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Between Poverty Wages And Living Wages

Minimum wage regimes in the European Union

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Dear readers,

I am delighted to be able to present to you the study “Between Poverty Wages and Living Wages” which I commissioned. The authors, Prof. Dr. Thorsten Schulten of the Institute of Economic and Social Research (WSI) and Dr. Torsten Müller of the European Trade Union Institute (ETUI), deserve my gratitude. One necessary aspect to add regarding the background of the study: the creation of a huge single market and a common currency for many EU Member States over the years increased existing imbalances and even exacerbated inequalities – because binding fundamental social rights and standards are not among the fundamental pillars of the Union. The free movement of goods, persons, services and capital are the “fundamental freedoms” of the European Union, which are paramount and are also protected by the European Court of Justice (ECJ). Paradoxically, the European Union is attempting, on the one hand, to contribute to the equalisation of living conditions through regional development programmes costing billions of euros and, on the other hand, is preventing the very same thing by pushing ahead with privatisation, outsourcing of public and social infrastructure and deregulation of the labour markets. Strong trade unions and nationwide collective bargaining have been and are being hampered. “Prosperity for all” in the Single European Market is therefore at best a Sunday sermon.

In Germany, social dumping was encouraged, and workers’ rights were curtailed with reference to European competition in the 2000s. The Agenda 2010 and its associated policies created a huge low-wage sector in the richest country in the EU. Germany’s high productivity and relatively low wages also increased economic pressure on other EU Member States. The brutal climax of this development was reached with the austerity policy enforced by the troika in response to the euro crisis following the bank crash.

Public infrastructure was broken up, privatisation and social cuts were on every agenda, as was the troika fight against generally binding collective agreements and other elements of worker protection. In Greece in particular, the collective bargaining system was effectively destroyed through troika intervention. All this contributed to the widening of the gap between rich and poor, both within individual EU countries and between Member States.

At this point, the EU is the third largest economy in the world with a huge fortune amassed – and yet, according to Eurostat, 109 million people (data basis 2018) are at risk of social exclusion and poverty. This contradiction is inherent in the growth of the European Single Market.

In light of this, it even seems to have become normalised that people can no longer survive on their gainful employment alone. Despite the increase in real wages following the euro crisis, we must not close our eyes to the fact that the number of workers in low-wage sectors and in precarious employment relationships has increased continuously. Throughout Europe, people in many regions are struggling with problems such as exploding rents.

It is the task of the trade unions to enforce good collective agreements and to fight for a secure income and livelihood for groups of workers by lobbying and organising wage earners in industrial action. However, the conditions for this have become increasingly difficult due to the liberalisation of the single market, increasing competition and hegemonic neoliberal policies. This is one reason why trade unions as well as left-wing parties and ultimately also social democrats in Germany have campaigned for a statutory minimum wage. That made it possible in part to counteract the negative wage development and to guarantee more social security for dependent employees, unfortunately only at a low level.

A European minimum wage is currently being discussed, and a proposal by the European Commission has been announced. This is the right time to take a closer look at the different models and schemes that exist in individual Member States.

In this study commissioned by me, Prof. Dr. Thorsten Schulten and Dr. Torsten Müller provide a well-founded overall analysis of the different minimum wage systems and place them in the European context.

After all, a close look is worth it: in 2020, almost all European Member States will have either a statutory national minimum wage (universal regimes) or a comprehensive collective agreement system that negotiates and sets minimum wages by industry and occupational group (sectoral regimes).

Unfortunately, however, it must still be stated that the different systems in the various European Member States vary greatly both in the level of minimum wages and in the coverage for people actually working. Moreover, growing imbalances in wage development across Europe and the creation of competitive advantages – especially for Germany – in the European Single Market are increasingly causing discontent in some Member States. At present, this criticism is also voiced in particular by the French head of state, Emmanuel Macron.

While the German minimum wage is 45.6% of the gross median wage, in France, for example, it is 61.6%. The gross median comparison (Kaitz index) this is based on does not even take the ratio to the productivity rate into account.

It is therefore no coincidence that during the most recent European elections, various parties already put regulations for a European minimum wage on their agenda and that Commission President Ursula von der Leyen included this in her “100-day programme”. Although the corona pandemic is shifting both the design and the timetable a little, the core of the issue remains more urgent than ever.

It is clear that neither the Commission nor the EU institutions should shape wage policy per se. Rather, a framework must be established to guarantee living wages and poverty-proof wages for all workers in Europe.

A European minimum wage could not only reduce negative imbalances between the Member States, as a lower wage limit it would also stabilise wage developments and thus contribute to the social security of workers who work in the low-wage sector without a collective agreement.

As DIE LINKE in the European Parliament (GUE/NGL Group), we are therefore fighting for poverty-proof minimum wages and the strengthening of collective bargaining in and outside of Parliament. Correctly, Part I, Article 4 of the European Social Charter of the Council of Europe states:

“All workers have the right to a fair remuneration sufficient for a decent standard of living for themselves and their families.” However, this is yet to become the real foundation of existence for all working people in Europe.

It certainly is debatable what is meant by fair and decent. Still, the minimum criterion should be a minimum wage above the poverty line. And this poverty line is set at 60 per cent of the gross median of full-time workers in the Member State concerned. Anyone below this level is considered at risk of poverty. I therefore advocate that the 60% poverty line should be taken into account as a guideline and that the framework for minimum wages must not be lower than that.

It must also be taken into account that there are also countries in which the minimum wage is relatively high in gross median terms (e.g. Portugal with 61.4%), but wages are generally much too low. Further action would be needed here.

Everyone must be aware that in the current corona pandemic with its economic consequences, a renewed attack on wages, social security systems and collective bargaining agreements must be prevented. On the contrary, the interests of wage-earning people must be focused on.

This crisis must not be settled on the backs of employees yet again. As DIE LINKE, we will oppose all forms of a new austerity policy at EU level, and we will work for a legally binding framework for poverty-proof minimum wages as a minimum wage limit!

Kind regards,



Özlem Alev Demirel MEP

Between Poverty Wages And Living Wages: Minimum wage regimes in the European Union

Thorsten Schulten and Torsten Müller

At the beginning of January 2020, the European Commission first took the initiative to sound out the possibilities for a European framework for “fair and adequate minimum wages” in the European Union.¹ After the “right to a fair wage” had already been reaffirmed in 2017 with the European pillar of social rights, the Commission now intends to develop common European standards for minimum wages and to guarantee the implementation of this fundamental social right for all employees in the EU. It is true that more or less far-reaching minimum wage requirements exist in all EU countries today. In most countries, however, these are far from adequate, i.e. living wages that enable a decent living standard. Instead of living wages, minimum wages in many cases are closer to poverty wages, which often do not provide an adequate income even with a full-time job.

In order to develop common European standards for appropriate minimum wages, it is important first of all to obtain as accurate a picture as possible of the various national minimum wage regimes in Europe. The present study aims to contribute to this by presenting, in addition to a comparative analysis in 28 short portraits for all EU states plus Great Britain, the most important key data such as regulatory instruments, scope and level of minimum wages. In doing so, the study is not limited to the description of facts and figures, but explicitly includes social debates on the development of minimum wages at national level in the analysis. The focus is mainly on the positions and demands of trade unions and other social and political organisations for the implementation of adequate minimum wages.

In fact, there have been intensive political debates in many European countries in recent years, particularly about the level of existing minimum wages. On many occasions, trade unions and other organisations have launched political campaigns for a significant increase to finally transform existing minimum wages at poverty level into living wages that enable all employees to participate in society in an adequate manner. Especially under the conditions of the corona pandemic, it became particularly clear how many of the employees, now considered “essential” or even “systemically relevant”, are only paid the minimum wage, which in no way reflects the value and importance of their work.

In light of this, a European initiative for decent minimum wages is not simply a lofty idea out of Brussels. Rather, it is a reaction to the multiple existing deficits of the national minimum wage regimes and carries the opportunity to bundle various national debates on appropriate minimum wages at European level, thus reinforcing them. In view of the great differences in national minimum wage regimes, the issue is not a uniform European minimum wage, nor is it the harmonisation of national minimum wage systems. Rather, the core of a European minimum wage policy is to guarantee minimum wages which can be considered living wages in the respective national context to all employees in Europe while respecting national diversity.

¹ European Commission, first phase of social partners consultation under Article 154 TFEU on a possible response to the challenges of fair minimum wages, consultation paper, C(2020) 83 final, Brussels 14.01.2020

Comparison of minimum wage regimes across Europe

Minimum wages in general serve as a lower threshold for the remuneration of certain activities. As such, they form part of the established instruments of a modern capitalism regulated by the welfare state across Europe. However, there are considerable differences in minimum wage determination, scope and level between European countries. These include matters of scope (national or sectoral) of minimum wages, instruments used to set them (law or collective agreement/tripartite agreement), and most influential actors (state, trade unions, employers' organisations, etc.) in the process. There are also differences in minimum wage levels, both in nominal

terms (measured in national currency or in euro) and in terms of the purchasing power associated with the minimum wage and its relative income position in the national wage structure. Finally, there are also a large number of different procedures and guidelines for adjusting and increasing minimum wages. Overall, each European country sees an interplay of regulations, institutions and actors, the combination of which forms a specific national minimum wage regime.

Universal and sectoral minimum wage regimes

Within the EU, a basic distinction can be made between universal and sectoral minimum wage regimes. Universal regimes are characterised by the establishment of a general minimum wage, which is usually set at national level and – apart from possible exceptions – applies to all employees. In contrast, sectoral minimum wage regimes do not have a general minimum wage floor, but set minimum wages for specific industries or occupational groups. In the European Union, 21 of the 27 Member States currently have a universal minimum wage regime with one uniform national minimum wage rate (table 1). Great Britain, which has now left the EU, also belongs to this group. In contrast, six Member States have a sectoral minimum wage regime, including the Northern European countries Denmark, Finland and Sweden, as well as Austria, Italy and Cyprus.

In many European countries (especially in Western and Southern Europe), minimum wage regimes date back to the 1970s, and in the case of France and Luxembourg even to the 1950s and 1940s. The Eastern European minimum wage regimes, on the other hand, emerged mainly during the social upheaval of the 1990s. Finally, there are a few European countries that have recently undergone a regime change towards a universal minimum wage system. For example, in Great Britain (1999), Ireland (2000) and most recently Germany (2015) a national statutory minimum wage was introduced for the first time. National minimum wage regimes also differ in terms

of the primary regulatory instrument used to set minimum wages (table 1). In principle, minimum wages can be set by law or by collective agreement, or within the framework of bi- or tripartite agreements between employers, trade unions and the state. In most countries with universal minimum wages, the law is the central regulatory instrument. This is the case, for example, in France, the Netherlands, Luxembourg, Ireland and Great Britain, as well as in most Southern, Central and Eastern European countries. Although in these countries employers and trade unions are usually consulted on the development of minimum wages as well, the decision to set a certain minimum wage level is essentially a matter for the state.

In some Central and Eastern European countries including Estonia, Lithuania, Slovakia, the Czech Republic and Hungary, however, the minimum wage is partly determined in tripartite negotiations between employers, trade unions and the state. If an agreement is reached, the state gives the negotiated minimum wage a legislative nature. If employers, trade unions and the state cannot agree on a minimum wage, it is usually set unilaterally by the state by law.

Table 1: Universal and sectoral minimum wage regimes in the European Union (and Great Britain) 2020

Minimum wage regime	Law	Collective agreement or bi-/ tripartite agreement
Universal regimes Uniform national minimum wage setting a general minimum wage floor	Western and Central Europe: France, Great Britain, Ireland, Luxembourg, Netherlands Greece, Malta, Portugal, Spain Eastern Europe: Bulgaria, Croatia, Latvia, Poland, Romania, Slovenia	Western and Central Europe: Belgium, Germany Eastern Europe: Estonia, Lithuania, Slovakia, Czech Republic, Hungary
Sectoral regimes No general minimum wage floor, but minimum wages for specific industries or occupational groups	Southern Europe: Cyprus	Northern Europe: Denmark, Finland, Sweden Western and Central Europe: Austria Southern Europe: Italy

Source: Author's compilation

Another special model exists in Belgium, where the minimum wage is agreed in a national collective agreement for the entire private sector. A similar system of national minimum wage collective agreements existed in Romania and Greece until 2011 and 2012 respectively. Under pressure from the troika (European Commission, European Central Bank and International Monetary Fund), however, it was abolished in these countries in favour of a system of statutory minimum wage setting by the state.

Finally, a special regulation can also be found in Germany, where the original minimum wage level was established by law when the minimum wage was introduced, but since then a minimum wage commission composed equally of employers and trade unions has been making decisions regarding further adjustments to the minimum wage. The state then implements the recommendations of the minimum wage commission by means of a legal ordinance, with no legal possibility for the state to change the commission's proposal. This introduced a system of quasi-negotiation of the national minimum wage in Germany in which the average development of collectively agreed wages has been the decisive point of reference to date.

In contrast, countries with sectoral minimum wage regulations determine minimum wages exclusively by collective agreements with the exception of the special case of Cyprus, where statutory minimum wages exist for certain occupational groups. The scope of sectoral minimum wage systems thus depends directly on the strength and coverage of the collective bargaining system in the country concerned. In some countries, the level of minimum wages set by collective agreements is also supported by legal extension procedures.

A special case exists in Austria which has a distinct sectoral minimum wage regime in which a very high level of collective bargaining coverage ensures that sectoral minimum wages are almost universal. At the same time, however, there is also close national coordination by the Austrian trade unions, which each formulate a specific national minimum wage as a target figure for sectoral collective bargaining. This sometimes involves agreements with employers' organisations to raise all sectoral minimum wages to a certain level.

Minimum wage regimes and collective bargaining systems

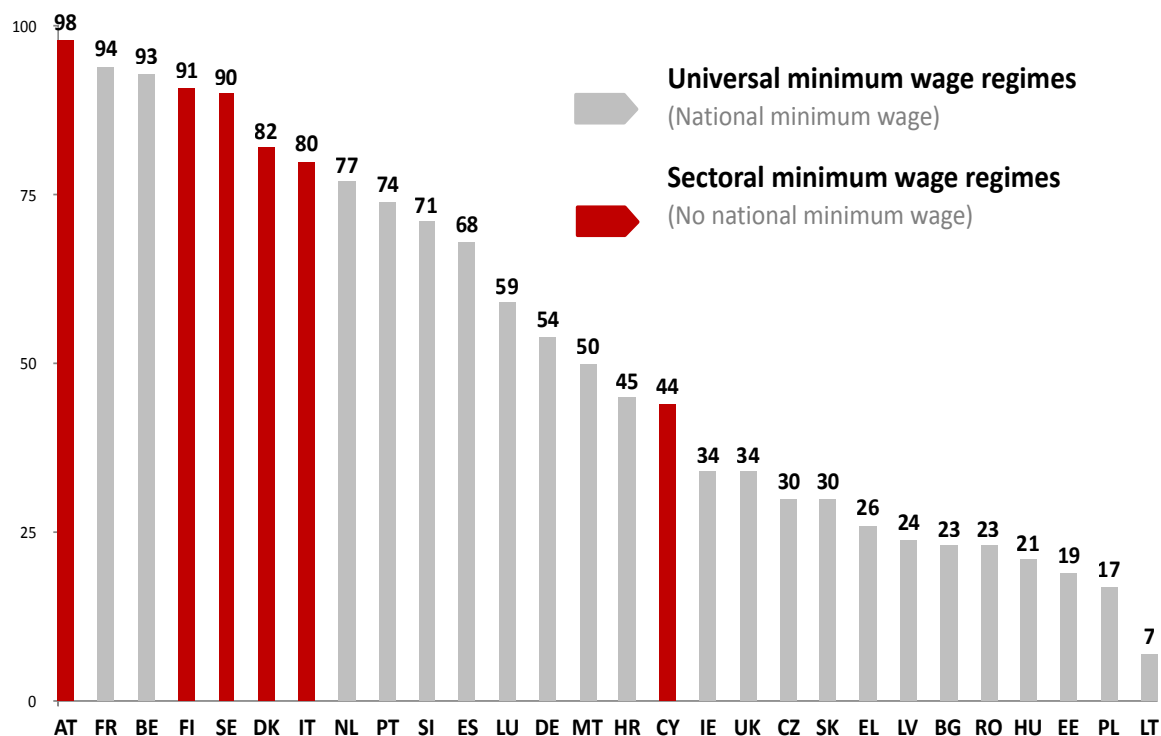
Most countries with sectoral minimum wage regimes have a comprehensive collective bargaining system and very high collective bargaining coverage of between 80% and 90% of employees (figure 1). This group of countries mainly includes the Northern European countries Denmark, Finland and Sweden, but also Austria and, with restrictions, Italy. In these countries, the high level of collective bargaining coverage ensures comprehensive collectively agreed minimum wage protection, which has a largely universal character. Since the trade unions in these countries also have a relatively high influence on the setting of sectoral minimum wages through collective bargaining policy, they are extremely hostile to a state minimum wage policy and the introduction of a statutory minimum wage.

The situation is different in Cyprus, where only 44% of employees are covered by collective agreements and not even half of them are protected by minimum wages. There are also statutory minimum wage regulations for a few occupational groups. Nevertheless, there is a considerable gap in the minimum wage protection, which means that the Cypriot trade unions are advocating the introduction of a national statutory minimum wage at this point. The situation was similar in Germany, where for a long time a high level of collective bargaining coverage secured minimum wages under collective agreements. It was only when collective bargaining coverage declined significantly in recent decades that the trade unions, too, fundamentally changed their position and, from the mid-2000s onwards, led an extensive campaign

for the introduction of a statutory minimum wage. Among the countries with universal minimum wage regimes there are both countries with a rather low and countries with a rather high level of collective bargaining coverage (figure 1). In this context, very different interactions can be observed between national statutory minimum wages and wage setting under collective agreements. In countries with rather low collective bargaining coverage, such as most Central and Eastern European countries, the minimum wage has an important anchor function for the entire wage structure. The development of the minimum wage is usually a key indicator of general wage trends. In countries like France which have a comparatively high minimum wage level, the development of the general minimum wage also strongly influences the development of collectively agreed wages, especially in the lower wage groups. Finally, there are also countries such as Belgium or the Netherlands where the scope of the statutory minimum wage is limited to a rather small group of employees not covered by collective agreements. In these cases, the minimum wage has no influence on the development of collectively agreed wages, but is in contrast adjusted according to the development of collectively agreed wages. In Germany, too, the minimum wage act stipulates that the adjustment of the minimum wage is based on the previous development of collectively agreed wages. However, there are also some low-wage sectors where the development of the statutory minimum wage has a positive effect on the level of collectively agreed wages.

Overall, statutory and collectively agreed minimum wages do not necessarily contradict each other, but can also complement each other. In many Western and Southern European countries, the statutory minimum wage merely serves as a safety net for those employees who do not have (adequate) collectively agreed minimum wage protection.

Figure 1: Minimum wage regime and collective bargaining coverage*
in % of all employees covered by a collective agreement



*2015-2018, most recent available value each
Source: ICTWSS Database Version 6.1.

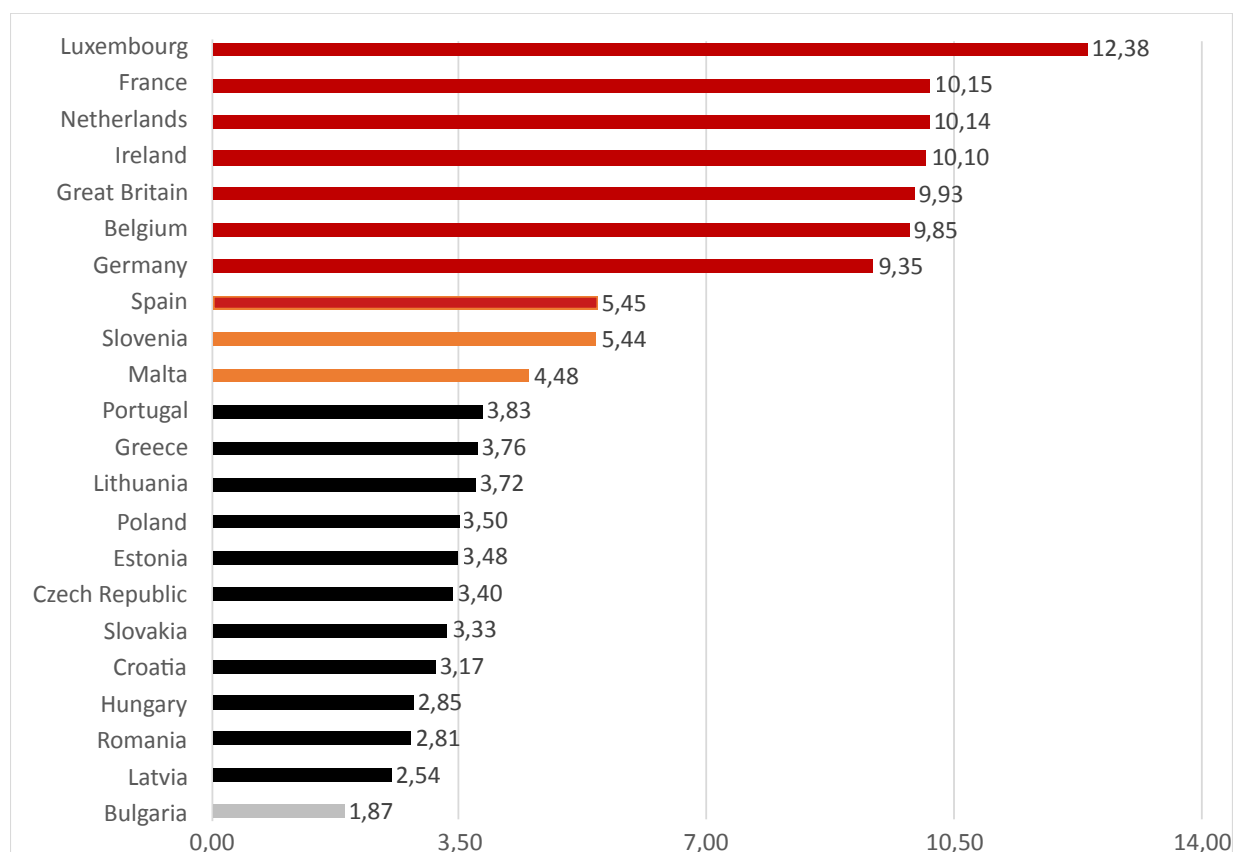
Different minimum wage levels

The effectiveness and scope of the individual minimum wage regimes is closely linked to the level of the respective minimum wage protection, which varies greatly. Within the European Union, countries with universal minimum wage regimes measured in EUR range from EUR 1.87 per hour in Bulgaria to EUR 12.38 in Luxembourg (figure 2).² In total, three major groups of countries can be identified: the first group comprises seven Western European countries with minimum wages of around EUR 10. After the front-runner Luxembourg, the highest minimum wages currently exist in France (EUR 10.15), the Netherlands (EUR 10.14) and Ireland (EUR 10.10). They are followed by minimum wages of just under EUR 10 in Great Britain (EUR 9.93) and Belgium (EUR 9.85). Germany, with a minimum wage of EUR 9.35, comes in last in this group.

A second, relatively small group includes only three European countries with minimum wages between EUR 4 and 6. This group includes Malta (EUR 4.48), Slovenia (EUR 5.44) and Spain (EUR 5.76). By far the largest third group consists of a dozen EU countries with minimum wages below the EUR 4 threshold. These include the Southern European countries Portugal (EUR 3.83) and Greece (EUR 3.76) as well as ten Central and Eastern European EU Member States, where minimum wages range from EUR 1.87 (Bulgaria) to EUR 3.72 (Lithuania).

² Current information on national minimum wages in Europe and numerous non-European countries can be found in the WSI minimum wage database (<https://www.wsi.de/de/wsi-mindestlohn-datenbank-international-15339.htm>)

Figure 2: National minimum wages in the EU and Great Britain*
per hour, in EUR



* as of 1 May 2020

Source: WSI minimum wage database 2020

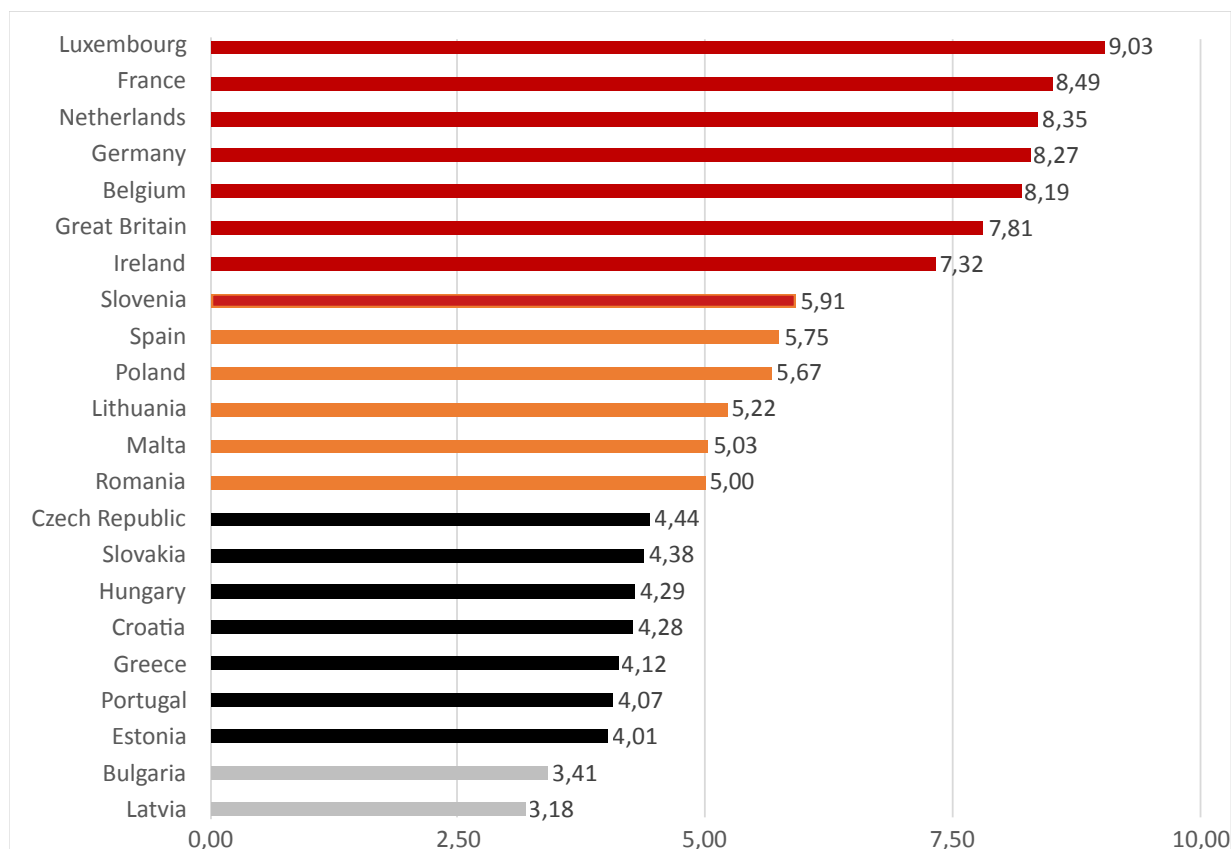
Due to the absence of national minimum wages, the minimum wage level in countries with sectoral minimum wage regulations can only be determined by analysing the lowest collectively agreed wage groups. According to the country studies carried out in the context of this study, in the Northern European EU states of Denmark, Finland and Sweden, the lowest collectively agreed wages in the classic low-wage sectors are generally between EUR 10 and 12 per hour. In Austria, the average wage is just under EUR 9, or just under EUR 10.40 if the largely compulsory payment of 14 monthly wages is taken into account. In Italy, the lowest collectively agreed wages are between EUR 6 and 7, in Cyprus the statutory minimum wages for some occupational groups vary between EUR 4.50 and EUR 5.50.

However, the international comparison of minimum wages at their nominal value in euro on a uniform basis is of limited value. On the one hand, the picture for countries outside the euro zone can be strongly influenced by exchange rate fluctuations. This is the case, for example, in Great Britain, whose national currency has been relatively severely devalued

compared to the euro in recent years. Without this devaluation, the minimum wage in Great Britain measured in euro would already be almost EUR 12 today, taking a top position in Europe.

In addition to exchange rate fluctuations, it is still of central importance that, due to the respective national price level and the associated cost of living, the respective minimum wage amounts are often offset by great differences in purchasing power. The latter can be taken into account by additionally comparing statutory minimum wages internationally in Purchasing Power Standards (PPS) (figure 3). Compared to the nominal minimum wage comparison in euro, the level differences between the national minimum wages become significantly smaller when compared in PPS: while the difference between the highest minimum wage in Luxembourg and the lowest minimum wage in Bulgaria, measured in euro, is around 1:7, it is much smaller when measured in PPS, which results in a ratio of 1:3. The ranking of countries with the highest and lowest minimum wages also undergoes some changes when purchasing power parities are taken into account (figure 3).

Figure 3: National minimum wages in the EU and Great Britain*
per hour, in Purchasing Power Standards



* as of 1 May 2020

Source: WSI minimum wage database 2020

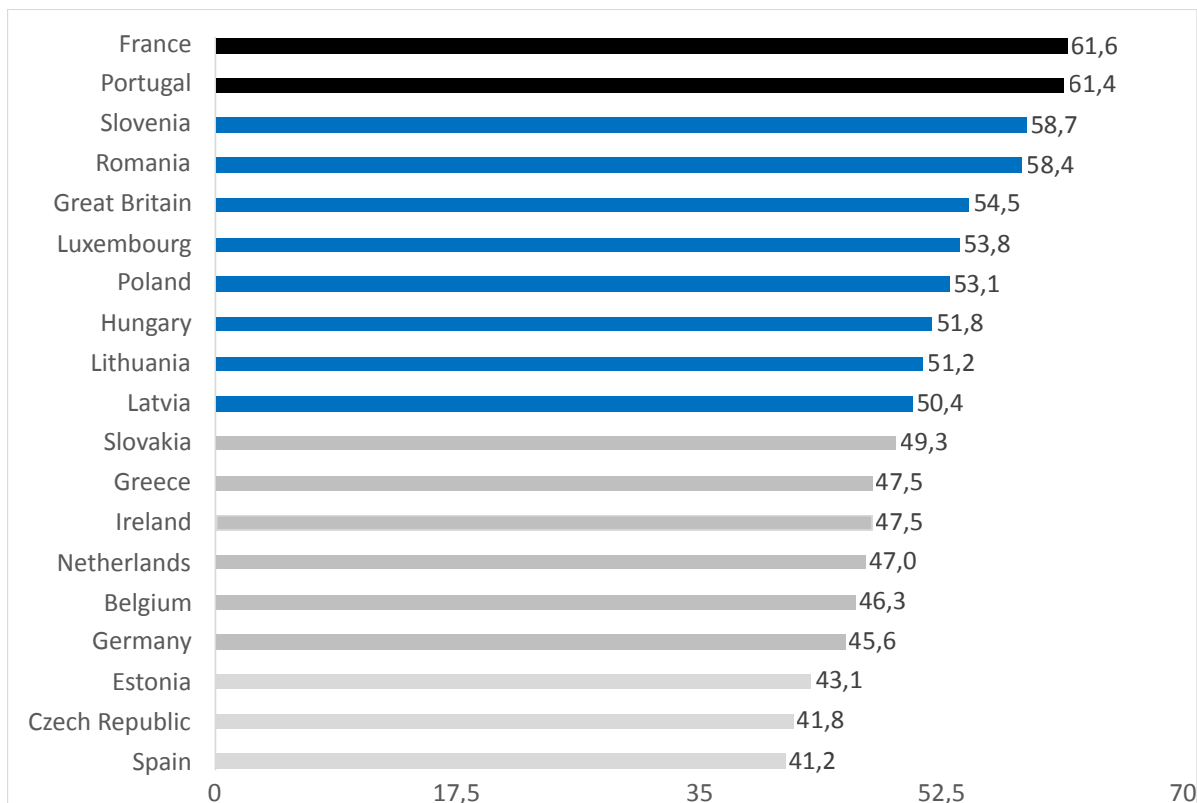
The relative value of minimum wages in the national wage structure

However, the actual level of the minimum wage is not only determined by its nominal or real value, but above all by its relative level in relation to the national wage structure. The latter can be calculated using the so-called “Kaitz index” which measures the minimum wage as a percentage of the national average or median wage. While the average wage is simply calculated from the average earnings of a group, the median wage is the wage that divides the overall wage structure into two equal segments; i.e. one half of the group earns more and the other half earns less. The median thus has the advantage that it fades out extreme values of relatively small groups in the upper wage segment and thus better expresses what exactly is earned in the broader middle of society. In contrast to the average wage, the median wage is generally not itself affected by developments in the minimum wage. The Kaitz index, measured as a minimum wage in percent of the median wage, thus expresses

relatively well how the value of the minimum wage relates to the average wage level of a society. Furthermore, the Kaitz index can also be used at least as a rough indicator of the “adequacy” of a certain minimum wage level. In analogy to the relative income indicators widely used in poverty research, a minimum wage below 50% of the median wage can be described as a “poverty wage” in relation to the individual employee, while a minimum wage at 50 to 60% can be described as a wage with a high risk of poverty. For the purpose of poverty avoidance, a minimum wage is only considered appropriate if it is at least 60% of the median wage. Finally, we speak of a “low wage” if it is below two thirds (66.66%) of the median wage.

According to calculations by the OECD, which regularly publishes data on the Kaitz index of full-time employees, in 2018 all national minimum wages in the EU were below the low wage threshold of two-thirds of the median wage (figure 4). Only two countries (France and Portugal) had a minimum wage that was just above 60% of the median wage, which can be considered as just barely poverty-proof according to the definition used here. Of the 18 EU countries plus Great Britain for which data are available, in eight countries the minimum wage is at a level of high risk of poverty (between 50 and 60% of

the median wage), while in nine other countries the minimum wage is below 50% of the median and must be openly described as “poverty wage”. The group where minimum wages are well below the relative poverty threshold also includes countries such as Belgium, Germany, Ireland and the Netherlands, which in nominal terms have some of the highest minimum wages in the EU.



Source: OECD Earnings Database

In the countries with sectoral minimum wage regimes, the Kaitz index can in turn only be determined approximately by comparing the lowest collectively agreed wages with the national median wage. The highest minimum wages accordingly are found in the Northern European countries of Denmark and Sweden, where the lowest collectively agreed wages in the low-wage sectors account for between 60% and 70% of the median wage. In Finland and Italy, the lowest collectively agreed wages vary between 50% and 60% of the median wage, while in Austria and Cyprus they are generally below 50%.

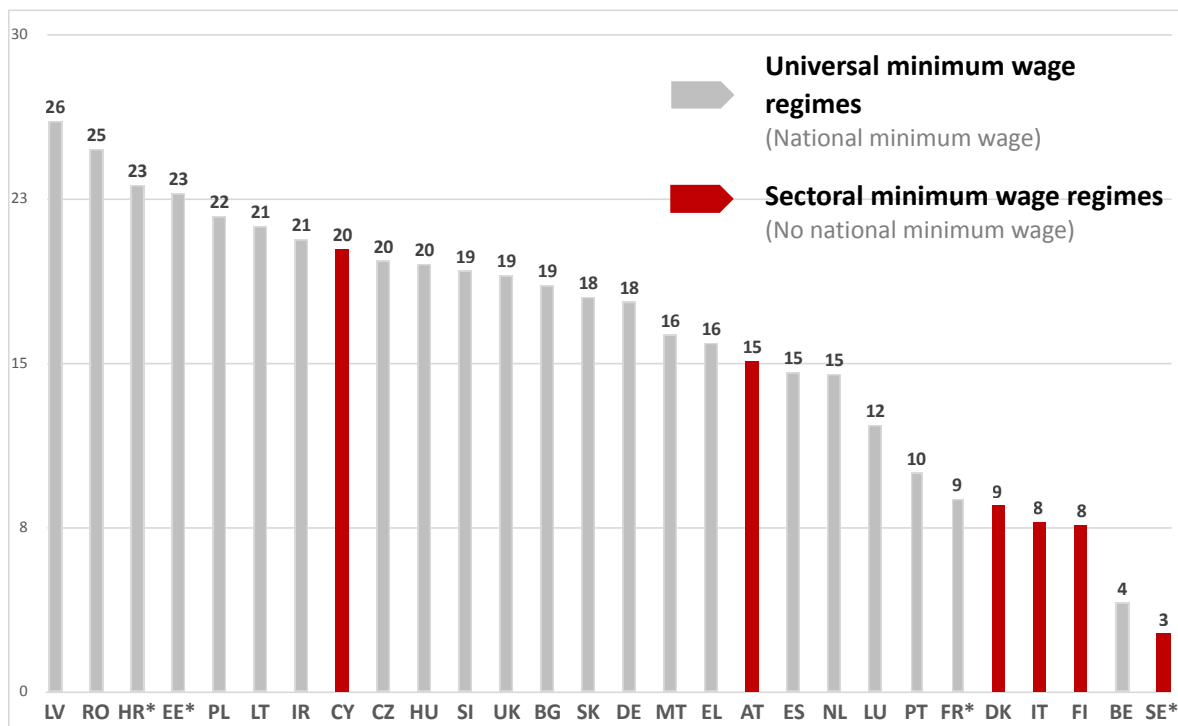
The limitations of the Kaitz index as an indicator of appropriate minimum wages are evident where larger sections of the population receive only very low wages and thus the median wage is also only at a very low level. In such cases, the Kaitz index may be relatively high, but the minimum wage may still be a poverty wage, since the median itself is already close to or even below the poverty threshold. For example, within the EU, the relatively high Kaitz index for Portugal does not so much indicate a particularly high minimum wage as it does a very low wage level overall.

The low-wage sector in Europe

The effectiveness of the respective national minimum wage regime can also be seen in the size of the respective national low-wage sector. Within the EU there are huge differences in this respect, ranging from just under 3% of employees in Sweden to 26% in Latvia (figure 5). As none of the statutory minimum wages in the EU is above the low-wage threshold, they do not directly limit the low-wage sector. It is striking that among the countries with a rather small low-wage sector of less than 10% of the workforce, there are particularly many countries with a sectoral minimum wage regime, including the Northern European countries Denmark, Finland and

Sweden, as well as Italy. In essence, it is above all the high level of collective bargaining coverage in these countries that limits the low-wage sector. The same applies to countries such as Belgium or France, which have both a universal minimum wage regime and a high level of collective bargaining coverage. The large low-wage sector, particularly in Central and Eastern Europe, but also in countries such as Germany, Ireland and the UK, is therefore the result of both a relatively low minimum wage level and low collective bargaining coverage.

