

The minimum wage: 25 years on

01 May 2025, Dublin



The EU directive on adequate minimum wages

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Key Questions

1. Why did the EU get involved with national minimum wage setting systems?

Motivation behind the Directive and principal objectives



2. What was the impact of the Directive so far?

Minimum wage development in the EU since the start of the Commission initiative



The Minimum Wage Directive: Where we come from...



DG ECFIN's famous list of
„Employment friendly reforms“

Freezes or Cuts of Minimum Wages:

Decentralisation of Collective Bargaining

- Strengthening company derogations/
Removing favourability principle
- Limiting/abolishing extensions
Decline of bargaining coverage

“Overall reduction of wage-setting power of trade unions”





Principal objectives of Minimum Wage Directive



Paradigm shift: Promotion of **adequate minimum wages** and **strong collective bargaining**:

Social goals:

ensuring a decent living; reducing in-work poverty and wage inequality (in particular: gender pay gap)

Economic goals:

providing fair competition and ensuring a more stable and inclusive economic development

Political goals:

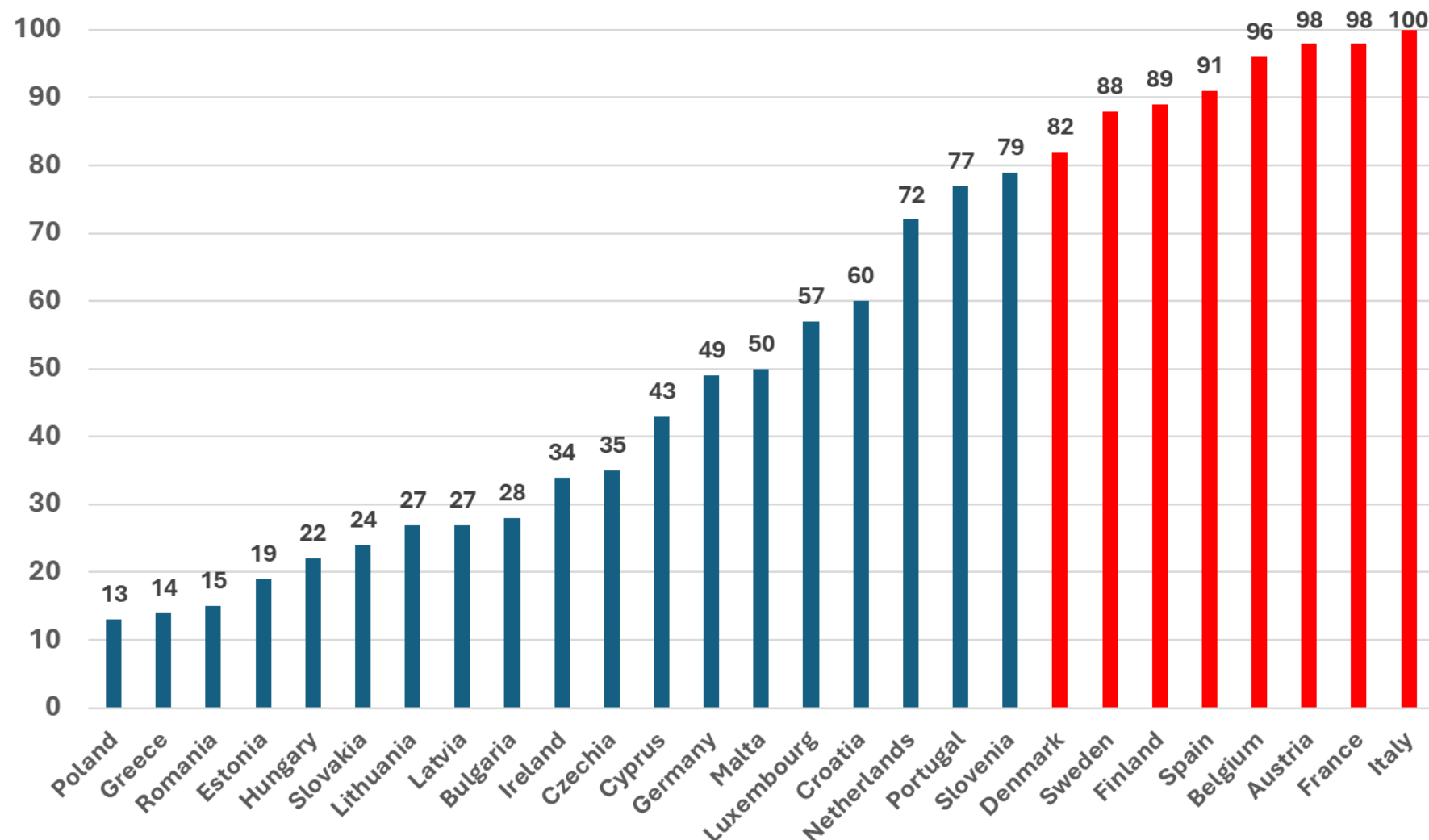
stabilising the society particularly in times of crisis and strengthening support for European integration





