



# A EUROPEAN MINIMUM WAGE POLICY

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*“Everyone who works has the right to just and favorable remuneration ensuring for himself and his family an existence worthy of human dignity”*

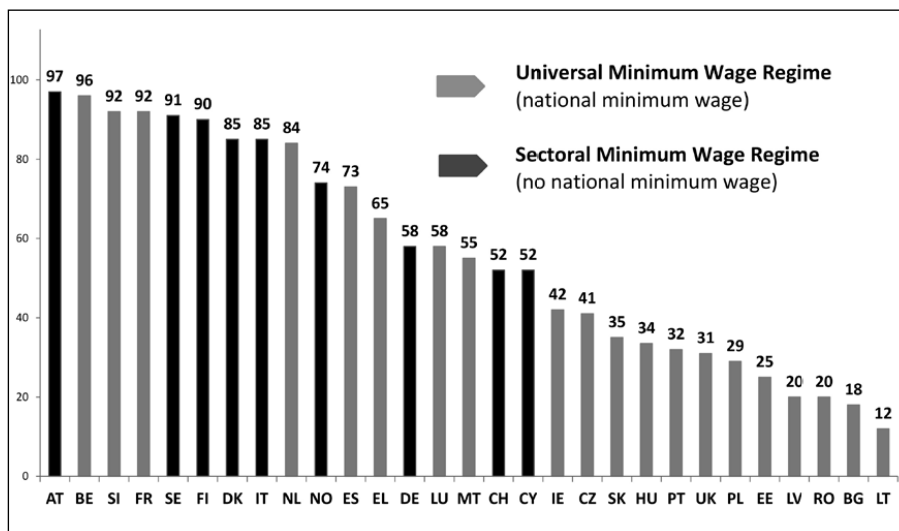
(Article 23, paragraph 3, 1948 UN Declaration of Human Rights).

The debate on a minimum wage at EU level has taken off about a decade ago, but practical work towards its realization has been limited. Major EU member states had been reluctant to follow that path, let alone have an EU-wide policy on the subject. When the crisis hit, however, the debate intensified and the need for some form of EU-wide arrangement is becoming increasingly pressing.

Currently, differences between member states are large and significant regarding their minimum wage policy arrangements, both practical and institutional. Figure 1 shows that 21 M-S have a binding, national minimum wage policy whereas seven (six from 2015, as Germany has revised its stance recently) do not. The group of states that adopts a sectoral minimum wage policy regime, with countries such as Austria and Denmark being part of it, is also the group of states that tends to use robust collective agreement systems with powerful trade unions at sectoral level. It is for this reason that unions in those states tend to be skeptical vis a vis a minimum wage regime (Schulten 2014). There are countries with such a system where collective agreement coverage is much lower – and a switch to a national minimum wage regime is desirable. The German switch to a nation-wide minimum wage can be explained in this light. Finally, Figure 2 displays the large discrepancy in minimum wage arrangements in the EU, with some countries (particularly in Central and Eastern Europe) using it as an anchor for the wage structure, and others such as France where the minimum wage strongly influences wage development in the low-pay employment sectors. The large discrepancy is valid both in absolute terms and when we consider differences in purchasing power (Figure 3).

But is a European minimum wage necessary? Figure 4 shows the percentage of employees that would be affected if the wage were set (as suggested, see ETUC 2012) at 60% of national median wage. It would affect the livelihoods of millions of workers, approximately 30 million or 16% of the workforce. Note also that the data referred to are from 2010, and the percentage in countries such as Greece and Spain should be much higher today.

Figure 1: Minimum Wage Regimes and Collective Agreement Coverage, 2009-2011



Source: ICTWSS Database (Version 4.0), national sources, cited in Schulten 2014:6.

