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Towards a European Minimum Wage Policy? Fair Wages and Social Europe

ABSTRACT ■ The notion of Social Europe is usually taken to entail the payment of fair wages, defined as at least a minimum sufficient for a decent standard of living. In all European countries there is some regulation of minimum wages, either by law or by collective agreements. However, the value of minimum wages in Europe differs significantly both in absolute level and relative to average or median national wages. Moreover, some national systems of wage regulation have proved ineffectual in preventing the growth of employment paying below the minimum. Against this background there is an ongoing debate on the possibility and desirability of a European minimum wage policy. This article gives an overview of national minimum wage regulation and discusses the opportunity for and resistance to the introduction of a coordinated minimum wage policy at European level.

KEYWORDS: collective bargaining ■ European coordination ■ minimum wages ■ Social Europe

Introduction

When in July 2007 the EU economic and monetary affairs commissioner Joaquin Almunia (2007) was asked in an interview to define concretely his idea of ‘Social Europe’, he answered that ‘every country in the EU should have a minimum wage’. And he continued that even though it was not very likely that a European minimum wage policy would be implemented in the near future, ‘it would be theoretically possible and correct if we in the EU were to oblige each member state to set their own minimum wage’. Almunia has not been the only European policy-maker to raise the issue of minimum wages in order to express a vision of Social Europe. In May 2006 the Prime Minister of Luxembourg and then president-in-office of the European Council, Jean-Claude Juncker, called for ‘the creation of a European minimum wage’ according to which ‘every working person should be entitled to a decent wage’ (2006). A similar argument was put forward by the former European Commission President Jacques Delors

(2006), at a conference of the Party of European Socialists (PES) at the end of June 2006. Delors called on the European employers and trade union confederations to discuss the introduction of a European minimum wage policy in the context of the European social dialogue. In his view, a minimum wage should be established in every EU member state in accordance with the current state of development of the country in question.

Delors's view reflects debates within the French *Parti socialiste* (2004), which called for the introduction of a '*salaire minimum européen*' in its manifesto for the 2004 elections to the European Parliament (EP) (see also Garabiol-Furet, 2006). More recently, Poul Nyrup Rasmussen and Jacques Delors (2006: 71) presented a report to the 7th PES Congress in which they called for 'decent minimum wages' and demanded the introduction of a 'EU target' for national minimum wages. The debate on fair wages has even found its way into recent official EU documents. In January 2007 the German EU Presidency (2007) published a concluding document of an informal meeting of the EU Ministers for Employment and Social Affairs, according to which 'Member States and the social partners are called upon to ensure that wages are set in a fair and adequate manner'. In November 2007 the EP (2007) adopted a resolution declaring that it 'firmly believes that a decent living minimum wage should be established at Member State level in cooperation with the social partners where applicable, in order to make work financially viable'.

The recent debates on fair and equitable wages are a reaction of the European political class to the increasing loss of trust and legitimacy in the EU among growing parts of European labour. Many EU member states have seen an increase in precarious and low-paid employment. According to the most recent available figures, in 2000 more than 15 percent of all employees in the EU15 – more than 20 million wage earners – worked in the low-paid sector (that is, earned an hourly wage less than two-thirds the national median wage) (European Commission, 2004). There is a widespread perception that the predominant neoliberalism in EU policy is actively promoting this development. Among others there is a growing problem of low paid and working poor in Europe.

Although the concepts of fair or equitable wages cover many different aspects and cannot be reduced to the concept of a minimum wage alone, they are often treated as synonymous in the public debate. This is itself an expression of the fact that so many European employees are paid below a nationally accepted social subsistence level, so that for them even the most basic preconditions for fair wages are not fulfilled. A European minimum wages policy, which coordinates national minimum wage regulation according to some common principles at EU level, might become a concrete political project which counteracts the spread of precarious employment and thereby could bring some substance to the idea of Social Europe. This article analyses the preconditions for such a policy

and discusses how it might be implemented. The arguments are presented in four stages. First, I give a brief overview of minimum wage regulation in the EU member states. Second, I examine some normative foundations for a European minimum wage policy as laid down in international and European conventions. Third, I analyse some early attempts to develop a EU policy on minimum wages after the adoption of the EU Community Charter of Fundamental Social Rights for Workers in the first half of the 1990s. Finally, in discussing more recent proposals I examine the opportunities for and resistance to the introduction of a coordinated minimum wage policy at European level.

