

Minimum wage in the EU

SUMMARY

In 2020, most European Union (EU) Member States have a statutory minimum wage (21 of 27), while six others have wage levels determined through collective bargaining. Expressed in euros, monthly minimum wages vary widely across the EU ranging from €312 in Bulgaria to €2 142 in Luxembourg (July 2020). The disparities are significantly smaller when price level differences are eliminated. Expressed in purchasing power standard, the minimum wage ranges from PPS 547 in Latvia to PPS 1 634 in Luxembourg.

The question of setting a minimum wage is one of the most analysed and debated topics in economics. Over recent years and in the context of the economic and social crisis engendered by the Covid-19 outbreak, the creation of a European minimum wage is increasingly considered as a useful instrument to ensure fair wages and social inclusion.

In November 2017, the EU institutions jointly proclaimed the European Pillar of Social Rights, setting out the European Union's commitment to fair wages for workers. Since then, the European Commission has shown its willingness to address this issue. In particular, Commission President Ursula von der Leyen stated in her political guidelines that she will propose a legal instrument to ensure that every worker in the Union has a fair minimum wage. Such minimum wages should be set according to national traditions, through collective agreements or legal provisions.

On 14 January 2020, the Commission launched the first phase of consultation with social partners on fair minimum wages for workers in the EU, to gather social partners' views on the possible direction of EU action. Based on the replies received, the Commission concluded that there is a need for EU action. The second phase of consultation was launched on 3 June 2020; with a deadline of 4 September 2020 for social partners to provide their opinion. A Commission proposal is expected by the end of 2020.

The European Trade Union Confederation welcomed the European Commission's initiative and called for the Commission to propose a directive. Conversely, employers' organisations believe wage-setting should be left to social partners at national level. In their view, if the Commission wished to act, only an EU Council recommendation would be acceptable.

The European Parliament has often debated the issue of low income and minimum income over the last decade, advocating a more inclusive economy.



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Background

A number of EU Member States have a long practice of guaranteeing a national minimum wage for their lowest paid workers. In contrast, other Member States, including Germany, Ireland and many of the countries that joined the European Union in 2004 or later, have only recently introduced minimum wage legislation.

In all, in July 2020:

- 21 EU Member States have a statutory minimum wage;
- 6 EU Member States have wages determined through collective bargaining – including, in certain cases, minimum wages: Austria, Cyprus, Denmark, Finland, Italy and Sweden.

Table 1 presents the state of play as regards the existence and characteristics of minimum wages in each Member State (plus the United Kingdom).

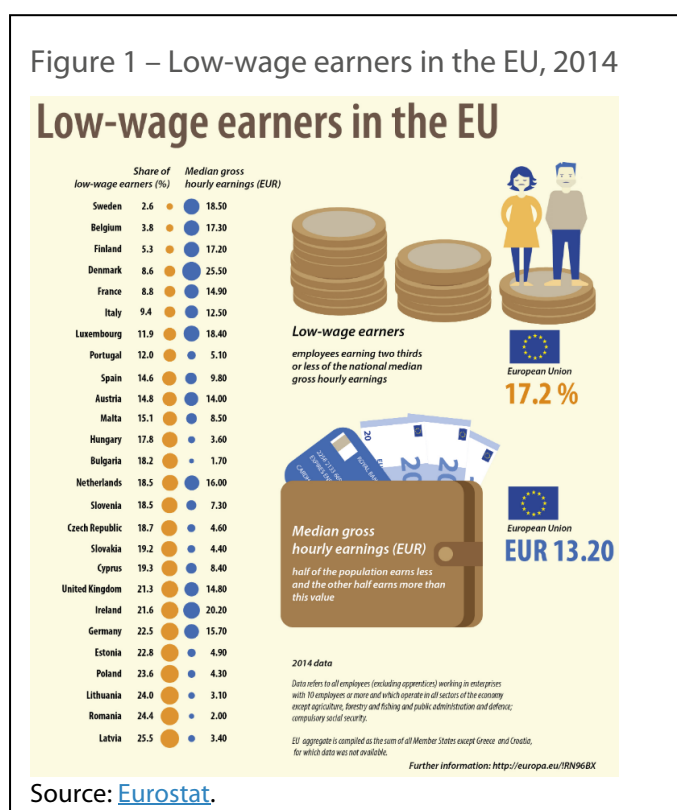
Table 1 – Existence and characteristics of minimum wages in EU Member States

