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Article

Minimum Wages Across Countries

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Minimum Wages Across Countries

INTRODUCTION

Minimum wages are widespread nowadays. Their general aim is to ensure that workers are not paid below their marginal productivity (Eurofound 2018), which may happen if workers have little bargaining power. Hence, it is not surprising that some countries with strong social security and trade unions do not have a minimum wage, since unionisation strengthens the workers' bargaining power. They have other options than to accept a low paid job and are thus less dependent on an institutionalised minimum wage level. However, if minimum wages exceed the productivity of the least productive workers, firms may not employ these workers. Hence, a minimum wage that is set on a relatively high level, can decrease the feasibility of employing workers who are not productive. This, in turn, leads to a reduction in the employment of these workers, and potentially to a decrease in competitiveness of the producers in the respective geographical area (Neumark and Wascher 2006).

Across the world, scholars try to estimate the effects of minimum wages in real world settings, which is important in terms of evaluating the effects of the minimum wage policy. The most commonly encountered benchmark is the effects on employment: it is generally found that employment decreases after introducing a minimum wage (Neumark and Wascher 2006). Several studies find increases in productivity, offsetting negative effects on competitiveness (International Labour Organization 2018). Moreover, Picl and Richter (2014), among others, have found that an increase in minimum wages above the subsistence level can motivate people to enter the labour force. Bossler and Greiner (2016) have analysed the recent introduction of the minimum wage in Germany in 2015, and find small negative effects (-1.9%) on employment and a moderate increase in average wage (+4.8%) for jobs that were paid below the newly-introduced minimum. However, the number of affected workers was less than 10%. The consensus seems to be that introducing a minimum wage at a moderate level is socially beneficial due to the reduced risk of poverty and increased labour supply, but a higher level is harmful due to its negative effects on employment and productivity. Eurofound (2018) gives a more complete overview of the effects of the minimum wage on wages, productivity, employment and other factors.

Since there is no uniform official definition of the minimum wage, we define the statutory minimum

wage throughout this article as the minimum amount of financial reward that a worker receives for working a specified period of time, determined by the (central) government and applicable to the entire geographical jurisdiction and a vast majority of workers. In the absence of a general definition and regulation of the minimum wage, minimum wages should be enshrined in the labour law of each country. Some countries have a de facto minimum level of wages per sector, but this is not 'statutory' as it arises from collective bargaining agreements and is not set by the central government.

In the following sections, we will provide a descriptive overview of minimum wages across the world, focusing on Europe and selected other countries. We begin by elaborating on the history of (statutory) minimum wages, their prevalence, the (relative) level of minimum wages and the short-term trends in the level for the countries concerned. Secondly, we consider the numerous exceptions to minimum wages and how countries determine minimum wages. Furthermore, we discuss the extent to which the minimum wage actually affects labour markets across countries and over time. Ultimately, we will cover some of the recent debates regarding minimum wages by taking a closer look at China, South-Africa and Sweden.

HISTORY

The first country introducing a law to set a legal minimum wage was New Zealand, by adopting the Industrial Conciliation and Arbitration Act in 1894 (wageindicator.org 2018). In Australia, the second country introducing such a law, the Victorian Factories and Shops Act in 1896 set the first minimum wage rates. Section 16 of the Act states: "No person whosoever unless in receipt of a weekly wage of at least two shillings and six pence shall

Figure 1

Timeline

Year of Introduction of the Minimum Wage

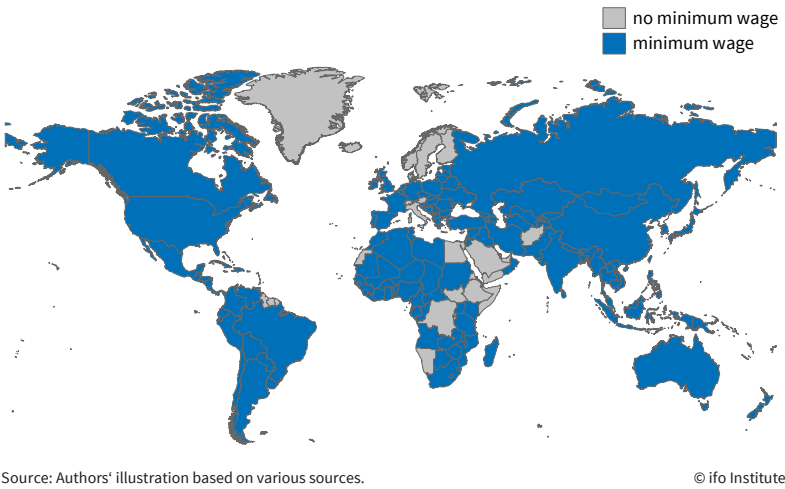
Country	Year
New Zealand	1894
Australia	1896
Canada	1918
USA	1938
Brazil	1940
Japan	1947
India	1948
Romania	1949
Spain	1963
Bulgaria	1966
Netherlands	1969
France	1970
Poland	1970
Luxembourg	1973
Malta	1974
Portugal	1974
Belgium	1975
South Korea	1988
Lithuania	1990
Czech Republic	1991
Estonia	1991
Greece	1991
Hungary	1991
Latvia	1991
Slovakia	1991
Albania	1993
China	1994
Serbia	1994
Slovenia	1995
United Kingdom	1999
Ireland	2000
Russia	2000
Croatia	2008
Montenegro	2013
Germany	2015
Turkey	1969/1973*
South Africa	2017**