Collective Bargaining Coverage in EU

(2024 or most recent year available)



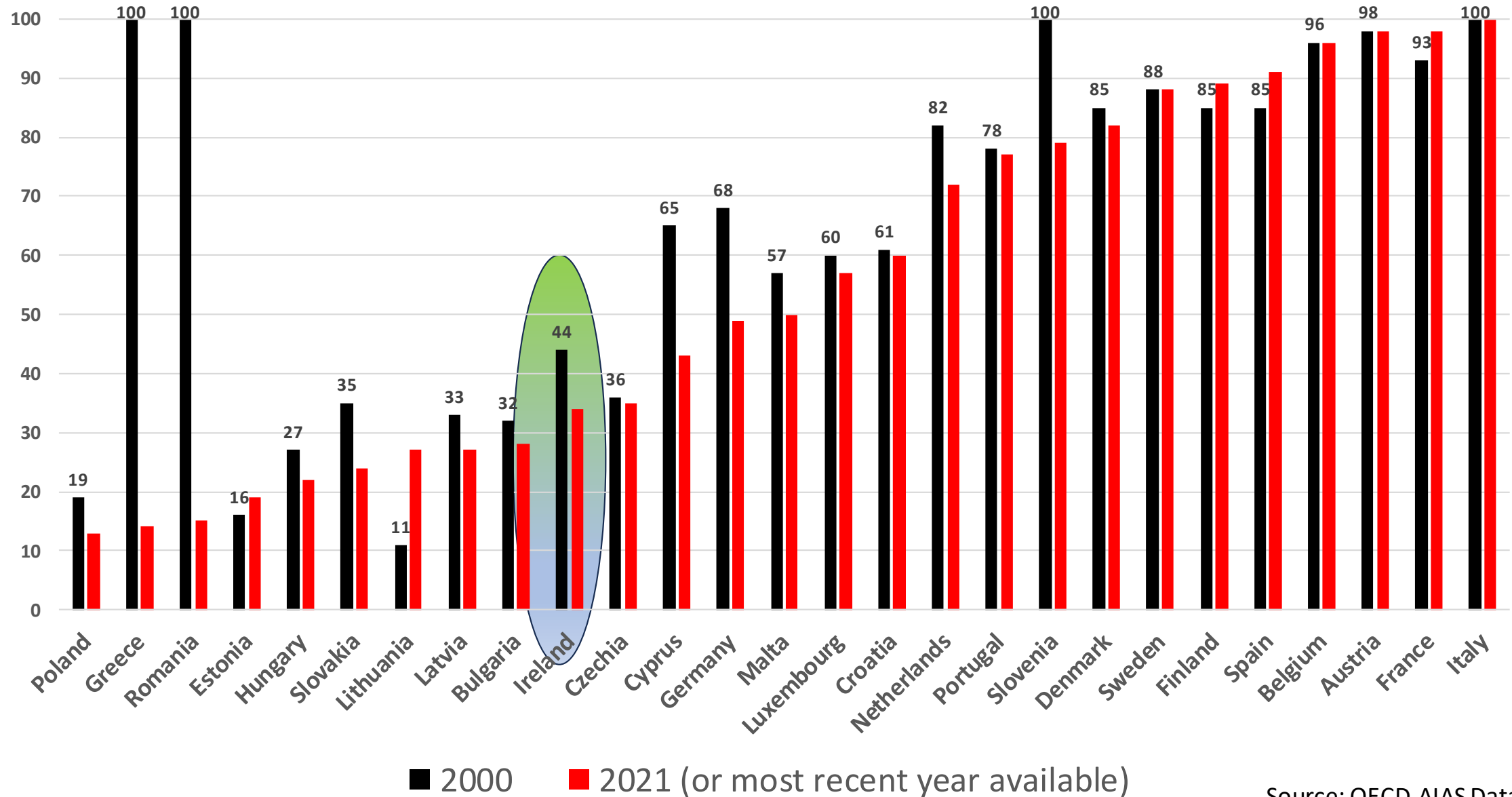
Only **8 countries** fulfil the 80% threshold!!!

