

MINIMUM (HOURLY) WAGE IN THE EUROPEAN COUNTRIES

Abstract: The article discusses the minimum wages policies in EU member states and national cases of the European countries that have introduced the minimum hourly wage and the outcomes and effects of such deed. Specific attention is paid to the case of Germany.

INTRODUCTION

According to the International Labour Organization's official definition, minimum wage may be determined as "the minimum amount of remuneration that an employer is required to pay wage earners for the work performed during a given period, which cannot be reduced by collective agreement or an individual contract".¹ While the debate of the advantages and disadvantages of the minimum wage system is still going on, it is still very clear that its main purpose is protection of workers against inadequately low pay. As it is also outlined in the ILO's Minimum Wage Policy Guide, minimum wage "can also be one element of a policy to overcome poverty and reduce inequality, including those between men and women, by promoting the right to equal remuneration for work of equal value".

The article is dedicated to the brief presentation of the practices of introduction of minimum wage, particularly, minimum hourly wage in the European countries. The example of Germany, which introduced minimum hourly wage in 2015, is used to illustrate the potential effects and outcomes of minimum hourly wages.

¹ International Labour Organization. Minimum Wage Policy Guide. Available on: <http://www.ilo.org/global/topics/wages/minimum-wages/lang--en/index.htm> [Accessed 15.06.2018].

THE MINIMUM WAGE LEGISLATIVE PRACTICES IN THE EU COUNTRIES

According to the International Labour Organization (Geneva, Switzerland), around 90 % of its member states (187 countries in total) have legislation that has provisions, which in different ways support a minimum wage.² These provisions could be of statutory or collective bargaining nature. Statutory reinforcement of a minimum wage means that the labour or any other related law directly sets the specific levels of the minimum wages. In their turn, among those countries that do not have any statutory provisions on minimum wage quite an outstanding position is taken by Finland, Sweden, Denmark, Iceland, and Norway. The Scandinavian countries' law does not introduce a minimum wage levels, because it is substituted by the powerful system of collective bargaining, which means that the representation of the workers in the form of trade unions is so strong that the workers trust the unions with the right to bargain and determine the wages in the particular industries or economic spheres.

Moving from experience of the Scandinavian countries to the practices of (other) EU member states, it is worth mentioning that the same principle of absence of officially determined and regulated minimum wage is applied in Italy, Cyprus, and Austria. Switzerland also belongs to this group.³

Returning back to the statutory national minimum wages, it is first of all, important to outline that there various systems of minimum wage exist. Here we can outline the most common ones. First of all, minimum wage may be applicable to all employees in the country or only to the ones employed in the specific sectors or those ones possessing specific occupation. For example, in case of Malta national minimum wage covers all employees except for those covered by sectoral or occupational minimum wages; in France civil servants are excluded from benefiting from minimum wage; in Greece minimum wage covers only workers from private sector.⁴ The second type of minimum wage system is connected to differences among various groups of population, for instance, differentiated by age. For example, in Greece only adults aged 25 and over are entitled to standard minimum wage, while the employees under 25 get a minimum wage of lower rate. Same applies to the case of Luxembourg, where workers aged 17-

² Smith, L. The minimum wage: Does it matter? 15.04.2016. Available on: https://www.investopedia.com/articles/07/minimum_wage.asp [Accessed 14.06.2018].

³ Eurostat. Minimum wage statistics. Monthly minimum wages – bi-annual data – country-specific information. 20.07.2015.

⁴ Ibid.

18 years get 80% of the national minimum wage and workers aged 15-17 years get 75% of the national minimum wage. The case of Luxembourg is also interesting from another perspective: Luxembourg’s legislation on minimum wage also distinguishes payments for qualified and unqualified workers aged 18 and over: the first category gets 120% of the minimum wage, while the second category – 100% of it.⁵

In the special focus of the this article are the differences between EU countries in regards to the type of minimum wage rates. The Table No. 1 represents the division between EU countries according to the type of the rate used, i.e. monthly, weekly, daily or hourly. Please note that those countries that do not have officially stated minimum wage level, as well as those ones using the collective bargaining model are not included in the table.

