

Seminar:

MINIMAL WAGE: A SUITABLE MEASURE TO COMBAT POVERTY AND SOCIAL EXCLUSION AMONG WORKERS?

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SHORT REPORT



For European workers, 2010 continues to be marked by the global crisis. Even though some national economies already see first signs of economic improvement, there are others, Slovenia among them, where problems seem to be deepening.

The pressure toward lowering the costs is enormous and increases in effectiveness have become inevitable. Because wages are one of the most important costs, they are often used to reduce total costs and to increase effectiveness by that.

In many EU states, the costs of living are higher than minimal wages, especially in the case of families that live on a single wage. This situation is unacceptable, highly de-motivating and against basic principles of solidarity.

At this point the question is raised: is a minimal wage and its raise the right solution? Or is it possible to find better and more suitable solutions? How the EU and its member states are addressing the problems of the working poor and what should be done in the future?

The organizers of the conference (N.Si, Socialna akademija and Inštitut dr. Janeza Evangelista Kreka, with the support of EZA (European Center for workers questions) set out to address these issues by focusing on the following aims:

1. To define the group of poor workers and their characteristics.
2. To define the life conditions of poor workers and challenges they face.
3. To define which measures do local / regional / national and European institutions have in order to combat poverty among workers.
4. To analyze how this issue is tackled in different EU member states.
5. To check strengths and weaknesses of the minimal wage concept in the context of fighting poverty and social exclusion among workers.
6. To analyze possible actions in the field that could be taken in the future.
7. To suggest possible actions to national governments and EU institutions.

Thirty-two participants from Poland, Austria and Slovenia, most of them affiliated with workers' organizations, together with speakers from some other stakeholders (university, government, humanitarian organizations) participated and discussed the following topics:

- characteristics and concrete cases of working poor in EU member states
- concepts of poverty and social exclusion in theory and practice
- concept of minimal wage and its theoretical background
- combating poverty and social exclusion among workers
- reflection of social dialogue in Slovenia which led to situation of drastically raising the minimal wage

Some interesting thoughts emerged:

1. Characteristics and concrete cases of the working poor in EU member states:
 - a. In Slovenia, situation is very difficult especially for families that rely on a single wage. They are not entitled to receive certain social benefits.
 - b. By doing some extra work, such as gardening, and by reducing expenses, in normal situations such families somehow find the way to survive from month to month.
 - c. However, situation becomes more difficult when something unforeseen (e.g. illness or injury) happens.
 - d. Such situations lead to hopelessness, conflicts, addiction and other critical situations.
 - e. People still feel fear and shame to ask humanitarian or other organization for assistance.

- f. Social network is a crucial factor speaking about poverty.
2. Concepts of poverty and social exclusion in theory and practice
 - a. Poverty is often associated with developing countries, where a lack of food and clean water can often be a daily challenge. Europe is also affected by poverty and social exclusion. It may not be as severe, but is nonetheless unacceptable. Poverty and exclusion of one individual amounts to the poverty of society as a whole.
 - b. European Union is in search for strategies to combat poverty and social exclusion. One of them is European Year for Combating Poverty and Social Exclusion 2010.
 - c. Among workers who suffer poverty, these 3 factors were evident:
 - i. they were not born in the land of work
 - ii. they have more than 3 children and
 - iii. they live alone.
 - d. Poverty and social exclusion are strongly related phenomena take place together. Social exclusion often starts with material poverty. Among factors that contribute most to social exclusion, we could mention the following:
 - i. Unemployment – exclusion from working life,
 - ii. Poverty – exclusion from the society of consumption,
 - iii. Loneliness, isolation – exclusion from social interactions,
 - iv. Cultural marginalization – exclusion from mechanisms of power and influence.
 - e. Social exclusion is difficult to measure because it depends on many 'soft criteria'. It is not only about 'to have' (as in material poverty) but also about 'to belong' and 'to be'.
 3. Concept of minimal wage and its theoretical background
 - a. Objectives of minimal wage are:
 - i. reducing poverty and wage inequality;
 - ii. limiting exploitation of vulnerable workers;
 - iii. encouraging labor market integration of the unemployed or inactive by 'making work pay';
 - iv. ensuring that groups at the lower end of the income distribution earn a 'decent wage' or a 'living wage'.
 - b. According to regulation, there are 2 types of minimal wage:
 - i. statutory (fixed at an hourly, weekly or monthly rate) and
 - ii. collectively bargained minimum wages (quasi-statutory minimum wages).
 - c. Economic Effects of minimal wage are:
 - i. higher wages improve incentives to take up employment and may increase employment in labor market segments where performance is inhibited by weak labor supply,

