

Minimum Wages **under the Conditions of the** **Global Economic Crisis**

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in the OECD Countries
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under the crisis (2009/2010)
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Global Policy on Minimum Wages?

Background: Structural causes of the crisis

Growing inequality of income

- ➔ Inadequate wage developments/declining wage share
- ➔ Promoted through the deregulation of labour market institutions/shift of power relations
- ➔ Structural lack of aggregate demand
- ➔ Credit based and export-led growth models are creating global imbalances and are not sustainable

A new more sustainable growth model needs

- ➔ Stronger wage-driven demand
- ➔ Higher equality of income
- ➔ A reinforcement of labour market institutions in order to re-balance power relations

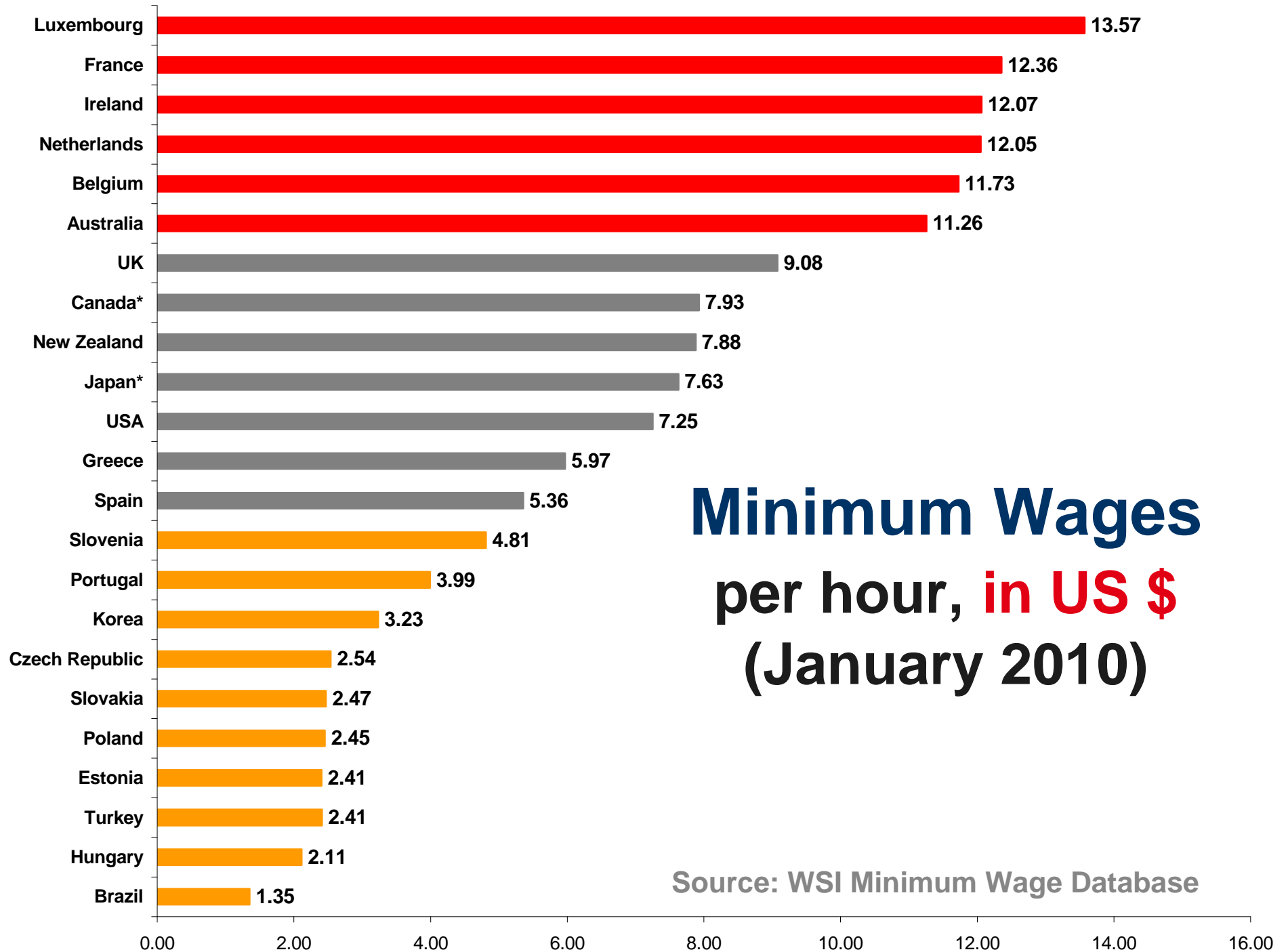
The meaning of minimum wages

Impact on wages:

- ➔ set an overall wage floor
- ➔ compress the wage structure
- ➔ have an important impact on the overall wage developments
- ➔ is the most important point of reference in developing countries (including the informal sector)

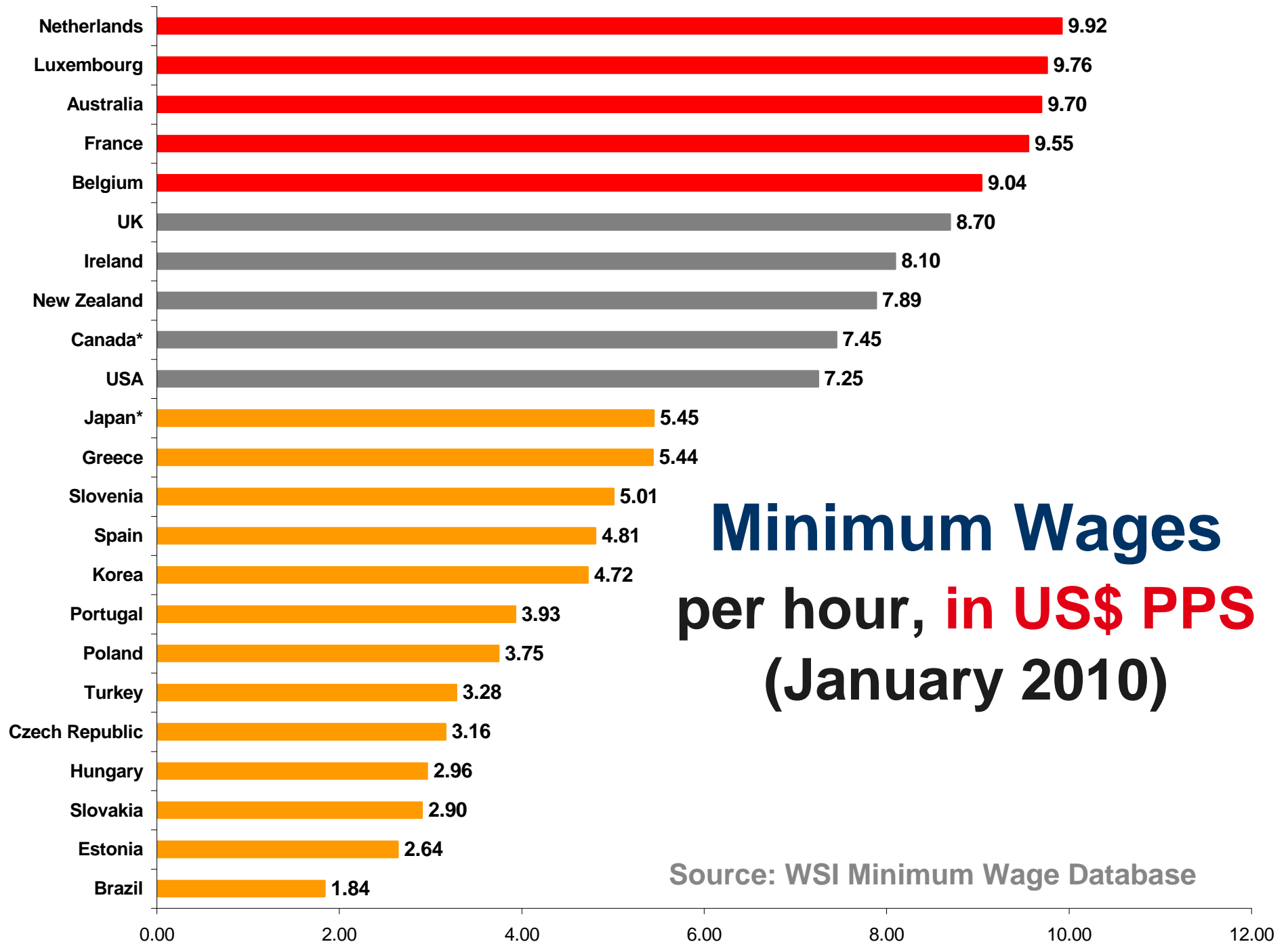
Economic function:

- ➔ stabilise or increase private demand
- ➔ support the function of wages as a nominal anchor for the price level



Minimum Wages per hour, in US \$ (January 2010)

Source: WSI Minimum Wage Database

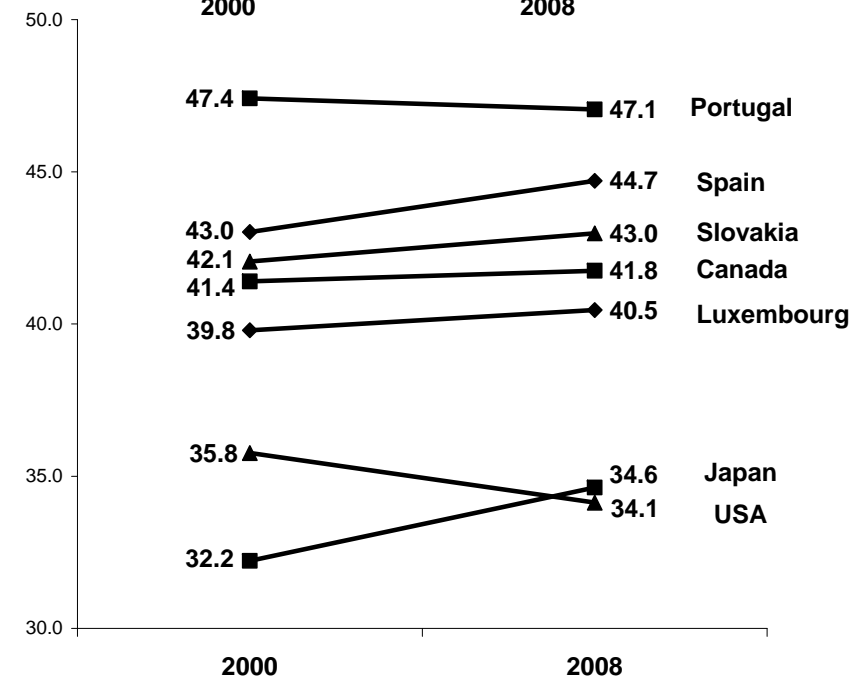
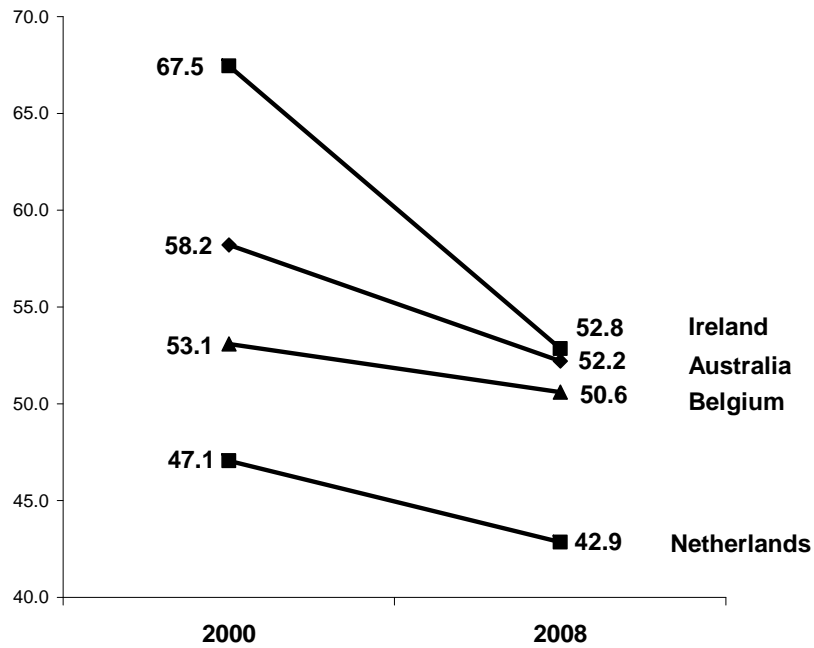
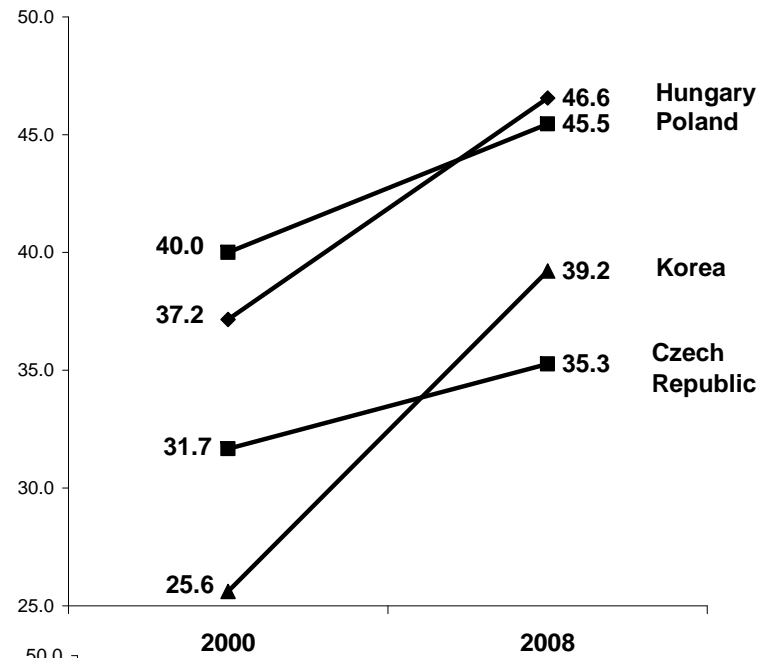
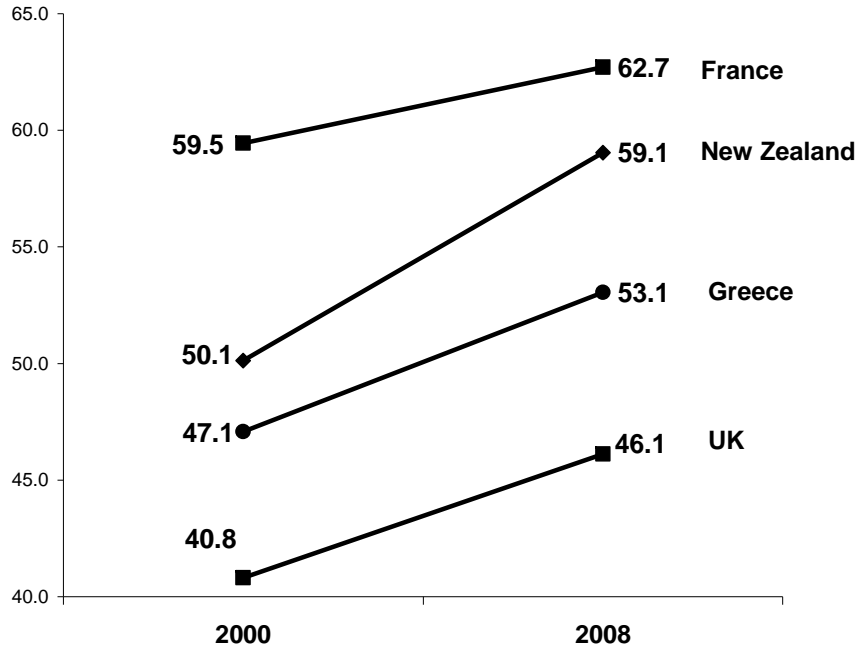