Statutory minimum wage								Minimum wage setting relying on collective bargaining
Institutionalised decisions						Indexation	Non-institutionalised decisions	
'Gov't following the recommendation of MW specialised body	Gov't following bilateral/tripartite consultations process		Gov't following a tripartite decision making process	Gov't extends collective agreements by legislation				
DE EL IE FR UK	BG ES HR HU LV MT	PT SI RO	LT PL SK	BE EE	BE FR LU MT NL SI	CZ	AT CY DK FI IT SE	

Source: European Commission, Annex 1 of the [First-stage consultation of the social partners on Fair Minimum Wages in the European Union](#), 2020.

Minimum wages in EU Member States – Statistics

Figure 1 – Low-wage earners in the EU, 2014



Source: Eurostat.

Low pay remains a characteristic of employment in the European Union. Around one in every six employees is estimated to be a [low-wage earner](#) (17.2 % in 2014, Eurostat). There are substantial differences between Member States (see Figure 1).

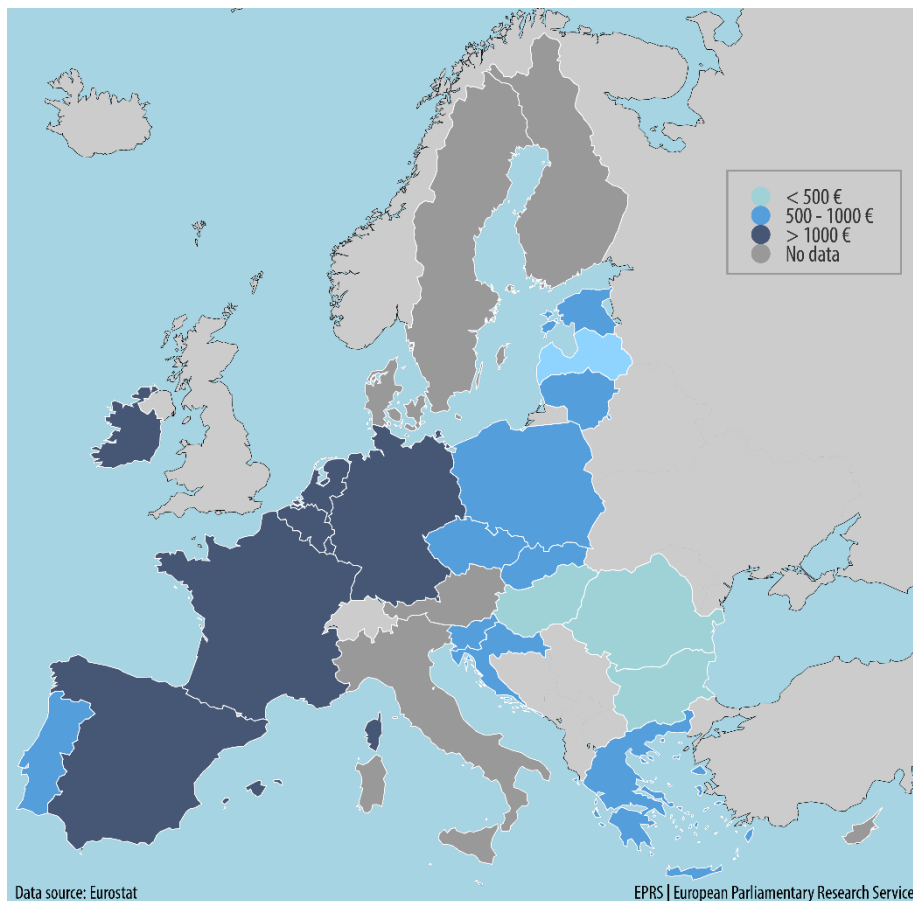
In recent years, [low wages](#) have not kept pace with other wages in many Member States, leading to an increase in [wage inequality](#). The proportion of employed persons [at risk of poverty](#) has risen from 8.3 % in 2010 to 9.3 % in 2018. Many low-wage workers were hit hard by the crisis, in particular the young, the low-skilled and those in precarious forms of employment. In addition, the Covid-19 outbreak has had a negative impact on workers' wages, in particular those with the lowest incomes. A 2020 [Eurofound online survey](#) found that almost 40 % of people in the EU reported their financial situation as worse than before the

pandemic, and nearly half indicated that their households cannot make ends meet (47 % in April 2020). In July, 44 % of respondents said they were still experiencing the same difficulties.

