

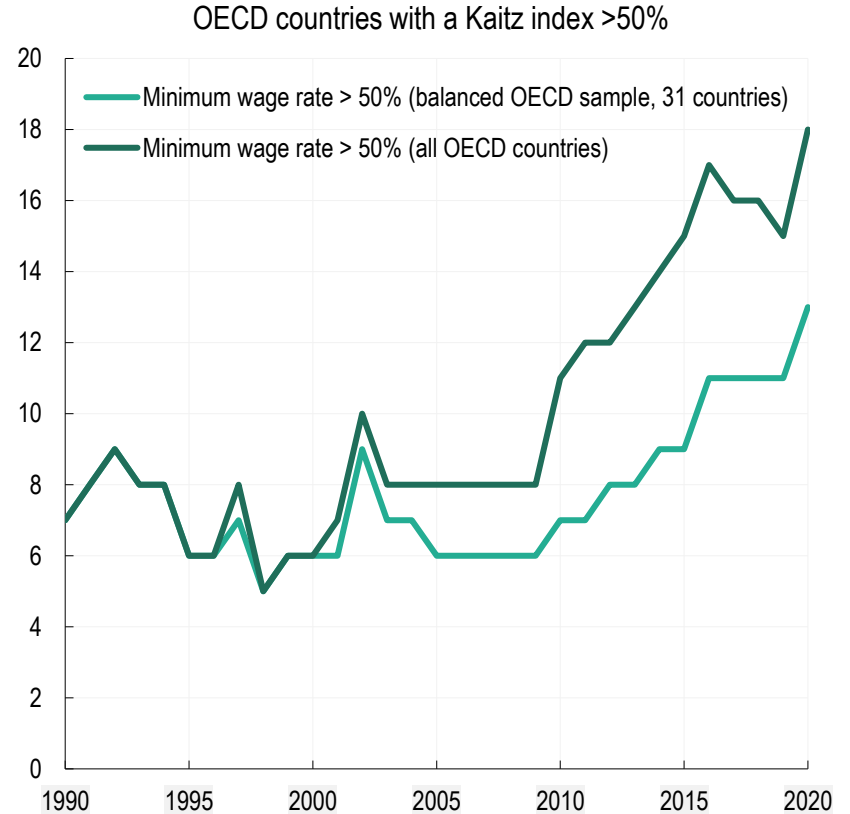
Minimum Wages Are Increasingly Popular

A widespread institution

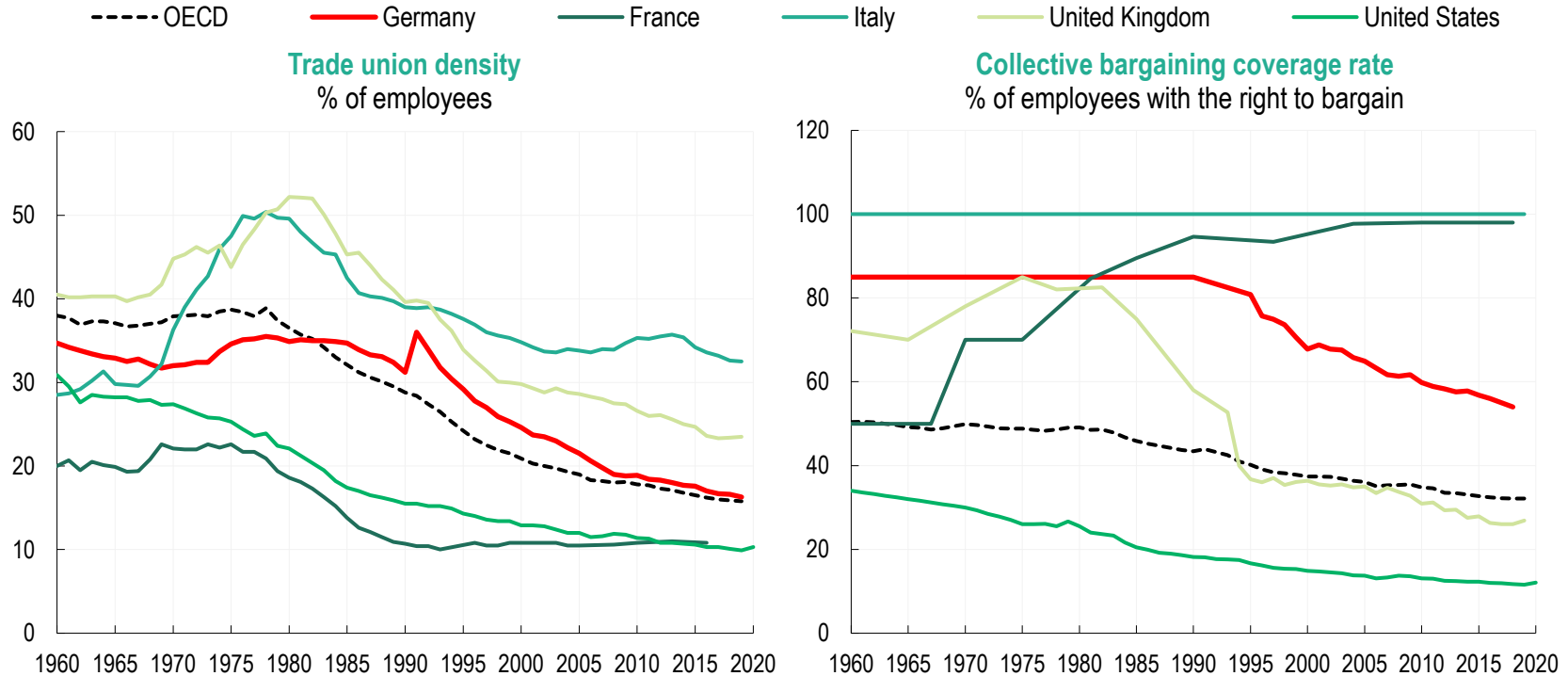
- Minimum wages exist in 90% of ILO member states (but only 79% of OECD countries)
- Developing countries have increasingly turned to the use of MW as part of broader welfare policy interventions
- But also back in fashion in several OECD/EU countries



More and more used...



...partly to compensate for the steep decline in collective bargaining coverage...



...but also thanks to a change in the policy stance

OECD Jobs Study in 1994:

“Reassess the role of statutory minimum wages as an instrument to achieve redistributive goals, and switch to more direct instruments. If it is judged desirable to maintain a legal minimum wage (...), consider minimising its adverse employment effects, including by (...) ensuring sufficient differentiation in wage rates by age and region.”



...but also thanks to a change in the policy stance

OECD Jobs Strategy in 2018:

“Consider using a statutory minimum wage set at a moderate level as a tool to raise wages at the bottom of the wage ladder, while avoiding that it prices low-skilled workers out of jobs.”



There is no one minimum wage like the other

How are minimum wages fixed?

Different setting mechanisms

- Government legislated
- Consultation process
- Bargaining process

Differentiation/Exemptions

- Youth
- Occupations
- Regions
- Others (e.g. disabilities)