Minimum Wages in the European Union

Along with most other elements of labour market and industrial relations regulation, minimum wages in the European countries were established in the wake of struggles and compromises that occurred, in a historical process, at the national level. In all EU countries there exist mechanisms to determine a minimum wage level, but countries differ according to whether this is regulated primarily by law or by collective agreement. As many as 20 of the 27 member states have a general statutory minimum wage determined by the government, usually with institutionalized participation by employers' associations and trade unions. In seven member states, minimum wages are almost exclusively determined by collective agreements, at economy-wide, sectoral or company level (IRES, 2006; Schulten et al., 2006a).

Minimum Wages Based on Statutory Regulation

Table 1 ranks those countries with statutory minimum wage systems in terms of the absolute level prescribed, converted where necessary into euros. It is possible to identify three main groups. In the first, there is a relatively high minimum: at the time of writing, between €6.91 and €9.30 per hour or €1195 and €1609 per month. This group comprises the Benelux countries, France, the UK and Ireland. It should be noted that the value of the UK national minimum wage has been artificially deflated by the sharp devaluation of the British pound against the euro in 2008: when the minimum was increased to £5.52 in October 2007 this corresponded to about €8. The subsequent devaluation of the pound has not had a comparable impact on the purchasing power of the minimum wage.

A middle group has minimum wages of between €3.28 and €4.05 euros per hour or €567 and €701 per month. This group comprises three Southern European EU countries, Spain, Malta and Greece and also Slovenia, the highest ranking of the new member states from Central and

Eastern Europe (CEE). Portugal is in an intermediate position between this group and the lowest ranking countries, all from CEE, with minimum wages between €0.65 and €1.97 per hour and €112 and €332 per month.

To some extent these different levels of national minimum wages reflect differences in the cost of living between countries. Measured in purchasing power standards the ratio between the lowest and the highest statutory minimum wage falls from 1:14 to around 1:6, as is shown in

TABLE 1. Statutory Minimum Wages in the European Union in Euro and Purchasing Power Standards (PPS)^a

	Euro ^b		PPS ^c		Latest considered increase
	per hour	per month	per hour	per month	
Luxembourg	9.30	1609	9.01	1559	1 March 2008
France	8.71	1324	8.11	1233	1 July 2008
Ireland	8.65	1462	6.93	1171	1 July 2007
Belgium	8.41	1388	7.92	1307	1 May 2008
Netherlands	8.33	1357	8.02	1307	1 July 2008
UK	6.91	1195	6.28	1086	1 October 2007
Greece	4.05	701	4.54	786	1 September 2008
Spain	3.59	600	3.85	643	1 January 2008
Malta	3.55	615	4.84	838	1 January 2008
Slovenia	3.28	567	4.35	752	1 March 2008
Portugal	2.55	426	2.98	497	1 January 2008
Czech Republic	1.97	325	3.22	530	1 January 2007
Poland	1.92	332	3.20	554	1 January 2008
Estonia	1.61	278	2.42	418	1 January 2008
Hungary	1.61	279	2.76	478	1 January 2008
Slovakia	1.54	267	2.71	469	1 October 2007
Lithuania	1.34	232	2.36	409	1 January 2008
Latvia	1.34	231	2.21	381	1 January 2008
Romania	0.79	136	1.39	240	1 January 2008
Bulgaria	0.65	112	1.45	250	1 January 2008

^aCalculations on the basis of the following weekly working hours: *40 hours*: Estonia, Greece, UK, Latvia, Lithuania, Luxembourg, Malta, Poland, Slovenia, Hungary; *39 hours*: Ireland, Slovakia; *38.5 hours*: Spain, Portugal; *38 hours*: Belgium, Czech Republic; *37.5 hours*: Netherlands; *35 hours*: France.