Table No. 1. The different approaches to minimum wage rates in the EU member states.⁶

Minimum monthly wage				
Slovenia	Bulgaria	Croatia	Latvia	Poland
Minimum hourly wage				
Germany	Ireland	France	United Kingdom	
Both monthly and hourly wage				
Czech Republic	Estonia	Lithuania	Luxembourg	Portugal
	Slovakia	Romania	Belgium	
Other types of rates				
Greece (monthly for white-collar workers, daily for blue-collar workers)	Spain (mixed monthly, daily, hourly rates)	Hungary (monthly, weekly, daily and hourly rates)	Malta (weekly rate)	Netherlands (monthly, weekly and daily rates)

According to ILO’s Minimum Wage Policy Guide, “if a monthly, weekly or daily rate is set, workers should be paid in exchange for normal hours of work of a full-time worker”, while

⁵ Ibid.

⁶ International Labour Organization. Minimum Wage Policy Guide. Available on: <http://www.ilo.org/global/topics/wages/minimum-wages/lang--en/index.htm> [Accessed 18.06.2018]

“hourly minimum wages facilitate equal treatment between full- and part-time employees”.⁷ The monthly, weekly or daily minimum wages are, as aforementioned, applied to full-time workers working the full working week (on average, 40 hours per week or 8 hours per day, although other measurements can be applied according to the country specific legislation⁸). Here it is also important to mention that any overtime work or work outside the regular working hours (e.g. night, holiday, weekend shifts) should be paid extra, meaning that is not a subject to be included in calculation of minimum wage. In the states where monthly minimum wages are used alongside with hourly ones, the hourly wage is usually calculated by dividing the monthly minimum wage by the number of hours in the typical working month. For example, in Luxembourg the hourly rate is 1/173 of the monthly rate. The same applies to the weekly or daily rates, as well as yearly. For instance, in Spain monthly wage equals to 30x daily pay, and annual pay equals to 14x monthly pay.⁹ The hourly rates are most commonly applied to part-time workers, including home service workers, one of the most vulnerable groups, which is not protected from excessive working hours or have any right to get payments for the extra hours worked that are exceeding the standard working time.

Presence of minimum hourly wage, alongside with monthly rate or alone, can be justified by the following arguments, except for already mentioned and self-evident statement of lack of protection for professions and occupation with non-standard timetable (domestic workers, translators, etc.). Minimum hourly wage can stop or at least suspend dumping of salaries by unqualified or desperate workers, including migrants, who are ready or, better say, are forced to be paid below some minimum. In its turn, it also helps the individual entrepreneur or people holding this status, since they are the ones struggling the most from salaries and payments dumping. It is particularly relevant for the small scale enterprises consisting of 1 or couple of people working or being employed there. From another perspective, minimum hourly wage may prevent the state institutions or any other bodies from lowering the price of work on the public calls. At last, the hourly wage can be a solution for legal protection of those people, who are

⁷ Ibid.

⁸ For instance, in Luxembourg the assumed number of hours worked per month equals to 173.

⁹ Eurostat. Minimum wage statistics. Monthly minimum wages – bi-annual data – country-specific information. 20.07.2015.

working for several employers (for example, translators, who are given work by several translation agencies).¹⁰

Those countries, which have introduced hourly minimum wage alone or together with monthly minimum wage, are presented in the table No. 1. From the perspective of current article, the cases of the states with only hourly minimum wage are especially interesting. A small analysis in this regard is done on the case of Germany.

MINIMUM HOURLY WAGE IN GERMANY

The German Minimum Wage Act came into effect in 2015 and covered 4.0 million jobs (10.7% of all jobs)¹¹. At the time it was set on the level of 8.5 euros. The wage level is supposed to be revised every two years, thus, in January 2017, it was increased by 34 cents and now constitutes 8.84 euros (1498 euros per month)¹². The minimum wage is a subject for taxation. There are several sectors that implement their own minimum wage; the list of these sectors is presented in the Table No. 2.

Table No. 2. Statutory agreed branch-specific minimum wages in Germany in June 2018 in EUR.¹³

Sector	West	East
temporary employment agency activities	9.27 – 9.96	9.27 – 9.66
pedagogical staff (vocational education and further training services)	15.26	15.26
construction industry	11.75 – 15.20	11.75 – 12.20
industrial cleaning	10.30 – 14.10	9.55 – 14.10
roofing trade	12.20 – 13.20	12.20 – 13.20
electrical trade	11.40	11.40

¹⁰ Interview with Borut Brezar.08.06.2018.

¹¹ 4 million jobs covered by minimum wage. 06.04.2016. The Federal Statistical Office. Available on: https://www.destatis.de/EN/PressServices/Press/pr/2016/04/PE16_121_621.html [Accessed 19.06.2018].

¹² Statutory minimum wage in Germany. The Federal Statistical Office. Available on: <https://www.destatis.de/EN/FactsFigures/NationalEconomyEnvironment/EarningsLabourCosts/MinimumWages/CURRENT.html> [Accessed 19.06.2018].

