

## *Are the mandatory minimum wages necessary in Panama?*

*By: Attorney Javier José Vallarino*

The current society is divided in regards to the convenience of establishing mandatory minimum wages; those who are against legislation on minimum wages argue that:

- The wage shall be governed by the free supply and demand, without State intervention.
- The minimum wage attempts directly against the company productivity, due to the fact that it guarantees an income for the worker without taking into account his productivity.
- The minimum wage places a plural number of workers on the same wage level, in spite of the capacity, productivity, seniority and performance of each worker.
- State intervention regarding minimum wages is usually motivated by the mere political reasons, lessening so the true purpose and spirit of its setting or establishment.
- The minimum wage periodic setting generates irremediably substantial increase in the company's costs, putting into risk its financial capacity, reason why it will end attempting directly against the own labor stability of the workers.

Opposite to the arguments aforementioned, a serie of advantages arising from the minimum wage setting is adduced, namely:

- It increases the acquisitive power of the workers, which benefits, in last instance, the businessmen themselves.
- It places in the same or in a equal level all the businessmen, forcing them to perfect their work methods and to use new and better technological tools in order to face the periodic increase of the payroll ( due to the increase of the minimum wage); as a result, it forces them to be more efficient and competitive.
- It protects the nuclear family and society in general, avoiding the injustice arisen from granting to the worker an income insufficient to satisfy his basic needs, as well as those of his family.
- To remunerate the workers with an insufficient wage provokes irremediably conflicts and discomfort in the working class, causing as a result a generalized atmosphere of social instability.
- The minimum wage raises the moral and intellectual self-esteem of the workers, which positively and directly reflects on his attitude toward work and the productivity.

## I. Our opinion.

We are of the opinion that the setting of minimum wage is fully justified by the excessively capitalism vision of some businessmen, in the absence of true qualified labor capable of demanding a just and competitive wage without the State intervention and finally, on the need of coexisting in an atmosphere of social stability that favors local and foreign investment necessary to create employment, wealth and welfare for all the components of the society.

In this regard, we convinced that to eliminate the minimum wage would be as leaving the working class at the mercy of our businessmen, some of them influenced by the ideas almost overcame of the wild capitalism, whom knowing the needs and lacks of the workers, might be willing or tempted to offer to their workers inappropriate or insufficient wages.

Therefore we believe that the State cannot remain indifferent to the real possibility of that the workers might get remuneration lower than that required by them in order to satisfy their more elementary food needs.

Eventually, we consider that our society is not prepared, yet, to the coexistence of workers and employers in an uncontrolled atmosphere, without state interventionism and without the existence of a group of juridical norms that, as the Labor Code, seek to protect, sometimes excessively, the minimum and elementary rights of every worker.

For these reasons we are partisans of the existence of a legal minimum wage, because the same allows the workers to aspire to, at least, a decent life; even, we are convinced that the minimum wage must be periodically REVIEWED.

Nevertheless, we differ with the labor union sector when it says that the minimum wage shall be increased mandatorily every two years. In effect, we believe that the minimum wage must be periodically reviewed, but only shall be increased when, by one part, the economical situation of the companies and of the country in general (levels of investments, poverty and employment) allows it so, and in the other part, the real cost of the consumption basket and of living in general if it merits it.

Eventually, we clarify that nowadays it cannot be doubted the need of review and rising of the current levels and rates of minimum wage that rule in Panama. Inclusive, we cannot deny the convenience of establishing national minimum wage by activity or profession.