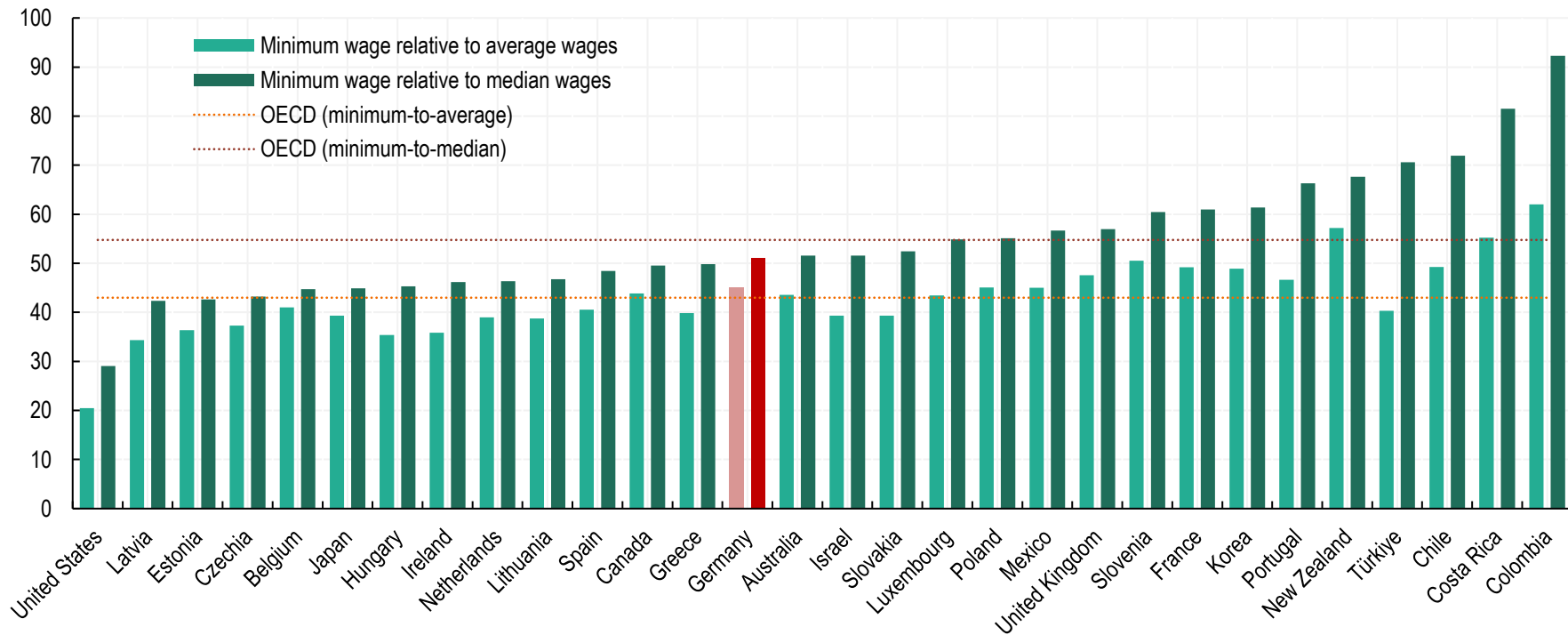
Uprating procedure

- Regular revisions versus irregular
- Indexation or not
- Presence of a commission or not