Figure 5: Low-wage sector and minimum wage regimes in the EU and Great Britain
in % of full-time employees with a wage below two-thirds of the median wage, 2014-2018**



* All employees; ** the most recent value available
Source: OECD Earnings Database; Eurostat (*)

Current minimum wage campaigns in Europe

In light of a relatively low minimum wage level and a relatively large low-wage sector, demands and campaigns by trade unions, other social organisations and political parties for a substantial increase in the minimum wage have emerged in many European countries in recent years (overview: table 2). It is clear that such initiatives extend to all parts of Europe. In Western Europe, for example, the unions FNV in the Netherlands and ABVV/FGTB in Belgium are campaigning for a minimum wage of EUR 14. In Germany, where the minimum wage was only introduced five years ago, the trade unions advocate a much faster increase and demand that the minimum wage be raised from the current EUR 9.35 to EUR 12. Even in Luxembourg, where the minimum wage is already by far the highest of all countries, the Luxembourg trade unions are calling for an additional structural increase of 10%, which would bring the minimum wage close to the 14-euro mark.

Concrete minimum wage initiatives also exist in Western Europe in France, Great Britain and Ireland, in Southern Europe (Malta, Portugal and Spain) or in Central and Eastern Europe (Baltic States, Bulgaria, Croatia, Poland, Romania, Slovakia and the Czech Republic), where demands for an extraordinary minimum wage increase vary between 10% and 30% (table 2). Furthermore, the example of Austria shows that trade union minimum wage campaigns need not be limited to countries with statutory minimum wages. For example, the Austrian trade unions are demanding that a certain minimum wage should be the lowest wage group in all collective agreements. In Italy and Cyprus, on the other hand, the introduction of a statutory minimum wage is currently under discussion. The only exceptions are the Nordic countries Denmark, Finland and Sweden. Due to the long tradition of a wage policy based on solidarity, the collectively agreed minimum wages in these countries are generally significantly higher than in countries with statutory minimum wages, even in traditional low-wage sectors. All minimum wage initiatives of the trade unions are essentially concerned with raising the existing minimum wages to a level that ensures a decent standard of living, thus making them genuine living wages.

Table 2: Demands of trade unions and parties for minimum wage increases in Europe
as of: April 2020

Country	Current minimum wage	Demands/initiatives	Target increase
Belgium	EUR 9.85 per hour	EUR 14.00 per hour General Federation of Belgian Labour ABVV/FGTB and parties: PS (Parti Socialist); PVDA-PTB (Parti du Travail de Belgique) 60% of the median wage: Confederation of Christian Trade Unions ACV-CSC	42%
Bulgaria	3.66 leva (BGN) = EUR 1.87 per hour corresponds to 39.1% of the average wage	50% of the average wage: CITUB (confederation of independent trade unions of Bulgaria) 60% of the average wage: Trade union Podkrepa CL	28% 54%
Germany	EUR 9.35 per hour	EUR 12.00 per hour: Trade union: DGB (Deutscher Gewerkschaftsbund) Parties: SPD, Bündnis 90/ Die Grünen, parts of the CDU EUR 13.00 per hour: Party: DIE LINKE	28% 39%
Estonia	EUR 3.48 per hour corresponds to 43.1% of the median wage or 36.8% of the average wage	50% of the average wage: Trade union EAKL (Eesti Ametiühingute Keskkliit) Increase to 60% of the median wage: Party: Eesti Keskerakond (Estonian centre party)	36% 39%
France	EUR 10.15 per hour EUR 1,539.42 per month	EUR 1,800 per month (= EUR 11.87 per hour): Trade union CGT (Confédération Générale du Travail) 80% of the median wage (= EUR 1,915 per month or EUR 12.63 per hour): Trade union FO (Force Ouvrière)	17% 24%
Great Britain	8.72 £ per hour (= 9.93 EUR)	10.00 £ per hour (= EUR 11.39): Trade union: TUC (Trades Union Congress) Parties: Labour Party, Scottish National Party Government: 66% of the median wage by the end of 2024	15%
Ireland	EUR 10.10 per hour	EUR 12.30 per hour (= living wage): Trade union: ICTU (Irish Congress of Trade Unions) Parties: Sinn Féin, Labour Party	22%
Croatia	4,062.51 kuna (HRK) = EUR 547.66 corresponds to 42.8% of the average wage	50% of the average wage: Trade unions: SSSH (Savez samostalnih sindikata Hrvatske) and NHS (Nezavisni hrvatski sindikati) Increase to 60% of average wage (or 4,000 kuna (HRK) net per month) Party: SDP (Socijaldemokratska partija Hrvatske)	16% 40%
Latvia	EUR 2.54 per hour EUR 430 per month (39-hour week)	EUR 500 per month Trade union: LBAS (Latvijas Brīvo arodbiedrību savienība) Parties: JKP (Jaunā konservatīvā partija) and AP! (Attīstībai/Par!)	16%
Lithuania	EUR 3.72 per hour	50% of the average wage Trade union: LPSK (Lietuvos profesinių sąjungų konfederacija) Party: LSDP (Lietuvos socialdemokratų partija) 50-60% of average wage Darbo partija (labour party)	

Luxembourg	EUR 12.38 per hour	EUR 13.62 per hour (= structural increase of 10%) Trade union: OGB-L (Luxembourg trade union confederation) Parties: LSAP (Luxemburgse Socialistische Arbeiderspartij), Déi Lénk	10%
Malta	EUR 4.48 per hour	Structural increase to living wage level Trade union: GWU (General Workers' Union) Party: Alternattiva Demokratika (green party)	
Netherlands	EUR 10.14 per hour (37.5-hour week) EUR 1,653.60 per month	EUR 14.00 per hour Trade union: FNV (Federatie Nederlandse Vakbeweging) Parties: SP (Socialistische Partij); PvdA (Partij van de Arbeid), GroenLinks	38%
Austria*	EUR 1,500 per month	1,700 EUR per month Trade union: ÖGB (Österreichischer Gewerkschaftsbund) Parties: SPÖ, Die Grünen	13%
Poland	PLN 15.03 per month (= EUR 3.50) per hour;	50% of the average wage: Trade unions: Solidarność and OPZZ (Ogólnopolskie Porozumienie Związków Zawodowych)	
Portugal	EUR 3.83 per hour EUR 635 per month	EUR 750 per month until 2023: Parties: PS (Partido Socialista), Bloco de Esquerda EUR 800 per month until 2023: Trade union: UGT (União Geral de Trabalhadores) EUR 850 per month: Trade union: CGTP (Confederação Geral dos Trabalhadores Portugueses)	18% 26% 34%
Romania	13.33 Lei (RON) = EUR 2.81 per hour	Increase to living-wage level Trade union: Cartel-Alfa	
Slovakia	EUR 3.33 per hour EUR 580 per month	EUR 640 per month; EUR 3.68 per hour = implementation of the increase of the minimum wage to 60% of the average wage as provided for in the current minimum wage law Trade union: KOZ SR (Konfederácia odborových zväzov Slovenskej republiky) Party: SMER-SD (SMER – Sociálna Demokracia)	10%
Spain	EUR 5.76 per hour EUR 950 per month	60% of the average wage: Trade unions: CC.OO (Comisiones Obreras), UGT (Unión General de Trabajadores) Parties: PSOE (Partido Socialista Obrero Español), Unidas Podemos	
Czech Republic	CZK 87.30 (= EUR 3.40) per hour CZK 14,600 (= EUR 586.76) per month	50% of the average monthly wage Trade unions: ČMKOS (Českomoravská konfederace odborových svazů), ASO ČR (Asociace samostatných odborů České republiky) Parties: ČSSD (Česká strana sociálně demokratická), KSČM (Komunistická strana Čech a Moravy)	

* In Austria, there is no statutory minimum wage, but a wage floor established in collective agreements.

Source: WSI minimum wage database 2020

On the way to a European minimum wage policy?

In view of the rather very low minimum levels in many European countries, a debate has been going on for more than two decades regarding a possible European minimum wage policy, the primary aim of which is to secure fair and appropriate minimum wages throughout Europe. Although there is no universally accepted definition of a fair wage, at least two approaches to discussion can be identified here which attempt to clarify the concept. The first is the debate on a wage level that ensures a certain minimum standard of living in the sense of a “living wage”, which is very much in line with developments in the USA and has gained a foothold in Europe, particularly in Great Britain and, more recently, in Ireland. The second approach involves a debate on an appropriate relative minimum wage level and aims to establish a minimum wage in relation to the average or median wage. This debate began as early as the 1970s in the Council of Europe context and has gained in importance at EU level since the mid-2000s.

The normative justification of a European minimum wage policy can be based on a number of international and European conventions and agreements which allow for the principle of fair and appropriate remuneration to be derived as a fundamental social right. The United Nations Universal Declaration of Human Rights of 1948 already contains a corresponding passage, according to which “[e]veryone who works has the right to just and favourable remuneration ensuring for himself and his family an existence worthy of human dignity, and supplemented, if necessary, by other means of social protection”. (Article 23(3)).

The International Labour Organization (ILO) in its 1919 constitution already calls for all workers to be “guaranteed a living wage”. The term “living wage” used in the document still stands for the claim that the minimum wage is not just a wage floor, but that it is to set a certain wage level that enables a (minimum) standard of living in line with the respective social development. Accordingly, two conventions (no. 26 of 1928 and no. 131 of 1970) explicitly formulate minimum requirements for the setting of minimum wages. According to ILO convention no. 131, “[t]he elements to be taken into consideration in determining the level of minimum wages shall [...]

include: (a) the needs of workers and their families, taking into account the general level of wages in the country, the cost of living, social security benefits, and the relative living standards of other social groups” (Article 3(a)).

At European level, the European Social Charter, adopted by the Council of Europe in 1961, established for the first time the “right of workers to a remuneration such as will give them and their families a decent standard of living” (Article 4(1)). With the adoption of the “Community Charter of the Fundamental Social Rights of Workers” at the EU summit in Strasbourg in December 1989, the EU also recognised the right to “fair remuneration” as a fundamental social right. According to the document, also referred to in short as the “EU Social Charter”, all workers in Europe should receive a wage that is “sufficient to enable them to have a decent standard of living” (Title I (5)). Finally, the “European Pillar of Social Rights” adopted in 2017 reaffirmed that all workers have “the right to fair wages that provide for a decent standard of living”. A European minimum wage policy would therefore have the task of coordinating national minimum wage policies in such a way that the basic social right of a “fair wage” is realised everywhere in Europe.

After the topic of minimum wages had already played a central role in the 2019 European election campaign in numerous EU countries, the new EU Commission President Ursula von der Leyen has already announced this in her inaugural speech: “Within the first 100 days of my mandate, I will propose a legal instrument to ensure that every worker in our Union has a fair minimum wage.” As a result, in early January 2020, the European Commission presented a first consultation document on “possible action addressing the challenges related to fair minimum wages”, thus opening an official consultation procedure with European employers’ organisations and trade unions. After completion of the second phase of the consultation process at the end of August, the EU Commission will probably present a concrete legislative proposal in autumn 2020.

The consultation paper presented at the beginning of 2020 is essentially an analysis of the existing minimum wage systems in Europe, which leads to the thesis that “[m]any workers are currently not protected by adequate minimum wages in the EU.” According to the EU Commission, there are problems on four points in particular: the level of the minimum wage, its scope (in view of the numerous exceptions in many countries), the procedures and criteria for its regular adjustment, and the involvement of trade unions and employers’ associations in setting the minimum wage. The Commission’s objective is to develop shared European standards on all four points, which can promote the implementation of decent minimum wages in all EU countries.

In view of the great differences in national minimum wage regimes in Europe, the issue is not a uniform European minimum wage, nor is it the harmonisation of national minimum wage systems. The basic idea is rather to define shared criteria for appropriate minimum wages at European level, which are then implemented at national level according to the level applicable there and the traditionally developed systems of wage setting. In essence, the challenge is to define criteria for an adequate minimum wage level that ensures a decent standard of living. From the entire discussion on living wages it can be deduced that it will hardly be possible to arrive at a Europe-wide uniform model based on an analysis of a basket of goods and services. As a pragmatic alternative, an orientation towards the Kaitz index, which stipulates that an appropriate minimum wage should be at least 60% of the respective national median wage, has therefore prevailed in the debate. However, such an orientation towards the Kaitz index would have to be linked to further measures to ensure that a minimum wage of 60% of the median wage actually guarantees an adequate standard of living. First of all, the 60% criterion would have to be reviewed in accordance with national criteria for defining a minimum wage that ensures a decent standard of living. Furthermore, the European Commission should take further measures to strengthen multi-employer collective bargaining in order to raise the overall wage level, because in principle the following applies: 60% of an overall low wage is not enough to ensure a minimum wage that ensures a decent standard of living. Such an orientation towards the Kaitz index as the core of a European minimum wage regulation would lead to a considerable increase in minimum wages in many European countries and integrate the various national initiatives for a stronger increase in the minimum wage into an overall European strategy.

The fact that in the context of the COVID-19 crisis the European Commission adhered to pursuing its initiative to introduce fair minimum wages in Europe is a positive sign. The COVID-19 crisis clearly demonstrated the importance of an adequate minimum wage in various respects. First of all, the crisis raised social awareness of the poor pay of many so-called “systemically relevant workers” who ensured the functioning of social life under the conditions of the pandemic. In view of their importance to society as a whole, it would be appropriate to not only applaud these employees, but also to pay them appropriately through a substantial wage increase.

Moreover, the crisis highlighted the importance of fair minimum wages for social stability in Europe. Due to the far-reaching social impact of the crisis, especially in the countries of Southern Europe most affected by the crisis, the feeling of being let down by the other EU Member States and the European institutions is increasing. Against this background it is essential to improve the social situation of many people in Europe with the European minimum wage initiative. Furthermore, the minimum wage initiative is also important from an economic point of view, especially under the current conditions of the pandemic, since economic recovery requires not only extensive investment but also the promotion of private demand. In this respect, the timely implementation of the European initiative to create fair minimum wages from a social, political and also economic point of view would be an important component of a comprehensive strategy to overcome the crisis.

Austria

With about 98% of the workforce, Austria has the highest level of collective bargaining coverage in Europe and thus a nearly nationwide minimum wage guarantee under collective agreements. In light of this, Austria is one of the few European countries where no statutory minimum wage exists. The stability of the Austrian collective bargaining system is primarily supported by a comprehensive chamber system under which most companies are compulsory members of the Austrian chamber of the economy (Wirtschaftskammer Österreichs, WKÖ). Since the economic chambers on the employers' side conclude collective agreements at sectoral level, companies are also automatically bound by collective agreements. In the few sectors where it is not the economic chambers but employers' associations based on voluntary membership that negotiate, collective agreements are usually declared generally binding.

Despite the very high level of collective bargaining coverage, Austria has a relatively large low-wage sector with about 15% of the workforce. This is particularly true in sectors with predominantly female employees, who are more than twice as likely to work in the low-wage sector than their male counterparts. Accordingly, there are a number of collective agreements in which the lowest wage groups have very low levels, often below the poverty threshold. In view of this, the Austrian trade union confederation (Österreichischer Gewerkschaftsbund, ÖGB) has been trying for a long time to achieve an active minimum wage policy by setting a certain minimum wage value as a collective bargaining policy objective in order to implement this value in sectoral negotiations as the lowest wage group in the collective agreements.

The Austrian minimum wage regime

Minimum wages in Austria are set exclusively by collective agreements which in the vast majority of cases are agreed at sectoral level and apply to all companies in a particular industry. Most collective wage agreements are renewed once a year, meaning the sectoral minimum wages are also regularly adjusted. For a few occupational groups which are not subject to a collective agreement, it is possible to set a special occupational wage floor within the framework of a statutory minimum wage agreement. A statutory minimum wage of this nature exists for custodians, for example.

Since the beginning of the 1990s, when Austria was exposed to considerable low-wage competition due to the opening of Eastern Europe, the ÖGB has been striving for a coordinated minimum wage policy based on collective agreements. At regular intervals, a certain national minimum wage value was formulated as an appropriate minimum wage which was then introduced into the collective bargaining negotiations as a trade union political demand. In the middle of the 2000s, the ÖGB succeeded for the first time in concluding a joint agreement with the WKÖ at national level on a collectively agreed minimum wage

(at that time EUR 1,000 per month) in which the employers undertook to raise the lowest wage groups of all sectoral collective agreements to this minimum wage level by a certain date.

In 2017, ÖGB and WKÖ again agreed on a national minimum wage target, according to which no collective wage should be below EUR 1,500 per month by 2020. As almost all Austrian collective agreements have established not 12 but 14 monthly wages per year, this is de facto equivalent to a monthly wage of EUR 1,750. The minimum wage per hour varies according to the weekly working hours. For an average agreed 39-hour week, the minimum wage is EUR 8.88, or EUR 10.36 if 14 monthly salaries are taken into account. Measured against the median wage of 2018, the minimum wage of EUR 1,500 was just below the poverty threshold at 49.5%. This puts it at a level comparable to the statutory minimum wages in other EU countries.

Key data on the Austrian minimum wage regime

Legal basis	Sectoral collective agreements (largely generally binding) Statutory minimum wage for employees without a collective agreement
Collective minimum wages per month (2020) (39-hour week) (based on 14 monthly salaries)	EUR 8.88 EUR 10.36
Collective minimum wage per month (2020) (based on 14 monthly salaries)	EUR 1,500 EUR 1,750
Collective-agreement minimum wages in % of the... median wage (2018) average wage (2018)	40 to 50% (49.5% at EUR 1,500) 34 to 44% (41% at EUR 1,500)
Low-wage sector (2017): Full-time employees with a wage of less than 2/3 of the full-time median wage; all/women/men	15.1%/23.9%/10.7%
Setting the minimum wage	Autonomous collective bargaining between employers' associations and trade unions
Adjustment interval	annually
Collective bargaining coverage (2017)	98.0%
Unionisation rate (2017)	26.7%
Current demands	Strengthening co-ordination and establishing a minimum wage standard in collective agreements; increasing all lowest collective wages to EUR 1,700 per month; Trade unions: Austrian trade union confederation (Österreichischer Gewerkschaftsbund, ÖGB) Parties: Austrian social democratic party (Sozialdemokratische Partei Österreichs, SPÖ) Introducing a statutory minimum wage of EUR 1,750 per month (EUR 10.10 per hour) Green party (Die Grünen), Austrian communist party (Kommunistische Partei Österreichs, KPÖ)

Sources: OECD Earnings Database; ICTWSS Database Version 6.1, own calculations

In 2018, the various collectively agreed minimum wages in the classic low wage sectors still varied between 40% and 50% of the median wage or 34% and 44% of the average wage. All of them were thus below the threshold of poverty wages. The minimum wages agreed in collective agreements were particularly low, e.g. in the taxi industry, the hairdressing sector or for chiropodists, beauticians and masseurs. In hotels and restaurants, the lowest collectively agreed wage was also just below the poverty threshold. In order to combat the low-wage sector covered by collective agreements, the trade unions united in the ÖGB have been calling for the lowest collective wages to be

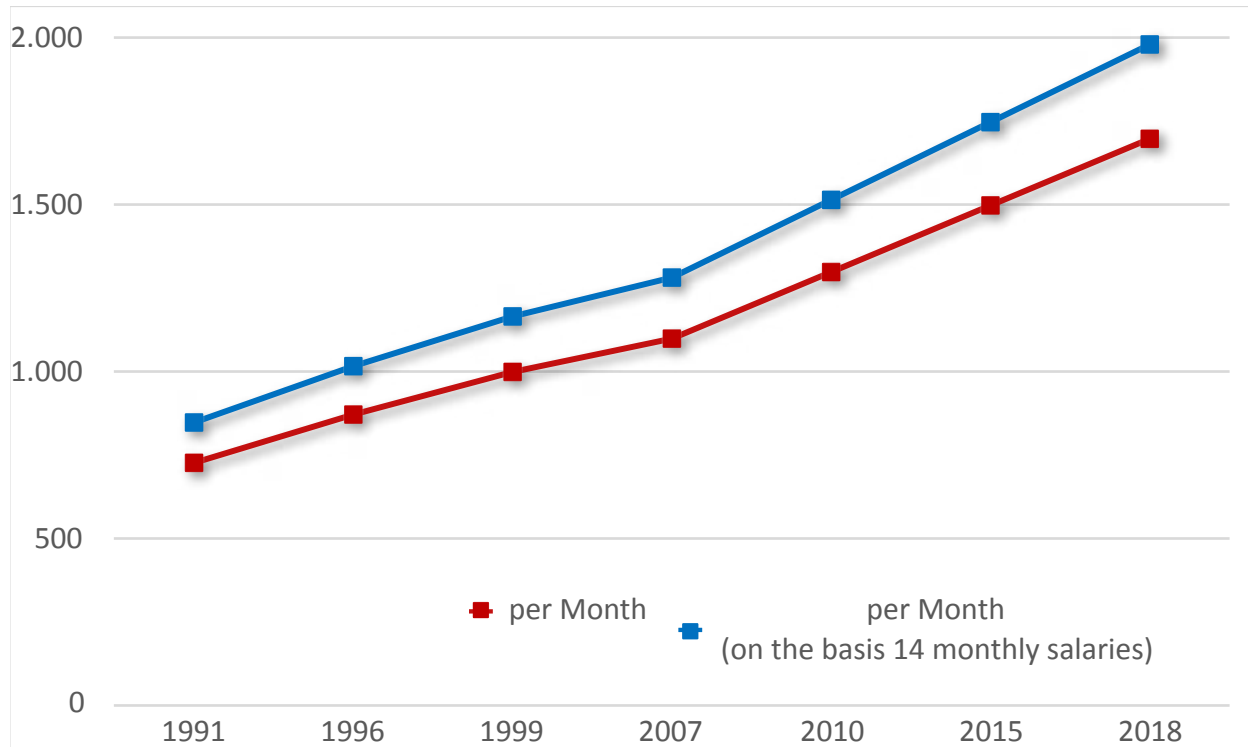
raised to a minimum wage of EUR 1,700 since 2018, which corresponds to a monthly wage of EUR 1,983 for 14 monthly salaries. The relative value of this new minimum wage would be around 56% of the median or 47% of the average wage.

Collective bargaining coverage development

In countries whose minimum wage regimes are primarily based on collectively agreed minimum wage protection, the scope of minimum wages depends primarily on the development of collective bargaining coverage. Due to the comprehensive chamber system in Austria, the collective bargaining coverage has been extraordinarily stable at 98% for more than three decades. The fact that the unionisation rate has

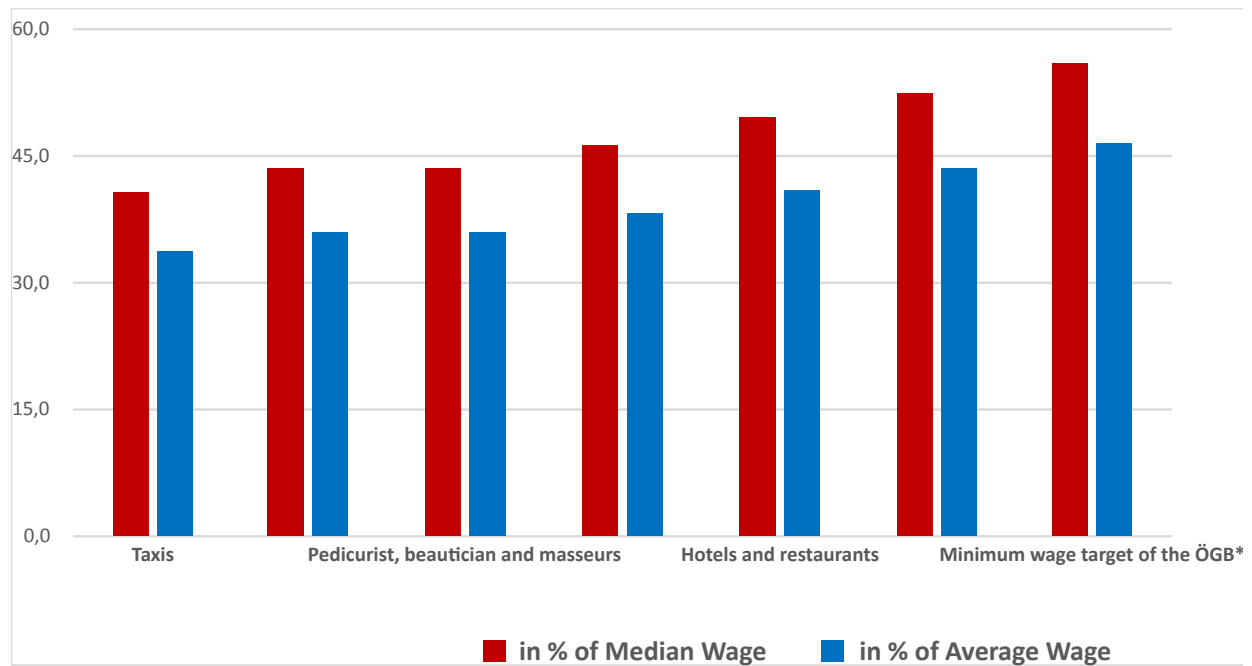
fallen by a full 20 percentage points from 47% to 27% since the early 1990s has not changed this situation. Even the political attempts to weaken the chamber system, which emanated primarily from the right-wing populist FPÖ (Freiheitliche Partei Österreichs), have not been able to affect the stability of the Austrian collective bargaining system.

Demands of the Austrian trade union confederation (Österreichischer Gewerkschaftsbund, ÖGB) for a collectively agreed minimum wage in Euro, per month



Source: Austrian Labour Chamber (Sepp Zuckerstätter), own calculations

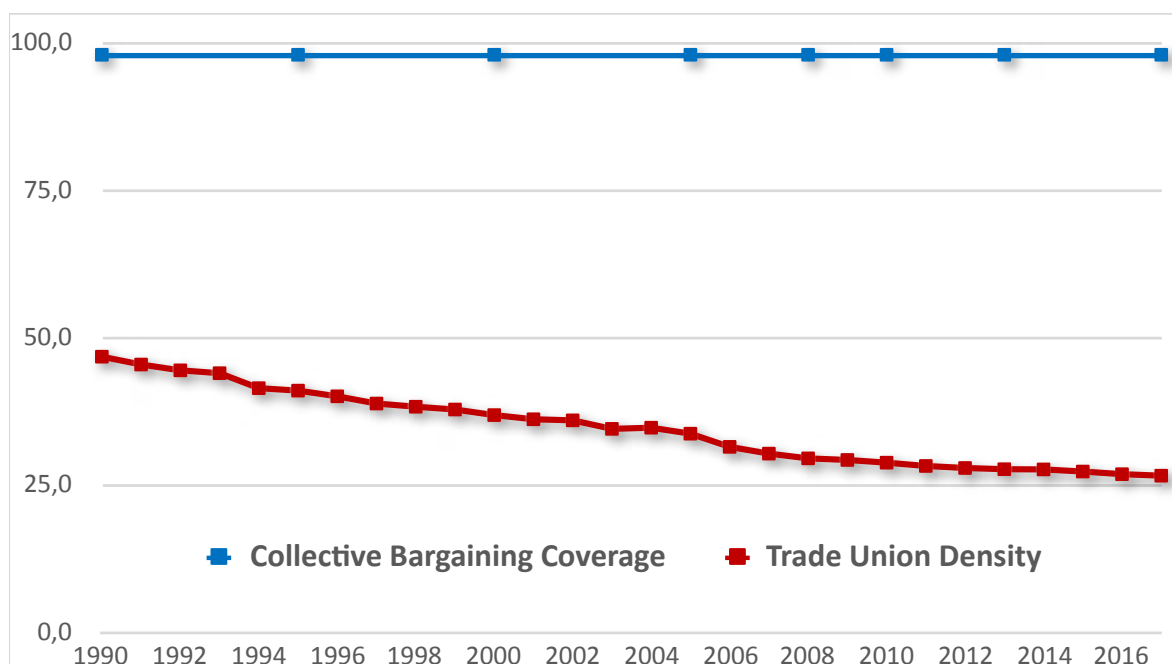
Lowest collectively agreed wages in Austria (2018)* in % of the median and average wages of full-time employees



* ÖGB Minimum Wage Target: 1,700 EUR per month

Source: Various Collective Agreements, Statistik Austria (median and average wages); own calculation

Collective bargaining coverage and unionisation rate in Austria (1990-2017) in % of employees



Source: ICTWSS Database Version 6.1.

Current debates on the minimum wage

Due to the extraordinarily stable collective bargaining system and the almost nationwide coverage of collective bargaining, neither employers nor trade unions in Austria see a need for a statutory minimum wage. The trade unions are even more afraid that a statutory regulation would make them more dependent on politics, which would weaken their autonomous minimum wage policy based on collective agreements.

However, the introduction of a statutory minimum wage is increasingly controversial among political parties. While the right-wing populist FPÖ and the conservative ÖVP (Österreichische Volkspartei) reject a statutory minimum wage, the Austrian green party in particular is aggressively campaigning for the introduction of a statutory minimum wage. In its latest election manifesto from 2019, it called for a statutory minimum wage of EUR 1,750 per month or EUR 10.10 per hour (corresponding to a 40-hour week). A statutory minimum wage of EUR 1,750 per month is also demanded by the Austrian communist party (KPÖ), which is not represented in the national parliament.

A middle position is taken by the social democratic SPÖ, which advocates a minimum wage of EUR 1,700 per month, but which is to be enforced by collective agreements, supported by an extension of the agreements if necessary. A statutory minimum wage is only to be set for the few industries and occupational groups not bound by collective agreements. Finally, the latest programme of the turquoise-green government consisting of ÖVP and green party addresses the problem of especially low wage groups, but intends to solve it primarily through collective bargaining.

The ÖGB would like to conclude a national general agreement with the economic chamber (WKÖ), according to which all lowest collective wages are to be raised to EUR 1,700 per month within a certain time frame. According to the ÖGB, about 420,000 employees would benefit from such a regulation, which is slightly less than 10% of all employees. From the employers' point of view, however, the demanded minimum wage of EUR 1,700 is clearly too high, and as a result the WKÖ has so far refused to enter into corresponding negotiations with the trade unions.

Belgium

Belgium is one of the few countries in Europe where the national minimum wage is not set by law but by a national collective agreement. This is part of a highly organised collective bargaining system with collective agreements at national, cross-industry, sectoral and company level. The extension of virtually all national and sectoral collective agreements ensures an exceptionally high level of collective bargaining coverage of more than 90%, which is also underpinned by a very high unionisation rate of more than 50%. Overall, the national minimum wage has only limited scope, as workers generally have higher sectoral minimum wages. Belgium has one of the smallest low-wage sector in Europe, with only about 4% of all full-time employees. Belgium as a whole stands for a collective minimum wage regime safeguarded by the state

The Belgian minimum wage regime

The Belgian minimum wage regime in its present form is based on the national collective agreement no. 23 (Convention Collective de Travail No. 23) of 25 July 1975, which was agreed between the umbrella organisations of employers and trade unions within the framework of the national council of labour (Conseil national du Travail). The subject of this collective agreement was the introduction of a “guaranteed mean monthly income” (Revenu Minimum Mensuel Moyen Garantie, RMMMGM), which defines a monthly minimum wage to be achieved on an annual average, but for the calculation of which other special payments are also included in addition to the basic monthly wage. This minimum wage collective agreement was declared generally binding by a royal decree and thus has de facto legal character. In 1988, the minimum wage regulation was further supplemented by national collective agreement no. 43 (Convention Collective de Travail No. 43), which still forms the legal basis for the Belgian minimum wage today.

The Belgian minimum wage was last increased on September 1, 2018, and has been at EUR 1,593.81 per month since then. With an average collectively agreed weekly working time of 38 hours, this corresponds to a minimum wage of EUR 9.66 per hour. Originally, the minimum wage only applied from the age of 21, while younger workers were only entitled to a lower youth minimum wage, which was graduated according to age. Since 2015, however, the Belgian collective bargaining parties have agreed, at the insistence of the trade unions, that the minimum wage should apply to all employees from the age of 18. Only for those under 18, there is still a lower youth minimum wage today, which is 76% of an

adult minimum wage for employees between 17 and 18 years of age and 70% for employees under 17 years of age.

In addition to these downward deviations for young workers, the Belgian minimum wage regime also has upward deviations. For example, all employees aged 19 or older and with at least 6 months of employment with an employer receive a higher minimum wage, which is currently at EUR 1,636.10 per month, 2.7% above the standard minimum wage rate. At EUR 1,654.90 per month, the figure is even 3.8% higher for employees aged 20 years and older and with one year of uninterrupted employment. Overall, the minimum wage only applies to employees in the private sector, while separate collective agreements and legal regulations exist for the public sector.

The minimum wage is fundamentally adjusted in two ways: Firstly, Belgium applies a general indexation to all wages. This means that whenever the so-called health index – a consumer price index adjusted for certain goods such as tobacco, alcohol etc. – has risen by more than 2%, all wages, including the minimum wage, must be adjusted accordingly. In addition, the collective bargaining parties have the possibility of increasing the minimum wage above the rate of price increases within the framework of national collective bargaining, which takes place every two years. However, Belgium also has a statutory wage norm that limits the possibility of collectively agreed wage increases beyond indexation upwards.

Key data on the Belgian minimum wage regime

Legal basis	National collective labour agreement (Convention Collective de Travail) no. 43 www.cnt-nar.be/CCT-COORD/cct-043.pdf
	Extending collective agreements by royal decree
Minimum wage per hour (since 1.9.2018)	EUR 9.66 (38-hour week)
Minimum wage per month (since 1.9.2018)	EUR 1,593.81
Minimum wage in % of the ... of full-time employees (2018)	
... median wage	46.3%
... average wage	39.1%
Low-wage sector (2016): Full-time employees with a wage of less than 2/3 of the full-time median wage	
All/women/men	4.1%/5.4%/3.9%
Setting the minimum wage	Parties to collective agreements/government
Adjustment interval	Irregular
Adjustment indicators	Indexation according to the "health index"
Exceptions to the minimum wage	Lower minimum wage for young people under 18 and 17 years of age, 76% and 70% of the adult minimum wage respectively Higher minimum wage for workers aged 19 and 20 years and over with 6 months or one year of continuous employment
Collective bargaining coverage (2016)	92.9%
Unionisation rate (2018)	50.3%
Current demands	Increase to 14.00 EUR per hour Trade unions: General Federation of Belgian Labour (ABVV-FGTB) Parties: Parti Socialist (PS); Parti du Travail de Belgique (PVDA-PTB) Raising the minimum wage to 60% of the median wage Trade unions: Confederation of Christian Trade Unions (ACV-CSC)

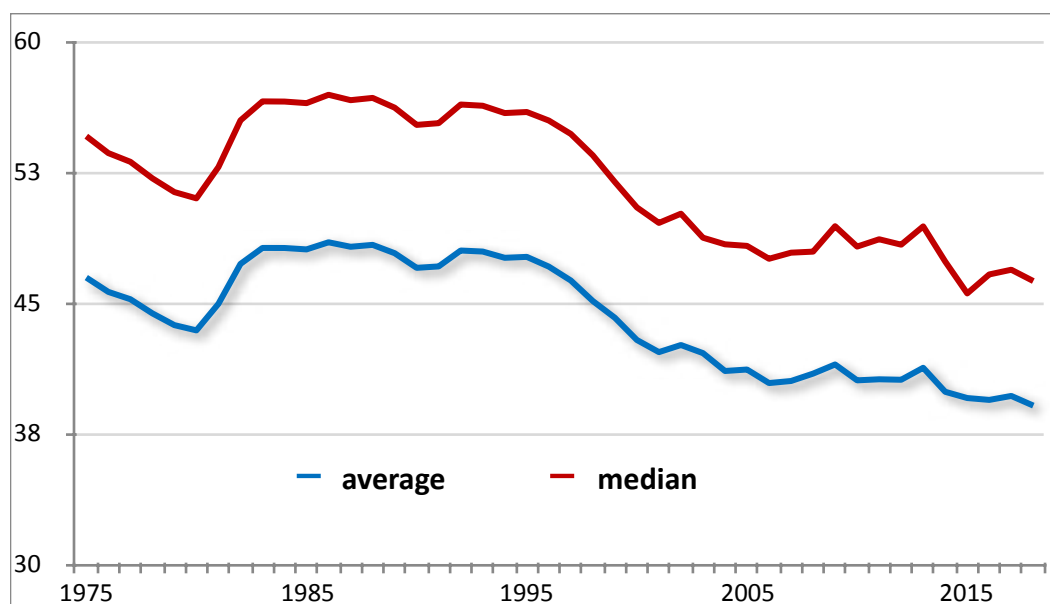
Sources: WSI minimum wage database, OECD Earnings Database; ICTWSS Database Version 6.1.

Minimum wage development

When it was introduced in 1975, the Belgian minimum wage was just under 55% of the median wage for full-time employees. After a brief period of decline, the minimum wage has remained relatively constant between 55% and 57% of the median wage from the early 1980s until the mid-1990s. The same is true for the relation to the average wage, which fluctuated relatively constantly between 47 and 48% over the same period. The minimum wage has thus kept pace not only with price developments but also with general wage trends during this phase.

A fundamentally different development is evident between the mid-1990s and mid-2000s, when the minimum wage, measured against the median wage, fell by about 10 percentage points. Since then, the minimum wage has fluctuated between 46 and 49 percent of the median and thus constantly remained below the threshold that must clearly be regarded as a poverty wage. Compared to the average wage, the Belgian minimum wage has now even fallen below the 40% mark. Since the mid-1990s, the adjustment of the minimum wage has essentially been limited to wage indexation, while collectively agreed minimum wage increases going beyond this have become increasingly rare. The last collectively agreed minimum wage increase to date took place in 2015.

Minimum wage in Belgium (1975-2018)
in % of the median and average wages of full-time employees



Source: OECD Earnings Database

Current debates on the minimum wage

Due to the limited scope and high coverage by sectoral collective agreements, the national minimum wage for a long time was not a political issue in Belgium, despite its rather significant relative decline in value. In the meantime, however, not only the national minimum wage, but also some sectoral minimum wages are below the poverty threshold. Against this background, all Belgian trade unions are now demanding a significant increase in the minimum wage. The General Federation of Belgian Labour ABVV-FGTB has developed a broad campaign in which it demands a substantial increase in the minimum wage to EUR 14 per hour. Based on the current average minimum wage of EUR 9.66, this would represent an increase of 45%. In contrast, the Confederation of Christian Trade Unions ACV-CSC has long advocated raising the minimum wage to 60% of the national median wage, which would currently correspond to a minimum wage of around 13 euros.

