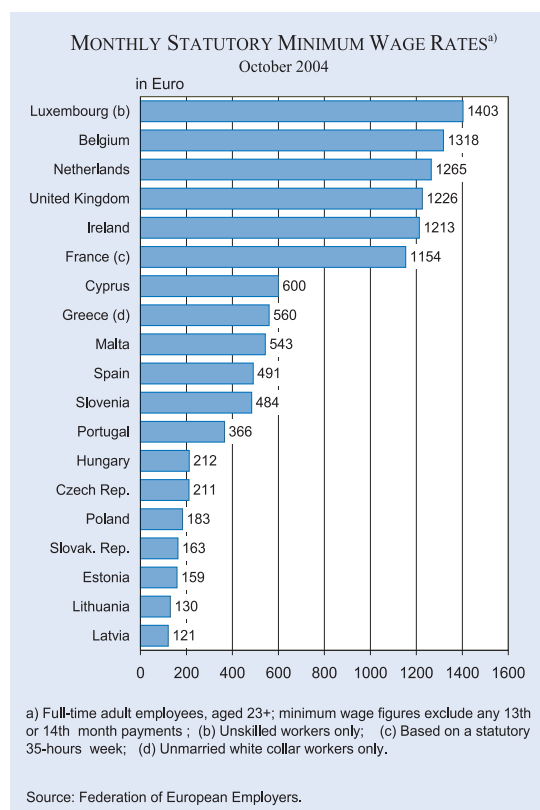


STATUTORY MINIMUM WAGES

Nineteen of the 25 EU member states presently have statutory minimum wages (see the Figure). As a result of a particularly strong tradition of free collective bargaining in Germany, the Scandinavian countries (Denmark, Sweden and Finland), Austria and Italy, these countries have spoken out against the introduction of a minimum wage law. Whereas statutory minimum wages have a long tradition in the majority of the old EU states, they were introduced in Great Britain and Ireland only in the 1990s as a reaction to the decreasing coverage rate of collective agreements and an expanding low-wage sector.

With respect to their absolute level, minimum wages vary considerably from country to country. Compared with the national gross wages of an average production worker the differences are, of course, not that great. The Table shows, however, that countries tolerate different wage dispersions at the bottom. Whereas in France minimum wages were 61.5 percent of average wages in 2003, the corresponding values in the Czech Republic were 32.8 percent and in Poland 31.4 percent.

Although the statutory minimum wage is determined in the end by the individual governments, de facto it is the result in almost all countries of more or less formalised negotiations between govern-



ments and the parties involved in collective bargaining. In Belgium and Greece the minimum wage is explicitly fixed by a national collective agreement. In the remaining countries there are numerous bi- and tri-partite institutions that make specific recommendations for raising the statutory minimum wage. Many European unions see statutory minimum wages as an important hindrance to the growth of the low-wage sector.

W. O.

Wage dispersion

Country	Minimum wage x 12, € ^{a)}	Average earnings, € ^{b)}	Wage dispersion, %
	(1)	(2)	(3) = (1) : (2)
Luxembourg	16,836	32,198	52.3
Belgium	15,816	31,328	50.5
Netherlands	15,180	31,790	47.8
United Kingdom	14,712	32,650	45.1
Ireland	14,556	26,939	54.0
France	13,848	22,533	61.5
Greece	6,720	11,908	56.4
Spain	5,892	16,975	34.7
Portugal	4,392	8,677	50.6
Hungary	2,544	5,150	49.4
Czech Republic	2,532	7,712	32.8
Poland	2,196	6,993	31.4
Slovak Republic	1,956	4,004	48.9

a) October 2004. – b) Earnings of an average production worker in 2003.

Sources: Federation of European Employers; OECD, Taxing Wages 2002-2003, Paris 2004.