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History and politics of the minimum wage

Manos Matsaganis (*Politecnico di Milano*)

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Abstract

A national minimum wage, set by the government or by the social partners, currently exists in most countries in Europe and beyond. Italy is a rare exception. In recent years, all parties to the country's ruling coalition have submitted bills proposing the introduction of a statutory minimum wage. This paper aims to contribute to this debate indirectly, by presenting the history and the politics of the minimum wage in a number of countries. In particular, the paper discusses in some detail the cases of the UK and Germany, where a statutory minimum wage was introduced in 1997 and 2015 respectively. The paper concludes that national pathways, although clearly steeped in the specific circumstances of each country, reveal striking similarities that may enrich our understanding of the desirability and potential implications of a national minimum wage in Italy.

Keywords

Employment, low earnings, public policy, welfare.

The author

Manos Matsaganis (emmanuel.matsaganis@polimi.it) is Professor of Public Finance at the Department of Architecture and Urban Studies, Polytechnic University of Milan.

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1. Introduction

A national minimum wage, set by the government or by the social partners, currently exists in 171 of the 186 countries that are members of the International Labour Office (ILO 2017). Italy is among the very few exceptions. In 2018-2019, all parties to Italy's ruling coalition separately submitted a number of bills proposing the introduction of a statutory minimum wage[1]. This paper does not take sides on the debate about the desirability or otherwise of a national minimum wage for Italy. Its aim is to contribute to this debate indirectly, by shifting the perspective to lessons from abroad.

The minimum wage has always been controversial, especially (but not exclusively) shortly before its introduction, dividing experts and policy makers like few other policy issues. To some extent, the decision on whether to introduce a national minimum wage at all – and, once it has been introduced, whether to raise it, and if so by how much – rests on normative considerations (usually mixed up with positive ones). Nonetheless, international experience teaches us that the convictions of social and political actors may evolve in the light of changing circumstances, and that this opens up possibilities for policy innovation.

The current institutional configuration of the minimum wage in any given country is the legacy of history and politics. The two are clearly intertwined. Notwithstanding, for analytical reasons the next section focuses on the first hundred years of the minimum wage (from the 1890s to the fall of the Berlin Wall), while section 3 discusses the politics of the minimum wage from the early 1990s to the present time in a number of emblematic cases. Section 4 concludes with a brief reflection on the main lessons for Italy.

2. Early history

Concern with low pay is as old as capitalism (not to mention earlier modes of production), but the history of minimum wage legislation is relatively recent. Our story starts in the 1890s, in the Antipodes.

2.1. Belle Époque

In 1894, New Zealand's parliament passed the *Industrial Conciliation and Arbitration* Act, becoming the first ever to legislate a national pay floor. The Act's original intention was the creation of a formal bipartite institutional framework for the resolution of industrial disputes: the introduction of a minimum wage was not its primary concern. Nevertheless, the Act gradually put in place the conditions for the emergence of a widely accepted system for determining minimum wage rates in the country.

New Zealand was followed two years later by the Australian state of Victoria, which enacted the Wages Boards Law (1896). "This law was designed expressly to create the machinery for the fixing of legal minimum wages in the sweated industries." (Holcombe 1910, p. 575) In the words of

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[1] The Democratic Party (Pd) has presented three legislative proposals, two in the Senate (no. 310 of 3 May 2018, later superseded by no. 1132 of 11 March 2019), and one in the House (no. 947 of 18 July 2018). The Five Star Movement (M5S) has submitted one such bill in the Senate (no. 658 of 12 July 2018). Moreover, the smaller 'Free and Equal' party (LeU) has presented two bills (no. 862 of 2 July 2018 in the House, and no. 1259 of 30 April 2019 in the Senate). Finally, the opposition 'Brothers of Italy' (FdI) party on the Far Right has also submitted a proposal to the House (bill no. 1542 of 28 January 2019). The introduction of a statutory minimum wage was first mentioned in the 'Jobs Act' (Law no. 183 of 10 December 2014).

Sidney and Beatrice Webb, social reformers, active members of the Fabian Society, and co-founders of the London School of Economics, the 'sweating system' was characterised by 'unusually low rates of wages, excessive hours of labour, and unsanitary work-places'[2]. The Australian system 'quickly attracted the attention of European economists'. In the United Kingdom, the 'sweating system' had become the subject of an investigation by a select committee of the House of Lords (1888-1890), but that had come to nothing. The Liberal landslide at the general election of 1906 changed the direction of government policy:

> "*After a decade of activity, during which no important body of public opinion in Victoria has demanded the abolition of the boards or the renunciation of the principle of a legal minimum wage in the sweated industries, the return of the Liberals to power in England brought ministers into office who were disposed to give the Victorian system a trial under the less favorable, tho more distressing, English conditions. Select committees of Parliament again sat upon the question, and a competent investigator was sent to Victoria to study on the ground the operation of the wages boards. The result was the Trade Boards Act of 1909.*" (Holcombe 1910, p. 575)

Initially, the act applied to only four 'sweated industries', where wages were deemed unduly low: domestic chain making, ready-made and wholesale bespoke tailoring, paper-box making, and the machine-made lace and finishing trade. In these industries, Wages Boards were established as a form of compulsory arbitration on pay, consisting of equal numbers of employers' and workers' representatives, plus independent members nominated by the government (Blackburn 1991). Their scope was gradually expanded into more industries. Wages Councils (as Wages Boards were later renamed) ended up setting 'a lot of minimum wage rates for different occupations, ages and regions in the covered industries' (Manning 2013, p. 58).

