What’s in a name? From minimum wages to living wages in Europe

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Summary
The development of a European minimum wage policy is back on the political agenda. While in the past the debate about a European minimum wage policy was largely detached from developments at national level, more recently the debate has been based on various national-level initiatives to ensure a living wage that enables workers and their families to enjoy a decent standard of living. Based on an introduction to the living wage concept, this article analyses how recent living wage initiatives in several EU Member States and the development of a European minimum wage policy could mutually reinforce each other and eventually result in a European living wage policy. In view of the significant heterogeneity of minimum wage regimes and welfare state traditions across Europe, the article calls for a pragmatic approach that adopts a common European target of 60 per cent of the national median wage as the benchmark for an adequate minimum wage.

Résumé
Le développement d’une politique européenne du salaire minimum a fait sa réapparition à l’agenda politique. Alors que dans le passé, le débat relatif à une politique européenne du salaire minimum était largement déconnecté des évolutions en cours au niveau national, les discussions les plus récentes sont basées sur différentes initiatives prises au niveau national pour garantir un living wage qui assure un niveau de vie décent aux travailleurs et à leurs familles. Sur la base d’une introduction au concept de living wage, cet article analyse comment les récentes initiatives adoptées dans plusieurs États membres de l’UE à propos du living wage et le développement d’une politique européenne du salaire minimum peuvent se renforcer mutuellement, et finalement déboucher sur une politique européenne du living wage. Compte tenu de l’hétérogénéité considérable qui prévaut en Europe en matière de régimes de salaire minimum et de traditions de protection sociale, l’article plaide pour une approche pragmatique, qui vise un objectif européen commun correspondant à 60% du salaire médian national comme norme de référence en termes de capacité de la rémunération minimale à garantir un niveau de vie décent.

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Zusammenfassung

Keywords
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Introduction
In July 2019, the new president of the European Commission, Ursula von der Leyen, presented her ‘Agenda for Europe’, in which she announced a European initiative on minimum wages: ‘Within the first 100 days of my mandate, I will propose a legal instrument to ensure that every worker in our Union has a fair minimum wage. This should allow for a decent living wherever they work’ (Von der Leyen, 2019: 9). In many European countries the issue of minimum wages also played a prominent role in the 2019 election campaigns for the European Parliament, particularly in France and Germany. In France, President Emmanuel Macron repeatedly proposed ‘a minimum European wage appropriate to each country and discussed collectively every year’ (Macron, 2019). In Germany, Chancellor Angela Merkel confirmed that minimum wages had become a ‘current topic in the European Union’ and called for ‘comparable minimum wages that take into account the different living standards in our countries’ (Merkel, 2019). The German labour minister, Hubertus Heil, even announced the preparation of a concrete ‘initiative for a European minimum wage’ to be launched during the German EU presidency in 2020 (Heil, 2019). Because, furthermore, the introduction of a European minimum wage policy seems to have gained support from almost all parts of the political spectrum it will most likely be a key issue on the EU policy agenda in the future.

The debates on a European minimum wage policy, however, are anything but new. They go back to the 1990s when the EU discussed the implementation of the EU Charter of the Fundamental Social Rights of Workers of December 1989, according to which all workers in the EU ‘shall be assured of an equitable wage, that is, a wage sufficient to enable them to have a decent standard of living’ (Schulten, 2008). Since then the debate on a European minimum wage policy has arisen frequently, especially during European election campaigns. Apart from a few non-binding European Parliament resolutions, however, the issue has never been transformed into concrete policies. Most recently, the former president of the European Commission, Jean-Claude Juncker, paid lip-service to the idea of a European minimum wage policy before his election but
did not launch any political initiative when in office. Even the adoption of the European Pillar of Social Rights in 2017, which again contains a ‘right to fair wages that provide for a decent standard of living’ and called for ‘adequate minimum wages’ to prevent in-work poverty, has not yet led to any concrete policy initiatives.

In the literature, various arguments have been raised that purport to show why the implementation of a European minimum wage policy would be difficult, if not impossible. First, there are substantial differences in minimum wage levels, ranging from around €12 per hour in Luxembourg to below €2 in Bulgaria (Schulten and Lübker, 2019). It is therefore obvious that a European regulation on minimum wages is not about setting a single European minimum wage rate, but rather defining a common European target for national minimum wages in relation to average or median national wage levels.

Second, the national minimum wage regimes in the EU, namely the procedures, institutions and actors who determine the minimum wage, also vary significantly. While a majority of 22 EU countries have a single national minimum wage, mainly established by law, there are six countries with no national minimum wage, but a strong tradition of autonomous collective bargaining and high bargaining coverage. The latter include, in particular, the Nordic countries, where not only almost all political parties but also the trade unions are strongly resistant to a European minimum wage policy, which they regard as a fundamental threat to the Nordic wage-setting model (Schulten et al., 2015; Seeliger, 2018).