^bCalculations from national currencies into Euro were made on the basis of the exchange rate on 10 June 2008.

^cCalculations were made on the basis of purchasing power parities (PPPs) for 2006 as provided by Eurostat Database on Minimum Wages; PPPs are used to recalculate the current minimum wages expressed in euro into an artificial common currency (the Purchasing Power Standards), eliminating price level differences across countries.

Source: WSI Minimum Wage Database.

Table 1 (see also Regnard, 2007). Yet evidently there remain considerable differences in the *relative* minimum wage level, that is, the value of the national minimum wage in relation to earnings levels more generally. The relative minimum wage level could be measured as a proportion of either the national *median* wage or the national *average* (or mean) wage. However, there are various methodological difficulties in determining median and average wages, so that the statistics provided by both OECD and EUROSTAT are based on non-harmonized national sources and contain some significant differences (see Table 2).

But despite the methodological difficulties, all available statistics show a similar picture according to which there are significant differences in the relative minimum wage levels of the various countries. Relative to the median wages of full-time employees, France had by far the highest minimum wage levels, amounting to 62 percent of the national median wage. In contrast, the lowest relative minimum wage levels were in the Czech

TABLE 2. Relative Minimum Wage Levels in Europe 2006

Minimum wage as percent of ...	Median wage of full-time employees	Average wage of full-time employees	Average monthly earnings in industry and services
Data source	OECD	OECD	EUROSTAT
France	62	50	
Belgium	52	40	46 ^b
Hungary	49	36	40
Ireland	48	39	51
United Kingdom	45	37	37
Slovakia	45	34	35
Greece	44	40 ^a	
Netherlands	44 ^a	39 ^a	46 ^a
Portugal	44 ^a	34 ^a	41
Luxembourg	43	43	50
Poland	42 ^a	35 ^a	36
Czech Republic	40	34	40
Spain	37	34	41
Malta			51
Bulgaria			50 ^a
Slovenia			47
Lithuania			36
Latvia			34 ^a
Estonia			33 ^a
Romania			33 ^a

^a2005; ^b2002.

Sources: OECD Minimum Wage Database; Eurostat Database on Minimum Wages.

Republic and Spain, with values of 40 and 37 percent respectively. Similar differences can be found when comparing minimum wages as a proportion of average wages. While in some countries the relative minimum wage level is around 50 percent, in others it is less than 35 percent, a difference of nearly 20 percentage points. A further complication is that the progressivity of income taxation affects the relationship between *net* minimum wages and *net* average wages. OECD calculations indeed indicate that in most countries, relative net minimum wage levels are somewhat higher than they are on a gross basis because of the lower tax burdens for low-paid workers (OECD, 2007).

Minimum Wages Based on Collective Agreements

Seven EU member states have no national statutory minimum wage. The Scandinavian countries – Denmark, Finland and Sweden – together with Germany, Austria and Italy rely on collective agreements alone to ensure minimum wage protection. Cyprus has also no general statutory minimum wage but does prescribe statutory minima for certain occupations (as was formerly the case in the UK). These groups – sales staff, clerical workers, auxiliary healthcare staff and auxiliary staff in nursery schools, crèches and schools – are weakly unionized and not covered by effective collective bargaining. In all these countries, the rationale for the absence of a general statutory minimum is that the high coverage of collective agreements provides a functional equivalent, ensuring minimum wage protection by voluntary means (see Table 3).

In the Scandinavian countries the ‘Ghent system’ – where trade unions administer unemployment insurance – supports a very high trade union membership which ensures that a large majority (officially, between 82 and 92 percent of employees) are covered by collective agreements. In Austria, the fact that membership of the *Wirtschaftskammer* (Federal Chamber of Business) is compulsory for employers ensures that the binding effect of collective agreements applies to almost all workers across the entire country. Recently, the peak organizations of employers and trade unions have agreed to support the introduction of a minimum wage of €1000 per month through sectoral collective agreements (Hermann and Schulten, 2007). In Italy, the constitution (Article 36) prescribes a right to an adequate wage, which, as consistently interpreted by the labour courts, ensures that every employee is entitled to the lowest collectively agreed wage rate for the sector concerned.

