## **Political Motives as Determinative Factors for Minimum Wage Policy**

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**Keywords:** Minimum wage, social welfare, public policy, politics, a model of political competition of interest groups, altruistic model, fairness model.

## Քաղաքական շարժառիթները՝ որպես նվազագույն աշխատավարձի քաղաքականության որոշիչ գործոններ Համբարձումյան Տիգրան Վ.

Երեվանի պետական համալսարան, Միջազգային հարաբերությունների ֆակուլտետ, Հանրային կառավարման բաժնի մագիստրոս (Երևան ,ՀՀ) tigham96@gmail.com

**Ամփոփագիր.** 1970 թվականի 131 կոնվենգիալում Աշխատանքի միջազգային կազմակերպությունը առանձնացնում է աշխատողների և նրանց ընտանիքների կարիքները ու տնտեսական գործոնները՝ որպես նվազագույն աշխատավարձի մակարդակը որոշելիս կարևորվող տարրեր։ Այստեղ հաշվի չի առնվում մեկ այլ կարևոր գործոն՝ քաղաքականը։ Մույն աշխատանքում հեղինակը նպատակ է հետապնդել համապարփակ ձևով վերհանել և վերլուծել նաև քաղաքական այն գործոնները, որոնք ունեն վճռորոշ նշանակություն նվազագույն աշխատավարձի հիմնախնդրի ընկալման և դրա սահմանման գործընթացներում։ Հեղինակի ուշադրության դիտակետում է եղել նվազագույն աշխատավարձի սահմանման խորհրդակցական գործընթացը մի կողմից կառավարությունների, իսկ մյուս կողմից` աշխատողների և գործատուների ներկայացուցիչների միջև։ Փորձ է արվել բացատրել «հանրային քաղաքականություն» և «քաղաքականություն» հասկացությունների բովանդակային տարբերություններն ու փոխհարաբերությունը, ինչպես նաև տարանջատել դրանցից ամեն մեկի հիմքում առկա շարժառիթները։ Քաղաքական գործիչների՝ նվազագույն աշխատավարձի հանդեպ վերաբերմունքը հետազոտվել է ընտրական գործընթացների ու հետազոտական աշխատանքների անկողմնակալության խնդրի համատեքստում։ Իրականացվել է գիտական գրականության մեջ առկա մի քանի հիմնական մոդելների համեմատական վերլուծություն, որոնք մեկնաբանում են նվազագույն աշխատավարձի դրույքաչափի տեղաշարժերը և դրանց հիմքում ընկած դրդապատճառները։ Եզրափակելով՝ կարելի է փաստել, որ նվազագույն աշխատավարձի քաղաքականության մշակումն ու իրականացումը բազմագործոն գործընթաց է, որն արտացոլում է բազմաթիվ խմբերի և դերակատարների շահերը՝ խնդիրը զուտ տնտեսականից տեղափոխելով արժեքաբանական, գաղափարական, վարքաբանական, քաղաքական և այլ հարթություններ։ Քննարկված մոդելներներից յուրաքանչյուրը ներկայացնում է նվազագույն աշխատավարձի սահմանման քաղաքական դրդապատճառներից միայն մեկը, հետևաբար բացակայում է նվացագույն աշխատավարձի քաղաքականության սահմանման քաղաքական գործընթացը գնահատող համապարփակ և համակարգված մոտեցում:

**Հանգուցաբառեր**` նվազագույն աշխատավարձ, սոցիալական բարեկեցություն, հանրային քաղաքականություն, քաղաքականություն, շահագրգիռ խմբերի քաղաքական մրցակցության մոդել, ալորուիստական մոդել, արդարության մոդել։

## Политические мотивы как определяющие факторы политики минимальной заработной платы

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Аннотация. В Конвенции № 131 1970 года Международная организация труда определила потребности трудящихся и их семей и экономические факторы в качестве элементов, которые необходимо учитывать при определении минимального уровня заработной платы. Здесь не учитывается еще один важный фактор – политический. В этой работе автор стремится выделить и всесторонне проанализировать политические факторы, имеющие решающее значение в процессах понимания проблемы минимальной заработной платы и ее определения. В центре внимания автора находился консультативный процесс установления минимальной заработной платы между правительствами, с одной стороны, и представителями работников и работодателей, с другой. Была предпринята попытка объяснить содержательные различия и взаимосвязь понятий

«государственная политика» и «политика», а также выделить мотивы, стоящие за каждым из них. Отношение политиков к минимальной заработной платы исследовано в контексте избирательных процессов и вопроса беспристрастности исследовательских работ. Проведен сравнительный анализ нескольких основных моделей, имеющихся в научной литературе, интерпретирующих изменения минимальной ставки заработной платы и лежащие в их основе мотивы. В заключение можно констатировать, что разработка и реализация политики минимальной заработной платы представляет собой многофакторный процесс, отражающий интересы многих групп и акторов, переводящий проблему из чисто экономического в аксиологическое, идеологическое, поведенческое, политическое и другие измерения. Каждая из обсуждаемых моделей представляет собой лишь одну из политических мотиваций установления минимальной заработной платы, следовательно комплексный и системный подход к оценке политического процесса установления минимальной заработной платы отсутствует. Ключевые слова: Минимальная заработная плата, социальное обеспечение, государственная политика, политика, модель политической конкуренции групп интересов, альтруистическая модель, модель справедливости.