Third, there is the question of whether or not the EU has a solid legal basis for a European minimum wage policy. According to Article 153(5) of the Treaty on the Functioning of the European Union (TFEU), the issue of pay is explicitly excluded from EU social policy competences (De Baere and Gutman, 2017). On the other hand, various international and European conventions call for political action in order to guarantee the right to decent pay (see Zimmer, 2019). Despite the legal uncertainty, however, the EU has a longstanding practice of, at least formally, non-binding recommendations on pay issues, including minimum wages, as in the context of the European Semester, not to mention EU interventionism in countries covered by the EU bailout programme (Schulten and Müller, 2015).

Fourth and finally, debates on a European minimum wage have often been more symbolic in character, aimed at emphasising the notion of a more social Europe rather than defining a concrete policy project. These debates therefore have usually remained fairly abstract, without really attempting to work out details for implementation. Moreover, these European debates have usually borne no relation at all to current minimum wage policies at national level.

Considering all the obstacles and resistance to a European minimum wage policy, it might well be that the current debates and proclamations will again lead to nothing. In this article, however, we will argue that things may be different this time. The differences are grounded in more recent initiatives and political struggles in many EU countries in favour of a more substantial increase of minimum wages. Despite all national particularities, the common feature of all these initiatives is the concept of a living wage, although the explicit use of the term is still limited mainly to Anglophone countries. As a matter of fact, in most EU countries minimum wages are set at rather low levels, often below the poverty threshold, and do not allow for a decent living without additional income support from the state; in other words, they are not living wages.

In what follows we will first provide a brief introduction to the living wage concept, and its moral and economic justification, as well as examining how it differs from other forms of wages and income. We will then provide a comparative overview of recent living wage initiatives in Europe. Finally, we will discuss whether these initiatives might become the real basis for a European minimum wage policy, which would therefore be a policy on living wages.
The concept of a living wage: economic and normative arguments

In the first instance the living wage concept belongs to the moral economy and draws on normative assumptions. The Scottish economist and moral philosopher Adam Smith is considered to be one of the first people to formulate a living wage concept (Clary, 2009). According to Smith, ‘a man must always live by his work, and his wages must at least be sufficient to maintain him’. Moreover, ‘they must even upon most occasions be somewhat more, otherwise it would be impossible for him to bring up a family’ (Smith, 1789/2007: 57–58). What exactly Smith meant by a sufficient wage becomes clear from what he said about the ‘necessaries’ that have to be covered by the wage: ‘By necessaries I understand not only the commodities which are indispensably necessary for the support of life, but whatever the custom of the country renders it indecent for creditable people, even of the lowest order, to be without’ (Smith, 1789/2007: 676). Later on, Karl Marx (1887: 121) added that the value of labour always contains a ‘historical and moral element’, which depends on the state of social and cultural development, but also on the wage struggle between capital and labour.

The term ‘living wage’ dates back to the late 19th century and was first of all a reaction to the poverty wages at the time. The term came to be used more widely in the early 20th century, when it was popularised by John A Ryan’s book *A living wage – its ethical and economic aspects* (Ryan, 1912). The living wage concept basically determines the normative demand for a wage income, which is supposed to provide all workers with a decent living regarding both the provision of basic needs, such as food, housing and clothes, as well as the possibility to participate in cultural and social life. Moreover, the living wage concept was also seen as key to the emancipation of the working class as it would provide the economic freedom necessary for political participation (Glickman, 1997: 3).

During the 20th century the living wage concept found its way into various international documents and conventions (Anker, 2011; Schulten et al., 2015; Zimmer, 2019). It started with the Preamble to the Constitution of the International Labour Organisation of 1919, which referred explicitly to ‘the provision of an adequate living wage’. Later on, demands for a ‘fair’ or ‘decent’ wage were included, for example, in the UN Universal Declaration of Human Rights of 1948, the International Covenant on Economic, Social and Cultural Rights of 1966 and ILO Convention No. 131 on Minimum Wages of 1970. In Europe, similar provisions can be found in the European Social Charter of the Council of Europe of 1961, the EU Charter of the Fundamental Social Rights of Workers of December 1989 and, most recently, the European Pillar of Fundamental Social Rights of 2017. In all these documents a living wage is defined as a fundamental social right for all workers.