Note: *In 1969 the minimum wage was introduced in some provinces of Turkey, and in 1973 throughout the country. **In South Africa, the minimum wage was approved in 2017 but has not yet entered into force.

Source: Authors' compilation of various sources (2018).

Figure 2

Statutory Minimum Wages Across the World



Source: Authors' illustration based on various sources.

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be employed in any factory or work-room” (Australian Government 2016). However, this minimum wage was not a universal minimum wage, but instead set minimum wages for six industries. In New Zealand and Australia, the minimum wage was introduced for a similar reason, namely because of campaigns and strikes against the poor working conditions in sweat shops (Verrill 1915). In the United States, Franklin D. Roosevelt first introduced statutory minimum wages nationally in 1938 (Minimum-Wage.org 2018). Members of the European Union started to introduce minimum wages in the second half of the 20th century. Of all the member states that have set a minimum wage, Germany was the last to introduce one in 2015 (Eurostat 2018). In South Africa, the National Minimum Wage Bill was approved in 2017, but has not been enforced yet (The South African 2018; South African Government 2018). A timeline for the introduction of minimum wages of selected countries is shown in Figure 1.

Figure 2 shows that most countries have a statutory minimum wage. There are two types of countries without a statutory minimum wage: progressive countries with high levels of GDP and strong trade unions and sectoral minimum wages, which are determined in collective bargaining agreements per industry; and developing countries. Some of the latter countries only have a minimum wage for public workers, which may even be higher than the average wage in the country, as in Afghanistan, for example (United States 2017). These countries do not effectively have a statutory minimum wage, as the market sectors are not restricted by a minimum wage level. In North Korea, few market forces are at play and trustworthy information about wages is not available (United States 2017). Furthermore, several countries have different minimum wages depending on the industry in which a worker is employed, or sometimes a uniform minimum wage, which only applies to specific industries. In the European Union, 22 countries currently have a statutory minimum wage. Aus-

tria, Denmark, Finland, Italy, Cyprus and Sweden are the exceptions.

MINIMUM WAGE LEVELS

Table 1 shows the main characteristics of minimum wages for a set of selected industrialised countries, as well as some BRIC countries for which data were available. The table lists the minimum wage in the local currency (LCU), the time unit of account (monthly, weekly, daily, hourly), the monthly euro value in 2018, the PPP equivalent in euro in average EU-28 standards, the level of the minimum wage expressed

as a percentage of the country’s median wage, and the date of last change to the system.

The table shows that most countries embrace a system whereby the time unit of account is either hourly or monthly, except for India (daily) and Malta (weekly). The approximately monthly minimum wage in euro terms varies broadly: from 67 euros in the Indian province of Bihar up to 3069 euros in the Swiss Cantons Neuchat l and Jura. Correcting for prices at the average EU-28 level, this difference decreases: in Bihar it is 215 euros and in Neuchat l and Jura it is 2,177 euros. Even in terms of a percentage of median wage the differences are large. However, in this relative measure, other countries stand out at both ends: in the USA, the minimum wage is only 34% of the median wage, while in Turkey it reaches 74%. Most countries have recently updated their minimum wage, except for Greece (in 2012 it decreased in absolute terms as a result of the economic downturn) and the USA (2009, although some states have adjusted their minimum level).

However, the comparison between countries is complicated for several reasons. The amounts mentioned are pre-tax figures: disposable household income with the same minimum wage between two countries can be very different. The different time units of account also complicate a meaningful comparison of the numbers, as working hours, national holidays and paid leave days differ.

