

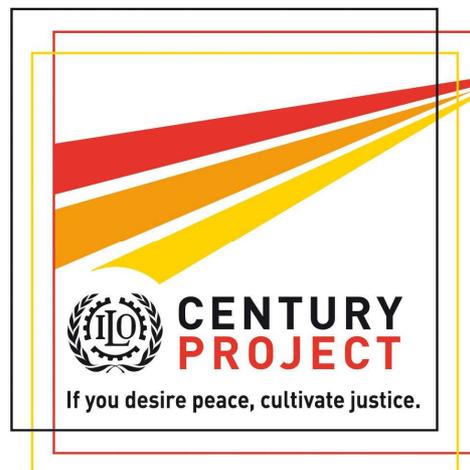
ILO Century Project



International
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The role of ILO in the development of minimum wages

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1. Introduction

The concern on wages has been present at the ILO from the very beginning of the organization. The Labour Charter included in the Treaty of Versailles, which later became the ILO Constitution, already established the need of satisfactory wages. Just after enunciating that labour should not be regarded as a commodity, and the right of association, the third guiding principle considered important: “The payment to the employed of a wage adequate to maintain a reasonable standard of life as this is understood in their time and country” (in Barnes, 1926). The Preamble to the ILO’s Constitution expresses the concern on the conditions of labour, and among the main areas of improvement it mentions “the provision of an adequate living wage” as well as “the recognition of the principle of equal remuneration for work of equal value”.

Although the question of tackling the wages issue was clearly in the ILO’s mandate, it took some years to include it in the normative agenda. According to Johnston (1970) “Its hesitancy in beginning the job was due to its realization that the international regulation of wages was an even more difficult matter than the international regulation of hours of work” as not only is a matter of social justice, but is also a key element of economic and financial policy. In addition, the unit of measure is more complex than measuring working time, as it is affected by the dynamics of exchange rates and cost of living.

Despite this difficulty, before the end of its first decade of existence, in 1928 the ILO had managed to agree on an international convention on minimum wage fixing at a time when this type of instrument was still very rare. Since then, the role of the minimum wage has evolved from an instrument of protection of a limited group of workers exposed to exploitation, to an instrument of economic development of broad coverage. The application of minimum wages also expanded geographically. Ninety years after Convention N° 26 was adopted, more than 90 per cent of countries have legislation on minimum wages (ILO, 2006). This makes minimum wages one of the most extended instruments for regulating the labour market.

During all these years, however, the importance of wages in ILO’s agenda has passed through different periods. Since the creation of the ILO, until the adoption of Convention N° 131 in 1970, wages were a central concern of the Organisation. Among other facts, this is illustrated by the reference at the Preamble of the Constitution, in the Declaration of Philadelphia (“a minimum living wage to all employed and in need of such protection”), and by the sustained ratification of Convention 26 which, by the late 1960s was the third most ratified ILO Convention.

After that point in time, the importance of minimum wages diminished for many different reasons. On the one hand, Convention N° 131 highlighted its relevance for

¹ Labour market policies and labour institutions specialist, Subregional Office for the Southern Cone of Latin America, ILO Santiago. I would like to thank Jaci Eisemberg for her efficient assistance during my stay in Geneva. I would also like to thank Georges Politakis, Gerry Rodgers, Zafar Shaheed and Manuela Tomei for exchanging ideas and for their detailed comments. I also benefited from the comments of Catherine Saget, Francois Eyraud, and Daniel Vaughan Whitehead. My thanks to all of them for their help in reconstructing this long piece of history.

developing countries, in practice giving a reason to industrialised countries to exclude themselves from a more extended application of the instrument. In addition, the emphasis given by the Office to employment during the 1970s, eclipsed the relevance of minimum wages which became one variable among many in the determination of employment. Finally, during the 1980s and 1990s, the minimum wage came under attack by mainstream economists, who saw them as a rigidity which impeded the correct functioning of the labour market.

This article will present the evolution of the minimum wage policy and the role of the ILO.

2. Shaping the concept of minimum wages as an instrument to limit exploitation (1919-1960)

2.1. What kind of minimum wage?

The ILO work on wage issues was very much determined by the general view that labour is not a commodity and, therefore, its price could not be determined only by demand and supply. On the contrary, it was believed that some kind of state intervention was needed, determining an adequate living wage.

By the time the ILO was created in 1919, minimum wages were applied in very few countries under a limited scope. In Great Britain there were experiences of Trade Boards in certain industries (“sweated industries”) trying to avoid exploitation, especially of women and homeworkers. Australia and New Zealand fixed minimum wages by industry and regional districts. The United States had minimum wage passed by law in six States and Canada in four provinces. In France and Norway there were experiences of minimum wage fixing in the textile industry, particularly concerning home workers.

The information about the different national systems was fragmentary and very soon it was discovered that the international community lacked the basic statistical standards to make data comparable. Despite the limited experience and knowledge on the subject, the expectation of setting a minimum wage level of international application was part of the initial considerations on how to develop this instrument.

The question of minimum wages was raised by the delegation of Paraguay at the first session of the International Labour Conference held in Washington, making reference to the third principle contained at Article 427 of the Versailles Treaty. At that time, they proposed that a Commission would be formed to study the subject and to prepare a report for the following Conference.

In an internal note for the Director General, James Nixon (a British ILO official, head of the statistical branch) developed the advantages and difficulties for establishing a minimum wage through an international agreement, the general principles to consider in the determination of a minimum wage, as well as the existing legislation in various countries (Nixon, circa 1920). The implicit question this note tried to answer was if it was possible to determine a minimum wage level which could be applied in every country.

In that note, Nixon pointed out that the determination of minimum wages is a very complex matter, very different from other labour standards. “A minimum wage differs from other minimum standards in that the standard of living, expressed in terms of commodities or amount of money, differs so greatly from one country to another that makes almost impossible, if not totally, to fix an international standard.” He concluded: “Consequently, each state has to determine its own standard and all that an international Conference can do on this matter is set certain principles which should be followed by each state”². He also recommended the Office undertake the preparatory work needed before setting up any Commission, and suggested not to include this issue in the agenda of the 1921 Conference.

At the Conference held in Stockholm in July 1921, the Governing Body accepted a British Government proposal instructing the Office to undertake studies in different countries on fixing wages in poorly organized industries. The work of the ILO took three different forms. In the first place, the International Labour Review published studies on the problems of setting minimum wages, as well as many country studies.³ In 1924, as currencies became more stabilized, the ILO began to compile statistics on real wages of occupations in certain industrialized countries (Johnston, 1970). Finally, in the context of International Conferences of Labour Statistics, the ILO made proposals on the most appropriate methods for measuring wages.

The result of this research presented a very particular perspective, quite different from the prevailing economics. “Evidence available from some ILO member countries indicated that minimum wage regulation promoted industrial peace, increased the level of output and sustained employment levels. In highly uncompetitive labour markets, where employers were exceptionally powerful in reducing wages, minimum wage legislation could help provide a measure of countervailing power in support of disorganized workers. ... That research was implicitly critical of the orthodox economic theory of wages resting on the principle of marginal productivity” (Endres and Fleming, 2002).

Part of the preparatory work done by the Office during these years was related to the development of appropriate methods for measuring wages and hours of work. The First International Conference of Labour Statisticians was held in Geneva by the end of 1923 to discuss the development of statistics on wages. The points under discussion were varied and many of the proposals were experimental. The usual sources of wage statistics came from inspection records, pay books or dispute settlements, while the report proposed to develop surveys, raising the question of sampling, selection of representative industries and typical occupations. The report also discusses ways of comparing wages at different times, presenting a method used by the Australian Bureau of Census and Statistics that combined wage rates and cost of living data with the unemployment rate to “obtain results more close to actual wages of workers” (ILO, 1923). With regard to the international comparison of wages, a number of alternatives were proposed: adjusting wages to an index number of prices of selected products in all countries; calculating the number of hours worked necessary to buy a given group of commodities; or combining wage statistics with cost of living index numbers, exchange rates and the purchasing power of currencies.

² Original text in French, my translation.

³ Australia and New Zealand, the United States, Great Britain, France and Norway.

The cost of living question was discussed in detail during the Second International Conference of Labour Statisticians, held in April 1925. At the time, this was a rather new concern as prices moved slowly before the war and changes in cost of living were estimated considering the variation in very few items of ordinary consumption (ILO, 1925). Since the beginning of the First World War, the rapid changes of prices in all countries made evident the necessity to calculate index numbers to show changes in the cost of living. Index numbers were compiled by bipartite committees, local authorities or by the Statistical Office, and were increasingly used as a basis for wage bargaining, or even in the application of automatic wage adjustments by a “sliding scale”.⁴ The importance rapidly acquired by the cost of living index numbers required that a number of principles were consistently applied in order to remain a credible source of information and a basis for national and international comparisons.

The inclusion of the minimum wage subject in the agenda of the 1923 International Labour Conference was rejected by one vote “until economic conditions had become more stable” (ILO, 1927). In October 1924 the Governing Body decided to include minimum wages in the provisional agenda for the 1926 Conference, but had to be postponed giving precedent to other matters. The minimum wages issue was finally discussed during the 1927 and 1928 sessions of the Conference.

2.2. Developing an International Convention on Minimum Wages

It appears that this idea of setting up an international minimum wage was still present during the technical discussions that took place during all these years and raised many concerns and doubts. However, this matter seemed to have been definitely buried after the British proposal to include the wages item in the agenda of the 1927 Conference. In a memorandum sent by Humbert Wolfe, from the British Ministry of Labour, to the Deputy DG, Harold Butler, it is made clear that: “there is no intention to suggest that wages should be fixed by the convention itself, but merely that wage-fixing machinery in the various states should be examined. This means that at the most, the convention might suggest some additional form of wage-fixing machinery to cover certain limited industries, but *could not in any circumstances suggest actual wage levels*” (Wolfe, 1925).⁵

On the contrary, the British proposal made clear that the Convention had to be very widely drawn, giving considerable freedom of action to governments. In addition, they considered that the scope of the convention should be limited to those trades with most extreme working conditions, which could vary from country to country, such as home-working trades.