Despite its normative foundations, right from the beginning there was also always an economic justification for the living wage concept (Stabile, 2008, 2016). For Smith and Marx as representatives of the labour theory of value, paying living wages was a necessity for the reproduction of labour as a commodity and for the functioning of a capitalist economy. Later on, Beatrice and Sidney Webb developed their critique of what they called ‘parasitic trades’, which were based on business models that depended on paying non-subsistence wages (Webb and Webb, 1887). According to the Webbs, companies that do not pay living wages externalise their social costs to society as a whole, which as a consequence has to guarantee workers’ subsistence. A legal minimum wage, therefore, has the objective ‘to secure the community against the evils of industrial parasitism’ (Webb, 1912: 993). The argument became fairly prominent in the 1930s when US president Franklin D Roosevelt used it to justify his demand for the introduction of a nationwide minimum wage: ‘It seems to me to be equally plain that no business which depends for existence
on paying less than living wages to its workers has any right to continue in this country. (….) by living wages I mean more than a bare subsistence level – I mean the wages of decent living’ (Roosevelt, 1933).

The concept of a living wage stands in sharp contrast to the neoclassical view of the labour market and its theory of marginal productivity. The latter assumes that companies will pay workers only in line with their individual productivity. If a worker’s productivity is below their basic living costs the employer cannot pay a living wage because this would not be economically sustainable. From such a perspective, it is the responsibility of the state to guarantee the workers’ subsistence by providing additional income support. All concepts of negative income tax or in-work benefits follow such a logic. By contrast, proponents of a living wage view such payments as unjustified subsidies and consider companies responsible for paying decent wages.

Another historical pioneer in developing economic arguments in favour of a living wage was the Wisconsin Institutional School of Economics, which was one of the intellectual masterminds behind the New Deal in the 1930s and its new emphasis on labour market regulation (Stabile, 2016: 24–42). In their critique of neoclassical labour market theory, the representatives of traditional American institutional economics formulated their own economic rationale for minimum wages, based primarily on four points (see Kaufman, 2010). First, they followed the microeconomic assumption that the bargaining power of labour and capital was structurally unequal, which had to be offset by labour market institutions such as collective bargaining or minimum wages. The case discussed in modern monopsony theory (Manning, 2005) was thus assumed to be the rule in capitalist economies.

Second, they emphasised the role of minimum wages as a macroeconomic stabiliser because they boost private demand and help to prevent deflation and ruinous price competition. These arguments partly anticipated the theories developed later on by Keynes and post-Keynesians (Herr et al., 2017). Third, the American institutional economists assumed that adequate minimum wages have positive effects on job satisfaction and workers’ productivity, as recognised later in modern efficiency wage theory (Yellen, 1984). Finally, they adopted the Webbs’ arguments that, without living wages, the state has to cover significant consequential costs by providing inefficient subsidies, which hamper both economic and social progress.

The calculation of living wages

Looking at the different living wage initiatives around the world or even only in Europe, there is no universally accepted approach. A wide variety of calculation methods are used in the various countries. Although some scholars have tried to develop a generally applicable approach to calculating living wages (Anker and Anker, 2017; Guzi and Kahanec, 2018), there are some fundamental arguments against attempts at international standardisation. First, as recognised already by Adam Smith (1789/2007: 676), the definition of the necessities of a decent life depends partly on cultural and geographical factors and differs, therefore, from country to country. Second, the determination of living wages also depends on the national welfare state and public infrastructure, which strongly influence the costs that need to be covered by the wage income. Third, a universally standardised definition of living wages would be rather technocratic as it would ignore the fact that any concrete definition of a living wage is always the result of social discourses and disputes and marks a certain compromise between different social forces. If a living wage is calculated using a globally standardised method, as is done, for example, by the Wage Indicator Foundation (Guzi and Kahanec, 2018), the figures might differ significantly from those used in
national debates on the basis of national calculation methods. Thus there are good reasons to accept the existence of different calculation methods, which all have their own logic and justification in the national context.

Despite all national differences, however, there are also a few common features and requirements that have to be taken into account when calculating a living wage. First of all, almost all living wage concepts are based on a basket approach, in which a selection of ‘necessary’ goods and services are taken as a basis for measuring the costs of a decent living. The items in the basket, as well as the methodology by which its composition is determined, however, can also differ significantly. Hirsch and Valadez-Martinez (2017: 26) identify at least four different methods for establishing what people need in order to have an acceptable life: expert knowledge, observation of how people actually live, public opinion and workers’ surveys. Moreover, because the basket only covers regular expenses, another question concerns the extent to which a living wage has to be able to cover unforeseen expenses.

Second, a core issue for calculating living wages is the type of household it should be designed for. Historically, the living wage has always been defined as a ‘family wage’, which as a rule was based on a family household with at least two children and a traditional male breadwinner (Gottschall and Schröder, 2013). Today the concept of the family has become much more diverse, including often two or at least one and a half working household members, so that there is no longer a standard type of household for calculation. Hence, the living wage calculation becomes much more diverse. While some living wage initiatives decided to base the calculation of the living wage on the needs of a single person working full-time, others have tried to continue with a traditional family household composed of two adults and two children, while still others calculate the living wage based on average wages required by different types of households (Hirsch and Valadez-Martinez, 2017; see also D’Arcy and Finch, 2019). The question of which type of household is considered for the calculation of the living wage is also closely linked to the corresponding welfare state and the more fundamental question of which type of income should cover which type of costs (Hurley et al., 2018: 16–17). The latter becomes, for example, extremely relevant when considering the costs of child care and education.