Minimum wages stated in bigger time units of account for developing countries might thus look higher than they really are: workers may be expected to work longer hours than workers in developed countries. However, the monthly wage says more about how much a worker could earn in total: a worker in a developed country can usually not be paid for more than 40 hours of work. Hence, we report the figures in monthly terms.

Furthermore, many countries make exceptions for specific sectors, young workers and (un)experi-

Table 1

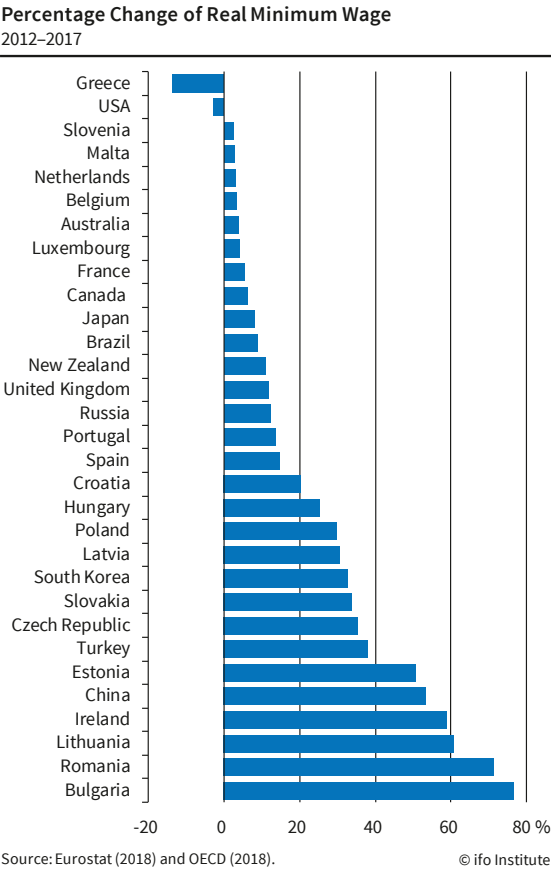
Overview of Minimum Wages in Industrialised Countries, 2018

Country	(Statutory) minimum wage in LCU	Unit of account	Monthly euro equivalent	PPP EU 2017 euro equivalent	Percentage of median national wage	Last updated	System
Australia	AUD 18.93	Hourly	2,209	1,726	55%	07.01.2018	National
Austria	None						
Belgium	EUR 1562.59	Monthly	1,563	1,517	47%	06.01.2017	National
Brazil	BRL 954	13 Payments	238	330	not found	not found	National
Bulgaria	BGN 510	Monthly	260	638	not found	01.01.2018	National
Canada	CAD 10.96-15.00	Hourly	1,277 – 1,747	1,181 – 1,616	46%	01.01.2018	Regional
China	RMB 1000-2190	Monthly	130 – 285	220 – 482	not found	not found	Regional
Croatia	HRK 3438.80	Monthly	447	778	not found	01.01.2018	National
Cyprus	None						
Czech Republic	CZK 12200	Monthly	476	743	41%	01.01.2018	National
Denmark	None						
Estonia	EUR 500	Monthly	500	714	41%	01.01.2018	National
Finland	None						
France	EUR 1498.47	Monthly	1,499	1,469	62%	01.01.2018	National
Germany	EUR 8.84	Hourly	1,516	1,516	48%	01.01.2017	National
Greece	EUR 568.08	14 Payments	663	861	48%	14.02.2012	National
Hungary	HUF 138000	Monthly	428	751	53%	01.01.2018	National
Iceland	None						
India	INR 160-423	Daily	67 – 177	215 – 570	not found	not found	Regional
Ireland	EUR 9.55	Hourly	1,652	1,588	46%	01.01.2018	National
Italy	None						
Japan	JPY 762-985	Hourly	1,020 – 1,318	1,010 – 1,306	42%	2018	Regional
Latvia	EUR 430	Monthly	430	672	48%	01.01.2018	National
Lithuania	EUR 400	Monthly	400	678	54%	01.01.2018	National
Luxembourg	EUR 1998.59	Monthly	1,999	1,753	53%	01.01.2017	National
Malta	EUR 172.51	Weekly	748	977	not found	01.01.2018	National
Netherlands	EUR 1578	Monthly	1,578	1,517	47%	01.01.2018	National
New Zealand	NZD 16.5	Hourly	1,808	1,519	60%	04.01.2018	National
Norway	None						
Poland	PLN 2100	13 Payments	523	969	54%	01.01.2018	National
Portugal	EUR 580	14 Payments	677	890	61%	01.01.2018	National
Romania	RON 1900	Monthly	399	924	60%	01.01.2018	National
Russia	RUB 11163	Monthly	145	309	not found	05.01.2018	National
Slovakia	EUR 480	Monthly	480	762	48%	01.01.2018	National
Slovenia	EUR 842.79	Monthly	843	1,095	58%	01.01.2018	National
South Africa	ZAR 20	Hourly	201	386	not found	05.01.2018	National
South Korea	KRW 9200	Hourly	1,248	1,446	53%	01.01.2018	National
Spain	EUR 735.9	14 Payments	859	1,022	40%	01.01.2018	National
Sweden	None						
Switzerland	CHF 20	Hourly	3,069	2,177	not found	2018	Regional
Turkey	TRY 2029.5	Monthly	325	722	74%	01.01.2018	National
United Kingdom	GBP 7.83	Hourly	1,639	1,576	54%	04.01.2018	National
USA	USD 7.25	Hourly	1,230	1,079	34%	07.01.2009	National and Regional