The law and practice report prepared by the Office for the first discussion of the proposed convention on minimum wage fixing elaborated on the basis of an extended knowledge of the minimum wage systems.⁶ The objectives of different minimum

⁴ According to the ILO report (1925), nearly 3 million workers in the UK benefited from regular and automatic adjustments of their wages according to variations in the cost of living.

⁵ My emphasis. Humbert Wolfe played a very active role in this process as British Government delegate, and was elected Chairman of the Committee on minimum wage fixing machinery that prepared the questionnaire sent to the countries.

⁶ The countries reviewed were:

wage legislations were: “the elimination of the payment of unduly low wages to the workers and the elimination of unfair competition within employers with regard to wages” (ILO, 1927). Poor organization of workers was identified as a key reason for their low wages. On this regard, the report stated that some analyst believed that minimum wage fixing would strengthen organizations and increase workers participation, leading to an extension in collective bargaining, while other argued that fixing minimum wages and other working conditions would reduce workers motivations to organize.

Another point of debate was if minimum wages should be fixed considering the objective of a “living wage”, or should be determined taking into consideration the capacity to pay in different industries. The first alternative considered workers needs, regardless of industry. Estimates of the living wage varied depending on the quality of life to attain (“mere subsistence, the amount necessary for health and decency, and the amount necessary to provide a standard of comfort”), but permitted establishing a general minimum wage, with the possibility of making regional differences on the basis of cost of living. The second method gave priority to the capacity of industry in general, according to the conditions in that industry. A third method was to fix minimum wages in relation to the level of wages for work of similar difficulty in other industries.

A third controversial point was if minimum wages should take into consideration the needs of the worker alone, or of the whole family. In general, where the living wage principle was adopted, the practice was that the minimum wage of an adult male worker should cover the requirements of a man with wife and two children, while for adult female workers the wage is to be based on the requirements of a woman without dependents. Such provisions could be found in New South Wales (Australia), in different States and Provinces of United States and Canada. This differentiation “is a safeguard against the consequences of the competition of female workers partly maintained by the earnings of others. Women and girls who are only partly dependent on their own earnings may force the wage down to a level inadequate for maintenance” (ILO, 1927). This idea was strongly criticized by the advocates of the principle of equal pay for equal work. The usual response to this criticism was that women’s wages applied to work performed in different occupations than men. Following the equal pay principle, the practice in Australia was that where men and women were employed on identical work, the same wage had to be paid.

The proposed questionnaire included a number of definitions and precise alternatives with the idea that the final instrument had clear orientations for its implementation. The adopted questionnaire, however, showed that the commissioners preferred to give more room to governments, especially considering the fact that various minimum wage fixing systems were already in applications and that the final drafting of the Convention should facilitate ratification.

Europe: Germany, Austria, France, Great Britain and Northern Ireland, Hungary, Irish Free State, Italy, Norway, Rumania and Chekoslovakia.

Americas: Argentina, Canada, United States, Mexico, Uruguay.

Australasian: Australia and New Zealand.

Africa: Union of South Africa.

In the introduction accompanying the questionnaire sent to the governments, it was stressed that the objective was to provide an instrument for minimum wage fixing machinery, “and the Governing Body itself made it clear that there was no question of actually fixing a minimum wage and still less, of course, of fixing an international minimum” (ILO, 1927 (b)). Although the limited scope of the instrument was evident from the content of the questionnaire, this explicit exclusion probably intended to avoid any misunderstanding and facilitate the completion of the questionnaires.

From the three points mentioned above, the last one related to the consideration or not of the family was not included in the proposed draft questionnaire. The idea of a “living wage” was not part of the alternatives debated, which turned around a more limited scope. Some commissioners wanted to limit the scope of the Convention to home-workers only, but after a vote it was decided that both home-working trades and other industries should be retained as options in the questionnaire (ILO, 1927 (b)). The determination of what was meant by “exceptionally low wages” and “defective organization” was extensively debated, including the idea of setting specific statistical indicators to establish these situations, but was finally rejected, leaving to governments the determination of these.

The questionnaire was responded by 22 countries, of which 18 were European, the others being New Zealand, Canada, India and South Africa.⁷ The great majority of Governments considered that the Conference’s decision should take the form of a Convention (14 countries) rather than a Recommendation (five countries). Their replies offered a good indication of their approach towards the issue.

In general, countries where collective bargaining was more developed were either skeptical about the need to introduce minimum wage fixing mechanisms, or would only support it if limited to home-worker activities. For example, Finland’s response mentioned that workers’ organizations were opposed to MW fixing by the State, Germany considered that there was no need for Government to fix minimum wages and that it would be seen as a retrogression. Sweden’s response also indicated the disapproval of both workers and employers’ organizations of State intervention in wage fixing. The Netherlands said that state should only intervene on low wages where the trade union movement is impossible to organize. Austria, France and Norway also give preeminence to the developing of collective bargaining (see ILO, 1928). In fact, five governments that were in favour of a Convention wanted that the scope would be limited to home working trades.⁸ In order to make the draft Convention acceptable, it was agreed that the Governments should be free to determine the scope of their machinery.

The responding countries also rejected the inclusion of criteria for minimum wage fixing, as well as indications on the method. These matters were considered more appropriate for a Recommendation. The majority of the Governments considered that

⁷ The response from Canada, in fact, corresponds to 4 different ones, sent by British Columbia, Manitoba, Ontario and Quebec.

⁸ Austria, France, Germany, the Netherlands and Poland. Homework consisted mainly of work done in the home or place that did not belong to the employer, without direct supervision, generally paid by piece produced. It was extended in the clothing industry, but it existed also in other trades. Considering that their lack of organization resulted in underpayment, it was generally accepted that this group needed some kind of protection.

the draft Convention “should only lay down general principles and not go into detailed methods of application” (ILO, 1928). On the other hand, they agreed to include full preliminary consultation with workers and employers organizations in concerned trades, as well as to recommend their incorporation in the minimum wage fixing bodies, while governments should appoint independent persons.

Convention N° 26 and the related Recommendation N° 30 were adopted by the Conference on 16 June 1928. Reading Convention 26 without an indication of the historical context, it may be seen as a very small step in the direction of improving labour conditions. During many years this topic encountered both hidden and open resistance, as it raised many concerns. Probably, the main concern at the time was the possibility of setting a minimum wage level for international application. It is clear that this idea was considered at a certain point with the objective of avoiding that trade competition be based on low wages. The complexity of the task, as well as the related implications on the economic and finance spheres, worked in favour of those against this idea.

A second difficulty was to convince countries with extended collective bargaining that there was a need for State intervention in wage fixing. As it was mentioned, the whole discussion was very much influenced by European countries, where both unions and employers’ organizations were reluctant to give up their space. In their view, the deepening of the industrialization process in every country would lead to stronger organizations across the vast majority of industries and activities, rendering unnecessary any intervention. At the most, they would agree that a minimum wage was fixed for a very limited scope, i.e. home-workers or certain low paid activities.

In retrospect, Convention N° 26 was a key element for turning a popular demand into a recognized instrument for policy intervention in the labour market, becoming part of the different labour institutions. In the 1920s very few countries had a minimum wage and there was very limited knowledge about the specificities of the application in each country. The ILO was given a concrete mandate to do research on this topic, spread the results of it through publications and conferences, and develop the statistical definitions in order to make information comparable. In the following years this was the main course of action of the ILO, playing an important role in industrialized countries and increasingly in the developing world.

During the debate, certain countries expressed the view that minimum wage fixing was not necessary as collective bargaining would develop, covering the majority of the work force. Unfortunately, this prediction never came true, especially in developing countries. Therefore, the possibility to make use of the minimum wage was proved to be a very important policy instrument in many countries and the very existence of the Convention, in addition to the information work done by the ILO played a central role in this process.

2.3. The first years of the Convention

Shortly after its adoption, the Convention was ratified by Germany, the United Kingdom, Spain, China, Ireland, Italy and France. But very soon the idea of improving the working conditions by setting a minimum wage in low paying trades encountered a serious challenge with the crisis of the 1930s and the following economic depression.

During these years, there was a general feeling that social reforms and improvement in labour standards had to be slowed down. In the words of Albert Thomas, “the atmosphere to which the depression gives rise, the thought that now it might be necessary to restrict social reform and to keep protective legislation down to the limits set by economic possibilities – a suggestion which some of the employers’ representatives have made to us – all of these I am fully aware. ...I have always noted that, according to the Governments’ own statement, it has been economic conditions which have prevented them from ratifying Conventions” (ILO, 1948 b).⁹ Of course, this comment was also valid for the recently adopted Convention on minimum wage fixing machinery.

The economic depression put into question a number of economic principles widely accepted at the time and provoked very intense discussions about the best strategies to overcome it. One of the discussions had to do with the most appropriate wage policy. The economic depression started a vicious circle of unemployment, decreasing wages, lower demand and investment. On the wages issue, some economists were in favour of letting the economy find a new equilibrium point at a lower level (disregarding the social cost of it), while others believed that an increase of wages could help in reverting the cycle (in the hope that inflation would lag behind, permitting real wage increases).

These two positions were, in fact, a continuation of the debate that took place in the 1920s period of recovery of the First World War. During an ILO study tour to the US and Canada, Richardson observed that the “doctrine of high wages” prevailed. It appeared that cooperation between workers and employers made possible to increase productivity and set high wages. “Higher real wages were an effect and cause of higher productivity from the worker’s point of view; and higher real wages encouraged employers to increase efficiency in the use of labour” (Endres and Fleming, 2002). However, in countries with open economies and older industries, the dominant perspective was that wage increases were limited by international competition in a context of fixed exchange rates.

There is some evidence that this debate also took place at the ILO. Addressing the Conference in 1931, Albert Thomas formulated the wages dilemma. “We are faced with two main tendencies. Some people are in favour of the workers’ demands and say “High wages are the foundation of industrial prosperity”. Others maintain that there is only one way of alleviating the depression: to lower wages so as to reduce costs of production and consequently increase consumption.”

⁹ Speech at the Internacional Labour Conference, 1932

He also expressed his doubts on the wage cuts strategy: “I also have the gravest doubts about the idea that wage reductions could provide a cure. The theory put forward on this subject might at most be valid for industries working for export. If, however, wages are reduced in any given country, they will be reduced in the neighbouring countries too. Besides, if it cannot be said with certainty that high wages are the cause of the depression, I believe very strongly that on the contrary, wage reductions will still further diminish consumption” (ILO, 1948).