Minimum wages expressed in euro

Monthly minimum wages vary widely across the Member States, from €312 in Bulgaria to €2 142 in Luxembourg (see Map 1). Expressed in euros, the highest minimum wage is almost seven times (6.9) higher than the lowest.

Map 1 – Minimum wages in EU Member States, July 2020 (€ per month)



Data source: [Eurostat](#), 2020.

[Eurostat](#) categorises Member States in three different groups on the basis of the level of their national gross monthly minimum wages in euro in July 2020:

- Group I: National minimum wages were lower than €500 per month: Bulgaria, Latvia, Hungary and Romania. Their national minimum wages ranged from €312 in Bulgaria to €461 in Romania;
- Group II: National minimum wages were at least €500 but lower than €1 000 per month: Croatia, Czechia, Slovakia, Poland, Estonia, Lithuania, Portugal, Greece, Malta and Slovenia. Their national minimum wages ranged from €537 in Croatia to €941 in Slovenia;
- Group III: National minimum wages were at least €1 000 per month: Spain, France, Germany, Belgium, the Netherlands, Ireland and Luxembourg. Their national minimum wages ranged from €1 108 in Spain to €2 142 in Luxembourg.

Minimum wages expressed in purchasing power standards

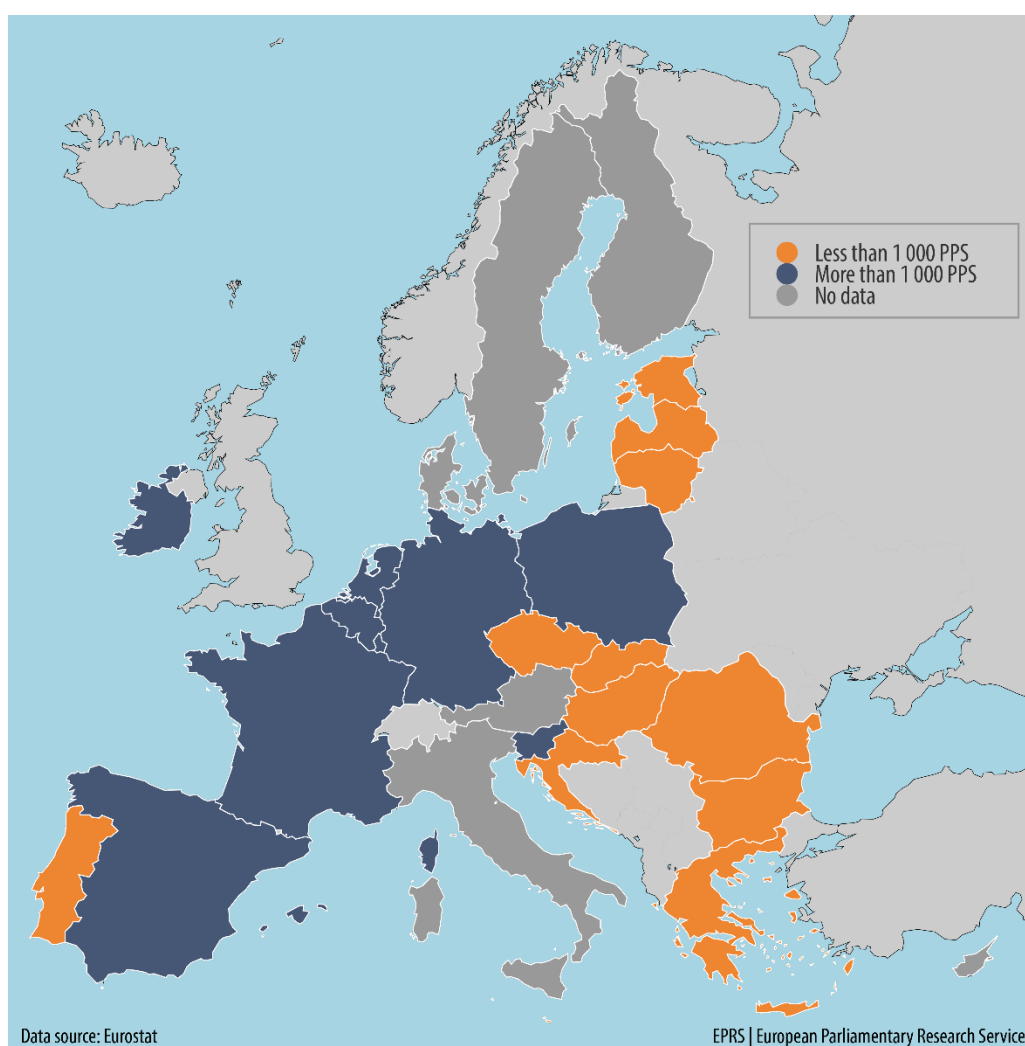
The disparities in minimum wages across Member States are significantly smaller once price level differences are eliminated, by applying [purchasing power parities \(PPPs\)](#) for [household final](#)