Note: In Switzerland only two regions have a minimum wage. In the USA, there is a federal minimum wage, but states may set a minimum wage above the federal level. In Japan, South Africa, South Korea and India the calculations are based on a working week of 40 hours. For all countries, the monthly euro equivalents are based on own calculations using the exchange rates of 7 November 2018.

Sources: Eurostat (2018) and OECD (2018).

Figure 3



enced workers. We will discuss this later in the report. Ultimately, to assess the relative level of the minimum wage and its implications, one would like to know the undistorted wage distribution. However, this data is not widely gathered, making it hard to compare the actual distorting and social effects between countries.

TRENDS

To further explore minimum wages, it is interesting to consider the changes in recent years. Figure 3 shows the change in real terms of the minimum wage for the countries mentioned in Table 1 that already had a minimum wage in 2012.¹ We observe that, in most countries, the minimum wage has increased over the past five years in real terms. In Eastern European countries and countries that show large GDP growth in particular, the increase is between 20% and 80%. In most developed countries, an increase is observed, but it is fairly moderate (less than 20%). Only Greece and the USA saw their minimum wage decline in real terms. In absolute terms, however, the minimum wage in these countries did not change.

¹ For India, data were not available for 2012.

EXCEPTIONS

As mentioned before, many countries differentiate between the minimum wage level depending on different worker characteristics. Table 2 shows the exceptions to the minimum wage based on age, experience, sectors or other aspects. In Bulgaria, Croatia, Czech Republic, Estonia, Latvia, Lithuania, Poland, Portugal, Romania, Slovakia, Slovenia and Spain there are no exceptions (Eurofound 2018).

The age exceptions are mostly set out in such a way that young workers do not earn the full minimum wage, but receive - depending on their age - a percentage of the minimum wage. For example, in Australia, workers under 16 years, receive 36.8% of the minimum wage, 16 year-old workers receive 47.3%, 17 year-olds 57.8%, 18 year-olds 68.3%, 19 year-olds 82.5% and 20 year-olds receive 97.7% in 2018 (mywage.org 2018).

In some countries, there is a special minimum wage rate for workers who are in training or still in apprentice. For example, in Ireland the minimum wage is adjusted for young workers that are still in the educational system. In the first trimester, the minimum wage is 75% of statutory wage, in the second trimester 80% and in the final trimester 90% (one trimester must be at least one month and no longer than one year). In Luxembourg and Malta, the rate of the minimum wage increases if the employees are more qualified and experienced (Eurofound 2018).

There are different minimum wage rates in countries depending on the sector. For example, in the USA there are different rates for workers, who receive tax-free tips (United States 2018). In Hungary, workers employed in public work programmes, which are programmes for unemployed people or permanent job seekers (Belügyminiztérium 2018), get a wage that is determined separately by the government (Eurofound 2018). In Japan, there are exceptions for workers who perform simple jobs (United States 2018). In New Zealand and Germany, employers may subtract board and lodging cost from the minimum wage, especially for seasonal workers in the agriculture sector (Eurofound 2018; New Zealand Government 2018a).