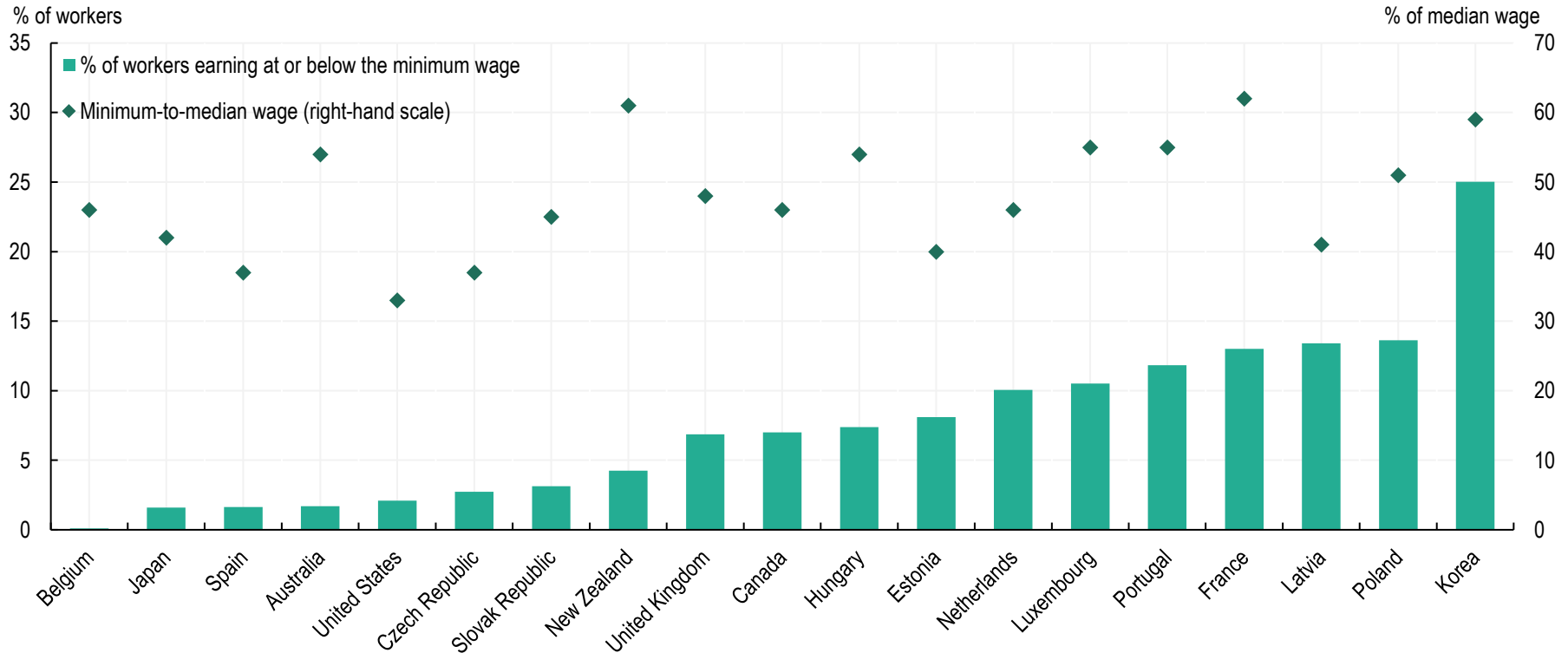


Strong differences across countries...

Minimum wage (national) as a % of average and median wages of full-time employees, 2021



...also in terms of workers covered



Minimum wages and collective bargaining: not always an easy relationship

Statutory minimum wages and collective bargaining coverage in EU countries, 2021

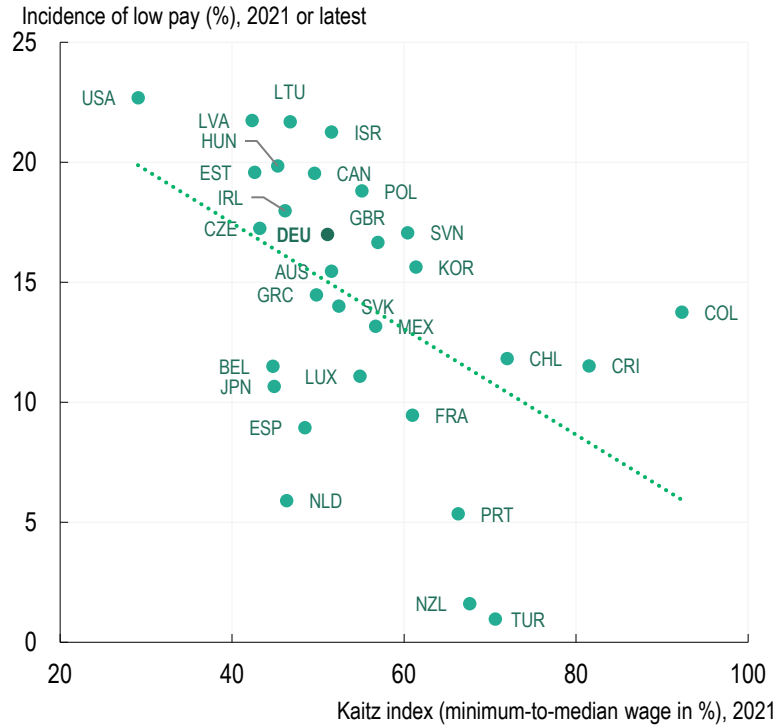
	Low coverage (<40%)	Medium coverage (>40%&<80%)	High coverage (>80%)
Wage floors in collective agreements only	-	Cyprus	Austria, Denmark, Finland, Italy, Sweden
Statutory minimum wage	Greece, Estonia, Latvia, Lithuania, Bulgaria, Hungary, Poland, Romania, Slovakia	Croatia, Germany , Ireland, Luxembourg, Malta, Portugal, Netherlands, Czechia	Belgium, France, Spain, Slovenia



