



Co-funded by  
the European Union

European Commission. Directorate-General  
for Employment, Social Affairs and Inclusion -  
101052319

# BARWAGE



Utrecht  
University



Fondazione Giuseppe Di Vittorio

•• WageIndicator

CELSI Central European  
Labour Studies  
Institute

# Beyond the minimum: Understanding the interplay of statutory minimum wages and collective bargaining across sectors in the European Union

Janna Besamusca, Martin Guzi and Kea Tijdens

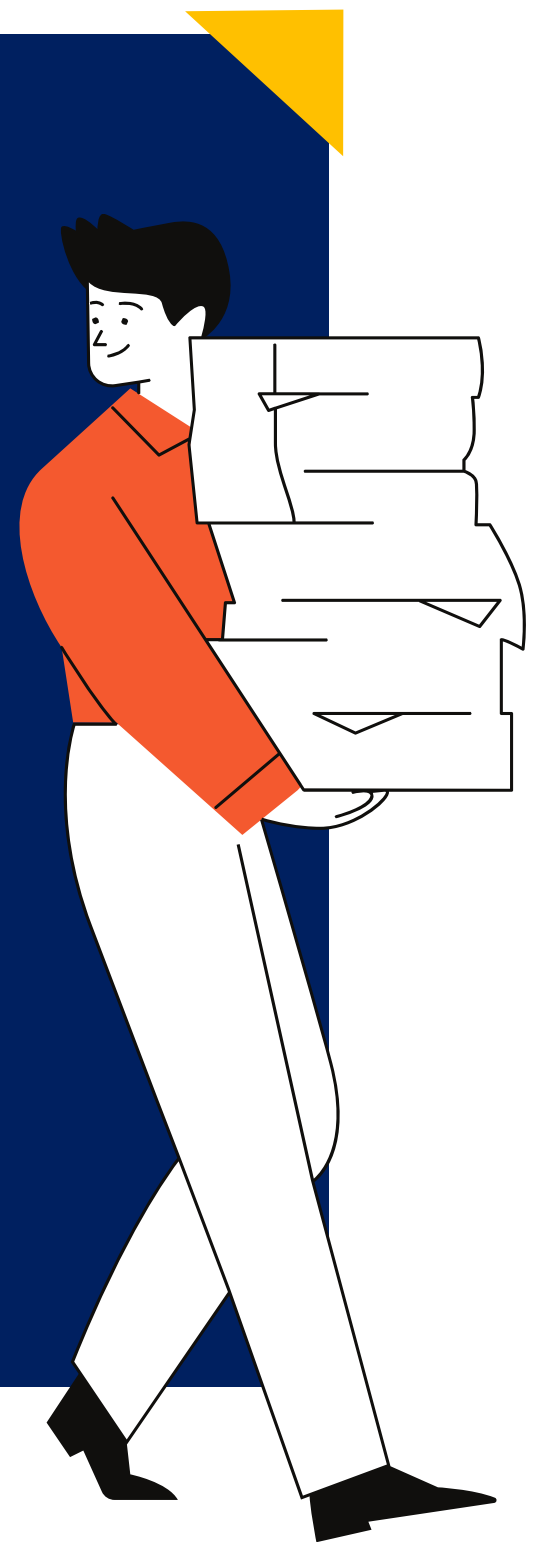
# Collective Bargaining vs Minimum wage floors

**This paper focuses on the interplay of the wage setting arenas of statutory minimums and collective bargaining on pay**

- Statutory minimum wages and collective bargaining both theorized to support the decent wage agenda.

Considerable scientific debate about their interaction

- Crowding out or reinforcing?



# Characteristics of workers in our sample

(SES 2018 sample of 2.57 million workers employed in 181,698 enterprises in 17 EU countries)