consumption expenditure. When wages are expressed in an artificial currency unit, the purchasing power standard (PPS), monthly minimum wages vary from PPS 547 in Latvia to PPS 1 634 in Luxembourg. In PPS, the highest minimum wage in the EU was three times higher than the lowest.

On the basis of the level of their national gross monthly minimum wages in PPS, [Eurostat](#) categorises Member States in two groups (see Map 2 and Table 2):

- Group I: National minimum wages were lower than PPS 1 000 in July 2020: Latvia, Bulgaria, Estonia, Slovakia, Hungary, Czechia, Croatia, Portugal, Romania, Lithuania, Greece and Malta. Their national minimum wages ranged from PPS 547 in Latvia to PPS 890 in Malta;
- Group II: National minimum wages were at least PPS 1 000 in July 2020: Poland, Slovenia, Spain, Ireland, France, Belgium, the Netherlands, Germany and Luxembourg. Their national minimum wages ranged from PPS 1 008 in Poland to PPS 1 634 in Luxembourg.

Map 2 – Minimum wages in EU Member States, July 2020 (PPS per month)



Data source: [Eurostat](#), 2020.

Minimum wages in Member States with relatively lower price levels become proportionally higher when expressed in PPS, and comparatively lower in Member States with higher price levels. The adjustment for price levels partly reduces the differences between Member States. As a result, the extremes of disparities in minimum wages between Member States are reduced from a ratio of 1 to 6.9 when minimum wages are expressed in euros to a ratio of 1 to 3.0 when expressed in PPS.

Table 2 – Minimum wages, July 2020 (PPS per month)

Group I	PPS per month	Group II	PPS per month
Latvia	547	Poland	1 008
Bulgaria	590	Slovenia	1 068
Estonia	686	Spain	1 147
Slovakia	715	Ireland	1 277
Hungary	758	France	1 349
Czechia	762	Belgium	1 417
Croatia	769	Netherlands	1 443
Portugal	843	Germany	1 484
Romania	856	Luxembourg	1 634
Lithuania	873		
Greece	876		
Malta	890		

Source: [Eurostat](#), 2020

Minimum wages and average wages

To compare minimum wages and average wages, national minimum wages in euros can be expressed as a proportion of the median gross monthly earnings (2014, latest [Eurostat](#) data available including all Member States).

In July 2014, the proportion of minimum wages in median earnings across Member States varied from 40 % (Estonia) to 66 % (Portugal) (see Map 3).

On the basis of the level of their national gross monthly minimum wages expressed as a proportion of the median gross monthly earnings, [Eurostat](#) categorised Member States in three different groups:

- Group I: the proportion of minimum wages in median earnings was above 60 %: Portugal, Slovenia and France;
- Group II: the proportion of minimum wages in median earnings was between 60 % and 50 %: Luxembourg, Hungary, Bulgaria, Netherlands, Belgium, Poland, Germany (data 2015), Latvia, Romania, Lithuania and Malta;
- Group III: the proportion of minimum wages in median earnings was below 50 %: Czechia, Ireland and Estonia.

