

# Minimum Wages: International Experiences and Evaluation

International Workshop  
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**Spain**

**Carlos Vacas Soriano**

# Minimum wage setting: institutional picture

# Statutory minimum wage: institutional set-up

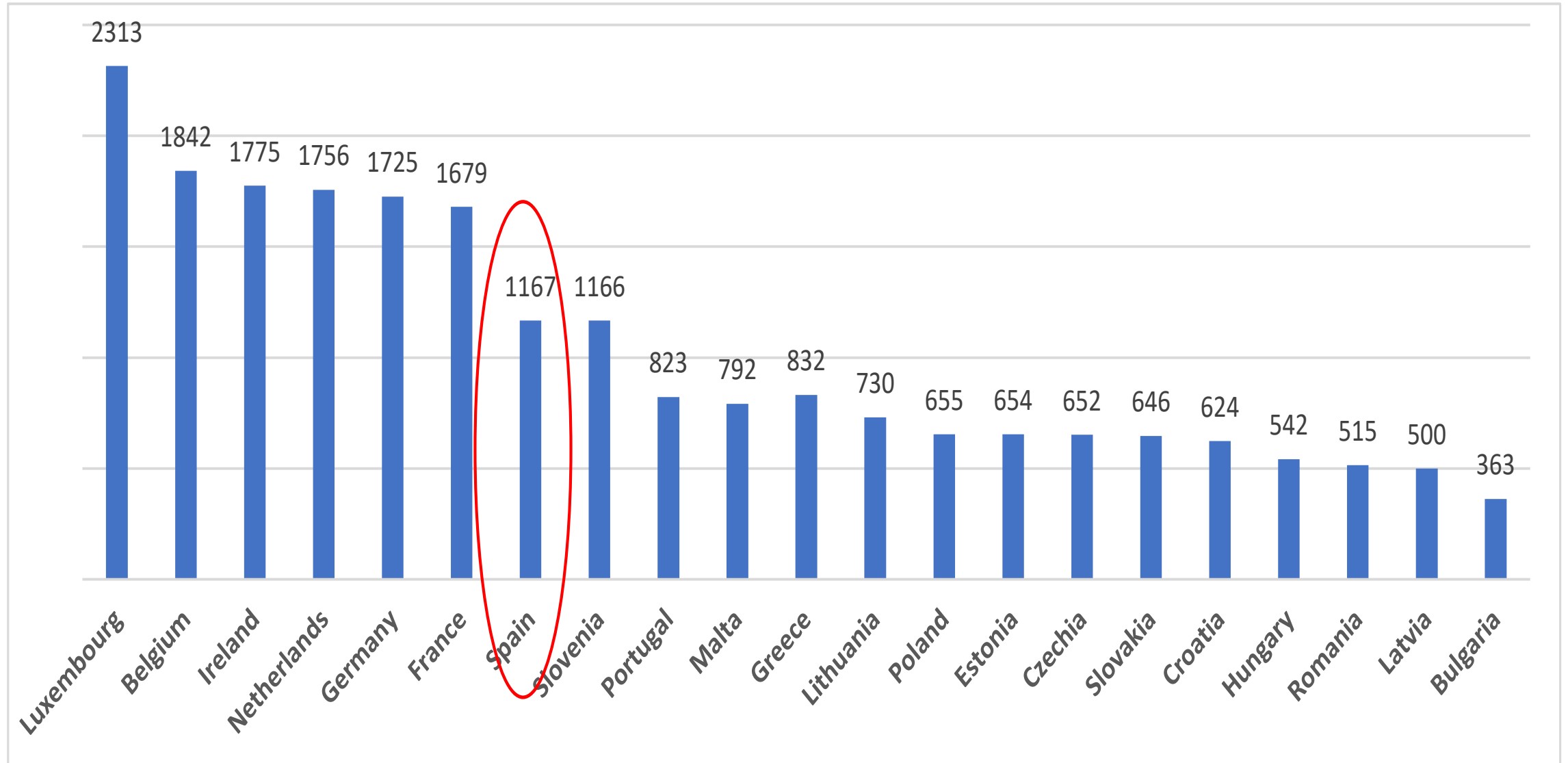
- One of the 21 countries with statutory MW in the EU-27
  - Tripartite setting. MW fixed by the government, after consultation with social partners
  - Taking into account:
    - Inflation (HICP)
    - Productivity
    - Labour share over total national income
    - General economic situation
- BUT, not a rule-based mechanism!
- Generally updated every January (based on agreements, not formulas)
  - No equivalent of the MW Commission exists (institutionalised, with a central role, leading the processes and making a proposal to government).
  - An ad-hoc advisory commission (Comisión asesora para el análisis del salario mínimo) was created by the government in January 2020 (experts from academia, social partners, Ministry of Labour) to define a path to set the MW at 60% of average wage [2020-2023]