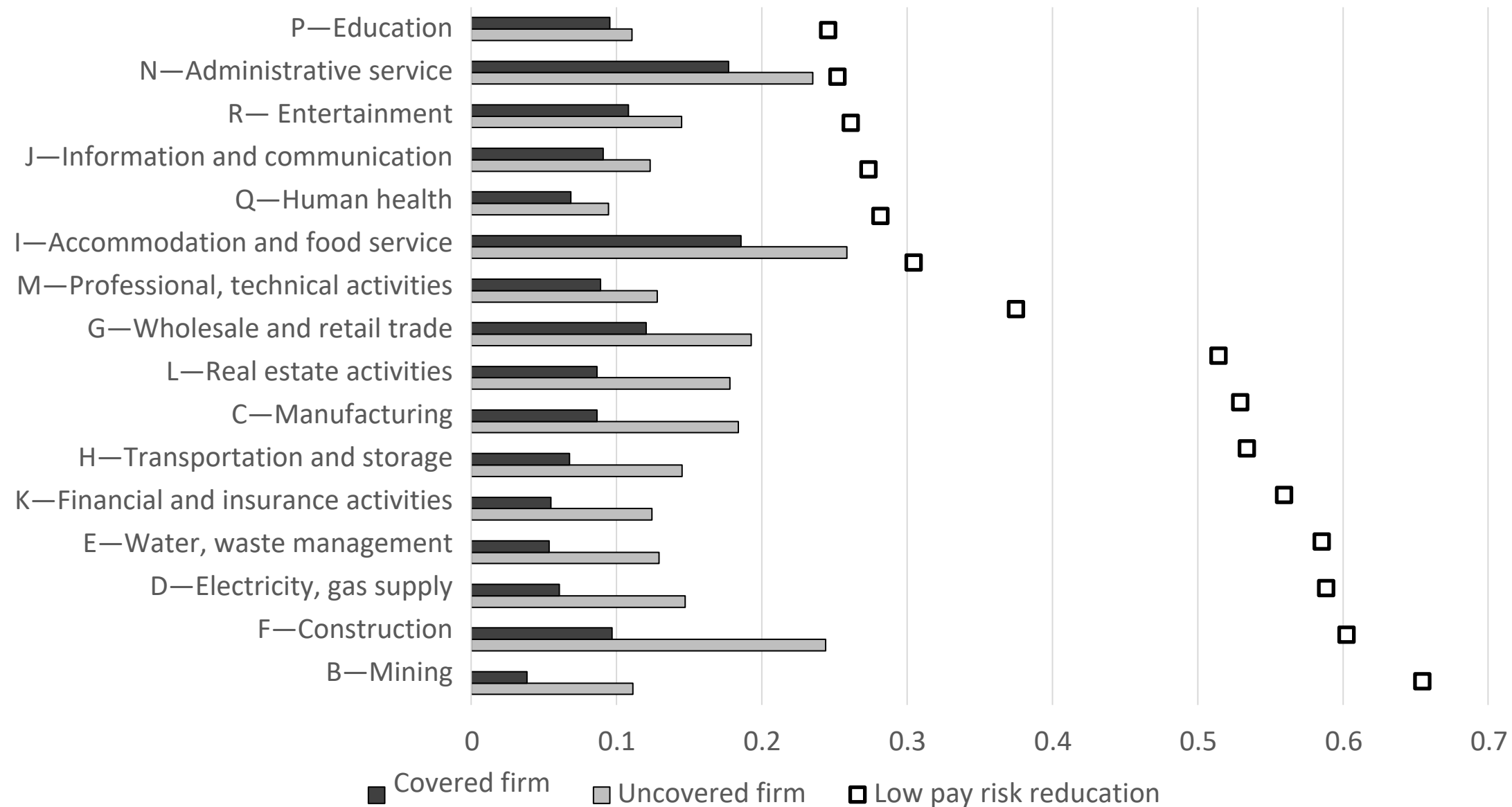
10 percent of workers in our sample are identified with low pay (earning between 100 and 110 percent of minimum wage).

The incidence of low pay is lower (7.5%) in the group of workers covered by CBA than in the group not covered (14%).

Workers covered by CBA attain lower education levels, are more likely to have part-time work; more likely to have permanent than temporary contracts; and more concentrated in the public sector.

# Different impact of CBA between sectors

Contribution of collective bargaining is weaker in sectors employing high-skilled workers