Median and average wage: Why use the median wage?

The median wage and the average wage represent the results of two different calculations. While they use the same data (i.e. the wages received by all individuals), the way they are calculated and the interpretation of their respective results are different.

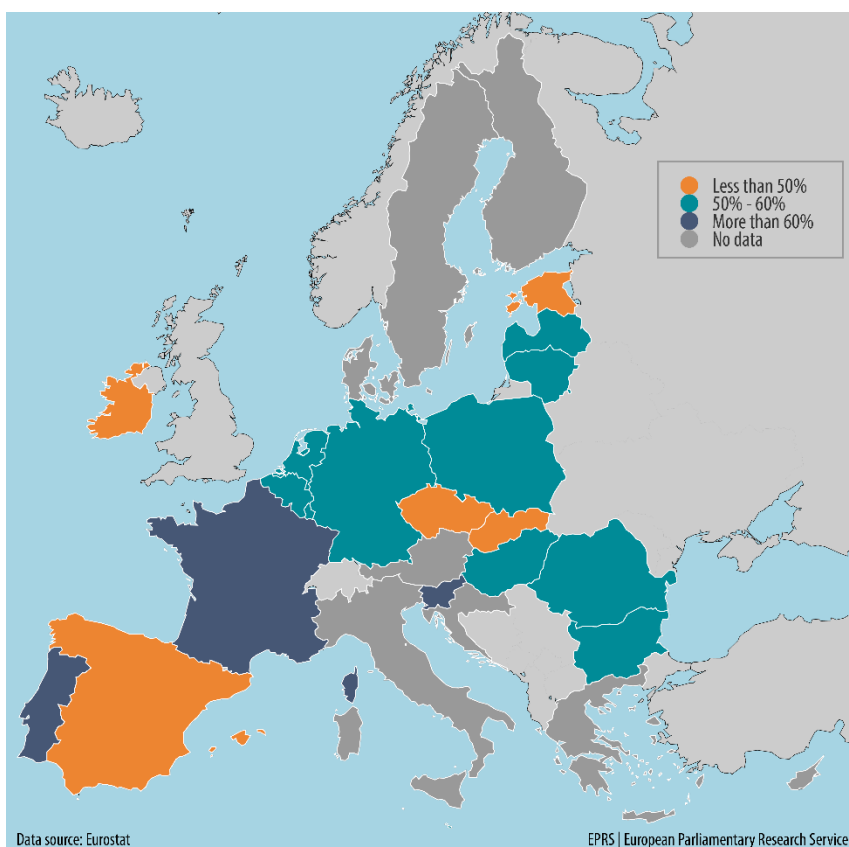
In concrete terms, when comparing an individual's pay with that of all employees in a country, the use of the median wage is closer to the real situation than that of the average wage.

Indeed, for the median wage, net wages are first ranked from the lowest to the highest. Then, the series is divided into two groups with the same number of individuals. The wage 'in the middle' of these two groups of individuals is the median wage. It corresponds to the 'pivot' wage: among the whole population, 50 % of individuals receive a wage below the median wage, and 50 % receive a higher wage. In other words, all individuals are divided into two equal groups: half earn less than the median and half earn more.

The average wage adds up all wages and divides the result by the total number of employees. It is therefore less precise, since it does not take into account the large differences that may exist between the wages of individuals.

Source: [Lafinancepourtous](#), 2019.

Map 3 – Minimum wages in EU Member States expressed as a percentage of the median gross monthly earnings, 2014 (%)



Data source: [Eurostat](#), 2020.

EU 'Fair minimum wage' initiative

The question of setting minimum wages is one of the most analysed and debated topics in economics and social sciences. Over recent years, the focus of this [debate](#) has switched from the macro-economic impacts to the social dimension of minimum wages. A statutory minimum wage is increasingly considered as a useful instrument to ensure fair wages and social inclusion. For its

proponents, a 'European minimum wage' could be a tool to ensure that all workers earn a decent living in the European Union, to fight against income inequality and in-work poverty, and a means to fight against gender inequality. After years of [discussions](#) amongst politicians, trade unions, employers' associations and experts, the idea of a 'European minimum wage' returned to the forefront in the context of the economic and social crisis engendered by the Covid-19 outbreak, even if setting minimum wages remains the remit of the EU Member States.