A third issue for calculating the living wage is the underlying type of employment, whether full-time or part-time. Only a few approaches also include part-time work when considering a household with one and a half working members. Most living wage calculations, however, rely on full-time employment only. Considering the broad trend towards part-time work, however, this could lead to a situation in which hourly wages might be well above the living wage standards, while on a monthly basis they fall under the subsistence level and become poverty wages. In this case the problem is not so much the living wage as such but ensuring sufficient ‘living working hours’ (Ilsøe, 2016).

To sum up, despite some common features and requirements there is no single best model for calculating a living wage. Instead, there are a great variety of living wage definitions that depend heavily on the particular circumstances in the respective countries. In the end, the concept of a living wage, as it is used in the political sphere, is always the result of a social agreement or compromise between different social actors.

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1 This is the case, for example, for Germany where according to the Wage Indicator Foundation the minimum wage is well above the living wage level (Fabo and Belli, 2017), while in national debates it is largely viewed as a non-subsistence poverty wage (see below). The same seems to be the case for other western European countries.
An alternative determination of living wages

Because the different political initiatives at national level make standardisation of the different national living wage concepts neither feasible nor very useful, one has to look for alternative ways of measuring living wages in a comparative perspective. One established standard for the international comparison of minimum wages is the so-called Kaitz Index, named after the American labour statistician Hyman Kaitz (1970), which measures minimum wage levels in relation to the average or median wage of the respective regions or countries. Originally, the Kaitz Index was created in order to assess the ‘bite’ of minimum wages and their influence on national wage structures. As the Kaitz Index is also an indicator of the relative position of minimum wage earners in the overall wage distribution, it also became part of the debates on living wages. The calculation of the London Living Wage, for example, was for a long time based on a combination of a ‘basic living cost approach’, measured by a basket of goods and services, and an ‘income distribution approach’, measured by the Kaitz Index (Greater London Authority, 2015; see also D’Arcy and Finch, 2019).

The link between the Kaitz Index and the debates on living wages leads via a detour into international poverty research, where the use of relative thresholds as a percentage of average or median income is well established. International comparisons usually refer to the median income rather than the average income because the former is less susceptible to distortions by extremely high or low outliers. The threshold of 60 per cent of the national median income, for example, is a widely accepted standard for defining poverty. More differentiated concepts take 60 per cent of median income as the ‘at-risk-of-poverty’ threshold, while 50 per cent marks the threshold for ‘absolute poverty’ (UNECE, 2017). Even though in-work poverty can be attributed to a variety of factors such as insufficient working hours or the number of household members to be supported, the low level of wages is another important factor that contributes to many people across Europe not being able to make a living from what they earn. Accordingly, 60 per cent of the national median wage can be seen as the ‘at-risk-of-poverty’ wage threshold established with the goal of ensuring that workers are not dependent on the state (through tax credits or in-work benefits) for relief from poverty. By the same token, wages below 50 per cent of the median wage can be regarded as ‘poverty wages’.

Based on these criteria most minimum wages in the EU are in fact below the poverty threshold (for the following, see Figure 1). Only four countries (France, Portugal, Romania and Slovenia) are above or close to the 60 per cent threshold. Another five (Poland, United Kingdom, Lithuania, Hungary and Luxembourg) have minimum wages with a Kaitz Index between 50 and 55 per cent and are thus above the threshold of poverty wages. In a relative majority of 10 EU Member States (for which data are available) minimum wages are nothing more than poverty wages. They include Germany, Belgium, the Netherlands and Ireland, which in absolute terms have comparatively high minimum wage levels (Schulten and Lübker, 2019). There are even three countries in the EU, namely Estonia, the Czech Republic and Spain, that have an extremely low Kaitz Index of around 40 per cent. This is even more common outside Europe. In the United States, for example, the national minimum wage is below 35 per cent of the median wage.

In order to constitute a living wage, minimum wages have to be set at least at 60 per cent of the median wage. As a living wage indicator the Kaitz Index also has its limits, however, in particular in countries in which a great majority of workers earn very low wages. In these countries, the Kaitz Index, measured as a percentage of the median wage, might be very high, but the absolute level still very low and often not sufficient to cover the costs of a decent living. A prominent example is Turkey, where the minimum wage corresponds to more than 70 per cent of the median wage.
The 60 per cent threshold according to the Kaitz Index is, therefore, nothing more than a rough indicator for a living wage. This threshold may work in some European countries, but its capacity to ensure a living wage needs, in any case, to be calibrated against the national criteria used for defining a living wage, such as a country-specific basket of goods and services or simply the wage that prevents workers from relying on additional wage top-ups by the state in order to make a living.