¹³ Minimum wages. The Federal Statistical Office. https://www.destatis.de/EN/FactsFigures/NationalEconomyEnvironment/EarningsLabourCosts/MinimumWages/Tables/MinimumWages_Germany.html [Accessed 19.06.2018].

cash and valuable services	10.91 – 16.53	10.38 – 12.64
painting and varnishing trade	10.55 – 13.50	10.05 – 13.50
long-term care activities	11.05 – 11.35	10.55 – 10.85
stone masonry and stone carving	11.40	11.40

Minimum wage cover all workers from all industries and sectors except for the following categories: people under 18 years who have not completed any vocational training, apprentices, people who do a compulsory internship or a voluntary internship of up to three months during their education/training or studies, and long-term unemployed during the first 6 months of their employment. Freelancers and self-employed people are also excluded from minimum wage benefits, however, employing freelancer to cut the costs stays illegal and leads to serious penalties.¹⁴

The aim of minimum wage introduction was and is the protection of workers, especially the vulnerable ones. According to the Germany's Federal Statistical Office, «82.3% or 3.3 million of the low-paid jobs that are now under protection were found in establishments not covered by collective agreements. Most of them were jobs in retail trade or in food and beverage services (0.5 million each)».¹⁵

The outcomes of minimum hourly wage introduction were 22% increase of hourly wage of minimum wage workers¹⁶, stop of the wages differentiation (the earnings gap between low-paid and high-paid workers)¹⁷, the biggest increase of real wages since 1992 (especially for the workers with below-average salaries and unskilled and low-skilled workers, as well as for part-time workers)¹⁸, decreasing unemployment level (interestingly that before acceptance of Minimum Wage Act some experts, especially the supporters of unregulated market, were fearing

¹⁴ Minimum wage and average salary in Germany. Available on: https://www.expatica.com/de/employment/minimum-wage-germany-average-salary-germany_995112.html [Accessed 19.06.2018].

¹⁵ 4 million jobs covered by minimum wage. 06.04.2016. The Federal Statistical Office. Available on: https://www.destatis.de/EN/PressServices/Press/pr/2016/04/PE16_121_621.html [Accessed 19.06.2018].

¹⁶ German Minimum Wage – Not Just The Money. Rehm, M., Pusch, T. 11.07.2017. Available on: <https://www.socialeurope.eu/german-minimum-wage-not-just-money/> [Accessed 20.06.2018].

¹⁷ Trend of increasing wage differentiation has stopped. 14.09.2016. Available on: https://www.destatis.de/EN/PressServices/Press/pr/2016/09/PE16_322_621.html [Accessed 19.06.2018].

¹⁸ Germans enjoy highest real-wage rise in decades. 04.02.2016. Available on: <http://www.dw.com/en/germans-enjoy-highest-real-wage-rise-in-decades/a-19026620> [Accessed 19.06.2018].

that minimum wage would be a «jobs killer»¹⁹, decreasing number of so-called “mini-jobs” that are referred to marginal part-time employment²⁰, and reduction of the paid working hours.²¹ Compressing work caused increase in workload; from the other perspective, workers felt much happier and more satisfied about their wages, work atmosphere, relations with colleagues, management style of their employers, and work-life balance, which eventually led to increased productivity.

CONCLUSIONS

The article briefly described the practices of EU states in introduction of minimum wages, as well as different types and systems of minimum wage. The particular attention has been paid to the case of Germany, which minimum hourly wage, one of the type of the minimum wage, which is, among other factors, designed to protect the most vulnerable groups, was introduced in 2015. Despite the initial fear and criticism of certain groups of German experts, so far introduction of hourly in Germany has achieved rather positive results, from employees’, employers’ and state’s perspective.

¹⁹ Minimum wage and average salary in Germany. Available on: https://www.expatica.com/de/employment/minimum-wage-germany-average-salary-germany_995112.html [Accessed 19.06.2018].

²⁰ German Minimum Wage – Not Just The Money. Rehm, M., Pusch, T. 11.07.2017. Available on: <https://www.socialeurope.eu/german-minimum-wage-not-just-money/> [Accessed 20.06.2018].

²¹ 1.8 million minimum wage jobs in April 2016. Available on: <https://www.destatis.de/EN/FactsFigures/NationalEconomyEnvironment/EarningsLabourCosts/MinimumWages/MinimumWagesJobs.html> [Accessed 19.06.2018].

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