Other characteristics on which the minimum wage rate is adjusted may be the disability of workers. In New Zealand, for example, a labour inspector may issue wage exceptions permits to employees who have a disability (New Zealand Government 2018b). In Australia, it is regulated such that adults whose productivity is affected by their disability are paid a percentage of the national minimum wage. For example, someone with an assessed work ability of 70% is entitled to 70% of the relevant pay rate (Australian Government 2018a). Other aspects that can increase the minimum wage are working late nights, early mornings, weekends or public holidays, as in Australia (Australian Government 2018b).

Table 2

Exceptions Based on Age, Experience and Sector in 2017 and 2018

Country	Age-specific exeptions	Exeptions related to work experience	Sector-specific exeptions
Australia	Young workers: % of the national minimum wage (a) <16 years: 36.8% (b) 16 years:47.3% (c) 17 years: 57.8% (d) 18 years: 68.3% (e) 19 years: 82.5% (f) 20 years: 97.7%	Apprentices: % of the national minimum wage (a) 1st year: 55% (b) 2nd year: 65%, (c) 3rd year: 80%, (d) 4th year: 95%; trainees: varies with years of schooling.	(a) Modern award minimum wages (industry-specific) (b) national minimum wage (all industries), used as a 'safety net'
Belgium		Ongoing education, training or apprenticeships: a percentage increase based upon the minimum wage. No general minimum wage for students.	Wage levels are determined by the social partners for each sector; if no minimum wage is specified for the sector the statutory minimum wage applies
Bulgaria	No	No	No
Canada	Varies according to province (e.g. Ontario: different rules for students under 18 years)	Varies according to province (e.g. in Nova Scotia, inexperienced workers receive less)	Employees under province jurisdiction: depends on provinces (e.g. in Ontario, liquor servers get less)
China	Not found	Not found	Not found
Croatia	No	No	No
Czech Republic	No	No	No
Estonia	No	No	No
France	Young workers: % of the national minimum wage (a) 15-16 years 80% (if you have less than six months of experience in the sector) (b) 17 years: 90%	Ongoing education, training or apprenticeships, e.g. for apprentices: 25-78% of the minimum wage for interprofessional growth	
Germany			Seasonal workers and foreign workers on seasonal contracts: employers may subtract board and lodging costs from the minimum wage.
Greece	Young workers: a special rate is applicable for those under 25 years of age.		
Hungary	No	Jobs requiring at least a secondary level of education have a guaranteed minimum wage of HUF 185,000 per month.	Workers employed in public works programmes get a wage that is determined separately and only by the government.
India	Varies according to region, there may be different rates for adults, adolescents and children	Varies according to region, there may be different rates for apprentices	Varies according to region, there may be different rates for different scheduled employments
Ireland	Young workers: % of the national minimum wage (a) under 18 years: 70% (b) when in the first year of employment since turning 18 years: 80% (c) employees in their second year of employment and over the age of 19 years: 90%	Ongoing education, training or apprenticeships; young workers over 18: first trimester of training 75% of statutory wage, in the second trimester 80%, final trimester 90%. (Trimester at least 1 month, no more than 1 year)	No
Japan	Not found	Exceptions for workers on trial basis and for workers taking governmentally designated vocational training classes	Exceptions for workers who perform easy and simple jobs
Latvia	No	No	No
Lithuania	No	No	No
Luxembourg	Young workers: % of the national minimum wage (a)15-16 years 75%, (b) 17 years: 80%	Qualified employees over 18 years: 120% of the national minimum wage	
Malta	Young workers: % of the national minimum wage (a) 16 years: 94% (b) 17 years: 96%	The rate is increased by 1.8% (3.5%) for those who have been employed by the same employer for one (two) years and who were paid the minimum wage.	
Netherlands	Young workers: specific rates of minimum wage for young employees.		
New Zealand	Young workers: applies the starting-out minimum wage which depends on age and experience. Rates for 16- to 17-year-olds cannot be lower than 80% of the adult rate.	Workers in training: applies the training minimum wage. The rate depends on the years they are in the training programme, cannot be lower than 80% of the adult rate.	If accommodation is provided, cost of accommodation will be deducted from national minimum wage (e.g. in the agriculture sector).
Poland	No	No	No
Portugal	No	No	No
Romania	No	No	No
Russia	Varies according to region (e.g. The minimum wage in Moscow is based on local government calculations on the cost of living)	Varies according to region (e.g. The minimum wage in Moscow is based on local government calculations on the cost of living)	Varies according to region (e.g. The minimum wage in Moscow is based on local government calculations on the cost of living)
Slovakia	No	No	No
Slovenia	No	No	No
South Africa	Not found	Depends on different levels of experience	Different sectors: % of the national minimum wage (a) farm workers: 90% (b) domestic workers: 75% (c) employees of expanded public works programmes: 55%. Businesses which cannot afford paying minimum wage can apply for an exemption.
Spain	No	No	No
Turkey	Young workers: lower rates for workers under 16 years old.	Not found	Not found
United Kingdom	Young workers: different rates for: (a) aged 21-24 (b) 18-20 (c) under 18 years but above compulsory school age (d) apprentices aged under 19 or over 19 but in first year of apprenticeship.	Depends on ongoing education, training or apprenticeships.	
USA	Young workers: under the age of 20 during their first 90 consecutive calendar days of employment receive less. After 90 days, full federal minimum wage.	Full-time students in retail or service stores, agriculture, or colleges and universities: not less than 85% of the minimum wage. High school students (>15 years), enrolled in vocational education (shop courses): not less than 75% of the minimum wage.	Different minimum wage rates for workers, who receive tip.