The demand for a significantly higher minimum wage of 14 euros has also found resonance in the political arena. The two left-wing parties PS and PV-DA-PTB have presented their own draft laws in the Belgian parliament, which stipulate an increase in the minimum wage to 14 euros. However, these drafts have also met with criticism from parts of the trade unions, as they would introduce a statutory minimum wage regulation for the first time, which would mark a certain break with the previous minimum wage regime based on collective agreements.

In the current national collective bargaining disputes, 2019 is the first time since 2015 that an additional increase in the minimum wage has been negotiated. In July 2019, employers and trade unions initially agreed on a collectively agreed increase of 1.1% for 2019. In addition, there was a prospective further increase of 2.4% in 2020. However, the General Federation of Belgian Labour ABVV-FGTB did not receive a mandate from its members to sign the agreement unless the second minimum wage increase were also bindingly agreed. The members of the ABVV-FGTB regarded the planned minimum wage increase as a step that was clearly too small in view of the demand for 14 euros. By the editorial deadline of this publication, it was not yet clear whether and how this blockade of negotiations could be resolved.

Bulgaria

The statutory minimum wage has a long tradition in Bulgaria and has existed as a uniform national minimum wage since 1966. The importance of the statutory minimum wage as the lower wage limit has increased significantly since the 1990s in the course of the transition to a market economy. One of the reasons for this is the sharp decline in the collectively agreed minimum wage protection and the associated strong growth of the low-wage sector. Since the mid-1990s, the level of collective bargaining coverage in Bulgaria has fallen from just under 70% in 1993 to 23% today. At just under 19%, the low-wage sector still accounts for almost one in five full-time employees. Despite a very dynamic minimum wage development in the last 10 years compared to the EU, Bulgaria is still at the bottom of the EU list with an absolute minimum wage of less than EUR 2. In view of the sometimes substantial minimum wage increases in recent years, the European Commission repeatedly expressed concerns in its country-specific recommendations that these could have negative effects on employment and competitiveness in the country. This was accompanied by a call for more transparent criteria for setting the minimum wage. In light of this, the reform of the minimum wage regime is at the centre of current debates.

The Bulgarian minimum wage regime

The legal basis of the Bulgarian minimum wage regime is Article 244 of the labour code (КОДЕКС НА ТРУДА), according to which the council of ministers sets the national minimum wage for all employees without exception of certain sectors or groups of employees. The level of the minimum wage per month and hour is set by an ordinance of the council of ministers upon consultation with the representative trade unions and employers' organisations in the national council for tripartite cooperation, NRTK (Национален съвет за тристранно сътрудничество). The structure and functioning of the NRTK and the basic principles of the consultation procedure for setting the minimum wage are set out in Article 3 of the labour code. As a rule, the minimum wage is adjusted once a year on January 1 of each year. Since 1 January 2020, the minimum monthly wage has been 610 leva (BGN) or EUR 311.89. On the basis of a 40-hour week, the minimum hourly wage is 3.66 leva (BGN), which corresponds to EUR 1.87.

The annual minimum wage increase does not follow any precisely defined criteria. This fact has been repeatedly criticised by the European Commission in the country-specific recommendations formulated annually in the context of the European Semester. Between 2014 and 2017, the European Commission regularly complained that the absence of a clear and transparent mechanism for raising minimum wages jeopardised the balance between the two objectives of safeguarding minimum wages for employees on the one hand and supporting employment and competitiveness on the other. In response to this repeated criticism, the government set up a tripartite working group to develop a transparent minimum wage mechanism. In addition, Bulgaria ratified ILO Convention 131 on minimum wages in January 2018, which was expected to provide further impetus to the discussion by the actors involved. Still, the trade unions and employers have still not been able to reach an agreement, which is why the most recent minimum wage increase was carried out according to the old procedure, which was criticised as lacking transparency.

Key data on the Bulgarian minimum wage regime

Legal basis	Article 244 of the labour code (КОДЕКСНАТРУДА) https://www.ilo.org/dyn/natlex/natlex4.detail?p_lang=en&p_isn=61136 In conjunction with an ordinance of the council of ministers ; for 2020, ordinance no 350 of 19 December 2019: https://dv.parliament.bg/DVWeb/showMaterialDV.jsp;jsessionid=F980A61186D00A79BABDA19636E2D0BE?idMat=144144
Minimum wage per hour (since 1.1.2020)	3.66 leva (BGN) = EUR 1.87*
Minimum wage per month (since 1.1.2020)	610 leva (BGN) = EUR 311.89
Minimum wage in % of ... full-time employees	
... median wage (Eurostat SoE 2014)	57.5%
... average wage (Eurostat 2018)	43.6%
Low-wage sector (2014): Full-time employees with a wage of less than 2/3 of the full-time median wage All/women/men	18.6%/17.6%/19.2%
Setting the minimum wage	Government after consultation with trade unions and employers
Adjustment interval	with some exceptions (2011, 2012, 2015) annually on 1 January of each year
Adjustment indicators	No specified criteria
Exceptions to the minimum wage	None
Collective bargaining coverage (2016)	23%
Unionisation rate (2017)	13%
Current demands	Trade unions: Raising the minimum wage to 50% of the average wage: Confederation of independent trade unions of Bulgaria (CITUB) Increase of the minimum wage to 60% of the average wage Trade union Podkrepa CL Employers: Maximum relative minimum wage at 43% of the mean wage

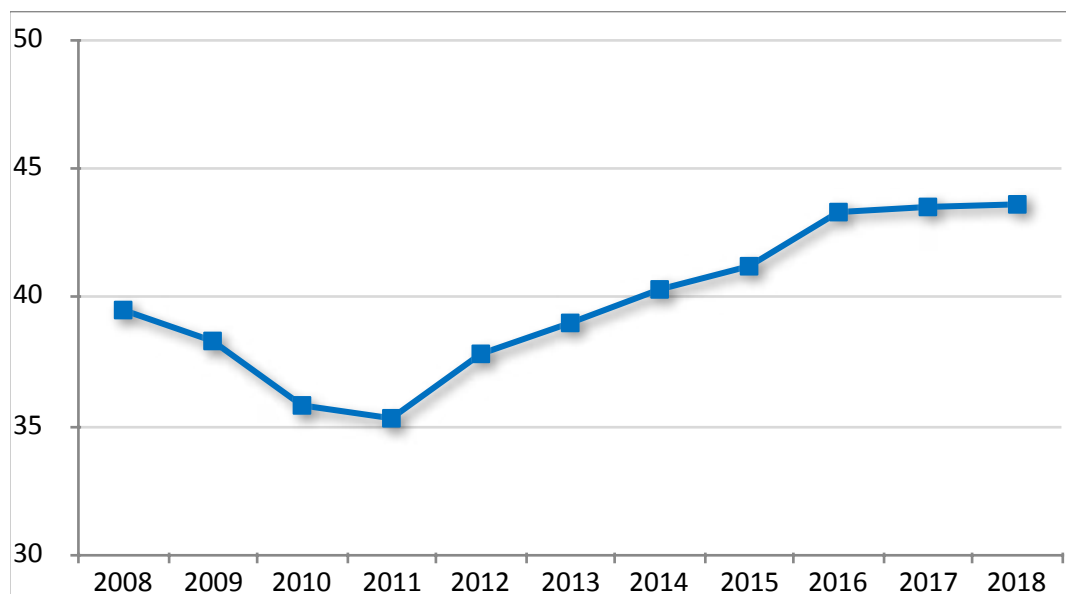
Sources: WSI minimum wage database, OECD Earnings Database; ICTWSS Database Version 6.1.

Minimum wage development

In the past ten years Bulgaria has regularly been among the EU Member States with the highest annual minimum wage increases. The absolute value of the minimum wage in 2020 was 610 leva (BGN), 2.5 times the absolute value of 240 leva (BGN) in 2009. However, this sharp increase in the absolute minimum wage is also due to the extremely low initial level. The dynamic development of the absolute minimum wage value is also reflected in the development of its relative value. After the minimum wage was frozen between 2009 and 2011 due to the impact of the financial crisis and the relative minimum wage value of 39.5% of the average wage in 2008 fell to its lowest point of 35.3% in 2011, it increased continuously by more than 8 percentage points to 43.6% of the average wage in 2018.

Eurostat shows the relative minimum wage value for Bulgaria over time only in relation to the average wage. However, on the basis of the Eurostat Structure of Earnings Survey, the relative minimum wage can also be calculated in terms of the median wage. The latest available data for 2014 show a high relative minimum wage of 57.5% of the median wage by European standards. In comparison, the relative minimum wage measured by the average wage for 2014 is rather low at 40.3%. This discrepancy is an indicator of the high degree of wage inequality and the overall low wages due to their high concentration at the lower end of the wage scale. For this reason Bulgaria is also an example why a relative minimum wage of almost 60% of the median wage – i.e. well above the poverty wage threshold of 50% of the median wage – is not necessarily a living wage. Due to the low level of collective bargaining coverage, the overall wage structure is so low that even the relative minimum wage, which is high by European standards compared to the median, is not sufficient to guarantee an adequate standard of living.

Minimum Wage in Bulgaria (2008-2019) in % of average wage*



* Average monthly earnings in industry, construction and services (excluding households with domestic staff and extra-territorial organisations and bodies)

Source: Eurostat

Current debates on the minimum wage

Against the background of the criticism of the minimum wage mechanism repeatedly expressed by the European Commission in the country-specific recommendations, the current discussion focuses primarily on the reform of the minimum wage regime. After years of discussion and negotiation, trade unions and employers have still not been able to agree on a common denominator. The central crux of the matter lies in differing ideas about the importance of social and economic indicators in determining the minimum wage level. In order to combat wage inequality and in-work poverty, the trade unions demand that the minimum wage level should be based on fixed targets for the relative minimum wage value. The country's largest umbrella organisation, the Confederation of independent trade unions of Bulgaria CITUB (Конфедерация на независимите синдикати в България) is calling for the minimum wage to be raised to 50% of the average wage. Podkrepa CL (Конфедерация на труда "Подкрепа"), the second largest trade union federation, is calling for an increase to 60% of the average wage. In addition, CITUB demands that trade unions and em-

ployers should not only be consulted, but should set the minimum wage in autonomous negotiations. In contrast, employers stress that the target relative minimum wage should not exceed 43% of the average. Due to the clash of interests between trade unions and employers, a tripartite framework agreement on a "procedure for negotiating and setting minimum wage levels" proposed by the government in 2017 has not yet been concluded.

Content ↑

Croatia

Croatia is one of the few countries that has implemented a system change from a negotiated to a statutory minimum wage (*zakonska minimalna plaća*). Between 1998 and 2008, the minimum wage was set on the basis of the extension of the national agreement on the lowest wage concluded by the government, employers and trade unions. As the minimum wage remained at a very low level of 32-35% of the average wage during those 10 years, the trade unions in particular pressed for a change of system, as they expected the introduction of a statutory minimum wage to improve the conditions for a substantial minimum wage increase. The change of system took place in July 2008 with the first-time adoption of a minimum wage act. With the exception of Slovenia, Croatia has the highest collective bargaining coverage of all Central and Eastern European countries, with just under 45% of employees. However, this coverage decreased by more than 20% since 2000. This in turn illustrates the increasing importance of the statutory minimum wage in securing minimum wages, especially in low-wage sectors such as textiles and the security and cleaning sector which have the highest proportion of minimum wage recipients.

The Croatian minimum wage regime

The legal basis of the Croatian minimum wage regime is the minimum wage act (*Zakon o minimalnoj plaći NN 118/18*) in its updated version of 1 January 2019. According to this, all employees have the right to a minimum wage, which is defined as a certain rate of pay per month. Since 1 January 2020, the minimum wage has been 4062.51 kuna (HRK) (= EUR 547.66), which on the basis of a 40-hour week corresponds to a minimum wage per hour of 23.48 kuna (HRK) or EUR 3.17. Although there are no exceptions to the minimum wage in Croatia, the minimum wage act provides for the possibility of agreeing a lower minimum wage by collective agreement, but it cannot be less than 95% of the statutory minimum wage.

Since an amendment to the minimum wage act in 2013, the minimum wage in Croatia has been adjusted once a year, on 1 January of each year. The minimum wage is set by a minimum wage ordinance (*Uredba o visini minimalne plaće*) issued by the government on the proposal of the minister of labour after prior consultation with trade unions and employers. Consultations usually take place in September and October of each year, since article 5 of

the minimum wage act stipulates that the minimum wage must be fixed no later than 31 October of the current year for the following calendar year. General economic and social indicators are to be taken into account when adjusting the minimum wage. These include the relative value of the minimum wage in relation to the average wage, inflation, general wage trends, unemployment, employment trends, growth trends, but also the specific situation of low-wage earners and disadvantaged groups. In addition, the principle applies that the updated minimum wage rate may not be lower than that of the previous year. To analyse the development and effects of the minimum wage, the minimum wage act of 2019 provides for the establishment of an expert commission.

Key data on the Croatian minimum wage regime

Legal basis	Minimum wage act of 1 January 2019 (<i>Zakon o minimalnoj plaći NN 118/18</i>) https://www.zakon.hr/z/400/Zakon-o-minimalnoj-pla%C4%87i in conjunction with a government ordinance on the level of the minimum wage (<i>Uredba o visini minimalne plaće</i>); for 2020: https://narodne-novine.nn.hr/clanci/sluzbeni/full/2019_11_106_2114.html
Minimum wage per hour (since 1.1.2020)	23.48 kuna (HRK) = EUR 3.17 based on a 40-hour week (173 hours per month)
Minimum wage per month (since 1.1.2020)	4,062.51 kuna (HRK) = EUR 547.66
Minimum wage in % of the ... of full-time employees (2019)	
... median wage	51.5%
... average wage	42.8%
Low-wage sector (2010): Full-time employees with a wage of less than 2/3 of the full-time median wage All/women/men	21.3%/24.9%/18.3%
Setting the minimum wage	Government after consultation with trade unions and employers
Adjustment interval	Annually on 1 January of a year since 2014
Adjustment indicators	May not be lower than the previous year's amount Consideration of general economic and social criteria
Exceptions to the minimum wage	A lower minimum wage can be agreed by collective agreement, but it must be at least 95% of the statutory minimum wage
Collective bargaining coverage (2017)	44.7%
Unionisation rate (2018)	20.2%
Current demands	Increase to 50 % of the average wage Trade unions: SSSH (<i>Savez samostalnih sindikata Hrvatske</i>) and NHS (<i>Nezavisni hrvatski sindikati</i>) Increase to 60% of the average wage or 4,000 kuna (HRK) net per month Party: Social democratic party of Croatia, SDP (<i>Socijaldemokratska partija Hrvatske</i>)

Sources: WSI minimum wage database, OECD Earnings Database; Croatian bureau of statistics; ICTWSS Database Version 6.1.

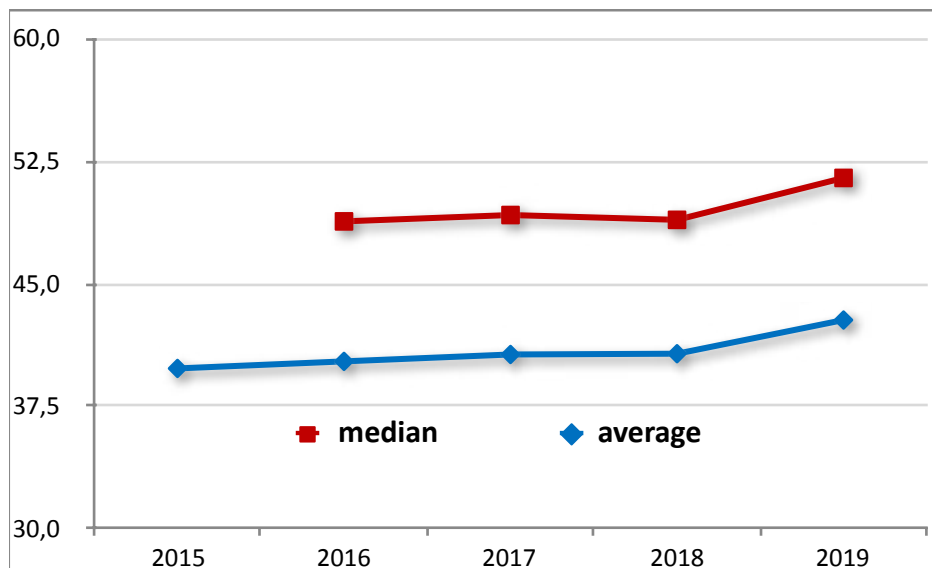
Minimum wage development

The Croatian national bureau of statistics has only been collecting data on the median wage since 2016. Accordingly, the chart below on the relative minimum wage value also only covers the period since 2016. However, the development of the absolute minimum wage value shows that the introduction of the statutory minimum wage in July 2008 was accompanied by a 12.5% jump in the minimum wage from 2,441 to 2,747 kuna (HRK). However, due to the financial crisis, the minimum wage was frozen for the following three years from 2009 to 2012. With the reform of the minimum wage act in 2013, the absolute value of the minimum wage rose again, partly due to the explicit objective of increasing the relative minimum wage value. In 2015, the relative minimum

wage was just under 40% of the average wage, which is in the European middle range. As a result of a substantial minimum wage increase of more than 9% in 2019, the relative minimum wage value measured against the median wage, at 51.5%, exceeded the threshold for a poverty wage of 50% of the median wage for the first time.

Minimum wage in Croatia ((2015-2019)

in % of the median and average wage of full-time and part-time workers with at least 50% working time



Source: Croatian bureau of statistics, own calculations

Current debates on the minimum wage

Current debates focus on raising the minimum wage to a level that allows for a decent standard of living and helps to combat the problem of labour emigration. In view of this, the trade unions SSSH (Savez samostalnih sindikata Hrvatske) and NHS (Nezavisni hrvatski sindikati) are calling for an increase in the minimum wage to at least 50% of the average wage, which would correspond to around HRK 4,750 per month. Compared to the current minimum wage, this would mean an increase of almost 17%. The social democratic party of Croatia, SDP

(Socijaldemokratska partija Hrvatske) goes one step further with its demand to increase the minimum wage to 60% of the average wage (roughly HRK 5,695) or to at least HRK 4,000 net per month. This would correspond to a 40% increase in the current minimum wage.

Cyprus

The Greek-speaking Republic of Cyprus is one of the few countries in the European Union that does not yet have a national statutory minimum wage. Traditionally, minimum wages in Cyprus have been secured primarily through collective agreements, which are backed up by a comparatively high degree of unionisation. To date, about 47% of all workers are still members of a trade union. As collective agreements in Cyprus generally apply only to trade union members, this is also in line with the collective bargaining coverage. The sectoral collective agreements define the minimum wages for groups of employees covered by collective agreements.

In addition, Cyprus has a number of statutory minimum wages for certain occupational groups. These are preferably those groups that are hardly unionised and have only a very low level of collective bargaining coverage. Against the background of an overall decline in the level of unionisation and declining collective bargaining coverage, the introduction of a national statutory minimum wage has been under discussion in Cyprus for several years. In the meantime, the Cypriot government has announced that it will introduce a statutory minimum wage once the economic conditions on the labour market are favourable and the unemployment rate is below 5%.

The Cypriot minimum wage regime

The legal basis for setting minimum wages in Cyprus is based on a minimum wage¹ act (Κατώτατου Ορίου Μισθών Νόμος) from 1941, which empowers the government, after consultation with trade unions and employers' organisations, to set statutory minimum wages for certain professional groups. According to the recently passed minimum wage order no. 180 from 2012 (Διάταγμα Κατώτατου Μισθού), there is a statutory minimum wage of EUR 870 for the seven following occupational groups, which increases to EUR 924 after six months of employment with the same employer:

- salespersons
- office employees
- children's nurses
- nursing auxiliaries
- pre-school assistants
- school assistants
- caregivers

For two other professions, the decree sets a minimum wage per hour:

- security staff and guards: EUR 4.90 (EUR 5.20 after six months)
- building cleaners: EUR 4.55 (EUR 4.84 after six months)

¹ The situation is different in the Turkish-speaking part of Northern Cyprus, where there is a general statutory minimum wage. In the following, only the Greek-speaking Republic of Cyprus is considered here.

The minimum wage decree has not been renewed since 2012, with the result that the minimum wages for the various occupational groups have been de facto frozen and have thus lost considerable value in real terms. However, this coincided with a phase in which Cyprus received loans from the European stability programme and had to subordinate itself to the economic policy ideas of the troika of the European Commission, the European Central Bank and the International Monetary Fund. In addition to a rigid austerity policy, the latter has always included a policy of wage cuts and wage freezes. In fact, wages have fallen in Cyprus between 2013 and 2016.

It was not until the beginning of 2020 that a new minimum wage decree was passed again, which for the first time sets different minimum wages for a total of 19 occupational groups in the hotel industry. The minimum wages vary between EUR 5.28 and 6.50 per hour or EUR 870 and 1,010 per month. However, the vast majority of minimum wages in Cyprus are marked by the lowest wage groups in the collective agreements. There is a wide range, from monthly wages below EUR 500 (e.g. in agriculture) to EUR 1,500 (e.g. in the construction sector). At the end of 2019, the average wage in Cyprus was around 2,000 euros per month. Accordingly, the statutory and collectively agreed minimum wages in Cyprus vary between 25% and 75% of the average wage.

Key data on the Cypriot minimum wage regime

Legal basis	<p>Minimum wage act (Κατωτάτου Ορίου Μισθών Νόμος) of 1941 http://www.cylaw.org/nomoi/arith/CAP183.pdf</p> <p>Minimum wage decree (Διάταγμα Κατώτατου Μισθού) no. 188 of 2012 http://www.cylaw.org/KDP/data/2012_1_180.pdf</p> <p>Minimum wage decree for the hotel industry (Κατωτάτων Μισθών στη Ξενοδοχειακή Βιομηχανία Διάταγμα) of 2020 http://www.cna.org.cy/pdf/ant/202001141034.pdf</p>
Minimum wage per hour (since 1.4.2012)	
Security staff and guards; Building cleaners:	EUR 4.90 (EUR 5.20 after six months)
Hotel industry (since 1.1.2020)	EUR 4.55 (EUR 4.84 after six months) EUR 5.28 to 6.50
Minimum wage per month (since .1. 4.2012)	
Salespersons; office employees;	EUR 870 (EUR 924 after six months)
children's nurses; nursing staff and caregivers	
Hotel industry (since 1.1.2020)	EUR 870 to 1,010
Minimum wage in % of the average wage (2019)	43.5 to 50.5%
Low-wage sector (2014): Full-time employees with a wage of less than 2/3 of the full-time median wage; all/ women/men	20.2%/15.9%/24.6%
Setting the minimum wage	Government after consultation with employers' organisations and trade unions
Adjustment interval	irregular
Adjustment indicators	none
Exceptions to the minimum wage	none
Collective bargaining coverage (2016)	47.3%
Unionisation rate (2016)	47.3%
Current demands	<p>Introduction of a general statutory minimum wage: Government and all major opposition parties, trade unions</p> <p>Raising the minimum wage to 60% of the average wage Trade unions: PEO (Pancyprian Federation of Labour, Pankypria Ergatiki Omospondia) Parties: Civil alliance Symmachia Polito</p>

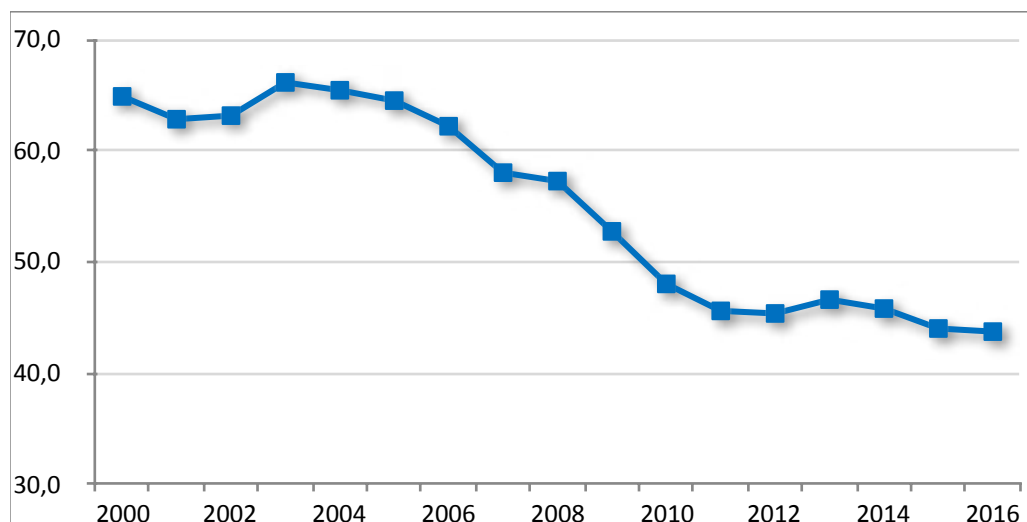
Sources: OECD Earnings Database; ICTWSS Database Version 6.1.

Collective bargaining coverage development

In countries whose minimum wage regimes are primarily based on collectively agreed minimum wage protection, the scope of minimum wages depends primarily on the development of collective bargaining coverage. The latter shows a clearly negative trend in Cyprus. Whereas in the first half of the 2000s between 63 and 66% of all employees were still working in companies subject to collective agreements, in 2016 the percentage of employees covered by collective agreements was below 44%. Within only 10 years, collective bargaining coverage has thus declined by more than 20 percentage points.

Against this background, the proportion of employees in Cyprus for whom there is no legal or collectively agreed minimum wage has also risen significantly. The proportion of employees working in the low-wage sector is correspondingly high at 20%.

Collective bargaining coverage in Cyprus (2000-2016)
in % of employees in companies covered by collective agreements



Source: ICTWSS Database Version 6.1.

Current debates on the minimum wage

Against the background of a sharp decline in collective bargaining coverage, the Cypriot trade unions initially advocated introducing an extension mechanism, thus making collective agreements legally binding for all employees. However, the demand has so far failed not only because of opposition from employers, but also because of a lack of a political majority in the Cypriot parliament, where the trade unions only found support from the opposition left party Anorthotiko Komma Ergazomenou Laou (AKEL).

At the end of 2017, however, in the run-up to the recent presidential elections, the liberal-conservative governing party Dimokratikos Synagermos (DISY) for the first time formulated the idea of extending the minimum wage regulation to all professions, thus creating a de facto general statutory minimum wage. This was linked with the government's announcement that it would initiate a social dialogue on this issue with employers' associations and trade unions as soon as the situation on the Cypriot labour market improved again. The Cypriot government later clarified its announcement by stating that a general minimum wage could only be introduced once the unemployment rate in Cyprus was below 5%. During the crisis in the 2010s, unemployment temporarily rose above 16% and is currently (2020) back at around 7%.

Since the announcement of the Cypriot government, a number of opposition parties have now presented their own initiatives in parliament for the introduction of a general minimum wage. For example, the Symmachia Politon civil alliance is calling for the introduction of a minimum wage of EUR 1,125 per month, which would correspond to about 60% of the average wage in Cyprus. At a 40-hour week, this would result in a minimum hourly wage of EUR 6.50. The green party Kinima Oikologon – Synergasia Politon and the small national party Ethniko Laiko Metopo have also presented their own proposals in parliament for the introduction of a minimum wage. The Cypriot trade unions fundamentally prioritise strengthening the collective bargaining system, but now also support the introduction of a general statutory minimum wage, especially in areas where there are no collective agreements. The largest Cypriot

trade union, the Pancyprrian Federation of Labour (Pankypria Ergatiki Omospondia, PEO), has advocated for a minimum wage of 60% of the average wage. Employers' associations, however, reject the introduction of a statutory minimum wage.

The Cypriot government has now initiated a wide-ranging discussion process on the further development of the Cypriot minimum wage regime and has commissioned expert reports from the European Commission and the International Labour Organization (ILO). It is expected to present a concrete proposal for the introduction of a general statutory minimum wage in Cyprus by summer 2020.

Czech Republic

Since its existence as an independent state in 1993, the Czech Republic has had a statutory minimum wage. In its current form, the Czech minimum wage regime is based on the 2006 labour code (zákon č. 262/2006 Sb., zákoník práce). At only 41.8% of the median wage, the relative value of the minimum wage in the Czech Republic is one of the lowest in the EU and, despite a dynamic development over the last seven years, is far below the threshold of a poverty wage of 50% of the median wage. In view of the fact that just over 30% of the workforce is covered by collective agreements, the minimum wage protection provided by collective agreements is also comparatively weak. One indicator of the resulting overall low wage level in the Czech Republic is the relatively large low-wage sector compared to the rest of Europe, which makes up almost 20% of full-time employees. Against this background, a substantial increase in the minimum wage is the central theme of the current minimum wage debate.

The Czech minimum wage regime

The legal basis of the statutory minimum wage in the Czech Republic is formed by articles 111 and 112 of the labour code (zákoník práce), which define the fundamental characteristics of the basic minimum wage (minimální mzda) and minimum wage increases according to the level of complexity, responsibility and qualification requirements of the work performed – the so-called “guaranteed wage” (zaručená mzda). An additional legal basis is the updated version of government ordinance 567/2006 (nařízení vlády č. 567/2006 Sb), which sets the current level of the minimum wage and guaranteed wages. According to the current government ordinance adopted in December 2019 (nařízení vlády č. 347/2019 Sb), the gross monthly minimum wage will be CZK 14,600

(= EUR 586.76) from 1 January 2020. On the basis of a weekly working time of 40 hours, this results in a minimum hourly wage of CZK 87.30 (or EUR 3.40). Government ordinance 347/2019 also determines the amount of guaranteed wages, differentiated according to 7 categories. Category 1 corresponds to the basic minimum wage and category 8 to twice the basic minimum wage.

Minimum wages differentiated by labour category (so-called “guaranteed wages” – zaručená mzda)

Category	Guaranteed wages in CZK per hour	Guaranteed wages in CZK per month
1	87.30	14,600
2	96.30	16,100
3	106.40	17,800
4	117.40	19,600
5	129.70	21,700
6	143.20	24,000
7	158.10	26,500
8	174.60	29,200

In the Czech Republic, the adjustment of the minimum wage is usually achieved through tripartite negotiations between trade unions, employers' associations and the government. However, as trade unions and employers have not been able to reach agreement in recent years, the adjustment was usually made unilaterally by the government on 1 January of each year. In the Czech Republic there is no fixed formula for adjusting the minimum wage. In any case, the government is guided by the development

of the average monthly wage, inflation, employment and unemployment. Apart from the "guaranteed wages" rule, there are no exceptions to the statutory minimum wage with low rates for certain groups of people such as younger workers.

Key data on the Czech minimum wage regime

Legal basis	Articles 111 and 112 of the labour code (Zákon č. 262/2006 Sb., zákoník práce) https://ppropo.mpsv.cz/zakon_262_2006 In conjunction with the current version of government ordinance 567/2006 (nařízení vlády č. 567/2006 Sb) https://www.mpsv.cz/documents/20142/372793/NV+567_2006+Sb..pdf/5b28d285-a2af-9f71-e154-baf06da15534
Minimum wage per hour (since 1.1.2020)	87.30 CZK (= EUR 3.40) based on a working week of 40 hours
Minimum wage per month (since 1.1.2020)	14,600 CZK (= EUR 586.76)
Minimum wage in % of the ... of full-time employees (2018)	
... median wage	41.8%
... average wage	36.2%
Low-wage sector (2018): Full-time employees with a wage of less than 2/3 of the full-time median wage All/women/men	19.7%/23.7%/16.4%
Setting the minimum wage	Trade unions and employers; government if trade unions and employers do not reach agreement
Adjustment interval	Annually on 1 January of a year
Adjustment indicators	Determination is based on the development of the following indicators: average gross monthly wage, inflation, employment and unemployment
Exceptions to the minimum wage	No exceptions to the basic minimum wage; depending on the complexity, responsibility and qualification requirements of the work performed, there are seven additional categories with gradually increasing minimum wages
Collective bargaining coverage (2016)	30.4%
Unionisation rate (2018)	11.5%
Current demands	Increase to 50% of the average monthly wage Trade unions: ČMKOS (Bohemian-Moravian confederation of trade unions), ASO ČR (association of independent trade unions of the Czech Republic) Parties: ČSSD (Czech social democratic party), KSČM (communist party of Bohemia and Moravia)

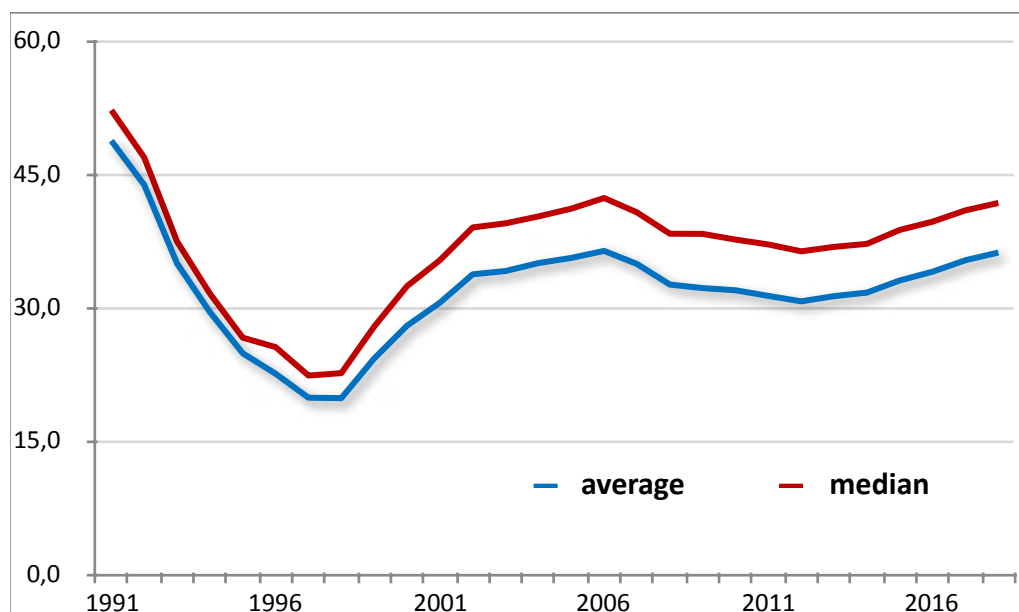
Sources: WSI minimum wage database, OECD Earnings Database; ICTWSS Database Version 6.1.

Minimum wage development

After the minimum wage was not increased at all between 2007 and 2013, it has since developed very dynamically over the past seven years and has been above the general wage trend. This is also reflected in the course of the relative value of the minimum wage as measured by the median and average wage. After reaching its absolute low in the late 1990s, the relative value of the minimum wage rose steadily to over 42% of the median by 2006, before falling back to 36.4% of the median and 30.7% of the average wage in 2012 after six years of minimum wage stagnation. The dynamic development of the minimum wage in the subsequent period led to a renewed increase in the relative value to 41.8% of the median or 36.2% of the average in 2018. However, the relative value of

the minimum wage was still below its interim peak in 2006. The relative value of the minimum wage is also very low by EU standards. Only Spain had an even lower relative value of the minimum wage compared to the median wage in 2018. The overall comparatively low wage level in the Czech Republic is also reflected in the comparatively large low-wage sector in the European context, which at 19.7% comprised almost one in five full-time employees in 2018.

Minimum wage in the Czech Republic (1991-2018)
in % of the median and average wages of full-time employees



Source: OECD Earnings Database

Current debates on the minimum wage

In view of the low minimum wage level, the current debates have mainly revolved around the need for a structural increase in the minimum wage – and thus also around the future method of adjustment. Different models were discussed, such as an indexation model or the orientation of the minimum wage to the average wage. The two largest Czech trade union confederations, the Bohemian-Moravian confederation of trade unions, ČMKOS (Českomoravská konfederace odborových svazů) and the association of independent trade unions of the Czech Republic, ASO ČR (Asociace samostatných odborů České republiky) clearly spoke out in favour of the second model in this discussion. Both associations call for an increase in the statutory minimum wage to 50% of the average wage. Political support for a substantial increase in the minimum wage comes both from the

Czech social democratic party, ČSSD (Česká strana sociálně demokratická), which currently provides the minister of labour, and from the communist party of Bohemia and Moravia, KSČM (Komunistická strana Čech a Moravy). The social democratic party has so far been unable to prevail with its proposal for a raise to 50% of the median in the coalition government, as this proposal is rejected by coalition partner ANO (Politické hnutí), the party of current prime minister Andrej Babiš.

Denmark

Denmark is one of only six countries in the EU where there is no statutory minimum wage. Instead, the far-reaching minimum wage protection is provided by a still comprehensive collective bargaining system, in which over 80% of employees are covered by a collective agreement. The stability of the Danish collective bargaining system, which has also been high over time, is mainly due to the high level of unionisation, the high degree of coordination of bargaining policy at sectoral and company level and the support of the Danish model of industrial relations based on autonomous collective bargaining by trade unions, employers and all relevant political actors. A key feature of this model consists in minimising the influence of the state. Accordingly, Denmark has no system for extending collective agreements. Furthermore, the Danish trade unions, like the majority of the Danish political system, are strongly opposed to the introduction of a statutory minimum wage, fearing that this would weaken the system of autonomous collective bargaining. For the same reason, the European Commission's initiative to introduce a European minimum wage meets with the firm opposition of all Danish stakeholders.

The fact that in Denmark two thirds of all employees are members of a trade union is institutionally promoted by the so-called Ghent system, in which the trade unions are responsible for administering unemployment insurance, thus providing a strong incentive for trade union membership. The comprehensive collectively agreed minimum wage guarantee is a major reason for the comparatively small low-wage sector, which comprises 8.5% of full-time employees. However, the low-wage sector is highly segregated in terms of gender. At more than 12%, the share of low paid women is almost twice as high as for men, where the share is less than 7%.

The Danish minimum wage regime

In Denmark, minimum wages (minimallønnen) are in principle set by collective agreements and thus receive their legal basis. Depending on the sector and collective bargaining area, there are very different forms of wage determination, particularly with regard to the level at which wages are negotiated and fixed. In the so-called normal wage system (Normalløssystemet), most of the salary is set at industry level with little opportunity for local renegotiation. In contrast to the normal wage system, which today still covers roughly 20% of the employees covered by collective agreements, the so-called minimum wage or minimum payment system (Minimallønssystemet/Mindstebetalingssystemet) sets certain minimum wage rates at industry level. The actual salary is

negotiated and determined locally via various wage supplements. This minimum wage or minimum payment system covers about 60% of the employees in companies covered by collective agreements. For the remaining approximately 20% of employees covered by collective agreements, the sectoral agreement does not contain any provisions on wages, which in these cases are entirely locally negotiated.

