

# Globalization and Wages in Europe

DAVID REED  
UNCG

The production financial globalization processes have been blamed for job-loss, lower wages, and increased competition within the labor market here in the United States. We are, however, not alone in facing these challenges. Other industrialized nations are confronting similar trends due to their participation in the increasingly interconnected economic systems of the world. How they have responded may offer useful solutions to America's current economic policies.

## Economic Patriotism

The French have pursued a dramatically protectionist course for its native businesses. The government routinely intervenes in merger or acquisition efforts from foreign businesses, even going so far as to maintain a list of French companies "untouchable" by non-French actors. Despite this protectionism, the government encourages foreign investment in France, where foreign companies employ one in seven workers (compared with one in twenty in the U.S.). This "French paradox"<sup>1</sup> picks the options globalization offers it that present the best return, while ignoring those felt to be detrimental.

This notion of "economic patriotism" can be seen in other examples around the world as well; the U.S. governments rejection of the acquisition by Dubai Ports World of six U.S. ports, or the eventual turning down of a Chinese effort to purchase the Unocal oil company are two examples related by Sabatier. 69% of the French population favors this policy, and there are growing examples of it in the U.S. through mechanisms set up by the government to promote exports, entice greater foreign investment, and yet maintain subsidies for domestic production industries.

The former head of "economic intelligence" in the French government, Alain Juillet, believes that Europeans "are in fact much more liberal that the United States"<sup>2</sup> when it comes to government control over "strategic companies." This trend is

---

<sup>1</sup> Patrick Sabatier, "Europe Faces Globalization – Part 1," YaleGlobal Online, May 16,2006, [yaleglobal.yale.edu/article.print?id=7414](http://yaleglobal.yale.edu/article.print?id=7414) (accessed April 16, 2008).

<sup>2</sup> Ibid.

spreading through Europe as nations struggle to maintain their traditional cultural elements as profitable pieces of their economy while the forces of globalization work to erode those national identities. Incorporating economic patriotism into our governmental economic policy process, beyond the ineffectual “buy American” efforts that are themselves deceived by the products they target, would help protect U.S. jobs and industry, while still allowing interconnected trade to develop on a global level.

### **Minimum Wages**

Almost three quarters of European Union member states currently have some sort of statutory minimum wage. According to a 2007 paper prepared by the European Foundation for the Improvement of Living and Working Conditions<sup>3</sup>, the minimum wage varied between an absolute level of approximately \$0.92 and \$15.50 an hour. The U.S. fell in the middle of that scale at approximately \$6.68. However, when one compares these minimum wages as *percentages of workers average gross earnings*, the U.S. and Japan fall to the bottom of the scale relative to European nations. This means that low-wage earners in most European countries are “comparatively better off” than their counterparts in the United States.

Several European nations set different minimum wage rates for young workers and those just entering the workforce. In Belgium, those aged 16–20 are paid 70% of the minimum wage beginning at age seventeen. The rate increases by 6 percentage points each year until they are 21 at which time they qualify for the standard “adult” rated minimum wage. Estonia pays high-risk work a greater minimum wage.

Minimum wages have positively affected gender pay inequalities across Europe. There are nearly two women working at low-paying jobs for every one man.<sup>4</sup> Thus, minimum wages offer a near immediate equalizing of gender-based pay disparities for low-earners. In the United Kingdom both government and trade unions came to view the minimum wage as a tool for gender equalization more than simply that of financial redistribution.

---

<sup>3</sup> *Minimum Wages in Europe*, European Foundation for the Improvement of Living and Working Conditions, 2007.

<sup>4</sup> *Ibid.*, 6.

Feared negative effects from minimum wage implementation have been “small or non-existent.”<sup>5</sup> Higher wages may be encouraging greater consumption and demand which fuels employment growth. The United Kingdom’s Low Pay Commission reported in 2007 that it could find “no evidence demonstrating that the minimum wage has had a significant adverse effect on employment since its introduction.”<sup>6</sup>

## **Conclusion**

European nations have been far more aggressive than the United States in protecting domestic business interests, and in ensuring a basic financial safety net for its citizens. Despite fears in the United States over potential negative economic effects more aggressive policies in these areas could produce, they have not manifested themselves across Europe. Furthermore, the variance in wages from one nation to another has not significantly affected the distribution of businesses and jobs, despite warnings from economists that higher minimum wages in one place will drive businesses to areas with lower labor costs. The higher wages have allowed for greater consumption and actually spurred economic and job growth.

Similar realities can be found in the United States as some states maintain higher minimum wages than others, yet this has not been pursued with as much vigor an involvement from the citizenry as in Europe. Economic patriotism and a greater focus on minimum wage development deserve to be looked at closely in the U.S. taking the European experience into greater consideration.

---

<sup>5</sup> Ibid., 7.

<sup>6</sup> H. Immervoll, “Minimum wages, minimum labour costs and the tax treatment of low-wage employment,” OECD social, employment and migration working papers No. 46, 2007, <http://www.oecd.org/dataoecd/30/34/37930738.pdf>.