Source: Authors' compilation of various sources (2018).

DETERMINATION

In most countries, the government sets the level of the minimum wage. However, normally the government follows consultation from other bodies. In some countries, the determination takes place in a tripartite setting, or expert committees. Outside of the tripartite or expert committee, in some countries trade unions, or employers’ organisations, for example, can play a significant role by consulting the government. Some countries also rely on an indexation mechanism, depending on several components, such as the inflation rate or the consumer price index, which generally automatically update the minimum wage. Table 3 gives an overview of all highlighted countries.

Role of the government: As mentioned before, in most countries, the government has the power to set the level of the minimum wage. In 2017, for example, the majority of EU member states decided on the final level of the minimum wage by taking into consideration the recommendations of other players or mechanisms. By contrast, in some EU member states (Czech Republic, Poland, Portugal, Romania, Slovakia and Slovenia) the government consulted other parties, but because they did not reach an agreement, the government decided unilaterally on the level of minimum wage (Eurofound 2018).

Tripartite: In some countries consultation takes place in tripartite bodies. Those tripartite bodies normally consist of the government, unions and employers. In 2017, most EU member states were consulted about the level of the minimum wage by a tripartite body. Some of the tripartite bodies provided a non-binding recommendation (Eurofound 2018). However, tripartite bodies are not only important in the process of determining the minimum wage in EU member states, but also, for example, in Japan and Turkey (wageindicator.org 2018). In Turkey, the tripartite body, called the Minimum Wage Determination committee, even sets the minimum wage rates of the country, which, in turn, only needs to be announced by the government. The body is composed of fifteen members; an

equal number of representatives of the government, trade union and employers’ organisation. The decisions are taken under the majority of votes of its members (International Labour Office 2014).

Independent expert committee: In some countries, for instance in Australia, Brazil, France, or Germany, an independent expert committee is established to consult the government about the level of the minimum wage. In Australia, this committee is called Fair Work Australia’s Minimum Wage Panel. There are five Commissioners from a range of backgrounds, including economics, business, social justice, workplace relations, academia and community service. Each financial year Fair Work Australia’s Minimum Wage Panel conducts an annual review and decides, based on this review, the level of minimum wage. The review considers written submissions from interested organisations and individuals, consultations before the Expert Panel and research commissioned by the Panel. The decision is then incorporated in the minimum wages changes, which are carried out by either the States or the Federal Tribunal (Australian Government 2018c).

Outside of tripartite or expert committee: Trade unions and employers’ organisations can also play a significant role in the determination process of the minimum wage level. In 2017, trade unions and employers’ organisations negotiated the level of the minimum wage, independently of any tripartite or expert committee, for example in Bulgaria, France, Hungary, Latvia and the United Kingdom. However, in Hungary and Bulgaria trade unions and employers’ organisations did not reach a consensus on the level of minimum wage in 2017 (Eurofound 2018).

Indexation mechanism: In Belgium, Brazil, in some states in Canada, China, India, the Netherlands, Malta and Turkey, an indexation mechanism to adjust the minimum wage level is normally used. In China, for instance, this indexation mechanism includes regional economic factors, including average living expenses and wages, social security contribution, unemployment rates and the level of development (wageindicator.org 2018).

