framework of the European Semester, recom-

mendations on the development of national minimum wages are made, oriented towards a common European minimum wage norm. Experiences with rather »soft« governance reforms of this kind, especially in social policy within the EU, are not particularly auspicious, however, because in practice they are not very binding and national actors show little inclination to comply. With regard to the development of a European minimum wage policy, therefore, they might possibly be only a first step that would later be followed by »harder« governance reforms, such as the adoption of a directive. The latter would in all probability require a change in the Treaty, however.

Given the different national minimum wage regimes in Europe a European minimum wage policy will ultimately be accepted only if it forgoes institutional harmonisation of national minimum wage regimes (for example, the Europe-wide introduction of statutory minimum wages). Thus the question arises, however, of how implementation of European minimum wage norms could be ensured at the national level. This would be less problematic in countries with a universal minimum wage system, in particular if they are based on statutory guidelines. It would be more difficult for countries with sectoral minimum wage regimes, in which wages are laid down exclusively in collective agreements and universal wage norms have largely been unknown to date (Aumayr-Pintar et al. 2014; Kampelmann et al. 2014). In these cases employers and trade unions could either conclude national framework agreements⁶ or the state could contribute to increasing the scope of sectoral collective agreements (for example, by using the instrument of declaring collective agreements to be of universal application more robustly).

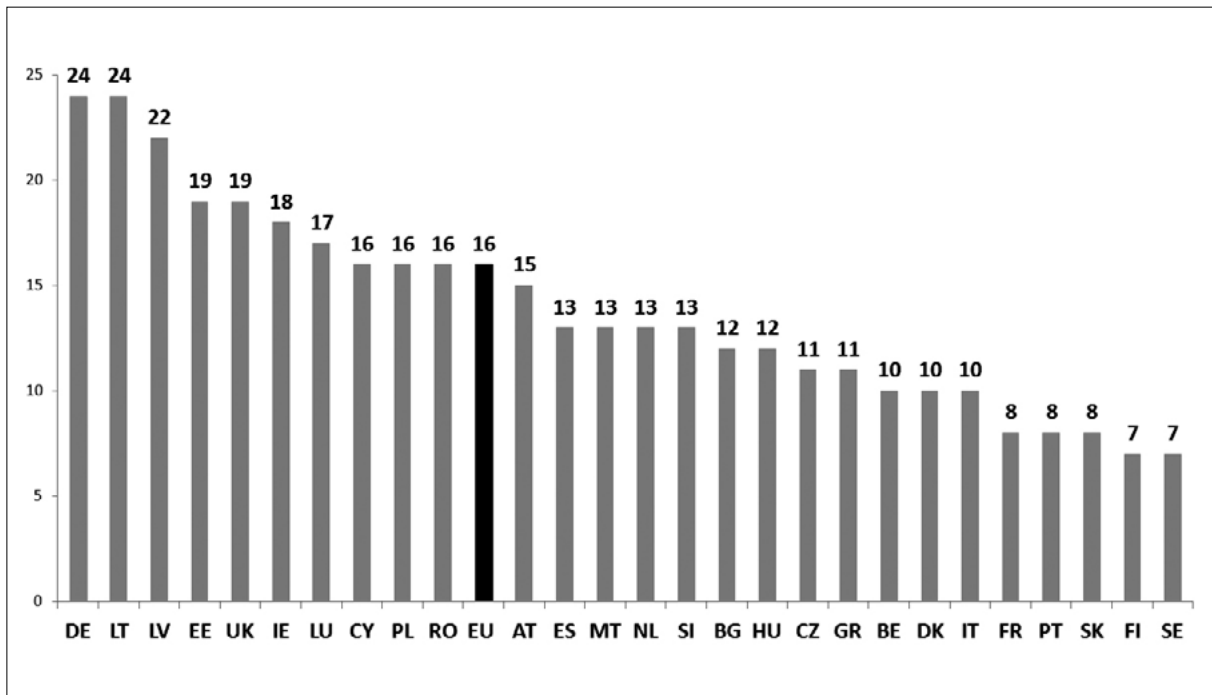
5.3 Consequences of a European Minimum Wage Policy

The effects of a possible European minimum wage policy are only hypothetical, especially because they would be directly related to the specific European minimum wage norm actually chosen. The only study available to date was produced by the European Foundation for the

6. For example, in Austria in 2007 the employers and the trade unions concluded a national framework agreement on a minimum wage of 1,000 euros a month, which was not supposed to be undercut in any sectoral collective agreement.



Figure 5: Workers with less than 60 percent of National Median Wage 2010 (in % of all workers)



Source: Aumayr-Pintar et al. (2014: 112) on the basis of EU-SILC and SES.

Improvement of Living and Working Conditions (Eurofound), which attempted to evaluate the consequences of a European minimum wage policy (Aumayr-Pintar et al. 2014: 82 ff). The study assumes the introduction of a hypothetical minimum wage norm of 60 per cent of the median wage, which in most European countries is substantially above the existing relative minimum wage level (Section 3.2).


According to the Eurofound study in 2010 in the EU as a whole 16 per cent of all employees would have benefited from the introduction of such a European minimum wage norm (Figure 5). In absolute figures this represents more than 28 million workers.⁷ The consequences for individual EU member states exhibit major differences that reflect the size of national low wage sectors. The largest groups of workers who would have benefited from a European minimum wage policy were in Germany and Lithuania, each with 24 per cent, while in Finland and Sweden only 7 per cent of workers would have done so.

7. The absolute figures were obtained directly from the authors of the Eurofound study.

6. Summary

For more than two decades now there has been a debate on the idea of a European minimum wage policy. The debate has kept recurring not least because social inequality and poverty (even among those in work) within Europe has risen relentlessly. In particular the crisis at the end of the 2000s accelerated this development substantially.

Existing minimum wages in Europe are below the subsistence minimum in many countries and thus are insufficient to prevent income poverty. Thus the fundamental social right to an »equitable« and »adequate« wage – as called for in, among other things, the European Social Charter and the Community Charter of the Fundamental Social Rights of Workers – is being violated on a massive scale in Europe. A European minimum wage policy, by contrast, would have the basic task of implementing »adequate« minimum wages throughout Europe. This would not mean the determination of a Europe-wide uniform minimum wage amount, but rather agreement on a European minimum wage norm, that would establish the minimum wage as a certain percentage of national median or average wages.



By gradually raising national minimum wages to, for example, 60 per cent of national median wages up to 16 per cent of all workers in the EU could benefit from a European minimum wage policy. This would make an important contribution to reducing (income) poverty and (income) inequality. The wage increases involved in this would also instigate a considerable demand boost and thus create new potential for growth and employment, as well as counteracting current deflationary dangers in Europe. Finally, a European minimum wage policy would be a concrete political project that would confer real substance on the idea of a »social Europe« and thereby help to »regain people’s trust in the European project« (Juncker 2014c).



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