In most countries there was no active intervention of the state in the area of wages during the depression. “However, a few countries, notably Australia, France and the United States, undertook to promote recovery through wage policy” (ILO, 1948). In the case of Australia, the strategy consisted in wage cuts, which were mostly compensated by deflation of prices as a result of recession. It is estimated that the main driver for Australia to recover was the exchange rate depreciation which enabled to increase exports. In the case of France, the government of Léon Blum implemented an expansionist recovery policy, which included wage increases. Again in this case the exchange rate policy played a significant role in the outcome (when the French franc was devalued, production increased and unemployment rates reduced). In the case of the US, the National Recovery Act of 1933 sought recovery through an increase of the worker’s purchasing power, which should be achieved by the agreement of employers to the Act and strengthening trade unions.¹⁰

A resolution submitted by the worker delegate of India, and adopted during the Nineteenth Session of the International Labour Conference in 1935, requested the Governing Body “to consider the desirability of instructing the Office to correspond with the States Members and request them to constitute immediately a wage-fixing machinery in their respective countries ... in pursuance of a Draft Convention adopted at the Eleventh Session of the International Labour Conference” (ILO, 1935).

Taking aside Europe, Latin America was the region which more quickly embraced the idea of minimum wages. Considering the interest expressed on minimum wages during the First Labour Conference of the Americas held in Santiago in 1936, for the Second Conference held in Havana in November 1939 the ILO prepared a book containing short notes of 10 countries and monographs of 5 countries. At the time, a considerable amount of countries in the region had already adopted the principle of minimum wages in different forms. The monographs show in some detail the first steps taken to put into practice this policy (ILO, 1939).

By the end of the 1930s, 22 countries had ratified Convention 26, half of the European countries, six from Latin America, New Zealand, Australia, Canada, South Africa and China. Much more disappointing was the ratification record during the 1940s, when only Venezuela and Switzerland became parties to the Convention.

2.4. A very particular request: the Ford - ILO inquiry¹¹

Since the very early years, the ILO worked on collecting statistical information on wages, elaborate a common set of criteria for wage surveys, and disseminating the

¹⁰ For a more detailed account of these 3 cases, see ILO, 1948.

¹¹ This whole section is drafted on the basis of V. de Grazia (2005). For a complete account on the Ford – ILO enquiry see chapter 2, “A decent standard of living”.

information through publications. Addressing the Conference in 1931, Albert Thomas acknowledged that, although all this work was very valuable, the Organisation had to develop a possible wage policy, give practical significance to “the definition given in the Treaty of Peace – an adequate living wage” (ILO, 1948b). He believed that the ILO had to do more research on this issue, of the type done by the Wages and Statistical Committees with the Ford enquiry.

He was referring to a request made by Ford Motor Company to the ILO on living costs in Europe in order to determine their pay scales in their existing or projected plants. They wanted to know how much their European workers should be paid in order to have the same standard of living of their Detroit workers. This exercise consisted, first, in determining how the Detroit workers spent their wages, and then, how much would it cost to consume an equivalent basket in a number of European cities.

This request was very interesting for the ILO on many grounds. On the technical side, it was an effort in exploring the idea of a “standard of living” and the different cost of satisfying a common standard in different cities. On the practical side, the fact that one of the most dynamic American companies asked the ILO to provide this information, positioned the Organisation as a very useful institution. On the side of ideas, Ford represented the “high pay strategy” of development, the possibility that workers and employers could cooperate by applying high labour standards and achieving high productivity, which was close to the ILO spirit. Finally, on the political arena, this would be one additional way of trying to bring the US closer to the ILO.

However, this same request involved certain risks. First, it was a very costly exercise part of which was financed by a philanthropic foundation. Second, Ford was accused of being engaged in dumping, and the idea of developing a high wage strategy in Europe could just be a way to overcome protectionism.

At the time the field work started, the New York Stock Exchange collapsed adding a complication for the exercise, as well as changing the long term strategy of Ford in Europe. A number of countries abandoned the gold standard, the crisis resulted in large unemployment and a drop in prices, changing all the parameters of the work done. The final study was published before being approved by the Governing Body of the ILO, as Thomas feared that difference of opinions could block its publication. After the Governing Body protest, a revised version was presented as a statistical exercise and was titled “A contribution to the study of international comparisons of costs of living”.

2.5. A Convention for minimum wage fixing in agriculture: under the same principles

The scope of Convention 26 was limited to industry and commerce. It did not take too long to realise that this was clearly insufficient, especially considering that agriculture constituted one of the most important sectors of the economy in many countries. In addition, statistical information available at the time indicated that wages in agriculture were below wages in industry, as well as working conditions in general were poorer in agriculture.

Taking into consideration a resolution submitted by the Workers group, the Governing Body included the question of minimum wage fixing in agriculture for a preliminary discussion at the Agricultural Committee in 1938. The Committee asked the Office to carry on studies on this issue, with the objective of considering the possibility of including this topic into the agenda of the Conference. The outbreak of the Second World War, however, postponed dealing with this issue for two decades (ILO, 1949). However, discussions on the issue continued to take place at the regional level. The Fourth Labour Conference of the American States members of the ILO held in Montevideo in 1949 adopted a resolution regarding the conditions of work in agriculture, recommending the adoption of specific minimum wages for them considering their productivity and their personal and family needs (ILO, 1954).

There are many particular conditions in agriculture that call for wage regulation. First, it is difficult to develop collective bargaining as it is complicated to organise rural workers due to geographical dispersion. Second, rural workers experience intense fluctuations of income as a result of higher volatility in products prices and climate influence. Third, in developing countries rural employment is characterised by low productivity. Low wages discourage efficiency and low productivity rule out the possibility of higher remuneration. Finally, lower incomes in rural areas constitute an incentive for migration to urban areas.

For all these reasons, national wage regulation expanded during the 1930s and 1940s, giving more favourable conditions for discussing the possibility of drafting a Convention on minimum wage fixing in agriculture. The Office Report to the Conference pointed out that “wherever the State intervenes in wage regulation there is a tendency to raise the income level of the agriculture workers, to provide them with a large measure of stability and continuity of employment and to protect the industry from severe economic fluctuations” (ILO; 1949). State intervention could take the form of fixing minimum wages by law (Argentina, Cuba, Mexico, New Zealand and Uruguay, for example), or setting up a specific machinery for wage fixing (Brazil, France and the UK). Wage regulation through collective bargaining between agricultural workers and employers was applied in Austria, Italy, the Netherlands and Scandinavian countries.

Among rural workers organizations also took place the debate on whether to accept wage intervention or to develop collective bargaining. Even accepting that the conditions in rural areas were more difficult, it was still expected that once collective bargaining was introduced it would spread as it happened in manufacturing. During the 5th Congress of the International Land Workers’ federation held in Prague in 1928, “the great majority of agricultural workers’ unions did not hesitate to declare the choice for collective bargaining.... it was only the less important unions which did not oppose State intervention” (ILO, 1949). By 1935, however, the 7th Federation Congress held in London reconsidered this position and in 1936 the Executive Committee of the Federation was “ready to contemplate a system of State regulation of wages, and it formulated a request to the International Labour office that the matter should be discussed at the First Session of the Permanent Agricultural Committee” (ILO, 1949).

The replies of the governments to the ILO questionnaire limited very much the scope of the instrument. The majority considered that the international instrument should take the form of a Convention, which should set only the general principles, and a Recommendation establishing in more detail the methods of application. The respondents did not consider necessary to include a precise definition of agriculture, establishing that it should apply to all workers employed in agricultural undertakings and occupations.

When the Committee on Agricultural Labour examined the draft text proposed by the Office, the Employer members indicated that they considered that a Recommendation was more appropriate considering the diversity of conditions of agriculture in different countries. However, this position was rejected after a vote.

The two most controversial issues were the criteria to be used for minimum wage fixing and the possibility of paying part of the minimum wage in kind.

Regarding the bases to be considered for minimum wage fixing, the questionnaire did not list the alternative responses, leaving to the respondents that consider it necessary for the Convention the possibility of giving their suggestions. This procedure certainly complicated the processing of the countries responses.

The Office text of Draft Convention included two bases:

- “(a) the minimum wage should not be lower than a rate considered indispensable for the upkeep of the worker and his family;
- (b) the minimum wage should be comparable with wages paid for similar work in sectors where the workers are sufficiently organised and have concluded effective collective agreements” (ILO, 1950 b).

The UK and the Employers’ group presented amendments proposing the deletion of the two paragraphs. After a vote, the Conference Committee accepted the amendments and these paragraphs were later included in the Recommendation, although limited to the needs of the worker.

With regard to the possibility of making payments in kind, the Worker members submitted two alternative amendments to the Office text, either prohibiting them or limiting them to board and lodging. These amendments were rejected by vote and the possibility of making part of the payment of wages in kind was maintained in the Convention.

In summary, Convention N° 99 complements Convention N° 26, adding to industry and commerce the possibility of covering also agricultural workers, which represent a large proportion of the working force, especially in developing countries. Both Conventions follow similar structures, establishing the general principles for introducing of maintaining minimum wage fixing in the countries, leaving more detailed provisions (e.g. on criteria for minimum wage fixing, or need to adjust periodically minimum wage levels) to the Recommendation. The needs of the families of the workers were, once again, not included in the new two instruments.

Convention N° 99 has been ratified by 54 countries.¹² Most ratifications took place during the 1950s and 1960s. After the adoption of Convention N° 131 in the early 1970s, the interest in ratifying Convention 99 clearly diminished as the former had a larger scope.

3. A major change: Minimum wages as an instrument for economic development (1960s and 1970s)

3.1 Assessing the need for revising Convention N° 26

At the beginning of the 1960s, the balance for the ILO with regard to the objective of disseminating the idea and application of minimum wages could be considered very positive. Minimum wages existed in most of the industrialized countries and in Latin America. During the 1960s, after the independence of African countries, they quickly introduced minimum wages, generally adapting the systems previously applied by the colonizers. Asian countries, on the contrary, were reluctant to introduce minimum wages, supporting instead the development of collective bargaining despite low affiliation in trade unions and generalized labour surplus. The Asian Regional Conference of 1951, held in Tokyo, recommended countries to take measures to create conditions in which agricultural wages could be regulated by collective bargaining instead of minimum wage machinery (see ILO 1953).

