

*Årskonferanse i Fafo Østforum*

*Fire år etter EU-utvidelsen: Status og framtidsperspektiver*

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# **Minimum Wage Protection**

## **Current German**

## **and European Debates**

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# Agenda

## German Debates:

- ➔ Low Wage Sector in Germany
- ➔ Erosion of Collective Bargaining
- ➔ Proposals for Minimum Wage Protection

## European Debates:

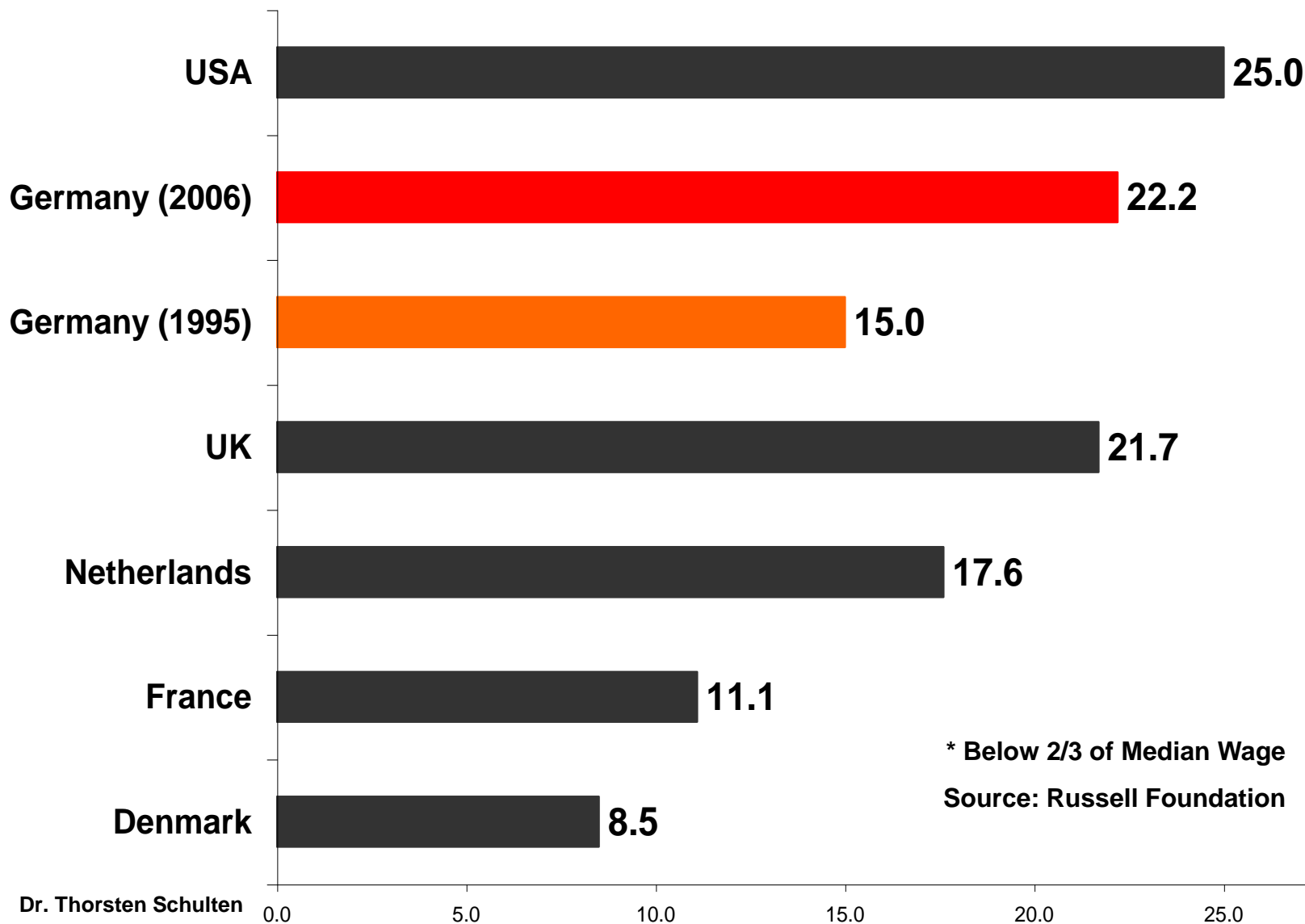
- ➔ Minimum Wage Regulation – An Overview
- ➔ Towards a European Minimum Wage Policy?