This means in **19 countries** government needs to establish action plan to improve CB coverage!!!

Source: OECD-AIAS Database and ETUC WageUp



Development of collective bargaining coverage



▶ Setting out procedures to achieve objective of adequate MW

Criteria to be taken into account when setting or updating minimum wages (Art. 5.2):

- (a) **the purchasing power** of statutory minimum wages, taking into account the cost of living;
- (b) the **general level of wages** and their **distribution**;
- (c) the **growth rate of wages**;
- (d) **long-term national productivity** levels and developments

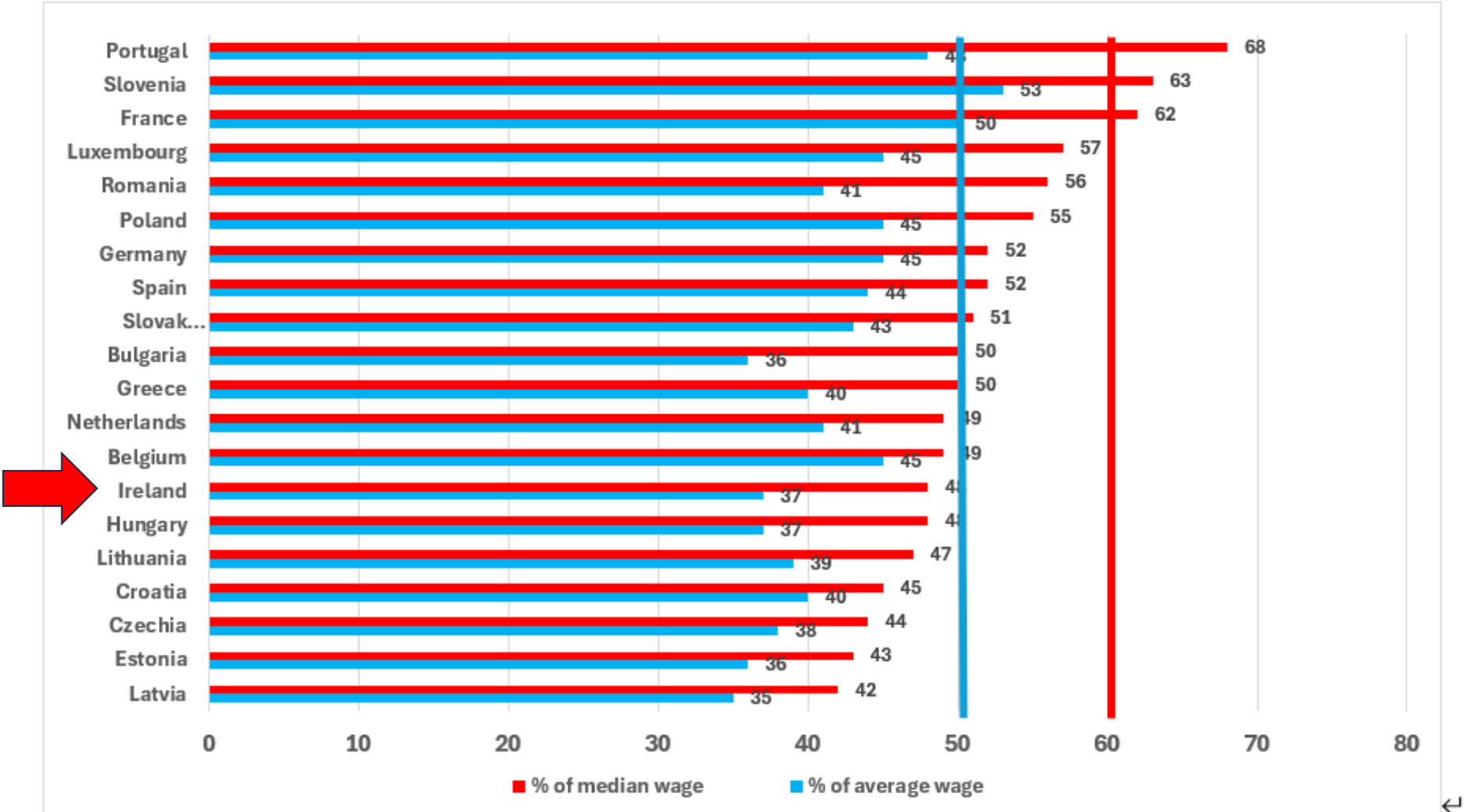


Criteria to guide the assessment of adequacy (Art. 5.4):

indicative reference values commonly used at international level such as **60%** of the **gross median wage** and **50%** of the **gross average wage**



Minimum wage as % of full-time median and average wages (2023)



Only two countries – **Slovenia and France** – meet the Directive’s reference values for the adequacy of minimum wages !!!

