

Edging towards a national minimum wage?

Initial context, recent developments, and the road ahead

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Abstract

In Cyprus, a *national* minimum wage (MW) does not currently exist. Legally binding wage minima exist in the *non-union sector* and collectively bargained 'indicative' starting salaries provide (non-binding) benchmarks for the occupations of the *union sector*. However, a political momentum has developed towards the adoption of a national MW. A recent and unusual (trilateral) agreement for the *unionised* Hotel sector specifies binding MWs for 19 low-income occupations. The legal mechanism enforcing these minima is the one currently used in the *non-union sector* (a Ministerial Order). The Hotel agreement involves the government in micromanaging the occupational wage structure in the Hotel sector. But it also smooths the way towards the adoption of a national MW: it raises the lowest monthly salary in Hotels to the prevailing MW level in the non-union sector (EUR 870 pm) and shifts a large mass of Hotel employees from the left tail of the wage distribution to their new (January 2020) minima. This development leaves employees in restaurants, a large group with special needs, to be brought under the umbrella of a possible national MW. The Hotel agreement may ease-in a future national MW, but its philosophy may prove hard to retract. One large union wants this mechanism applied to the multitude of 'indicative' wage minima in the union sector, in effect giving some aspects of all CB agreements legal force. This paper considers possible architectures and levels for a possible national MW. It also discusses the labour market implications of and likely reactions to the Hotel agreement and to a possible national MW.

Keywords: unions, wage determination, national minimum wage, Cyprus

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