- ii. additional wage income tends to increase consumption, notably among low-income households, which may have some positive effect on demand and employment,
 - iii. increase in labor costs leads to lower demand in a competitive labor market where firms can hire all the workers they need at a given wage,
 - iv. it is possible that the minimum wage could actually increase employment on the other hand may reduce employers' demand for labor.??to mi ni jasno. Ali misliš, da zviša nezaposlenost, ker zmanjša povpraševanje po delavcih?
- d. Arguments against minimal wage are:
- i. the minimum wage may in theory threaten the economic viability of certain jobs at the lower end of the earnings distribution.
 - ii. It may present a threat for the competitiveness of companies and products.
 - iii. The imposition of an artificial value on wages that is higher than the value that would be dictated in a free-market system creates an inefficient market and leads to unemployment.
 - iv. The inefficiency occurs when there is a greater number of workers that want the higher paying jobs than there are employers willing to pay the higher wages
- e. Many employers see economical and other reasons against the measure of minimal wage. But here the question of ethics should also be considered.,
- f. There is no direct link between those who receive minimal wage and the working poors!
- g. Drastically raising minimal wage can have many negative consequences for economy, both direct and indirect.
- h. Governmental policies should focus upon raising the added value and value of products through changing business environment and creating new working places.
4. Combating poverty and social exclusion among workers
- a. The European Year 2010 (EY2010) has 4 main principles:
- i. Assessing rights (rights of poor people to human dignity and to their full participation in the society).
 - ii. Shared responsibility and participation (greater participation of individuals and groups in public).
 - iii. Cohesion (more coherent society where vedno se bo našel dvomljivec. Predlagam: it is generally accepted that through combating poverty all the society gains).
 - iv. Commitment and concrete actions (on all levels of management).

- b. Speaking about discrimination seems to be most efficient way to fight social exclusion both on personal and societal level.
 - c. In Slovenia there is a general feeling that only those who come from abroad, are discriminated against.
 - d. In some cases those who live quietly among us feel the strongest pain of discrimination.
 - e. After 20 years of a democratic regime in Slovenia, Christian workers still feel discriminated on the basis of religion.
5. Reflection of social dialogue in Slovenia which led to situation of drastically raising the minimal wage
 - a. Development of social dialogue in Slovenia was a process of learning for all involved. Living in a new country, no experience from the field was present. The quality of social dialogue depends from government to government but media also play a crucial role of 'watch-dogs'.
 - b. Trade unions in Slovenia often delegate people who are otherwise not popular, not even successful as workers. Such delegates often don't protect those who are working but those who aren't.
 - c. First question of the social dialogue should not be: "How are we going to divide common profits?" First question should be: "How are we going to create profits together?"

Conclusions:

Financial, economic, social and moral crises result in the increase of poverty. By now, poverty is not limited to "developing countries" but also becomes one of crucial problems of the European Union. What is especially concerning for workers' organizations is that full-time wages in many cases don't do not even satisfy the basic needs of workers!

This leads workers to stress, interpersonal conflicts, crime and loss of their human dignity. Their situation is especially difficult when facing irregular or additional costs which makes poverty very unpredictable.

Although the institute of minimal wage doesn't solve the problem of poverty, it protects workers from losing their dignity. Its ethical implications seem to be fair but a too highly set minimal wage can have strong negative influences for the economy and living costs.

Social dialogue, especially in environments that don't have long tradition of it, can become too much focused on raising the minimal wage, which seems to be a popular measure. But: in social dialogue, both questions of 'creating added value' and 'spending it' must be addressed simultaneously. By doing that, social dialogue becomes also a creative learning process, investment into people, for all



social partners. It leads to innovations and new business models that can become an engine of European development. Focusing social dialogue too narrowly on the measure of minimal wage can be an obstacle in this context.

All social partners, trade unions and workers organizations, employers and government, should take seriously their complementary roles in combating poverty and social exclusion. The EY2010 brings a special opportunity for doing that. The focus of the activities should be put both on research and promotional activities and 'grassroots' work with concrete beneficiaries. And finally: strengthening social networks among individuals is one of key solutions for more coherent society, reducing poverty and creating better conditions for workers.

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