In all the other countries (substantial) increases are needed to meet the reference values.

Dr. Torsten Müller, ETUI,
01 May 2025

Note: No data available for Cyprus.
Source: OECD 2024



- **Minimalistic transposition** – key problem only few legally binding provisions in Directive
- Key focus on minimum wage part of the Directive – in particular: (1) inclusion of **criteria for adjusting** MW; (2) **reference values** for assessing adequacy of minimum wages (60% of median wage and 50% of average wage)
- **Less activity** as regards collective bargaining part – with a few exceptions...





Reference values in national legislation



Belgium	On 5 July 2024, the Flemish Government passed a decree specifying the criteria used to assess the adequacy of the minimum wage in the Flemish public sector. Among other things, these include the reference value of 50% of the average gross wage .
Bulgaria	Change of law on 1 February 2023 stipulating that from 2024 the statutory minimum wage will be set at 50% of the national average gross wage on 1 September each year. Calculation of the average wage is based on data for the last two quarters of the previous year and the first two quarters of the current year. The new minimum wage cannot be lower than that of the previous year.
Czechia	The amendment to the Labour Code on 1 August 2024 defines reference values for 2025 (42.2% of the average gross wage) and for 2026 (43.4% of the average gross wage) ensuring a staged increase of the statutory minimum wage with the objective to reach 47% of the average gross wage by 2029 .
France	According to a Government decree adopted on 26 November 2024, the Labour Ministry needs to assess the adequacy of minimum wages at least every four years based on the reference values of 60% of the net median wage and 50% of the net average wage .
Latvia	Regulation No.730 "Procedure for Determining and Revising the Minimum Monthly Wage" which took effect on 22 November 2024, stipulates that the statutory minimum wage will be set at 46% of the national average gross wage calculated by the Central Statistical Bureau for the last available 12 months.
Poland	According to a draft law of 22 August 2024, which is still under discussion, as of 2026 the statutory minimum wage will be set at 55% of the average gross wage
Romania	Law No 283 of 13 November 2024 “amending and supplementing certain normative acts for establishing adequate minimum wages” defines a range of 47-52% of the average gross wage at which the statutory minimum wage should be set
Slovakia	Until recently, the minimum wage legislation stipulated that the minimum wage should be set at 57% of the average wage as long as employers and trade unions do not agree on a different minimum wage. This rule still applied to the adjustment on 1 January 2025. An amendment to the Minimum Wage Act on 15 November 2024 stipulates that from 1 January 2026 the minimum wage will be set at 60% of the average gross wage .