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# Low wage sector in Germany and other selected countries\*

(2005, in % of all employees)

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# Low Wage Sector in Germany (2006)

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**6.5 Mio. low wage workers (22.6%)  
of which are**

- ➔ 3 Mio. full-time workers (46.2%)
- ➔ 1.7 Mio part-time workers (24.0%)
- ➔ 1.8 Mio. marginal part-time workers (29.7%)

**Total increase of low wage workers  
between 1995-2006 of about 43%**

# Reasons for the increase of the low wage sector

## Political promotion

- ⇒ Labour market policy (Hartz-Reforms), Deregulation of employees' protection
- ⇒ Increasing low wage competition by migrant workers from eastern Europe

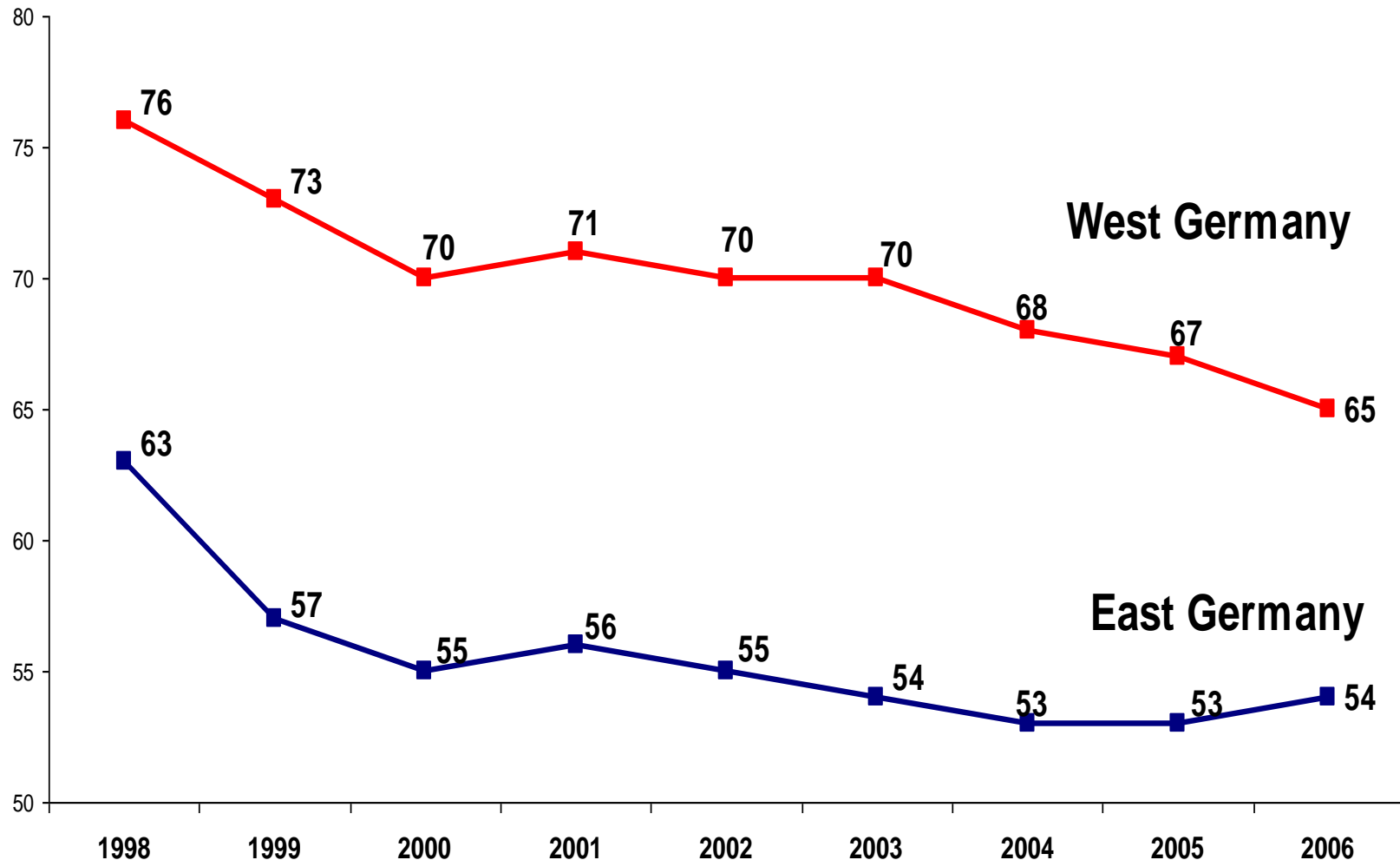
## Erosion of collective bargaining

- ⇒ Decreasing Bargaining Coverage
- ⇒ Very low collectively agreed wages

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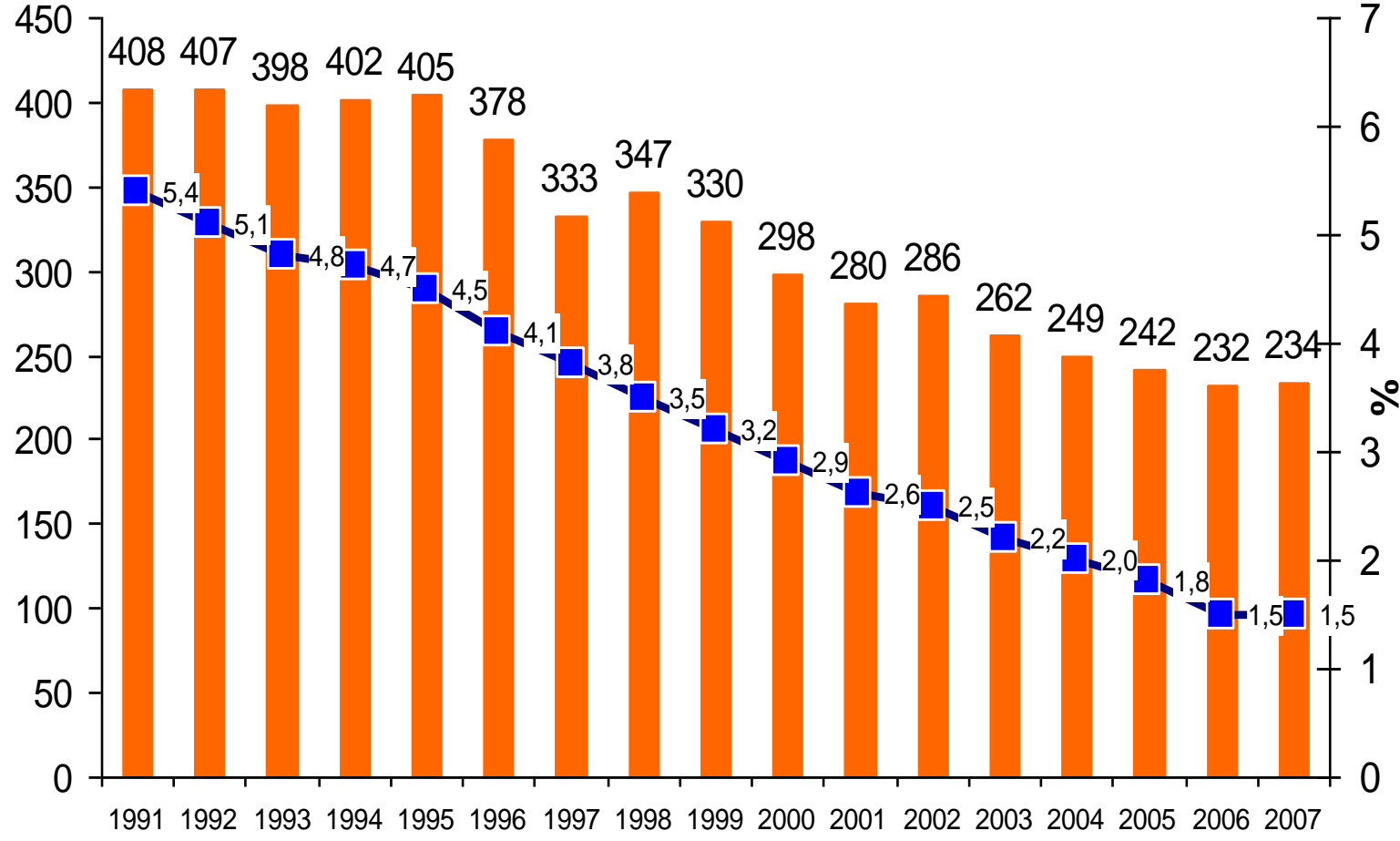
# Collective Bargaining Coverage in Germany (in % of all Employees)