The various functional equivalents for a statutory minimum wage should in principle ensure that there is comprehensive and effective collectively agreed minimum wage protection in these countries. This requires, however, that the coverage of collective agreements is universal, whereas this is rarely the case, and lower-paid workers are particularly

TABLE 3. Functional Equivalents for National Statutory Minimum Wages

Countries	Functional equivalent	Collective bargaining coverage
Denmark, Finland, Sweden	Ghent system. High union density	82–92%
Austria	Compulsory membership of employers in the <i>Wirtschaftskammer</i> Agreement between peak organizations of unions and employers on a minimum wage of €1000 per month to be concluded in sectoral collective agreements	~98%
Italy	Constitution (Art. 36) provides the right to an adequate wage, which according to judicial rulings means the collectively agreed wage.	~70%
Cyprus	Statutory minimum wages for some occupations	68%
Germany	Very few branch-level minimum wages on the basis of extended collective agreements	65%

Source: Own compilation. Bargaining Coverage from European Foundation (2007).

likely to lack effective coverage. Of the seven countries without statutory minimum wage regulation, this is certainly a problem in Germany, where bargaining coverage has significantly decreased in the last decade and there is currently an intensive debate on whether to introduce a statutory minimum wage (Sterkel et al., 2006). In addition, Germany has introduced branch-level minimum wages in a very few sectors (e.g. construction and postal services) through ministerial extension of collective agreements (*Allgemeinverbindlichkeitserklärung*). However, extension requires the support of both unions and employers, and in most low-wage sectors the employers have refused to conclude a collective agreement for a sectoral minimum wage (Bispinck and Schulten, 2008).

There are no comparative statistics on the absolute and relative value of collectively agreed minimum wages in the seven countries. Considering the traditionally relatively low level of wage dispersion, however, in the Scandinavian countries the relative minimum wage levels seem to be rather high. A study by Hansen and Andersen (2007) found that the lowest collectively agreed minimum wages in Denmark were around 58 percent of the average wage. According to Skedinger (2007) the collectively agreed minimum wages in Sweden vary between 60 and 72 percent of the median wage, depending on the sector. In Austria, the target minimum wage of

€1000 euro per month corresponds to 49.5 percent of the median and 42.8 percent of the average wage (Hermann and Schulten, 2007). In contrast, in Germany some sectoral agreements provide very low minimum wages of between €4 and 6 per hour, or approximately 20 to 30 percent of the average wage (Bispinck and Schulten, 2008).

Normative Foundations for a European Minimum Wage Policy

A justification for a minimum wage policy at European level can be found in various international and European agreements and conventions which prescribe an entitlement to a 'fair' or 'equitable' wage. Most of these agreements are not legally binding in a strict sense but they provide a strong moral and political commitment. The 1948 United Nations Declaration of Human Rights, for example, states that '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, Para. 3). A similar provision can be found in the 1961 European Social Charter of the Council of Europe, according to which 'all workers have the right to a fair remuneration sufficient for a decent standard of living for themselves and their families' (Part I, Article 4). Moreover, the 1989 EU Community Charter of Fundamental Social Rights for Workers says that 'workers shall be assured of an equitable wage, i.e. a wage sufficient to enable them to have a decent standard of living' (Article 5). There is, however, no provision on equitable wages in the more recent EU Charter of Fundamental Rights, adopted by the Council in December 2000 (European Commission, 2000).

In all international and European agreements a 'fair' or 'equitable' wage is related to a decent standard of living. It must not only guarantee a minimum of subsistence but should also allow adequate participation in society. Perhaps the most advanced discussion on how to calculate a decent wage took place within the Council of Europe, which was searching for an instrument to measure whether or not a state which had ratified the European Social Charter actually guaranteed its citizens a decent wage. In the 1970s the Council's European Committee of Social Rights (ECSR) proposed a definition according to which a decent wage should be at least 68 percent of the national average *gross* wage. In addition, the ECSR stated that compensatory factors such as tax and welfare benefits should be taken into account. Since there has never been a framework for assessing the weight of these compensatory factors, the ECSR was finally forced to abandon the 68 percent threshold. However, in the second half of the 1990s it developed a new benchmark which now specifies that a decent wage has to be at least 60 percent of the national average *net* wage.