Reference values as political guidelines

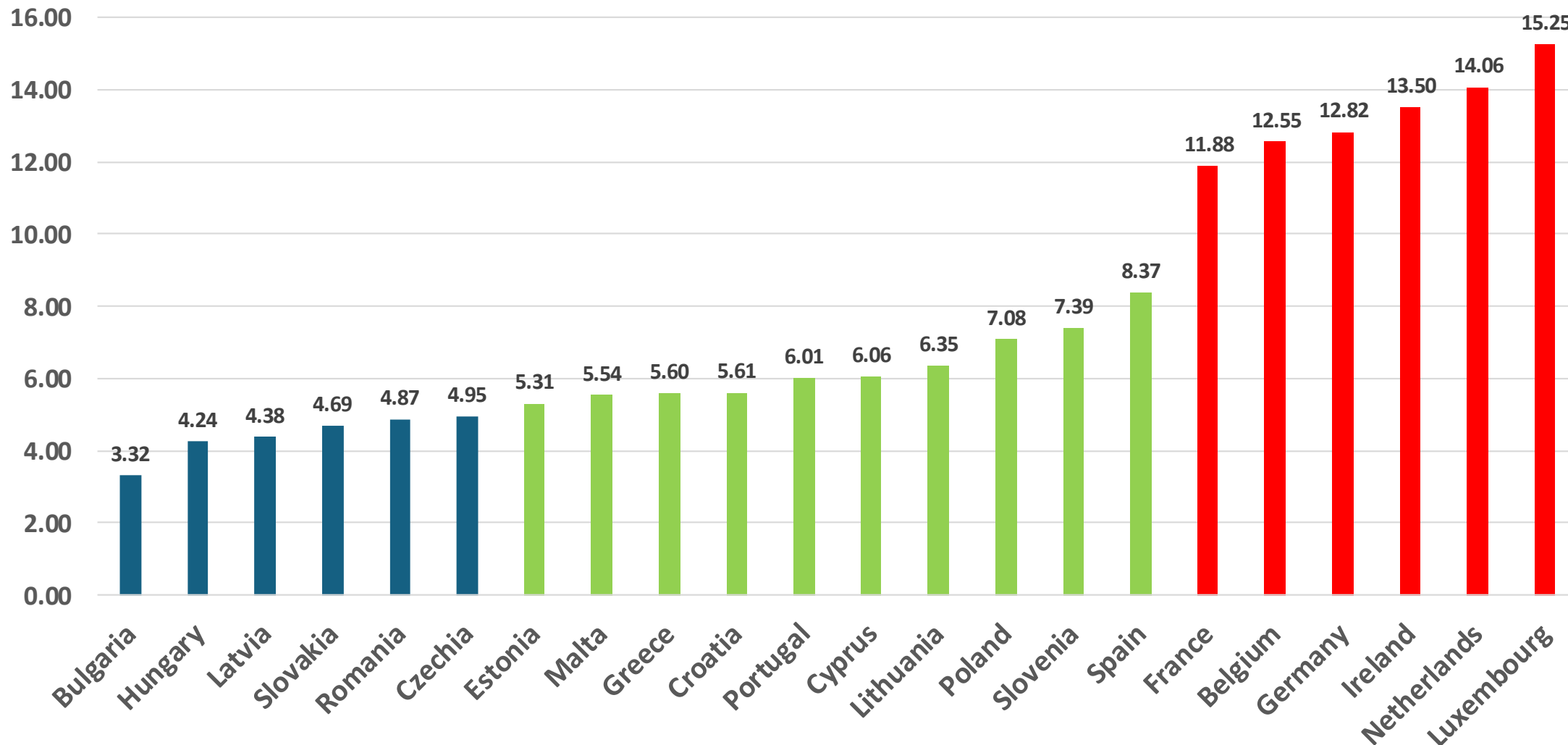


Croatia	The Government decree for the minimum wage increase in 2025 explicitly referred to both reference values 60 % of the median gross wage and 50 % of the average gross wage suggested in the EMWD.
Estonia	A tripartite ‘goodwill agreement’ was signed in June 2023 with the explicit objective of increasing the statutory minimum wage to 50 % of the average gross wage by 2027. However, on 18 November 2024, the trade union confederation EAKL and the Estonian Employers’ Confederation ETTK concluded an agreement which postponed the deadline for reaching the target 50% of the average gross wage to 2028. At the same time, the agreement defined minimum wage targets for 2026 (45%) and 2027 (47.5%).
Germany	On 21 January 2025, the Minimum Wage Commission adopted new rules of procedure which introduces 60 % of the median gross wage as one additional criterion to be taken into consideration in its recommendation for the level of the statutory minimum wage.
Hungary	Government decree 308 transposing the EMWD explicitly stipulates 50 % of the average regular gross earnings as the indicative benchmark for assessing the adequacy of the statutory minimum wage. In order to reach this target by 2027, the trade unions and employers’ organisations concluded a three-year agreement on a staged increase of the statutory minimum wage. This agreement defines the increases for 2025 (9%), 2026 (13%) and 2027 (14%).
Ireland	Already in 2022, the Government committed to increase the statutory minimum wage to 60 % of the median gross wage by 2026.
Lithuania	According to a tripartite agreement signed in 2017, the statutory minimum wage should be set between 45 % and 50 % of the average gross wage .
Netherlands	In the context of the transposition of the EMWD, the Labour Ministry suggested the following reference values for assessing the adequacy of the statutory minimum wage: first, the net disposable income of minimum wage earners working full-time should be 128% of the average necessary cost of living; second, 50 % of the gross median wage . By contrast, trade unions and opposition parties demanded 60% of the median gross wage.
Spain	Already in 2020, the Government announced its objective to increase the net minimum wage to 60 % of the average net wage following the recommendations of the European Social Charter. To this end, in 2021, the Government set up an Advisory Expert Commission with the main task of proposing the most appropriate increases to achieve this objective.



