Why a minimum wage causes more problems than it solves

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Summary

— We have made a conservative estimate of the impact of a gross minimum wage of EUR 1,500 on employment. It covers only seven of a wide range of industries. But this still shows that up to 20,000 jobs would be on the line.

— Employees would only partially benefit from the combined EUR 780 million increase in costs and company expenses: 48.6% of that would end up in the government's pocket in the form of social security contributions and income tax, and the remaining 51.4% would go to workers in the shape of higher net salaries. In rounded absolute figures, this would mean EUR 379 million for the state and EUR 401 million for employees.

— A minimum wage is too rigid because it removes the option of adapting wages to reflect sluggish economic growth or a crisis in a particular sector. Collective agreements are a better approach, because fewer jobs for less-qualified, young workers are lost.

— If the aim is to provide more effective support to families close to the poverty line, lower social security contributions or higher transfer payments for such groups would be a far more efficient solution. And a minimum wage would mean job losses and higher unemployment – the main cause of poverty.

— A gross minimum wage of EUR 1,500 would raise consumption by a maximum of 0.2%, so the expectation of higher consumption is more of a hope than reality.

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