# Characteristics of the Spanish collective wage bargaining

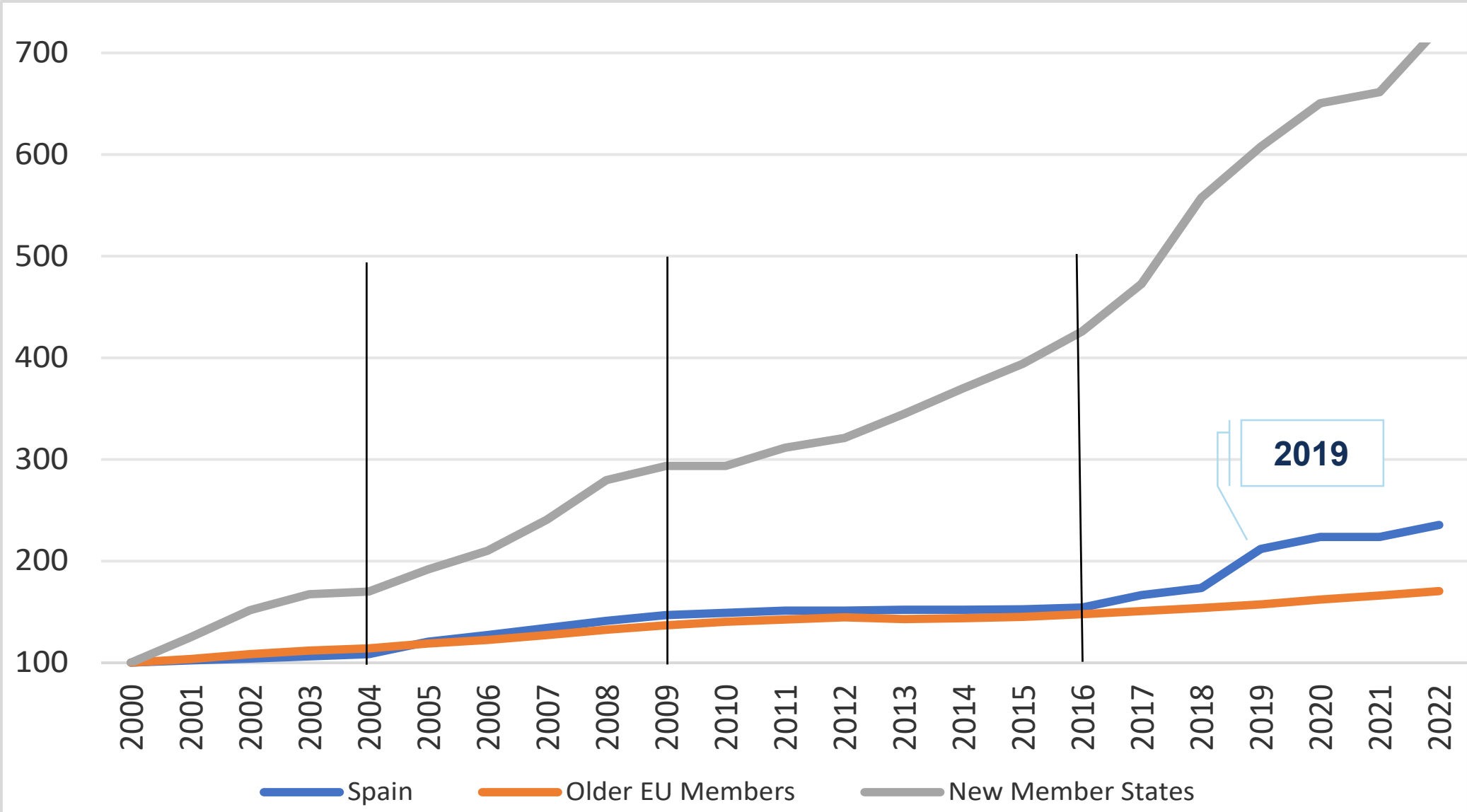
- Intermediate level of negotiation (wage bargaining predominantly at the sector or industry level): more centralised than Anglo-Saxon tradition (plant level), less than Continental tradition (cross-sector level/corporativism). Trend towards decentralisation over past decades.
- Nevertheless, high level of coordination of wage setting: company level agreements are typically linked to sectoral-level agreements.
- CBA coverage: 68%, declining [ICTWSS: FR 94%; BE 90%; IT 80%; NL 77%; DE 55%]
- A relatively small % of employees receive the minimum wage in Spain. People affected by the +22% hike in 2019: 7.1% employees had a lower wage when new MW announced (1.1million) according to AIReF. Others say a max. of 10% (1.57m).