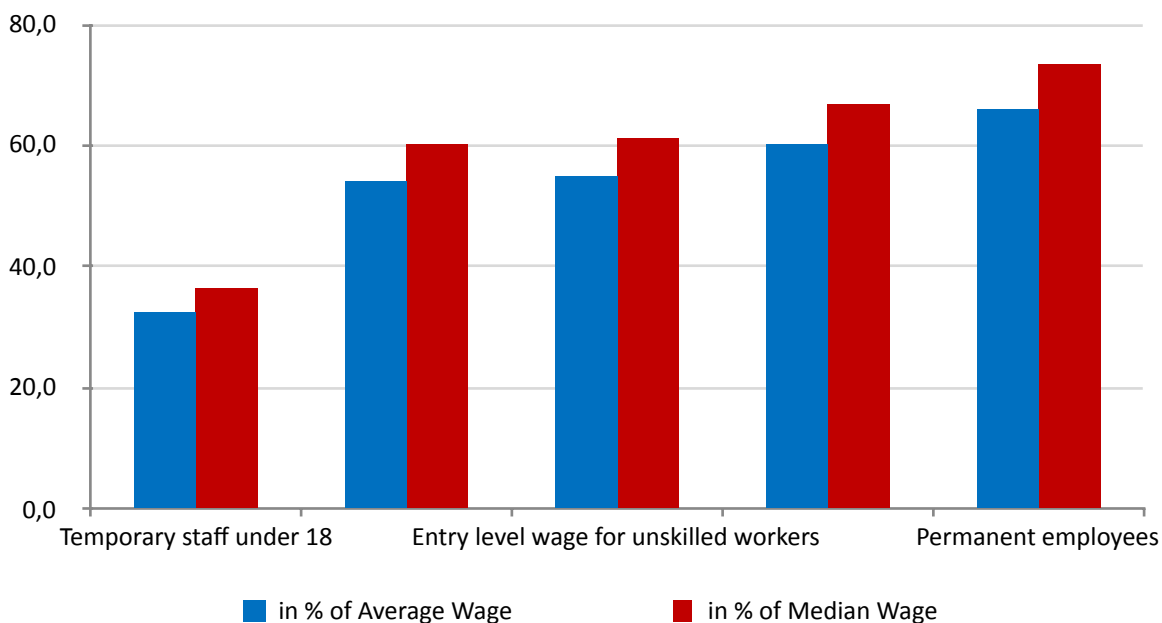
Key data on the Danish minimum wage regime

Legal basis	Collective agreements
Collective minimum wages per hour (2018) (restaurants, with a 37-hour week)	between DKK 74.11 and 150.01 (≈ EUR 9.94 to 20.13)
Collective minimum wages per month (2018) (restaurants)	between DKK 11,882.04 and 24,051.55 (≈ EUR 1,594.22 to 3,227.01)
Minimum wages (restaurants) in % of the...	
median wage (2018)	36.2 to 73.4%
average wage (2018)	32.6 to 66.1%
Low-wage sector (2017): Full-time employees with a wage of less than 2/3 of the full-time median wage; all/women/men	8.5%/11.9%/6.8%
Setting the minimum wage	Autonomous collective bargaining between employers' associations and trade unions
Adjustment interval	every 2-3 years
Collective bargaining coverage (2016)	82.0%
Unionisation rate (2018)	66.5%
Current demands	Defence of the Danish minimum wage regime based on autonomous collective bargaining Rejection of a statutory minimum wage and a binding minimum wage regulation at EU level All trade unions, employers' associations and relevant political parties

Sources: Eurostat; ICTWSS Database Version 6.1; Statistics Denmark (calculations by Jens Arnholtz from FAOS, University of Copenhagen)

Lowest collectively agreed wages in restaurants in Denmark (2018)

in % of median and average wages



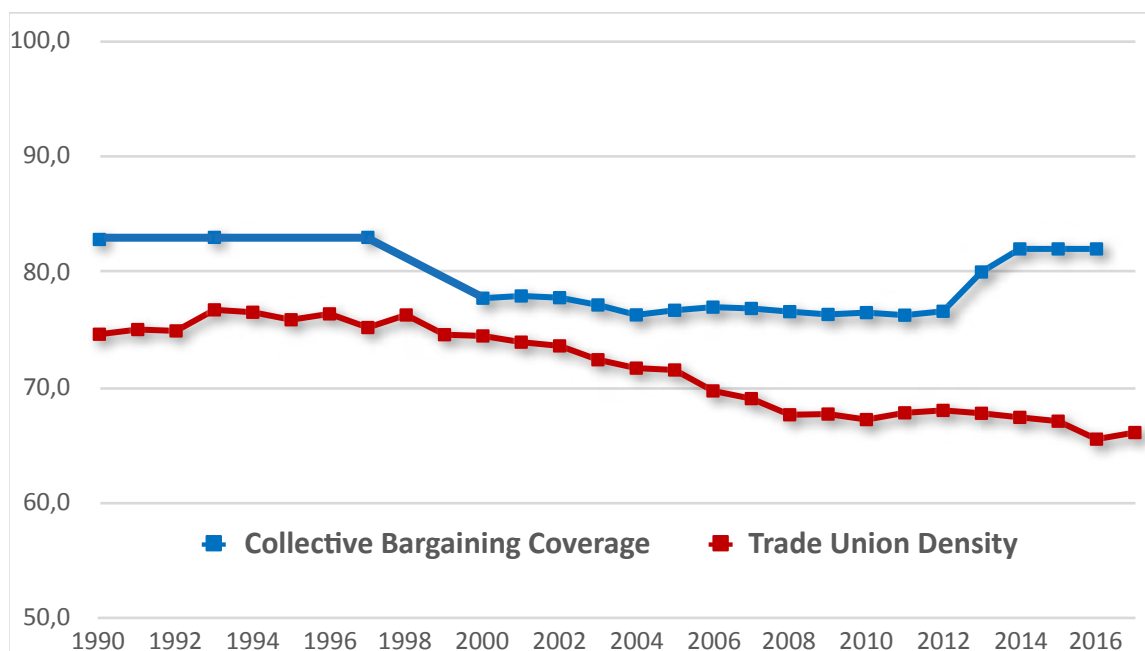
Sources: Collective Agreement „Overenkomst 2017-2020 for restauranter” concluded between the trade union 3F Privat Service, Hotel og Restauration and the employers’ association HORESTA Arbejdsgiver (from 1. March 2018); median and average wages: Statistics Denmark (Calculations by Jens Arnholtz), own calculations

Collective bargaining coverage development

Since the minimum wage regime in Denmark is based on the collectively agreed minimum wage protection, the scope of minimum wages depends primarily on the development of the collective bargaining coverage. In contrast to most EU Member States, the level of collective bargaining coverage in Denmark has been extremely stable over the past decades and, after a slight decline between 2000 and 2010, is now almost back to the level of the 1990s at 82%. This is all the more remarkable as in Denmark, unlike Norway and Finland, there is no system for extending collective agreements. The collective bargaining coverage therefore depends largely on the trade unions’ organisational power. Although the level of organisation of the Danish trade unions is still extraordinarily high by international standards at 66%, the Europe-wide trend of declining mem-

bership figures is not leaving Denmark unaffected. Since the peak in the mid-1990s with 77%, the level of unionisation has fallen by more than 10 percentage points. In addition, the traditional trade union confederations FH (Fagbevægelsens Hovedorganisation) and AC (Akademikernes Centralorganisation) are struggling with the emergence of so-called yellow unions, which do not conclude collective agreements and now account for around 15% of all union members. However, as employers in Denmark are also showing a growing interest in a stable collective agreement system, these developments have not yet had a negative impact on the collective bargaining coverage.

Collective bargaining coverage and unionisation rate in Denmark (1990-2017) in % of employees



Source: ICTWSS Database Version 6.1.

Current debates on the minimum wage

The Danish debate on the European Commission's recent initiative to introduce a Europe-wide minimum wage regulation highlighted the largely unanimous opinion of political and social actors on the issue of a statutory minimum wage. Trade unions, employers and all relevant political actors expressed their support for the Danish model of minimum wage protection based on autonomous collective bargaining and emphasised their opposition to both the Commission initiative and, more generally, the introduction of a statutory minimum wage, as neither is compatible with the Danish model of wage determination.

In the view of the Danish trade unions, statutory minimum wage requirements threaten the system of autonomous collective bargaining, undermine the power to set standards in collective agreements and weaken incentives for membership of associations on both the trade union and the employer side.

Estonia

In Estonia a statutory minimum wage was introduced in 1991 with the transition to a market economy. The statutory minimum wage plays an important political role in Estonia in several respects. On the one hand, the collectively agreed minimum wage protection is only very weak due to the very low level of collective bargaining coverage (just under 19%). The low level of collective bargaining coverage is mainly due to the weakness of Estonian trade unions, which have the lowest degree of unionisation in Europe at less than 5%, and the highly decentralised structure of the collective bargaining system, where negotiations take place mainly at company level. The statutory minimum wage therefore has an important anchor function for overall wage developments. On the other hand, in Estonia many social benefits such as parental benefits, sickness and nursing care benefits and unemployment benefits are linked to the development of the minimum wage.

In addition, the statutory minimum wage is seen as an important instrument to combat the low wage sector, which has remained stable over time at over 20% of full-time employees. As the low-wage sector in Estonia has a disproportionately large share of female employees compared to the rest of Europe, the minimum wage also plays an important role in combating gender pay inequality. This is also reflected in the fact that Estonia has been repeatedly called upon by the European Commission to reduce gender pay inequality in the country-specific recommendations. Another policy component of the minimum wage is its role as a tool to combat labour emigration.

Despite all these policy objectives linked to the minimum wage, the relative value of the minimum wage has remained at a comparatively very low level, currently just over 43% of the median wage and almost 37% of the average wage. In a European comparison, only the Czech Republic and Spain undercut the relative minimum wage value compared to the median.

The Estonian minimum wage regime

The statutory minimum wage in Estonia is based on a cross-industry agreement between the largest trade union confederation EAKL (Eesti Ametiühingute Keskliit) and its counterpart on the employers' side, ETK (Eesti Töoandjate Keskliit). The minimum wage agreement is the only cross-industry agreement in Estonia. On the basis of this agreement, the government determines the minimum wage by ordinance in accordance with section 29 of the employment contracts act (Töölepingu seadus) of 2009. In the November 2019 agreement, EAKL and ETK agreed that from 1 January 2020 the minimum monthly wage would be EUR 584. This corresponds to an hourly wage of EUR 3.48. Through ordinance no. 115 of 19 December 2019 (Töötasu alammäära kehtestamine), the government made the above amounts the statutory minimum wage.

In the 2017 minimum wage agreement, trade unions and employers agreed on a formula for adjusting the minimum wage in the period from 2018-2022. Accordingly, the adjustment of the minimum wage is based on labour productivity and economic growth and on a relative value of at least 40% of the average wage. As the relative value of the minimum wage has so far been below this target, EAKL and ETK confirmed in the latest agreement of autumn 2019 that this value should be reached by 2021. The statutory minimum wage in Estonia applies to all employees with an employment contract without exception for certain categories of workers.

Key data on the Estonian minimum wage regime

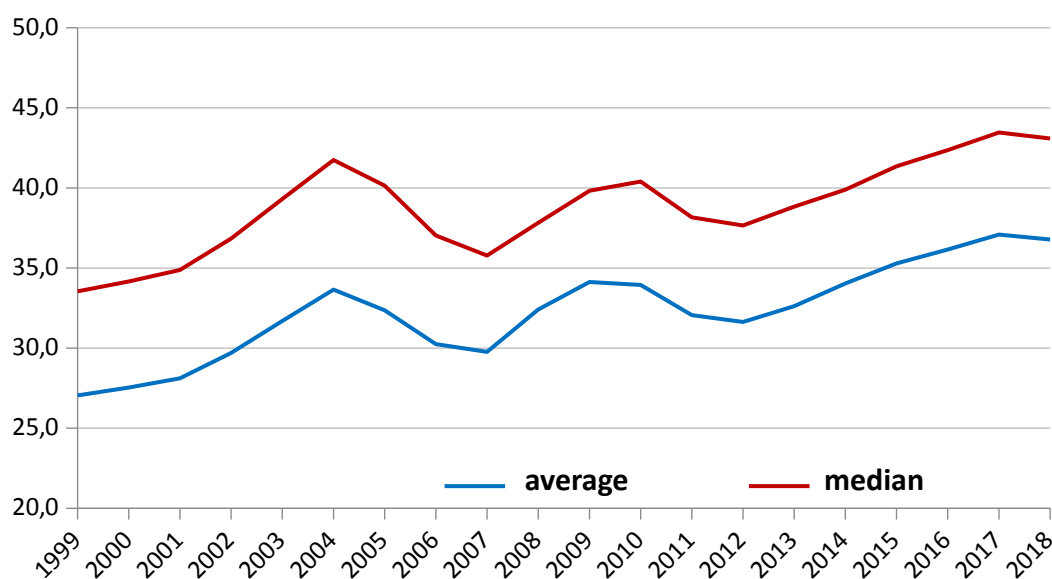
Legal basis	Section 29 of the employment contracts act 2009 (Töölepingu seadus) https://www.riigiteataja.ee/akt/119032019094#para29lg5 In conjunction with a government ordinance (most recently ordinance no. 115 Töötasu alammäära kehtestamine) https://www.riigiteataja.ee/akt/121122019027
Minimum wage per hour (since 1.1.2020)	EUR 3.48*
Minimum wage per month (since 1.1.2020)	EUR 584.00
Minimum wage in % of the ... of full-time employees (2018)	
... median wage	43.1%
... average wage	36.8%
Low-wage sector (2014): Full-time employees with a wage of less than 2/3 of the full-time median wage	
All/women/men	22.1%/29.6%/12.9%
Setting the minimum wage	Collective agreement between trade unions and employers, implemented by government ordinance
Adjustment interval	Annually on 1 January of a year
Adjustment indicators	40% of the average wage by 2021; and orientation to productivity development and economic growth
Exceptions to the minimum wage	None
Collective bargaining coverage (2015)	18.6%
Unionisation rate (2017)	4.3%
Current demands	Perspective increase to 50% of the average wage Trade union EAKL (<i>Eesti Ametiühingute Keskliit</i>) Increase to 60% of the median wage Government party: Estonian centre party (<i>Eesti Keskerakond</i>)

Minimum wage development

After an interim peak of 41.7% of the median wage and 33.7% of the average wage in 2004, the relative minimum wage value fell in the following three years due to the very dynamic general wage development, which was above the development of the minimum wage, which was also rising strongly. A second slump in the relative value of the minimum wage occurred between 2010 and 2012. This was a consequence of the crisis-related freeze of the minimum wage. Since then, there has been a continuous positive trend, with the absolute peak of the relative minimum wage at 43.5% of the median wage and 37.1% of the average wage in 2017. Despite this positive development, the figures show that the minimum wage in Estonia is still far below the poverty threshold of 50% of the median wage.

Minimum wage in Estonia (1999-2018)

in % of the median and average wages of full-time employees



Source: OECD Earnings Database

Current debates on the minimum wage

The current debate on the minimum wage revolves mainly around the adjustment mechanism and the associated level of the minimum wage. In the context of the negotiations on the minimum wage agreement of 2017, employers argued for a stronger alignment of the minimum wage adjustment with economic indicators. In contrast, the trade union side argued for a stronger orientation towards the relative value of the minimum wage, which should be at least 40% of the average wage. The final agreement reached includes both criteria. Since 2018, the adjustment of the minimum wage must be in line with productivity and economic growth and should not be below 40% of the average wage. However, the trade union side makes it clear that it considers an orientation mark of 50% of the average wage to be necessary in the medium to long term. The trade union side is supported by the Estonian centre party (Eesti Keskerakond), which currently provides the Prime Minister in a coalition government. The Estonian centre party

explicitly welcomes the agreement reached to raise the minimum wage to 40% of the average wage by 2021, but sees a longer-term need to raise the minimum wage to 60% of the median wage. The objective of such a substantial minimum wage increase is to enable all workers to live in dignity and to reduce wage inequality so that people are not dependent on state support. The opposition social democratic party (SDE, Sotsiaaldemokraatlik Erakond) announced plans for a particularly far-reaching increase in the minimum wage in 2015, to 800 euros in 2019 if it were to take over the government. To combat in-work poverty, the SDE's plan included increasing the minimum wage by 20% each year between 2015 and 2019 until the EUR 800 mark was reached.

Finland

Finland is one of the few countries in Europe without a statutory minimum wage. Instead, a comprehensive collective bargaining system in which around 90% of all employees work in a company subject to collective bargaining ensures that minimum wages are guaranteed almost across the board. The stability of the collective bargaining system is based primarily on an exceptionally high level of union presence and organising power, which is ensured by the fact that 60% of all employees in Finland are still members of a trade union. The high degree of unionisation is favoured by the so-called Ghent system under which the unions traditionally administer the unemployment insurance funds and thus have a significant incentive to join a union. On the other hand, the high level of collective bargaining coverage is also supported by the widespread use of the extension mechanism, which ensures that all important sectoral collective agreements are universally binding.

Overall, Finland has a comprehensive system of collectively agreed industry minimum wages. The low-wage sector is comparatively small at less than 8%. However, low wage earners are more than twice as prevalent among women (over 10%) as among men. This indicates that partially only relatively low collective wages are paid in many of the more female-dominated service sectors. However, the Finnish trade unions and the majority of the political system in Finland continue to reject a statutory minimum wage, fearing that this would weaken the collective bargaining system. Instead, they argue in favour of coordinating minimum wage policy under collective agreements and raising the level of the lower wage groups.

The Finnish minimum wage regime

In Finland, minimum wages (*minimipalkkojen*) are determined exclusively through collective agreements and receive their legal basis through these agreements. In contrast to Denmark or Sweden, in most cases the industry minimum wages do not only apply to companies bound by collective agreements, but are extended to the entire industry by declaring the collective agreements to be generally binding.

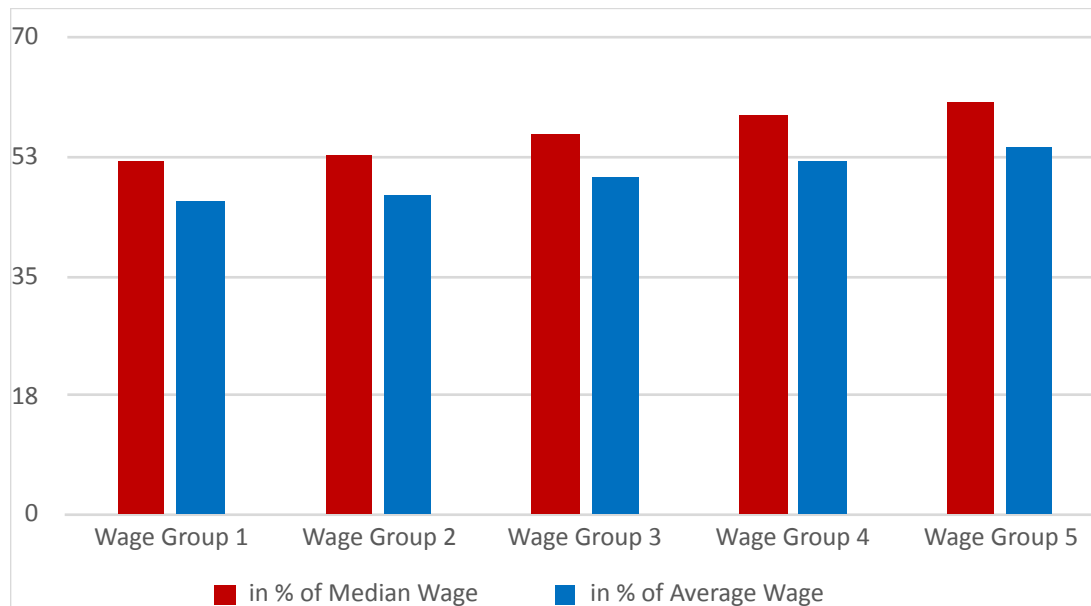
While Finland as a whole has a comparatively small low-wage sector and a rather egalitarian wage structure, there are also relatively low wage groups in collective agreements, especially in some service sectors. This applies, for example, to the hotel, restaurant and leisure industry, where the collectively agreed starting wages (without bonuses) vary between EUR 1,600 and 1,900 per month or EUR 10.60 and 11.70 per hour. This corresponds to a wage level of between 52 and 61% of the median wage or 46 to 54% of the average wage. The collectively agreed minimum wages are thus at a level comparable to the statutory minimum wages in other European countries and are sometimes only just above the poverty wage threshold.

Key data on the Finnish minimum wage regime

Legal basis	Sectoral collective agreements (mostly generally binding)
Collective minimum wages per hour (2018) (hotels, restaurants and leisure industry at 36.7 hours per week)	between EUR 10.60 and 11.70
Collective minimum wages per month (2018) (hotels, restaurants and leisure industry)	between EUR 1,600 and 1,900
Collective minimum wages (hotels, restaurants and leisure industry) in % of the ...	
median wage (2018)	52 to 61%
average wage (2018)	46 to 54%
Low-wage sector (2017): Full-time employees with a wage of less than 2/3 of the full-time median wage; all/women/men	7.6%/10.5%/4.7%
Setting the minimum wage	Autonomous collective bargaining between employers' organisations and trade unions
Adjustment interval	every 2-3 years
Collective bargaining coverage (2016)	91.0%
Unionisation rate (2018)	60.0%
Current demands	Strengthening coordination and establishing a collectively agreed minimum wage standard
	Finnish trade union confederation SAK
	Rejection of a statutory minimum wage
	All trade unions and relevant political parties (except the left party)
	Introduction of a statutory minimum wage of EUR 12
	Finnish left party (<i>Vasemmistoliitto</i>)

Sources: OECD Earnings Database; ICTWSS Database Version 6.1, Statistics Finland, own calculations

Lowest collectively agreed wages in the hotel and restaurant sector in Finland (2018)*
in % of the median and average wages of full-time employees



*Collective agreement for hotels, restaurants and leisure industry of the Finnish service sector trade union *Palvelualojen ammattiliitto (PAM)*, Collectively agreed basic wages from 1 May 2018; the entry level for the first two years
Sources: Trade Union PAM (collectively agreed wages); Statistics Finland (median and average wages); own calculation

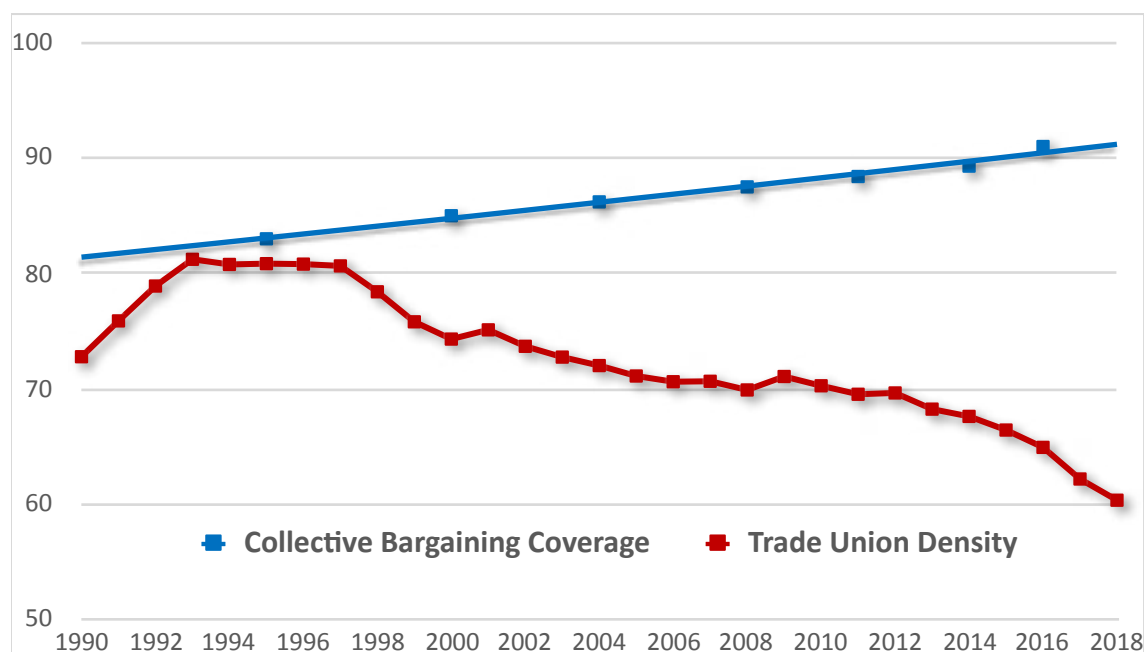
Collective bargaining coverage development

In countries whose minimum wage regimes are primarily based on collectively agreed minimum wage protection, the scope of minimum wages depends primarily on the development of collective bargaining coverage. In Finland, collective bargaining coverage has risen from 83% to over 90% since the mid-1990s, while the unionisation rate fell from around 80% to 60% over the same period. However, despite declining membership, Finnish trade unions have a comparatively high level of organising power. In addition, the Finnish government is making full use of the extension mechanism to systematically support the collective bargaining system.

Although the decline in unionisation has so far not had a negative impact on collective bargaining, it is certainly noticeable in some areas in the level of collectively agreed wages. This is particularly true in some service sectors, where a significantly lower union presence goes hand in hand with particularly low wage groups in collective agreements.

Collective bargaining coverage and unionisation rate in Finland (1990-2018)

in % of employees



Source: ICTWSS Database Version 6.1.

Current debates on the minimum wage

Although the number of low-wage workers in Finland is rather limited, there has been a debate for years about how to raise the wage level more on the lower end of the scale. The Finnish left party (Vasemmistoliitto) is the only one of the parties represented in parliament to call for the introduction of a statutory minimum wage (lakisääteinen minimipalkka) in order to define a lower wage limit for the 10% of employees not covered by collective agreements. Originally, the left party advocated a minimum wage of EUR 10 per hour. At this point, it has increased its demand to EUR 12, which corresponds to a minimum monthly wage of EUR 1,900 to 2,000 depending on weekly working hours and would thus be between 62 and 67% of the median wage. In addition to the left party, some representatives of employers' associations have also spoken out in favour of a statutory minimum wage, but without giving a concrete figure.

The Finnish trade unions, as well as all other parties represented in parliament (including the ruling Finnish social democratic party SDP), however, reject the introduction of a statutory minimum wage as a break with the Nordic model of wage policy. The trade unions fear that a statutory minimum wage regulation could

lead to a weakening of the collective bargaining system and could tend to push down existing collectively agreed minimum wage levels. Instead, the Finnish trade union confederation (SAK) advocates greater coordination of minimum wage policy under collective agreements, with the trade unions themselves formulating a minimum wage level to be enforced as the lowest wage group in all collective agreements. Some years ago, the trade union confederation SAK proposed a minimum wage of EUR 1,800 per month for this purpose.

In contrast to their sister organisations in Denmark and Sweden, the Finnish trade unions also support the initiative for a European minimum wage regulation, as long as the specific features of the Finnish minimum wage regime remain guaranteed. A possible European minimum wage standard of 60% of the median wage could thus be enforced in Finland by collective agreement and would currently correspond to a minimum wage of around EUR 1,900 per month or, depending on the weekly working hours, between EUR 11 and 12 per hour.

Content ↑

France

France has a long tradition of the state setting a lower wage limit. A general statutory minimum wage was first introduced in 1950. Following a fundamental reform in 1970, the general minimum wage (salaire minimum interprofessionnel de croissance, SMIC) assumed the form still in effect today.

Although trade unions in France merely organise just under 9% of all employees, one of the lowest levels of unionisation in Europe, the level of collective bargaining coverage remains extremely high at 94%. The latter is mainly due to the state supporting the collective bargaining system by extending most collective agreements at industry level. Therefore, France has a comprehensive collectively agreed minimum wage guarantee in addition to the statutory minimum wage. However, in many sectoral agreements, the lowest collectively agreed wages are close to or even at the level of the statutory minimum wage. If the statutory minimum wage is then raised, it often exceeds the lowest collectively agreed wages, which must then also be adjusted accordingly. This way, the development of the statutory minimum wage also functions as an important indicator for the development of collectively agreed wages.

The statutory minimum wage in France is currently one of the highest in Europe at EUR 10.15 per hour. This applies all the more to the relative value of the minimum wage in relation to the general wage level, which currently stands at just under 62% of the median wage of full-time employees. The high statutory minimum wage, together with a high level of collective bargaining coverage, contributes significantly to the fact that the low-wage sector in France is comparatively small, accounting for 9% of full-time employees.

The French minimum wage regime

The legal basis of the French minimum wage regime is found in the French labour code (Code du Travail) in articles L3231-2 to L3231-11. The basic aim of the statutory minimum wage is therefore not only to guarantee a subsistence minimum for all employees, but also to enable them to share in the general economic development.

The minimum wage in France applies without exception to all workers aged 18 and over and is set at an hourly rate. The current hourly rate of EUR 10.15 corresponds to a monthly wage of EUR 1,539.42 for a 35-hour week. A special young minimum wage applies to young people under 18 years of age, which is 90% of the adult minimum wage for those between 17 and 18 years of age and 80% of the adult minimum wage for those under 17 years of age.

There are three possible procedures for the regular adjustment of minimum wages. First, there is an indexation to price developments, according to which the minimum wage is automatically increased whenever the consumer price index has risen by more than 2%.

In addition, the minimum wage is adjusted on 1 January of each year, taking into account both price and real wage developments. The minimum wage must be raised at least half as fast as the real wage increase. Before the French government adopts a decree to increase the minimum wage, it consults the national collective bargaining commission (Commission Nationale de la Négociation Collective), which is made up of representatives of the representative trade unions and employers' organisations, as well as various ministries. In addition, since 2009 there has been an expert commission (Groupe d'Experts sur le SMIC), composed of various scientists, which submits an annual report on the effects of the minimum wage and, on this basis, makes a recommendation for further adjustment.

Finally, the French government has the possibility at any time to decide on an exceptional increase in the minimum wage. However, this so-called "Coup de Pouce" has hardly been used in recent years.

Key data on the French minimum wage regime

Legal basis	Labour code (Code du Travail), articles L3231-2 to L3231-11 https://www.legifrance.gouv.fr/download_code_pdf.do?cidTexte=LEGITEXT000006072050&dlType=pdf
Minimum wage per hour (since 1.1.2020)	EUR 10.15
Minimum wage per month (since 1.1.2020)	EUR 1,539.42 for a 35-hour week
Minimum wage in % of the ... of full-time employees (2018)	
... median wage	61.6%
... average wage	49.7%
Low-wage sector (2014): Full-time employees with a wage of less than 2/3 of the full-time median wage All/women/men	9.1%/12.4%/6.7%
Setting the minimum wage	Government after consultation with employers' organisations and trade unions
Adjustment interval	annually on 1 January each year in addition upon increases in consumer prices by 2%
Adjustment indicators	Indexation according to consumer prices At least 50% of real wage increases in average hourly wages
Exceptions to the minimum wage	Lower minimum wage for young people Employees aged 17-18 years: EUR 9.14 per hour (90% of the adult minimum wage) Workers aged under 17 years: EUR 8.12 per hour (80% of the adult minimum wage)
Collective bargaining coverage (2018)	94.0%
Unionisation rate (2018)	8.8%
Current demands	Increase of the minimum wage to EUR 1,800 per month (= EUR 11.87 per hour) Trade unions: CGT Increasing the minimum wage to 80% of the median wage (= EUR 1,915 per month or EUR 12.63 per hour) Trade unions FO European initiative to raise the minimum wage to 65% or 75% of the median wage Parties: Parti Socialiste (PS); La France Insoumise (FI)

Sources: WSI minimum wage database, OECD Earnings Database; ICTWSS Database Version 6.1.

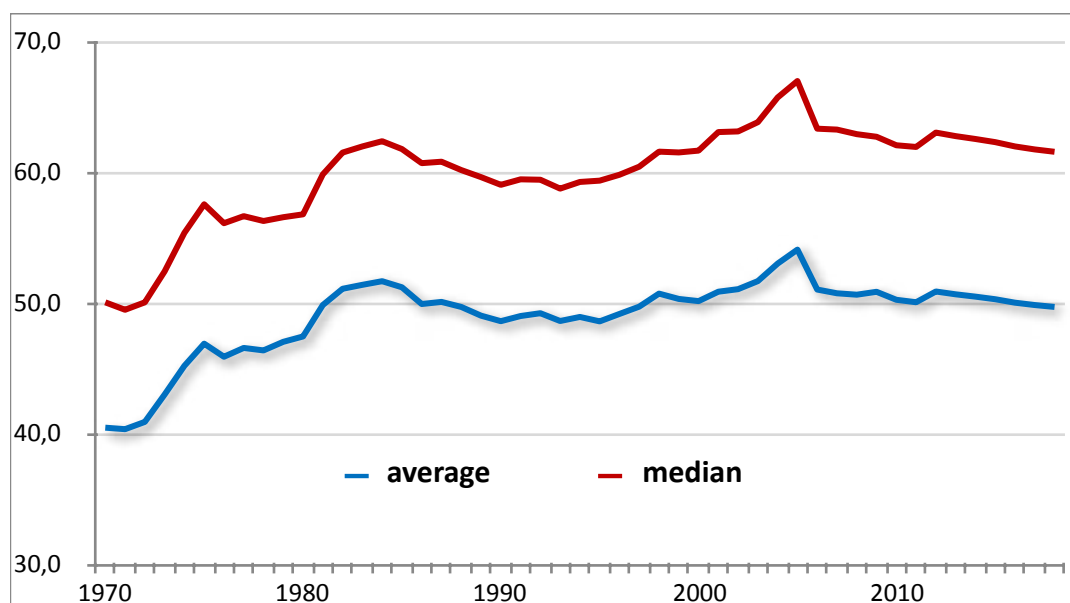
Minimum wage development

With the fundamental reform of the French minimum wage regime in the early 1970s, the relative value of the French minimum wage rose from about 50% of the median wage to over 60%. After a period of slight decline from the mid-1980s to the mid-1990s, the increase continued and reached its highest level ever in 2005, at 67% of the median wage. The latter was also related to the reduction of the statutory working time to 35 hours per week, which, in order to keep the monthly wage of minimum wage earners constant, led to an above-average increase in the minimum hourly wage rate. After falling again, the French minimum wage has remained relatively constant in recent years at around 62% of the median wage.

The relation between the minimum wage and the average wage shows a largely parallel development. After reaching its highest level so far in 2005 at 54%, the French minimum wage is now just below 50% of the average wage.

Minimum wage in France (1970-2018)

in % of the median and average wages of full-time employees



Source: OECD Earnings Database

Current debates on the minimum wage

While hardly anyone in France questions the minimum wage as such, its level has always been the subject of great controversy. Employers' associations in particular complain that the minimum wage level is clearly too high in their view and have been able to push through extensive state subsidies for low wages. Accordingly, companies will have to pay no or only greatly reduced social security contributions up to 1.6 times the minimum wage, which burdens the French budget with several billion euros every year. In addition, the system leads to a minimum wage trap for many employees, as wage increases also lead to the elimination of wage subsidies, making it doubly expensive for companies.

Partly for this reason, there are frequent calls in France for a much slower development of the minimum wage in order to reduce its relative value in relation to the median or average wage. For example, the Groupe d'Experts sur le SMIC, composed mainly of neoliberal economists, has proposed to abolish the automatic indexation of the minimum wage to price developments. In the past, international organisations such as the OECD or the European Commission have also repeatedly criticised the French minimum wage level as too high and called for measures to be taken to reduce it.

On the other hand, there are the trade unions and social movements, such as the Gilets Jaunes, who point out that the minimum wage is by no means a living wage in France either and is only just above the poverty risk threshold. The trade unions therefore advocate an extraordinary increase in the minimum wage beyond the regular adjustment. The CGT union, for example, demands a minimum wage of EUR 1,800 per month. With a 35-hour week, this corresponds to a minimum hourly wage of EUR 11.87, which would be over 70% of the French median wage. The FO union has even argued for an increase in the minimum wage to 80% of the median wage, which according to its own calculations would correspond to a minimum wage of EUR 1,915 per month or EUR 12.63 per hour. The trade unions find political support in the French social democratic party (Parti Socialiste, PS) and the left-wing formation La France Insoumise (FI), which in their European election manifestos advocated for a European minimum wage regulation, according to which all minimum wages are to be raised respectively to 65% (PS) and 75% (FI) of the median wage.

Germany

In Germany, a general statutory minimum wage has only existed since 1 January 2015. Previously, minimum wages were set exclusively by collective agreements. This corresponded to an understanding of collective bargaining autonomy, according to which wages should be determined in autonomous agreements between trade unions and employers' associations without the state intervening in wage determination. As the vast majority of employees were covered by a collective agreement until the 1990s, this also facilitated guaranteeing extensive minimum wage protection.

Since then, however, collective bargaining coverage in Germany has declined continuously, leaving only about half of all employees (54%) protected by collective agreements. At the same time, the low-wage sector has grown significantly. According to the OECD, almost 18% of all full-time employees currently work for less than two-thirds of the median wage. For women, the figure is even just under 24%.

Against this background, the German trade unions fundamentally changed their originally negative position in the 2000s and conducted a comprehensive campaign to introduce a statutory minimum wage. They were initially supported by the left party Die Linke, later also by the social democratic SPD and the green party Bündnis 90/Die Grünen as well as parts of the conservative CDU. Finally, after more than 10 years of political debate, a statutory minimum wage was introduced in 2015 for the first time in the history of Germany.

The German minimum wage regime

The legal basis of the German minimum wage regime is the act on the regulation of a general minimum wage (Mindestlohngesetz – MiLoG) of 11.08.2014. According to this, all employees in Germany have the right to a minimum wage, which is defined as a certain rate of pay per hour. Currently, a minimum wage of EUR 9.35 per hour applies. The monthly wage varies according to the hours worked. However, three groups of employees in particular are still explicitly excluded from the scope of the minimum wage. These include young people under 18 years of age without a vocational training qualification, the long-term unemployed in the first six months of their re-employment, and trainees as part of their training. In addition, a number of sectoral derogations existed for a transitional period, but all of them have now expired.

After the starting amount for the minimum wage was originally set by politicians, all further adjustments are to be made on the recommendation of the so-called minimum wage commission. The latter is composed of three representatives each from employers and trade unions, as well as an independent chairperson. In addition, there are two scientists who

have no voting rights, but only an advisory role. The minimum wage commission is to issue a recommendation every two years for the further adjustment of the minimum wage. The government then only has the choice of accepting the recommendation and implementing it in a corresponding ordinance or rejecting it. In the latter case, however, it would have no legal competence under the minimum wage act to enforce an alternative proposal, so that de facto no adjustment would then take place.

