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# Minimum Wages: The French and Turkish Experiences

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# France: Coverage and Objectives

- The SMIC (*salaire minimum interprofessionnel de croissance*) was adopted in 1970, following the SMIG (*salaire minimum interprofessionnel garanti*) of 1950. The SMIC extended coverage to agriculture and suppressed regional rates.
  - Whereas the SMIG was defined as a minimum social safety net (adjusted mainly on the basis of price inflation), the objective of SMIC is to ensure that low-paid workers have a “guaranteed purchasing power” AND “participate in the economic development of the nation” (L.3231-2).
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# France: The Adjustment (I)

- The SMIC is adjusted annually on the 1<sup>st</sup> of January, and successive adjustments must aim at “eliminating long-term distortions between minimum wage increases and increases in the general level of wages (L.3231-9).
  - The SMIC is adjusted by Decree of the Council of Ministers, after a recommendation by the National Collective Bargaining Commission (CNNC), which - since 2008 - consults an “expert group” whose 5 members are nominated for 4 years by the Prime Minister. The expert group consults social partners and produces a public report.
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# France: The Adjustment (II)

- The purchasing power is guaranteed by the automatic indexation on the consumer price index (CPI) of the bottom quintile, and an immediate increase as soon as this CPI changes by more than 2% within a given year.
- Participation in economic development is provided by the fact that the real minimum wage cannot increase by less than half of the real wage growth of employees, as measured by the quarterly survey of the Ministry of Labour (DARES).
- The CNCNC can recommend an additional increase, the “coup de pousse”, taking economic factors into account.

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# France: Minimum wages and Collective Bargaining

- The date of minimum wage adjustments has been changed in 2008 from July 1 to January 1, to allow for collective bargaining to adjust bargained wage floors
  - Relatively strong increases in the minimum wage together with weaker adjustment of bargained wage floors, have compressed the lower part of the wage distribution
  - Automatic wage increases based on the rate of minimum wage increases are prohibited in collective agreements
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# France: Compliance

- Fines for non-payment of the minimum wage can lead to a sanction of up to € 1'500, plus an additional sanction in case of repeated non-payment.
- A large supermarket was fined € 3.6 million for non-compliance for 1'200 employees in 11 different stores, where paid breaks were included in the calculation of minimum wages (though they must be paid in addition).

=> The case highlights the need for clarity in the definition of the components of the minimum wage

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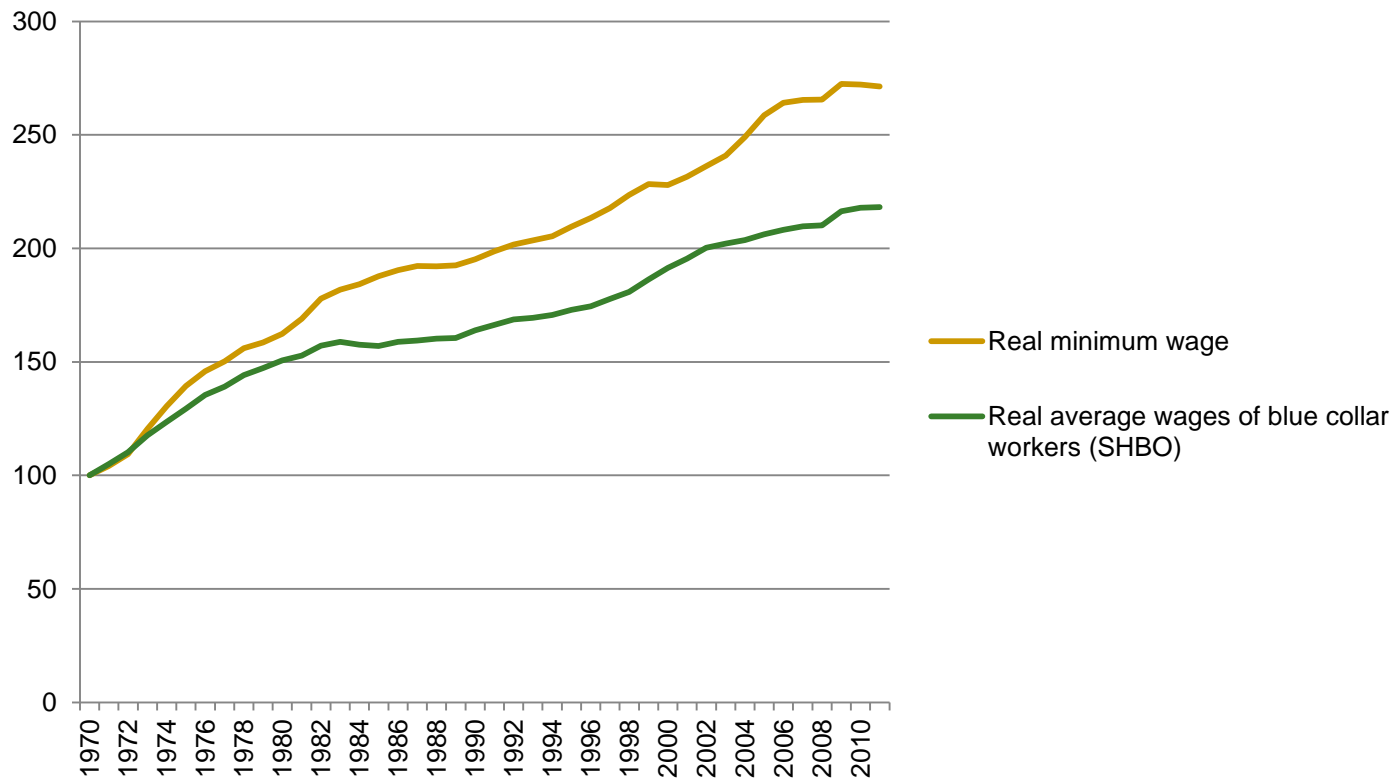
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# France: Inequality and Employment