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# Extension of Collective Agreements in Germany

(Number of Original Agreements and % of all Original Agreements)



Source: Ministry of Labour, Calculations by the WSI

# Lowest Hourly Wages in Collective Agreements

	<b>West</b>	<b>East</b>
<b>Public Services</b>	<b>8.15</b>	<b>7.42</b>
<b>Temporary Agency Work</b>	<b>7.31</b>	<b>6.36</b>
<b>Fast Food Chains</b>	<b>7.05</b>	<b>6.14</b>
<b>Private Transport</b>	<b>6.61</b>	<b>3.91</b>
<b>Retail Trade</b>	<b>6.56</b>	<b>6.78</b>
<b>Meat Processing</b>	<b>6.31</b>	<b>4.50</b>
<b>Hotels and Restaurants</b>	<b>6.12</b>	<b>4.81</b>
<b>Metal Craft</b>	<b>6.09</b>	<b>4.40</b>
<b>Floristic</b>	<b>5.94</b>	<b>4.35</b>
<b>Security Services</b>	<b>5.25</b>	<b>4.32</b>
<b>Gardening</b>	<b>5.43</b>	<b>2.75</b>
<b>Hair Dressing</b>	<b>4.69</b>	<b>3.05</b>
<b>Agriculture</b>	<b>4.71</b>	<b>4.38</b>

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Source: WSI Collective Agreement Archive (April 2008)



# The German Debate on Minimum Wages

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**Unions:** Originally highly divided (scepticism among industrial unions, while service unions in favour), now large majority in favour

**Political parties:**

**In favour:** Social Democrats, Left Party and part of Christian Democrats

**Opposing:** Majority of Christian Democrats and Liberals

**Employers:** majority against, some sectors in favour.

**Population:** Large majority in favour !!

# Current German Debate:

## Sectoral or universal minimum wage?

- ⇒ **Extension of collective agreements through the German posted workers law**
- ⇒ **Single statutory minimum wage**

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# Sectoral Collectively Agreed Minimum Wages

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## Extended through the German Posted Workers Law:

- ⇒ Construction; Different crafts related to construction (Painter etc); Janitors; Postal services

## Applied for an extension:

- ⇒ Temporary agencies; laundries; small specialised services in forestry and miming, further training,

## Possible candidates in future:

- ⇒ Waste disposal, security services and care services

# Problems of Sectored Collectively Agreed Minimum Wages

- ⇒ **Precondition:** Collective Agreement on Minimum Wages covering at least 50% of the sector
- ⇒ **Strong Veto-Position of the employers !!!**
- ⇒ Employers in many low wage sectors (e.g. retail trade, hotels and restaurants etc.) want **no agreement on minimum wages**

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# Demand of the German Trade Unions

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## Double strategy:

- ➔ A universal **single statutory minimum wage** of at least 7.50 Euro per hour!
- ➔ Further **extension of collectively agreed minimum wages**, in sectors with higher minimum wage levels