The minimum wage act formulates a number of criteria and indicators for the adjustment of the minimum wage. It stipulates that the minimum wage commission is to examine, within the framework of an overall assessment, which level of the minimum wage is suitable to contribute to an appropriate minimum level of protection for workers, to enable fair and functioning competitive conditions and not to endanger employment. In addition, the minimum wage commission is to be oriented to the development of collectively agreed wages.

Key data on the German minimum wage regime

Legal basis	Minimum wage act (MiLoG) (https://www.gesetze-im-internet.de/milog/BJNR134810014.html)
Minimum wage per hour (since 1.1.2020)	EUR 9.35
Minimum wage per month (since 1.1.2020)	EUR 1,542.75 (38-hour week) EUR 1,617.55 (40-hour week)
Minimum wage in % of the ... of full-time employees (2018)	
... median wage	45.6%
... average wage	40.4%
Low-wage sector (2017): Full-time employees with a wage of less than 2/3 of the full-time median wage	
All/women/men	17.8%/23.6%/14.8%
Setting the minimum wage	Government on the recommendation of the minimum wage commission (with equal representation of employers' associations and trade unions)
Adjustment interval	Recommendation of the minimum wage commission every two years; adjustment annually or biennially
Criteria and indicators for adaptation	Overall balance in terms of adequate minimum protection, fair conditions of competition and impact on employment Orientation towards the development of collectively agreed wages
Exceptions to the minimum wage	Young people under 18 without training; long-term unemployed in the first six months of their re-employment Trainees in training
Collective bargaining coverage (2018)	54.0%
Unionisation rate (2018)	16.5%
Current demands	Increase to EUR 12.00 per hour German trade union confederation (Deutscher Gewerkschaftsbund – DGB); Parties: SPD, Bündnis 90/ Die Grünen, parts of the CDU increase to EUR 13.00 per hour Party: DIE LINKE

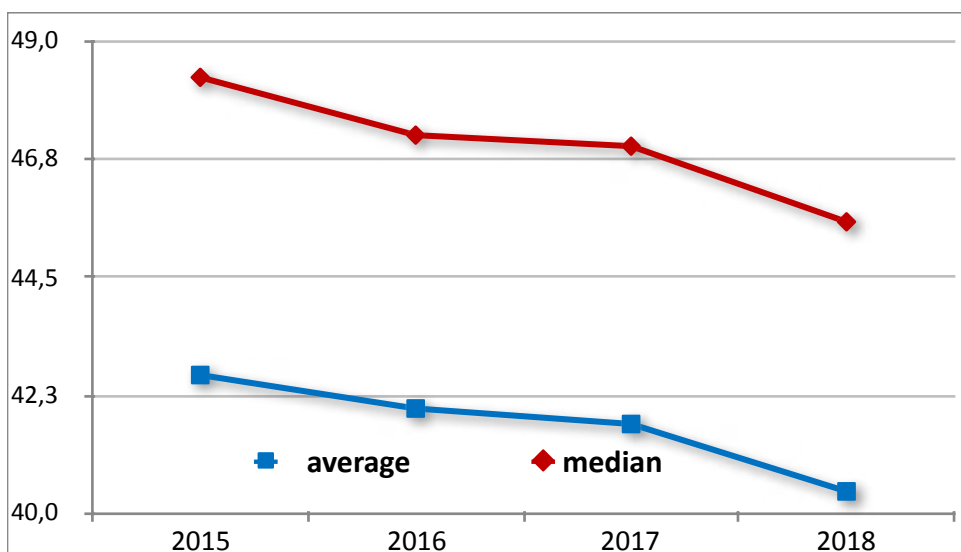
Sources: WSI minimum wage database, OECD Earnings Database; ICTWSS Database Version 6.1.

Minimum wage development

Since the introduction of the minimum wage in 2015, the minimum wage commission has unanimously issued two recommendations to adjust the minimum wage, which were subsequently adopted by the government. In its decision-making process, the minimum wage commission was guided exclusively by the increase in collectively agreed wages. According to this, the minimum wage of originally EUR 8.50 per hour has been raised in three steps to currently EUR 9.35. Over the whole five-year period, this represents an average increase of 2% per year.

Germany started with a comparatively very low figure when the minimum wage was introduced in 2015. Measured in terms of the median wage of full-time employees, the German minimum wage was 48.3% in 2015 and thus well below the 50% threshold of poverty wages. In the following years, the relative value of the minimum wage declined even further, reaching only 45.6% in 2018. A similar picture emerges when looking at the average wage. Here the relative minimum wage level has fallen from 42.6% in 2015 to 40.5% in 2018.

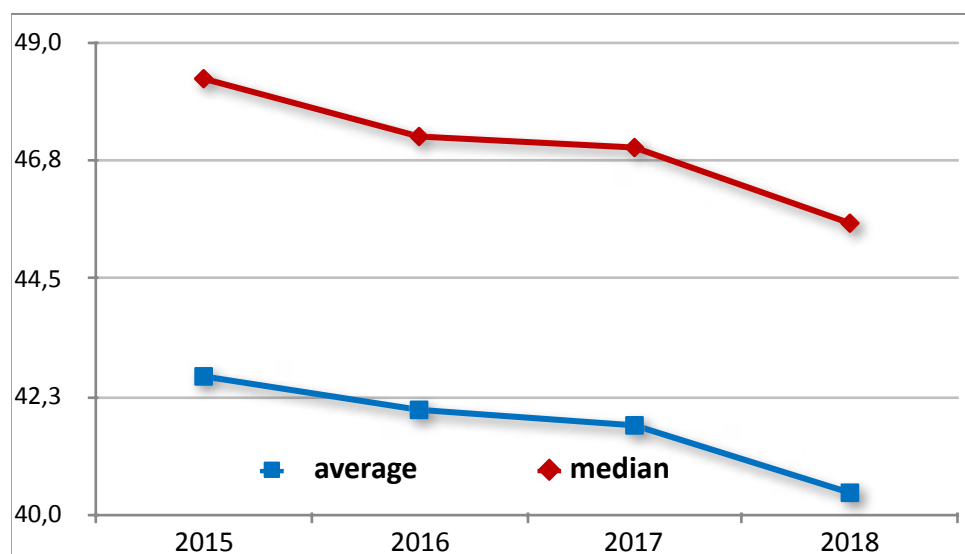
Minimum wage in Germany (2015 - 2020) in EUR per hour



Source: OECD Earnings Database

Relative value of the minimum wage in Germany (2015-2018)

in % of the median and average wages of full-time employees



Source: OECD Earnings Database

Current debates on the minimum wage

Five years after the introduction of the statutory minimum wage in Germany, the balance is rather mixed. On the one hand, the minimum wage has helped more than 4 million workers to achieve partially substantial wage increases, without negative effects on the labour market. On the other hand, the level of the minimum wage is clearly too low to enable even full-time employees to lead a comfortable life without additional state benefits. The German minimum wage was already a poverty wage when it was introduced, and the adjustments made so far have not been suitable for raising it to a level that would secure a decent living standard and prevent poverty.

Against this background, some trade unions called for a significantly higher increase in the minimum wage early on. The party DIE LINKE was the first political party to demand a minimum wage of EUR 12 per hour. This demand is now shared by a broad political spectrum, ranging from the German trade union confederation (DGB) and other social organisations as well as parties SPD, Bündnis 90/Die Grünen and even parts of the CDU. This demand also meets with great support among the population. A minimum wage of EUR 12, which would correspond to about 60% of the median wage in Germany, would ensure that a single full-time employee could

make ends meet. In order to also achieve an appropriate pension entitlement above the guaranteed minimum pension in old age, a minimum wage of EUR 13 would be necessary. Accordingly, more and more representatives of both the party Die Linke and the trade unions are demanding that the minimum wage even be raised to 13 euros.

A minimum wage increase to 12 euros would currently correspond to an increase of 28%, and at 13 euros it would be as much as 39%. More than 10 million employees would directly experience an increase in wages and the overall wage structure in Germany would shift significantly upwards. This would be associated with a large gain in purchasing power, which could further promote economic development in Germany. However, such an extraordinary increase in the minimum wage within the framework of the minimum wage commission and its adjustment framework would hardly be attainable at present. For this reason, policymakers are called upon to reform the German minimum wage regime to facilitate a raise to an appropriate minimum wage level.

Content ↑

Great Britain

In Great Britain, a general statutory minimum wage has only existed since 1 April 1999. The aim of its introduction was to combat the sharp rise in wage inequality in the 1990s. The background to this was the fact that the minimum wage protection provided by collective bargaining was only very patchy, after the level of collective bargaining coverage had fallen from about 75% in 1980 to 40% in 1998. In addition, the so-called Wages Councils, which had existed since 1909, were abolished in 1993. The Wages Councils were bodies with equal numbers of employer and employee representatives, which set a minimum wage in specific low-wage sectors with weak trade union representation with the support of “independent” experts.

In introducing the statutory minimum wage, the Labour government of the time adopted a very cautious approach with a comparatively low minimum wage of just over 40% of the median wage. This in turn was the starting point for a civil society Living Wage initiative that first originated in London in 2001 and expanded to the whole of Great Britain 10 years later. The main criticism of the Living Wage campaign was that the low statutory minimum wage was not sufficient to effectively combat in-work poverty. Institutionally, the campaign was supported by the Living Wage Foundation, which has been calculating the wage necessary to ensure a decent standard of living since 2011 on the basis of a basket of goods and services. Currently, this voluntary Living Wage for Great Britain, at GBP 9.30, is around 7% above the statutory minimum wage for employees over 25 years of age, and that for London, at GBP 10.75, is around 20% above the statutory minimum wage. Due to its voluntary nature, the coverage of the Living Wage is comparatively small. In 2019, 6,000 companies with about 180,000 employees were accredited as so-called “Living Wage companies”.

However, the political significance of the campaign was enormous, as it put the issue of in-work poverty at the centre of the political debate. The political success of the Living Wage campaign is also reflected in the fact that in 2016 the then conservative government substantially increased the minimum wage and called this “new” minimum wage for employees aged 25 and over the National Living Wage. The political significance is also shown by the fact that trade unions and parties such as the Labour Party and the Scottish National Party are currently calling for an increase in the minimum wage to the level of the Living Wage. This is due to the fact that the low-wage sector in the UK remains large and highly segregated by gender at 19% of full-time employees.

The British minimum wage regime

The legal basis of the British minimum wage regime is the National Minimum Wage Act passed in 1999. The current level of the minimum wage is determined by a so-called National Minimum Wage (Amendment) Regulation. From April 2020, the statutory minimum wage for employees aged 25 and over will be GBP 8.72, or EUR 9.93. The design of the minimum wage level has become increasingly complex over time due to the increase in lower minimum wage rates differentiated by age. Whereas when it was introduced in 1999 there were only two

minimum wage scales for employees aged 18-21 and an adult minimum wage for employees aged 22 and over, there are now five different minimum wage categories according to age, as shown in the table below. These range from the adult minimum wage for workers aged 25 and over to the minimum wage for trainees, which is less than 50% of the adult minimum wage. The latter applies to all trainees between the ages of 16 and 18 and to older trainees in their first year of training.

Table: Minimum wage graduated by age (from April 2020)

	25 years and older	21-24 years	18-20 years	Under 18 years	Trainees
GBP	8.72	8.20	6.45	4.55	4.15
EUR	9.93	9.34	7.35	5.18	4.73
% of full minimum wage	100	94	74	52	48

Source: Low Pay Commission

In Great Britain, the minimum wage is adjusted per government ordinance based on the recommendation of the Low Pay Commission established in 1997. It consists of nine members with equal numbers of representatives from the employer and employee sides and from the scientific community. The task of the Low Wage Commission is to provide empirically based advice to the government in setting minimum wage levels. The Commission must take two objectives into account. On the one hand, the minimum wage is intended to improve the situation of low-wage earners, however without having a negative impact on employment and competitiveness. In the past, all recommendations have been unanimous,

which explains the mostly very cautious adjustment steps of the minimum wage. As an additional criterion, the government introduced targets for the relative value of the minimum wage in 2016. The first target was to increase the minimum wage to 60% of the median wage by 2020. In autumn 2019, the new conservative government announced that it would increase the minimum wage to GBP 10.50 or two-thirds of the median wage by 2024.

Minimum wage development

Since its introduction, the minimum wage has generally risen faster than the general wage trend each year. This is also reflected in the steady growth, with few exceptions, of the relative value of the minimum wage. After a cautious start and the absolute low in 2001 with 40.2% of the median wage and 33.1% of the average wage, respectively, the relative value rose continuously until the beginning of the financial crisis in 2007. With the beginning of the crisis, the recommendations of the Low Wage Commission were much more cautious and were essentially based on general wage developments, so that the relative value of the minimum wage more or less stagnated

from 2007 to 2011 and only grew by less than two percentage points in the four years to 2015. In 2016, with the introduction of the National Living Wage, the minimum wage jumped four percentage points to 52.7% of the median wage and was therefore above the poverty wage threshold. In the following two years until 2018, the minimum wage continued to develop dynamically, putting the relative minimum wage in Great Britain, at 54.5% of the median wage, in the upper midfield in Europe. Due to the continued dynamic development in 2019 and 2020, which has not yet been taken into account in the OECD data, a further increase in the relative value is to be expected.

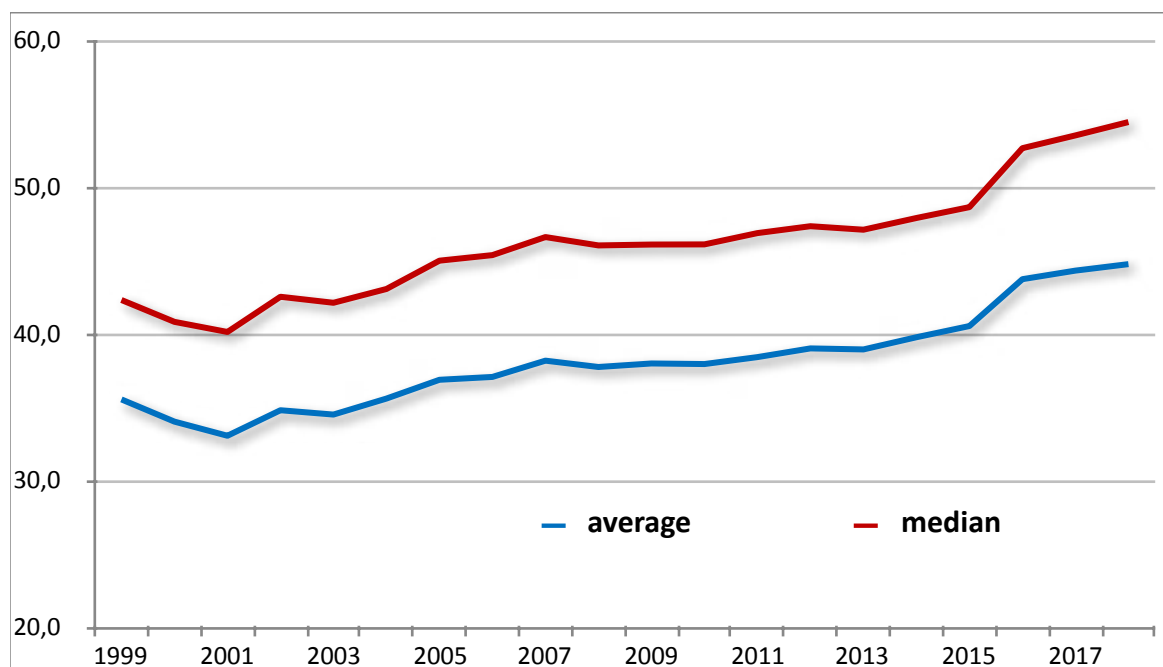
Key data on the British minimum wage regime

Legal basis	<i>National Minimum Wage Act of 1998</i> https://www.legislation.gov.uk/ukpga/1998/39/contents In conjunction with a <i>National Minimum Wage (Amendment) Regulation</i> : currently for 2019: http://www.legislation.gov.uk/uksi/2019/603/introduction/made
Minimum wage per hour (since 1.2.2020)	GBP 8.72 (= EUR 9.93)
Minimum wage per month (since 1.2.2020)	GBP 1,438.80 (= EUR 1,639.15) (based on a 38-hour week = 165 hours per month)
Minimum wage in % of the ... of full-time employees (2018)	
... median wage	54.5%
... average wage	44.8%
Low-wage sector (2018): Full-time employees with a wage of less than 2/3 of the full-time median wage	
All/women/men	19.0%/25.5%/14.7%
Setting the minimum wage	Government on recommendation of the Low Pay Commission
Adjustment interval	annually on 1 April of each year since 2017
Adjustment indicators	Overall balance between adequate minimum protection and impact on employment and competitiveness Relative value of the minimum wage: two-thirds of the median wage by 2024
Exceptions to the minimum wage	Lower minimum wage for young people and trainees, graduated according to age
Collective bargaining coverage (2016)	34.0%
Unionisation rate (2016)	24.1%
Current demands	Increase to two thirds of median wage by 2024 (GBP 10.50 = EUR 11.96) Conservative Party Immediate increase to Living Wage level of GBP 10 (= EUR 11.39) Trade unions: Trades Union Congress, TUC Parties: Labour Party, Scottish National Party

Sources: WSI minimum wage database, OECD Earnings Database; ICTWSS Database Version 6.1.

Minimum wage in Great Britain (1999-2018)

in % of the median and average wages of full-time employees



Source: OECD Earnings Database

Current debates on the minimum wage

The current debate on the minimum wage is strongly influenced by two developments. On the one hand, there is the still very high general and gender-based pay inequality. This is reflected in the large low-wage sector and the fact that the gender pay gap in Britain within the EU is only surpassed by that in Germany and the Czech Republic. On the other hand, electoral tactics play an important role, as the new conservative government is trying to win over new voter strata that were previously more inclined towards the Labour Party by raising the minimum wage. In view of this, there are currently a number of proposals to increase the minimum wage, with the voluntary Living Wage as an important reference point. The conservative government announced in autumn 2019 that it would increase the adult minimum wage – the so-called National Living Wage – to GBP 10.50 or two-thirds of the median wage over the next five years until 2024, with the restriction that this would only be implemented if the country's economic

situation allowed. In return, the British Trades Union Congress (TUC) and the Labour Party are calling for an immediate increase in the minimum wage to the Living Wage level of GBP 10 and the abolition of the lower minimum wage rates graduated according to age. A similar demand for an immediate increase in the minimum wage to the level of the Real Living Wage calculated on the basis of a basket of goods and services is found in the programme of the Scottish National Party, the second largest opposition party.

Greece

Legislation on minimum wages was first introduced in Greece in 1953. Since the fundamental reform of collective agreements in the early 1990s, the Greek minimum wage has no longer been set by law, but by a national collective agreement between the employers' and trade unions' umbrella organisations. However, during the international economic and financial crisis starting in 2009, the European Stability Mechanism (ESM) imposed a fundamental change on Greece's minimum wage regime as part of its lending policy. Under pressure from the troika consisting of the European Commission, the European Central Bank and the International Monetary Fund, the minimum wage previously agreed in collective bargaining was reduced by 22% in 2012 and replaced by a statutory minimum wage.

At the same time, at the insistence of the troika, the Greek collective bargaining system, which had been very comprehensive up to then, was also significantly weakened. Measures such as the abolition of the extension mechanism and favourability principle have brought about a far-reaching decentralisation of collective bargaining. The result was a dramatic decline in the number of employees covered by collective bargaining from almost 100% to just 25%.

The Greek minimum wage regime

The current legal basis of the Greek minimum wage regime is article 103 of law no. 4172 of 2013. According to this, there is a statutory minimum wage in Greece (κατώτερος μισθός), which is set by decree by the Greek government. Currently, the minimum wage is EUR 650.00 per month, which corresponds to a minimum hourly wage of EUR 3.76 for a 40-hour week. Taking into account that in most cases in Greece 14 monthly salaries are paid per year, this corresponds to a minimum wage of EUR 758.33 per month or EUR 4.38 per hour.

The statutory minimum wage in Greece applies to all employees without exception. From 2012 to 2019, a special youth minimum wage rate applied to employees under 25 years of age, which was 11% below the regular minimum wage. After the end of the ESM programme, this special minimum wage for young people was abolished by the Syriza government in February 2019.

In terms of minimum wage adjustment, law no. 4172 provides for an extensive tripartite consultation procedure between the Greek government, employers' organisations and trade unions. Scientific experts and research institutes (including the Bank of Greece, the national statistics institute, the trade union research institute INE – GSEE, and others) are also involved. The entire consultation process is coordinated by a three-member committee consisting of representatives of the Ministry of Labour and Finance and the president of the state arbitration authority OMED. On the basis of the recommendations made in this consultation process and taking into account the economic context (growth, prices, employment, other wage developments, etc.), the Greek government then decides on the adjustment of the minimum wage.

Key data on the Greek minimum wage regime

Legal basis	Law no. 4172/2013, article 103 (Νόμος 4172/2013 - Άρθρο 103) https://www.kodiko.gr/nomologia/document_navigation/250460/nomos-4172-2013
Minimum wage per hour (since 1.2.2019)	EUR 3.76 (with 14 monthly salaries: EUR 4.38)
Minimum wage per month (since 1.2.2019)	EUR 650.00 (with 14 monthly salaries: EUR 758.33)
Minimum wage in % of the ... of full-time employees (2018)	
... median wage	47.3%
... average wage	32.3%
Low-wage sector (2017): Full-time employees with a wage of less than 2/3 of the full-time median wage	
All/women/men	15.9%/17.9%/14.5%
Setting the minimum wage	Government, after consultation with employers' organisations, trade unions and scientific experts
Adjustment interval	undefined
Adjustment indicators	No mandatory criteria (consideration of basic economic data such as growth, prices, average monthly wage etc.)
Exceptions to the minimum wage	none
Collective bargaining coverage (2016)	25.5%
Unionisation rate (2016)	20.2%
Current demands	Restoring the old minimum wage regime based on collective agreement and the minimum wage level before 2012 Trade unions: GSEE Parties: Syriza

Sources: WSI minimum wage database, OECD Earnings Database; ICTWSS Database Version 6.1.

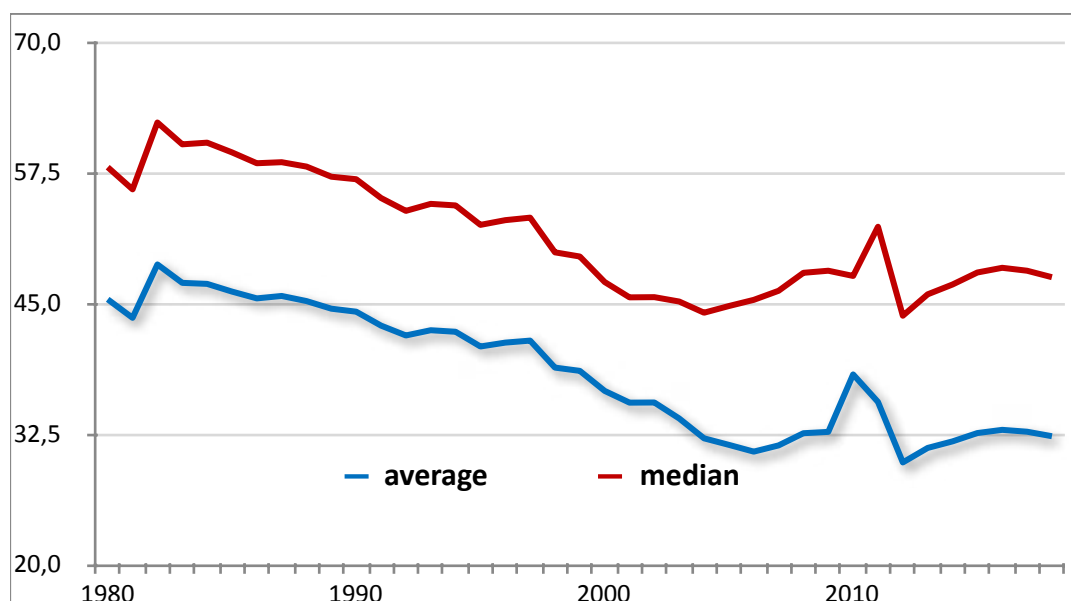
Minimum wage development

In the early 1980s, the minimum wage in Greece was still over 62% of the median wage. However, this did not reflect a particularly high minimum wage, but rather a generally rather low wage level, which was also reflected in a low median wage. Between the early 1980s and the mid-2000s, the development of the Greek minimum wage lagged almost consistently behind the general wage trend. The fact that the minimum wage has been set by a national collective agreement since the 1990s has not changed this. In 2004, the Greek minimum wage reached its temporary low, at only 44% of the median wage.

In the following years, the relative minimum wage value then rose slightly for the first time, until it jumped to over 52% in 2011. However, the latter was by no means the result of a particularly large increase in minimum wages, but rather the fact that most wages in Greece were cut sharply in the wake of the economic and financial crisis. The median wage also fell as a result. In 2012, the general reduction in wages was then supplemented by a corresponding reduction in the minimum wage, with the result that the minimum wage fell back below 44% of the median wage.

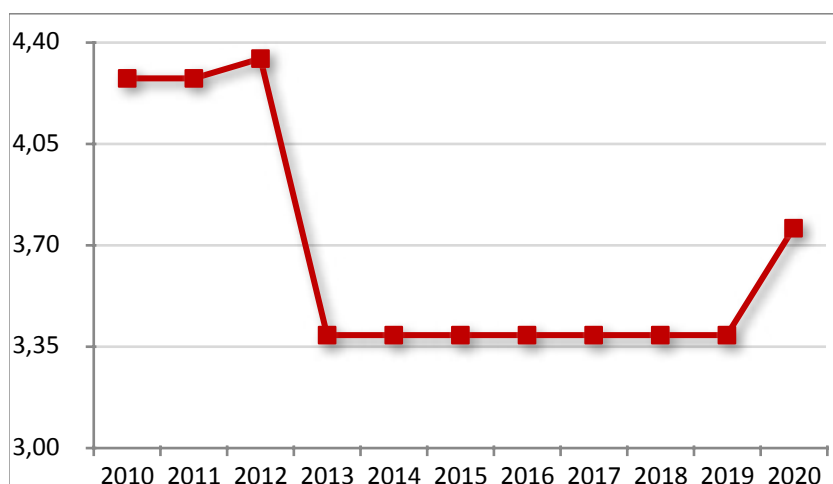
Although the minimum wage was effectively frozen in the years after 2012 under pressure from the troika, its relative value compared to the median wage has risen slightly again, suggesting that the median wage continued to show a downward trend even in this period. It was only after the EMS programme ended that the minimum wage was raised again by decision of the Syriza government of the time. However, it is still well below the level of 2011.

Minimum wage in Greece (1980-2018)
in % of the median and average wages of full-time employees



Source: OECD Earnings Database

Minimum wage in Greece (2010-2020) in EUR per hour*



* with a 40-hour week; on 1 January of each year

Source: WSI minimum wage database

Current debates on the minimum wage

At the beginning of 2020, the current conservative government launched the consultation process for a possible future increase in the minimum wage provided for under the Greek minimum wage act. The Greek trade union confederation GSEE, which has always opposed the reduction of the minimum wage, is not only calling for the minimum wage to be raised immediately to its old level of 2011, but also wants to restore the old minimum wage regime, under which the minimum wage is negotiated jointly with the employers' associations within the framework of national collective agreements.

The Greek left-wing party Syriza which is now in opposition has now presented a draft law in the Greek Parliament according to which the minimum wage is to rise by 7.5% in 2020 and 2021 respectively, bringing it back to 2011 levels. From 2022, Greece is then to return to the old minimum wage regime and leave the determination of the minimum wage to the national collective bargaining parties. The conservative governing party Nea Dimokratia has also spoken out in favour of a larger increase in the minimum wage, but without mentioning a concrete amount to date. However, a further increase in the Greek minimum wage is not expected before early summer 2020 at the earliest, when the consultation process currently underway will be completed.

Hungary

An initial national monthly minimum wage was introduced by the last communist government in 1989. In its current form, the minimum wage is based on the labour code, which was fundamentally revised in 2012. Since in Hungary only one in five employees is covered by a collective agreement, the statutory minimum wage is of central importance for the determination of an appropriate wage floor in view of the weak minimum wage protection provided by collective agreements. All the more so as in Hungary the low-wage sector still accounts for almost 20% of full-time employees, even after the comparatively dynamic minimum wage development in recent years. The statutory minimum wage is also of political importance since in Hungary, many social benefits such as job-seekers' benefits are linked to the minimum wage, meaning the level of the minimum wage has far-reaching implications there as well. In addition, trade unions' participation in setting the minimum wage within the framework of national tripartite dialogue structures is of great importance, as this partly compensates for the lack of sectoral bargaining structures. However, the right-wing populist government under Prime Minister Viktor Orbán in office since 2010 has gradually reduced the participation rights of trade unions and employers in setting the minimum wage within the tripartite bodies.

The Hungarian minimum wage regime

The Hungarian minimum wage regime is based on article 153 of the 2012 labour code. This states that the minimum wage (bérminimum) is set by the government as a monthly and hourly wage per ordinance. However, the adoption of an ordinance is preceded by two consultation processes. First, the government consults the tripartite permanent consultative forum of the private sector and the government (Versenyszféra és a Kormány Állandó Konzultációs Fóruma, VKF). In 2011, this replaced the council for national reconciliation of interests (Országos Érdekegyeztető Tanács, OÉT), which had much more extensive co-determination rights in setting the minimum wage. The VKF has a purely advisory function. When trade unions, employers and the government agree on a recommendation in the VKF, the government submits it to the national economic and social council (Nemzeti Gazdasági és Társadalmi Tanács, NGTT) for discussion in a further consultation step. If the three parties in the VKF cannot agree on a recommendation, the government can submit its own proposal to the NGTT. The NGTT is a dialogue forum that has also been in existence since 2011 and includes not only trade unions and employers but also other civil society actors. It also has no decision-making power, meaning the final decision on the minimum wage rests with the government, which adopts a regulation taking into account the discussions in the NGTT.

With the adoption of government ordinance 367/2019 (XII. 30), the statutory national minimum wage (for full-time employees) (kötelező legkisebb munkabér) has been 161,000 forints (HUF) per month and 926 forints (HUF) per hour since 1 January 2020, which is equivalent to EUR 494.93 per month and EUR 2.85 per hour. Excluded from this minimum wage are employees in public work programmes who are not subject to the labour code. In addition, since 2006, a so-called guaranteed minimum wage for more highly qualified employees (garantált bérminimum) has been in force, which is about 30% higher. The level of these guaranteed minimum wages for higher-skilled workers has been 210,600 forints (HUF) (= EUR 647.41) per month and 1,211 forints (HUF) (= EUR 3.72) per hour since 1 January 2020. The increase of the minimum wage in Hungary does not follow fixed criteria. Article 153 of the labour code merely refers to the fact that the level of the statutory national minimum wage should be based on the development of the labour market and the economy and on the specific requirements of certain professions, economic sectors and regions.

Key data on the Hungarian minimum wage regime

Legal basis	Article 153 of the labour code of 2012 (2012. évi I. törvény a munka törvénykönyvéről) https://www.ilo.org/dyn/travail/docs/2557/Labour%20Code.pdf in conjunction with a government ordinance (<i>Kormányrendelet</i>); currently for 2020: https://net.jogtar.hu/getpdf?docid=A1900367.KOR&targetdate=&printTitle=367/2019.%20%28XII.%2030.%29%20Korm.%20rendelet
Minimum wage per hour (since 1.1.2020)	926.00 forints (HUF) = EUR 2.85*
Minimum wage per month (since 1.1.2020)	161,000 forints (HUF) = EUR 494.93
Minimum wage in % of the ... of full-time employees (2018)	
... median wage	51.8%
... mean wage	39.5%
Low-wage sector (2016): Full-time employees with a wage of less than 2/3 of the full-time median wage All/women/men	19.6%/21.1%/18.1%
Setting the minimum wage	Government after consultation with trade unions and employers
Adjustment interval	Annually on 1 January of a year
Adjustment indicators	No specified criteria
Exceptions to the minimum wage	Employees in public work programmes are excluded from the minimum wage Approximately 30% higher minimum wage for employees with higher qualification
Collective bargaining coverage for employees (2017)	20.5%
Unionisation rate (2018)	7.9%
Current demands	Trade unions: Support for the initiative to create a European minimum wage of at least 60% of the median wage Stronger increase of the minimum wage to cover the subsistence level Parties: Hungarian socialist party, MSZP (Magyar Szocialista Párt) supports initiative to create a European minimum wage and increase the minimum wage further

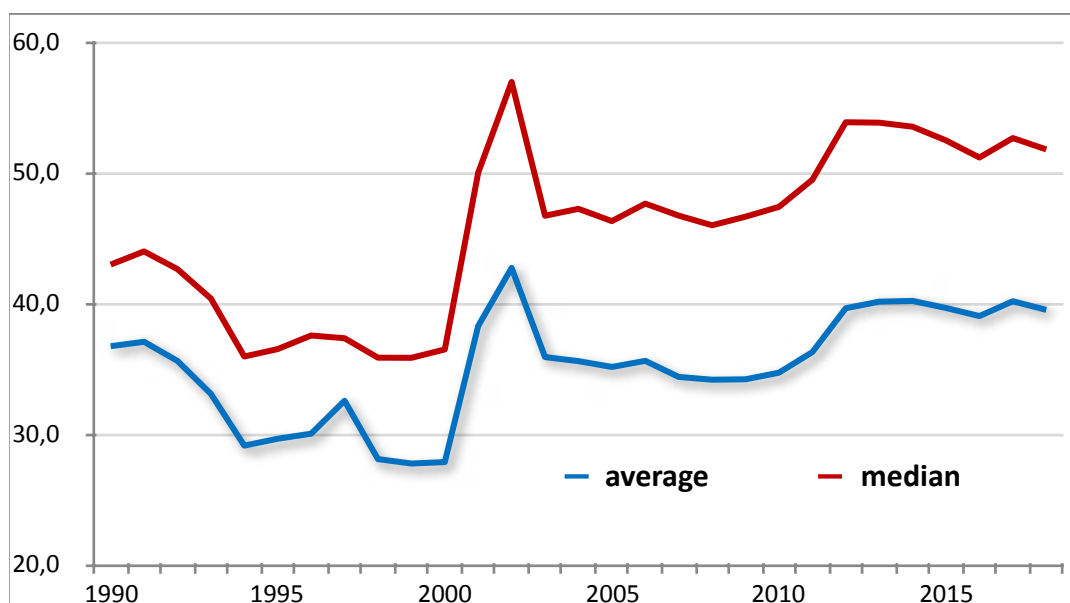
Sources: WSI minimum wage database, OECD Earnings Database; ICTWSS Database Version 6.1.

Minimum wage development

The year 2001 marks the central turning point in the development of the minimum wage in Hungary. At far less than 40% of the median wage, Hungary was one of the countries with the lowest relative minimum wage in the EU before 2001. In April 2000, the first right-wing populist Fidesz government under Prime Minister Victor Orbán decided to almost double the minimum wage in two steps from 25,500 forints (HUF) (= EUR 78.39) in 2000 to 50,000 forints (HUF) (= EUR 153.70). This move catapulted Hungary into the top group of countries with the highest relative minimum wage, which in 2002 was 57% of the median wage and 42.7% of the average wage. The government justified the minimum wage increase with the aim of creating employment incentives by widening the gap between benefits and the minimum wage. Another objective was to combat hidden wage payments and thus tax evasion.

After the minimum wage was not increased in 2003, the relative minimum wage level fluctuated between 46 and 47% of the median wage or 35 and 36% of the average wage over the following seven years from 2003 to 2010. The start of the second Orbán administration in May 2010 heralded the next phase of dynamic minimum wage development. Between 2010 and 2012, the relative minimum wage increased by more than six percentage points to 53.9% of the median wage. Since then, the relative minimum wage has been between 51% and 53% of the median wage or around 40% of the average wage and is thus constantly above the poverty wage threshold of 50% of the median wage. In 2018, trade unions and employers agreed to increase the minimum wage by 8% in 2019 and 2020 respectively, including a clause stating that after one year, the second increase would be reviewed on the basis of key economic data. In view of Hungary's improved economic development, the unions demanded a higher increase, but this was rejected by the employers, so the government unilaterally decided to stick with the originally agreed increase of 8%.

Minimum wage in Hungary (1990-2018)
in % of the median and average wages of full-time employees



Source: OECD Earnings Database

Current debates on the minimum wage

The current debate on the minimum wage is determined by three elements. For one, the trade unions – in particular the two largest union confederations, MSZSZ (Magyar Szakszervezeti Szövetség) and Liga (Független Szakszervezetek Demokratikus Ligája) – demanded renegotiation of the second stage of the minimum wage increase for 2020 set in 2018 due to Hungary's improved economic development. Instead of the fixed increase of 8%, they pleaded for a double-digit increase, but the government did not act on this. In the longer term, the trade unions demand an increase in the minimum wage to a level that covers the subsistence level. In this sense, the Hungarian trade unions also support the initiative launched by the European Commission in January 2020 to create a European minimum wage. In addition, the trade unions are advocating a greater say in the setting of the minimum wage, as the powers of the existing

tripartite bodies have increasingly been curtailed under the right-wing populist government. The trade unions receive political support from the Hungarian socialist party, MSZP (Magyar Szocialista Párt), which also supports the introduction of a European minimum wage and, with reference to developments in the other Visegrád states Poland, the Czech Republic and Slovakia, is demanding a substantial increase in the minimum wage.

Ireland

Ireland is a latecomer to the introduction of a statutory minimum wage which did not take place until 2000. The Irish minimum wage regime has two specific features. On the one hand, in addition to the statutory minimum wage, specific minimum wages laid down by regulation exist in some sectors. On the other hand, in addition to the statutory minimum wage, a so-called “Living Wage Initiative” developed along the lines of the UK, which regularly calculates its own living wage for Ireland, which in 2019 was EUR 12.30 and thus 26% higher than the statutory minimum wage at that time. The Living Wage Initiative was born in 2014 from the realisation that the statutory minimum wage was not sufficient to ensure an adequate standard of living. Despite a relatively high absolute value of the minimum wage of EUR 10.10 in 2020, the minimum wage in Ireland is still a poverty wage compared to the median wage. This is also reflected in the large low-wage sector in the European context, which accounted for 23% of full-time employees in 2014. The living wage therefore plays an important political role as a reference criterion for calls for a substantial increase in the minimum wage to combat in-work poverty. The importance of the statutory minimum wage for ensuring an adequate wage is also reflected in the weak minimum wage protection provided by collective agreements, given that only 34% of the workforce is covered by collective agreements.