# Spanish statutory minimum wage level in the EU context

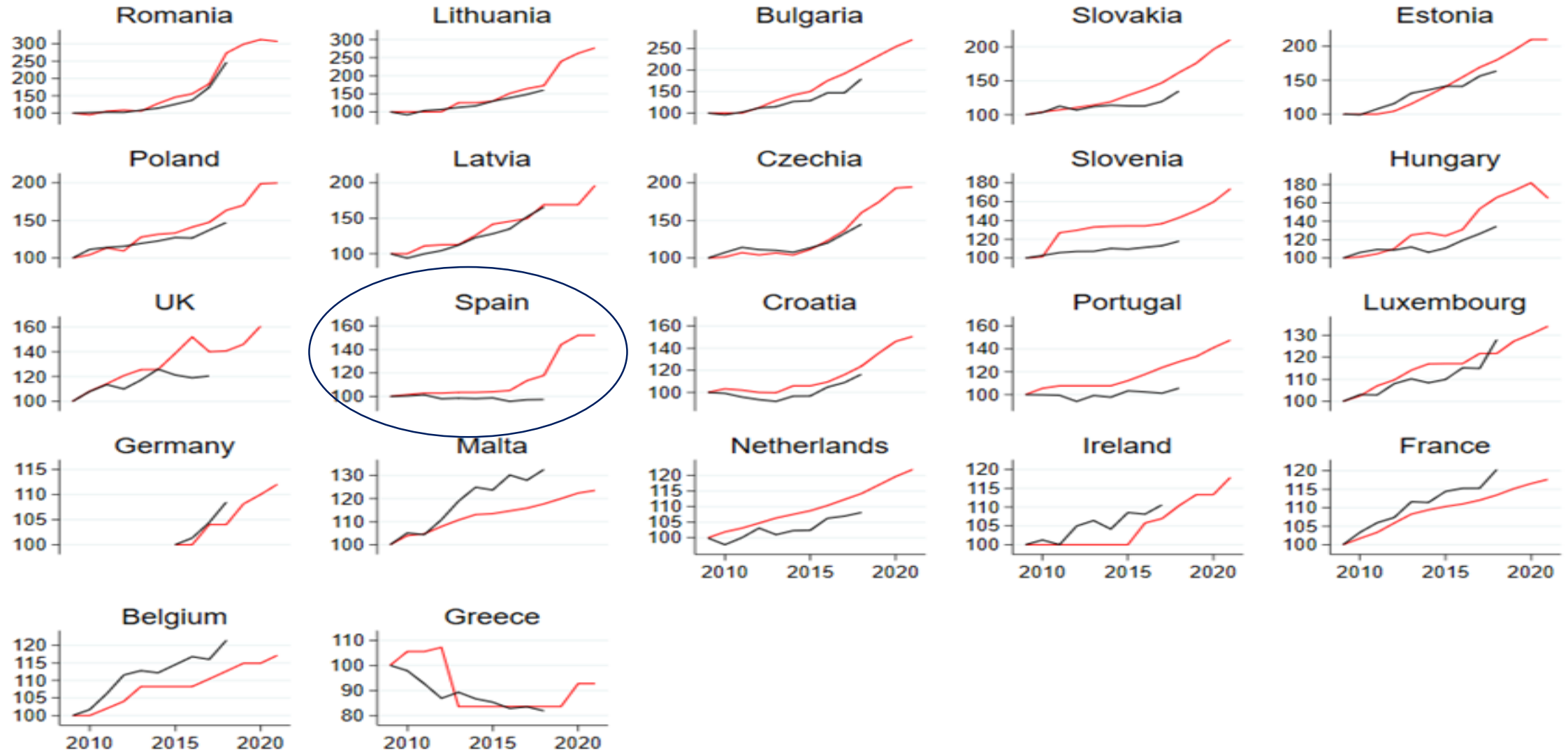
# 7<sup>th</sup> over 21 EU countries. €1167/month (€1000 in 14 instalments)