Figure 2: Minimum Wages in Europe, per Hour, 2014

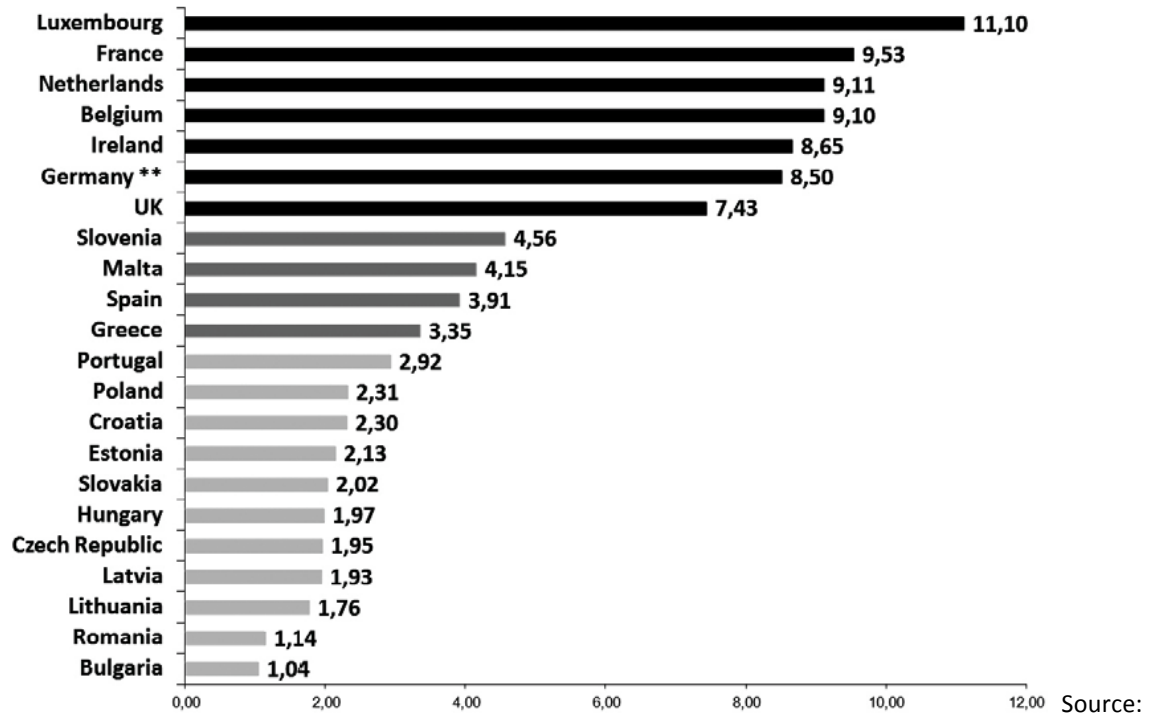
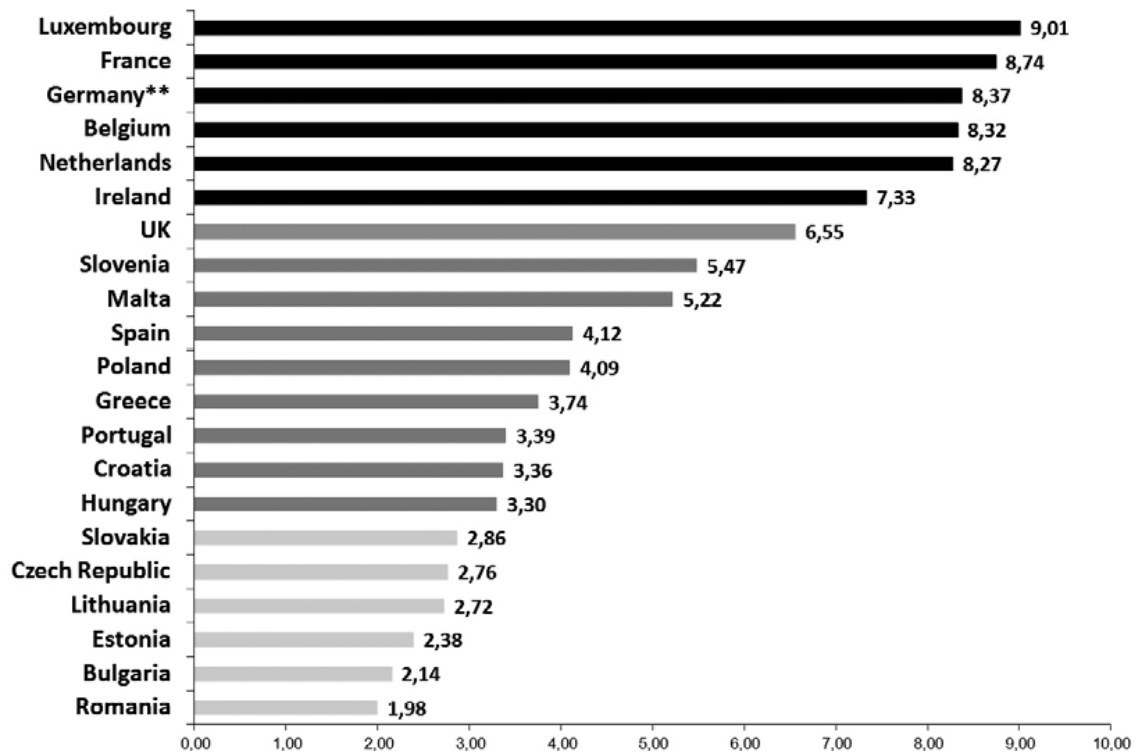