- Due to “coup de pousse”, minimum wages have increased more rapidly since 1970 than average wages
  - There is difficulty in evaluating about the effects of minimum wages on jobs, according to the last report of the expert group (2009-13)
  - Higher minimum wages have been accompanied by reduced social security contributions, when France experienced with the 35 Hours work week (1998-2003).
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# France: minimum wage and inequality

**Index of minimum wages and average wages of blue-collar workers**





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# Turkey: Coverage and Objectives

- Turkey has a long tradition of minimum wages. Since 1989, a single minimum wage at national level applies in Turkey. It covers all employees working under a labour contract, whether he/she is under the scope of labour law or not. There is a lower rates for workers under the age of 16 (i.e. who are 15 years old).
  - This system replaces the regional minimum wages in existence between 1969–1974. Due to difficulties in coordination and monitoring, the region-specific rates system was abandoned and replaced by a sector-specific minimum wage setting, in turn abolished in 1989
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# Turkey: The Adjustment (I)

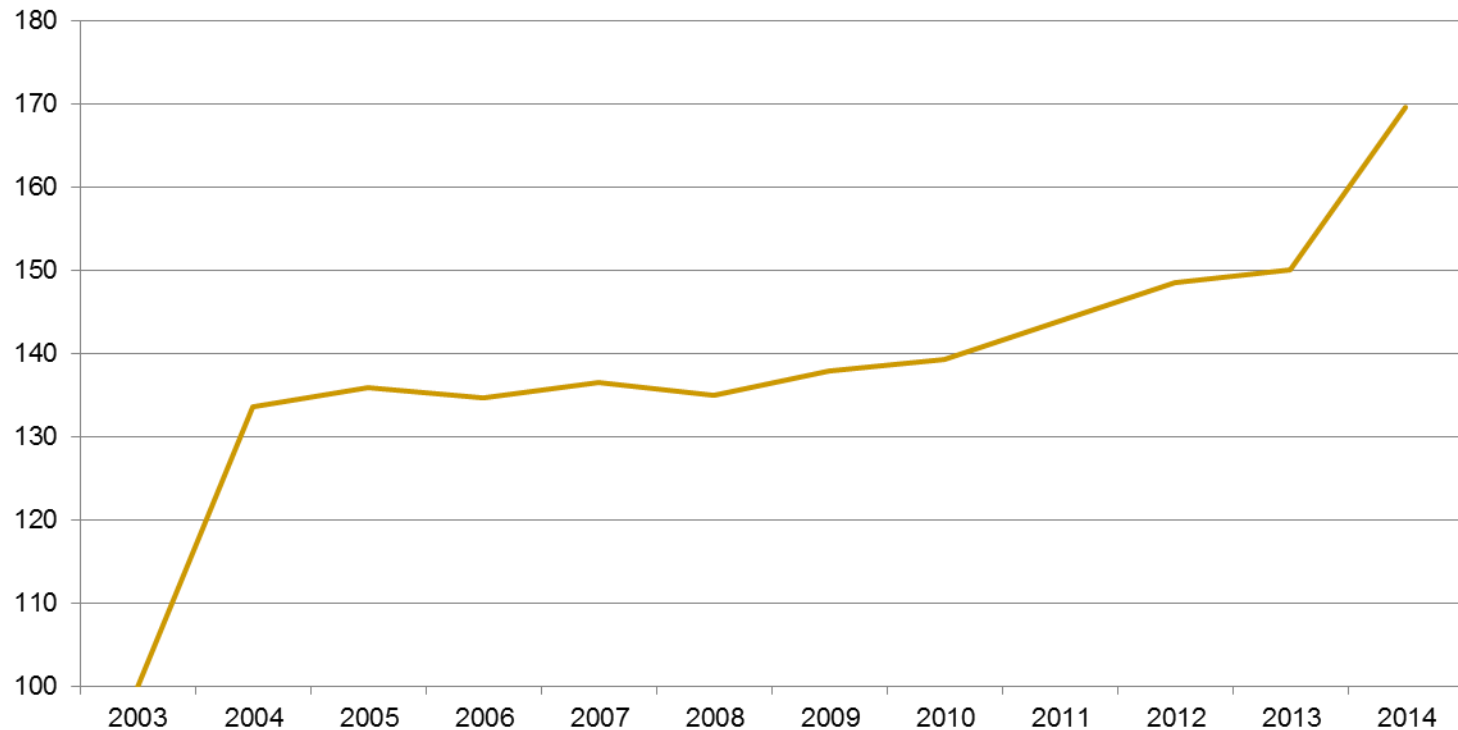
- Minimum wage rates must be adjusted at the latest every two years, and are adjusted in practice every 6 or 12 months since 1987.
- The minimum wage is set by the Ministry of Labour and Social Security (MLSS) “through” the Minimum Wage Fixing Board. The Minimum Wage Fixing Board is a tripartite body composed of 15 members: 5 representatives of public institutions, 5 representatives of trade unions (TURK-IS), and 5 representatives of employer’s organisations (TISK).
- The decision of the Board, by majority rule, is final.