# A positive recent evolution of minimum wages...



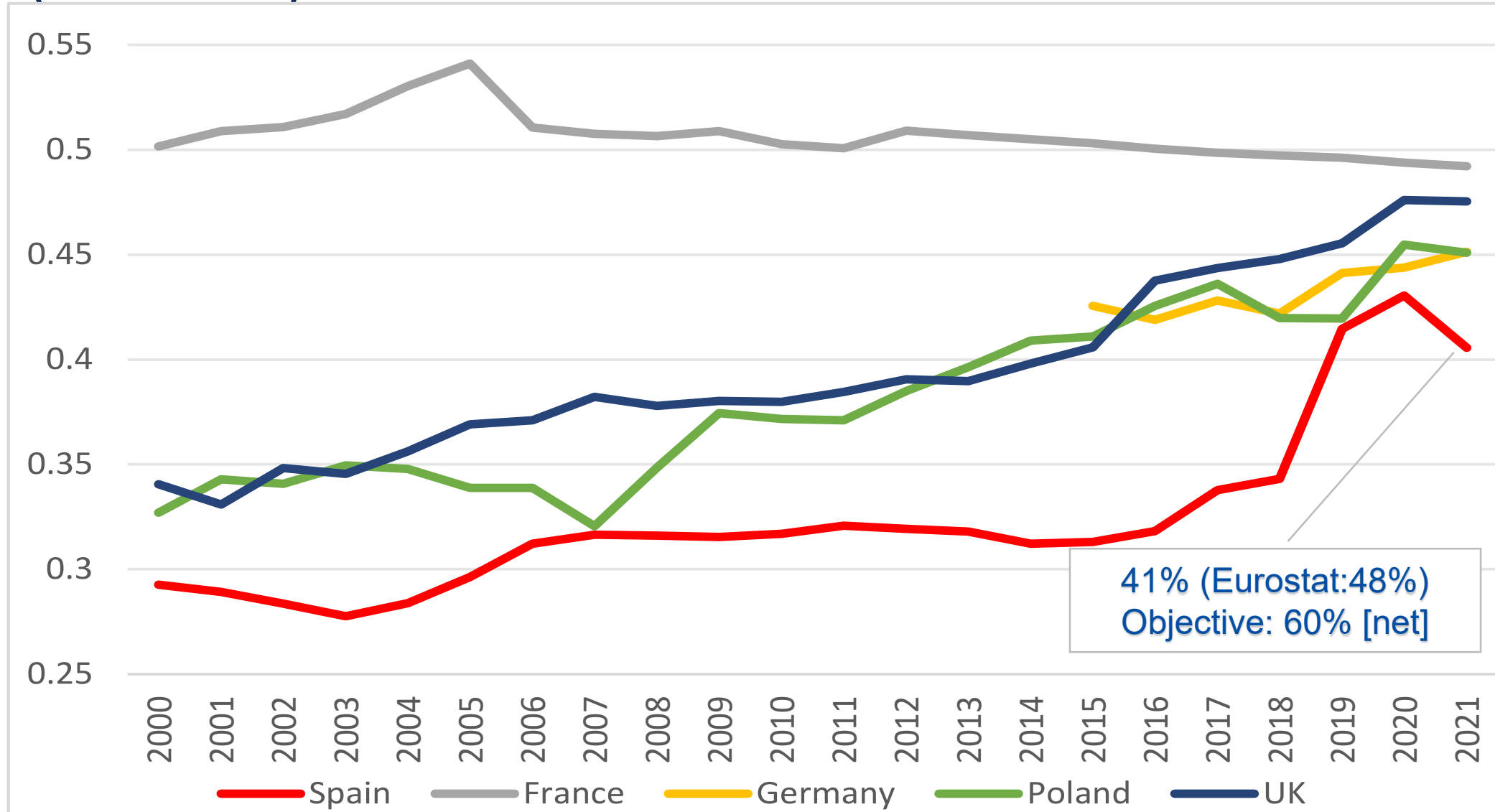
# ...well above average wages



— Statutory minimum