By 1969, Convention N° 26 had been ratified by 76 countries and was the third most ratified Convention.¹³ This Convention, which applied only to manufacture and commerce, was complemented by Convention N° 99, concerning minimum wage fixing machinery in agriculture in 1951.

Despite this progress, however, there was a feeling that the implementation of minimum wages had evolved beyond the framework of these Conventions, in particular for developing countries. Many countries were applying minimum wage systems of national coverage, with the objective of satisfying the basic needs of the workers and their families. This idea was closer to the “living wage” in the Preamble of ILO Constitution. In addition, after years of sustained economic growth it was perceived that the quality of life had not improved accordingly. The extent of poverty in developing countries made necessary a more concerted action against it.

During the forty-eighth session of the International Labour Conference of 1964, the Workers’ group presented a resolution concerning “minimum living standards and their adjustment to the level of economic growth” (ILO, 1965). The resolution intended to request the Director General that the Office a) carried out a study dealing with the relationship between minimum standards of living and economic growth, and b) prepared proposals for the revision of Convention 26. The main considerations presented by Mr. Morris, Worker delegate of Canada, were that economic growth was a necessary condition for higher wages, but also that the improvement of working conditions would give an impulse to the pace of economic development. In addition,

¹² Including the UK, which denounced it in 1994.

¹³ Only surpassed by Conventions N° 11 (Right of Association, Agriculture, 1921) and 29 (Forced Labour, 1930). The Vice Chairman of the Employer members included Convention 48 (maintenance of Migrants’ Pension Rights, 1935) as one of the most ratified, but it was clearly a mistake (ILO, 1969 c). Later corrected during the Plenary discussion at the Conference (ILO, 1969 b).

they considered that minimum wages should be adjusted periodically according to the growth of the country and to increases in the cost of living. After introducing certain amendments, specifying that adjustments should not be made automatically, the resolution was approved, starting the revision process.

In November 1965, the Governing Body asked the Director General to consider including a meeting of experts on “minimum wage fixing and other problems of wage policy, with special reference to developing countries” on the agenda for the 1967 Conference. The purpose of the meeting was twofold: first, to examine the problems encountered in minimum wage fixing and, second, ways in which the ILO Conventions and Recommendations on this issue should be revised, if required.

The majority of the experts to be invited had to be from developing countries (GB, 1967). This constituted a major change when compared with the process that led to Convention 26, which was dominated by European countries. The academic members of the meeting included experts from industrialized countries, although some brought with them a much wider experience. Dudley Seers, from the UK, was designed rapporteur for the first item on the agenda. He was Director of the recently created Institute of Development Studies of the University of Sussex and leading development theorist. The developmentalist perspective cut across the whole report.

From the very beginning of the report, the minimum wages issue was put into a broader framework: “in developing countries, minimum wage fixing has to be seen as one of a battery of measures in the strategy of an attack on poverty, its major objective” (ILO, 1967 a). A key element of the development strategy was to change the existing structure of income distribution. The report clearly mentioned that minimum wage fixing had a limited impact to improve income distribution by itself, and if wage increases are not absorbed by profits or increased productivity, they would result in higher prices risking to worsen the situation. However, it also pointed out that: “Fixing of minimum wages can in any case be the most effective policy tool for one objective in any country. It can prevent the payment of particularly low wages to vulnerable groups of workers, and by doing so it can also make the distribution of income somehow better” (ILO, 1967 a).

Although the report was clearly committed to changing income distribution as key to development (including direct taxation, expenditure on social services and land reform as alternative policies), it adopted a balanced perspective when discussing the negative effects of “undue rises in wages”. It was especially strong when addressing the risk of inflation: “one of the conditions for combining rapid development over the long period with social justice is to bring general inflation under control” (ILO, 1967 a). It also made reference to the risk of affecting investment and of accentuating the rural – urban divide. Finally, it made clear that for wage increases to be sustainable, they had to be based on strong sources of growth.

The experts report also addressed the issue of which criteria should be considered by the wage-fixing authorities. In the first place, they mentioned the needs of the workers and their families.¹⁴ Though the inclusion of this criterion was evident, it proved

¹⁴ “a wage is in no sense a living wage unless it adequately covers all who have to live with it” (ILO, 1967 a)

difficult to put into practice. Even the nutritional needs, which are basic for survival, were very much discussed by experts, while the remaining needs are a matter of social convention. The more advanced a country was, the more concepts would be included into the needs of a low income worker. The income needed by wage earners also depended on the size of his/her family. While in some countries the State paid family allowances, the experts considered that such a system could not be afforded by most developing countries.

In the second place, they placed the employers' capacity to pay. For the case of particular industries, capacity to pay should be considered in collective bargaining, while for the purpose of minimum wages it can be interpreted as the capacity to pay of employers as a whole. This was also considered difficult to put into practice, especially considering the different productivity levels in the same industry. A third consideration was that of wages actually paid for comparable work elsewhere in the economy, which has the practical advantage that it can be measured through surveys. In fact, this was the criterion included in Recommendation 30.

Finally, the experts introduced an additional criterion, namely the requirements of economic development, meaning that the particular social and economic situation should be considered, which could make unfeasible achieving the level which covered the basic needs, without affecting future growth and unemployment. The experts report warned against big jumps of the minimum wage in searching the proper level, as they could have disruptive effects on the economy. On the contrary, they recommend raising minimum wages gradually, in order to monitor the economic implications (ILO, 1967).

The Office law and practice report, in addition to the report of the meeting of experts were published in 1968 by the ILO and for many years constituted the most comprehensive publication on minimum wages (ILO, 1968).

Around the same time (autumn 1967), the International Institute for Labour Studies also organised a symposium on wage policy issues in economic development.¹⁵ Although this symposium was not directly connected to the standard setting process, its inputs certainly feed in the work of the Office. It is interesting to point out that research carried out at the time indicated that income distribution was more unequal in developing countries than in industrialised ones, while the latter had also suffered from larger inequality at earlier development stages. At the time, it was believed that income distribution would improve with economic development. Considering the proportion of wage earners in many developing countries, the role of minimum wages in reducing the income differentials would be more limited than in industrialised countries. However, this relevance of the minimum wage would increase with economic development as it was thought that it would result in the expansion of the modern sector (Smith, 1967).

¹⁵ The papers presented at the symposium and the proceedings of the discussions were later published in *Wage Policy Issues in Economic Development*, edited by A. Smith (1969). Anthony Smith also published an article dealing specifically with minimum wages at the *International Labour Review* (1967).

3.2 The standard-setting process

The preliminary report for the first discussion by the Conference kept the main elements of the Experts Report, but softened the need for changes in income distribution in developing countries. It adopted the idea that the new instrument would be especially conceived for developing countries, in the idea that minimum wages would be an element of the development strategy. In a way, this might have affected the ownership that certain industrialised countries felt during the whole discussion process and after the Convention was sanctioned. For example, countries like Norway, Sweden or Switzerland indicated in their responses to the questionnaire that it was up to developing countries to decide if an instrument intended for them was appropriate or not.

While adopting a broad definition (“the minimum wage is the wage which in each country has the force of law”), the Report supports that for achieving its fundamental objective, the minimum wage system should provide general coverage. Although this can be achieved by a national minimum or comprehensive sectoral or occupational minima (and all of them would be acceptable in the terms of the final Convention), it was pointed out that the first one had a number of advantages:

- facilitated coordination with other development policies;
- simplified the effective application of the instrument in countries with weak institutions and low literacy rates among workers;
- and improved equity, by raising wages of the lowest paid workers towards the general level.

The issue of criteria for setting the minimum wage was to be one of the most debated topics. The two most questioned points were the inclusion or not of the needs of the family of the worker, and including the capacity of employers to pay. The replies to the Office questionnaire give some indication of the reasons invoked.

Some countries expressed their concern about the inclusion of family needs, as it could result in the discrimination of workers with dependents. However, the reference to the family needs was retained on the understanding that the Convention was not promoting that different rates were paid to workers with and without dependents.

On the contrary, the identification of the proper criteria for minimum wage fixing required long discussions and drafting exercises to accommodate the different concerns. The most questioned criterion was the capacity of employers to pay. In the Conference Committee on minimum wages, this was a major area of disagreement between the employer and worker members of the Working Party. The worker members argued that “in minimum wage fixing, as opposed to general wage determination, only social and not economic considerations should be taken into account” and also that it was very difficult to verify in practice if such capacity to pay existed or not (ILO, 1969 b). The employer members of the Committee strongly supported the retention of the economic considerations, arguing that if they were ignored, it could result in inflation and unemployment, weakening the protective role of the minimum wage.

The final formulation of the Convention resulted in grouping the social protection role of minimum wages in a first set of criteria, while the economic considerations were kept separately forming a second set of criteria:

- “a) the needs of workers and their families, taking into account the general level of wages in the country, the cost of living, social security benefits, and the relative living standards of other social groups;
- b) economic factors, including the requirements of economic development, levels of productivity and the desirability of attaining and maintaining a high level of employment” (Article 3 of Convention N° 131).

At the end of this process, the ILO had a new instrument which:

- Had a wider scope (as it intended to cover most wage earners),
- Stated that the minimum wage should cover the needs of the worker and his/her family,
- Specified the guiding criteria for minimum wage fixing (of either social or economic nature),
- Pointed out its level should be adjusted from time to time,
- Required full consultation with workers’ and employers’ organisations in the establishment, operation and adjustment of minimum wages (see Politakis, 2001).

This Convention promoted the idea of a minimum wage as an instrument among others for reducing poverty as part of a development strategy. This moment represented the highest point in the long history of the minimum wage in the ILO agenda.

In the first ten years since adoption, Convention N° 131 was ratified by 24 countries, a very promising start for a new instrument. However, this initial impetus was not sustained. By mid 2008, Convention N° 131 had only 51 ratifications, only double of what was achieved during the first decade of existence. What happened with this instrument?