2.2. Post-WWI

In 1918, two Canadian provinces (British Columbia and Manitoba) legislated a minimum wage. Two years later, similar laws were adopted in four more provinces: Ontario, Quebec, Nova Scotia, and Saskatchewan (1920). These early minimum wage laws only covered women and only some types of jobs. The thinking at the time was that labour unions (which represented male workers) did a better job of ensuring that men earned a living wage by bargaining on their behalf.

In the United States, the Commonwealth of Massachusetts had been the first to pass a minimum wage statute (1912). Nevertheless, a federal minimum wage was only adopted a quarter of a century later, during the presidency of Franklin Delano Roosevelt (1933-1945). Speaking shortly after taking office, at the depth of the Great Depression, when the unemployment rate stood at an astounding 25% of the workforce, the President had used these words to announce his administration's intention to introduce an all-encompassing minimum wage at federal level:

> "*In my Inaugural [speech] I laid down the simple proposition that nobody is going to starve in this country. 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 'business' I mean the whole of commerce as well as the whole of industry; by workers I mean all workers, the white collar class as well as the men in overalls; and*

[2] 'How to do away with the sweating system'. Address before the 24th annual congress of the Co-operative Wholesale Societies, held at Rochdale in 1892. Published in 1898 as Chapter VI in *Problems of Modern Industry* (London: Longmans). Cited by Holcombe (1910, p. 574).

> *by living wages I mean more than a bare subsistence level - I mean the wages of decent living.*"[3]

That announcement, made in the context of the President's Statement on the National Industrial Recovery Act (16 June 1933), the foundation of Roosevelt's New Deal plan for the revival of the US economy, sent shivers down the spine of conservative politicians, business representatives, and orthodox economists, who thought it self-evident that a national minimum wage was bound to 'destroy jobs'. As we will see shortly, this prediction failed to materialise – though that did not stop the objection from surviving to our very days.

Five more years passed before a federal minimum wage (initially set at 25 cents per hour) could be finally introduced, as one of the provisions of the legendary Fair Labor Standards Act of 1938. The Act established a 48-hour work week, guaranteed overtime pay at 1.5 times the normal rate in certain jobs, and prohibited the employment of minors in 'oppressive child labor'. Not without reason, Roosevelt considered the Fair Labor Standards Act "the most important piece of New Deal legislation since the Social Security Act of 1935". Almost immediately, opponents argued a federal minimum wage was unconstitutional, and challenged it in the Supreme Court, which eventually (1941) ruled in its favour (Neumark & Wascher 2008). Coverage gradually expanded, from about 20% of the workforce in the early years to nearly 80% in 1970.

2.3. Post-WWII

After the Second World War, more countries adopted a national minimum wage, including newly independent ones such as India (1948) and Pakistan (1961). In Latin America, where minimum wage systems had already been introduced in Mexico (1937), Chile (1937), and Brazil (1938), they were now launched in Colombia (1955) and Argentina (1964) (Grimshaw & Miozzo 2003).

In France, a national minimum wage (*Salaire Minimum National Interprofessionnel Garanti – SMIG*) was implemented in 1950. Indexed to consumer prices, *SMIG* quickly fell behind average earnings, boosted by the spectacular productivity gains of the post-war decades (*Les Trente Glorieuses*). In 1970, it was replaced by *SMIC* (*Salaire Minimum Interprofessionnel de Croissance*), adjustments to which were explicitly linked to changes in average gross earnings in manufacture. National minimum wage systems were also introduced in Belgium (1968), and in the Netherlands (1969).

In Southern Europe, the spread of minimum wages was uneven. In Portugal, its introduction was an emblematic reform of the Carnation Revolution, which overthrew the authoritarian *Estado Novo* regime (1974). In Spain, the minimum wage, first introduced by General Franco's regime (1963), was reformed four years after the restoration of democracy (1980). In Greece, a national minimum wage had been legislated as early as in 1936, later became subject to collective bargaining (1955), and was subsequently set unilaterally by government under the military dictatorship (1967-1974), until the return of democracy restored the previous system of minimum wage regulations enshrined in national general collective agreements signed by the social partners.

The oil crises of the 1970s, and the rise of neoliberalism in the 1980s, halted the expansion of the minimum wage. A review of this policy instrument published in the *Journal of Economic Perspectives* concluded that 'the minimum wage is overrated: by its critics as well as its supporters' (Brown 1988, p. 144). In Britain, the Conservative government, having started to dismantle the Wages Councils in the 1980s, abolished them altogether in 1993, leaving the

[3] President Franklin Roosevelt's Statement on the *National Industrial Recovery Act* (16 June 1933).

country with no minimum wages except in agriculture. Nevertheless, as it turned out, reports of the minimum wage's imminent death were greatly exaggerated.

3. Recent politics

Shortly after the fall of the Berlin Wall, a number of Eastern European countries making the transition to a market economy adopted a national minimum wage: Lithuania (1990), then Estonia, Latvia, Hungary, Slovakia, and the Czech Republic (1991). Others had already done so: Romania (1949), Bulgaria (1966) and Poland (1970). Beyond Europe, several developing and emerging economies also established minimum wage systems. China adopted such a system in 1994; South Africa did so after the end of apartheid in 1997.