Statutory national minimum wages

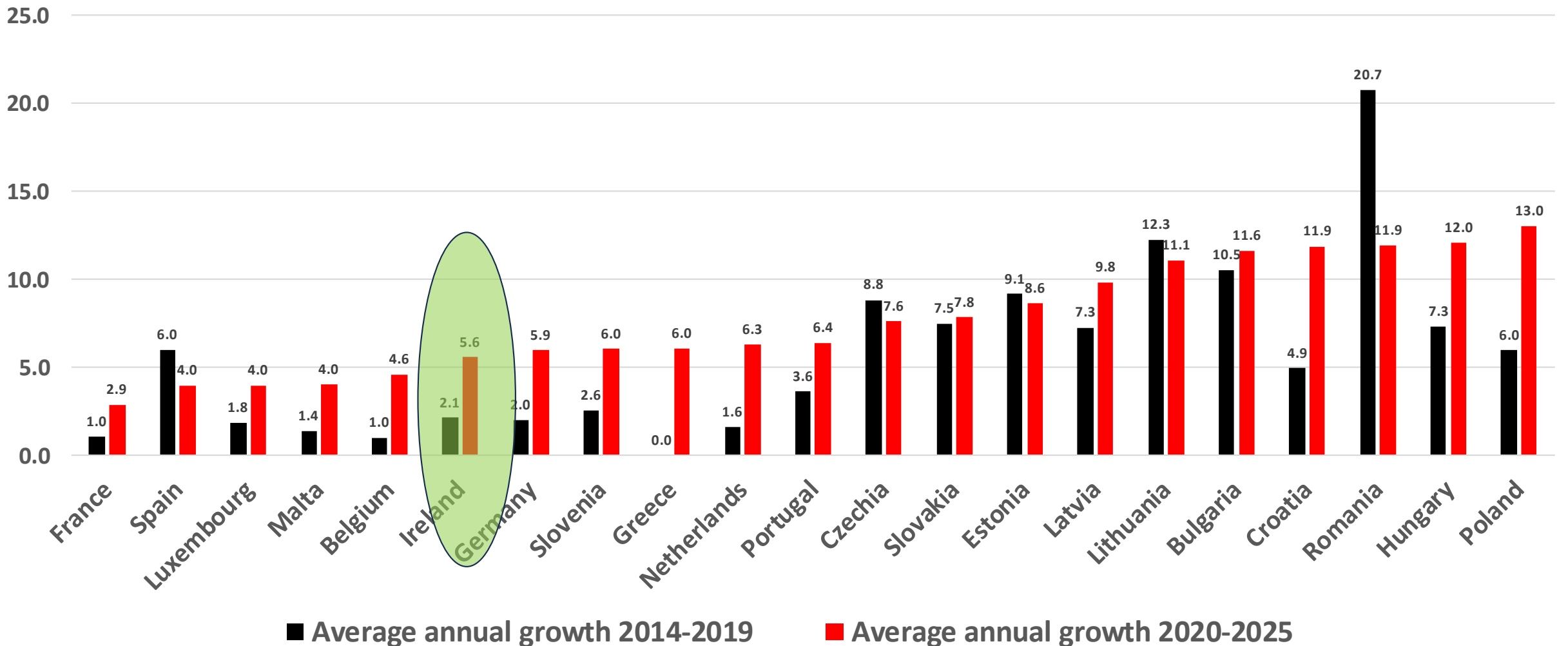
(per hour, in euros, January 2025)