Table 3

Bodies Involved in the Determination Process of the Minimum Wage Level

Government	Independent expert Committee	Tripartite (government, unions, employers)	Examples for bodies outside the tripartite or expert committee		
			Social partners jointly	Trade unions	Employers' organisations
Australia, Belgium, Brazil, Bulgaria, Canada, China, Croatia, Czech Republic, Estonia, France, Germany, Greece, Hungary, Ireland, Japan, Latvia, Lithuania, Luxembourg, Malta, Netherlands, New Zealand, Poland, Portugal, Romania, Russia, Slovakia, Slovenia, South Africa, Spain, United Kingdom, USA	Australia, Brazil, France, Germany, India, Ireland, Malta, Romania, South Africa, South Korea, United Kingdom	Bulgaria, Croatia, Czech Republic, Hungary, Japan, Latvia, Lithuania, Malta, Portugal, Romania, Slovakia, Slovenia, Spain, Turkey	Belgium, Luxembourg, France, Estonia, Latvia, Romania	Bulgaria, China, France, Hungary, India, Japan, Latvia, New Zealand, Portugal, Romania	Bulgaria, China, France, Hungary, India, Latvia, Portugal, Romania

Source: Authors' compilation of various sources (2018).

COVERAGE

In the light of the absence of minimum wages in several countries, and the fact that some large countries have very different minimum wages despite major wealth differences, it may be worth considering how much impact the applied minimum wage has. However, although the minimum wage as a percentage of the median wage gives a hint, it does not allow us to conclude how many workers the minimum wage affects and how big this effect is.

A better indicator would be the number of people receiving exactly or slightly more than the minimum wage. However, although statistics on household labour income are widespread, statistics on individual worker pay distributions are scarcely available. However, cross-country comparisons are difficult, as some countries include part-time workers earning equal to or less than the minimum wage on a monthly basis in this figure, whereas others do not. the latter only take the workers earning an hourly amount less than or equal to the minimum wage into account. Furthermore, the above mentioned exceptions make it more difficult to compare countries.

The OECD reports the number of workers earning less than 105% of the minimum wage in 2010 and 2014 in various countries. The cross-country statistics are partly harmonised and only count workers above 21 to prevent various exceptions to affect these numbers. In 2014, it ranged from 0% in Belgium (despite having a relatively medium level of minimum wage) up to 43% in Turkey (which has a relatively high minimum wage). High figures can indicate that there are distorting effects (if the minimum wage is strictly enforced) compared to the non-regulated scenario: many workers only get paid the minimum wage, whereas they might have had a lower wage in the non-regulated case. Nine countries had a share of 5% or less, implying that the minimum wage probably has very small distorting effects in those countries. All of the latter countries also set their minimum wage at lower than half of their median wage.

Eurofound (2018) attempted to list the percentage of working people receiving the minimum wage from various national sources. In European countries, this percentage ranges between roughly 3% and 40%. What

is remarkable is that the share of workers earning close to the medium wage in some Eastern European countries (including Romania, Bulgaria, Estonia) rose quickly in recent years. One possible explanation could be the sharp increase (see Figure 2) in the minimum wage. However, GDP also increased at a fast pace, which may have taken place at the same time as changes in income distribution (due to the full adoption of Romania and Bulgaria into the EU single market for free capital and labour in 2014), not pushing up wages for manual labour very much, but increasing them more in other sectors.

DEBATES OVER MINIMUM WAGE IN CHINA, SOUTH AFRICA AND SWEDEN

In recent years the minimum wage has been widely discussed. In the following, three countries are selected to be reviewed in further detail: one is China, where there is a minimum wage, the second is South Africa – where the National Minimum Wage Bill has been approved,

Table 4

Various Indicators of Coverage of the Statutory Minimum Wage

Country	Level in % of median wage (2018)	Less than 105% (2010)	Less than 105% (2014)	Eurofound (2018)	Date Eurofound (2018)
Belgium	47%	0%	0%	3%	-
Bulgaria	-	3%	9%	17.70%	-
Croatia	-	10%	7%	3-13%	-
Czech Republic	41%	2%	2%	3.60%	2016
Estonia	41%	4%	3%	19-25%	-
France	62%	8%	8%	10.60%	2017
Germany	48%	-	-	5%	2015
Greece	48%	6%	8%	-	-
Hungary	53%	3%	6%	14%	2015
Ireland	46%	9%	4%	10%	2016
Latvia	48%	12%	8%	18%	2017
Lithuania	54%	14%	8%	20.20%	2016
Luxembourg	53%	10%	6%	12.30%	2016
Malta	-	4%	3%	3.40%	2015
Netherlands	47%	3%	3%	6.60%	2016
Poland	54%	8%	12%	10%	2015
Portugal	61%	17%	13%	23%	2017
Romania	60%	4%	16%	40%	2017
Slovakia	48%	5%	3%	5-6%	2018
Slovenia	58%	19%	19%	5.40%	2016
Spain	40%	1%	1%	12.62%	2015
Turkey	74%	43%	-	-	-
United Kingdom	54%	5%	4%	6.40%	2017

Source: OECD (2018) and Eurofound (2018).

but has not yet entered into force and the third county is Sweden, which does not have a minimum wage.