wage — Average wage

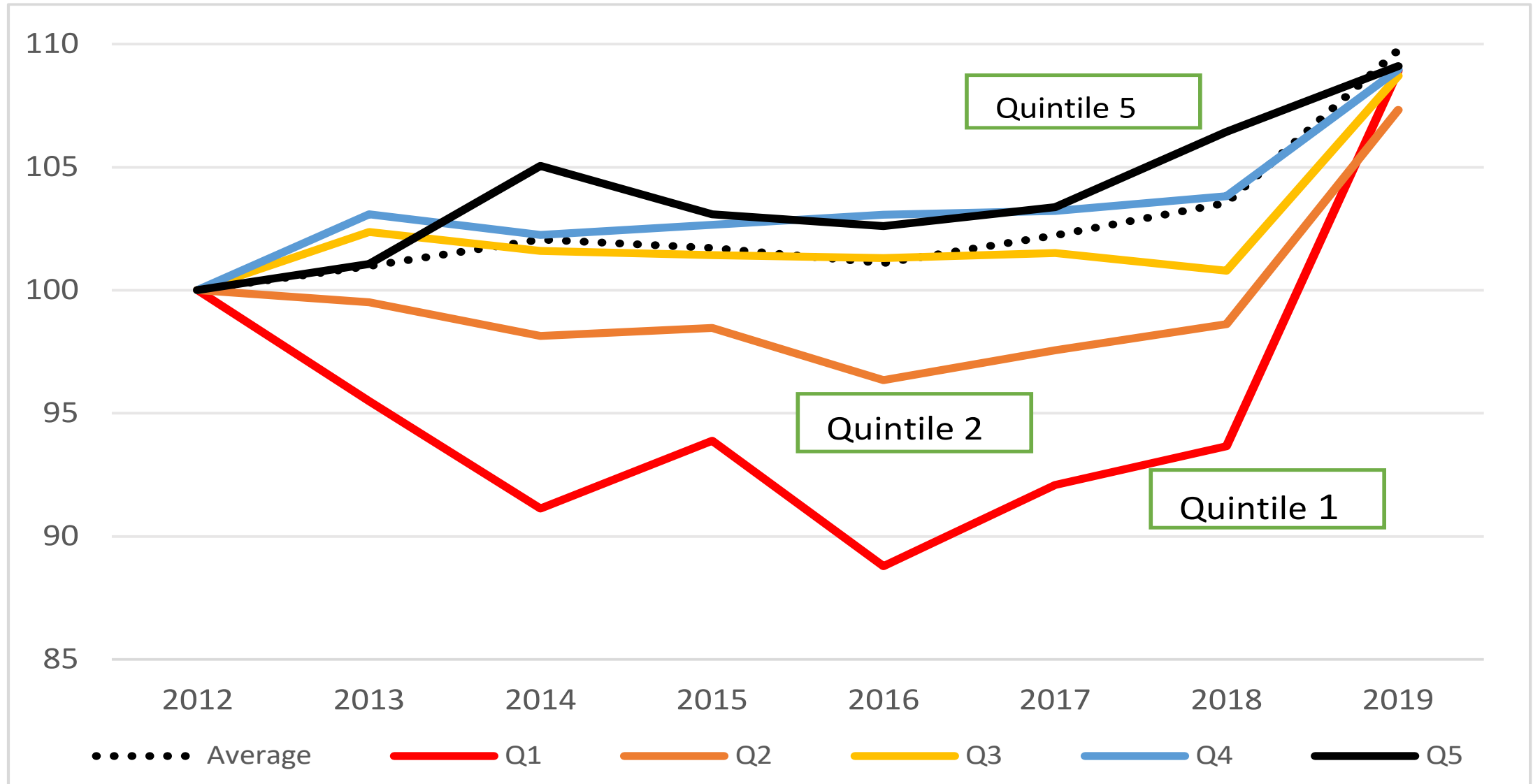


# MW growing more than the average wage, increasing its “bite”: % over mean