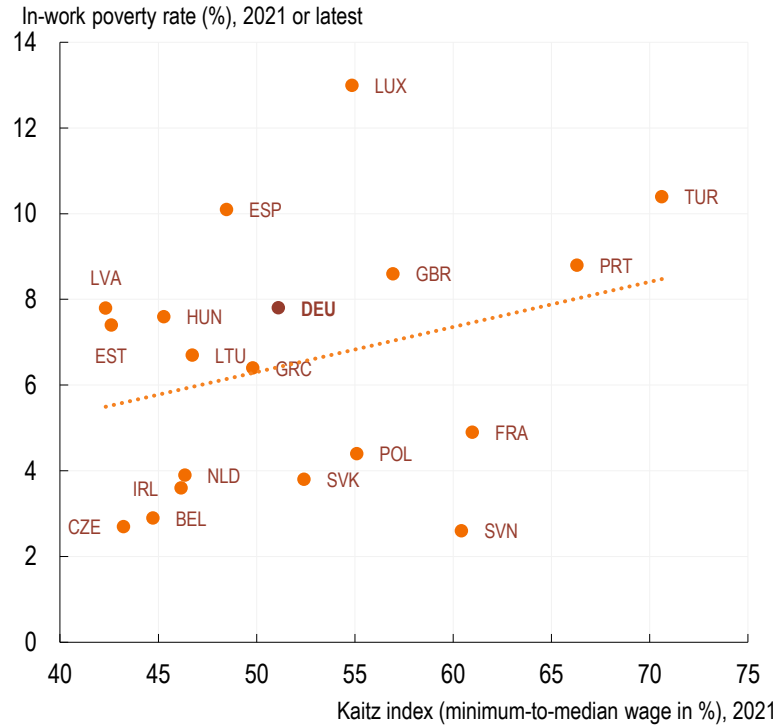
Minimum wages are one piece of a larger policy package

Asking too much?