Of the most recent developments, two in particular stand out in terms of broader significance: the introduction of a national minimum wage in the UK (1998) and Germany (2015). These are discussed in considerable detail below, followed by a briefer update of policy changes in the US, Hungary, Greece, and also at EU level.

3.1. The United Kingdom

In the run up to the 1997 general election, the national minimum wage featured large, as the Labour Party campaigned on a pledge to introduce such a policy if elected, while the incumbent Conservative Party firmly opposed it on the grounds that 'minimum wages destroyed jobs'.

On the British Left, support for a national minimum wage had not been a foregone conclusion (Rutter et al. 2012). Until the early 1980s, most trade unionists harboured serious reservations about the desirability of the policy. Union leaders at the mighty Transport and General Workers' Union (TGWU) feared that a statutory minimum wage would undermine collective bargaining, and by implication labour unions themselves. In contrast, the National Union of Public Employees (NUPE) and the Low Pay Unit think tank argued in favour of a national minimum wage.

Attitudes began to shift as union membership declined, while evidence mounted that earnings inequalities widened. In 1984, the Scottish Trade Union Congress passed a resolution in favour of a minimum wage; two years later, the Trades Union Congress (TUC) voted for the same principle (against opposition led by the TGWU). In 1985, the Labour Party passed a conference motion supporting a national minimum wage of two thirds of male median earnings. The 1992 Labour manifesto came out in favour of the policy, but the Conservatives were able to claim that a national minimum wage (which, at two thirds of male median earnings, would have been the highest in the developed world) would be disastrous for employment, famously claiming that it would destroy between 750,000 and 2,000,000 jobs. When Labour lost the 1992 general election by a large margin, the feeling was that the policy had been an electoral liability for the party.

Nevertheless, rather than turning away from minimum wages, Labour (under a new leadership) set about refining the details and building support. In 1995, the party committed to creating a Low Pay Commission, made up of representatives of employers and employees, and of independent experts, which would advise the government on the appropriate level of the national minimum wage. In the meantime, academic opinion had also shifted, as new research challenged the consensus that 'the minimum wage destroyed jobs'. Evidence began to pour in that, in the US, increases to the minimum wage had no effect on employment for those aged over 25, and only a small effect for those under 25, which was even smaller if younger workers were subject to a lower minimum wage (Card & Krueger 1995). Similarly, in the UK, scholars analysed the effect of the abolition of Wage Councils and concluded that it had not increased employment (Dickens et al. 1999).

The Labour leadership also felt emboldened by the realisation that the principle of having a national minimum wage was no longer controversial. Even the Confederation of British Industry (CBI) seemed prepared to lend its support. As late as 1995, the CBI had been arguing that "even a low minimum wage would reduce job opportunities and create major problems for wage structures in a wide range of companies". By 1997, it had changed track claiming that "the appropriate and feasible purpose for the NMW is to create a 'floor' to the labour market." (Metcalf 1999).

Labour's landslide victory the 1997 general election paved the way for the *National Minimum Wage Act*, which came into force on 31 July 1998, implementing a national minimum wage from 1 April 1999:

> "*But rather than legislate directly, the new government set up an independent Low Pay Commission in July 1997 to make recommendations on the appropriate form and level that the minimum wage should take. […] The initial minimum wage was set at a modest level of £3.60 per hour – about 40% of median hourly earnings, reflecting a feeling that it was best to start low and evaluate its effects rather than run the risk of setting it too high.*" (Manning 2013, p. 58)

As of April 2020, the National Living Wage (as is now called) stood at £8.72 (€9.85) per hour, equivalent to about 60% of median earnings. As early as 2000, the Conservative Party dropped its opposition to the policy, while later Conservative governments raised its level consistently (and faster than average earnings). In the same year, more than half of large employers responding to an *Ipsos Mori* opinion poll came out positive about the national minimum wage (only a fifth opposed it). In 2010, the national minimum wage was voted the most successful policy of the previous 30 years in a survey of *Political Studies Association* members. As for the Low Pay Commission itself, it was thought to be "the most successful tripartite body established in the last three to four decades"[4], praised across the political spectrum (from the *TUC* to *The Economist* magazine), and imitated abroad from Ireland to Germany (LPC 2019).

3.2. Germany

The introduction of a national minimum wage in Germany from January 2015 was not what most observers would have predicted if asked only a few years earlier. The obstacles seemed insurmountable. To start with, the very notion of a national minimum wage that is *statutory* (i.e. fixed by Parliament through the legislative process) was in conflict with the sacred principle of *Tarifautonomie* (i.e. the right of labour unions and employer associations to set wages through collective bargaining without government interference), on which industrial relations in Germany have rested since 1945[5]. Furthermore, powerful employer lobbies rejected the idea and campaigned vigorously against it. Finally, most labour unions were also opposed from the start, and some remained sceptical until the end. On the other side of the barricades, supporters of a national minimum wage numbered merely some labour unions active in low-wage sectors, a tiny

[4] Sir Ian McCartney, Minister of State at the Department of Trade and Industry at the time of the introduction of a national minimum wage, speaking at a 'Politics First' event on *Ensuring the minimum for workers* (30 November 2017).