China, as a developing country, is an interesting example of the conflicts that can be triggered by raising minimum wage levels in 2018. In 2018, all 17 provinces and municipalities raised the minimum wage level, whereas in 2017, only nine provinces increased it. General wages, however, have not increased naturally through market mechanisms. Although the demand for workers is high, wages in general are not rising. One reason is that the urban employers have been able to attract workers from rural areas, keeping the labour supply high (Cai 2017). Therefore, it is suggested that the increase in the level of minimum wage is now a policy of Chinese President Xi Jinping, who pledged to wipe out poverty by 2020 and is now putting pressure on provinces making sure that the minimum wage acts as a safety-net (Cai 2017). However, there is a fear that with rising labour costs, many investors are choosing to relocate the manufacturing of low-value and labour-intensive products to provinces of China, or to other low-wage countries like Vietnam (Koty 2018). Opponents are afraid that China will lose its comparative advantage given the abundance of low-wage labour outside of China. Furthermore, opponents also argue that raising the minimum wage can decrease opportunities for low-wage workers (Fang and Lin 2013). Overall it must be said that, even with the increase in the minimum wage, China has one of the lowest minimum wage levels in the world (see Table 1).

In South Africa, the minimum wage was approved by the cabinet in November 2017 and meant to be introduced in May 2018 (Winning 2018). However, it has not been enforced yet (The South African 2018). According to the government, its introduction was delayed due to request from interested parties for changes to the Bill. Several important issues were raised in public hearings, which South Africa’s parliament will consider including in the Bill (South African Government 2018). The original reason for introducing the minimum wage was to positively intervene in addressing the poor. The minimum wage bill is considered as a part of an effort by President Cyril Ramaphosa to tackle strikes and wage inequality (Roelf 2018). However, opponents remain unsure, if the minimum wage bill will increase unemployment, since some employers will not be able to afford higher wages. Thousands of union members protested against the bill, saying the bill is inadequate. The proposed minimum wage will destroy jobs for the marginal workers and prevent them from entering the labour market (Roelf 2018).

In Sweden, the minimum wage is not regulated by law. Instead, it is subject to bargaining between employers and trade unions and is one part of the collective agreements. Sectoral minimum wages mainly cover service sectors like hotels, restaurants and retails. By international standards, sectoral minimum wages are relatively high and have been increased concurrently – by almost 60% between 1995 and 2016. One

reason is that the labour market relies on powerful social partners and coordinated wage bargaining, which, in turn, gives Swedish workers a strong negotiating position (Thorwaldsson 2018; Skedinger 2008). Additionally, Sweden does not have the phenomenon of the “working poor”. Low-income workers can rely on social assistance, which is so high that the income of households with children without a labour income may be higher than the sectoral minimum wage in a service sector (Skedinger 2008). Despite having a high minimum wage, Sweden’s unemployment rate is still low. Therefore, Thorwaldsson (2018), the President of the Swedish Trade Union Confederation, concludes that Sweden is an example that contradicts the argument that higher real wages necessarily lead to more unemployment (Thorwaldsson 2018).

SUMMARY

Government-set minimum wage levels have been around for over 100 years. Nowadays, the statutory minimum wage is considered an important policy instrument to prevent workers from being underpaid without harming employment when set at an appropriate level. Thus, most countries have a statutory minimum wage and in most countries the level has been raised in recent years. However, the absolute level of a minimum wage says little about what effect it has. By representing minimum wage as a percentage of median wage or reporting the number of workers earning close to the minimum wage, we shed light on the stringency of the various minimum wage policies. Furthermore, variety in the implementation of the minimum wage in terms of which groups are exempt from the minimum wage and the differences appearing in how and by whom the level is determined has been discussed. Although the principle of the statutory minimum wage is well-established, it remains a continuous matter of debate: both in countries that have adopted it such as China, but also in countries where a strong movement is calling for the introduction of a minimum wage, as in South Africa. Ultimately, some countries like Sweden prove that there are other paths to a de facto minimum wage that achieves the same goals.

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