Minimum Wages in % of Median and Average Wages for Full-time Workers 2008 (Kaitz Index)

	Median	Average
France	62.7	50.0
New Zealand	59.1	50.5
Greece	53.1	41.3
Ireland	52.8	44.5
Australia	52.2	45.0
Belgium	50.6	43.7
Slovenia	50.0	not available
Portugal	47.1	33.2
Romania	47.0	33.9
Hungary	46.6	34.6
UK	46.1	38.0
Poland	45.5	36.7
Spain	44.7	35.3
Slovakia	43.0	32.8
Netherlands	42.9	37.6
Lithuania	42.1	33.9
Luxembourg	40.5	33.2
Korea	39.2	32.0
Czech Republic	35.3	30.0
Japan	34.6	30.4
USA	34.1	25.4

Source: OECD

Relative Value of MW, 2000 and 2008, in % of Median



Minimum Wages under the crisis

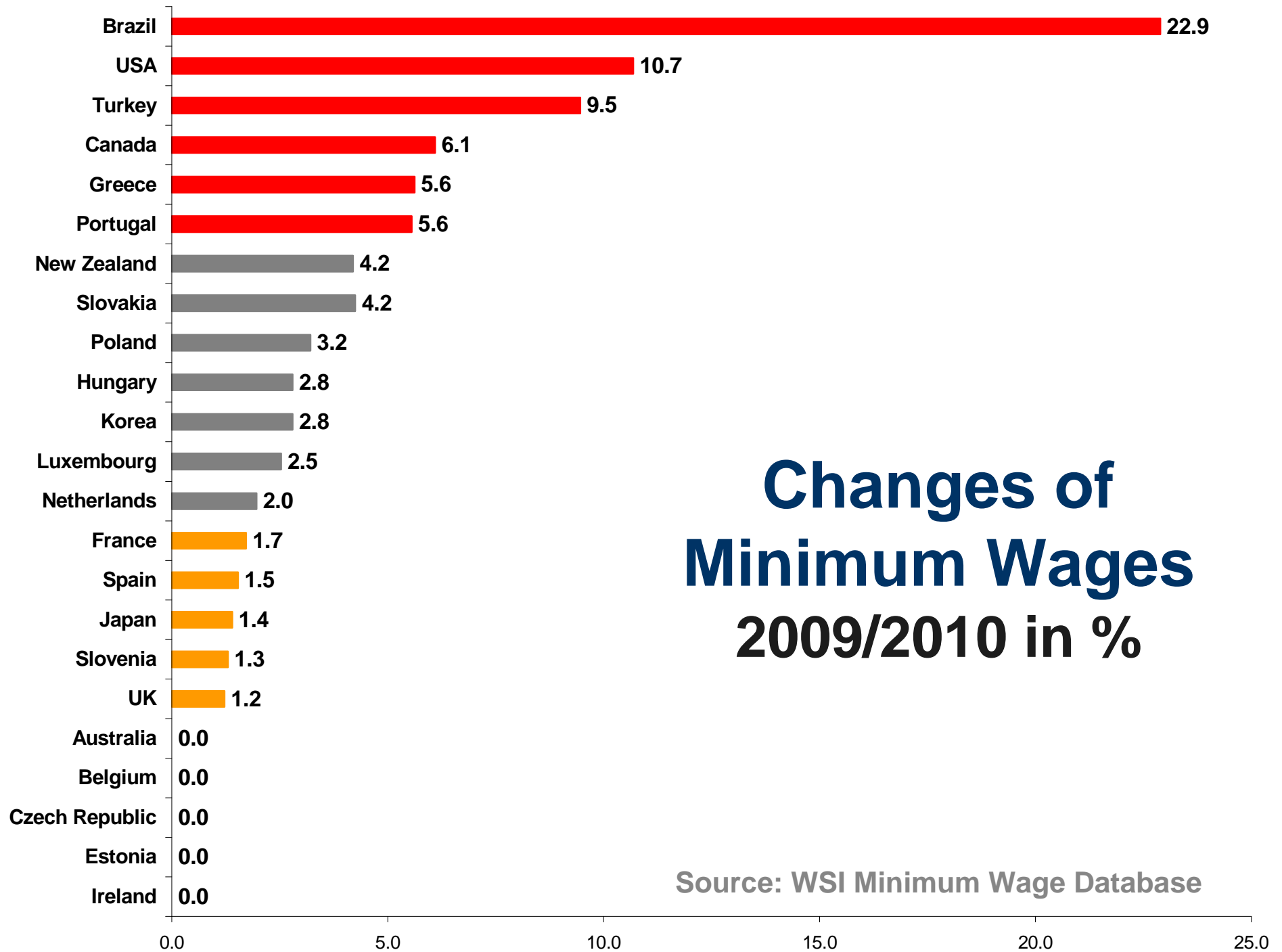
- ➔ Strong pressure from employers and governments to freeze or cut minimum wages