Recent initiatives for living wages in Europe

Modern living wage initiatives had their origin in the USA in the 1990s, but quickly spread around the world, in particular in Anglophone countries (Figart, 2004; Anker and Anker, 2017; Hirsch and Valadez-Martinez, 2017; Hurley et al., 2018). Overall, these new initiatives can be regarded as a response to increasing wage and income inequality, a growing low-wage sector and rising in-work poverty. At the same time, minimum wages were often unable to prevent these social dislocations, as they were not properly adjusted to general wage development and therefore were not set at a sufficient level. While historically the notion of a minimum wage and a living wage were largely treated synonymously, based on the dominant view that minimum wages should be fixed at living wage levels, more recently the two terms have become widely regarded as representing two different concepts.

The starting point of modern living wage movements is considered to be a development in Baltimore, Maryland, where in 1994 the city council passed a so-called ‘living wage ordinance’,

Figure 1. Kaitz index in EU Member States. Minimum wages in per cent of median wages for full-time workers, 2017.
according to which all companies and organisations that received public grants or were under public contracts had to pay their employees at least the prescribed local living wage, which at the time of its introduction was more than 70 per cent above the national minimum wage (Luce, 2002). This new regulation was a result of a campaign organised by a broad alliance of different social forces, including trade unions and religious organisations, which aimed to tackle the problem of in-work poverty. From Baltimore, the living wage movement spread rapidly throughout the country, and led in various cities, counties and even individual US states to new living wage ordinances or at least substantial increases of minimum wages above the national minimum wage level (Luce, 2012).

Since 2012 living wage campaigns reached a new peak with the development of the ‘Fight for 15’ movement (Rolf, 2016). In recent years, an ever-increasing number of US cities (among them, Seattle, Los Angeles, San Francisco and New York City) and several US states have adopted a gradual introduction of a minimum wage of US$15, which is more than twice the national minimum wage of US$7.25. In July 2019, the campaign finally reached the House of Representatives, where a Democrat majority adopted the ‘Raise the Wage Act’, according to which the national minimum wage is supposed to be gradually increased to US$15 within a period of six years. Although it is still rather doubtful whether this Act will also get a majority in the Republican-dominated Senate, the ‘Fight for 15’ is already one of the most successful campaigns ever, leading to substantial minimum wage increases for millions of US workers (Tedeschi, 2019).

In Europe, the first living wage initiatives in the United Kingdom were launched in the early 2000s (Heery et al., 2017). They started in London and afterwards spread to the whole country, supported by various local and regional initiatives. The UK living wage movement was first of all a reaction to the low level of the national minimum wage introduced in 1999. There are two living wage rates (one for London and one for the rest of the country), which are determined and regularly adjusted by the Living Wage Foundation, an organisation supported by trade unions and various other social organisations, as well as by some private companies (https://www.livingwage.org.uk). The calculation of living wages is based on a sophisticated methodology that regularly analyses the ‘real costs of living’ (D’Arcy and Finch, 2019). The current UK living wage rate is about 10 per cent higher than the national minimum wage, while the London rate is nearly 30 per cent higher. The implementation of living wages in the United Kingdom is based on the certification of employers through the Living Wage Foundation. This means that employers voluntarily commit themselves to pay at least the living wage. Through their procurement activities, public bodies play an important role in promoting the living wage by encouraging contractors also to pay the living wage. Despite the remarkable success of the Living Wage Foundation in accrediting employers, due to the voluntary nature of the living wage the overall spread of living wage employers in the United Kingdom is still rather limited (see Johnson et al., 2019).

Despite its limited scope, however, the living wage movement in the United Kingdom has had a significant impact on the development of the minimum wage. In 2016, the Conservative government introduced a new so-called ‘National Living Wage’, which de facto is a new higher minimum wage rate for all workers aged 25 or above. At the same time the government declared its intention to increase substantially this new National Living Wage to 60 per cent of the median wage in 2020 (Department for Business, Economy and Skills, 2015). More recently, the debate continued with the British Trade Union Congress TUC, as well as the Labour Party, demanding a substantial minimum wage increase of 22 per cent to £10 per hour in order to make the statutory minimum wage a real living wage (O’Grady, 2019; TUC, 2019).

Influenced by developments in the United Kingdom a living wage initiative was set up in Ireland in 2014 (Hurley et al., 2018: 23). The initiative originally came from civic and religious organisations, but was soon also supported by the Irish trade unions. Every year, a so-called
‘Living Wage Technical Group’, composed of researchers and representatives from unions and other social organisations, calculated a new living wage rate for an individual worker. In 2019 it came up with a living wage rate of €12.30, which at the time was 26 per cent above the statutory minimum wage of €9.80. The living wage became an important benchmark in the debates on the regular adjustment of the Irish minimum wage. Many organisations, such as the Irish Trade Union Congress (ITUC), advocate ‘that over the medium term the hourly rate of the Minimum Wage be aligned with the Living Wage’ (ITUC, 2018: 10).