[5] As Welskopp (2012, p. 171) has pointed out, "the experience of Weimar and National Socialism convinced the authors of the German Basic Law (*Grundgesetz*) to grant constitutional status to the right to organize (to both employees and employers) and to engage in industrial disputes for economic improvement. Article 9, section 3, became the legal foundation of the so-called 'collective bargaining autonomy' (*Tarifautonomie*), which meant that the state only guarantees the legal framework for agreements, which employee organizations and employers have to negotiate without state interference".

minority within the employer confederation, and certain personalities on the internal opposition of the social democratic party (*SPD*).

At first sight, the balance of power between the two camps appeared heavily tilted in favour of opponents of a national minimum wage. And yet, proponents eventually won the day. What determined this unexpected outcome was the gradual change in attitudes of key players, reinforced by, and feeding back into, shifts in public opinion.

Views changed because facts did. For half a century after the end of World War II, the share of low-wage workers was lower in Germany than in most advanced economies. That was certainly associated with labour union strength, but only partly so. After all, the union density rate (i.e. the share of waged and salaried employees who were members of a labour union) was lower in Germany (33.7% on average in 1960-1990) than it was in the UK (44.7%). Nevertheless, the union coverage rate (i.e. the share of employees covered by collective bargaining agreements) was consistently higher in Germany, where it remained stable at 85% in 1960-1990, than in the UK, where it peaked at 80% in 1979, before it fell rapidly to 54% in 1990 and as low as 36% in 1995 (Visser 2013). The extension of the provisions of collective agreements to all employers who were members of the associations that signed them, including those employing workers with little bargaining power, enabled German unions to punch above their weight. In addition to that, unions enjoyed unparalleled legal safeguards, including *Mitbestimmung* ('co-determination'), i.e. the right of workers to elect representatives to the supervisory board of directors at company level[6]. That all began to unravel since about the mid-1990s.

Four factors contributed to the rise of low-wage work. The first was the general trend towards outsourcing of production activities once undertaken within a large firm to smaller suppliers were wages and standards were generally lower.

The second factor was German unification (1990). In the federal states of the former German Democratic Republic, not only were workers paid less on average than in the West, but firms proved less willing to join an employer association and engage in collective bargaining:

> *"After the sudden shock of the deindustrialisation of the East German economy and the ensuing rapid rise in unemployment, many companies saw an opportunity to set wages unilaterally without negotiating with the trade unions. Certain sections of the employers' camp were openly preaching the benefits of withdrawing from collective agreements and supported this trend by offering membership of the employers' associations without a concomitant requirement to adhere to the relevant collective agreement. This new experience of being able to leave the German collective bargaining system without any major industrial disputes, while still finding favour among the employers' associations and some sections of the political world, was an open invitation to imitators throughout the country. Even the mighty IG Metall [Metalworkers'] union was forced to contend with employers' associations that suddenly refused to negotiate, particularly in sectors dominated by small firms, such as vehicle repairs and servicing."* (Bosch 2018, p. 24)

The third factor was the creation of a European Single Market (1993), guaranteeing the free movement of goods, services, capital and labour:

> *"In the 1990s, construction firms from other member states sought a slice of Germany's post-unification building boom, and they were highly competitive, as they could bring in*

[6] Worker representatives account for almost half of all members of the supervisory board of directors in large companies (employing over 2,000 workers), and for one third in companies with 500-2,000 employees.

> *posted workers from states where prevailing wages were significantly lower. Rulings by the Court of Justice of the European Union confirmed that these firms were validly exercising the freedom to provide services in the internal market, and indicated that host states could insist only on compliance with minimum wages and working conditions which applied uniformly across the sector in question."* (Mabbett 2016, p. 1244)

The fourth factor were the *Hartz* labour market reforms, introduced in 2003-2005 by the SPD-Green coalition government led by Chancellor Gerhard Schröder. Notably, the level of (non-contributory) unemployment assistance benefit, paid to the long-term unemployed after the exhaustion of (contributory) unemployment insurance, was set at a flat rate, unrelated to previous earnings, plus an additional rent subsidy. Moreover, the reforms deregulated temporary agency work, and introduced 'mini jobs'. The latter are similar to part-time jobs (in the sense that a maximum of 30 hours a week applies), but are less costly to employers (as they are subject to a lower rate of social insurance contributions), and also popular with workers (as they are below the threshold for personal income tax and employee social insurance contributions). While mini jobs are widespread in services (such as catering, retail, and domestic work), temporary agency work is favoured by many large and medium-sized firms in manufacture. Deregulation caused the number of workers employed through temporary agencies to more than triple, from 282,000 in 2003 to 1 million in 2017 (Bosch 2018, p. 25).

The combined effect of the above was a sharp rise in low-wage work:

> *"Because of the absence of a statutory minimum wage until 2015, pay at the bottom end of the earnings distribution plunged sharply downwards, so that by 2010, when the introduction of a statutory minimum wage was being vigorously debated, the average gap between the pay of low-wage workers and the low-wage threshold was greater in Germany than in any other EU country."* (Bosch 2018, pp. 25-26)