The change from a gross to a net perspective has been widely criticized, not only because it has become much more difficult to evaluate a net threshold but also because it shifts the responsibility for providing decent wages from the employers to the state (Lörcher, 2006; Murray, 2004).

There are also two ILO conventions, No. 26 from 1928 and No. 131 from 1970, which deal explicitly with the establishment of minimum wages. According to the latter, 'each Member of the ILO which ratifies this Convention undertakes to establish a system of minimum wages which covers all groups of wage earners whose terms of employment are such that coverage would be appropriate' (Article 1, Para.1). Furthermore, the Convention states that the establishment and adjustment of minimum wages should take place 'in agreement or after full consultation with the representative organizations of employers and workers concerned' (Article 1, Para. 2). According to the ILO conventions, minimum wages have to be seen as fundamental instruments for the regulation of labour markets in order to guarantee decent wages.

Early Attempts to Develop a Minimum Wage Policy at EU Level

The concept of a European minimum wage policy was first debated at EU level after the adoption of the Community Charter of Fundamental Social Rights for Workers in 1989, specifying the right to an 'equitable wage' to be guaranteed 'in accordance with arrangements applying in each country'. The Charter was adopted to counter fears by European trade unions and other social organizations that the introduction of the European Single Market might lead to a reduction of workers rights and increasing wage dumping, by strengthening the 'social dimension' of the integration process. Although the Charter never became a legally binding document, it had a strong political influence on the EU social policy in the first half of the 1990s.

In order to translate the Charter's right to an 'equitable wage' into political practice, both the Commission and the EP put forward a number of proposals which amounted to a minimum wage policy coordinated at European level. In 1990 the Commission first of all established an international group of experts which concluded that there were already a significant number of low-paid workers in Europe (Schäfer, 1991). The Commission then published an 'opinion on an equitable wage' in which it emphasized that 'the problem of low pay is an issue in all countries of the European Community' and that 'the persistence of very low wage levels causes problems of equity and social cohesion, which could be harmful to the effectiveness of the economy in the long term' (European Commission, 1993: 7).

In view of the existing low-wage sector in Europe, the Commission demanded the member states 'take appropriate measures to ensure that the right to an equitable wage is protected'. Such measures should include: 'further legislation including legislation on discrimination, in particular on grounds of gender, race, ethnic origin or religion; means of ensuring fair treatment for workers in all age groups and for home workers; mechanisms for the establishment of negotiated minima and the strengthening of collective bargaining arrangements'. The Commission also invited the 'social partners' to address the issue of 'equitable wages' at 'Community, national, regional and local level' (1993: 9–10). For its own part, the Commission declared that it would further monitor wage developments in Europe and promote further studies to review the implementation of equitable wages at national level.

The 1993 Commission opinion can be seen as a first, rather vague initiative for the coordination of national minimum wage policies at European level. In response the EP proposed to go one step further and called for more binding European guidelines for national minimum wages. In 1993 a report from the EP's Social Affairs Committee encouraged all member states 'to establish a minimum wage which amounts to a certain proportion of the national average wage' (EP, 1993).

The implementation of a European minimum wage policy, however, failed in the second half of the 1990s because of the political resistance of various member states. When the Commission presented its so-called 'progress report on equitable wages' in 1997 there were just seven of the (then) 15 member states which were prepared to provide accurate data on their national wage structures (European Commission, 1997). The majority of member states argued that minimum wage policy should remain a national matter and the EU should not become active on this topic. Although EU competence on social issues had been significantly extended in the early 1990s by the inclusion of the 'social chapter' in the Maastricht Treaty, the issue of pay was explicitly excluded (Treaty on European Union, consolidated version, Article 137, Para. 5).