wage (Kaitz index)

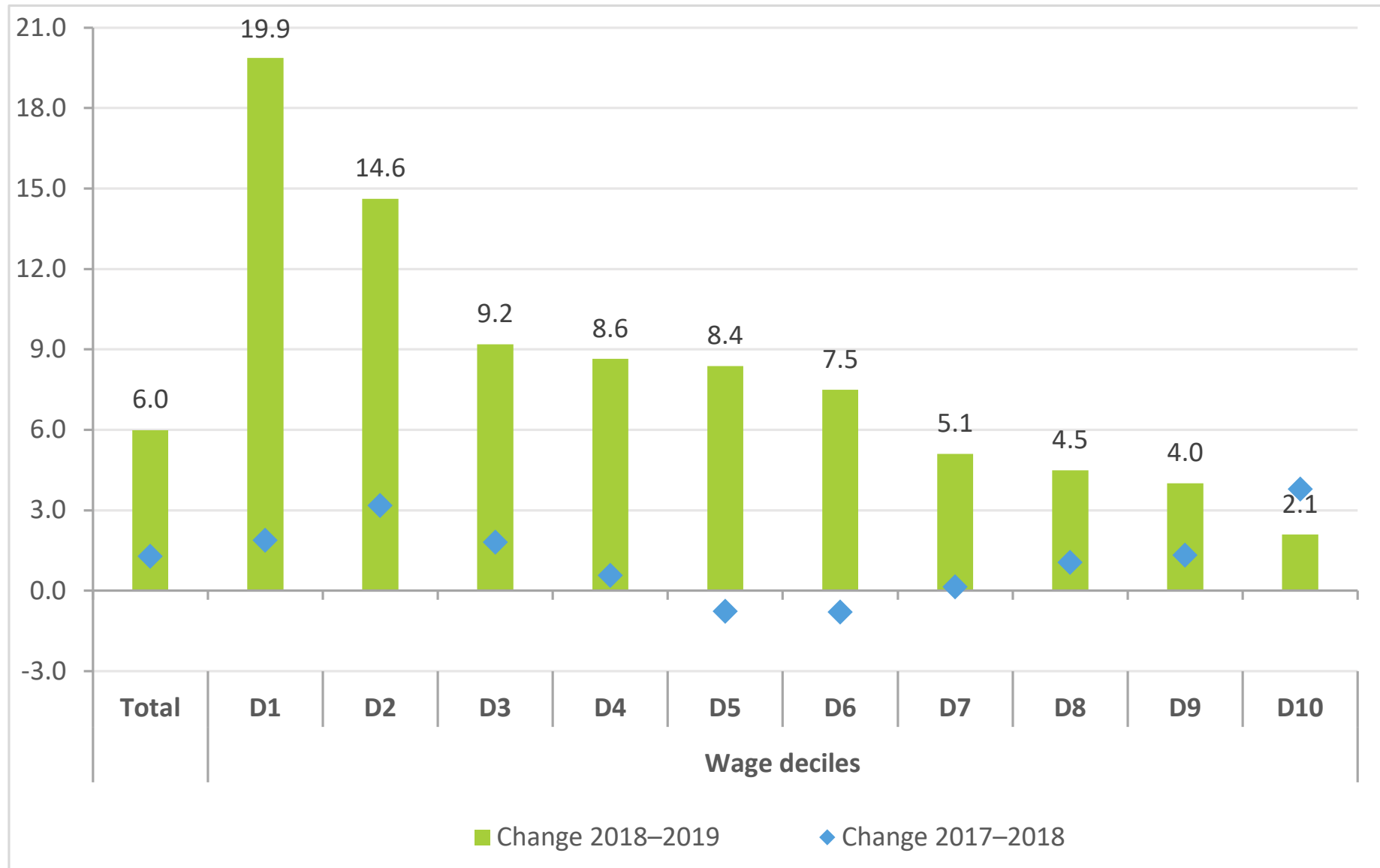


**Effects of the 2019 hike (775€ to  
€900, +22%)**

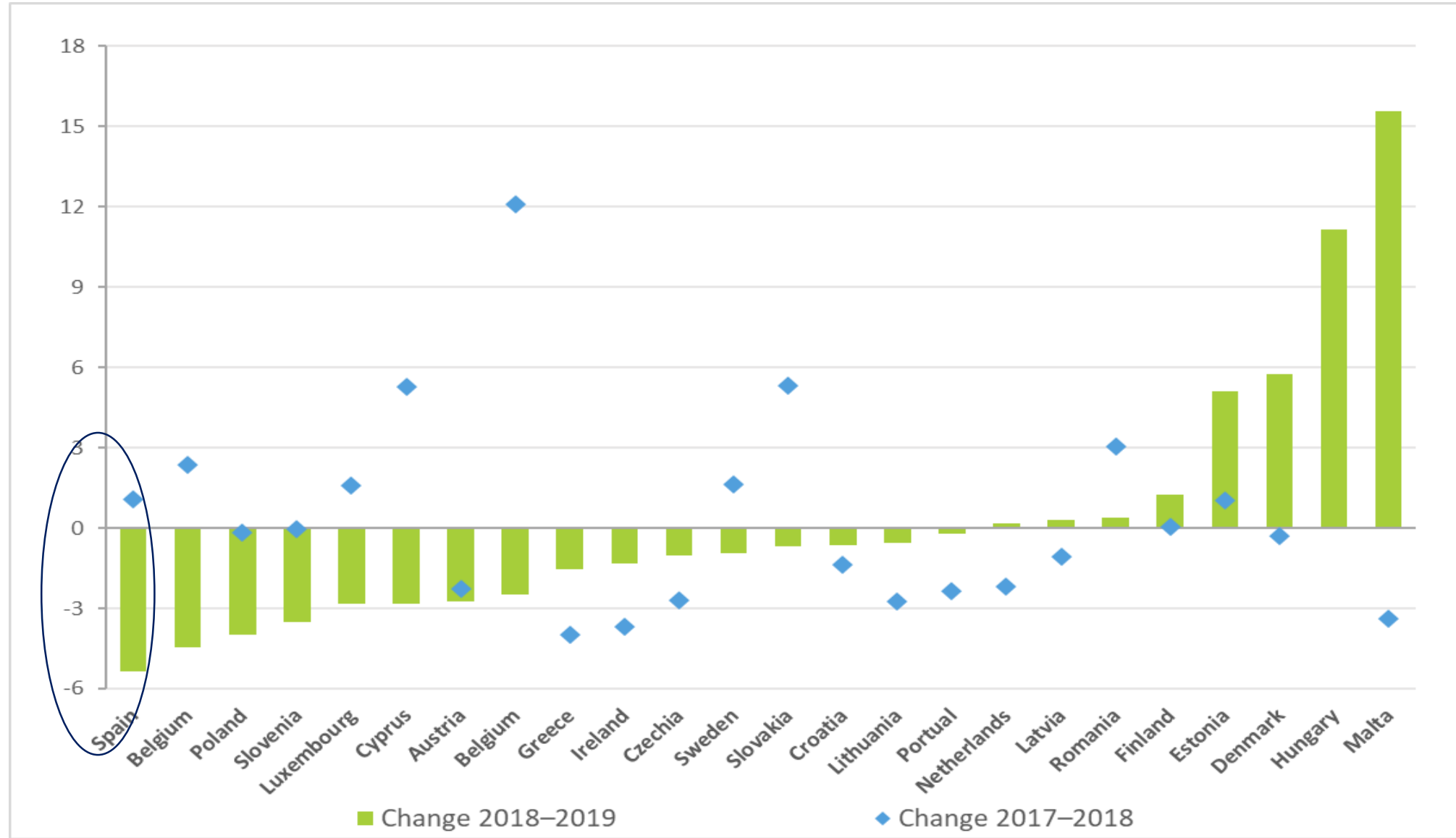