The Irish minimum wage regime

The legal basis of the Irish minimum wage regime is the 2015 National Minimum Wage (Low Pay Commission) Act as an amended version of the original Minimum Wage Act of 2000. The amendment was made due to the introduction of the Low Pay Commission. The Minimum Wage Act of 2015 therefore defines the basic principles of the minimum wage and the role and function of the Low Pay Commission in its adaptation.

The Low Pay Commission consists of eight members and an independent chairperson. Its eight full members are each composed of three representatives of the employers and employees and two academics. According to the law, the task of the Low Pay Commission is to make a recommendation to the government for a minimum wage that improves the situation of as many low-wage earners as possible without at the same time leading to negative consequences for employment and the economy. The recommendations are adopted by simple majority. There are no fixed criteria for the annual adjustment of the minimum wage. In formulating its recommendation, however, the Low Pay Commission must take into account the impact on general wage trends, social inequality, employment, unemployment, competitiveness and the general cost of living. International comparisons also play a role, especially with the situation in Great Britain and Northern Ireland. Based on the recommendation of the Low Pay Commission,

the government adopts a National Minimum Wage Order, which sets the current minimum wage level. According to the minimum wage order passed in January 2020, the minimum wage has been EUR 10.10 per hour for all employees since 1 February 2020, which corresponds to a monthly hourly wage of EUR 1,706.90 on the basis of a 39-hour week. In Ireland, all employees younger than 20 years of age are exempt from the minimum wage. A special youth minimum wage, graduated according to age, applies to them. For workers aged 19, the minimum hourly wage is EUR 9.09, which is 90% of the adult minimum wage. For 18-year-olds, the minimum wage per hour is EUR 8.08, which is 80% of the minimum wage for adults. Employees younger than 18 years of age are entitled to EUR 7.07 per hour, which is only 70% of the adult minimum wage. The reduced minimum wage for trainees, which had existed since the introduction of the statutory minimum wage, was abolished in March 2019.

In addition to the statutory minimum wage, Ireland has two special types of minimum wage protection for specific sectors through regulations. The first is the so-called Sectoral Employment Order, in which, at the request of one or both parties to the collective agreement, the labour court recommends that the government issue an order to regulate certain aspects of the employment relationship in the specific sector, such as pay and pension or sickness benefit arrangements. A sectoral employment regulation has a legally binding character for all employees in the sector. There are currently three sectoral employment orders in the mechanical engineering building services contracting sector, the construction sector and the electrical contracting sector.

The second type of order is the so-called Employment Regulation Order in sectors where wages are particularly low and there is no established system of collective bargaining. In these sectors, a Joint Labour Committee, composed equally of employer and trade union representatives, formulates a proposal for an order on minimum wages and employment conditions. In order to be legally effective, the order proposed by the Joint Labour Committee must be adopted by the labour court and then, based on the proposal of the labour court, adopted by the government as an employment regulation order. This order then applies to the whole sector. An employment regulation order of this nature currently exists to regulate employment in the contract cleaning industry and the security industry. Both the minimum wages laid down in the sectoral employment orders and the minimum wages laid down in the employment regulation orders are in some cases much higher than the statutory minimum wage. In the sectoral employment order for the construction industry, for example, which was passed in 2019, the minimum hourly wage for starters in the profession is EUR 14.14, and EUR 19.44 for trained craftspeople.

Key data on the Irish minimum wage regime

Legal basis	National Minimum Wage (Low Pay Commission) Act 2015 http://www.irishstatutebook.ie/eli/2015/act/22/enacted/en/print#sec1 in conjunction with a minimum wage order. Currently: http://www.irishstatutebook.ie/eli/2020/si/8/made/en/print
Minimum wage per hour (since 1.2.2020)	EUR 10.10*
Minimum wage per month (since 1.2.2020)	EUR 1,706.90 (based on a 39-hour week = 169 hours per month)
Minimum wage in % of the ... of full-time employees (2018)	
... median wage	47.5%
... average wage	39.9%
Low-wage sector (2014): Full-time employees with a wage of less than 2/3 of the full-time median wage	
All/women/men	23.0%/24.4%/17.4%
Setting the minimum wage	Government on recommendation of the Low Pay Commission
Adjustment interval	annually at the beginning of the year
Adjustment indicators	No fixed criteria; Low Pay Commission must take into account the impact on general wage trends, social inequality, employment, unemployment, competitiveness and the general cost of living
Exceptions to the minimum wage	Lower minimum wage (graduated) for young people under 20; higher minimum wages in selected sectors by order
Collective bargaining coverage (2016)	34.0%
Unionisation rate (2016)	24.1%
Current demands	Increase to "living wage" level of EUR 12.30 Trade unions: Irish Congress of Trade Unions (ICTU) Parties: Sinn Féin, Labour Party

Sources: WSI minimum wage database, OECD Earnings Database; ICTWSS Database Version 6.1.

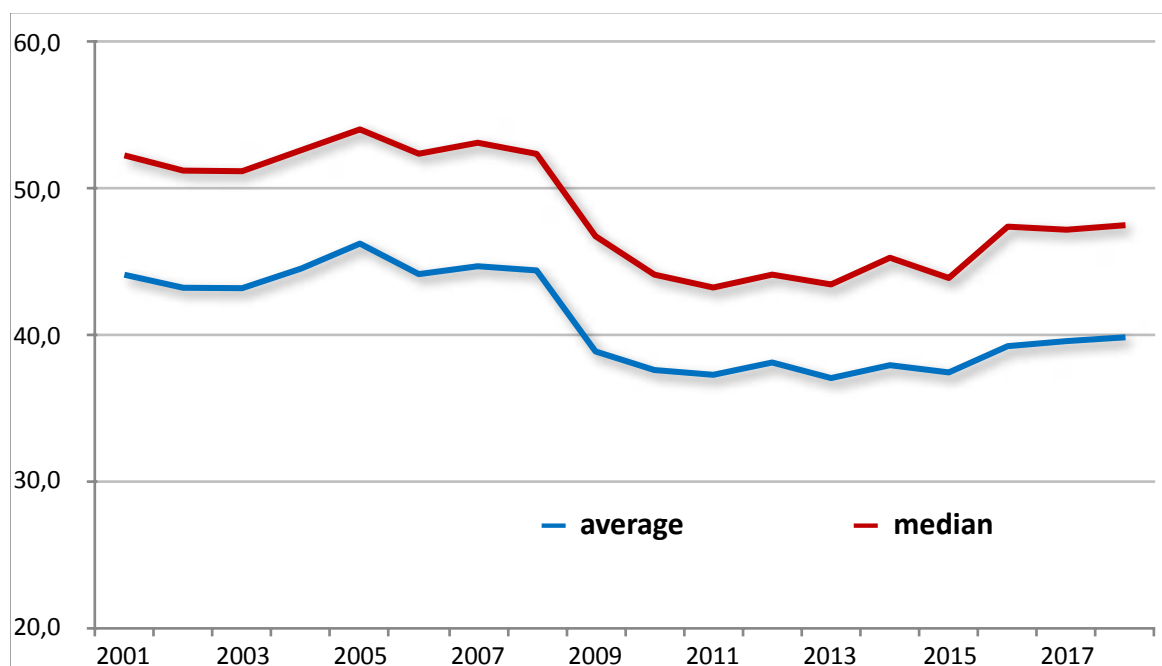
Minimum wage development

When the minimum wage was introduced, the poverty wage threshold of 50% of the median wage was used as a rough guideline. Accordingly, the minimum wage fluctuated around 52% of the median wage or 44.5% of the average wage between 2001 and 2008. The collapse in the relative value of the minimum wage occurred in the context of the financial crisis when the minimum wage was frozen for seven years between 2008 and 2015. During the first three years of minimum wage stagnation, the relative value of the minimum wage fell by more than 9 percentage points from 52.4% of the median wage in 2008 to 43.3% in 2011. As part of the compensation for financial support demanded by the troika of European Commission, European Central Bank and International Mon-

etary Fund, the minimum wage was even reduced by one euro in January 2011. However, the measure was withdrawn in July of the same year. Nevertheless, the relative value of the minimum wage has levelled off at 44% of the median wage in the years from 2011 to 2015. The fact that the relative value of the minimum wage did not fall even further in those years was only due to the simultaneous very moderate general wage developments caused by a general wage freeze and the freezing of public sector wages. An increase in the relative value of the minimum wage to 47.5% of the median wage, or just under 40% of the average wage, was not seen until the regular, albeit moderate, increases in the minimum wage resumed in 2016 on the recommendation of the Low Pay Commission.

Minimum wage in Ireland (2000-2018)

in % of the median and average wages of full-time employees



Source: OECD Earnings Database

Current debates on the minimum wage

Given the low relative value of the minimum wage, a substantial increase in the minimum wage has been a key issue for some time. The “living wage” plays an important role as a reference criterion. The Irish Congress of Trade Unions (ICTU), for example, is calling for an increase in the minimum wage to the level of the “living wage” of EUR 12.30 and at the same time criticises the moderate increase in the minimum wage in 2020 by only 30 cents from EUR 9.80 to EUR 10.10. The increase of the minimum wage to a “living wage” level was also an important issue for political parties before the February 2020 elections. For example, in view of the rapid rise in the

cost of living in Ireland and to combat gender pay inequality, Sinn Féin also called for a substantial increase in the minimum wage to a “living wage” level. The Labour Party, which is also in opposition, also formulated in its election programme that the minimum wage should be raised to EUR 12.30, which is the “living wage” level, within three years.

Content ↑

Italy

Italy is one of the few countries in Europe without a statutory minimum wage at this point. Instead, national sectoral collective agreements provide for a collectively agreed minimum wage at sectoral level. Formal collective bargaining coverage has remained relatively constant over the past decades, applying to at least 80% of the workforce. Some sources even assume a collective bargaining coverage of over 90%. The high level of collective bargaining coverage is due not only to the widespread use of national sectoral collective agreements, but also to a relatively high level of unionisation in comparison with the rest of Europe, which at 34% is one of the highest outside the Nordic countries.

In addition, the Italian constitution also supports the minimum wage protection provided by collective agreements. Article 36 (1) provides that all workers in Italy have the right to a wage which is commensurate with the work performed and at least sufficient to ensure a dignified existence for themselves and their families. The Italian labour courts generally consider the collectively agreed sectoral wage to be the wage that meets the requirements of this constitutional law. Since this right is individually enforceable, this makes the minimum wages set by collective agreements de facto generally binding without a separate extension mechanism. However, the formal stability and scope of the Italian collective bargaining system is relativised by the fact that there is a large informal sector, particularly in southern Italy, where wages are often below the collectively agreed level. In addition, in recent years there has been an increase in the conclusion of so-called “pirate collective agreements” (contratti collettivi pirata), which are concluded by non-representative employee bodies and so-called “yellow” – i.e. employer-friendly – trade unions and which in many cases clearly undermine established collective bargaining standards.

Although, according to official statistics, the low-wage sector is comparatively small with less than 8% of the workforce, Italy is also expected to see a significant increase in non-living poverty wages. Given these circumstances, the introduction of a statutory minimum wage (salario minimo legale) in Italy has been the subject of intense debate for several years.

The Italian minimum wage regime

Minimum wages in Italy have so far been set exclusively by collective agreements. Under a two-tier collective agreement system, the majority of workers are covered by national sectoral collective agreements (contratto collettivo nazionale del lavoro, CCNL). In addition, for about one third of the employees there are supplementary collective agreements at local and company level. While only the members of the parties to the collective agreement are directly bound by the collective agreement, the judicial exercise of the right to an equitable wage laid down in the Italian constitution results in a de facto extension of collectively agreed minimum wages.

Key data on the Italian minimum wage regime

Legal basis	Collective agreements; indirect extension through the Italian constitution (Article 36, 1)
Collectively agreed minimum wages per hour (2019) (based on 13-14 monthly salaries)	mostly between EUR 6.00 and 12.00 (EUR 7.00 to 13.00)
Collectively agreed minimum wages per month (2019) (based on 13-14 monthly salaries)	mostly between EUR 1,000 and 1,900 (EUR 1,100 to 2,000)
Minimum wages in % of the...	
median wage (2017)	55 to 102%
average wage (2017)	44 to 82%
Low-wage sector (2016): full-time employees with a wage of less than 2/3 of the full-time median wage; all/ women/men	7.7 %/9.7 %/6.9 %
Setting the minimum wage	Autonomous collective bargaining between employers' associations and trade unions
Adjustment interval	every 2-3 years
Collective bargaining coverage (2018)	80.0 %
Unionisation rate (2018)	34.0 %
Current demands	<p>Introduction of a statutory minimum wage of EUR 9.00 EUR Parties: Lega Nord, M5S (<i>MoVimento 5 Stelle</i>), PD (<i>Partito Democratico</i>)</p> <p>Introduction of a statutory minimum wage of EUR 10.00 EUR Parties: PRC (<i>Partito della Rifondazione Comunista</i>)</p> <p>Rejection of a statutory minimum wage, but extension of all collective agreements negotiated by representative organisations Trade unions: CGIL, CISL, UIL</p>

Sources: OECD Earnings Database; ICTWSS Database Version 6.1, Fondazione Giuseppe Di Vittorio, own calculations

Collective minimum wages in Italy vary widely. According to a study by the Fondazione Giuseppe Di Vittorio of 12 of the most important national sectoral collective agreements, the collectively agreed minimum wages per hour varied between EUR 11.50 for financial services and EUR 6.20 for private security services. Since all collective agreements provide for 13 or even 14 monthly salaries, the minimum hourly wages calculated for the year are between EUR 7.07 and EUR 12.34. Measured in terms of the median wage for 2017, most collectively agreed minimum

wages are between 60 and 80% and thus significantly higher than the statutory minimum wages in most EU countries. Even the lowest collectively agreed minimum wage for private security services is still relatively high at 55% of the median wage. Measured against the average wage, the collectively agreed minimum wages are between 50 and 65%. The lowest collectively agreed minimum wage for private security services is 44%. If the 13 and 14 months' salary is taken into account for the collectively agreed minimum wages, the relative value of the minimum wage is correspondingly higher.

Collective bargaining coverage development

In countries whose minimum wage regimes are primarily based on collectively agreed minimum wage protection, the scope of minimum wages depends primarily on the development of collective bargaining coverage. In Italy, formal collective bargaining has remained extraordinarily stable over the past decades, with around 80% of employees covered by collective agreements. Beyond the official collective bargaining coverage, however, the problems of the Italian collective bargaining system can be seen in the failure to comply with collective bargaining standards (especially in the informal sector) and the increase in pirate collective agreements by non-representative organisations, which also undermine established collective bargaining standards. Of the 800 or so collec-

tive agreements currently in force, only about a third are signed by the three large representative trade union organisations CGIL (Confederazione Italiana Generale del Lavoro), CISL (Confederazione Italiana Sindacati Lavoratori) and UIL (Unione Italiana del Lavoro).

Trade union density in Italy is also relatively high and stable. In the 1990s it fell from 39 to 33%. In the 2000s it remained largely constant at this level, only to temporarily rise again to 37% in the 2010s. Currently, the level of organisation has returned to around 34%. As in most countries, union density is below-average in the low-wage sectors of the private services sector in particular.

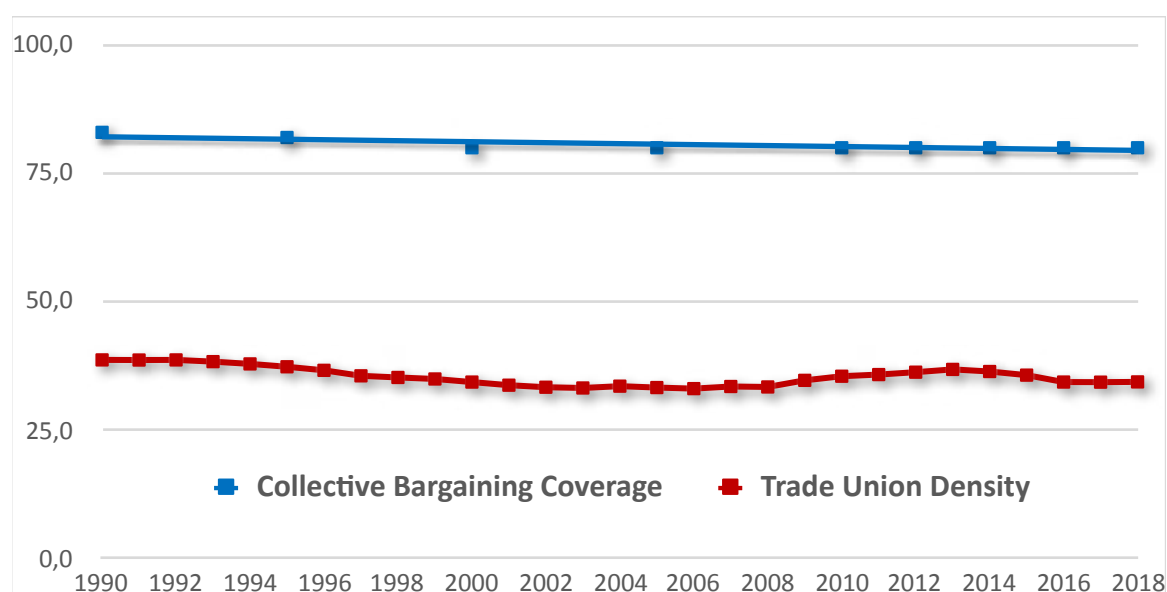
Minimum wages in selected national sectoral collective agreements in Italy (2019)

	in EUR per hour (2019)		in % of the median wage of 2017		in % of the median wage of 2017	
	12 months	13/14 months	12 months	13/14 months	12 months	13/14 months
Financial services	11.50	12.34	102.2	109.7	81.9	87.9
Healthcare (non-medical staff)	9.17	9.93	81.5	88.3	65.3	70.7
Chemical industry	8.80	10.20	78.2	90.6	62.7	72.6
Food industry	8.80	10.51	78.3	93.5	62.7	74.9
Railway sector	8.56	10.25	76.1	91.1	61.0	73.0
Cement industry	8.36	9.15	74.3	81.3	59.6	65.1
Education and research	8.30	11.56	73.7	102.7	59.1	82.3
Commerce	7.64	8.64	67.9	76.8	54.4	61.5
Metal Industry	7.58	8.19	67.4	72.8	54.0	58.3
Public tourism industry	7.28	8.43	64.7	74.9	51.8	60.0
Building cleaning and facility management	6.52	7.59	57.9	67.5	46.4	54.1
Private security services	6.20	7.07	55.1	62.9	44.2	50.4

Sources: Fondazione Giuseppe Di Vittorio (standard wages), ISAT (median and average wages), own calculations

Collective bargaining coverage and unionisation rate in Italy (1990- 2018)

in % of employees



Source: ICTWSS Database Version 6.1.

Current debates on the minimum wage

Over the past decade, politicians have increasingly demanded the introduction of a statutory minimum wage in order to close the gaps in the minimum wage regime under collective agreements. The introduction of a statutory minimum wage is supported by a broad political spectrum, ranging from the right-wing populist Lega Nord and the 5-star movement M5S (MoVimento 5 Stelle) to the social democratic PD (Partito Democratico) and the Italian left-wing party PRC (Partito della Rifondazione Comunista). PD and M5S have at this point presented their own draft laws, both of which provide for the introduction of a statutory minimum wage of at least EUR 9.00 per hour. Measured against the median wage of 2017, this would correspond to a relative minimum wage of 80%, which would be significantly higher than all other statutory minimum wages in the EU. Currently, about one fifth of all employees earn less than EUR 9.00 per hour.

However, it is not only the employers' associations that are still opposed to the introduction of a statutory minimum wage in Italy, but also the three main trade union confederations CGIL, CISL and UIL. While the employers' associations generally consider a minimum wage of EUR 9.00 to be too high, the trade unions fear a lasting weakening of the Italian collective bargaining system. Instead, they argue for a legal mechanism of extending all national sectoral collective agreements concluded by representative organisations. In response to trade union criticism, the M5S draft law provides that, in addition to a general statutory minimum wage of EUR 9.00, the higher collectively agreed minimum wages should also be generally binding for the sector concerned.

Content ↑

Latvia

Like the other Baltic states, Latvia introduced a statutory minimum wage with the transition to a capitalist market economy in the early 1990s. Given the low level of collective bargaining coverage of 24%, the minimum wage protection provided by collective agreements plays only a subordinate role. The absolute value of the statutory minimum wage in Latvia is undercut within the EU only by Bulgaria. The general wage level is also very low, as evidenced by the relatively large low-wage sector, which is the largest in the EU, accounting for 26% of all full-time employees. The relative value of the minimum wage in Latvia is at the limit of the definition of a poverty wage, at just over 50% of the median wage. Against this background, raising the minimum wage to combat in-work poverty is one of the central issues in the current debate on the minimum wage.

The Latvian minimum wage regime

The legal basis of the Latvian minimum wage regime is section 61 of the labour code (*Darba likums*) of 2001. According to labour code, the level of the minimum wage and the procedure for determining it is laid down by the government in the form of an ordinance. Under government ordinance no. 413 of 2003, the original procedure for setting the minimum wage was to gradually increase the minimum wage to 50% of the average monthly wage by 2010. After failing to achieve this goal, the procedure was changed in 2011 by government decree no. 390. According to the new procedure, a working group of various ministries will prepare a proposal for adjusting the minimum wage, taking into account the following criteria: the macroeconomic development of the country, planned changes in the tax system, the development of the monthly average wage, the minimum wage development in neighbouring countries and the rest of the EU, and the subsistence minimum calculated by the central statistics office on the basis of a basket of goods and services. In the latest government ordinance no. 563 of August 2016 on the adjustment procedure, the latter criterion is no longer included. The proposal for adjusting the minimum wage drawn up by the government is submitted for discussion to the national council for tripartite cooperation (*Nacionālā trīspusējās sadarbības padome*) consisting of trade unions, employers' associations and the government. After consultation with trade unions and employers, the minimum wage is then set by the

government. In accordance with government ordinance 511 of August 2017, the minimum wage was raised to EUR 430 per month from 1 January 2018. Furthermore, trade unions, employers' associations and the government agreed to keep the minimum wage at this level until 2020, so that the monthly minimum wage was still EUR 430 or EUR 2.54 per hour on 1 January 2020. As a consequence of this two-year freeze on the minimum wage, only Bulgaria has a lower minimum wage compared to the rest of the EU.

The Latvian minimum wage regime does not provide for exceptions to the statutory minimum wage. However, the collective bargaining parties are free to agree higher minimum wages for their industry by means of collective agreements. This happened in November 2019 in the construction industry, where an agreement between trade unions and employers' associations set the minimum wage at EUR 780, almost twice the general statutory minimum wage.

Key data on the Latvian minimum wage regime

Legal basis	Section 61 of the labour code of 2001 (Darba likums) https://likumi.lv/ta/en/en/id/26019 in conjunction with government ordinance no. 511 of August 2017 https://likumi.lv/ta/id/293183-grozijums-ministru-kabineta-2015-gada-24-novembra-noteikumos-nr-656-noteikumi-par-minimalas-menesa-darba-algas-apmeru-normala and government ordinance no. 563 of August 2016 https://likumi.lv/ta/id/284262-minimalas-menesa-darba-algas-noteiksanas-un-parskatsanas-kartiba
Minimum wage per hour (since 1.1.2020)	EUR 2.54 based on a working week of 39 hours
Minimum wage per month (since 1.1.2020)	EUR 430
Minimum wage in % of the ... of full-time employees (2018)	
... median wage	50.4%
... average wage	40.4%
Low-wage sector (2014): Full-time employees with a wage of less than 2/3 of the full-time median wage	
All/women/men	26.0%/28.6%/22.5%
Setting the minimum wage	Government after consultation with trade unions and employers
Adjustment interval	Annually on 1 January of a year
Adjustment indicators	No specific indicators
Exceptions to the minimum wage	None
Collective bargaining coverage (2014)	24.0%
Unionisation rate (2018)	11.9%
Current demands	Increase of the minimum wage to EUR 500 Trade unions: Free trade union confederation of Latvia, LBAS (Latvijas Brīvo arodbiedrību savienība) Parties: New conservative party JKP (Jaunā konservatīvā partija) and development/pro!, AP! (Attīstībai/Par!)

Sources: WSI minimum wage database, OECD Earnings Database; ICTWSS Database Version 6.1.

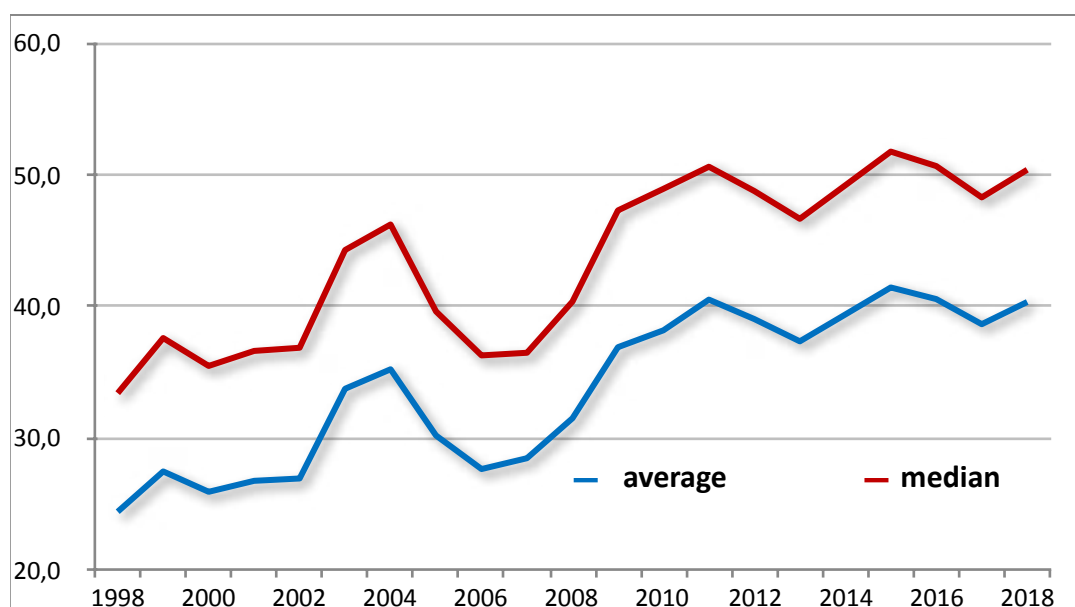
Minimum wage development

In absolute numbers, the development of the minimum wage looks very impressive. Since 2000, the minimum wage in Latvia has increased more than six-fold in absolute terms, albeit from a very low starting level. However, since general wage developments have also been very dynamic, this strong increase in the absolute minimum wage value is only partially reflected in the development of its relative values. Nevertheless, even this value rose substantially from 35.5% of the median wage (or 25.9% of the average wage) in 2000 to 50.4% of the median wage (or 40.4% of the average wage) in 2018. The development of the relative minimum wage value since 2000 has been characterised by varying degrees of downward and upward swings. This is particularly associated with the fact that the minimum wage in Latvia has repeatedly been frozen for one or two years and these periods have been “compensated” with more or less significant increases in the following periods. This concerns the years 2000/2001, 2005, 2010 and 2012/2013. The most recent two-year minimum wage stagnation in 2019 and 2020 is not yet included in the graph based on OECD data due to the usual delay in data availability. But it can be expected that this recent two-year period of stagnation will lead to a decline in the relative value of the minimum wage as measured by the median and average wage.

It is particularly striking that the target set in the 2003 government ordinance to raise the minimum wage to 50% of the average wage by 2010 was missed by more than 10 percentage points. A key explanatory factor is the fact that this phase also includes the beginning of the financial crisis, which hit Latvia hard and rendered it dependent on financial assistance from the International Monetary Fund and the European Commission. However, the financial assistance was linked to the implementation of a strict austerity policy with far-reaching implications for minimum wage policy. Despite the very restrictive minimum wage policy, the relative value of the minimum wage increased in the years after 2009, as general wage policy was even more restrained in those years due to the conditions imposed by international institutions. However, achieving the target of 50% of the average wage would have required a much more expansive minimum wage policy, which was not possible under the described crisis conditions.

Minimum wage in Latvia (1998-2018)

in % of the median and average wages of full-time employees



Source: OECD Earnings Database

Current debates on the minimum wage

Given the low minimum wage level in Latvia, a significant increase is currently a key issue in Latvian wage policy. In order to combat in-work poverty and with reference to the much more dynamic development of the minimum wage in the Baltic neighbouring countries Estonia and Lithuania, the free trade union confederation of Latvia (Latvijas Brīvo arodbiedrību savienība, LBAS) is currently calling for an increase in the minimum wage from the current EUR 430 to EUR 500, which would correspond to an increase of more than 16%. In connection with this, LBAS also calls for an increase in the tax-free minimum wage to EUR 500 to ensure a corresponding increase in the net minimum wage. Prior to the forma-

tion of the government, the two parties involved in a five-party government coalition since January 2019, the new conservative party JKP (Jaunā konservatīvā partija) and development/pro! (Attīstībai/Par!) promised an increase in the minimum wage to EUR 500, which has not been put into practice as of yet. Since mid-2019, different scenarios of a minimum wage increase to EUR 470, 500 or 550 have been discussed in government. However, a decision has not yet been made.

Lithuania

Like the other two Baltic states Estonia and Latvia, Lithuania introduced a statutory minimum wage in the early 1990s as part of its transition to a market economy. Against the background of an extremely decentralised collective bargaining system, Lithuania has the lowest level of collective bargaining coverage in Europe, at 7% of employees, and thus also the lowest level of collectively agreed minimum wage protection. The low level of collective bargaining coverage is one reason for the comparatively large low-wage sector of more than 20% of full-time employees. This makes the role of the statutory minimum wage as an effective lower wage threshold all the more important. In terms of the absolute minimum wage level, Lithuania has the highest minimum wage of all Central and Eastern European countries with the exception of Slovenia. Nevertheless, at 51.2% in 2018, the relative minimum wage was only just above the poverty wage threshold of 50% of the median wage. In light of this, the current debates on the minimum wage revolve primarily around the criteria for future adjustments of the minimum wage.

The Lithuanian minimum wage regime

The basis of the Lithuanian minimum wage regime is Article 141 of the labour code (*darbo kodekso*) as revised in 2017, which states that the minimum wage (*minimalaus atlyginimo*) is set as a monthly and hourly wage by the government on the basis of a non-binding recommendation of the tripartite council of the Republic of Lithuania (*Lietuvos Respublikos Trišalė taryba*). The tripartite council was established in 1995 as the central institution for social dialogue, to which all relevant draft legislation in the field of labour, social and economic policy must be submitted. It is composed of equal numbers of representatives of the government, trade unions and employers and, at the request of the government, submits its recommendation for an increase in the minimum wage to the government, taking into account the economic situation of the country. The government then passes a minimum wage ordinance (*nutarimas dėl minimaliojo darbo užmokesčio*) on the level of the minimum wage. If the tripartite council cannot agree on a single recommendation, the government will decide unilaterally on the minimum wage increase.

According to the minimum wage ordinance no. 669 adopted on 3 July 2019, the minimum wage has been EUR 607 per month and EUR 3.72 per hour since 1 January 2020. The minimum wage in Lithuania applies to all employees without exception. However, Article 141 of the labour code provides that the minimum wage is to be paid only for unskilled work that does not require specific qualifications. For a long time, there were no specific criteria for increasing the minimum wage. However, in September 2017, the tripartite council decided that minimum wage increases should in future be based on the target of 45-50% of the average wage.

Key data on the Lithuanian minimum wage regime

Legal basis	Article 141 of the labour code of 2017 (<i>darbo kodekso</i>) https://www.e-tar.lt/portal/lt/legalAct/f6d686707e7011e6b969d7ae07280e89/NKfjvocyYI in conjunction with a minimum wage ordinance (nutarimas del minimaliojo darbo užmokesčio); for 2020: https://e-seimas.lrs.lt/portal/legalAct/lt/TAD/c6d989909e4811e9aab6d8dd69c6da66?positionInSearchResults=0&searchModelUUID=a5786405-9870-43b2-9ab6-292e760ef73f
Minimum wage per hour (since 1.1.2020)	EUR 3.72
Minimum wage per month (since 1.1.2020)	EUR 607
Minimum wage in % of the ... of full-time employees (2018)	
... median wage	51.2 %
... average wage	41.4 %
Low-wage sector (2014): Full-time employees with a wage of less than 2/3 of the full-time median wage	
All/women/men	21.3 %/24.1 %/18.1 %
Setting the minimum wage	Government after consultation with trade unions and employers
Adjustment interval	Irregularly, usually once a year
Adjustment indicators	Orientation towards the target of 45-50 % of the average wage (since 2017)
Exceptions to the minimum wage	Minimum wage to be paid only for "unskilled work"
Collective bargaining coverage (2014)	7.1 %
Unionisation rate (2018)	7.1 %
Current demands	Raising the minimum wage to 50% of the average wage Trade unions: Lithuanian trade union confederation LPSK (<i>Lietuvos profesinių sąjungų konfederacija</i>) Parties: Social democratic party of Lithuania LSDP (<i>Lietuvos socialdemokratų partija</i>) Increase of the minimum wage to 50-60% of the average wage Labour party (<i>Darbo partija</i>) Differentiation of the minimum wage by region, sector and age: Employers' side

Sources: WSI minimum wage database, OECD Earnings Database; ICTWSS Database Version 6.1.

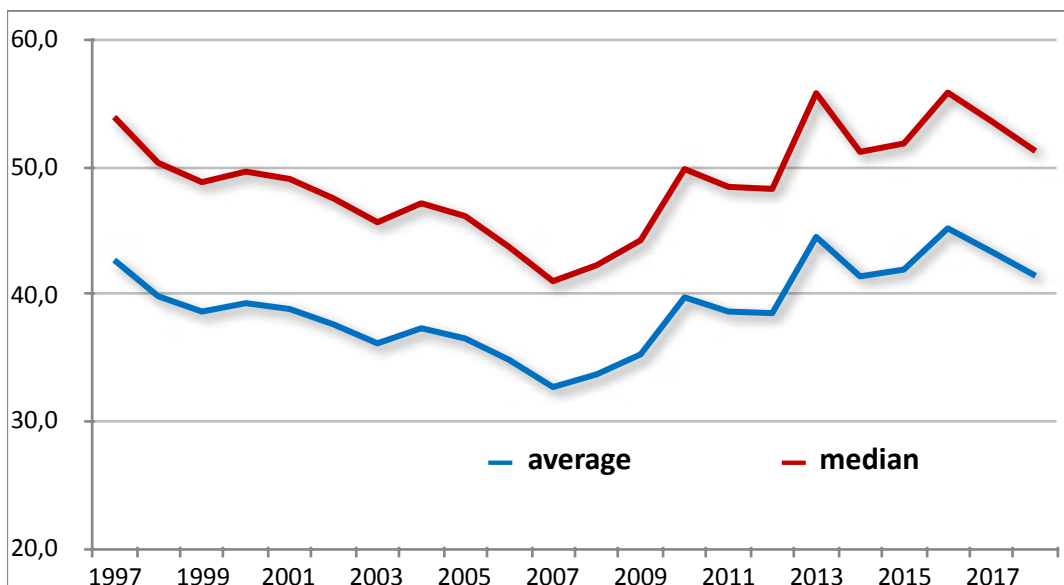
Minimum wage development

The development of the minimum wage in Lithuania can be divided into two phases. Phase one covers the period from 1997 to 2012 with comparatively low minimum wage increases and longer periods during which the minimum wage was frozen (2000-2003 and 2009-2012). Phase two covers the period from 2013 to present with a much more dynamic development of the absolute minimum wage value. From 2013 to 2020, the absolute minimum wage value has more than doubled from EUR 289.86 to EUR 607. This is also reflected in the development of the relative minimum wage. Between 1997 and 2007 the relative minimum wage fell from 53.9% of the median wage to its absolute low of 41% (or from 42.7% of the average wage in 1997 to 32.7% in 2007). The fact that the relative minimum wage value increased again in the following period despite the freezing of the minimum wage is due to the fact that, as a consequence of the financial crisis, general wage development even declined in some cases. Since 2012, the relative minimum wage has increased from 48.3% of the median wage (or 38.5% of the average wage) to

51.2% of the median wage (or 41.4% of the average wage) in 2018. After the exceptionally high recent minimum wage increases of almost 40% in 2019 and 9% in 2020, which are not yet reflected in the graph based on OECD data, the relative minimum wage, at 47.5% of the average wage, is currently within the target corridor of 45-50% of the average wage that has applied since 2017. The exceptional increase of 40% in 2019 is partly due to the fact that a substantial part of the social security contributions was shifted from the employer to the employees in that year. However, in order not to reduce the net salary of the employees, there was an exceptional increase in gross salary.

Minimum wage in Lithuania (1997- 2018)

in % of the median and average wages of full-time employees



Source: OECD Earnings Database

Current debates on the minimum wage

The current debate on the minimum wage focuses mainly on the criteria for future increases in the minimum wage. Although employers and trade unions agreed on a target corridor for future minimum wage increases of 45-50% of the average wage in September 2017, there are significant differences with regard to more far-reaching ideas. In addition, employers are demanding a differentiation of the minimum wage according to region, sector and age of the employees. Such differentiation is strictly rejected by the trade unions. In contrast, the Lithuanian trade union confederation LPSK (Lietuvos profesinių sąjungų konfederacija), for example, demands that minimum wage increases should be based on the achievement of the target level of 50% of the average wage. From the point of view of the LPSK, only by achieving this target will it be possible to combat the problems caused by the large low-wage sector. This applies in

particular to the high level of social inequality, the highly pronounced emigration of qualified workers, and in-work poverty due to the fact that the current minimum wage is not sufficient to ensure an adequate standard of living – in other words, it is not a living wage. The Lithuanian social democratic party LSDP (Lietuvos socialdemokratų partija) also advocates a target of 50% of the average wage. The labour party (Darbo partija) demands a minimum wage of 50-60% of the average wage.

Luxembourg

The Grand Duchy of Luxembourg has one of the oldest minimum wage regimes in Europe, which originally dates back to a decree of 30 December 1944. The high importance of the minimum wage for Luxembourg is mainly due to its status as a small, extremely open economy with a highly internationalised labour market. For example, almost half of all employees in Luxembourg are so-called cross-border workers who commute daily from the surrounding countries of Belgium, Germany and France to work in Luxembourg. In view of the rather limited scope of collective agreements with a collective bargaining coverage of only 59%, the statutory minimum wage is a necessary complementary counterpart to ensure the functioning of the labour market and prevent massive wage dumping through the exploitation of foreign labour. Although Luxembourg has by far the highest minimum wage of 12.38 euros per hour, there is a quite relevant low-wage sector with about 12% of the employees, which is particularly pronounced among women employees with more than 20%.

