

ON-LINE APPENDIX 1: COLLECTION OF MINIMUM RATES FROM SECTORAL BARGAINING AGREEMENTS

In light of the institutional set-up of the seven countries in our sample that do not have a national statutory minimum wage (Austria, Belgium, Cyprus, Denmark, Finland, Germany and Italy) information had to be collected manually from sectoral-level collective bargaining agreements in each country.

More precisely, we extracted from each agreement the wage assigned to the lowest category in collectively negotiated pay scales. While this definition of a sectoral minimum wage is straightforward, it should be noted that the elaborate categorizations that are found in many collective agreements render the identification of a given sectoral minimum wage relatively complicated. Indeed, in most agreements different pay scales co-exist: a separate pay scale is often defined for blue- and white-collar workers; specific scales are included for apprentices or young workers who enter the labour market; and even where a unique pay scale exists it is often differentiated by several variables, such as occupational groups, work-post nomenclatures and seniority levels. In order to come closest to the conception of sectoral minimum wages as ‘the pay rate defined for the lowest wage category’, our database contains information on the pay rate of the lowest of any category that figures in all the pay scales in a collective agreement, with the exception of pay scales for apprentices and young workers. In practice, in the vast majority of agreements this boils down to the pay rate that applies to workers with no seniority and who are classified in low-status occupations at the bottom of organisational hierarchies (*‘manoeuvre ordinaire’*, *‘Hilfsarbeiter’* and so on).

It should be noted that the number of collective agreements signed in most countries is significant: in Germany alone there are around 64,300 valid agreements, although many of them are signed at the company and not at the sectoral level. We therefore decided to collect minimum rates from a representative sample of collective agreements in each country and to use them to compute average minima at the one-digit level of the Statistical Classification of Economic Activities in the European Community (NACE). We notably extracted minimum rates from around 325 collective agreements from Austria (referring to wages in 2009); 150 from Belgium (wages in 2007); 105 from Denmark (wages in 2007, 2008 and 2009); 210 from Finland (wages in 2007, 2008 and 2009); 80 from Germany (wages in 2007); and 240 from Italy (wages in 2007, 2008 and 2009). In order to ensure the representativity of the sectoral-level minima in the final dataset, the calculation of average minimum rates at the one-digit level of the NACE takes into account the relative employment shares of the sampled sectors.

Below we provide a detailed description of the country specificities regarding the collection of sectoral-level data.

1. Austria

Collectively negotiated minimum wages in Austria have been extracted from the ÖGB KV database, which includes most of the Austrian Kollektivlohnverträge. In each of the agreements that we analysed, we collected information on the lowest pay category (*‘Unterste Lohngruppe’*). Where these amounts were indicated as monthly minima, we also collected information on the conventional working hours in the sector covered by the agreement in order to calculate hourly minimum rates. The more than 300 sectors were then grouped together at the one-digit NACE available in the SILC. In order to account for the differences in employment between sectors, we weighted each sector according to the sum of weights within each sector using the Austrian Tariflohnindex, an index containing a representative

sample of job categories from each bargaining sector. All data on minimum wages refer to 2009.

2. Belgium

In Belgium, the *Conventions Collectives de Travail* are negotiated at more or less irregular intervals within the different *Commissions Paritaires*. We have collected information on minimum wages from collective agreements that were signed in 2007, thereby circumventing the issue of older agreements that might still be binding but subject to indexing (which is a widespread phenomenon in Belgium). For the case of Belgium, we collected information for around 150 Commission or Sous-Commission Paritaires. We then calculated the weighted average of the minimum wages in the different *Commissions Paritaires* at the NACE one-digit level. The weights used in this step are based on the number of employees and workers in each CP that we extracted from the Belgian Structure of Earnings Survey for 2007.

3. Denmark

Data on minimum wages in Denmark have been extracted from collective agreements available in the archive of the Danish Confederation of Trade Unions (LO). LO provided us with collective agreements for 2007, 2008 and 2009 on top of those available online. The 105 sectors were then grouped together at the one-digit NACE available in the SILC. In order to account for the differences in employment between sectors, we weighted each sector according to the sum of weights within each sector provided by DA.

4. Finland

Data on minimum wages in Finland have been extracted from collective agreements available in Finlex and from unions. Missing data (for some sectors in some years) have been extrapolated using the index of wage and salary earnings. The 210 sectors were then grouped together at the one-digit NACE available in the SILC. In order to account for the differences in employment between sectors, we weighted each sector according to the sum of weights within each sector provided by SAK.

5. Germany

In Germany, the data had to be collected from the collective agreements (Tarifverträge) that are negotiated among the social partners at the regional and sectoral level.²⁴ For Germany, we recorded the 2007 minimum wages in more than 70 sectors (Tarifbranchen). In light of the marked wage inequality between the Länder of the former GDR and FRG, we included both the level of the lowest wage category in both eastern and western Germany, which means that we have collected information on around 150 different minima in Germany. As a consequence, the average minimum wages reflect the range of sectoral (and regional) minima and the distribution of total employment among these different minima. Unfortunately, it was not possible for the case of Germany to calculate the employment weight for each Tarifbranche because the SOEP data on sector of activity is based on the NACE and not on the system of Tarifbranchen. The weighted average is therefore based on the distribution of employment among NACE and the correspondence between NACE 2-digit sectors and Traifbranchen. More detailed information on the weighting procedure can be obtained from the authors.

6. Italy

Data on minimum wages in Italy are extracted from the ISTAT database of collective agreements used to build the index of the evolution of wages and salaries (per employee or per hour) determined by contractual provisions set by collective agreements. Consistently with ISTAT, average sectoral minimum wages are calculated with reference to the fixed employment structure of the base period (December 2005). In order to account for the differences in employment between sectors, we weighted each sector according to the sum of weights within each sector provided by ISTAT.