Figure 3: Minimum Wages in PPS, 2013





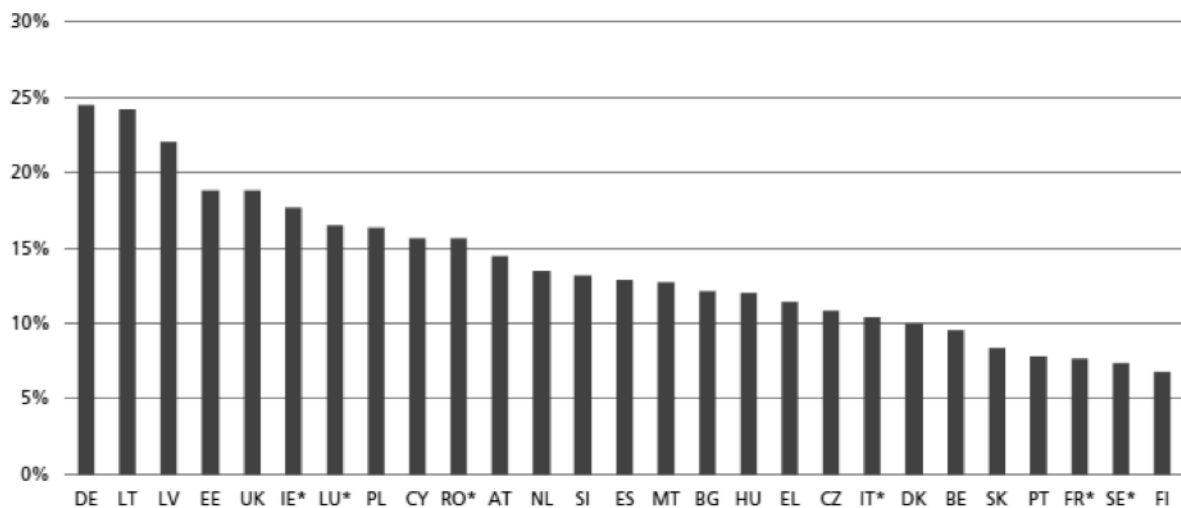
## Why a European Minimum Wage?

A European Minimum Wage policy would entail important advantages: first, it would create a viable minimum floor for wage earners across Europe and have a substantial impact on the earnings of the low paid. Second, it would display in practice that a form of ‘Social Europe’ exists and echoes citizens’ concerns. Third, it would be fully in line with an employment-oriented policy which requires the active participation of citizens in the labour market, and offers them a minimum of wage protection in return. Fourthly, it is a realistic policy scenario that can materialize in the near future, provided the policy is implemented sensibly.

## How a European Minimum Wage?

Suggestions to how to organize a minimum wage at EU level differ, and this is only natural given the heterogeneity of the current system implemented at national level. A very concrete and realistic one entails a principled agreement at Council level and following the Commission’s and Parliament’s (given support) for all M-S to commit themselves to offering a minimum wage equal to 60% of median wage. A timetable for implementation can be agreed, and extra incentives offered to those states who are far from the target. Moreover, the implementation method should be down to member –states but non-implementation of the policy following the deadline should be subject to hard sanctions authorized by the Commission.

Figure 4: Proportion of workers below the EMW, 2010



“Source: Eurofound (2014) Pay in Europe in the 21st century, Publications Office of the European Union: Luxembourg, p.112.”