As labour unions came to terms with their impotence to prevent low-wage work, their position vis-à-vis minimum wages became considerably more nuanced. When in 1999 the Food and Allied Workers' Union (*NGG*) first proposed the introduction of a statutory minimum wage, "the manufacturing unions, […] most of whose members were still on good wages, […] vehemently rejected any legal intervention". The creation of the United Service Workers' Union (*ver.di*) in 2001 gave new impetus to the fight for a minimum wage. In 2002, "*ver.di* urged the establishment of wage floors in the form of collectively negotiated industry-wide minimum wages" (Bosch 2018, p. 26). The strategy of extending to all workers in a given sector (e.g. construction) the pay minima agreed by social partners in sectoral collective bargaining was compatible with the principle of *Tarifautonomie*, and therefore more acceptable to unions. But its effectiveness was dubious. Even though the 1996 Posted Workers Act, based on the European Posted Workers Directive, had enabled governments to impose universal application at sectoral level, thus overcoming employer resistance, coverage gaps persisted:

> *"[The Posted Workers Act's] efficacy in establishing sectoral minimum wages had limitations that could not be surmounted by legislation. Some low-wage sectors had no Germany-wide agreement eligible for extension, while others had several agreements made with competing unions, including agreements of doubtful validity."* (Mabbett 2016, p. 1245)

In 2004, *SPD* Chairman Franz Müntefering pointed out that a statutory minimum wage would be an effective solution, insisting that the party would only campaign for it if the unions also supported it. The Chairman's gambit was widely seen as a challenge to the unions (Mabbett 2016, p. 1250). Unions had opposed the *Hartz* reforms on the grounds that they reduced pay for low-wage workers, many of whom were not even unionised. If they cared about workers at the mercy of employers, now was their chance to prove they meant it.

Unions were split three ways. *IG-Metall*, the metalworkers' union (the largest in Germany), proposed using the provision of the 1952 Minimum Working Conditions Act that a committee may investigate whether a minimum wage is required when no collective agreement was in place. *IG-Bau*, the construction workers' union (the fourth largest), favoured the extension of sectoral minimum wages agreed by the social partners under the 1996 Posted Workers Act. Instead, *NGG*, the union of catering workers, and crucially *ver.di*, the service workers' union, the rising star in Germany's unionism[7], met Müntefering's challenge arguing for the introduction of a statutory national minimum wage.

In the run up to the 2005 parliamentary election, the Christian Democrats (*CDU/CSU*) campaigned on a pledge to minimum conditions and pay, secured through collective bargaining sector by sector, and reinforced by universal application. Meanwhile, within the social democratic party (*SPD*), the salience of the national minimum wage began to rise, as its introduction was increasingly seen as a necessary corrective to the fallout from the *Hartz* reforms. The 2005 *SPD* election manifesto proposed the introduction of a statutory minimum wage 'if social partners failed to agree pay minima in all sectors'.

At its 2006 conference, the Trade Union Confederation (*DGB*) adopted a similar position as the *SPD*, on the initiative of *ver.di*, but this time also with the support of *IG Metall*. (The two unions, with approximately 2.3 million members each, accounted for 70% of all German unions.) *IG Metall*'s change of heart was partly self-interested and partly altruistic. On the one hand, low-wage work was no longer other unions' problem: tens of thousands of metalworkers (and union members) were actually employed by sub-contractors, or supplied by temporary employment agencies. On the other hand, the union reached out beyond its membership base to younger and female workers, for instance campaigning for improved childcare and representation of digital workers. The policy change in favour of a national minimum wage was part of that shift[8].

Further gestures of class solidarity followed:

> *"[The third largest] Chemical Workers' Unions, whose members are employed primarily in large companies, continued to reject the minimum wage, but declared itself willing to stop voicing its opinion publicly, so that internal solidarity was no longer in jeopardy."* (Bosch 2018, p. 27)

By that point, following the 2005 election, *SPD* and *CDU/CSU* had formed a *Große Koalition*. The conservative-social democratic coalition government explored possibilities for the universal application of wage floors at sectoral level, based on the extension of collective agreements between the social partners. Two routes were pursued. On the one hand, the 1996 Posted Workers Act was amended, its scope broadened and problems caused by conflicting collective agreements smoothed out. On the other hand, the 1952 Minimum Working Conditions Act was also explored, as *IG-Metall* had proposed.

Nevertheless, expectations of progress following that approach were soon frustrated:

> *"The hopes that the parties to collective bargaining would negotiate acceptable minimum wages in all low-wage sectors under their own steam were not fulfilled. Only in industries with a long tradition of national collective agreements and close*

[7] For a brief period in the mid-2000s, *ver.di* had more members than even *IG-Metall*, trailing closely behind it ever since. See *DGB-Mitgliederzahlen 2000-2009* (www.dgb.de/uber-uns/dgb-heute/mitgliederzahlen).

[8] Either way, it worked: against a background of continuous haemorrhage in total union membership, with the union confederation *DGB* losing another 98,000 members between 2010 and 2015, *IG Metall* actually gained 34,000 members over the same period, reversing a decades-long trend. For more information, see *DGB-Mitgliederzahlen 2010-2019* (www.dgb.de/uber-uns/dgb-heute/mitgliederzahlen).

> *cooperation between the social partners were industry minimum wages agreed. In the sectors with the most low-wage workers, such as retailing, hotels and restaurants and the meat processing industry, the employers and their associations were so fragmented that no minimum wage agreements ever materialised."* (Bosch 2018, pp. 27-28)

In 2009-2013, progress was stalled. Following the 2009 parliamentary election, *CDU/CSU* formed a government with the free-market *FDP*. The conservative-liberal coalition's Ministry of Labour commissioned a number of studies, which failed to provide any evidence that sectoral minimum wages, some of which rather high, had adverse employment effects. On the basis of that, both the Labour Minister, a Christian Democrat, and Chancellor Angela Merkel herself, came out in favour of sectoral minimum wages (Bosch 2018, p. 28). The 2011 *CDU* conference passed a motion in support of minimum wages differentiated by region and industry, although it remained ambivalent about whether they would be statutory or based on collective agreements (Mabbett 2016, p. 1246).