In Convention 131 of 1970, the International Labor Organization states that the following elements must be taken into account and brought into line with national practice when determining the level of the minimum wage:

- the needs of employees and their families, taking into consideration the overall level of wages, living standards, social security benefits in the country the comparative living standards of other social groups;
- economic factors, including the requirements for economic development, and the desire to achieve a high level of productivity and employment [11].

It is important to single out the last factor, that is, the desire to achieve and maintain a high level of employment. The cornerstone variable in this formulation is desire. Indeed, one of macroeconomic goals of any government is to provide and maintain full employment [21, pp. 7-9]. However, desire or discretion incur certain risks, since the political will and actions of governments sometimes do not coincide. In many countries, the political debate over the minimum wage has shifted from the expediency of the minimum wage to the question of who should best design and implement the minimum wage policy by paying attention to national specifics and circumstances. The exception is the Nordic countries, where the general agreement is based on collective bargaining between employees and employers. Unfortunately, in many countries, notably in developing countries, the scope of collective bargaining is insufficient to ensure a high level of wages.

In practice, governments should consult with the representatives of employees and employers and be attentive to their arguments and concerns when setting minimum wages. This process is often carried out within the framework of the National Minimum Wage Commission or the existing Tripartite Social Dialogue Commission. The involvement of employers and employees in the negotiation process is likely to lead to more balanced results [20]. In this case, the government is

the final decision-making institution, regulates the implementation of the minimum wage policy and coordinates it with macroeconomic factors, such as inflation. Some argue that the lack of a minimum wage policy is due to the government's deliberate policy of running a lowwage economy. For others, disregarding the minimum wage policy is a sign of the rationale of economic analysis that raising the minimum wage is detrimental to the overall economy [13, pp. 773-Both perspectives, however, can be problematic. The first assumes that the government is a monolithic structure, so it can easily make a decision. In fact, the government is a combination of different actors and processes that operate on the basis of a certain consensus and agreement. However, oftentimes various actors in different institutions follow their own agenda. disadvantage of the economic rationality model is that it unilaterally analyzes the policy process based only on economic motives, while politics is a more multi-level and multi-component process, affecting the interests of the government, NGOs, and society as a whole.

Speaking about public policy [4], it is necessary to note the conceptual and substantive differences between it and politics [5]. If public policy is a set of decisions and actions taken by the government on a public issue or community-wide issue, then politics is a group decision-making tool or a form of collective decision-making when people seek to negotiate, persuade, and compromise with others rather than commanding or forcing them. Politics is a peaceful way of resolving disputes over the best collective decision, without the use of force, coercion, or violence. There are four main sources of public policy in the scientific literature, which are politics, ideology, expertise, and authority [15].

According to Kingdon, public policy is an operation of combining variables and largely pivots on the interests of the actors involved. He separated the flow of policy from the flow of politics, since the typical characteristics of the political flow are

power, influence, and enforcement, whereas, in the flow of policy, officials focus on the content of ideas [1]. Although this definition distinguishes the substantive difference between public policy and politics, the fact remains that the two processes are interconnected and interact with each other.

According to T. Lowi, public policy is a process of actions that rarely targets just one issue, but rather is used to address complex and long-term issues. Public policy guides the political course of governments and serves as a guarantee of accountability to citizens. The decision-making process is based not only on objective data but also on values. Many issues are intrinsic and address deeply rooted value issues, which ultimately complicate the policy process [14]. As we have already mentioned, the minimum wage policy is a multifactorial and comprehensive process, which complicates the evidence-based analysis. All the above definitions not only affirm all that but also reveal the large circle of subjects involved in the process and the components arising from noneconomic interests.

The attitude of politicians towards the minimum wage policy can be grasped in the context of electoral processes. Commonly, the high popularity of the minimum wage among voters coincides with the extreme bias of legislators, which divulges the great impact of money on politics. For example, U.S. state voting initiatives that allow voters to directly influence their state minimum wage have raised the minimum wage rates in 17 federal states with the approval of more than 60 percent of the constituency [8]. Such high indicators are a plain testimony that in the decision-making process the legislators are often in favor of a popular policy. But in reality, political actors must be honest in presenting the complexity of existing issues to voters in a credible manner, and experience suggests transparency about the strengths weaknesses of one's position can often be a good tool for persuading others [2].