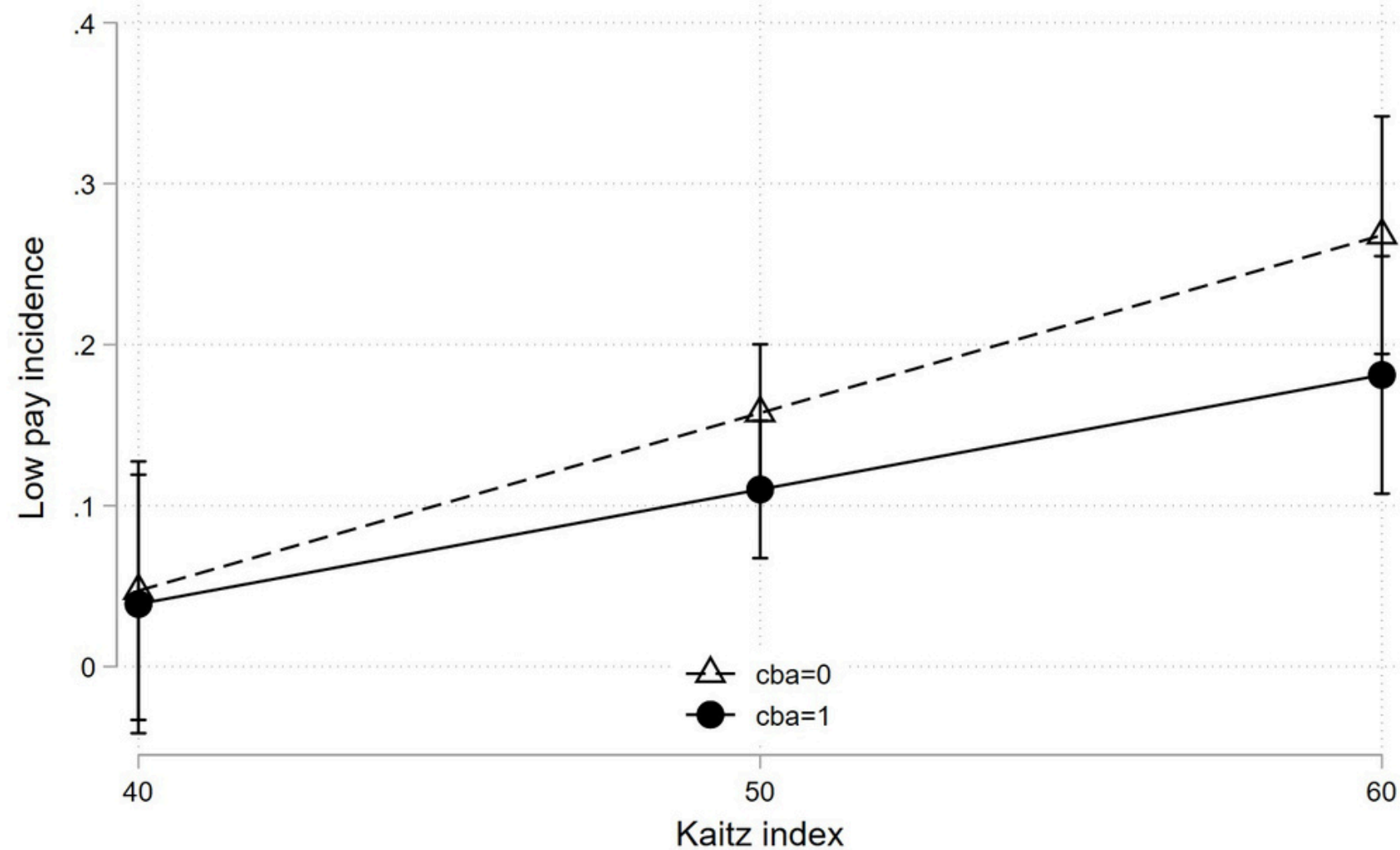
Note: Presented are estimates on CBA variable obtained from models estimated separately for each sector. All estimates are confirmed significant at 1% level. In total collective agreement coverage reduces the risk of low pay by 5.5 percentage points (p.p.) or we calculate that the risk of low pay is 16.6% for an average worker in uncovered firms and 11.1% for a worker in covered firms. The reduction of risk is a 33%.



The magnitude of coefficient is lowest in education and health sector and reaches the highest values in construction and manufacturing sectors.

# The impact of collective bargaining vary with the level of minimum wages to median wage (Kaitz index)

Low pay risk for workers in covered and not covered firms in countries with different values of Kaitzindex



The impact of being covered by a collective agreement is stronger in countries with high Kaitzindex. This indicates that collective bargaining helps workers to sustain their wages above minimum wage levels even at more generous minimum wage levels.

Note: Predictions are based on the estimation of baseline model with added interaction term between coverage bargaining and Kaitzindex. 95% confidence intervals are shown.

## Conclusion

**Collective bargaining as a policy instrument for achieving decent wages in Europe.**

- Evidence for added impact of collective bargaining towards decent wages
- Sectoral differences are crucial. Protective effect of collective bargaining is larger in sectors with more men, and lower collective bargaining coverage
- Protective effect of collective bargaining is present even in countries with minimum wages set at a higher pay level