The use of the term ‘living wage’ is largely limited to the Anglophone world. Debates on structural increases of minimum wage levels in order to allow for a decent living can be found in almost all EU countries, however (Hurley et al., 2018: 24–25, see also Table 1). In Germany, for example, the whole campaign for the introduction of a statutory minimum wage was justified with the argument that wages must be enough to live on without additional state payments. When the minimum wage was introduced in 2015, however, it was clear right from the beginning that the level was not sufficient for a decent life. While there have always been advocates for a much higher minimum wage, more recently the two left parties in parliament (SPD and Die LINKE), as well as growing parts of the German trade unions, started to demand a structural increase to €12 per hour (Schulten and Pusch, 2019). The latter is regarded as a minimum wage that comes much closer to a living wage. It would require an increase of 31 per cent from the current minimum wage of €9.19. Moreover, the current debates on minimum wages are also closely linked to the debate on a European minimum wage policy. The German trade union confederation DGB now endorses the idea that minimum wages across Europe should be at least 60 per cent of the median wage, which in Germany would correspond to around €12 (Hoffmann, 2019).

Recent initiatives for a more substantial increase of minimum wages can also be found in all three Benelux countries. In Belgium, a national campaign ‘Fight for 14’ was launched by the trade union confederation FGTB in 2018, calling for a minimum wage of €14 per hour (Flohimont, 2019). This would be 41 per cent above the current Belgian minimum wage of €9.66. In 2019, a similar campaign was launched by the Dutch trade union confederation FNV, which also demands a minimum wage of €14 (FNV, 2019; Vlot, 2019). Both campaigns are modelled on the US campaign ‘Fight for 15’. Finally, in Luxembourg the trade union confederation OGB-L asked for a ‘structural’ 10 per cent increase of the minimum wage on top of the regular adjustment, which would boost it to €13.30 per hour. Although Luxembourg already has by far the highest minimum wage in Europe, according to calculations of the Chamber of Labour the current level is not sufficient for a decent life in the country (CSL, 2018).

Even in France, which has one of the highest relative minimum wage levels, with a Kaitz Index of around 60 per cent of the median wage, the unions, with support from some political parties, are demanding a so-called ‘coup de pouce’, that is, a structural augmentation of the minimum wage. The French trade union confederation CGT, for example, is calling for a minimum wage of €1800 per month (≈ €11.87 per hour), which would be 18 per cent above the current level (CGT, 2018). Traditionally, there has been relatively broad support for a European minimum wage policy in France, although the proposals for a European minimum wage target vary considerably, ranging from 50 per cent of the median wage (Macron’s List, La République En Marche) to 60 per cent (Green Party, Les Verts), 65 per cent (Socialist Party, PS) and 75 per cent (Left group, La France insoumise) (Barthet and Charrel, 2019).

Living wages are also a core political issue in Spain, where the government has just increased the minimum wage by 22 per cent to €900 per month (Ministerio de Trabajo, Migraciones y Seguridad Social, 2018). Furthermore, the ruling socialist party PSOE has declared that it wants
Table 1. Living wage campaigns and demands for substantial minimum wage increases in Europe and the USA.