# Low Wage Sector in Germany



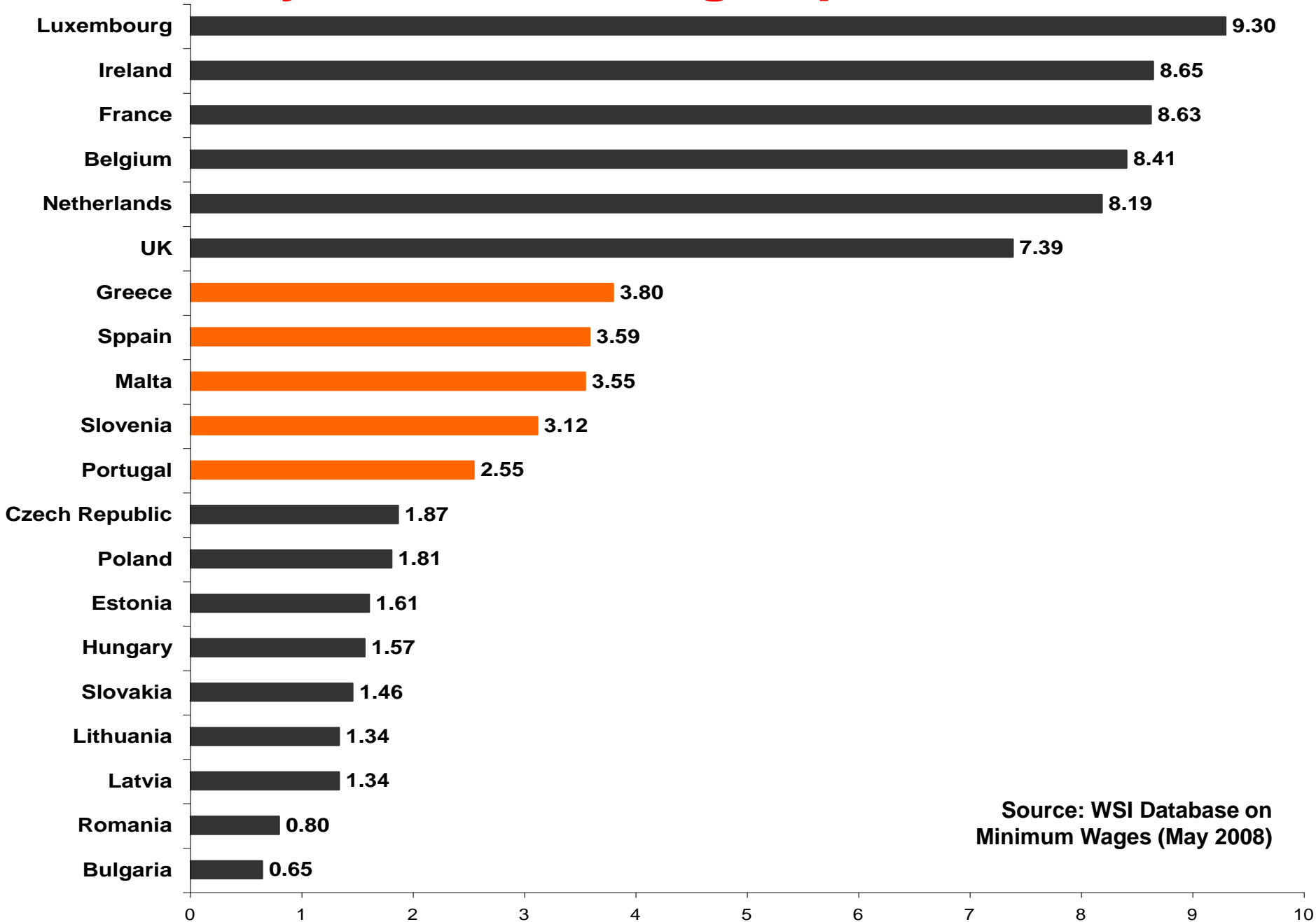
Who would gain from a  
hourly Minimum Wage  
of 7.50 Euro?