ILO Global Jobs Pact (2009)

Government should consider minimum wages to

- ➔ Reduce poverty and inequality
- ➔ Increase demand
- ➔ Contribute to economic stability
- ➔ Avoid deflationary spirals





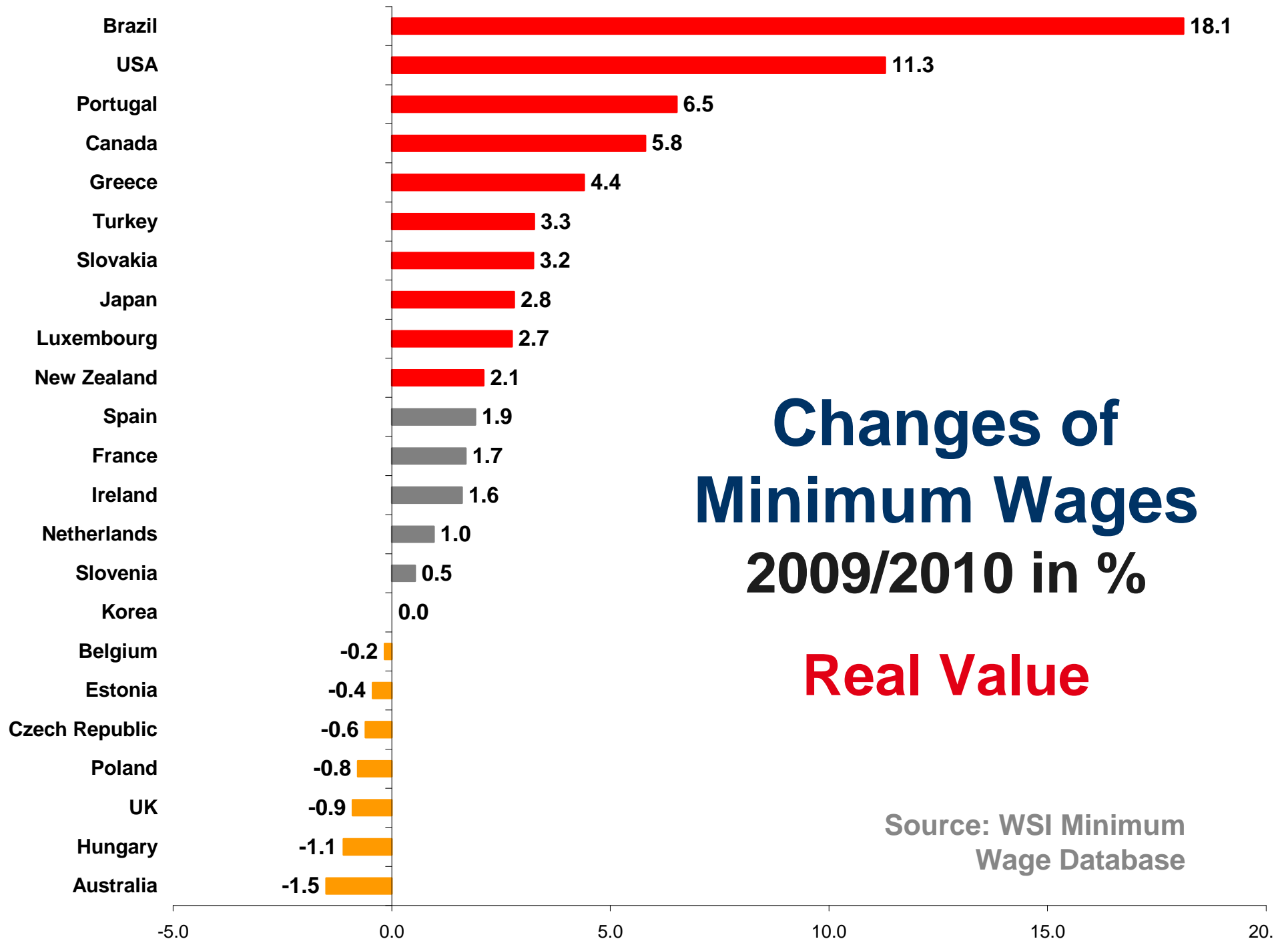
Changes of Minimum Wages 2009/2010 in %

Source: WSI Minimum Wage Database

Changes of Minimum Wages 2009/2010 in %

Real Value

Source: WSI Minimum
Wage Database



Minimum Wages under the crisis

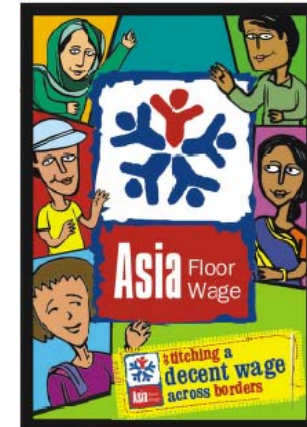
Conclusion:

- ➔ Huge differences in minimum wage policies shows: there are alternatives!
- ➔ No cuts in the nominal minimum wage levels
- ➔ Cuts in the real level of minimum wage due to freeze or only small increase of nominal level
- ➔ Very low minimum wage level in many countries
- ➔ Some countries follow a strategy of a more substantial increase of minimum wages

Proposals for an International Minimum Wage Policy

Basket-Approach:

- ➔ Living wage according to a certain basic living standard
- ➔ **Asian Floor Wage Initiative**



Distributive Approach:

- ➔ Harmonisation of Relative Minimum Wage Levels
e.g. 60% of the average wage
- ➔ **European Parliament**



Is there a need for a Global Minimum Wage Policy?

WSI

Hans Böckler
Stiftung

United Nations:
**Universal Declaration of
Human Rights (1948)**



*„Everyone who works has the **right to just and favourable remuneration** ensuring for himself and his family an existence worthy of human dignity’...“ (Article 23, 3)*