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Article
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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 a 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 whooever unless in receipt of a weekly wage of at least two shillings and six pence shall receive 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.

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tries, 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 unit time of account (monthly, weekly, daily, hourly), the monthly and yearly minimum wage and the percentage of the median wage.

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 in 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 than are 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. Austria, Belgium, Brazil, Bulgaria, Canada, China, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Japan, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, New Zealand, Norway, Poland, Portugal, Romania, Russia, Slovakia, Slovenia, South Africa, South Korea, Spain, Sweden, Switzerland, Turkey, the United Kingdom and the USA.

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 Korea, China and India the calculations are based on a working week of 40 hours. For all countries, the monthly euro equivalents are based on actual calculations using the exchange rates of 7 November 2018.
As mentioned before, many countries differentiate 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 38.6% of the minimum wage, 16-year-old workers receive 47.9%, 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 apprenticeship. 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 89% and in the final trimester 96% (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 (Belgiummizterület 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 employers 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 minimum wage. For example, in Australia, workers under 16 years of age, apprentices aged under 19 or over 19, 18-20 year-olds receive 97.7% (year of assessment aged under 10 or over 20 but in full year of apprenticeship) in 2018 (mywage.org 2018).

For India, data were not available for 2012.
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 levels 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 Austria, Brazil, France, Germany, or Greece, 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 probably has very small distorting effects in those countries. 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 worker who works at least 40 hours on a monthly basis into account.”

Table 3

<table>
<thead>
<tr>
<th>Country</th>
<th>Percentage of workers earning the minimum wage or less in 2017-2018</th>
<th>Percentage of workers earning the minimum wage or less in 2010-2014</th>
<th>Percentage of workers earning the minimum wage or less in 2007-2009</th>
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<tbody>
<tr>
<td>Belgium</td>
<td>47%</td>
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<tr>
<td>Bulgaria</td>
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<td>Croatia</td>
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<td>Czech Republic</td>
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</table>

Source: Eurofound & OECD (2018), ILO Statistics

COVERAGE

In the light of the absence of minimum wage in several countries, and the fact that in large economies have very different minimum wages despite major wealth differences, it may be worth considering how this impacts the labour market. 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).

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The OECD reports the number of workers earning less than 200% or wages, social security contribution, unemployment rates and the level of development (wageindicator.org 2018).

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, and
but has not yet entered into force and the third country 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, all 37 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 for critical wages, however, have not increased naturally through collective agreements. Sectoral minimum wages mainly cover service sectors like hotels, restaurants and households with children without a labour income may be higher than the sectoral minimum wage in a service sector (Skedinger 2008). Additionally, 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 its 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 Sweden, but also in countries that have not adopted it such as China. Furthermore, 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).

### REFERENCES