Minimum wage and incidence of low pay

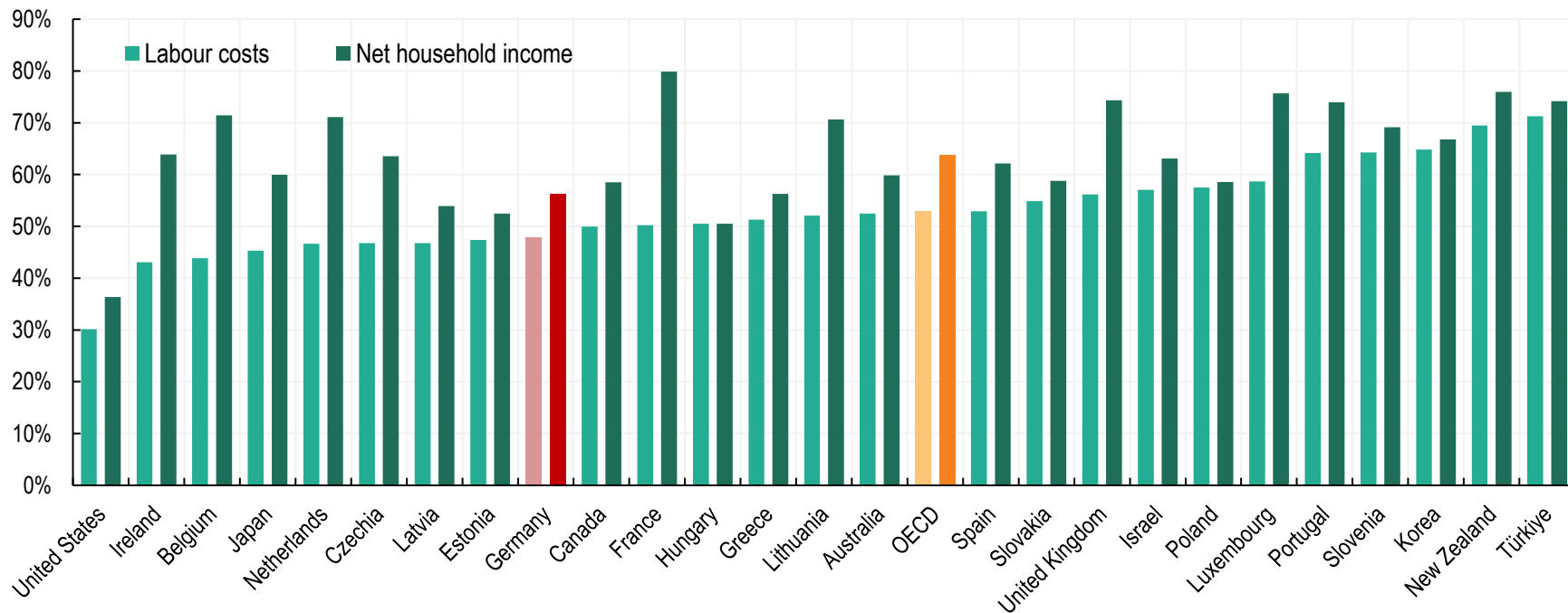


Minimum wage and in-work poverty



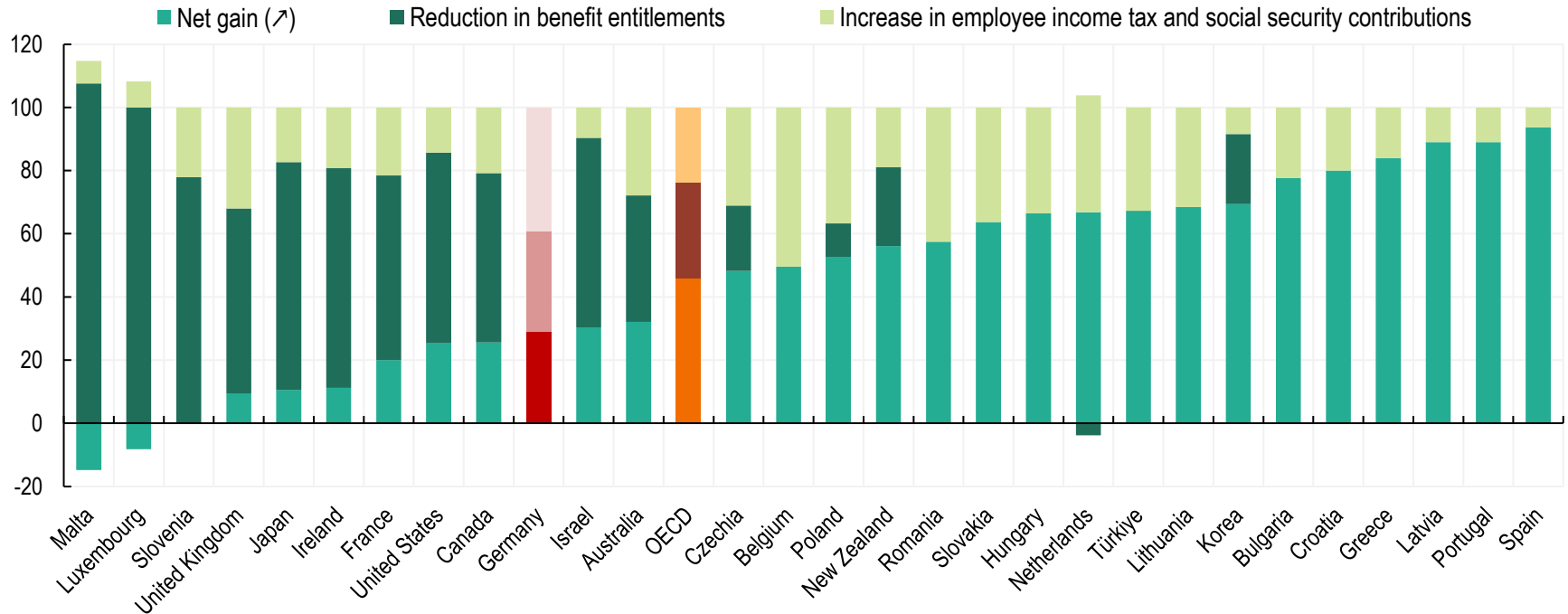
The interaction with the tax & benefit system matters