As a result, the key issue as regards the introduction of a 'European minimum wage' is no longer whether or not European minimum wage regulations will be established, but under what legal form (Council recommendation or directive). At the same time, the debate revolves around the question of the scope of the minimum wage, its level, the procedures and criteria for its periodic adjustment and the involvement of trade unions and employers' organisations.

EU commitment

In November 2017, the EU institutions jointly proclaimed the [European Pillar of Social Rights](#), setting out the European Union's commitment to fair wages for workers (Principle 6).

Since then, the European Commission has shown its willingness to address the issue of minimum wages in different declarations and official texts:

- In her [political guidelines](#), Commission President Ursula von der Leyen announced that 'a legal instrument to ensure that every worker in our Union has a fair minimum wage' will be proposed, as part of 'an action plan to fully implement the European Pillar of Social Rights'.
- The [mission letter](#) sent by President von der Leyen to Jobs and Social Rights Commissioner Nicolas Schmit also mentioned the need to launch an initiative in favour of a fair minimum wage and the European Commission's wish to be flexible on that matter. The expected tool could 'be set through collective agreements or legal provisions, depending on each country's traditions'.
- On 29 January 2020, the Commission announced, in its work programme for 2020, that it 'will put forward a legal instrument on fair minimum wages for workers in the European Union'.
- In her [State of the Union](#) address before the European Parliament plenary on 16 September 2020, President von der Leyen reiterated the same message.

On 9 October 2020, the Council adopted [conclusions](#) on 'Strengthening minimum income protection to combat poverty and social exclusion in the Covid-19 pandemic and beyond', in which it underlines that minimum income schemes contribute to the social protection of the most disadvantaged. The Council invites Member States and the European Commission to work together in order to implement the European Pillar of Social Rights, in particular its Principle 6.

Consultation of social partners

As laid down in [Article 154](#) of the Treaty on the Functioning of the European Union (TFEU), the European Commission has the duty to consult European social partners prior to presenting legislative proposals in the social field based on [Article 153](#) TFEU. The consultation must follow a compulsory two-stage procedure. At any point in the two stages, the social partners can signal a willingness to negotiate provisions themselves.

On 14 January 2020, the Commission launched the first phase of consultation with social partners – trade unions and employers' organisations – on the issue of [fair minimum wages for workers in the European Union](#). The objective of the consultation was to gather social partners' views on the possible nature of an EU action aimed at ensuring that every worker in the EU is protected by adequate minimum wages. Key challenges of EU action lie in the 'adequacy and coverage' of such a minimum wage, the 'effectiveness of minimum wage setting mechanisms', 'involvement of social partners and existence of clear guiding frameworks'. Taking the wide differences across the EU into account, the Commission is not seeking the introduction of a one-size-fits-all European minimum wage, nor to harmonise existing national minimum wage rules.

In the [first-phase consultation document](#), trade unions and employers' organisations were asked:

- Whether they consider that the Commission has correctly and sufficiently identified the issues and the possible areas for EU action;
- Whether they consider that EU action is needed to address the issues identified;
- Whether they would consider initiating a dialogue under [Article 155](#) TFEU on any of the issues identified in this consultation.

The first-phase consultation ended on 25 February 2020. The Commission received [replies](#) from 23 EU-wide social partners (5 from trade unions, 18 from employers' organisations). Based on the replies received, the Commission concluded that there is a need for EU action.

Second-phase consultation

The [second-phase consultation](#) of social partners was launched on 3 June 2020. [Commissioner Nicolas Schmit](#) remarked that low-wage earners were the people that 'kept our societies and economies alive when all else had to stop. But paradoxically, they will be hit the hardest by the crisis'. The coronavirus pandemic was therefore presented both as another incentive to ensure fair minimum wages for all workers in the EU and as an element of the recovery strategy.

For the second-phase consultation, the European Commission asked the social partners:

- What are their views on the general objectives of a possible EU action to ensure that all workers in the EU are protected by a fair minimum wage?
- What is their opinion on the characteristics of a possible EU action to ensure that all workers in the EU are protected by a fair minimum wage?
- Which legal instruments should be preferred?

