
ETUC Webinar
09 October 2020

Dr. Torsten Müller
European Trade Union Institute – ETUI
Key demands of ETUC to be included in the Directive

Dr. Torsten Müller, FES, 18 November 2020

Minimum Wage as % of average and median wage, 2019

<table>
<thead>
<tr>
<th>Country</th>
<th>2019 Average</th>
<th>2019 Median</th>
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<tbody>
<tr>
<td>Bulgaria*</td>
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<td>63</td>
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<td>Slovenia</td>
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<td>Romania</td>
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<td>United Kingdom</td>
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<td>Czech Republic</td>
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<td>Ireland</td>
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</tr>
</tbody>
</table>
Workers earning less than 60% of the national median wage (2010, % of all workers, Eurofound)

Almost 30 million workers would benefit
Collective Bargaining Coverage
(2016-2018, ICTWSS Database)
CB Coverage and Low Wage Sector
(in % of full-time employees earning less than 2/3 of median wage; 2014-2018; OECD Earnings Database and Eurostat)

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Fair MW and CB are good for the economy

- Wages are not just costs but main **source of income**
- Fair MWs and collectively bargained wages increase **internal demand**
- European economy is **wage-led**
- No negative **employment effects** of fair minimum wages

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State finances benefit in two ways from fair MWs:

- **spending less** on topping up unfair MW through tax credits and in-work benefits
- **Increase of revenue** through taxes and social security contributions
The competitiveness myth

**Neo-classic** supply-side and micro view of MW

Fair MW are simply a cost factor

- ... and harm international *competitiveness*
- ... and lead to *relocation of businesses*
Typical low-wage jobs

Jobs in local services

Hairdressing

Restaurants

Retail

Cleaning

Care Workers
Relocation of business

➢ Relocation **no option** for local services or SMEs
➢ Relocation **complex** and **costly** decision
➢ Uniform increase to 60% of median and 50% of average **little impact** on relative **cross-border cost position**

“Rumour has it I’m being transferred, Betty!”

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No negative employment/relocation effects

Companies coped with higher MW by…

- Increasing **prices**
- Compressing their **wage structure**
- Reduction in **profit margin**
- Increase in **productivity**

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Complexity of Competitiveness

Competitiveness

Price Competitiveness

Non-price Competitiveness

Cost Competitiveness

Profit-margin behaviour

Marketing, innovation, skilled workforce, work organisation, organisational structure

Production Cost

Exchange rate

Productivity

Wages

Cost of capital

Intermediate production costs

Cost Competitiveness

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MW and Competitiveness

➢ Neo-classical view: one-sided focus on (minimum) wages in determining competitiveness

➢ Due to complexity no direct relationship between wages and competitiveness

➢ Competitiveness no appropriate measure to assess minimum wages!!!
Not only good for the economy ...

... also one element to induce **shift in low-road to high-road** productive system based on quality, service, innovation and technology
Direktive für faire Mindestlohngesetze &
Versammlungsgesetz: gut für die Wirtschaft

Dankenswerter Dank für Ihre Aufmerksamkeit!!!

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