<table>
<thead>
<tr>
<th>Country/current minimum wage*</th>
<th>Demands or developments</th>
<th>(Target) increase**</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austria</td>
<td>Austrian trade union confederation ÖGB demands €1700 per month as the lowest pay grade in collective agreements (Hofmann and Zuckerstätter, 2019)</td>
<td>13%</td>
</tr>
<tr>
<td>Belgium</td>
<td>The trade union confederation FGTB launched a campaign ‘Fight for 14’ in order to increase the minimum wage to €14 per hour (Flohimont, 2019)</td>
<td>45%</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>The trade union confederation CMKOS demands a substantial increase of the minimum wage to 15,000 crowns per month from 2020. This would correspond to an increase of more than 12%. (ČTK, 2019).</td>
<td>12%</td>
</tr>
<tr>
<td>France</td>
<td>The trade union confederation CGT demands an increase of the SMIC to €1800 per month (= €11.87 per hour) (CGT, 2018). This would correspond to an increase of 18%.</td>
<td>18%</td>
</tr>
<tr>
<td>Germany</td>
<td>Some political parties (SPD, Die LINKE), the German trade union confederation DGB and various other social organisations demand a minimum wage of €12 per hour (Schulten and Pusch, 2019). As this demand corresponds to a minimum wage level of around 60% of the median wage, the DGB also endorses a European minimum wage policy (Hoffmann, 2019).</td>
<td>31%</td>
</tr>
<tr>
<td>Ireland</td>
<td>The Living Wage Technical Group (2019), which is supported by many Irish trade unions, demands a Living Wage of €12.30 per hour. The ITUC trade union confederation wants to revaluate the minimum wage to become a living wage in the medium term (ITUC, 2018). This would correspond to an increase of 26%.</td>
<td>26%</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>The trade union confederation OGB-L and the Workers Chamber (CLS) demand a ‘structural’ 10% increase of the minimum wage on top of the regular adjustment (CLS, 2018). Such an increase would lead to an hourly minimum wage of €13.30.</td>
<td>10%</td>
</tr>
<tr>
<td>Netherlands</td>
<td>In April 2019 the trade union confederation FNV launched a campaign for an increase of the minimum wage to €14 per hour by 2021 (FNV, 2019; Vlot, 2019). This would correspond to an increase of 39%.</td>
<td>39%</td>
</tr>
<tr>
<td>Poland</td>
<td>The trade unions NSZZ ‘Solidarność’, OPZZ and FZZ demand a monthly minimum wage increase of 270 zloty from 2020, which would be an increase of 12% (Solidarnosc, 2019).</td>
<td>12%</td>
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<tr>
<td>Slovakia</td>
<td>The trade union confederation KOZ demands a monthly minimum wage of €635 (= €3.60 per hour) by 2020, which would correspond to 60% of the average wage. This would require an increase of 22% (KOZ, 2019): the Slovak government in principle supports the longer-term objective of increasing the minimum wage to 60% of the average wage (Slovak Spektator, 6 November 2018).</td>
<td>22%</td>
</tr>
<tr>
<td>Slovenia</td>
<td>As early as 2009 the trade union confederation ZSSS launched a campaign for a substantial increase of the minimum wage in order to push it above the subsistence level. As a result, in 2010 it was increased by 23% and since then has hovered around 60% of the national median wage (Poje, 2019).</td>
<td>23% (in 2010)</td>
</tr>
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to increase the minimum wage to €1200 per month by the end of the current term in order to reach a level of 60 per cent of the average wage, as recommended by the European Social Charter of the Council of Europe (Socorro, 2019). This would correspond to a further increase of 33 per cent. The Spanish trade unions CC.OO and UGT endorse this target.

A special case in the debate on living wages is Austria, as it is one of the few EU countries that has no national statutory minimum wage, but does have extremely high collective bargaining coverage, so that there is comprehensive minimum wage protection through collective agreements. The Austrian trade union federation ÖGB, however, has a long tradition of determining a national minimum wage target for collective bargaining. After €1500 has been reached as the lowest wage grade in almost all collective agreements, the new target is €1700, which is 13 per cent above the current level (Hofmann and Zuckerstätter, 2019). The Austrian case is also a good example of how a European minimum wage policy can be implemented in countries without a statutory national minimum wage.

Finally, there are also numerous initiatives for substantially higher minimum wages in Central and Eastern Europe. In Slovenia, the trade union confederation ZSSS launched a broad campaign in 2009, which was extremely successful. In 2010 the minimum wage was raised by 23 per cent and

<table>
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<tr>
<th>Country/current minimum wage*</th>
<th>Demands or developments</th>
<th>(Target) increase**</th>
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<tbody>
<tr>
<td>Spain €5.45 per hour</td>
<td>On 1 January 2019 the Spanish government increased the minimum wage by 22 per cent to €900 per month (Ministerio de Trabajo, Migraciones y Seguridad Social, 2018). The ruling socialist party PSOE has declared that it wants to increase the minimum wage to €1200 per month (€7.27 per hour) by the end of the current term in order to reach a level of 60% of the average wage, as recommended by the European Social Charter of the Council of Europe (Socorro, 2019). This would correspond to a further increase of 33%. The Spanish trade unions CC.OO and UGT endorse this target.</td>
<td>22% (in 2019) +33%</td>
</tr>
<tr>
<td>United Kingdom £8.21 per hour</td>
<td>The Living Wage Foundation, which is supported by many trade unions, demands a living wage of £9.55 in the UK and £10.55 in London (<a href="https://www.livingwage.org.uk/">https://www.livingwage.org.uk/</a>). The Conservative government introduced a new National Living Wage (a minimum wage for all workers from the age of 25) in 2016 with the intention of increasing it to 60% of the median wage in 2020 (Department for Business, Economy and Skills, 2015). The TUC and the Labour Party want the minimum wage to increase to the living wage level of £10 (O’Grady, 2019; TUC, 2019). This would correspond to an increase of 22%.</td>
<td>22%</td>
</tr>
<tr>
<td>USA US$7.25 per hour</td>
<td>Since 2012 the ‘Fight for 15’ campaign has, with major support from the SEIU trade union, been carried out across the country (Rolf, 2016). In 2019 the House of Representatives adopted the ‘Raise the Wage Act’, according to which the national minimum wage should gradually increase to US$15 by 2025. This would correspond to an increase of 107%.</td>
<td>107%</td>
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*August 2019 (Source: WSI Minimum Wage Database).
**Increase from the current minimum wage level to the target level.
Source: Authors’ own compilation.
thus pushed above the subsistence level. Since then Slovenia has had one of the highest relative minimum wage levels, at around 60 per cent of the median wage (Poje, 2019). The Slovenian case can be seen as one of the first successful living wage campaigns in Europe.