# Turkey: The Adjustment (II)

- The Constitution (Art.55) provides that the state shall “ensure that workers earn a fair wage (...). In determining the minimum wage, the living conditions of workers and the economic situation of the country shall be taken into account”.
- The Minimum Wage Regulation of 2004 defines the minimum wage as the wage paid to workers for a normal working day, which satisfies the necessary needs of workers, such as food, housing, clothing, health, commuting, and cultural expenses at a minimum level”. In practice, TurkStat provides an estimate of the net cost of these needs for one worker.

# Turkey: Minimum wage level

**Minimum wage index  
(real value; 2003 = 100)**



ILO based on EUROSTAT

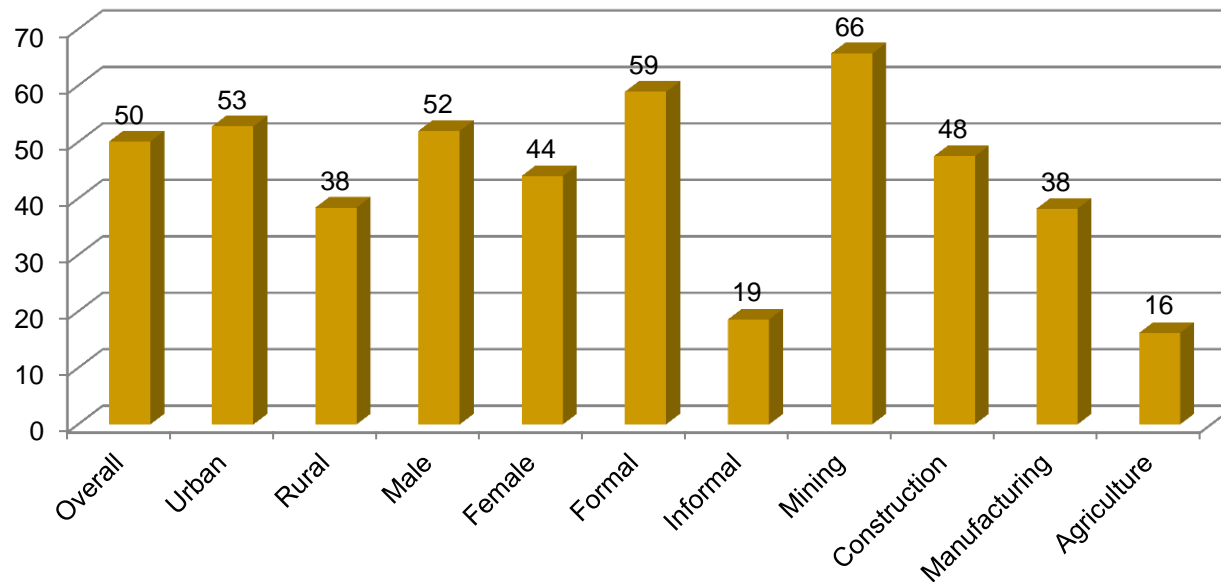
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# Turkey: Minimum wages and Collective Bargaining

- Minimum wages compensates for weak collective bargaining: Union membership is low and bargaining takes place at the enterprise level (it is not extended to sectors or industries). Hence minimum wage bites mostly in establishments without collective agreement
  - Fluctuations on the minimum wages have had an important impact on wage differentials between unionized and non-unionized enterprises. In spite of collective bargaining, real wages declined in establishments with collective agreements.
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# Turkey: Compliance

**Estimated Compliance Rate in 2011  
(% who earn the minimum wage or more)**



ILO based on Household Labour Force  
Survey, Turkish Statistical Institute

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# Turkey: Inequality and Employment

- Although, the tax burden on minimum wages has been reduced, the minimum wage is paid gross while the minimum subsistence level is a net value.
  - ILO estimates show that the level of the minimum wage is the most frequently observed wage level, and Bakis and Polat (2013) identify the minimum wage as the main reason for the decrease in wage inequality since 2002. The minimum wage is also used as an index for numerous social benefits.
  - Employment effects are unclear
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