In the meantime, the campaign of the unions and the social democrats in opposition gathered steam. Public opinion also shifted: in 2014, a survey by *ARD-Deutschlandtrend* revealed that 90% of respondents supported a national minimum wage. Trade unions themselves enjoyed greater popularity: opinion polls revealed that twice as many voters viewed them positively as they did negatively, while a few years earlier the opposite had been the case [9].

After the 2013 parliamentary election, another *Große Koalition* was formed. With the free-market FDP, at 4.8% of the vote, failing to win any seats, and the social democrats back in government, the way for a national minimum wage was wide open. *SPD* made its entry into a coalition government with *CDU/CSU* conditional on the immediate introduction of a statutory minimum wage. The Christian Democrats, who had campaigned against a national minimum wage, eventually gave ground. For the next four years, Andrea Nahles, *SPD* General Secretary, became Federal Minister of Labour and Social Affairs, overseeing the implementation of the national minimum wage from January 2015.

The level of the minimum wage was set at €8.50 per hour, equivalent to about 48% of median earnings. Subsequent increases are unanimously proposed by the Minimum Wage Commission, made up of six members with voting rights (representing unions and employer associations in equal numbers), two non-voting experts from academia, and an independent chairman proposed by the social partners and appointed by the government. The practice of the Minimum Wage Commission has been to keep a low profile, following the pace set by collective bargaining, raising the national minimum wage by the same rate as the average pay rise agreed by social partners. As of January 2020, the German minimum wage stood at a relatively modest €9.35 per hour, only the seventh largest in the EU[10].

3.3. The United States

In the US, the federal minimum wage has not been raised since July 2009, and currently stands at \$7.25 (€6.55) per hour, or a paltry 32.7% of median earnings in 2018 (Schulten & Lübker 2020, p. 123). Inflation, though relatively low, has eroded its real value by 16%. In 1968, at its peak in

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[9] The exact figures, reported in Mabbett (2016, p. 1251), were 40% vs. 20% in 2012, and 23% vs. 45% in 2003.

[10] Luxembourg (€12.38 per hour), France (€10.15), the Netherlands (€10.14), the UK (raised to €9.85 in April 2020), Ireland (€9.80), and Belgium (€9.66) all featured a higher national minimum wage than Germany. The remaining EU member states, from Spain (€5.76 per hour) downwards, trailed at a distance. See Schulten & Lübker (2020, p. 121).

real terms, the federal minimum wage had stood at $11.75 per hour at current prices (Cooper 2019)[11].

In November 2013, Democrats in the Senate proposed a Minimum Wage Fairness Act to amend the 1938 Fair Labor Standards Act. The new law would gradually raise the federal minimum wage to $10.10 per hour over a period of two years. The bill was passionately supported by President Barack Obama, but failed to rally all Democrats in Congress, and was strongly opposed by Republicans both in the Senate and the House of Representatives (where they held the majority).

Since then, most of the action has been at state and city level. In 21 states, only the federal minimum wage applies – although in one of those states, the Commonwealth of Virginia, legislation has already been approved to raise the state minimum wage. Elsewhere, higher minimum wages apply:

> *"In the 29 other states and the District of Columbia, minimum wages range from $8.25 (in Nevada, for employers who don't provide health benefits) to $16.39 (for the largest employers in Seattle). […] In eight of the states with higher-than-federal minimum wages, some cities and counties have adopted local minimum wage laws that provide for higher rates than the state minimum, accelerate schedules for future increases, or both. Our research found 46 such cities and counties – most of them (32) in the Los Angeles and San Francisco Bay areas of California."* (Desilver 2020)

In New York City, the minimum wage is currently $15 per hour.

In January 2019, Senator Bernie Sanders and Representative Bobby Scott proposed the Raise the Wage Act, a bill that would gradually raise the federal minimum wage to $15 per hour by 2024. The bill was backed by 181 Democrats in the House of Representatives, including the Speaker Nancy Pelosi, and 31 Democrats in the Senate, including Minority Leader Chuck Schumer. In April 2019, six candidates for the Democratic Party nomination for the November 2020 US presidential election, including Elizabeth Warren, Amy Klobuchar, Kamala Harris, and Beto O'Rourke, during a forum with union workers, publicly endorsed the Raise the Wage Act. The bill was approved in the House, but defeated by the Republican majority in the Senate. Joe Biden, the Democratic Party nominee, is currently campaigning on a pledge to "increase the federal minimum wage to $15 across the country" and "will support indexing the minimum wage to the median hourly wage so that low-wage workers' wages keep up with those of middle income workers"[12].

3.4. Hungary

In April 2000, Prime Minister Viktor Orbán, the populist leader of the national-conservative *Fidesz* (Hungarian Civic Alliance), announced that his government would nearly double the statutory minimum wage over the next two years, from 25,500 forints (€98 at that time) per month to 50,000 forints in 2002. As a result of that, the Hungarian minimum wage was raised from one of the lowest in the world to one of the highest. The ratio of the minimum wage to median earnings increased from 35% to 55% (Harasztosi & Lindner 2019).