In the first place, the economic context changed dramatically. This Convention was conceived at a time of sustained growth and high employment creation. The oil crisis of 1973 spread inflation all over the world, and very soon the debt crisis of the 1980s put an end to the possibility of using actively a minimum wage policy as a means for reducing poverty.

Secondly, most industrialised countries never felt that this instrument could be also of use for them. Convention N° 26 was mainly the result of the discussions and views of European countries. Despite this, it was widely adopted by countries at different levels of development. Convention N° 131 was created as an instrument for developing countries, and as such it was ratified only by 7 industrialised countries¹⁶, although many others also comply with its provisions and could perfectly ratify it.

¹⁶ Australia, France, Japan, the Netherlands, Portugal and Spain.

Last, but not least, minimum wages progressively lost relevance and/or visibility in the ILO's agenda. The calls for increased flexibility in the labour market in order to improve efficiency obviously included the idea of weakening or eliminating the minimum wage. This position did not receive a clear open response by the ILO, which concentrated its action on the country basis, mainly through technical cooperation.

3.3 ILO work on minimum wages: different dimensions

At the same time the Conference discussed what was to become Convention N° 131, a Resolution defined four areas for international cooperation in regard to minimum wage fixing:

- a) The preparation of comparative studies related to the fixing and application of minimum wages;
- b) assisting governments on studies and statistics;
- c) promoting the exchanges of experience through seminars, missions or study trips;
- d) developing training programmes for officials, workers and employers representatives on duties involved in fixing, adjusting and applying minimum wages (ILO, 1970 b).

The main responsibility for this work rested on a small team of specialists on wages that worked in the General Conditions of Work Branch. In 1975, the Remuneration Section was moved to the Labour Management Relations Branch. The idea under this move was to integrate the work on wages closer to the process of industrial relations. Minimum wages are not only a fundamental element of working conditions, but also a basic element of negotiation between workers and employers representatives. As such, it should be closely linked to the efforts in strengthening collective bargaining at different levels.

In addition to this core group of wage specialists, there were officials in other ILO departments dealing with wage issues from their different perspectives. In the department of international labour standards, for example, there is a small group of officials in charge of analyzing regular reports submitted by ratifying countries and servicing the ILO Committee of Experts, as well as contacting non-ratifying countries at longer intervals to report on their law and practice, and state the difficulties which prevent or delay ratification, in accordance with Article 19 (5) (e) of the ILO Constitution. The Committee of Experts carried out such general surveys in 1958 and in 1992, the results of which were published (see ILO, 1992).

The exchange between the ratifying countries and the Committee of Experts, which is done through the standards department of the Office, offers the possibility of improving the compliance with the Conventions. The Committee of Experts analyses incoming reports and formulates comments in the form of observations and direct requests. In certain occasions, the technical support of the ILO may be offered through a mission, a study and/or the participation in a tripartite workshop. The social partners of a ratifying country can also present a representation under Article 14 of the ILO Constitution when they understand the terms of the Convention are not observed. The Government is contacted to give their position, after which a tripartite Committee is set up by the ILO Governing Body to examine the merits of the case and to present

its conclusions and recommendations. In many cases the parties complain about the lack of effective consultation by the governments. For example, the Confederation of Private Employers of Bolivia complained in 1984 for lack of consultation when applying a new minimum wage fixing policy; the Trade Union of Workers Commissions of Spain presented a representation in 1988 asking full consultation on the consideration of inflation in minimum wage adjustments (Governing Body sessions 228 and 239, respectively).

The ILO has also been the forum where standards on wage statistics are discussed and agreed. The subject of wages was present in the first International Conference of Labour Statisticians held in 1923. After that, different wages issues were discussed, such as international comparisons of real wages, wage statistics, statistics of labour costs, measurement of income from employment, etc.

The dissemination of the international practice in the application of minimum wages and the evolution of the different systems has always been a very appreciated contribution by governments and social partners. While in the early years the studies usually included very few countries and did not have a strong comparative analysis, the growing experience in the field positioned the ILO as a reference on the state of the art.

In 1981 the ILO published *Minimum Wage Fixing, an international review of practices and problems*, by Gerald Starr. This was a major effort at a time when research on minimum wages in developing countries was still very rare. This book was the result of a vast experience of the author, who was in charge of the Remuneration Section, and a small team. The book made an effort in classifying the existing minimum wage systems under certain categories. It had a practical orientation and was nurtured by reports of governments which ratified relevant conventions, technical cooperation work, discussions at ILO seminars and country studies in selected countries. The result was a comparative work which could be considered a representative picture of the evolution of the minimum wage systems in the different regions of the world. As an indication of the extensive coverage of countries, the book includes the nominal and real minimum wages of 47 countries for the period 1966-1977.

This remained the most comprehensive effort of the ILO in the area of minimum wages for about two decades. The Office continued its work on technical cooperation and did some very good research in a number of countries. Their publication, however, lacked the impact and visibility that Starr's book achieved partly because minimum wages became a topic of research and debate not only in industrialised countries, but also in developing countries, where many of the malfunctioning of labour markets were attributed to minimum wages.

3.4 The World Employment Programme and basic needs

At the same time that Convention N° 131 was being discussed at the ILO, another part of the Office was preparing a major technical cooperation programme which would be the driver of the Agenda. In 1969, the ILO launched the World Employment Programme in response to a resolution presented by the Workers' group at a previous Conference. It was widely accepted that economic growth was not enough to

overcome the existing poverty and it was believed that large inequalities within countries and between them was a major obstacle. The main idea of the programme was that employment was a key element for fighting poverty and that it was necessary to put employment at the centre of development strategies.

The World Employment Programme carried out a very intense policy-oriented research agenda, both at headquarters and at the country level, with the final objective of providing advice to governments. For this purpose, the Programme developed a field structure in the three developing regions: the Regional Employment Programme for Latin America (PREALC), the Asian Regional Team for Employment Promotion (ARTEP) and the Jobs and Skills Programme for Africa (JASPA).

Between 1970 and 1975 the World Employment Programme carried out a series of Comprehensive Employment Strategy Reports in a number of countries, all of which paid little attention to wages. The main objective of these strategies was to develop policies to reduce unemployment and underemployment, as they were considered to be the one of the main causes of poverty. In this context, minimum wages had a limited impact, as poverty concentrated in the informal sector (beyond the scope of minimum wages) and in rural areas (where its enforcement was very weak). Minimum wages "cannot, and should not, be regarded as the principal instrument for maintaining or increasing real incomes for the bulk of working population of the Philippines" as less than 40 per cent of employed workers were wage and salary earners (ILO, 1974 b).

Three reports made specific reference to minimum wages. The Colombia and Philippines reports recommended adopting a passive approach, just maintaining the purchasing power of the minimum wage by compensating for past inflation. "We recommend that, as long as unemployment and underemployment in Colombia have not been considerably reduced, minimum wage regulations should be used prudently... It would seem undesirable to go much further that adjusting rates to increases in the cost of living" (ILO, 1970 b). For the Philippines, the mission recommended "The maintenance of present minimum wage levels, with upward adjustments if cost of living continues to increase despite price stabilisation efforts" (ILO, 1974 b). The rationale for this was that minimum wage earners were considered already part of the protected workers, with a relative good position. The proposed changes in the income distribution structure required drastic measures to improve the situation at the lower income groups.

Beyond minimum wages, the reports did not have a similar perspective on wage policy, proposing a more or less interventionist approach. In the Kenya report, wage councils were seen as a source for determining very different working conditions among industries (including not only wages, but also hours of work, holidays, annual leave, sick leave, etc.). It proposes research on family needs and cost of living as a basis for fixing a general minimum wage level. As part of the incomes policy, it proposed differentiated wage increases (higher at the minimum level and nil at the higher end), which could be qualified as a very "interventionist" approach. "The guidelines for maximum wage increases should be specified for different levels of income, allowing in general for more rapid increases among the lower income groups and some tapering of rates as incomes increase" (ILO, 1972).

The Philippines report also argued for the advantage of having a general minimum wage which could be differentiated by region according to the cost of living. However, it had a less interventionist approach as it proposed to eliminate the government's intervention in wage determination in the private sector through compulsory arbitration, recommending "A return to free collective bargaining as soon as possible for determining wages and working conditions above legal minimum standards" (ILO, 1974).

One important moment during the initial years of the WEP was the tripartite world conference on employment that took place in 1976 to discuss how could development be carried out in a way which could satisfy the basic needs of people in the shortest time possible. For the purpose of the discussion, "basic needs are defined as the minimum standard of living which a society should set for the poorest groups of its people. The satisfaction of basic needs means meeting the minimum requirements of a family for personal consumption: food, shelter, clothing; it implies access to essential services, such as safe drinking-water, sanitation, transport, health and education" (ILO, 1977).

The Conference adopted the principle of basic-needs strategy and favoured the consideration of labour-intensive methods of production. Countries avoided establishing a world-wide standard of minimum basic needs.

The discussion of basic needs has been part of the main concerns of minimum wage fixing from the very beginning. Therefore, it would have been natural to see some reference to the links between the two, as well as a summary of the discussions on basic needs during the long experience with minimum wage fixing, or at least a reference to them. However, there is no evidence that this previous experience was taken into consideration, and that minimum wages were considered at all as an instrument for implementing a basic-needs strategy. The only reference to wage issues appears in the declaration of principles and Programme of Action adopted by the Conference, but it does not mention minimum wages (see ILO, 1977).

This situation may be explained by the segmentation of ILO technical experts and Office units. On the one hand, the Convention process probably involved mainly the officials working in the areas of labour relations and labour conditions, together with the standards specialists. On the other hand, the Basic Needs Conference was under the responsibility of the employment specialists, who had a very different point of view with regards to wages, in that they were a key variable in the determination of employment.

4. Defending the minimum wage in a context of labour market flexibility (1980s and early 1990s)

4.1. Stabilization and structural adjustment

The oil crisis of the 1970s put an end to a sustained period of growth, characterized by full employment in the industrialized countries. The following years showed increasing unemployment rates and rising inflation, combined with economic stagnation. Developing countries were also affected by economic crisis and recovery periods, showing increased open unemployment and more informality, as well as

rising inflation. The latter became one of the endemic problems in many Latin American countries, which at different times even experienced hyperinflationary periods (Argentina, Bolivia, Brazil, Perú). Consequently, stabilization programs were a priority in the region, affecting in most cases the implementation of minimum wage policies.