Moreover, during the 1990s many EU countries changed their political focus towards a flexibilization of labour markets (Gray, 2004) which promoted the growth rather than the limitation of the low wage sector. They were strongly supported by parts of the Commission, in particular, the Directorate General for Economic and Financial Affairs (ECOFIN), which began (for example in the regular Broad Economic Policy Guidelines) to demand much higher wage dispersion. In line with mainstream neoclassical economics, the extension of a low-wage sector was seen a major precondition for solving the problem of high unemployment. This policy background explains the exclusion of the right to an equitable wage from the Charter of Fundamental Rights in 2000. Moreover, the concept of

an equitable wage was no longer seen as a fundamental social right but ‘as simply setting [a] policy objective’ (European Commission, 2000: 7).

Since the late 1990s there have been no more efforts by the Commission to establish a European minimum wage policy. However, at least Directorate General for Employment and Social Affairs has continued to emphasize the need for equitable wages in the context of other policy debates. One example is the debate on ‘quality of work’ which for a time became rather prominent at EU level after the Council at its Lisbon summit in 2000 called for ‘more and *better* jobs’. For example, a Commission communication stated that the promotion of an ‘intrinsic job quality’ needs ‘to ensure that jobs are intrinsically satisfying, compatible with persons’ skills and abilities, and provide appropriate levels of income’ (European Commission, 2001).

More recently, the Commission has raised the issue of minimum wages as an instrument to promote wage equality between men and women, since the latter are usually very much overrepresented in the low-wage sector. For example, in its Joint Employment Report 2004–05 the Commission recommended Austria to introduce a net minimum wage of €1000 per month in order to reduce the relatively high gender pay gap (European Commission, 2005a).

The Directorate General for Employment and Social Affairs also published a study which concluded that, contrary to the neoliberal mainstream view, there is no trade-off between wage dispersion and the level of employment (European Commission, 2005b). The study could be read as a strong criticism of the repeated demands for higher wage dispersion coming from ECOFIN. To sum up, although there is currently no minimum wage policy at European level, there are various other fields of EU policy where minimum wages might play an important role.

Finally, a possible (re-)establishment of a European minimum wage policy might become more appropriate, given the increasing use from the second half of the 1990s of new forms of EU governance known as the ‘open method of coordination’ (OMC) in the fields of social and employment policy (Zeitlin and Pochet, 2005). In contrast to a traditional approach, based primarily on ‘hard law’ of a mandatory character, the OMC-type governance mechanism represents a new form of ‘soft law’ such as guidelines and indicators, benchmarking and sharing of best practice. The basic idea of the OMC method is that certain policy aims and guidelines are defined at European level, that afterwards have to be adopted at national level through national strategies or national action plans taking account of national diversity. Considering the large differences between the national systems of minimum wage protection, the OMC approach seems to provide a practicable way to introduce a European minimum wage policy.

Prospects for a (Re-)establishment of a European Minimum Wage Policy

As shown in the introduction, more recently minimum wages have become a relatively prominent issue in the debate among European policy-makers. This is first of all a reaction to the declining acceptance of EU policy among working people, as has been expressed very clearly, for example, in the negative referendum votes on the European Constitution in France and the Netherlands in 2005, and on the Lisbon Treaty in Ireland in 2008 (when working-class voters were very heavily against). In France, the non-existence of a right to a minimum wage in the draft European Constitution was explicitly used as an argument to vote against (Husson, 2005). Moreover, it was in particular EU enlargement and the fears of growing labour migration from Eastern to Western Europe which put the protection of minimum wages on the political agenda. According to some recent judgments of the European Court of Justice from 2007 and 2008 (the Viking, Laval, Ruffert and Luxembourg cases), national regulation on employment standards for migrant workers is allowed to use only those instruments which are covered by the Posted Workers Directive, namely statutory minimum wages or extended collective agreements. Since some member states, in particular the Scandinavian countries, have neither the former nor the latter but rely exclusively on voluntary collective agreements, there is a growing danger that foreign companies might undermine existing minimum wage standards. Finally, as the EP (2007) has recognized, 'in many Member States the minimum wage is set very low or at below subsistence level'. In order to guarantee every worker a decent level of pay the latter would require a coordinated policy on minimum wages at European level.