The Luxembourg minimum wage regime

The legal basis of the minimum wage system in Luxembourg, which in principle is still in force today, is the minimum wage act of 12 March 1973, the provisions of which have been incorporated into article 222 of the general labour code (Code du Travail). According to this, Luxembourg has a so-called “social minimum wage” (salaire social minimum), the current level of which is set by law by the government. The minimum wage applies to all employees from the age of 18. Only for those under 18, there is still a lower youth minimum wage today, which is 80% of an adult minimum wage for employees between 17 and 18 years of age and 75% for employees under 17 years of age.

Moreover, the Luxembourg minimum wage regime also provides for an additional minimum wage for qualified workers, which is 120% of the standard minimum wage. While the normal minimum wage for employees without qualifications is currently EUR 2,141.99 per month, it is EUR 2,570.39 for employees with qualifications. Based on a 40-hour week, this corresponds to a minimum wage of EUR 12.38 per hour for unqualified workers and EUR 14.86 for qualified workers.

The impression of a very high minimum wage level in Luxembourg at first sight is clearly relativised in comparison with its other wages. According to the OECD, the Luxembourg minimum wage in 2018 was just 53.8% of the national median wage and 43.8% of the average wage. Minimum wage earners who have no other source of income are therefore at high risk of poverty.

The latter actually contradicts the objective of the Luxembourg minimum wage act, according to which the minimum wage should not only secure the minimum subsistence level, but also enable participation in general economic development. To ensure an adequate level of the minimum wage in Luxembourg, there is a statutory adjustment mechanism consisting of two basic elements. Firstly, Luxembourg is one of the few countries in Europe that still has a system of wage indexation. According to this, all wages, including the minimum wage, are automatically adjusted as soon as consumer prices have risen by more than 2.5%.

In addition, the government is required to submit a report to Parliament every two years on the general wage trend in Luxembourg and, on this basis, to make a recommendation for an additional increase in the minimum wage. If average wages have risen more than the minimum wage, the latter may be increased to compensate for all or part of this difference.

Key data on the Luxembourg minimum wage regime

Legal basis	Labour code (Code du Travail), article 222 http://data.legilux.public.lu/file/eli-etat-leg-code-travail-20161231-fr-pdf.pdf
Minimum wage per hour (since 1.1.2020)	EUR 12.38
Minimum wage per month (since 1.1.2020)	EUR 2,141.99
Minimum wage in % of the ... of full-time employees (2018)	
... median wage	53.8%
... average wage	43.8%
Low-wage sector (2014): Full-time employees with a wage of less than 2/3 of the full-time median wage All/women/men	12.2%/20.4%/8.5%
Setting the minimum wage	Parties to collective agreements/government
Adjustment interval	Irregular
Adjustment indicators	Indexation according to consumer prices
Exceptions to the minimum wage	<p>Lower minimum wage for young people Employees aged 17-18 years: (80% = EUR 1,713.60/month; EUR 9.91/hour Employees aged 15-17 years: (75% = EUR 1,606.50/month, 9.29 EUR/hour</p> <p>Higher minimum wage for qualified employees (120% = EUR 2,570.39/month; EUR 14.86/hour)</p>
Collective bargaining coverage (2017)	59.0%
Unionisation rate (2018)	31.8%
Current demands	Increase to 60% of the median wage/structural increase by 10% Trade unions: OGB-L Parties: LSAP, Déi Lénk

Sources: WSI minimum wage database, OECD Earnings Database; ICTWSS Database Version 6.1.

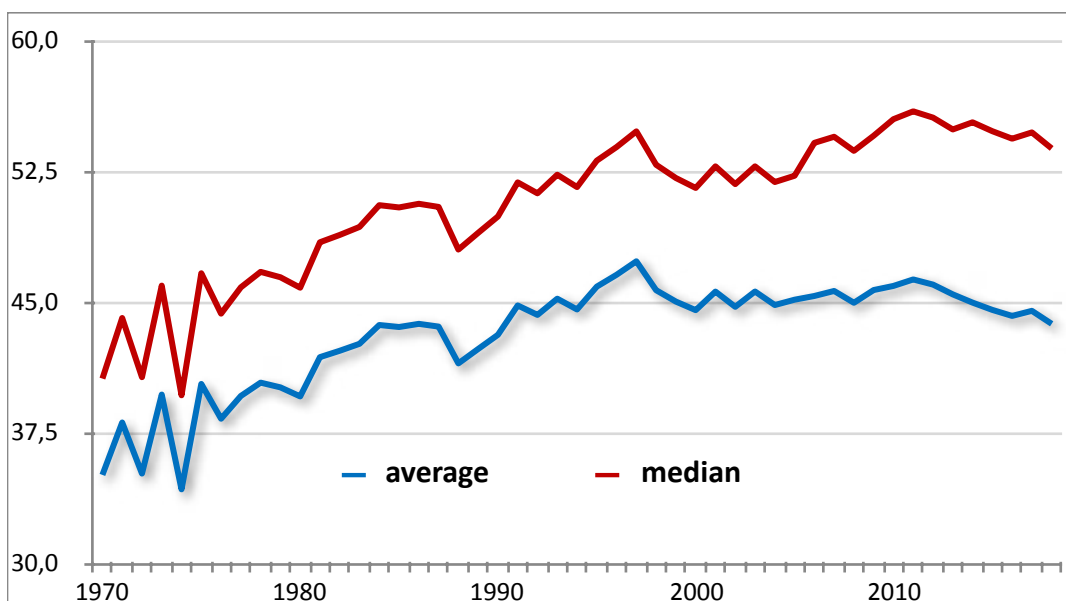
Minimum wage development

In the early 1970s, the minimum wage in Luxembourg was at an extremely low level, at just over 40% of the median wage and 35% of the average wage of full-time workers. It was not until the minimum wage act of 1973 and the associated extended minimum wage target that minimum wage development also gained considerable momentum. Apart from short-term fluctuations, the relative value of the Luxembourg minimum wage rose steadily until the mid-1990s, reaching its highest level to date in 1997, at just under 55% of the median wage and almost 48% of the average wage. After declining somewhat in the late 1990s, the relative minimum wage in-

creased more sharply again in the second half of the 2000s, reaching its highest level ever in 2011, at 56% of the median wage. Relative to the average wage, the increase was not quite as strong at just over 46%. In the 2010 years, however, the development trend is slightly declining again, so that the minimum wage in 2018 was again only just under 54% of the median wage or 44% of the average wage.

Minimum wage in Luxembourg (1970-2018)

in % of the median and average wages of full-time employees



Source: OECD Earnings Database

Current debates on the minimum wage

Even though Luxembourg has the highest minimum wage in Europe measured in euros, this figure quickly loses its lustre in view of the high cost of living in the grand duchy. Even when measured against the general wage level, the minimum wage is by no means excessively high at just under 54% of the median wage; on the contrary, it must be regarded as a non-living wage with a high risk of poverty.

Against this background, Luxembourg's trade unions in particular are calling for a much stronger increase in the minimum wage level. For instance, OGBL, the largest trade union confederation in Luxembourg, has been demanding an extraordinary "structural" minimum wage increase of 10% for several years. In doing so, it is guided by the objective of raising the minimum wage to a level of at least 60% of the median wage. In the political arena, this demand is supported in particular by the social democrats (LSAP) and the left party (Déi Lénk). The Luxembourg Christian democrats (CSV) are also in favour of a higher minimum wage, but without stating a concrete target.

Malta

Minimum wages in Malta are set in three ways. Since the mid-1970s there has been a statutory minimum wage (paga minima) at national level, a general minimum wage. In addition, there are numerous sectoral minimum wages, which are set by tripartite wage committees within the framework of sectoral wage regulations (wage regulation orders). At present, legally defined minimum wages like these exist in about 30 industries.

Finally, minimum wages are also agreed through collective agreements, but in Malta these are almost exclusively concluded at company level. The Maltese collective bargaining system is very similar to the British system, whereby collective agreements only exist where there is corresponding trade union organising power in the company. As the level of unionisation in Malta is comparatively high at almost 45%, half of all employees are still working in companies covered by collective agreements. However, most of the approximately 15% of employees working in the low-wage sector receive only the national or a sectoral statutory minimum wage.

The Maltese minimum wage regime

The general legal basis of the Maltese minimum wage regime is the Employment and Industrial Relations Act, which provides for the possibility of enacting regulations at both national and sectoral level laying down certain minimum conditions. On this basis, the general statutory minimum wage is determined by an annual National Minimum Wage National Standard Order.

The current minimum wage ordinance (ordinance no. 452.119) sets the general statutory minimum wage in Malta at EUR 179.33 per week. According to the law, the minimum weekly wage applies to a “normal” working week. For the 40-hour working week, which is standard in Malta, this corresponds to a minimum wage of EUR 4.48 per hour and EUR 777.10 per month. The statutory minimum wage applies to all employees from the age of 18. A slightly reduced minimum wage rate of EUR 172.55 per week (96%) between 17 and 18 years and EUR 169.71 per week (95%) under 17 years applies to younger workers. In addition, sectoral wage ordinances are issued for numerous industries. However, the industry minimum wages are often only a few euros above the national statutory minimum wage, if at all.

The adjustment of the minimum wage, usually implemented once a year on 1 January, almost exclusively follows the wage indexation system applied to all wages in Malta. The rules of the so-called Cost of Living Adjustment (COLA) system are based on a tripartite agreement between the government, employers and trade unions dating back to 1990. The wage index is therefore calculated on the basis of the average development of the index of trade prices. However, in contrast to other wage indexation systems in Europe, wages in Malta are not simply increased by the same percentage according to the calculated rate of price increase. Instead, a certain fixed deposit amount is calculated by which all wages are increased, so that in percentage terms the increase is highest in the lower groups and correspondingly lower in the higher groups.

Key data on the Maltese minimum wage regime

Legal basis	Employment and Industrial Relations Act http://www.justiceservices.gov.mt/DownloadDocument.aspx?app=lom&itemid=8918 National Minimum Wage National Standard Order (Subsidiary Legislation 452.119) http://www.justiceservices.gov.mt/DownloadDocument.aspx?app=lom&itemid=13069&l=1
Minimum wage per hour (since 1.1.2020)	EUR 4.48
Minimum wage per week/per month (since 1.1.2020)	EUR 179.33/EUR 777.10
Minimum wage in % of the ... of full-time employees (2019)	
... median wage	50.3%
... average wage	44.0%
Low-wage sector (2014): Full-time employees with a wage of less than 2/3 of the full-time median wage All/women/men	15.1%/17.7%/13.2%
Setting the minimum wage	Government
Adjustment interval	Annually on 1 January of a year
Adjustment indicators	Indexation (Cost of Living Adjustment, COLA) according to the Retail Price Index
Exceptions to the minimum wage	Lower minimum wage for young people Employees aged 17-18 years: EUR 172.5/week (= 96%) for employees aged under 17 years: EUR 169.71/week (= 95%)
Collective bargaining coverage (2016)	50.1%
Unionisation rate (2018)	44.6%
Current demands	Structural increase to a living wage level Caritas Malta, alliance of various civil society organisations Trade unions: General Workers' Union (GWU) Parties: Alternattiva Demokratika (green party)

Sources: WSI minimum wage database, Eurostat; ICTWSS Database Version 6.1.

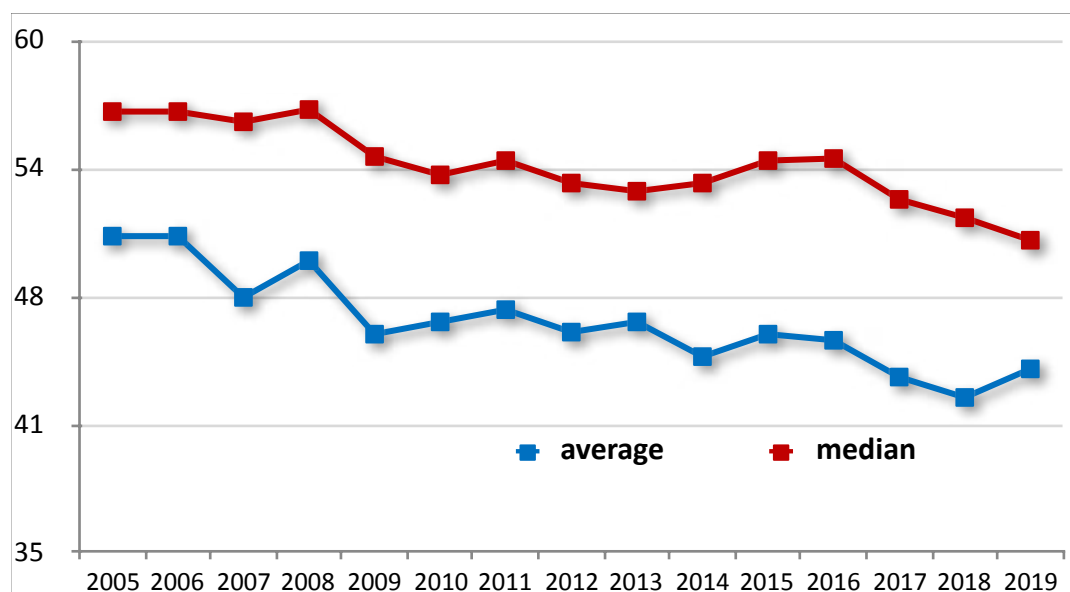
Minimum wage development

In recent decades, the adjustment of the national minimum wage in Malta has essentially been limited to increases calculated in the context of wage indexation. As a result, the development of the minimum wage has generally always lagged behind the general wage trend. While the minimum wage in Malta was almost 57% of the median wage in the mid-2000s, by 2019 it was only just over 50%. Compared to the average wage, the minimum wage fell from over 50% to 44% over the same period.

In 2017, the government, employers' associations and trade unions reached a joint agreement for the first time in a long while within the Malta economic and social council to adjust the minimum wage slightly more strongly than through wage indexation. However, this additional increase was not sufficient to halt the relative decline in the value of the Maltese minimum wage.

Minimum wage in Malta (2005-2019)

in % of the median and average wages of full-time employees*



* Average monthly earnings in industry, construction and services (excluding households with domestic staff and extra-territorial organisations and bodies)

Source: Eurostat

Current debates on the minimum wage

Given the relative decline in the value of the Maltese minimum wage, the minimum wage in Malta has been increasingly criticised as a poverty wage in the years after 2010. With its own studies on living wages, Caritas in particular has developed criteria for a minimum wage level in Malta that ensures a decent living standard and helps to avoid poverty, and on this basis has called for a substantial increase in the Maltese minimum wage. In the mid-2010s, many civil society organisations and individuals formed an alliance and launched a campaign for a decent minimum wage (Paga Minima Diċenti). Specifically, the alliance has called for an 11% increase in the minimum wage over three years in addition to wage indexation, which would have been equivalent to an increase of about EUR 80 per month. In the political arena, the demand to raise the minimum wage to a Living Wage level has so far been supported mainly by the green party Alternattiva Demokratika, which is not represented in the national parliament.

The trade unions have also spoken out in favour of a fundamental reform of the Maltese minimum wage regime. The General Workers' Union (GWU), the largest trade union in Malta, has declared its intention to transform the minimum wage into a living wage perspective. Finally, in the joint agreement between the government, employers and trade unions in 2017, all parties agreed to review the adjustment mechanism for the Maltese minimum wage in the long term. As a first step, a Low-Wage Commission is to be formed in 2020 from all three parties which is to issue an annual recommendation for increasing the minimum wage from 2023 onwards on the basis of scientific analyses.

Netherlands

The general statutory minimum wage (wettelijk Minimumloon) in the Netherlands has existed in its present form since the end of the 1960s. At the same time, the Netherlands also has a robust collective bargaining system, with more than three-quarters of all employees still working in companies covered by collective agreements. The latter is mainly due to the fact that many collective agreements are extended and thus apply to all companies in a specific industry. In addition to the statutory minimum wage, a large proportion of Dutch employees, therefore, also have a collectively agreed minimum wage guarantee. Overall, the Netherlands shows that a statutory minimum wage and a strong collective bargaining system do not have to be contradictory – on the contrary, they can complement each other well.

The Dutch minimum wage regime

The legal basis of the Dutch minimum wage regime is the Act on minimum wages and minimum holiday pay (Wet Minimumloon en Minimumvakantiebijslag) of 17 December 1968. According to this, all employees in the Netherlands have the right to a minimum wage, which is defined as a certain rate of pay per month. Currently, a minimum wage of EUR 1,653.60 per month applies. The minimum wage per hour, however, varies according to the contractually agreed weekly working time between EUR 9.54 for a 40-hour week and EUR 10.60 for a 36-hour week. In line with the average collectively agreed weekly working time of 37.5 hours, the average minimum hourly wage is EUR 10.14.

In the Netherlands, all employees younger than 21 years of age are exempt from the minimum wage. They are instead subject to a special minimum wage for young people, which is graduated according to age. For employees aged 20 years, the minimum wage of EUR 1,322.90 per month is only 80% of the minimum wage for adults. By contrast, at the age of 18, employees are only entitled to EUR 826.80 per month, which is just half the minimum wage for adults. Finally, for 15-year-olds, the minimum wage is only EUR 496.10 per month, which is 30% of the minimum wage for adults.

The minimum wage in the Netherlands is normally adjusted twice a year, on 1 January and 1 July of each year. The adjustment is decided by the Dutch government on the basis of the development of collectively agreed wages. The parties to the collective agreement themselves are not involved in the adjustment. The government also has the possibility to deviate from the collectively agreed wage orientation in certain situations or to suspend the adjustment completely. This is particularly true in economic crisis situations where there are fears of negative effects of the minimum wage on employment.

Key data on the Dutch minimum wage regime

Legal basis	Wet minimumloon en minimumvakantiebijslag (https://wetten.overheid.nl/BWBR0002638/2020-01-01/0/HoofdstukV)
Minimum wage per hour (since 1.1.2020)	EUR 10.60 (36-hour-week) EUR 10.14 (37.5-hour week) EUR 9.54 (40-hour week)
Minimum wage per month (since 1.1.2020)	EUR 1,653.60
Minimum wage in % of the ... of full-time employees (2018)	
... median wage	47.0%
... average wage	39.3%
Low-wage sector (2017): Full-time employees with a wage of less than 2/3 of the full-time median wage	
All/women/men	14.5%/20.3%/12.6%
Setting the minimum wage	Government
Adjustment interval	semi-annually on 1 January and 1 July of a year Government may suspend adjustment
Adjustment indicators	Development of collective wages
Exceptions to the minimum wage	Lower minimum wage (graduated) for young people under 21
Collective bargaining coverage (2018)	76.7%
Unionisation rate (2018)	16.4%
Current demands	Increase to EUR 14.00 per hour Federatie Nederlandse Vakbeweging (FNV) Parties: SP; PvdA, GroenLinks

Sources: WSI minimum wage database, OECD Earnings Database; ICTWSS Database Version 6.1.

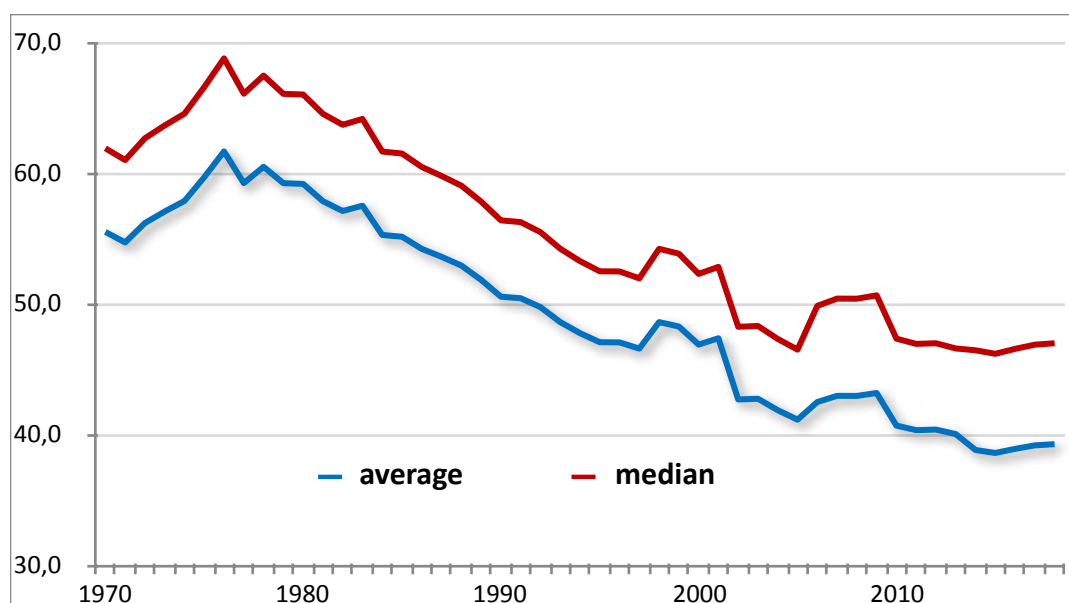
Minimum wage development

In recent decades, the development of the Dutch minimum wage has mostly lagged well behind the general wage trend, so that the relative value of the minimum wage has steadily decreased. Compared to the median wage for full-time employees, the minimum wage reached its highest level in the mid-1970s at almost 69%. In the following two decades it then declined steadily, and at the beginning of the 2000s it was only about 50%. The latter is mainly due to the fact that particularly in the 1980s, the Dutch government repeatedly froze the minimum wage. In addition, there is generally a positive wage drift in the Netherlands, whereby actual wages rise faster than collectively agreed wages. Therefore the minimum wage systematically lags behind the development of actual wages. After some fluctuations, the minimum wage levelled off at around 47% of the median wage in the 2010s, clearly making it a poverty wage.

A similar picture emerges when the average wage is considered instead of the median wage. Here, the minimum wage reached its highest level in the mid-1970s at almost 62%. Currently, however, the minimum wage is as low as just below the 40 percent mark. The fact that, despite the very low minimum wage, the proportion of low-wage earners among full-time employees in the Netherlands is only 14.5% is mainly due to the relatively high level of collective bargaining coverage, which ensures that many employees receive a significantly higher minimum wage.

Minimum wage in the Netherlands (1970-2018)

in % of the median and average wages of full-time employees



Source: OECD Earnings Database

Current debates on the minimum wage

For a long time, the minimum wage was not a public policy issue in the Netherlands, not least because of the relatively stable collective bargaining system. The trade union debates focused primarily on criticism of the extremely low minimum wages for young people, which are seen as a form of age discrimination. In the 2010s, the youth organisation of the Dutch trade union federation FNV launched a campaign to abolish the minimum wage for young people. As a result, the level of the minimum wage for young people was raised slightly and the entry age for the adult minimum wage was lowered from the original 23 years to 21 years.

In spring 2019, the FNV finally launched a campaign for a substantial increase in the statutory minimum wage to EUR 14 per hour. Based on the current average minimum wage of EUR 10.14, this would represent an increase of 38%. With this demand, the trade union federation FNV wants to reverse the relative decline in the value of the minimum wage and raise it to a level that ensures a decent standard of living and prevents poverty. While the current Dutch government sees no need for an extraordinary minimum wage adjustment, the FNV's demand is not only supported by the Dutch left-wing parties SP, PvdA and GroenLinks, but also, according to surveys, by a majority of the Dutch population.

Poland

The minimum wage has a long tradition in Poland, dating back to the mid-1950s. However, the minimum wage only gained special political significance in the course of the political and economic changes at the beginning of the 1990s and the associated strong growth of the low-wage sector. This is still very large by European standards, with over 21% of full-time employees. In view of the dramatic collapse in the level of collective bargaining coverage from almost 50% in 1990 to just over 17% today, the minimum wage protection provided by collective agreements is very low. This makes the role of the statutory minimum wage all the more important today in ensuring adequate wages. Given the extremely low level of unionisation of almost 13% and an extremely fragmented and decentralised collective bargaining system, the minimum wage also has an important anchor function in general wage formation.

In view of the traditionally rather low relative value of the minimum wage compared to the rest of Europe, the trade unions have for years been calling for the minimum wage to be raised to 50% of the average wage. With the recent strong minimum wage increase of more than 15% by the national conservative government led by the “Law and Justice Party” (PiS, Prawo i Sprawiedliwość), this goal has almost been reached. For the PiS government, the strong minimum wage increase is part of a broader social-populist strategy of increasing public welfare spending, which was announced when it took office in 2015. In addition to the minimum wage increase, this includes a generous increase in child benefit and pensions. According to the plans of the PiS government, the minimum wage is to rise from the current PLN 2,600 (approx. EUR 605) to PLN 4,000 (approx. EUR 930) in 2023, which would put Poland in a leading position in Europe in terms of the relative value of the minimum wage, at approx. 60% of the average wage.

The Polish minimum wage regime

The legal basis of the Polish minimum wage regime is the minimum wage act of 2002 (Ustawa dnia 10 października 2002r. o minimalnym wynagrodzeniu za pracę). It stipulates that the minimum wage (minimalne wynagrodzenie) is set once a year, usually on 1 January of each year, in a tripartite vote in the social dialogue council (rada dialogu społecznego). By 15 June of each year, the government concerned must submit a proposal to the social dialogue council for the adjustment of the minimum wage, based on the general economic data such as growth, inflation or the development of the average monthly wage. The social dialogue council then has one month to agree on the increase in the minimum wage. If the trade unions, employers' associations and government representatives represented in the social dialogue council cannot reach agreement, the government decides unilaterally on the adjustment of the minimum wage. In recent years, the latter has been the rule rather than the exception.

Currently, the monthly minimum wage is PLN 2,600 (= EUR 604.99), which corresponds to an hourly wage of about PLN 15 (= EUR 3.50) for a working week of 40 hours. Since January 2017, there has also been a specific minimum hourly wage for certain civil law contracts (umowa cywilnoprawna) for the provision of services that are not subject to the protective provisions of labour law but are concluded under civil law. In January 2020 this specific minimum hourly rate was PLN 17 (= EUR 3.95). The objective of introducing a specific minimum hourly rate for certain civil law contracts was to curb this form of employment in order to circumvent labour law protection and wage regulations. Apart from this special minimum hourly rate, there are no exceptions to the statutory minimum wage.

Key data on the Polish minimum wage regime

Legal basis	Minimum wage act of October 2002 (Ustawa dnia 10 października 2002r.o minimalnym wynagrodzeniu za pracę) http://prawo.sejm.gov.pl/isap.nsf/download.xsp/WDU20022001679/U/D20021679Lj.pdf
Minimum wage per hour (with a 40-hour week) (since 1.1.2020)	PLN 15.03 (= EUR 3.50) based on a PLN 17 (= EUR 3.95) for certain civil law contracts
Minimum wage per month (since 1.1.2020)	2,600 PLN (= EUR 604.99)
Minimum wage in % of the ... of full-time employees (2018)	
... median wage	53.1%
... average wage	42.9%
Low-wage sector (2016): Full-time employees with a wage of less than 2/3 of the full-time median wage All/women/men	21.7%/22.7%/20.8%
Setting the minimum wage	Government after consultation of trade unions and employers in the council for social dialogue
Adjustment interval	Annually on 1 January of a year
Adjustment indicators	No mandatory criteria (consideration of basic economic data such as growth, prices, average monthly wage etc.)
Exceptions to the minimum wage	None
Collective bargaining coverage (2016)	17.2%
Unionisation rate (2018)	12.7%
Current demands	Increase to 50% of the average wage and the exclusion of all additional wage components from the calculation of the minimum wage Trade unions: Solidarność and OPZZ:

Sources: WSI minimum wage database, OECD Earnings Database; ICTWSS Database Version 6.1.

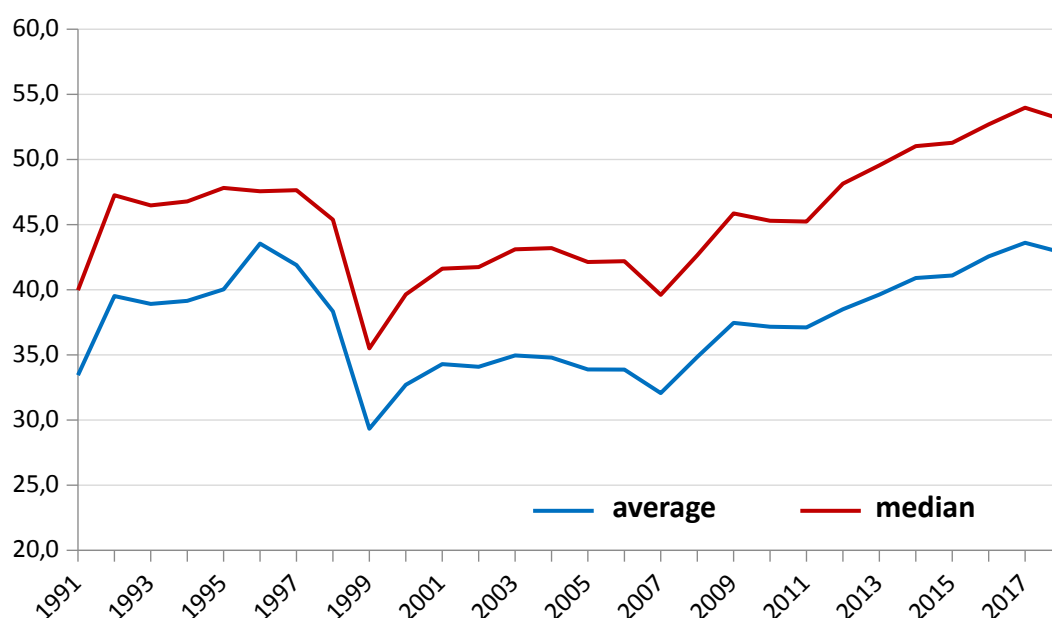
Minimum wage development

After a dramatic fall in the relative minimum wage value at the end of the 1990s, with an absolute low in 1999 at 35.5% of the median wage and 29.3% of the average wage, the relative value rose continuously with short interruptions in the following years until today with a value of 53.1% of the median wage and 42.9% of the average wage in 2018. Particularly noteworthy is the sharp rise in the relative minimum wage value between 2008 and 2015 under then Prime Minister Donald Tusk and the coalition governments led by him and his liberal-conservative civic platform (PO, Platforma Obywatelska). During these years, the relative minimum wage value increased from 42.7% to 51.3% of the median wage (or from 34.8% to 41.1% of the average wage). At that time, the substantial increase in the minimum wage was part of a demand-oriented economic and employment policy and aimed at reducing the then rapidly grow-

ing low-wage sector. The relative minimum wage value stabilised at this level until the next substantial increase in 2020 by the coalition government led by the national conservative law and justice party (PiS, Prawo i Sprawiedliwość). The current increase in the minimum wage of more than 15% in 2020 is not yet included in the graph based on OECD data. According to national sources, the relative value of the minimum wage after the latest increase is just under 50% of the average wage, which is only exceeded by France in a European comparison.

Minimum wage in Poland (1991-2018)

in % of the median and average wages of full-time employees



Source: OECD Earnings Database

Current debates on the minimum wage

For years, the two main trade union confederations Solidarność and OPZZ have been calling for a gradual increase in the minimum wage to 50% of the average wage. With the recent increase in the minimum wage, this goal has almost been achieved. In the meantime, the Polish government has announced that it intends to raise the minimum wage to PLN 4,000 (approx. EUR 930) over the next three years until 2023. This would correspond to an increase of 90% since 2018. The justification of the national conservative government is to transform Poland's business model as an extended workbench of the West and a source of cheap labour into an economy whose growth is based on innovation and modernisation. In addition, the leader of the PiS party, Jaroslaw Kaczynski, stressed that the Polish population deserved to be brought up to the same standard of living as in Western Europe. The fact that this announcement was made only a few weeks before the parliamentary

elections in October 2019 suggests that the minimum wage policy was also motivated by electoral tactics. The government's offensive minimum wage policy puts the trade unions in the unusual situation that their own goals have been clearly surpassed by the government. The trade unions' main focus is therefore currently less on the level of the minimum wage than on its calculation, with the demand that all additional wage components be excluded from the calculation of the minimum wage. They have already achieved initial successes in this respect, for since 1 January 2020 not only extra pay for overtime and night work, but also seniority extra pay have been excluded from the calculation of the minimum wage and must be paid in addition to the minimum wage.

Portugal

The introduction of a national statutory minimum wage in Portugal was one of the first results of the so-called Carnation Revolution of 1974. Since then, the provisions for the statutory minimum wage have been adapted many times. To this day, however, the legally defined universal wage floor remains the core of the Portuguese minimum wage regime.

In addition, since the late 1970s Portugal has also had a comprehensive collective bargaining system, with around three quarters of all employees covered by a collective agreement. The comparatively very high level of collective bargaining coverage in Portugal has mainly been secured through frequent use of the extension mechanism. After Portugal had received loans from the European Stability Mechanism in the wake of the international economic and financial crisis at the beginning of the 2010s and was therefore under the political supervision of the troika consisting of the European Commission, the European Central Bank and the International Monetary Fund, the latter also demanded a significant restriction of the extension mechanism. This contributed to the fact that the number of newly concluded collective agreements fell significantly in the crisis years 2011-2014. In the meantime, however, the possibilities for extending collective agreements have been expanded again, so that the number of collective agreements has also increased again.

At first sight, the level of the minimum wage appears to be particularly high in Portugal, at more than 61% of the median wage. The statistically reported low-wage sector also appears comparatively small, at around 10% of the workforce. However, the validity of such relative figures reaches its limits when the reference figure – as in this case the median or average wages of all employees in Portugal – is very low. The fact that the wage level is very low for broad sections of the population is apparent, for example, when acknowledging that about a quarter of all Portuguese full-time workers receive only the minimum wage.

The Portuguese minimum wage regime

The current legal basis of the Portuguese minimum wage regime is articles 273 to 274 of the labour code (Código do Trabalho). It stipulates that the council of ministers sets a “guaranteed monthly minimum wage” (Remuneração Mínima Mensal Garantida, RMMG) by decree each year, after consulting the so-called permanent committee for social consultation (Comissão Permanente de Concertação Social, CPCS), which is made up of representatives of trade unions and employers’ organisations. According to the current minimum wage decree (Decreto-Lei 167/2019), the monthly minimum wage has been EUR 635.00 since 1 January 2020. Depending on the agreed weekly working hours, this can lead to different minimum wages per hour. With an average collectively agreed weekly working time of 38.2 hours, this corresponds to a minimum wage of EUR 3.83 per hour. For the 14 monthly salaries normally paid in Portugal, this corresponds to a minimum wage of EUR 740.83 per month or EUR 4.47 per hour.

Whereas originally various groups of employees were excluded from the minimum wage, it now applies to all regular employees: a minimum wage between 20 and 50% lower is only permissible for trainees and employees with disabilities. There are no fixed criteria for the annual determination of the minimum wage. However, the law identifies a number of factors, such as the needs of employees, the increase in the cost of living and the development of productivity.

Key data on the Portuguese minimum wage regime

Legal basis	Labour code (Código do Trabalho), articles 273-275 http://cite.gov.pt/pt/legis/CodTrab_indice.html in conjunction with an annual government decree (most recently: Decreto-Lei 167/2019) https://dre.pt/web/guest/pesquisa/-/search/126365738/details/normal?l=1.pdf
Minimum wage per hour (with a 38.2-hour week) (since 1.1.2020)	EUR 3.83 (with 14 monthly salaries: EUR 4.47)
Minimum wage per month (since 1.1.2020)	EUR 635.00 (with 14 monthly salaries: EUR 740.83)
Minimum wage in % of the ... of full-time employees (2018)	
... median wage	61.4%
... average wage	43.9%
Low-wage sector (2017): Full-time employees with a wage of less than 2/3 of the full-time median wage All/women/men	10.1%/8.0%/12.0%
Setting the minimum wage	Government after consultation with employers' organisations and trade unions
Adjustment interval	Annually, on 1 January each year
Adjustment indicators	No mandatory criteria (consideration of the cost of living and productivity development)
Exceptions to the minimum wage	No regular employees (lower minimum wage for trainees and employees with disabilities)
Collective bargaining coverage (2016)	73.9%
Unionisation rate (2016)	15.3%
Current demands	Increase to EUR 750 per month until 2023 (= + 18%) Parties: PS, Bloco de Esquerda Increase to EUR 800 per month until 2023 (= + 26%) Trade union UGT Short-term increase to EUR 850 per month (= + 34%) Trade union: CGTP

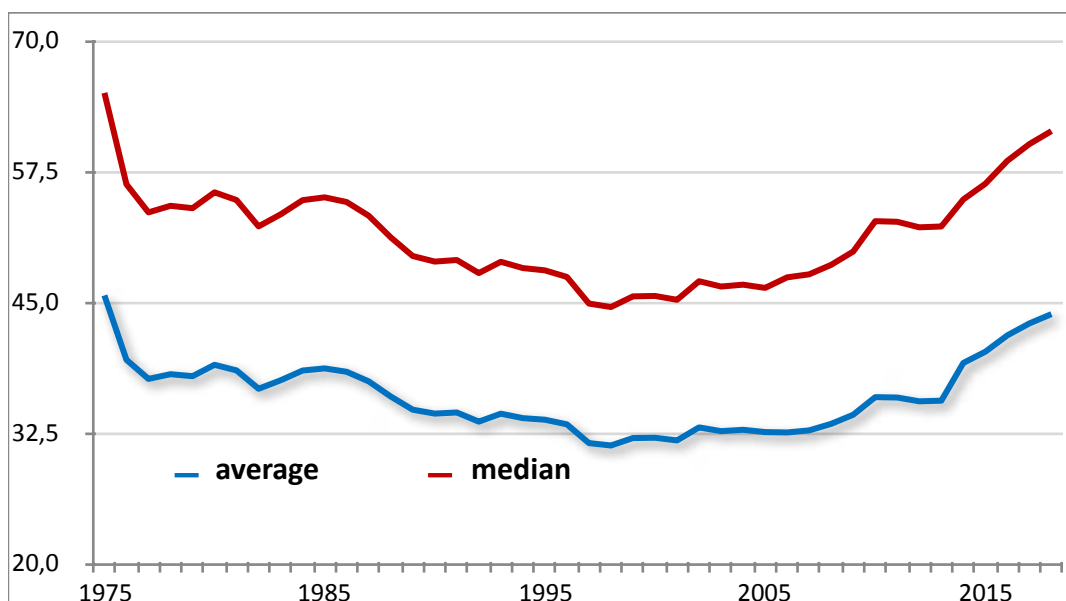
Sources: WSI minimum wage database, OECD Earnings Database; ICTWSS Database Version 6.1.