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- ⇒ 15.5% of all employees  
(about 5.5 Mil. employees)
- ⇒ 12.7% West Germany
- ⇒ 29.6% East Germany

Source: IAQ (2007)

# Statutory Minimum Wages per hour in Euro



Source: WSI Database on  
Minimum Wages (May 2008)

# European countries with collectively agreed minimum wages only

Countries	Supportive regulation	Coverage
Denmark, Finland, Sweden	Ghent-System, <b>High union density, (extension of agreements in Finland)</b>	82%-92%
Austria	<b>Compulsory membership of employers</b> in the Federal Economic Chamber	~ 98%
Italy	<b>Constitution</b> (Art. 36) provides the right to an adequate wage which according to ruling court judgements is interpreted as the collectively agreed wage.	~ 70%
Cyprus	Statutory minimum wages for <b>some professions</b>	68%
Germany	Limited number of extended agreements	65%
Norway	Limited number of extended agreements	70%
Switzerland	Limited number of extended agreements	~ 50%



# Political minimum wage campaigns run by trade unions

## Switzerland:

- ⇒ Trade unions set universal minimum wage target to introduce in collective agreements

## Austria:

- ⇒ Trade unions set universal minimum wage target to introduce in collective agreements
- ⇒ 2007: **Agreement between peak organisations of unions and employers** on a minimum wage of 1000 Euros per month to be concluded in sectoral collective agreements

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# Minimum Wages – a topic at EU-level?

## **Demands for a European minimum wage policy by prominent EU Policy makers:**

- ➔ **Almunia, Juncker, Delors**
- ➔ **European Social Democratic Parties**
- ➔ **EU Council of Labour Affairs and European Parliament**

## **Background for the debate:**

- ➔ **General crisis of legitimation of EU policy among workers**
- ➔ **Need for concrete projects for a more social Europe**

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# Normative Foundations for a European Minimum Wage Policy

## The Right to „fair“, „equitable“ or „decent“ wages

- ➔ UN Declaration of Human Rights (1948)
- ➔ ILO Convention on Minimum Wages No. 26 and 131 (1928/1970)
- ➔ European Social Charta of the Council of Europe (1961)
- ➔ **EU Community Charter of Fundamental Social Rights for Workers (1989)**

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# Normative Foundations for a European Minimum Wage Policy

## EU Community Charter of Fundamental Social Rights for Workers(1989)



*„Workers shall be assured of an **equitable wage**, i.e. a wage sufficient to enable them a **decent standard** of living.“ (Article 6)*

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# Basic Idea of a European Minimum Wage Policy

- ⇒ **Not** a single harmonised European minimum wage rate for all Countries !!!
- ⇒ **Harmonisation of the relative minimum wage** level in relation to national performance: European norm or target for national minimum wage policy relying on ...
  - ⇒ **a certain percentage of national average or median wage (e.g. 50%) !!!**

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# Relative minimum wages levels in Europe

	<b>Median</b>	<b>Average</b>	<b>Average (Industry and Services )</b>
<b>FR</b>	<b>62%</b>	<b>50%</b>	
<b>BE</b>	<b>52%</b>	<b>40%</b>	<b>46%</b>
<b>HU</b>	<b>49%</b>	<b>36%</b>	<b>40%</b>
<b>IR</b>	<b>48%</b>	<b>39%</b>	<b>51%</b>
<b>SK</b>	<b>45%</b>	<b>34%</b>	<b>35%</b>
<b>UK</b>	<b>45%</b>	<b>37%</b>	<b>37%</b>
<b>NL</b>	<b>44%</b>	<b>39%</b>	<b>46%*</b>
<b>PT</b>	<b>44%</b>	<b>34%</b>	<b>41%</b>
<b>LU</b>	<b>43%</b>	<b>43%</b>	<b>50%</b>
<b>PL</b>	<b>42%</b>	<b>35%</b>	<b>36%</b>
<b>CZ</b>	<b>40%</b>	<b>34%</b>	<b>40%</b>
<b>ES</b>	<b>37%</b>	<b>34%</b>	<b>41%</b>
<b>BG, MT, SI</b>			<b>50%-47%</b>
<b>LT, LV, EE, RO</b>			<b>36%-33%</b>
<b>Source:</b>	<b>OECD</b>	<b>OECD</b>	<b>EUROSTAT</b>

# Implementation of a European Minimum Wage Policy

## European political level:

- ➔ Development of a European target for a relative minimum wage
- ➔ Implementation through the open method of coordination

## European trade unions:

- ➔ Development of a European target for collectively agreed minimum wages
- ➔ European coordination of collective bargaining

**Autonomy of national minimum wage regulation is maintained !!!**

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