In principle, there are three different approaches to a European minimum wage policy. First, there is the concept of a single harmonized European minimum wage which has been demanded by some leftist groups and trade unionists, in particular in France and other Southern European countries. Considering the huge discrepancy in the value of the statutory minimum wages in Europe and the underlying differences of economic development this approach seems to be neither rational nor feasible.

The second approach, which was proposed among others by Bourdieu (1997) already in the 1990s, is to have different harmonized minimum wages for some clusters of countries with comparable economic standards. Since there are already three groups of countries in the EU in which the minimum wage levels are relatively close to each other, at first glance this approach seems to have much more plausibility. However, even if the minimum wage levels are similar in their nominal value, they can be very

different regarding their relative value, which depends on the national costs of living as well as on the national wage structure.

Most proponents of a European minimum wage policy, therefore, argue for a harmonization not of the *nominal* but of the *relative* minimum wage level, that is, a European norm which defines criteria for national minimum wages to be in proportion to the national economic performance. There are several variants of this third approach. Within the French *Parti socialiste* and the French union CGT, for example, proposals have been made to introduce a European minimum wage on the basis of national purchasing power standards, according to which after a certain convergence period all minimum wages should have the same purchasing power (Filoche, 2004; Metz, 2006). Other proposals coming mainly from circles of the European socialist and social democratic parties have argued for a 'EU target for the minimum wage in terms of GNP per capita' (Rasmussen and Delors, 2006: 71; see also Garabiol-Furet, 2006). According to this proposal the minimum wage should be a specific proportion of overall average income.

Finally, some proposals refer to the older debates on equitable wages within the Council of Europe and suggest a European minimum wage norm as a certain proportion of the average or median wage. Among the latter are the 'Theses for a European minimum wage policy' developed jointly by researchers from the *Wirtschafts- und Sozialwissenschaftliches Institut* (WSI) of the Hans-Böckler-Stiftung in Germany, the *Denknetz* in Switzerland and the *Institute de Recherches Economiques et Sociales* (IRES) in France. The French-German-Swiss group proposed that all countries of Europe should gradually raise their minimum wage to a level corresponding in the first instance to 50 percent of the national average wage, which is seen as the threshold for a 'poverty wage'. In a medium-term perspective it should be raised to 60 percent (Schulden et al., 2006b). A similar suggestion was made by the European Federation of Public Service Unions (EPSU), which has argued that statutory minimum wage rates should be increased to at least 60 percent of national median earnings in each country, while collectively agreed minimum rates should be even higher (EPSU, 2006).

Apart from EPSU, which launched a campaign against low pay in Europe in 2006, the European trade union organizations have not so far been very active on this issue. In fact, already in 1990 the European Trade Union Confederation (ETUC) adopted a resolution demanding that 'every worker must have the right to a guaranteed minimum wage which is underpinned either by legislation or by collective agreement' and that 'this principle must be the subject of Community legislation' (ETUC, 1990: 161). In practice, however, minimum wages have never been a focus of ETUC policy. It was only when the political debate became more

widespread at EU level that the ETUC has also started to pick up this issue.

The debates within the European trade unions on the necessity and utility of a European minimum wage policy have proved rather controversial (ETUC, 2007a). There is a strong scepticism or even rejection from the Scandinavian and the Italian trade union organizations in particular, which are committed to their national systems of collectively agreed minimum wages and do not want to give the state any power in the determination of wages. The chief economist of the Danish LO confederation, Jan Kæraa Rasmussen, even called the idea of a EU norm on minimum wages 'an attack on the Danish model' (*Arbejderen*, 19 September 2007).

In other countries there are currently debates over the appropriate level of the statutory minimum wage. In Spain, for example, where the relative value of the minimum wage is still among the lowest in Europe, the unions have proposed substantial increases, according to which the national minimum wage should rise progressively to 60 percent of the average wage by 2016. In justification of their proposal the unions explicitly refer to the right to a fair wage as laid down in the European Social Charter of the Council of Europe from 1961 (CC.OO and UGT, 2007). The ruling Spanish Socialist Workers' Party (PSOE) has also declared its support for this plan (Diaz, 2007). Similar approaches can be found in some of the Eastern European countries. In Poland, for example, the parliament in 2005 approved new rules for adjusting the national minimum wage, whereby it will increase by forecast inflation plus two-thirds of the GDP growth rate, until it reaches half of the national average wage (Czarzasty, 2005). In Lithuania, the trade unions are campaigning for a gradual increase in the minimum wage to 50 percent of the average wage (Blažiene, 2006).