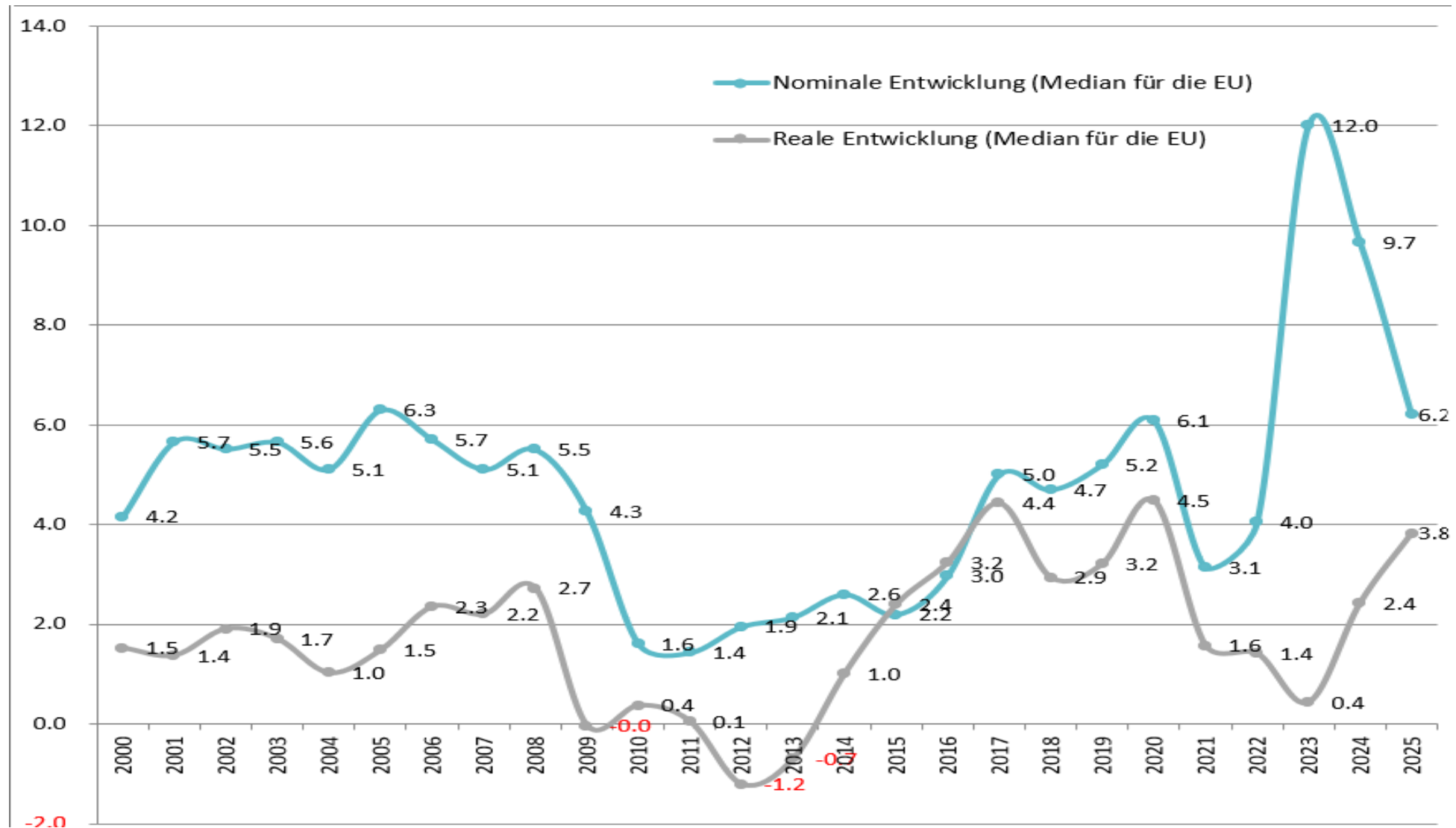
Development of minimum wages

(2014-2019 and 2020-2025, in %, average annual growth)





Media minimum wage increase in EU (2000 - 2025)



► Factors influencing minimum wage increases

- MW Directive with reference values enshrined in law
- Cost-of-living crisis in 2022 when safeguarding workers' purchasing power was a key priority
- Political considerations such as being re-elected
- One-off “structural” increases
- Favourable economic environment



Thank you very much for your attention!

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ETUI Policy Brief

European Economic,
Employment and
Social Policy

2025.01 | February

The road to 80% collective bargaining coverage

The need for ambitious national action plans under the Minimum Wage Directive

Torsten Müller and Thorsten Schulten

<https://www.etui.org/publications/road-80-collective-bargaining-coverage>

EU Minimum Wage Directive Before the European Court of Justice: It's Not All Over Now...

THORSTEN SCHULTEN and TORSTEN MÜLLER 22nd January 2025

EU's minimum wage directive under threat: Advocate General's opinion sparks legal and social turmoil across Europe.



<https://www.socialeurope.eu/eu-minimum-wage-directive-before-the-european-court-of-justice-its-not-all-over-now>