# Wage dynamics changed notably



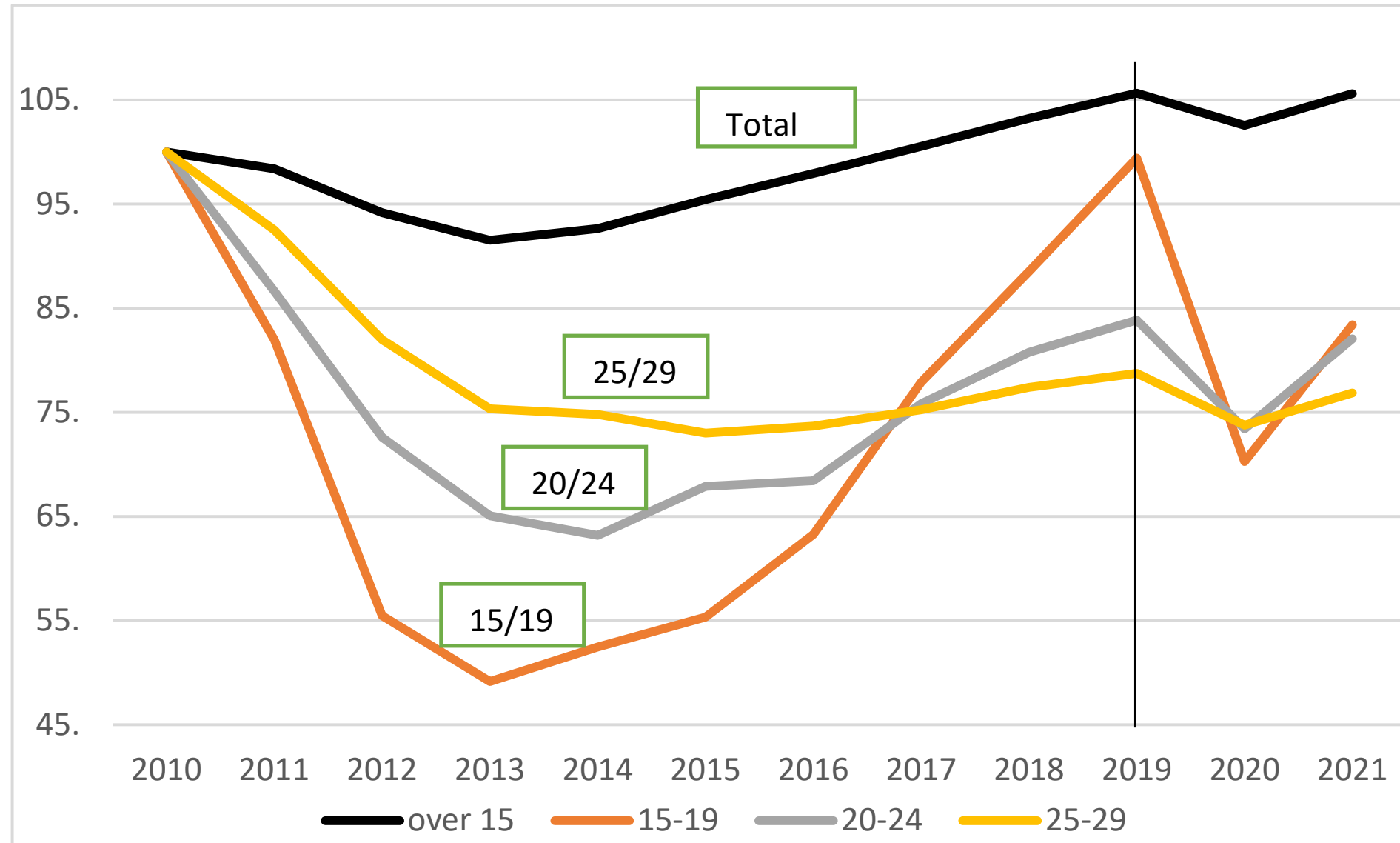
# Strong wage growth at the bottom of the distribution