Orbán's announcement took everyone by surprise, since no political party had mentioned the minimum wage in the run up to the 1998 parliamentary election. *Fidesz* lost the 2002 election, but Orbán became Prime Minister again in 2010, a post he has held ever since. Under his brand of

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[11] Cooper's estimates (2019) have been updated to April 2020 using the latest Consumer Price Index (CPI-U) figures provided by the U.S. Bureau of Labor Statistics.

[12] For more information on Joe Biden's electoral platform, see https://joebiden.com/empowerworkers/.

'illiberal democracy', Hungary (together with Poland) has been backsliding on the rule of law towards a novel kind of electoral authoritarianism (Kelemen 2017).

The increase to the minimum wage phased-in since the early 2000s has not been challenged by any major party. In 2018, its value as a proportion of the median wage stood at 51.8%. Nevertheless, in nominal terms, at €2.85 per hour in 2020, the Hungarian minimum wage remained one of the lowest in the EU (Schulten & Lübker 2020, pp. 121-123).

3.5. Greece

Reductions to the value of the minimum wage, though not unusual in real terms (when their purchasing power is eroded by inflation), are rather rare in nominal terms. The only exception known to this author is the 3% reduction of the national minimum wage in the Netherlands in 1984 (Salverda 2008, p. 23). In contrast, under the provisions of Greece's economic adjustment programme, in a desperate bid to arrest the rise in joblessness (23.2% at the time), the national minimum wage became statutory in February 2012, and its value was cut from €740 to €586 per month (i.e. by 22% in nominal terms), while a sub-minimum wage was introduced for workers aged below 25 (at €511 per month).

The national government, at the time a conservative-socialist coalition, led by Lucas Papademos (formerly Vice President of the European Central Bank and Governor of the Bank of Greece) was distinctly lacking in enthusiasm for the change, which was nevertheless pushed through on the insistence of the 'Troika' of the country's lenders (the ECB, the European Commission, and the International Monetary Fund). The social partners, hitherto responsible for setting the national minimum wage through collective bargaining, were not even consulted (Matsaganis 2012, p. 418).

Subsequent legislation provided that the government was responsible for changes to the national minimum wage after consultation with the social partners and a recommendation by a committee of independent experts, but that procedure would not be activated before the country exited the economic adjustment programme, and in any case not before January 2017. As it turned out, Greece exited the last of the economic adjustment programmes (the third) in August 2018. Consultations with the social partners and others began in September 2018, the independent experts' committee submitted its report by the end of the year, and the decision to increase the national minimum wage was taken in January 2019, effective from February 2019.

The independent experts' committee, having reviewed this evidence and the international literature on the effects of the minimum wage on employment, earnings, and firms' labour costs, recommended that the minimum wage be raised by between 5% and 10%, and the youth sub-minimum be terminated (KEPE 2018). The government of the time, a coalition of the radical left with the nationalist right as junior partner, led by Alexis Tsipras, opted for a national minimum wage at €650 per month[13] for all workers, equivalent to a rise of 11% (27% for those below the age of 25).

In the run up to the parliamentary election of July 2019, Kyriakos Mitsotakis, the (liberal) leader of the conservative party pledged that future increases to the minimum wage would be twice the rate of GDP growth. He added that the level of the national minimum wage would be raised to €750 "within two years". After the election, from which the conservatives emerged victorious, the

[13] Confusingly, since the minimum wage is payable 14 times a year, international comparisons cite the higher figure of €758 per month (650 multiplied by 14 divided by 12 equals 758). In hourly terms, it stood at €3.76 in 2020. As a proportion of median earnings, it stood at 47.5% in 2018 (Schulten & Lübker 2020, pp. 121-123), though it was expected to rise to over 52% after the February 2019 increase.

Minister of Labour confirmed the government hoped to raise the national minimum wage from 2020 onwards.

3.6. The European Union

In January 2020, the European Commission published a consultation document on legislative action to establish fair minimum wages in Europe (EC 2020). In her letter to the social partners, Commission President Ursula von der Leyen explained she sought "a legal instrument to ensure that every worker in our Union has a fair wage", underlining that "minimum wages should be set according to national traditions, through collective agreements or legal provisions". She also referred to Principle 6 of the European Pillar of Social Rights (jointly declared by the European Parliament, the Council of the European Union and the European Commission in November 2017):

> *"Adequate minimum wages shall be ensured in a way that provide for the satisfaction of the needs of the worker and his/her family in the light of national economic and social conditions, whilst safeguarding access to employment and incentives to seek work. In-work poverty shall be prevented."* EPSR (2017, p. 15)

On the same day, Nicolas Schmit, European Commissioner for Jobs and Social Rights, launched the first phase of a consultation process for this instrument, asking social partners to express their views on the need for action at the EU level and indicate whether they are willing to enter negotiations or not. A more concrete proposal on the scope and shape of this legal instrument, initiating the second consultation phase, is to follow soon.

The Commission's initiative signified a break with previous policy. During the Eurozone crisis of the early 2010s, the Troika (to which the European Commissioner was a party) had insisted that the minimum wage should be frozen (in Portugal and in Ireland) or even cut (in Greece) in order to improve competitiveness. In a similar vein:

> *"[The] country-specific recommendations for countries with comparatively high relative levels of minimum wages, such as France and Portugal, have until most recently repeatedly contained provisions designed to ensure that minimum wage developments do not harm competitiveness."* (Müller & Schulten 2020, p. 1).

