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# **UNDERSTANDING THE DRIVERS OF MINIMUM WAGE-SETTING: AN ANALYSIS OF 146 COUNTRIES**

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Parallel Session 1.7: A Comprehensive Global View on Minimum Wages

# The body of knowledge – minimum wages

- **Literature**

- Trends >> Minimum wage dynamics over time, taking a reference MW per country
- Employment effects >> Does an increased MW affects employment negatively? >> mixed findings
- Kaitz index >> Ratios of minimum to median wage
- Wage-setting institutions and relationship to collective bargaining
- Compliance with minimum wage rates

- **Lacking**

- Reconstruction of countries' MW policies from their minimum wage rates



# Three research objectives

- **RO1**
  - Is any database registering the minimum wage rates (fine-grained) for multiple countries?
- **RO2**
  - Which MW policies can be seen as drivers of Minimum Wage setting for:
    - full coverage
    - regional differentiation (purchasing power policies)
    - differentiating for industries/occupations (mimicking collective bargaining)
    - differentiating for specific groups of workers?
- **RO3**
  - Do countries apply one or multiple policy dimension only?

# RO1 – MW Databases

- **Databases classifying wage setting processes**
  - ICTWSS database (see presentation Besamusca in this session)
  - EURWORK from EUROFOUND: EU only
  - WageIndicator Labour Law database: global, limited set of variables
- **Databases classifying wage rates**
  - World Bank and OECD database: one rate per year per country
  - WSI Mindestlohn database: one rate per year per country in Europe
  - WageIndicator Minimum Wage Rates Database: multiple rates per month for 140+ countries



# History of WageIndicator MW webpages

- **Since 2000**
  - in 2000: start a WageIndicator website with job-related content in NLD
  - from 2004: websites in an increasing number of countries
  - from 2006: website in India published MW rates - frequently visited pages
  - 2006-13: websites in many countries published MW rates
- **2013 and later**
  - 2013-19: tool for collecting MW categories and rates for websites
  - 2015: paycheck.in was the leading website for MW information in India
  - 2018: tool needed an update, leading to revision of MW database
  - 2019\_May: database had 14,362 MW categories with rates for 146 countries



# Countries in WageIndicator MWDB

- **50 most populated countries**
  - all but 7 included in database
- **51<sup>th</sup> to 100<sup>th</sup> most populated countries**
  - all but 4 included in database
- **101<sup>th</sup> to 150<sup>th</sup> most populated countries**
  - all but 13 included in database
- **2017 population of the 146 countries**
  - reached 7.08 billion, or 93% of world population
- **More countries will be included soon**



# Defining a Minimum Wage category

- **Minimum wage rates for each category**
  - as specified by issuing authorities - government, Ministry, Wage Board

- **Example for India**

Description	Unit	Rate
Arunachal Pradesh   Cement Industry   Area I   Skilled	Total per Day	220 Rupees
Arunachal Pradesh   Cement Industry   Area I   Semi-skilled	Total per Day	210 Rupees
Arunachal Pradesh   Cement Industry   Area I   Unskilled	Total per Day	200 Rupees

- **MW categories by country**
  - India has most categories: 7,783 different rates, followed by:
  - Ecuador (2179), Pakistan (1426), Sri Lanka (943), Indonesia (287), USA (189)



# MW categories by country

- **WageIndicator MWDB**
  - for 146 countries MWDB has 14,362 MW categories with rates (May 2019)
- **MW categories by country**

Classification	No. of countries	%
No MW	11	8%
One national SMW	62	42%
1-10 MW categories	45	31%
11-100 MW categories	17	12%
> 100 MW categories	11	8%
Total	146	100%





# RO 2: Dimensions in MW policies

- **Four dimensions of MW policies in 135 countries**
  - full versus partial coverage
  - purchasing power policies
  - mimicking collective bargaining
  - addressing specific groups of workers
- **Classification**
  - we classified the categories and the countries to extract the countries' MW policies in these four dimensions
  - we excluded the 11 countries without Minimum Wage >> 135 countries



# The full coverage dimension

- **Countries classified as “full coverage”**
  - countries with one national MW rate, e.g. Azerbaijan
  - countries with multiple MW rates of which one classified as national MW e.g. Argentina, Australia, USA
  - countries with multiple categories, suggesting full coverage, e.g. Chad ‘Agricultural sector and similar’ and ‘Non-agricultural sector’

- **Results**

Full coverage dimension	No. of countries	Column %
Full coverage	104	77%
Partial coverage	31	23%
Total	135	100%



# The purchasing power dimension

- **Two PP policies**
  1. Countries that follow the CPI index for their uprating policies
  2. Countries that adapt MW to varying cost-of-living in the country
    - We used the adaptation approach, MWDB has no data about PP uprating policies
- **Countries classified for this dimension**
  - simple dichotomy between 'urban' and 'rural', e.g. Malawi and Burundi
  - differentiation by province and/or by city, e.g. Japan, China, Indonesia

- **Results**

Purchasing power dimension	No. of countries	Column %
Regional breakdown	16	11.9%
No regional breakdown	119	88.1%
Total	135	100.0%



# Mimicking collective bargaining

- **Countries classified for this dimension**
  - countries with MW categories addressing specific industries or occupations
  - we classify these countries as mimicking collective bargaining
- **Results**

Collective bargaining mimicking dimension	No. cntrs	No. cntrs	Column %
Breakdown by occupation		22	
Breakdown by industry		38	
Breakdown by industry and occupation		17	
Breakdown by industry or occupation	43		32%
No breakdown by industry or occupation	92		68%
Total	135		100%



# The special interest groups dimension

- **Classifying this dimension**
  - MW categories for EPZ, domestic, youth, disabled, skill level, firm size
- **Results**

Topic	No. cntrs	Countries
EPZ	5	Guatemala, India, Mauritius, Mexico, Panama
Domestic workers	13	Argentina, Botswana, Haiti, India, Kenya, Lesotho, Namibia, Nepal, South Africa, Spain, Eswatini, Tanzania, Zambia
Age groups	10	Australia, Sri Lanka, Greece, Ireland, Luxembourg, Malta, Netherlands, New Zealand, United Kingdom, USA
Disabled workers	2	Austria, Czech Republic
Skill level	12	Bangladesh, Sri Lanka, Costa Rica, Fiji, India, Kenya, Lesotho, Liberia, Luxembourg, Mauritius, Pakistan, Eswatini
Firm size	10	Honduras, India, Lesotho, Mozambique, Panama, South Africa, Suriname, Tanzania, USA, Virgin Islands

# RO 3: Relationships between dimensions

- Correlation coefficients for 135 countries

Dimensions	Full coverage		Purchasing power		Mimicking bargaining	
Purchasing power	-0.07	ns				
Mimicking bargaining	-0.50	***	0.12	ns		
Special groups	-0.30	***	0.08	ns	0.40	***

- full coverage relates very negatively to policies of mimicking collective bargaining
- PPP does not significantly relate to any of the other three dimensions
- mimicking bargaining relates positively and significantly to special groups dimension



# Conclusion

- **WageIndicator MWDB allows classifying MW categories and rates**
  - in total 14,362 MW categories for 135 countries have been classified
- **Drivers of minimum Wage setting**
  - full coverage dimension (104 of 135 = 77%)
  - purchasing power dimension (12%, specifically large countries)
  - mimicking collective bargaining dimension – industries or occupations (32%)
  - special interest group dimension (27%)
- **Relationship**
  - full coverage is negatively associated with the mimicking bargaining dimension



# Thank you for listening

- **Questions?**
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