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# Minimum wages worldwide



AIAS

Amsterdam Institute for  
Advanced labour Studies  
*University of Amsterdam*

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Wages in Global Perspective  
Kea Tijdens  
University of Amsterdam/AIAS  
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- **ILO Conventions challenge countries to implement minimum wage-fixing mechanisms**
  - ILO Convention C026 (1928): Members will take measures to ensure that MWs are paid (in 2015 ratified by 104 of 186 ILO members (56%))
  - ILO Convention C131 (1970): Minimum wage shall have the force of law (in 2015 ratified by 52 of 186 ILO members (28%))
- **ILO monitoring**
  - ILO monitors ratification, but not implementation of a Statutory Minimum Wage (SMW), apart from a few once-only studies, showing that many more countries apply SMW than have ratified
- **Minimum wages are important for wage-setting**
  - In any country MW is important for wage-setting processes
  - They provide a floor in wage-setting

# What do we know about minimum wages worldwide?



- **Institutions with databases about MW rates**
  - Worldbank: MW rates per year for 180 countries (one rate per country)
  - WSI about MW rates per year for European countries
  - WageIndicator Minimum Wages Database



- **Institutions with databases about MW fixing**
  - ILO databases about countries with MW fixing mechanisms (irregularly updated, mostly 100+ countries)
  - ICTWSS/Eurofound about (51 – 28) countries with MW fixing mechanisms
  - WageIndicator Minimum Wages Database, see <http://www.wageindicator.org/main/salary/minimum-wage>

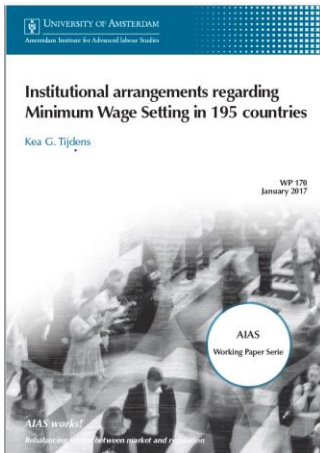
# Research objective 1

## Collecting and merging databases



- **Databases with MW information**

- We found 12 databases with scattered information about minimum wage-fixing mechanisms, coverage and rates
- Scattered: not for all countries/years, not the same definitions
- The 2010s best covered: we merged the databases for 2011 – 2015



- **Merged database**

- In total for 195 countries, for 97 countries observations in all five years
- In case of inconsistent codes we applied coding rules
- We merged the databases to study how many countries worldwide applied a Statutory Minimum Wage in 2011 – 2015



- **Minimum wage setting through legislation**
  - For 195 countries: 86% - 93% apply minimum wage-fixing mechanism
  - For 97 countries: 91% had SMW in 2011, 94% had so in 2015
- **Minimum wage setting through Collective bargaining**
  - For 195 countries: 3% - 13% have MW fixing through collective bargaining
  - For 97 countries: 8% had MW\_CB in 2011, 6% had so in 2015

# Which countries apply MW by CB?



- **MW setting through Collective Bargaining in Europe**
  - Predominantly found in Scandinavian countries:
    - Denmark, Iceland, Norway, Sweden, Finland plus Estonia
  - Middle-European countries:
    - Austria and Germany, but not from 2015 on
    - plus Italy, Belgium (mixed coding), Greece (scattered data only)
- **MW setting through Collective Bargaining outside Europe**
  - Four African countries according to very scattered data:
    - Chad, Gambia, Madagascar and Namibia
- **In countries without a SMW**
  - If employee covered by a collective agreement, minimum wages are set
  - If not covered, it is fully market-driven wage-setting

# Differentiated versus single MW



- **Do counties have single MW fixing mechanisms and rates**
  - Worldbank and ILO databases suggest one MW fixing mechanism and one MW rate per country, but ....
- **or differentiated MW fixing mechanisms and rates?**
  - If a country applies SMW, is this applied to the entire dependent labour force, or are some groups in- or excluded or are MWs differentiated?
  - WageIndicator MW database shows 40 of 76 countries differentiated MW breakdowns by 9 characteristics: Industry, Geo, Occupation, Age, Skill, Grade, Tenure, Firm size, Education
  - India applies differentiated MWs, but is not yet included in the database
- **Findings**
  - Differentiated MWs most frequent in North America, least so in Europe
  - Differentiated by industry most common, less so by region

# Differentiated MW in 40 countries



- **Industry – typical divisions (18 countries)**
  - Agriculture vs non-agric.
  - Specific industries, eg garment
- **Geo – typical divisions (11 countries)**
  - Capital city vs rest, urban vs rural
  - Economic zones
- **Occupation (11 countries)**
  - Specific MWs for drivers, foremen, gardeners, general workers, housekeepers, lashers, merchandisers, order pickers, etc
  - Supplement MWs for teachers, skilled workers, domestic workers (5 cntrs)
- **Multiple characteristics**
  - 4 countries apply so (2+): Madagascar by 3, Ethiopia by 4, Kenya by 5 and South Africa by 7



[Salaries](#)

+

[Labour Law](#)

+

[WageIndicator Foundation](#)[Home](#) > [Salaries](#) > [Minimum Wages](#) > [Hungary](#)

## Minimum Wages in Hungary with effect from 01-01-2017 to 31-12-2017

Last update: 28-12-2016

Currency: HUF (HU Forint)

### National Minimum wage

Minimum Wage per Hour	Minimum Wage per Day	Minimum Wage per Week	Minimum Wage per Month
725.28	5,802.27	29,026.35	127,650.00

### 'Guaranteed Minimum Wage' for Professional Workers

Minimum Wage per Hour	Minimum Wage per Day	Minimum Wage per Week	Minimum Wage per Month
916.19	7,329.55	36,647.73	161,250.00

### Notes / Footnote

1. In Hungary the official working time is 8 hours/5 days.



# Conclusions



- **Many institutions collect scattered MW data**
- **No single institution is fully responsible for global data collection and for maintaining time series concerning MW-fixing mechanisms, MW rates and MW coverage**
- **More than nine in ten countries apply a SMW (N=97)**
- **When applying differentiated MWs by occupation, grade or industry, countries mimic collective bargaining**
- **When applying differentiated MWs by geo-characteristics, countries adapt MW to cost-of-living differences within countries**
- **WageIndicator Minimum Wages database provides detailed insides in MW setting, elsewhere not available**



**Thank you for your attention 😊**