BusinessEurope, the EU-wide employers' confederation, indicated that there is room to discuss European coordination of minimum wages, specifying that this should be done *via* already existing instruments (such as the European Semester), rather than by imposing strict rules on member states. On its part, the European Trade Union Confederation responded positively, confirming that it is, in principle, open to commencing negotiations with employers. However, trade unions (and their national governments) in Sweden and Denmark, two of the four member states where national minimum wages do not exist[14], and pay minima are set by sectoral collective agreements, rejected the Commission's initiative. Opponents to a national minimum wage among European trade unions argue that "legally binding requirements would significantly distort the quality and efficiency of their social dialogue, could include a target that is too low or would reduce the incentives for both workers and employers to pursue social dialogue" (Dhéret & Palimariciuc 2020, p. 6).

Diversity in national wage-setting mechanisms is part of the difficulty. Apart from the member states mentioned above where a national minimum wage does not exist, in another two (Austria and Finland) minimum wages are set by national agreements between trade unions and

[14] The other two, Cyprus and Italy, were less negative as they have already begun consultations with a view to establishing a national minimum wage.

employers, while in a further two (Belgium and Estonia) they are set by collective agreements and then extended and made binding by law or ministerial decree. In the remaining 19 member states, national minimum wages are statutory, i.e. set by the government, following consultation with the social partners or not, according to a fixed indexation rule or not.

4. Concluding remarks

What are the lessons from international experience (and, indirectly, the implications for Italy)?

To start with, national pathways towards establishing a national minimum wage are steeped in the specific circumstances of each country. The policy solutions adopted have historically depended on the particular nature of the problem, often inherited or left unresolved by previous policy solutions, introduced to address other problems. There exist no off-the-shelf recipes for policy makers to apply in their own setting. Lessons from abroad are useful as food for thought, from which to draw inspiration and upon which to reflect, not as *passe-partout* to use unthinkingly.

Having said that, the national histories of the minimum wage presented here do reveal striking similarities. Both in the UK and Germany, employer associations were hostile, conservative politicians opposed, and union federations suspicious (or outright negative). Supporters of the minimum wage were few and far between, to be found in progressive think-tanks, labour unions in low-wage sectors, and small enclaves within the political Left. Countries stumbled upon the minimum wage after key social and political actors recognised that in-work poverty was a serious problem, and all other solutions to deal with it proved ineffective. Nevertheless, once a national minimum wage was in place, it soon ceased to be a contested issue: as fears subsided, former opponents wholeheartedly embraced it, or grudgingly resigned to it, and moved on.

Among the fears that proved unfounded, the prospect of massive job losses featured prominent. It soon became clear that the introduction of a national minimum wage, and subsequent increases to its real value, failed to "kill millions of jobs", as business lobbies and conservative economists had predicted. On the contrary, better pay allowed firms to retain workers (thereby reducing hiring costs), while higher wage costs provided employers with an incentive to invest in work organisation and workers' skills (thereby raising productivity).

Similarly, the existence of a national minimum wage did not remove workers' motivation to join a union, did not undercut collective bargaining, and did not cause wages to converge downwards towards the minimum, as unions had feared. On the contrary, by campaigning for better pay and conditions of low-wage workers, many of whom were not even their members, unions gave a lesson of class solidarity. Even though that was largely disinterested, it did bring material benefits to unions: their public image improved both among workers and among citizens at large, their prestige and moral standing rose, their haemorrhage in terms of membership halted or even reversed.

The evidence shows that minimum wage has improved pay for hundreds of thousands of low-wage workers, and has reduced earnings inequalities (Manning 2013, Bruttel et al. 2018). On the other hand, some of the hopes associated with the introduction of a national minimum wage were not fulfilled, nor could they have. Many of the individuals living in poverty are no longer of working age, or are members of households with 'low work intensity', or work as (formally) self-employed.

In view of that, no minimum wage can improve the living standards of the elderly, of the unemployed, of the under-employed, of freelancers, of gig workers[15].

Finally, as regards political actors, in both the UK and Germany (and, even more so, in the US) policy preferences vis-à-vis the minimum wage tend to fall neatly along the Left-Right axis, with progressives supporting the introduction of, and subsequent rises to, the minimum wage, and conservatives opposing it (at least initially). Nevertheless, as the case of Hungary demonstrates, deviation from this pattern are also possible. National-populists on the authoritarian right are perfectly capable of recognising the minimum wage as a salient issue with symbolic potential: an easy way to score a point against labour unions, left parties, and 'cosmopolitan elites indifferent to the plight of ordinary people' whom they aspire to represent.

Progressives would do well to take note.

[15] Note, however, that calls have been made to treat gig workers as employees as regards basic labour rights (e.g. sickness and maternity leave), including minimum pay. In the UK, the Taylor Review of modern working practices has proposed the extension of the national minimum wage to those working in the gig economy. Apparently, the institutional mechanism for doing so is already there: "Government should adapt the piece rates legislation […], as is already the case for some occupations where it is not possible for the employer to determine hours worked" (The Taylor Review 2017, pp. 37-38). In Italy, Boeri et al. (2018) have suggested that platforms should pay gig workers, such as those making food deliveries, no less than an hourly minimum wage (and post pay information online).

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