# Largest reduction in wage inequality in the EU



# Negative employment effects?



# Other literature on the effects of the MW

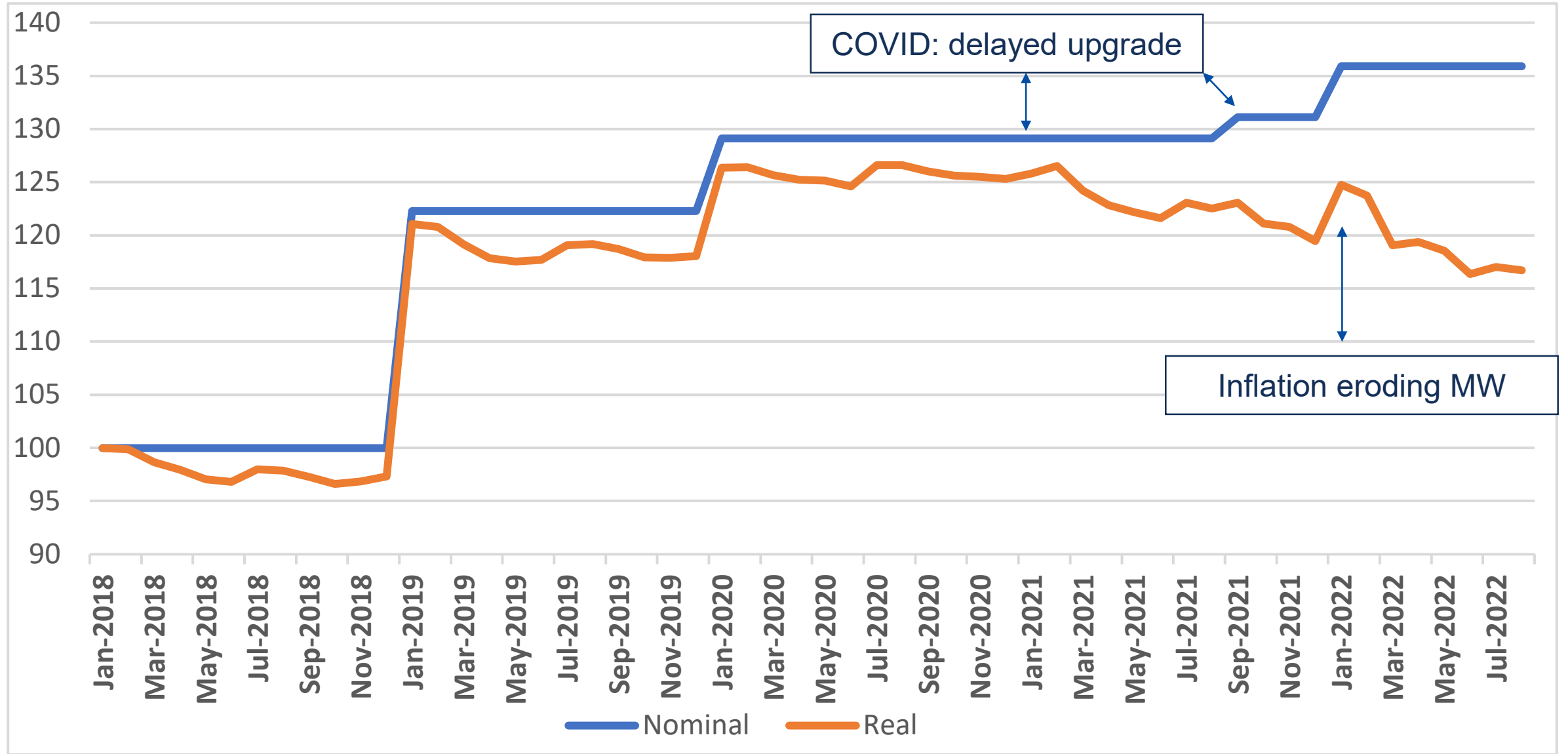
Before 2019, some studies only find modest negative employment effects on very young, low-skilled employees (16-19). After, few empirical studies:

- Spanish Central Bank (Barcelo et al, 2021)
  - a. Less growth in number of employees: 3.2% in 2019, but -0,6 pp / -1,1 pp less due to hike
  - b. Stronger impact on employment of low-wage workers: -6 pp / -11 pp less due to hike
  - c. Lower chances to encounter employment, especially among younger people (16-24)
  - d. More chances to lose job if affected by increase, although similarly to previous increases of the MW
  - e. More chances to work part-time among younger employees
  - f. Caution when interpreting results
- AIReF (2011)
  - a) Smaller effect: total employee growth in 2019 was -0,13pp/-0,23pp lower due to the MW hike, meaning 19-33 thousand less employees
- Ad-hoc expert group (Comisión asesora) asked to conduct a comprehensive evaluation (employment, working hours)

# Current challenges



# Recent evolution of the MW: COVID and inflation



# Minimum wage setting in times of uncertainty

- January 2021. Government extended the previous MW level due to lack of agreement among social partners: employer organisations supported a freeze due to the economic uncertainty and employment trends caused by COVID, while unions advocated for a limited increase [agreement among SP top priority, government unilateral intervention last resort]
- The government finally hiked the MW by 1.6% in September 2021 without the agreement of the employers
- January 2022. No agreement between SP: the government hiked the MW by 3.6% in February 2022 (€1000/14 payments) without the employers' support [based on the recommendation made by the ad-hoc expert committee]
- The recent increases in the Spanish MW have not been able to stop the notable loss of purchasing power among minimum wage earners (no automatic indexation)
- What in 2023? Ad-hoc expert group defined in 2020 the level representing 60% of the (net) average wage [around €946/€1,049 in 14 payments, using older wage data]. Updated recommendation to the government expected before end of the year.



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Thank you!

Contact: [carlos.vacas@eurofound.europa.eu](mailto:carlos.vacas@eurofound.europa.eu)