Labour costs at the MW level in % of labour costs at the median wage level; net HH income at the MW level in % of the median minimum net HH income



...for minimum wage earners

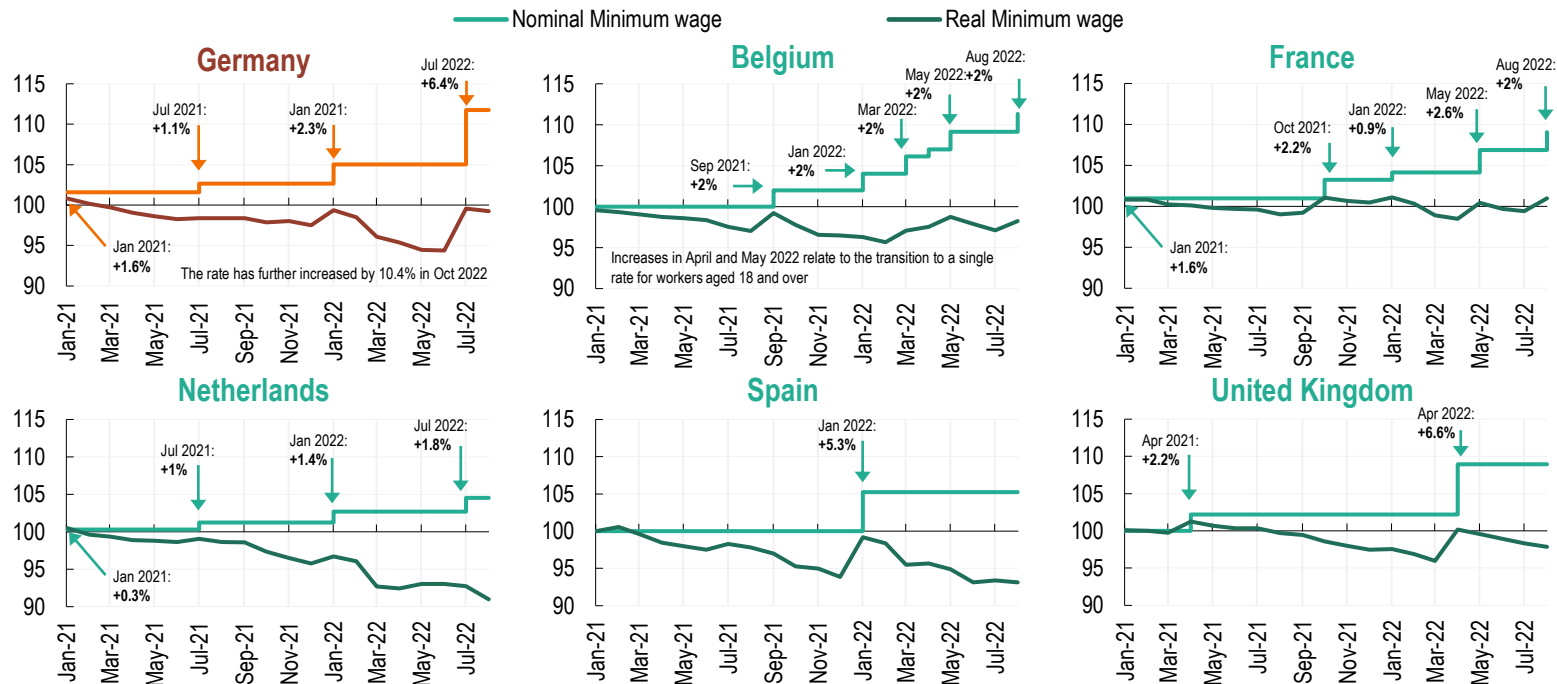
Share of minimum wage increase that is left after taxes and benefit reductions,
lone parent family with two children, 2018