This major change in the economic performance shifted the focus away from improving working and living conditions to the policies needed to re-establish sustained growth. At the beginning of the 1980s developing countries had to implement adjustment programs as a result of a combination of four external shocks: a decline in OECD growth rates, an increase in interest rates, a decline in terms of trade, and a decrease in available loans (van der Hoeven, 1991). Structural adjustment was intended to provide countries with a new basis for sustained growth. While mainstream economists put the emphasis on growth, the voice of some international organizations called for more equitable growth, in which all social groups could benefit of it (Cornia et al, 1987; ILO, 1988).

Stabilization policies result in a reduction of domestic demand through restrictive monetary policies, reduction of the budget deficit and fixing the exchange rate. It is expected that real wages fall, reducing production costs. If wages do not fall sufficiently, according to mainstream economists there will be high unemployment. “It is often argued that if wages are flexible, then labour market is working well. Rules and institutions that inhibit wage flexibility in periods of stabilization and adjustment should be changed. ... This view leads to recommendations to abolish minimum wage laws, contest the practice of making wage settlements binding for whole sectors, and revoke dismissal laws and so forth” (van der Hoeven et al, 2000). It is clear that not only minimum wages were under attack during this period, but also a number of elements which formed a social protection basis suffered as they were evaluated in terms of their “efficiency”.

“Labour market policies – minimum wages, job security regulations, and social security – are usually intended to raise welfare or reduce exploitation. But they actually work to raise the cost of labour in the formal sector and reduce labour demand ... increase the supply of labour to the rural and urban informal sectors, and thus depress labour incomes where most of the poor are found” (World Bank, 1991).

A key element of structural adjustment is to increase the competitive capacity of the tradable sector. In this framework, wages are seen from the perspective of labour costs, a key element of the competitive position of many activities. During this period, many developing countries followed a low pay strategy to position their products and services in the international markets in a strategy that resulted short-lived as industries moved away when wages showed an increasing trend. In fact, a century after minimum wages were introduced to put a limit to a competitive race to the bottom, the same strategies were back.

Despite the powerful attack that the minimum wage suffered during this period, the general trend was not to abolish the institution altogether. Countries that wanted to flexibilise their labour market either maintained the nominal level for long periods, resulting in a decrease in real terms, or adjusted their level at a lower speed than inflation. For example, the United States did not adjust the minimum wage during the

Reagan years and when Clinton put again the topic into the political agenda, the amount of the adjustment was very much debated. The same happened in Argentina during the application of the “convertibility plan”¹⁷ (1992-2002). The minimum wage was maintained constant in nominal terms for almost ten years, as part of a strategy that expected that the labour market flexibility could compensate for an overvalued local currency.

In the case of Uruguay, the minimum wage was used as an index number for the social security structure. Therefore, an increase in the minimum wage had an important consequence on the fiscal accounts of the country. As Uruguay was under fiscal constraints since the debt crisis of 1982 and through the 1990s, the government applied a systematic reduction of the real minimum wage by adjusting it under the rate of inflation. As a result of such a policy, the minimum wage became irrelevant for the labour market, as well as it failed to protect social benefits.

This situation led to complaints by trade unions, and observations by the Committee of Experts with regard the application of Convention N° 131. The situation deteriorated further after the banking crisis of 2002. At that time, the ILO carried out a study reflecting the deterioration of the purchasing power of the minimum wage and indicating the need to dissociate minimum wage levels from social security benefits in order to recover the minimum wage as an instrument for wage policy.¹⁸ The findings of this study were presented in an academic seminar, discussed with high officials of the Ministry of Labour and, finally in a tripartite meeting called by the Government under the framework of Convention N° 144. As a result of this concerted action, the Government issued a decree linking the social benefits to a new index considering the variations of the Price index and the variation of Average Wages. That decree represented a turning point in the minimum wage policy as it enabled to introduce significant adjustments of its level, becoming again a significant point of reference for wage fixing.

4.2 Working with financial institutions: the exception

In general, structural adjustment programmes carried out during these years and financed by the IMF, World Bank or regional Banks, included among their concerns the objective of increasing wage flexibility. In most cases, the ILO has been an outside spectator of these processes, as they mainly involved the Ministries of Finance, Economy or Planning of the countries concerned. However, there are a couple of cases in which ILO assistance was requested by governments. This was the case of Mauritius during the mid 1980s and of Thailand just after the Asian crisis of 1997. In both cases wage policy, and in particular minimum wages, were at the heart of ILO’s technical intervention.

In 1984, Mauritius negotiated a USD 40 million structural adjustment loan from the World Bank. The Bank considered the minimum wage system and the collective bargaining question were central to the restructuring of the economy, and the release of the second part of the funds was conditional upon the implementation of studies on these two issues, resulting in recommendations to improve the mechanisms for

¹⁷ Which established the parity of 1 peso to the US dollar as the key element of a stabilization plan.

¹⁸ The report “Uruguay: Impacto social y económico del salario mínimo” by Magdalena Furtado, was later published in A. Marinakis and J. Velasco (2006).

minimum wage negotiation. The Bank considered that the government intervened too much in the wage determination of the private sector, inhibiting the development of collective bargaining which would be more responsive to changing economic conditions.

According to Gerald Starr, at the time Head of the Wages and Income Section, it was “an open secret that the government has not been enthusiastic about either the study or the related reforms”,¹⁹ but they had to accept under the insistence of the Bank. The government agreed with the condition that these studies should be carried out by the ILO, considering its impartial position and a high reputation in the country. This was not to be an academic exercise, but a very practical work that should involve the active consultation with trade unions and employers representatives. From the government side, the Ministries of Planning, Labour and Employment formed a joint steering group.

The studies showed that the existing minimum wage system had not been an obstacle to adjustment, but on the contrary it was quite instrumental for introducing articulated changes. Even the Bank acknowledged this in an Economic Memorandum, congratulating the government for having exercised wage restraint, applying a cost of living allowance below the inflation rate.²⁰ However, during this experience of cooperation with the Bank, it became clear different visions coexisted among their officers and working together in the field permitted to arrive to similar conclusions on the basis of the facts.

Another main contribution of ILO participation in this experience was the close involvement of trade unions and employers representatives in the process. While the country accepted to include a revision of the industrial relations structure and minimum wage policy as a condition for the disbursement of the structural adjustment loan, working with the social partners permitted to appreciate more clearly the positive aspects of the existing labour relations system, and having a more balanced perspective of the changes required. Some extracts of the final report indicate that: “Radical change, involving the sudden abolition of all or most of government intervention in pay decisions would clearly be inappropriate ... In these circumstances, the only viable strategy would appear to be a gradual phased movement away from the present pattern of excessive government involvement in pay determination”.²¹

During the late 1990s, Thailand suffered the consequences of the Asian crisis and asked for support from the Asian Development Bank. As one condition of its social sector lending, Thailand had to undertake a review of the labour policy, including the wage policy. Here, again, there was the belief that wage increases were not aligned with productivity, being a major reason for the deterioration in the competitive

¹⁹ Quote from a letter to Professor Ben Roberts, consultant from the London School of Economics, 17/1/85 (ILO Archives).

²⁰ Detailed in a letter from Gerald Starr to Derek Robinson, consultant for the Project in Mauritius (ILO Archives, 10/7/85). In fact, a work done in Costa Rica in the early 1990s in a context of structural adjustment, arrives to the same conclusion regarding the minimum wage as an effective coordination instrument for the labour market (Camargo and García, 1992).

²¹ Extracts of the final report are attached to a letter of Gerald Starr to Mr. Toofany, Government delegate of Mauritius to the ILO Conference (ILO Archives, 11/6/86).

position of the country. The minimum wage was the usual suspect, and the advocates of flexibility were calling for its elimination or weakening. At the request of the National Wage Committee of the Ministry of Labour and Social welfare, the ILO was requested to conduct a study on wage policy and minimum wage policy in particular.

The ILO study had a broad look at the problem, analysing the specific developments of wages, but also relating them to macro policies (ILO, 1999). It was true that real wages had increased in a sustained way during the 1990s until 1997, at a higher rate than productivity, but this happened after a decade in which real wages were constant. The critical point, however, is that wage increases took place while the exchange rate of 25 bahts per dollar was fixed for 10 years. This rigidity in the exchange rate resulted in a deterioration of Thai competitiveness, especially in labour intensive industries, the main driver of its export led strategy. The report was discussed in two national tripartite seminars and helped ease the pressure to eliminate the minimum wage.

These two cases were very rare during two decades marked by a strong call for flexibility pushed by financial institutions. The ILO participation in these exercises probably opened some space for social actors to express their views and positions and trying to build some consensus around more balanced perspectives.

4.3 The particular case of the UK: dismantling Wage Councils in the 1980s and re-introducing a national minimum wage in the 1990s

The only country which went against this general trend by deciding to dismantle the minimum wage fixing system was the United Kingdom under Margaret Thatcher. Her government held a very radical position in favour of liberalization of the economy. With regard to the working of the labour market, the Thatcher government pursued a weakening of trade unions and the action against the Wage Councils should be seen in that general context.

In the past, the UK had played a very important role in shaping the final form of Convention N° 26 at the ILO, and its basic principles were very much in line with the philosophy of the UK Trade Boards. We should also remember that the UK was the second country to ratify Convention N° 26 in 1929. Before abolishing the Wage Councils, the UK had to denounce Convention N° 26 at the ILO. This was a long process, full of informal and formal exchanges.

The UK had long fixed minimum wage levels in specific industries, dating from when the Trade Boards (later called Wage Councils) were introduced in 1909. They reached their peak in 1953, when 66 Wage Councils covered 3.5 million workers. During the 1960s and 1970s Wage Councils were criticized as ineffective “in remedying low pay and an obstacle to the development of collective bargaining”.²² Between 1974 and 1983 successive abolition of certain Councils, in addition to the merger of others, resulted in 26 Councils left in Great Britain and 9 in Northern Ireland, covering 2.6 million workers.

²² See Appendix 5 of the First Report of the Low Pay Commission (1998), “A century of minimum wage legislation in the UK”.