Apart from the electoral process, the policy of the minimum wage also faces certain ideological discord. As such, despite significant changes in American demographics, the political debate over raising the federal minimum wage in the US Congress today has changed little since the 1930s. The debate is mainly about the compromise between the costs and benefits of the minimum wage policy. Pro-business Republicans argue that higher minimum wages are a source of job cuts, while prolabor Democrats argue that higher minimum wages will boost economic growth, lift people out of poverty and reduce public spending [17].

Several basic models are distinguished in the scientific literature to explain the changes in the minimum wage rate.

A model of political competition of interest groups. This model is based on the competitive impact of interest groups, with unions as the primary group in favor of raising the minimum wage and small businesses as the opposite group. According to Becker's model of the political process, politics is the result of a compromise reached between competing interest groups, where the crucial factor is not the absolute power of the interest group, but its competitive advantage and supremacy over other competing interest groups [3, pp. 371-400]. Taking that the minimum wage rate is never legally reduced, pressure from interest groups on the minimum wage leads to a decline in its fair value due to inflation, forcing politicians to opt for frequent and larger increases [19, pp. 761-785]. If unions are relatively weak, fragmented, or decentralized, and there is no agreement among employers on a minimum wage rate, governments are intervening to restore social justice. Wages, harmonized through the protection of decent wages and macroeconomic intervention, help curb inflation [10]. Trade unions have historically championed the increase of the minimum wage, as it reduces or even eliminates the main competitive advantage of nonunion work - inexpensiveness. By increasing the price of non-union labour, trade union work becomes relatively more prepossessing [18]. As for the protection of small business interests, the problem is twofold. First, as we have already mentioned, the influence of trade unions in the process of labor market regulation is great, which narrows the scope of small business opportunities. On the other hand, many large business lobby groups actively support or at least do not oppose raising the minimum wage, since due to their high incomes, staff and benefit cuts, new technology introduction, or scale they are capable of absorbing more than 100% wage increase and even offset higher costs [7]. In such a situation, small companies find it difficult to protect their interests and have to suffer the costs of raising the minimum wage.

Altruistic model. The main alternative to the political competition model is the altruistic model, which assumes that the minimum wage is defined as a redistribution parameter based on altruistic concerns for the working poor. Nevertheless, the altruistic model has serious shortcomings. For example, when launching such a model, the minimum wage policy should go back to the cost of living, which it rarely does [16, pp. 15-24]. The minimum wage can be seen in the context of the existing concept of justice in behavioral economics.

According to this concept, the definition of the minimum wage, based on the welfare of the working poor, can be seen as a reflection of charitable social preferences. Societies often favor such preferences when policies are designed to punish or prohibit unfair behavior. In this case, policymakers seek to reflect public perceptions of justice in the minimum wage policy [9, pp. 615-691].

Fairness model. In the fairness model, the minimum wage is a hurdle that restricts the conclusion of unfairly low wages in a labor market where employers unfairly take advantage of lowskilled employees. The question arises as to which deal individuals consider unfair. Kahneman argues that people value price or wage fairness by using the value of the "referral deal" or market wages as a benchmark. People evaluate salaries by comparing the amount of salary in their respective labor markets. The definition of the minimum wage here serves as a positive function of measuring the wage distribution of low-skilled workers, that is, when the wages of unskilled workers rise, the threshold, below which wages are considered unfair, also rises [12, pp. 728-741].

The issue of impartiality of research and analysis should also be considered in the context of development and implementation, politicians often pay more attention to research that is widespread and vocal. One example is the emphasis on the impact of minimum wage policy on the youth labor market. The reason may be related to the bias of the publications. As journals do not publish statistically insignificant results, editors and reviewers tend to be more sympathetic to studies with statistically noteworthy results. In the case of the minimum wage, this problem is compounded by the strong theoretical assumption of economists that raising the minimum wage leads to a reduction in employment. This in turn can lead to further bias, as reviewers and editors tend to accept articles that, for example, show the noticeable negative impact of the minimum wage on youth [6, pp. 238-243].

In conclusion, it can be stated that the development and implementation of the minimum wage policy is a multifactorial-complex process, which reflects the interests of many groups, and actors, shifting the problem from the purely economic to the axiological, ideological, behavioral, political, and other dimensions. The discussed models deliver only a narrow aspect of the minimum wage policy, therefore there is no comprehensive and systematic approach to evaluate the political process of setting the minimum wage policy.

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