The social partners had until 4 September 2020 to provide their replies (see below). A Commission [proposal](#) is expected by the end of 2020.

Stakeholders

Social partners

The European Trade Union Confederation ([ETUC](#)) welcomed the European Commission's proposal to reopen the debate on fair minimum wages and points out that statutory minimum wages in the majority of Member States do not reach a value of [risk-of-poverty](#) wage, equivalent to 60 % of the national median wage. Against this backdrop, the ETUC proposes that the European Commission takes two measures: 1) ensure that the definition of a fair minimum wage does not fall below the risk-of-poverty threshold, and 2) support a collective bargaining process. In its [reply to the second-phase consultation](#), the ETUC calls for the 'Commission to bring forward a framework directive'.

However, employers' organisations hold the opposite view and believe wage-setting ought to be left to social partners at the national level without interference from the EU legislator. According to their response to the consultation, made public on 8 September 2020, [BusinessEurope](#), Small and Medium-sized Enterprises United ([SMEunited](#)) and the European Centre of Employers and Enterprises providing Public Services ([CEEP](#)) are not in favour of binding EU action to encourage a 'fair' minimum wage at national level. For BusinessEurope, SMEunited, CEEP and the European Tech & Industry Employers ([Ceemet](#)), the EU does not have the competence to introduce a binding legal instrument. For employers, this issue falls within the competence of the national social partners and Member States. In their view, under no circumstances should the Commission opt for a directive, as this would transfer power to the European Union and the European Court of Justice, at the risk of exceeding the EU's competences. For the employers' associations, if the Commission wished to act in spite of this position, only a Council recommendation would respect the role and autonomy of the social partners, as well as domestic jurisdictions. According to the employers' organisations, the [European Semester](#) could then be the instrument used to monitor salary criteria. CEEP adds that due

to the impact of the Covid-19 outbreak, setting a minimum wage above 'equilibrium points' would further marginalise and 'possibly push the most vulnerable groups ... towards the informal labour market'.

Local entities

The [Council of European Municipalities and Regions](#) (CEMR), in a response published on 4 September 2020, also expressed 'serious concerns' as regards a 'European minimum wage'. As employers, local authorities fear that the legislation that the European Commission intends to introduce will encroach on the autonomy of the social partners in wage bargaining, and even create downward convergence of wages around minimum standards, which is the exact opposite of the objective stated by the Commission.

European Parliament

Aware of the difficult situation experienced by people at the lower-paid levels of the workforce, the European Parliament has debated low incomes and social exclusion repeatedly over the past decade.

In 2008, in a [resolution](#) to promote social inclusion and combat poverty, Parliament called on the Council to agree a common EU target for minimum wages, which should ensure a remuneration of at least 60 % of the relevant average wage.

In a 2011 [resolution](#) on the European Platform against poverty and social exclusion, Parliament once again 'encourages the Member States to develop minimum income schemes based on at least 60 % of the median income in each Member State. In addition, it calls for efforts to end 'in work poverty' and inequitable working conditions, 'through pay levels in general and minimum wage levels in particular, which – whether regulated by legislation or by collective bargaining – must ensure a decent standard of living'.

In its 2017 [resolution](#) on 'minimum income policies as a tool for fighting poverty', Parliament called on Member States to introduce adequate minimum income schemes to support households with inadequate income and enable them to have a decent standard of living.

On 13 March 2019, in its [resolution](#) on the 'European Semester for economic policy coordination: Employment and Social Aspects in the Annual Growth Survey 2019', Parliament called for decent wages in the European Union. Members called on the Commission and Member States to examine carefully the issue of in-work poverty and implement measures to improve job quality and reduce wage dispersion, including by raising wage floors including in the form of, where applicable, minimum wages set at decent levels. In this context, it called for the implementation of policies that respect collective bargaining and the position of workers in the wage-setting system.

In its 10 October 2019 [resolution](#), Parliament called on the Commission to put forward a legal instrument to ensure that every worker in the Union has a fair minimum wage, which can be set according to national traditions, through collective agreements or legal provisions.

MAIN REFERENCES

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