In August 1982, the Director General of the ILO, Francis Blanchard, briefly discussed ILO Conventions on minimum wages with Prime Minister Thatcher. Thatcher was concerned that high minimum wage rates damaged job prospects, in particular for young workers, and that Convention N° 26 was very restrictive on this. A few days later, the Director General sent a technical memorandum to the British government elaborating on the limitations imposed by Conventions N° 26 and 99, particularly on the issue of young workers. The memorandum indicated that the general practice of countries was to include young workers in the systems, with the possibility of establishing special rates for that group, as was the case in France and the Netherlands (both of them have ratified Conventions N° 26 and 131). It also pointed out that “If minimum rates fixed for young workers by wage councils are considered too high, there is nothing in the Conventions that would prevent lower rates being fixed” (ILO, 1982).

Despite all these clarifications, the British government insisted in the restrictive character of ILO Conventions. In the Consultative paper on Wages Councils prepared for the consultations with both the Confederation of British Industry and the Trades Union Congress it concludes that the ILO Convention N° 26, which governs Wage Councils “as drafted lacks flexibility and therefore limits the Government’s freedom of action in an area of vital public concern” (Financial Times, 1985).

The same consultative paper states that many employers believed total deregulation could be harmful and that reform was preferred to abolition. The CBI was against abolition, while the National Federation of Self-employed and Small Businesses was in favour (Financial Times, 1985). On the workers side, the TUC was against abolition and strongly opposed the denunciation of Convention N° 26, to them it was a barrier against the dismantling of the system.

In a letter sent to Francis Blanchard, the General Secretary of the TUC expressed the General Council was “deeply concerned about the damage being done by the Government to the authority of the ILO and of international standards generally concerning working conditions and employment by denouncing a third Convention in four years in the face of the strong opposition of the trade union Movement” (TUC, 1985).

On 25 July 1985, David Moss, Acting Permanent Representative of the British Mission in Geneva sent the ILO notification denouncing Convention N° 26. The reasons presented were: “The over-riding concern of the United Kingdom is to maximize employment opportunities, particularly for young people, and in this field flexibility and freedom of action are essential. The terms of the Convention restrict flexibility in this area of public concern, and accordingly the Government considers that its provisions are no longer appropriate for the United Kingdom” (Moss, 1985).

Almost a decade later, 15 August 1994, the UK denounced Conventions N° 99 and 101 (the latter concerning holidays with pay in Agriculture). In their statement of reasons the Government said that they were revising the functioning of wage boards in agriculture and considered essential that the ILO conventions did not constitute an obstacle to the final decisions. The Government considered that the Conventions

provisions were inappropriate for the UK and statutory control of pay was “inconsistent with its *commitment to deregulation*” (UK, 1994).²³

In the late 1990s, under a Labour Party government, the UK reintroduced a minimum wage of a different scheme, with a national coverage. In July 1997 the Government appointed the Low Pay Commission, composed of experts with employer, employee and academic backgrounds, in order to analyse the introduction of a national minimum wage and propose at which level it should be introduced. A year later this Commission presented their report recommending the level at which the national minimum wage should be introduced, and how it should apply to young workers (which remained a main concern throughout the years). The Commission wanted to set a relevant rate as “A National Minimum wage must address the worst cases of exploitation”, but was also concerned that it could be enforceable: “We are equally determined to make recommendations which business could afford” (Low Pay Commission, 1998).

The reintroduction of a minimum wage in the only country which openly rejected it for the sake of flexibility is already a strong demonstration of the relevance of this institution as an instrument for labour protection. After a long experience of strong deregulation of the labour market, there was a perceived need to reinstate some basic wage floors. This process also demonstrates that the discussions on minimum wages are very political, as well as that changing the character of a long implemented instrument (for example, passing from a Wage Boards system to a national Minimum Wage) is not always an easy process.²⁴

What is striking in this case, is that after the reintroduction of the Minimum Wage the Labour government did not consider the possibility of re-ratifying any of the ILO Minimum Wage fixing Conventions, making clear the fundamental change of perspective, as well as introducing a long-term international commitment with the application of minimum wages. The Low Pay Commission report does not make reference to having taken into consideration the contents of ILO Conventions, and this was confirmed by a few of the Commissioners consulted.²⁵ This could be an evidence of the lower relevance of ILO work in industrialized countries towards the end of the century and/or the loss of importance of wage standards in comparison to others.

4.4 Defending minimum wage in Eastern Europe during transition to a market economy

One of the most significant transformations in the socio-economic structure of a large region took place during the final years of the 20th century in the Central and Eastern European countries. With the collapse of the command economy, these countries entered into a transition period towards a market economy. This transition was very painful for the vast majority of the population as the production system disintegrated, prices soared leading in some cases to hyperinflation, wages not only saw their real value severely cut, but in many cases were not paid at all, resulting in a virtual stop of the payment chain.

²³ My emphasis.

²⁴ The idea of introducing a national minimum wage was already under examination in 1969 (Low Pay Unit, 1998).

²⁵ Professor David Metcalf, John Cridland and William Brown.

The ILO perceived the importance of this change and, as part of the active partnership policy which intended to bring the ILO closer to the constituents in the field, set up a multidisciplinary team in Budapest. Wages were one of the chief topics of the team's work, and the debates about how to adapt the minimum wages to a market economy were a central element. This was probably the region in which the ILO developed a visible concerted action defending the minimum wage.

The country studies prepared during the 1990s are reproduced in two publications (Standing and Vaughan-Whitehead, 1994 and Vaughan-Whitehead, 1998). These reports served as a technical basis for the ILO taking position in the debates that took place in many of these countries, as well as giving policy advice.

After a few years into the transition, the value of minimum wages in almost all countries had fallen sharply in relation to average wages, which had also fallen in real terms.²⁶ In addition, minimum wages had fallen well below the subsistence level (Standing et al., 1994). According to Standing and Vaughan-Whitehead (1994), "some external advisors and international institutions have encouraged governments to maintain the monetary value of the minimum wage as an anti-inflationary device, despite galloping inflation". This approach would practically eliminate their significance, making easier their elimination. The position of the ILO regarding this was very clear: "They should not be abolished", "Above all, it should be a standard for decency in the labour market" (Standing et al., 1994)

But inflation was not the only reason behind the delays in adjusting minimum wage levels. In most Eastern European countries minimum wages had been used as an instrument for setting social protection benefits. Although this linkage was instituted in order to protect social benefits, in times of severe fiscal constraints as the ones these countries were experiencing, weakening the minimum wage was instrumental for reducing the fiscal deficit. On this issue the position of the Office was also very clear: "We strongly recommend that the link between the minimum wage and social benefits be broken. Benefit levels should be determined by subsistence needs and perhaps have earnings-related supplements, whereas the minimum wage should be determined by tripartite bargaining, taking account of income needs, productivity criteria and labour market factors" (Standing et al., 1994). Poland was the first country to eliminate the link between the unemployment benefit and minimum wages in December 1991, permitting an increase of the minimum wage level.

The ILO considered essential that minimum wages were increased to cover at least the poverty line or a subsistence level. However, it had a realistic approach as it proposed that this could be done in a progressive way during a certain period of time that could be agreed upon through tripartite consultation.

5. Recovering the minimum wage as a useful policy instrument (since mid 1990s)

5.1 Minimum wages, poverty and employment

²⁶ The most extreme cases were Russian Federation and Ukraine, which went through hyperinflation. In Russia the minimum wage fell from 23 % of average wages in 1990 to 8 % in 1996, while in Ukraine it fell from 32 % of average wages in 1990 to 8 % in 1996 (Vaughan-Whitehead, 1998).

The research on the economic consequences of minimum wages increased substantially during the 1980s and 1990s in the academic circles covering industrialized and developing countries. Studies concentrated on two areas: the effect of minimum wages on employment and on poverty alleviation.

With regard to poverty, most studies make a difference between developing and industrialized countries, on the basis of the different magnitude of wage employment and observance of regulations. According to the World Bank, “Minimum wages may help protect the most poverty-stricken workers in industrial countries, but they clearly do not in developing nations” (World Bank, 1995). It is important to point out that the limits to a larger impact of minimum wages in reducing poverty in developing countries had been clearly stated during the discussions held by the experts at the end of the 1960s, when preparing the document for Convention N° 131 process. Therefore, the ILO was very conscious of the existing limitations, but still thought that it was a useful instrument. This was still the position in 1995 (see Rodgers, 1995 and Shaheed, 1995).

After an empirical analysis of developing countries, Lustig and McLeod conclude that increases in real minimum wages result in a fall in poverty. They add, however, that “one cannot conclude that a rise in the minimum wage is the most cost effective way to reduce poverty” (Lustig and McLeod, 1997). In fact, this is a very balanced perspective, which reminds us that although minimum wages have a positive effect on poverty, it is not a policy designed for this purpose.

The debate on the effects of minimum wages on employment was also very intense. Mainstream economists considered that minimum wages introduced rigidities in the labour market, with substantial effects on employment and unemployment as well as affecting informal sector workers (see Maloney and Nuñez, 2001). The study of the fast-food industry in New Jersey and Pennsylvania, done by Kruger and Card (1994), put into question the negative relationship between minimum wage increases and employment in a low paying industry.

Leaving aside the usual political statements of interested parties, there is a reasonable agreement among practitioners that an equilibrated implementation of minimum wage policy would have negligible effects on employment. As it is mentioned in a OECD report, “On balance, the evidence shows that an appropriately-set minimum wage need not have large negative effects on job prospects, especially if wage floors are properly differentiated (e.g. lower rates for young workers) and non-wage labour costs are kept in check (Martin J. and H. Immervoll, 2007).

5.2 The ILO at the crossroads: Efforts and challenges

The ILO built upon such findings to make the arguments for the minimum wage within a broader labour market policy and collective bargaining framework, especially in the course of technical advisory interventions in countries such as China, Ghana, Indonesia, Madagascar, Mauritius, Philippines and South Africa during the 1990s. However, it was very not present in the academic and empirical research debates. There were limited ILO publications on minimum wages: a series of country studies on minimum wage fixing machinery, an article on youth employment, and one

empirical article on the effects on poverty and employment.²⁷ At the regional level, PREALC did some interesting studies on minimum wages as a signal for the labour market, mainly considering the context of high inflation prevailing in the vast majority of the Latin American countries.²⁸ By the end of the 1990s the remuneration section was dismantled during a restructuring process. A few years later, however, it was recognised that the ILO needed to keep working on wages issues as countries continued asking for technical assistance. Going back to the origins, the new section was located in the Conditions of Work department.