Currently, it is the trade unions in the eastern Visegrád countries in particular that are calling for a substantial increase of minimum wages, by 12 per cent in Poland and the Czech Republic and even 22 per cent in Slovakia (Table 1). In all countries the living wage is an important point of reference to justify such demands. Moreover, in all three countries the unions strongly support the idea of a European minimum wage policy with a joint target of 60 per cent of the median wage. In Slovakia, the union confederation KOZ has explicitly justified its demand for a minimum wage increase with this European target norm (KOZ, 2019).

A European living wage policy – a pragmatic solution

For the past two decades, on average, minimum wages in Europe have increased more strongly than average wages (Schulten and Lübker, 2019). In 2000, the average (unweighted) Kaitz Index in the EU was at the extremely low level of 44.2 per cent of the median wage. It grew to 50.6 per cent in 2017 (Figure 2). Despite this trend, however, the average minimum wage in the EU is still only slightly above the poverty wage threshold.

Figure 2. Average Kaitz Index in the EU, 2000–2017*. Minimum wages as a percentage of median wages for full-time workers.

*Unweighted average of national Kaitz indices for 19 EU Member States: Belgium, Czech Republic, Estonia, France, Germany, Greece, Hungary, Ireland, Latvia, Lithuania, Luxembourg, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, United Kingdom; up to 2004, without Germany and Slovenia, up to 2014 without Germany.

Against this background, campaigns for living wages have become a core issue in many European countries. Demands for substantial minimum wage increases coming from trade unions and other social forces vary between 10 per cent and 45 per cent (Table 1). While in some countries the demands aim at the next minimum wage adjustment, in others the campaigns have a more mid-term perspective. Despite all differences and national particularities, however, the common aim is to transform existing minimum wages into living wages, so that wage floors are set at a level that allows for a decent living.

In a growing number of countries the living wage initiatives have started to link their national debates to the European discussion of a common minimum wage policy. A European approach would therefore not emerge out of the blue, but would be based on real developments in many European countries. This is also probably the main difference from previous periods when debates on a European minimum wage policy were rather decoupled from developments at national level. Today, a European approach would offer the opportunity to coordinate and reinforce the various national initiatives.

If it is to overcome the remaining problems and obstacles, a European minimum wage policy should follow a pragmatic approach in terms of both its content and its regulatory setting. In terms of content the first thing to recognise is that a European approach is not about standardising various national living wage definitions into one uniform European concept. Such a technocratic approach would ignore the historically evolved approaches at national level, as well as their embeddedness in specific national welfare systems.

Instead, an imperfect but pragmatic and feasible approach would be to use the Kaitz Index as an instrument to measure the adequacy of a minimum wage level. Here the 60 per cent of the median wage has become widely accepted as the at-risk-of-poverty threshold for wages. A European minimum wage target according to which all national minimum wages increased to at least 60 per cent of the national median wage would bring millions of low-wage workers in the EU significant pay increases and a significant improvement of their life situation (Fernández-Macías and Vacas-Soriano, 2016). In addition, the national actors should examine in line with their national approaches whether 60 per cent of the median wage really is a living wage in the respective country. If it is not they should have the opportunity to set an even higher minimum wage level.

In terms of its regulatory setting a pragmatic way to circumvent the legal uncertainties would be to integrate a European minimum wage policy into the European Semester, as proposed in a report of the French Parliament (Cordery, 2016). Although such a procedure would not be legally binding, it could establish a regular monitoring and reporting system and a definitive commitment to which actors at national level could refer. If such a soft-law solution does not yield the expected results, a debate needs to be opened on whether the Treaty needs to be changed or whether new forms of binding regulation can be sought that go beyond the EU’s established regulatory framework. In any case it should be emphasised that a European policy on minimum wages is not a technocratic project, but has to be based on social movements at national and European level that promote its transformation towards a European living wage policy.

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2 Sometimes there are also still much lower thresholds in the debate. For example, Macron’s party La République En Marche proposed a Kaitz Index of between 40 per cent and 50 per cent (Bourgeois, 2019). Such proposals, however, would de facto cement the status quo of poverty wages and would in the worst case even exert downward pressure in countries with a higher minimum wage level, such as France.
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