

MOEL unveils a revised minimum wage-fixing system

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The government has confirmed a revised minimum wage-fixing machinery, after consultation with relevant government agencies and with political parties based on the opinions from various circles presented in public discussions over the past month.

[Range Setting Committee to set a range of the minimum wage]

The members of the Range Setting Committee will be selected using the following method: each of the tripartite partners nominates five experts, creating a pool of 15 candidates, and then the workers' and the employers' representatives eliminate the least preferred candidates from the nomination list by turns to narrow down the number to nine. This process guarantees participation of the workers' and the employers' representatives as advised by the ILO Minimum Wage Fixing Convention.

Opinions were raised in the public discussions that securing the expertise and independence of the Range Setting Committee would be critical. This will be fully reflected in the course of the Committee's operation.

The Range Setting Committee will set an objective and rational range for the minimum wage by regularly conducting statistical analysis and on-site monitoring based on fixing criteria. As the minimum wage will be deliberated within a range determined by experts based on objective indicators, the current minimum wage negotiation, represented by confrontation between workers and employers, will become easier and less controversial.

[Determination Committee to decide on a minimum wage]

The Determination Committee, which will decide on a minimum wage, will be composed of a total of 21 members - seven worker members, seven employer members and seven public interest members. The National Assembly as well as the government will have the right to nominate public interest members.

Just like the practice so far, worker and employer members of the Determination Committee will be nominated by the workers' and the employers' organizations entitled by law to nominate worker and employer members of the Minimum Wage Commission. However, to increase diversity of the committee members, it will be clearly stipulated that the Determination Committee must include representatives of youth, women, non-regular workers, SMEs, middle-standing enterprises and micro-enterprises.



[Minimum wage fixing criteria to be added and refined in order to ensure a more balanced consideration of workers' livelihood and labor market and economic conditions.]

It was decided that the level of wages, the level of social security benefits, impacts on employment, and economic conditions including economic growth rates would be added to the minimum wage fixing criteria, taking account of the ILO Minimum Wage Fixing Convention which requires a balanced consideration of workers' livelihood and economic conditions.

With regard to including companies' ability to pay as one of the fixing criteria, mixed views were expressed during public discussions. Based on experts' opinions, it was decided that instead of not including companies' ability to pay, impacts on employment and economic conditions would be added to the criteria.

Also, with the change of a term in one the existing criteria "level of employment" to a broader term of "impacts on employment", the minimum wage fixing mechanism will aim for more comprehensive consideration on not only the quantity but also the quality of employment.

[The reasonable and objective minimum wage fixing will facilitate agreement among the social partners and enhance acceptability.]

The new features in the wage fixing system – i) refined minimum wage fixing criteria, ii) increased role of experts in the Range Setting Committee, and iii) the government and the National Assembly sharing the right to nominate public interest members of the Determination Committee – are expected to considerably reduce time-consuming disputes that had repeated in the past minimum wage setting processes and resolve much of the allegation that it had been in fact the government that set minimum wages.

Also, regarding the views presented in the public discussions that it is difficult to fully grasp the impacts of minimum wages on industries because the Minimum Wage Commission operates only when it deliberates on a minimum wage, the Range Setting Committee will operate as a standing committee and monitor and analyze the impacts of the minimum wage on an on-going basis. This way, the voices of interested groups will be sufficiently reflected in minimum wage deliberations.