To recover the advantage the ILO has, namely its international perspective, this renewed wages unit developed a data base on minimum wages. This data base became a direct source of comparative information, which complemented with a comprehensive literature review and original work provided the material for a new book. *The fundamentals of minimum wage fixing*, by Eyraud and Saget (2005), repositioned the ILO among the institutions with a technically based position. As it was during the 1980s with Gerald Starr's book, the ILO seems to be recovering a space in the debate, renewing its original message.

Wages issues were also discussed in two recent Governing Body meetings. During the November 2004 session, the Committee on Employment and Social Policy discussed a document prepared by the Office on Minimum Wages (ILO, 2004a). This comeback of minimum wages to the ILO floor was praised by many representatives. In that occasion, Mr Patel speaking as Worker Vice-Chairperson expressed his "concern that an issue such as the minimum wage that fell within the ILO core mandate had in the past not received the resources it deserved. *That had resulted in the ILO's voice being muted*"²⁹ and he was encouraged to see the renewed interest (ILO, 2004b).

In 2007 the Committee discussed a report on "Wages around the world: developments and challenges" (ILO, 2007a). This was again an opportunity for the worker's group to highlight "the loss of momentum on wage issues by the Office, which needed to be reinvigorated" (ILO, 2007b). In addition to the discussion on the general trends and main problems faced on wage issues, all parties agreed that the Office had to rebuild its capacity on wage issues, producing periodic reports on trends and information useful for policy making. Leaving aside the different positions, the general claim of all the parties was that the Office repositioned wage issues at the core of its activities to be able to respond to its mandate. In the words of the representative of the Government of Spain: "there could not be decent work without decent wages" (ILO, 2007b).

It is clear that the concern on wage issues is back at the ILO, and in the front line. The Declaration on Social Justice for a Fair Globalization adopted by the Conference in June 2008, recalls the importance of a minimum living wage as a key objective of the Declaration of Philadelphia. It includes within its scope that, to implement its Constitutional mandate, the ILO has to develop and enhance measures of social

²⁷ Country studies published on Japan, South Korea, Uruguay, Mauritius, the Netherlands, Portugal, Brazil, Costa Rica, Mexico, and France. On youth employment see Ghellab (1998), and on poverty and employment see Saget (2001).

²⁸ *El Salario Mínimo en Chile: 1990*, by N. García (1991) and "El salario como señal para el mercado de trabajo" by J. Camargo and N. García (1992)

²⁹ My emphasis.

protection including “policies in regard to wages and earnings, hours and other conditions of work, designed to ensure a just share of the fruits of progress to all and a minimum living wage to all employed and in need of such protection” (ILO, 2008). Considering that this declaration will constitute the guideline for future work, it seems clear that the ILO will take the challenge.

5.3 The revival of minimum wages at the country level

After almost two decades during which the minimum wage was under attack, the new century seems to have brought a new perspective. It is interesting to note the renewed interest of industrialized countries in this old instrument, in some cases showing an important change of perspective. It was already mentioned that the UK reintroduced a minimum wage in 1997, recognising the need of protection at the lowest end of wages. The new system implied a major change compared to the wage councils as it consist mainly of a general level of national application, and is closer to the original idea of a living minimum wage. The technical work done by the Low Pay Commission is a good example of the analytical efforts to translate the broad and general criteria enunciated in Convention N° 131, into practical instruments.

During the discussions of the Wages paper at the Committee on Employment and Social Policy of march 2007, the government representative of France stressed that the Office should promote ratification of Convention N° 131, and used of its accompanying Recommendation, N° 135. Through this comment, the Government of France was reaffirming their belief that this Convention offers a useful framework for both developing and developed countries.

In Germany the debate on the introduction of a statutory minimum wage to complement those resulting from collective agreements has been on the agenda for a few years already. There are three main drivers of this new trend. First, there is an increasing amount of workers in low pay jobs who are not covered by the existing system and would be poor if they were not supported by social security. Second, in some activities there is extended use of cheap labour from abroad through contractors, provoking a wage dumping (Martin J. and H. Immervoll, 2007). Finally, membership in both employers’ associations and trade unions has been declining in recent years, weakening the possibility of declaring the agreements of general applicability (Silvia, 2005).

All these facts have put pressure on all partners to find new solutions. Specific minimum wages have been fixed for the construction sector (1997), cleaners (2007), postal workers (2007) and there is talk to extending this protection to ten other low pay industries (including landscaping and meat-processing) (The Economist, 2008). For the time being, the government has been reluctant to introduce a statutory national minimum wage. The labour movement supports the idea, changing their traditional position which considered that a statutory minimum wage would undermine collective bargaining autonomy and the attractiveness of union membership. According to recent polls, 60 per cent of Germans support the idea (Deutsche Welle, 2007).

Even the possibility of establishing an integrated minimum wage policy for the whole European Union is being discussed. From the 25 countries that compose the European Union, 18 have a statutory minimum wage, while the others rely on collective

agreements. Although the diversity of situations among countries discourage thinking of adopting a unique system, it seems necessary to identify the possible role and scope that the minimum wage could have to improve economic and social cohesion. These are precisely the terms of reference of a project that the ILO is undertaking with the European Commission. It is interesting that after years of a certain distance the Commission wanted to share this undertaking with the ILO, considering the technical capacity and also the value given to do social dialogue.

Although the minimum wage is one of the labour market policies more extended in the world, there are still some challenges ahead in order to improve its implementation. There are two major areas which require renewed efforts of technical cooperation:

- a) The minimum wage fixing process should dispose of a technical report which includes basic statistical indicators;
- b) There are still many countries where the minimum wage system does not include low paying activities such as domestic work or agriculture.

It is not uncommon that countries make their decisions on minimum wage fixing and adjustments without taking into consideration technical reports. Although minimum wage fixing is essentially a political decision, over 100 years of experience clearly indicate that countries can only gain from the analysis of relevant statistical information. The advantage is that nowadays the statistical capacity in the vast majority of countries enables to feed the minimum wage fixing process with at least a very basic set of indicators. In order to illustrate the diverse indicators that can be elaborated from existing statistical sources, the ILO published a book with the case studies from 5 Latin American countries (Marinakis and Velasco, 2006). This book also noted that four out of the 5 countries were implementing active minimum wage policies, in Chile and Brazil during a decade or more, while in Argentina and Uruguay more recently after the severe crisis of 2002-2003. The possibility of implementing an active minimum wage policy is certainly related to the macroeconomic performance of the country and, especially, the macroeconomic balances. The revival of the minimum wage in these four countries has been possible when they recovered control on their fiscal situation and inflation.

Eyraud and Saget (2005) identify a large number of countries which still do not include two vulnerable categories of workers which should naturally be part of it, i.e. domestic and agricultural workers. In the case of domestic workers, the ILO is preparing a more comprehensive work that will include this deficit and will help to bring up this issue to the public debate. In the case of agricultural workers the ILO has facilitated tripartite discussions in countries that wanted to extend minimum wage protection to this sector. In the case of Namibia, for example, the first activities consisted in training seminars in the determinants of wages and employment in 2001. The Conventions were used as a guideline by all the parties and with the facilitation of the ILO the parties finally agreed the introduction of a specific minimum wage in 2002.

6. Conclusions

The history of minimum wages started a few years before the creation of the ILO. At the beginning of the 20th century, very few countries were experimenting with this new instrument, with the limited scope of protecting workers in low-paying industries or activities. A broader question was brought to the ILO under the idea of a “living wage”. After discarding the possibility of setting up an international minimum wage, the ILO was the forum where countries and their tripartite representations discussed the general principles that a minimum wage fixing convention should have. In a very European dominated debate, some sceptics thought there was no need to introduce a minimum wage, as collective bargaining would develop with the expansion of industrialisation providing a bilateral instrument for wage fixing. In fact, this trend did not happen, and minimum wages proved to be a very useful instrument for guiding wage determination, while protecting less skilled workers.

The concept of minimum wages evolved during the years, particularly during the 1960s, when it was conceived as an instrument for economic development. Convention N° 26 was revised, and the new instrument (Convention N° 131) has a larger scope and developed the criteria that should be taken into account when fixing or reviewing a minimum wage. Discussion on this Convention coincides with the highest point in the consideration of wages issue by the ILO. At that time, Convention N° 26 was the third most ratified Convention, showing the importance it had in the countries agenda.

After that point in time, the wages issue was marginalised. At least two reasons can be mentioned: one is responsibility of the Office and the Organisation, and the second is external to the house. In the early 1970s the World Employment Programme was launched, and became the main pillar of ILO action. Paradoxically, after so much fruitful work had been done on developing a wages instrument, it was not properly integrated into the employment creation strategy. On the external side, during the 1980s and 1990s, the call for flexibility was incorporated into the stabilization and adjustment programmes. Minimum wages were seen as a source of rigidity which impeded labour market efficiency, rather than a useful instrument as a wage floor which guaranteed a decent standard of living. During this period, valuable action by the ILO continued mainly through technical cooperation at the country level, but lost global public visibility.

While at the creation of the Organization wages were part of the core values, the reaffirmation of the ILO’s mission during the 1990s did not include the issue of wages e.g. the Declaration of Fundamental Principles and Rights at work of 1998 made no reference to this issue. However, most recently, perhaps in view of signs of revival of “living wage” concerns in some countries since the turn of the millennium, the 2008 ILO Declaration on Social Justice for a Fair Globalization refers to a minimum living wage. Given the current food crisis and rapidly increasing prices of energy and other basic economic inputs and consumer commodities and services, the minimum wage may be set to experience an age of revival.

The main contribution of the ILO was certainly spreading the knowledge about this instrument, the basic criteria to be taken into account for fixing them. At the beginning of the 21st century, more than 90 per cent of the countries have a minimum

wage, being one of the most extensively applied labour policies. The very existence of the minimum wage as part of the basic policy tools is not under question any more, but the remaining challenge is to arrive to a broad consensus on its correct implementation.

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