In the UK, some unions, for example, the public services union UNISON, have consistently argued 'that a minimum wage should be set at a rate which provides a "living wage", that is sufficient income to secure an adequate living standard, without dependence on in-work benefits' (UNISON, 2007: 1). Consequently, UNISON demands a substantial increase in the national minimum wage to at least 50 percent of the male median wage (UNISON and YMCA, 2004). In Germany, the unions call for the introduction of a statutory minimum wage which should start at a value of €7.50 per hour and should be increased to 50 percent of the average wage in a medium-term perspective (Bispinck and Schulten, 2008).

Given the different viewpoints among the European trade unions, the issue of a European minimum wage policy was one of the very few controversial issues at the last ETUC Congress in May 2007 (Dufresne and Gobin, 2007). The ETUC finally adopted a compromise, according to

which it will ‘support union campaigns for effective minimum wages in those countries where unions consider them necessary’. On the other hand, it stated that currently ‘differences in skills, productivity, living standards and *union policies* are too great for a campaign on common European-wide minimum wage mechanisms’ (ETUC, 2007b; emphasis added). Because of its internal differences, for the moment the ETUC is not actively pushing for a European minimum wage policy, but it has at least decided to continue discussions on this issue.

Resistance to a European minimum wage policy also comes from the employers’ side. For example, BusinessEurope recently declared (2008: 17) that ‘the proposed EU target minimum wage, as a proportion of GDP is not in line with the subsidiarity principle, as it is the role of member states to decide upon such matters’.

Conclusion

The controversies within the European trade unions, which to a certain extent could be seen as symptomatic of the more general political debates (Bussemeyer et al., 2006), make clear that a European minimum wage policy could not mean that all EU countries would have to introduce a statutory minimum wage. On the contrary, it has to accept national autonomy in choosing the institutions for minimum wage determination. A European minimum wage policy might become a classic case of the so-called open method of coordination (OMC), according to which specific goals and deadlines are set at European level which then have to be implemented in the national frameworks via the customary institutions and procedures. Depending on national tradition it is possible to use statutory minimum wages, national collective agreements, extension of sectoral agreements or combinations of these procedures. The European level then has the task of overseeing the implementation at national level and of contributing, through a comprehensive monitoring of national minimum wage policies and wage outcomes, to the spread of ‘good national practices’. Furthermore, the EU has to provide up-to-date and comparable data on wage movements in Europe, to allow an accurate evaluation of the relative value of national minimum wages.

For the European trade unions there are two ways of participating in a European minimum wage policy. First, both trade unions and employers’ organizations could become involved in the development of the concrete aims and procedures of such a policy through the established channels of tripartite social dialogue. Second, the unions could support such a policy by setting their own targets for their internal European coordination of collective bargaining and could organize transnational campaigns against low pay – as already proposed by EPSU (2006).

Against the background of an integrating European labour market and increasing sense of precariousness among many European workers, recent comments by leading European politicians may have opened a 'window of opportunity' for political initiatives aimed at establishing certain minimum standards in EU labour markets, including minimum wage standards. A campaign for a European minimum wage policy could bring together an alliance of trade unions, political parties and NGOs and social movements that would have more in common, and more to fight for, than mere rejection of a neoliberal Europe. Rather they would have the goal of implementing a framework in which national minimum wages would be protected from erosion and the lowest-paid workers in each European country assured a decent standard of living and their societies a minimum of social cohesion. Particularly in the context of recent enlargement, it would also ensure that the lowest paid in the new member states – and thus the lowest paid in the EU as a whole – benefit proportionally from the now rising average wage in these countries. All this would give effective, concrete and visible expression to the wider demand for a social Europe.

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