Minimum wages in times of soaring inflation

Minimum wages struggle to keep up with soaring inflation...

Nominal and real minimum wage, base 100 in December 2020, Jan 2021-Aug 2022



...which is bringing back the debate on the pros and cons of indexation

	Indexation mechanism
Belgium	Past CPI excluding alcohol and tobacco and petrol but including heating fuel, gas and electricity (every time CPI increase by 2% or more since last increase)
France	Past CPI for the bottom quintile (every time CPI increase by 2% or more since last increase) + half real salary increase of blue-collar workers (annually)
Luxembourg	Past CPI (every time CPI increase by 2.5% or more since the last semester)
Netherlands	Predicted wage developments for the next six months using a basket of collectively agreed wages.



<http://oe.cd/employment-outlook>

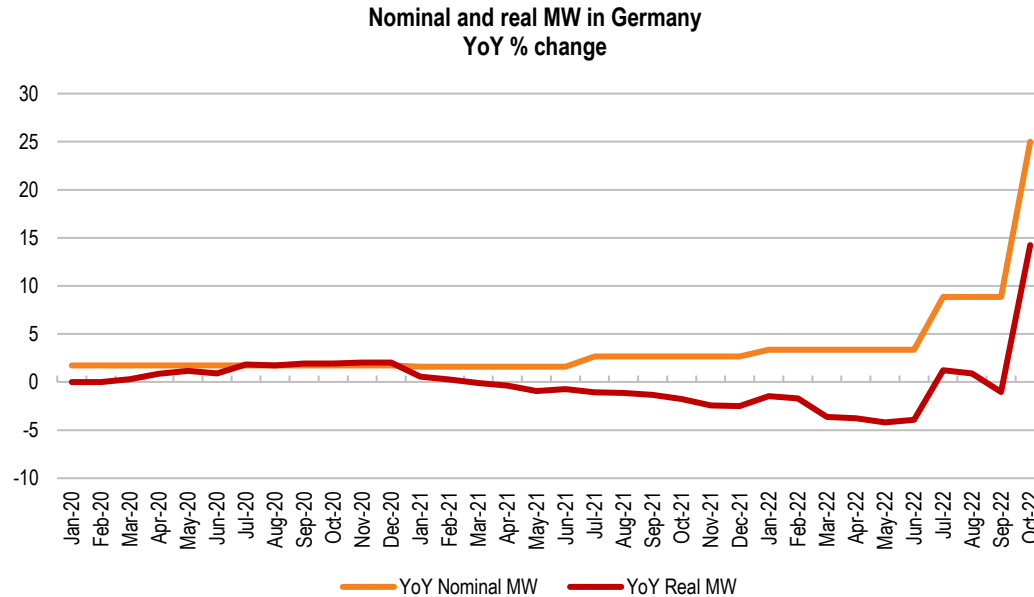
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Increase to 12€ in Germany on October 1st



Note: CPI in October assumed equal to the provisional CPI for September (+10%).