Minimum wage development

When it was introduced in the mid-1970s, the Portuguese minimum wage was at a very high level of 65% of the median wage. Since then, the relative value of the minimum wage has declined almost continuously, reaching a historical low of less than 45% of the median wage in 1998. Since the early 2000s, the minimum wage has been ahead of the general wage trend in almost every year, so that its relative value has increased almost continuously and is now back above 61% of the median wage. This positive trend was only interrupted in the years 2010 to 2013, when Portugal was mandated by the troika to freeze its minimum wage level.

Minimum wage in Portugal (1975-2018)

in % of the median and average wages of full-time employees



Source: OECD Earnings Database

Current debates on the minimum wage

Unlike in many other European countries, in Portugal a minimum wage that is above 60% of the median wage cannot automatically be considered an indicator of an adequate wage level, as the median wage itself is at a very low level and is close to the poverty threshold. Against this background, further structural minimum wage increases are currently under intense discussion in Portugal. The current minority government led by the socialist party (PS), with the support of the Portuguese left bloc (Bloco de Esquerda), has formulated the goal of gradually increasing the minimum wage to 750 euros per month by 2023 in its latest minimum wage decree of November 2019. After the strong increase of almost 6% on 1 January 2020, this would represent a further increase of more than 18% over the next three years.

The Portuguese trade unions, on the other hand, advocate an even stronger minimum wage dynamic. The trade union UGT aims to reach a minimum wage of EUR 800 per month by 2023, which would represent a 26% increase. The trade union CGTP even advocates a short-term increase in the minimum wage by almost 34% to EUR 850 per month. The Portuguese trade unions consider the neighbouring country Spain, where the minimum wage is currently EUR 950 per month, to be the main point of reference.

Romania

The statutory minimum wage has a long tradition in Romania and dates back to 1949. At the same time, the Romanian collective bargaining system, which was established as part of the post-socialist economic order that emerged after 1989, was traditionally characterised by a collective bargaining coverage rate of 100%. This exceptionally high level of collective bargaining coverage is mainly due to the quasi-automatic extension of collective agreements at all levels – industry-wide/national, sectoral and company level. This only changed with the far-reaching labour law reforms implemented in the context of the economic crisis of 2008. In particular, the so-called “Social Dialogue Law” (Legea dialogului social 62/2011) introduced in 2011 at the instigation of the Troika – consisting of the European Commission, the International Monetary Fund and the European Central Bank – prohibited collective bargaining at cross-industry level and abolished the quasi-automatic extension of sectoral collective agreements. The result of these reforms was a decline in the level of collective bargaining coverage from 100% before the crisis to 23% in 2016, which is unique in the European context. In view of the associated decline in the collectively agreed minimum wage protection, the statutory minimum wage is playing an increasingly important role.

The Romanian minimum wage regime

The legal basis of the Romanian minimum wage regime is the 2003 labour code (CODUL MUNCII 2003). It stipulates that the minimum wage be set as a gross monthly wage (salariului de baza minim brut) by the government via statutory ordinance after consultation with trade unions and employers. On 1 January 2020, the minimum wage was 2,230 Lei (RON) per month, which corresponds to EUR 469.94. On the basis of 167.333 hours worked per month, this results in a minimum hourly wage of 13.33 Lei (RON) or EUR 2.81. Compared to the rest of Europe, only Latvia and Bulgaria have a lower minimum wage.

Traditionally, there are no exceptions to the minimum wage in Romania. However, since January 2019 there have been two higher special minimum wages. On the one hand for employees with a university degree and on the other hand for the construction industry due to the prevailing labour shortage there. When it was introduced in January 2019, the former was 2,350 Lei (RON), 13% above the normal statutory minimum wage. The minimum wage in the construction industry was 3,000 lei (RON) per month when it was introduced in January 2019, 44% above the normal statutory minimum wage. The minimum wage for workers of higher qualification was not increased in 2020, as according to plans published by the government in December 2019, a uniform minimum wage for all workers is to apply again in the future.

The minimum wage in Romania is usually adjusted once or twice a year. In the last three years, the increase was made annually on 1 January. The act does not provide specific criteria for adjusting the minimum wage. The minimum wage is traditionally adjusted by the government on the basis of general economic development and general social and economic policy objectives. As a result, in recent years Romania has been regularly called upon by the European Commission in its country-specific recommendations to introduce transparent criteria for adjusting the minimum wage. In December 2019, the government published plans to base the future adjustment on the development of inflation, labour productivity and the difference between projected and real GDP.

Key data on the Romanian minimum wage regime

Legal basis	Labour code (CODUL MUNCII din 24 ianuarie 2003) (http://legislatie.just.ro/Public/DetaliiDocument/128647)
Minimum wage per hour (since 1.1.2020)	13.33 Lei (RON) = EUR 2.81*
Minimum wage per month (since 1.1.2020)	2,230 Lei (RON) = EUR 469.94
Minimum wage in % of the ... of full-time employees (2018)	
... median wage	58.4%
... average wage	42.7%
Low-wage sector (2014): Full-time employees with a wage of less than 2/3 of the full-time median wage	
All/women/men	24.7%/22.5%/26.6%
Setting the minimum wage	Government after consultation with trade unions and employers
Adjustment interval	once or twice per year
Adjustment indicators	No specific indicators
Exceptions to the minimum wage	Since January 2019, there has been a higher minimum wage for employees with a university degree and at least one year of work experience, as well as a higher minimum wage in the construction sector.
Collective bargaining coverage (2016)	23%
Unionisation rate (2016)	20%
Current demands	Change in adjustment criteria, perspective increase to a living wage level (Cartel-Alfa trade union)

Sources: WSI minimum wage database, OECD Earnings Database; ICTWSS Database Version 6.1.

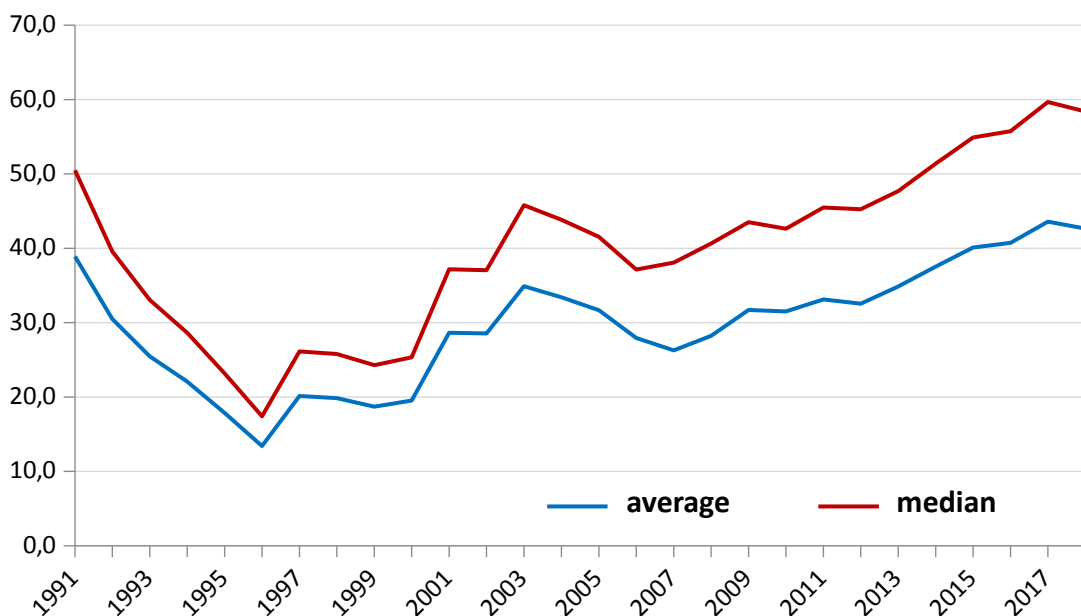
* The minimum wage per hour was calculated on the basis of 167.333 hours per month.

Minimum wage development

In the last 10 years the minimum wage in Romania has developed very dynamically. Since 2009 the nominal value of the minimum wage has more than tripled from 600 Lei (RON) to currently 2,230 Lei (RON). This dynamic development, which was above the general wage trend, is also reflected in the continuous increase in the relative value of the minimum wage. Measured by the median wage for full-time employees, the relative value of the minimum wage rose by over 20 percentage points from 37.1% in 2006 to 58.4% in 2018. Looking at the longer period of the last 20 years, the increase is even more impressive as the absolute low point of 17.4% was reached in 1996. However, the comparatively strong recent increase in minimum wages has been put into perspective by the fact that between 2017 and 2019 the share of social security contributions payable by employees has been increased to ease the burden on companies.

At 58.4% of the median wage, the Romanian minimum wage has one of the highest relative values of all statutory minimum wages in the EU and is very close to the 60% of the median wage threshold commonly accepted as the criterion for “decent” minimum wages. However, the high relative value of the minimum wage in Romania compared to other European countries is less an indicator of the high nominal value of the minimum wage than it is an expression of the still very low general wage level. This is also reflected both in the very high rate of low wage earners in the European context, at 24.7%, and in the high rate of minimum wage earners, which, according to information from Eurofound, was 40% in 2017.

Minimum wage in Romania (1991-2018)
in % of the median and average wages of full-time employees



Source: OECD Earnings Database

Current debates on the minimum wage

The current debate in Romania focuses mainly on the reform of the mechanism for setting the minimum wage. The starting point for this debate consisted in particular of the country-specific recommendations of the European Commission repeatedly addressed to Romania during the European Semester, which pointed to the need for objective and transparent guidelines for setting the minimum wage. The Commission's main objective was to limit the government's room for manoeuvre in setting the minimum wage in order to contain the dynamic minimum wage development, as the Commission identified this as a threat to Romania's competitiveness. Against this background, the Romanian government appointed a group of independent experts in 2017 to work out proposals for reforming the minimum wage setting in cooperation with trade unions, employers and the government. Since then, various proposals have been discussed, including the living wage approach where-

by the minimum wage is determined on the basis of a basket of goods and services. The Cartel-Alfa trade union, for example, has proposed changing the rate of adjustment of the minimum wage so that in a medium-term period of eight years a living wage level calculated according to a basket-of-goods model is reached. To date, however, the various parties involved have been unable to agree on a mechanism. The latest proposal put forward by the government in December 2019 is to base the setting of the minimum wage on inflation, labour productivity and the difference between projected and real GDP.

Slovakia

A minimum wage has existed in Slovakia since its existence as an independent state in January 1993. The minimum wage regime in its current form is based on the 2007 minimum wage act (Zakon o minimalnej mzde No. 663/2007). In Slovakia, in addition to the statutory minimum wage, a collectively agreed minimum wage guarantee existed in the past which was relatively comprehensive compared to other Central and Eastern European countries. In 2000 the collective bargaining coverage was over 50%. However, in the last 20 years, the level of coverage has fallen to 30% due to a sharp drop in the unionisation rate to just over 10% today and a decreasing willingness on the employers' side to engage in sectoral collective bargaining with trade unions. As a result, the importance of the statutory minimum wage to ensure an adequate income for employees has increased significantly. However, with a relative value currently just below 50% of the median wage, the minimum wage is still below the poverty wage threshold, despite a dynamic development in the recent past. The relatively low overall wage level in Slovakia is also reflected in its low-wage sector, which is relatively large in a European context with 18% of full-time employees. Consequently, preventing in-work poverty and ensuring a decent standard of living were central arguments in the amendment to the minimum wage act adopted by parliament in December 2019, which provides for a structural minimum wage increase to 60% of the average wage from January 2021.

The Slovak minimum wage regime

The Slovak minimum wage act of 2007 (Zakon o minimalnej mzde No. 663/2007) stipulates that the minimum wage is negotiated by trade unions and employers' organisations and the agreement is then implemented by the government through a legislative ordinance. In the event of disagreement between unions and employers, the government unilaterally sets the minimum wage by ordinance. This procedure applies to the annual adjustment of the minimum wage on 1 January of each year. However, as trade unions and employers' organisations have rarely been able to reach agreement in the past, the adjustment mechanism de facto consists in unilateral determination by the government. According to the minimum wage act, the minimum wage must be adapted to the overall economic and social situation of the country and take into account in particular the development of the following criteria: consumer prices, employment, average monthly wage and the development of the subsistence minimum. In October 2019, the parliament adopted an amendment to the minimum wage act, which stipulates that from 1 January 2021, in the event that trade unions and employers do not reach an agreement, the minimum wage will be set by the government to at least 60% of the average

gross monthly wage of two years ago. Currently, in January 2020, the gross monthly minimum wage is EUR 580, which, based on 174 hours worked per month, corresponds to a minimum hourly wage of EUR 3.33.

There are no exceptions to the basic minimum wage in Slovakia. However, there are six different categories with specific minimum wage coefficients that lead to higher minimum wages, depending on the degree of difficulty of the work to be performed, which in turn depends on work intensity and qualification requirements.

Statutory minimum wages in Slovakia by degree of difficulty of the activity	Coefficient	Minimum wage per month in EUR
1: Basic activities per supervisor instruction	1.0	580
2: Routine activities and simple manual activities	1.2	696
3: More creative manual activities and work requiring more physical effort	1.4	812
4: Activities that require increased mental effort, including management capacities	1.6	928
5: Conceptual and creative activities with increased mental demands	1.8	1,044
6: Creative activities with an increased level of responsibility	2.0	1,160

Source: <https://www.minimalnamzda.sk/narocnosti.php>

Category 1 corresponds to the basic minimum wage, which doubles up to the highest category 6. In practice, however, the vast majority of minimum wage earners are in category 1.

Key data on the Slovak minimum wage regime

Legal basis	Minimum wage act (Zakon o minimalnej mzde 663/2007) (https://www.slov-lex.sk/pravne-predpisy/SK/ZZ/2007/663/20180501)
Minimum wage per hour (since 1.1.2020)	EUR 3.33
Minimum wage per month (since 1.1.2020)	EUR 580
Minimum wage in % of the ... of full-time employees (2018)	
... median wage	49.3%
... average wage	39.4%
Low-wage sector (2014): Full-time employees with a wage of less than 2/3 of the full-time median wage	
All/women/men	18%/21%/15%
Setting the minimum wage	Trade unions and employers; government if trade unions and employers do not reach agreement
Adjustment interval	Annually on 1 January of a year
Adjustment indicators	From 1 January 2021, at least 60% of the average gross salary of two years ago
Exceptions to the minimum wage	No exception to the basic minimum wage – depending on work intensity and qualification requirements, there are five additional categories with gradually increasing minimum wages
Collective bargaining coverage (2015)	30.0%
Unionisation rate (2016)	10.7%
Current demands	Implementation of the increase in the minimum wage to 60% of the average wage as provided for in the current minimum wage act Trade unions: KOZ SR Parties: SMER-SD

Sources: WSI minimum wage database, OECD Earnings Database; ICTWSS Database Version 6.1.

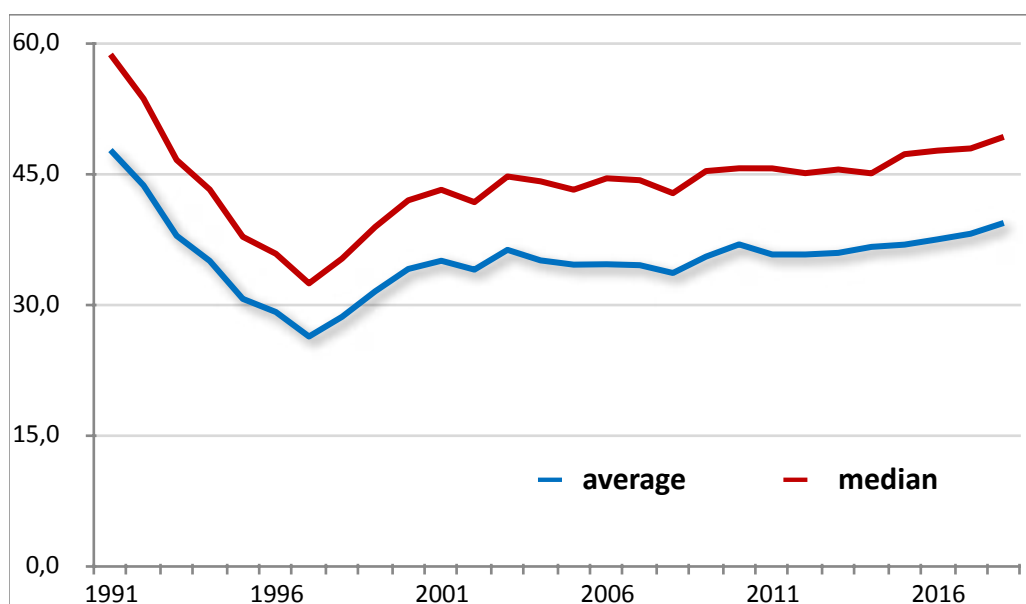
Minimum wage development

As in many other Central and Eastern European countries, the minimum wage has developed very dynamically over the past 10 years. Since 2009, the minimum wage has almost doubled from EUR 295.50 to currently EUR 580. In any case, this is not reflected in a corresponding increase in the relative value of the minimum wage. As a percentage of the median wage, the relative value of the minimum wage has hovered around the 45% mark since the early 2000s. A slight increase to currently 49.3% has only been observed since 2015, which means that the minimum wage in Slovakia is still below the poverty threshold of 50% of the median wage. A very similar picture emerges for

the relative value of the minimum wage compared to the average wage. Here too, the relative value of the minimum wage fluctuated constantly between 35 and 36% between 2001 and 2013 – only after that does a slight increase to 39.4% today become apparent. The comparatively consistently low relative minimum wage level since the turn of the millennium is due, on the one hand, to the fact that the general wage development in Slovakia has also been dynamic compared to other European countries and, not least, to the fact that the development of the average monthly wage is one of the criteria to be taken into account when adjusting the minimum wage.

Minimum wage in Slovakia (1991-2018)

in % of the median and average wages of full-time employees



Source: OECD Earnings Database

Current debates on the minimum wage

In Slovakia, the discussion about the minimum wage in recent years has focused mainly on raising the minimum wage. There were essentially two camps facing each other. On the one hand, trade unions and centre-left parties such as SMER-SD (SMER – Sociálna demokracia) supported a strong increase in order to combat in-work poverty and wage inequality. For example, the Slovak trade union confederation KOZ SR has long called for an increase in the minimum wage to 60% of the average wage with the explicit aim of combating in-work poverty and ensuring a decent standard of living for workers. On the other hand, employers' organisations and centre-right parties warned against excessive increases in minimum wages, fearing negative effects on competitiveness and employment development. In view of the recent

amendment of the minimum wage act, advocates of a strong increase in the minimum wage have prevailed. The current discussion now focuses mainly on the effects of the new regulation. However, the example of Slovenia, where a “structural” increase in minimum wages took place in 2010, shows that such a measure, for example with appropriate transitional arrangements for companies in financial difficulties, can be implemented without negative consequences for competitiveness and employment.

Slovenia

The general statutory minimum wage (minimalna plača) was introduced in Slovenia in 1995. The objective of the minimum wage at the time was to provide all workers, irrespective of their type of work and occupation, with an income that guaranteed a minimum standard of living and social security. This objective also plays a central role in today's debates on the minimum wage. Slovenia, for example, is one of the first examples in the EU of a successful trade union campaign that led to a substantial 23% increase in the minimum wage in 2010, thus upgrading it to a "living wage". The statutory minimum wage is also embedded in a traditionally highly centralised system of collective bargaining with cross-industry negotiations which ensured an exceptionally high collective bargaining coverage of almost 100% until the mid-2000s. Due to decentralisation tendencies in the private sector, collective bargaining coverage has since fallen to 71%. However, this is still the highest value of all Central and Eastern European countries, and Slovenia is also in the top ten of all 28 EU Member States.

The Slovenian minimum wage regime

The legal basis of the Slovenian minimum wage is the minimum wage act (*Zakon o minimalni plači*) of 2010 in its current version amended in 2015 and 2018. It determines the minimum wage as a gross monthly wage, which most recently stood at EUR 940.58 on 1 January 2020. On the basis of a 40-hour week, this results in a minimum hourly wage of EUR 5.44. The minimum wage act does not provide for exceptions with special rates, for example for young workers or other categories of employees. According to the law, the minimum wage is adjusted once a year on 1 January of each year by the Ministry of Labour after prior consultation with trade unions and employers. The new minimum wage must be published in the official gazette of the Republic of Slovenia by 31 January at the latest. The minimum wage is adjusted in accordance with a legally prescribed indexation to the inflation trend. Moreover, adjustment is geared to economic and employment trends. An important new regulation is contained in the amended minimum wage act passed by parliament in December 2018. It stipulates that from 1 January 2021 the net minimum wage must be between 20% and 40% above the minimum cost of living. In addi-

tion, the amended minimum wage act of December 2018 contains an important new regulation regarding the definition of the minimum wage, as from 1 January 2020 all additional wage components such as hardship allowances and seniority extra pay will be excluded from the calculation of the minimum wage. All additional wage components are from now on to be paid in addition to the minimum wage. In this respect, the amendments to the minimum wage act of December 2018 represent an important step towards safeguarding the minimum wage as a living wage and thus an appropriate lower wage limit.

Key data on the Slovenian minimum wage regime

Legal basis	Minimum wage act (Zakon o minimalni plači (ZMinP)) of February 2010 and its amendments of December 2015 and 2018 (http://pisrs.si/Pis.web/pregledPredpisa?id=ZAKO5861)
Minimum wage per hour (since 1.1.2020)	EUR 5.44 (on the basis of a 40-hour week)
Minimum wage per month* (since 1.1.2020)	EUR 940.58
Minimum wage in % of the ... of full-time employees (2018)	
... median wage	58.7%
... average wage	48.4%
Low-wage sector (2014): Full-time employees with a wage of less than 2/3 of the full-time median wage	
All/women/men	19.2%/22.6%/16.3%
Setting the minimum wage	Government after consultation with trade unions and employers
Adjustment interval	Annually on 1 January of a year
Adjustment indicators	Regular adjustment to the inflation rate; in addition, economic and employment developments From 1 January 2021: net minimum wage must be at least 20% but not more than 40% above the minimum cost of living.
Exceptions to the minimum wage	No exceptions
Collective bargaining coverage (2016)	70.9%
Unionisation rate (2016)	20.4%
Current demands	Trade union ZSSS: adjustment of tax and social legislation so that after the increase in the minimum wage no individual or household is worse off than before due to higher taxes and/or the loss of transfer payments; timely calculation of the minimum cost of living as a basis for determining the minimum wage

Sources: WSI minimum wage database, OECD Earnings Database; ICTWSS Database Version 6.1.

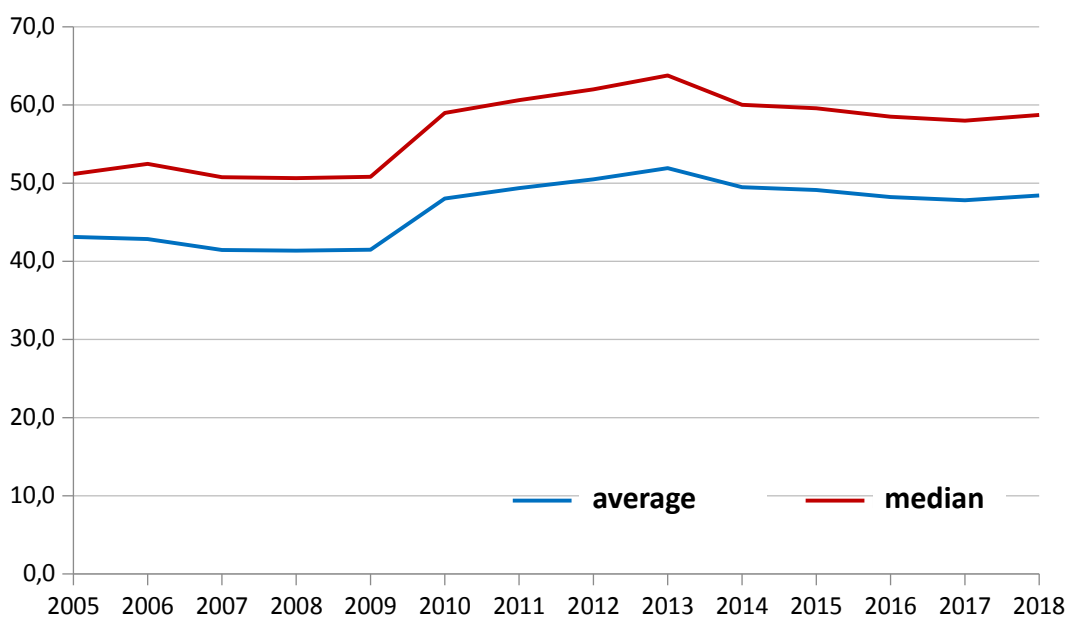
Minimum wage development

Since the turn of the millennium, the decisive event for the development of the minimum wage has been the living wage campaign initiated by the trade unions and successfully concluded in 2009, the first living wage campaign in Europe outside the English-speaking world. The starting point of the campaign was the fact that Slovenia was hit hard by the economic crisis in 2008 and, in view of the very high inflation at the time, the minimum wage fell sharply in real terms and more and more workers were at risk of poverty. The problem of generally low wages is also reflected in the still relatively high share of low-wage earners among full-time employees, at 19.2%. To protect workers with particularly low wages, the trade unions launched a campaign for a substantial increase in the minimum wage with the explicit demand that the minimum wage be raised to the level of the minimum cost of living calculated by the government. After numerous protest actions, the unions achieved their goal by increasing the minimum wage by 23%. This led to a sharp rise in the relative value of the minimum wage from 50.8% to 59%. The relative value of the minimum wage reached its absolute peak in 2013 at 63.8% of the median wage. Since then, the

relative value of the minimum wage has remained constant at just under 60% of the median. The same applies if, instead of the median wage, the average wage is taken as the benchmark for the relative value of the minimum wage. Here, too, there was a sharp rise in relative value from 41.5% to 48% in 2010 and a peak of 51.9% in 2013. Subsequently, the relative value of the minimum wage levelled off just below the 50% mark. In particular, the example of Slovenia also shows that a one-time structural increase in the minimum wage can be implemented without leading to negative effects on employment and competitiveness in the country.

Minimum wage in Slovenia (2005-2018)

in % of the median and average wages of full-time employees



Source: OECD Earnings Database

Current debates on the minimum wage

Current debates on the minimum wage have focused on two main issues: the level and definition of the minimum wage. Regarding the minimum wage level, the trade unions' main concern was to ensure that the minimum wage would continue to at least reach the level of the minimum cost of living after the one-time structural increase in 2010 by means of an appropriate adjustment mechanism. In the discussion on the definition of the minimum wage, the trade unions have long been calling for all additional wage components to be excluded from the calculation of the minimum wage. In both cases, as described above, the trade unions were able to achieve important successes with the minimum wage act amended in December 2015 and 2018.

Following the amendment of the minimum wage act in 2018, the current demands of ZSSS, the largest trade union confederation in Slovenia, were mainly aimed at legal changes in tax and social security legislation to ensure that no individual or household is worse off after the minimum wage increase due to higher taxes and/or the loss of transfer payments. Here too, the government followed the trade unions' line of argument and introduced the relevant legal changes in 2019.

Spain

A national statutory minimum wage was first introduced in Spain in 1963 under the Franco regime. After democratisation in the mid-1970s, the entire labour legislation was reorganised and in 1980 it was consolidated in a comprehensive labour code. The so-called workers' statute (Estatuto de los Trabajadores) also determines the basic features of the Spanish minimum wage regime that is still in force today.

Spain also has a relatively comprehensive collective bargaining system, supported by a statutory *erga omnes* regime, wherein sectoral agreements are subject to a quasi-automatic extension. This way, a majority of almost 70% of employees still work in companies covered by collective agreements, although the rate of unionisation is now below 14%.

Due to the comprehensive minimum wage protection provided by collective agreements, the scope of the statutory minimum wage in Spain has traditionally been rather limited. For a long time it was one of the lowest minimum wages in Europe, measured by national median and average wages. After the Spanish trade unions had long been calling for a structural increase in the minimum wage, this demand was recently also been taken up by the Spanish government. Since January 2018, the minimum wage increased by almost 30%. The current Spanish left-wing government of the Partido Socialista Obrero Español (PSOE) and Unidas Podemos has declared that it wants to raise the minimum wage to 60% of the average wage by the end of the legislative period.

The Spanish minimum wage regime

The current legal basis of the Spanish minimum wage regime is article 27 of the workers' statute (Estatuto de los Trabajadores). The Ministry of Labour, after consultation with the representative trade unions and employers' organisations, sets a cross-sectoral minimum wage (Salario Mínimo Interprofesional, SMI) by "royal decree" (Real Decreto). According to the most recent royal decree no. 231/2020, the legal minimum wage in Spain is EUR 950.00 per month, which corresponds to a minimum wage of EUR 5.76 per hour for an average 38-hour week. The Spanish minimum wage decree also sets a minimum annual wage of EUR 13,300, which assumes the payment of 14 monthly salaries. On this basis, the minimum wage *de facto* increases to EUR 1,108.33 per month or EUR 6.72 per hour.

The Spanish minimum wage applies to all employees without exception. As a rule, it is adjusted once a year on 1 January of each year. There are no fixed rules for the adjustment. The law only contains certain basic economic data, such as consumer prices, productivity, the wage ratio and the general economic situation, which the government is to take into account when adjusting minimum wages.

Key data on the Spanish minimum wage regime

Legal basis	The workers' statute (Estatuto de los Trabajadores), article 27 https://www.boe.es/eli/es/rdlg/2015/10/23/2/con in conjunction with an annual government decree (most recently: Real Decreto 231/2020) https://www.boe.es/boe/dias/2020/02/05/pdfs/BOE-A-2020-1652.pdf
Minimum wage per hour (with a 38-hour week) (since 1.1.2020)	EUR 5.76 (with 14 monthly salaries: EUR 6.72)
Minimum wage per month (since 1.1.2020)	EUR 950.00 (with 14 monthly salaries: EUR 1,108.33)
Minimum wage in % of the ... of full-time employees (2018)	
... median wage	41.2%
... average wage	34.8%
Low-wage sector (2014): Full-time employees with a wage of less than 2/3 of the full-time median wage	
All/women/men	14.6%/19.9%/10.8%
Setting the minimum wage	Government after consultation with employers' organisations and trade unions
Adjustment interval	Annually, on 1 January each year
Adjustment indicators	No mandatory criteria (consideration of basic economic data such as growth, prices, average monthly wage etc.)
Exceptions to the minimum wage	none
Collective bargaining coverage (2017)	68.0%
Unionisation rate (2018)	13.6%
Current demands	Raising the minimum wage to 60% of the average wage Trade unions: CC.OO, UGT Parties: PSOE, Unidas Podemos

Sources: WSI minimum wage database, OECD Earnings Database; ICTWSS Database Version 6.1.

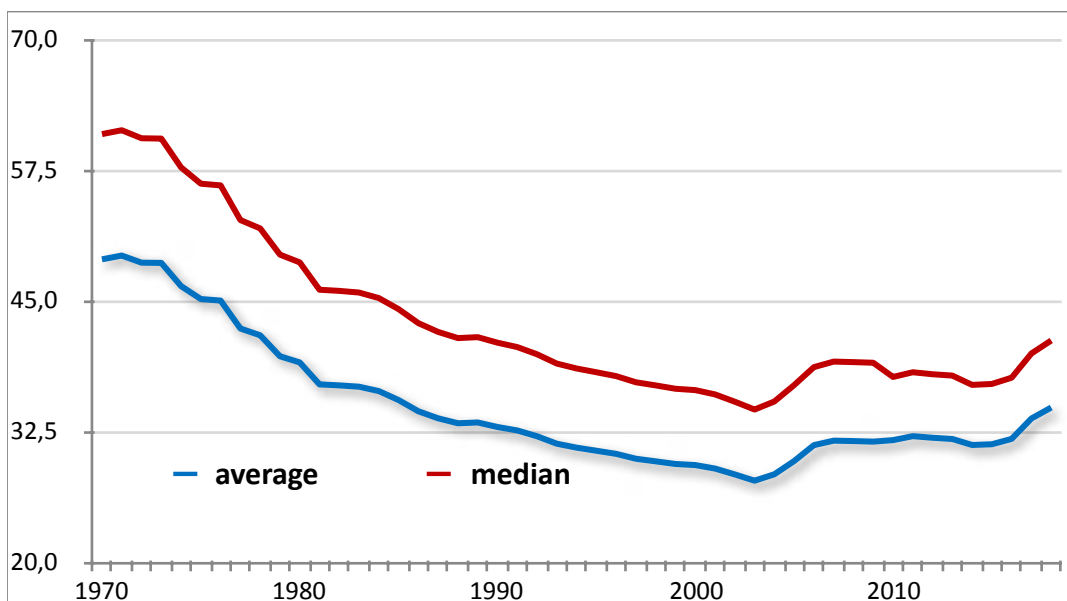
Minimum wage development

In 1970 the minimum wage in Spain was at a relatively high level, at 61% of the median and 49% of the average wage of full-time workers. Since then, however, the relative value of the Spanish minimum wage has declined steadily until it reached its historical low of 34.6% of the median and 27.8% of the average wage in 2003. In the following years, the relative minimum wage value then rose again for the first time and fluctuated between 37 and 39% of the median wage.

In the course of the international economic and financial crisis in 2009ff. the minimum wage was hardly raised for several years. Only from 2017, the minimum wage adjustments became more pronounced again. On 1 January 2019, the newly elected PSOE government decided on the largest minimum wage increase in Spanish history, with a 22% increase. This was based on the declared goal of structurally raising the Spanish minimum wage, which is extremely low by European standards, to a level that would make it poverty-proof. At the same time, the government, referring to the European Social Charter, took up the long-standing demand of the Spanish trade unions CC.OO and UGT to raise the minimum wage to 60% of the average wage in the long term.

Minimum wage in Spain (1980-2018)

in % of the median and average wages of full-time employees



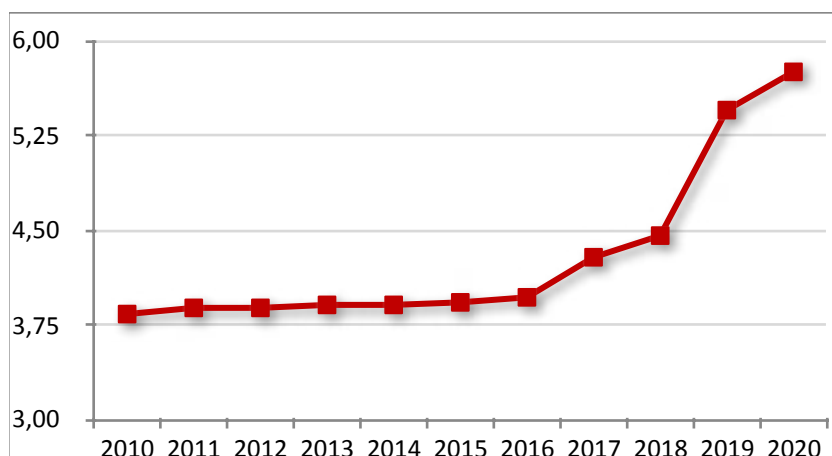
Quelle: OECD Earnings Database

Current debates on the minimum wage

After Spain, despite forecasts to the contrary from the business community and various economic research institutes, managed to cope with the extraordinary minimum wage increase without any negative effects on the labour market, the new left-wing coalition government consisting of PSOE and Unidas Podemos also advocates continuing the structural increase of the minimum wage. In January 2020, the government even succeeded in persuading the umbrella organisations of trade unions and employers to reach a joint agreement, according to which the minimum wage was raised by a further 5.6%.

Overall, it is the declared goal of the current left-wing government to raise the minimum wage to 60% of the average wage by the end of the legislative period, which would result in further substantial minimum wage increases in the coming years. If this development is successful, Spain would change in just a few years from a country with an extremely low minimum wage level to one with one of the highest minimum wage rates in Europe.

Minimum wage in Spain (2010-2020) in EUR per hour*



* with a 38-hour week; on 1 January of each year
Source: WSI minimum wage database

Sweden

Sweden is one of the few countries in Europe without a statutory minimum wage. Instead, a comprehensive collective bargaining system in which around 90% of all employees work in a company subject to collective bargaining ensures that minimum wages are guaranteed almost across the board. The stability of the collective bargaining system is based primarily on an exceptionally high level of union presence and organising power, which is ensured by the fact that two thirds of all employees in Sweden are still members of a trade union. The high degree of unionisation is favoured by the so-called Ghent system under which the unions traditionally administer the unemployment insurance funds and thus have a significant incentive to join a union.

On the basis of a high level of collective bargaining coverage and a high degree of unionisation, Sweden also has a long tradition of a wage policy based on solidarity, which aims to promote the lower wage groups in particular and to prevent wage differentials between sectors and employment groups from becoming too wide. In fact, Sweden still has an extremely egalitarian wage distribution by international standards and has one of the smallest low-wage sectors in the world, with just 2 to 3 percent of the workforce. Against this background, the Swedish trade unions defend their model of a minimum wage regime based on autonomous collective bargaining and firmly reject any state regulations such as a statutory minimum wage.

The Swedish minimum wage regime

In Sweden, minimum wages (*minimilöne*) are determined exclusively through collective agreements and receive their legal basis through these agreements. There are very different forms and variants of wage determination in Sweden, depending on the industry and the collective bargaining sector. This applies in particular to the question of the level at which wages are negotiated and fixed.

Of the approximately 700 sectoral agreements in Sweden, only about 250 collective agreements contain sectoral minimum wage rates. Other sectoral agreements only set out certain framework requirements for company wage negotiations. In some sectors, including in particular the public sector, wages are also exclusively set at local level.

In contrast, sectoral minimum wages exist almost everywhere in the classic low-wage branches of the private service industry. In 2018, these varied between 17,500 and 22,500 Swedish kronor (SEK) (\approx EUR 1,650 to 2,125) per month. Based on an average collectively agreed 37-hour week, this corresponds to a minimum hourly wage of SEK 110 - 140 (\approx EUR 10.30 - 13.30). The relative value of the minimum wage was thus between 60 and 77% of the median wage or 57 to 74% of the average wage of full-time employees. Accordingly, the relative value of collectively agreed minimum wages in Sweden was significantly higher than the level of most statutory minimum wages in Europe. A recent study by the Swedish arbitration institute (*Medlingsinstitutet*) stated that in 2018 only 0.9% of all employees in Sweden were working for a wage below 60% of the median wage. A large proportion of them were young people under 18 or 20 years of age, who often receive a particularly low youth wage.

Key data on the Swedish minimum wage regime

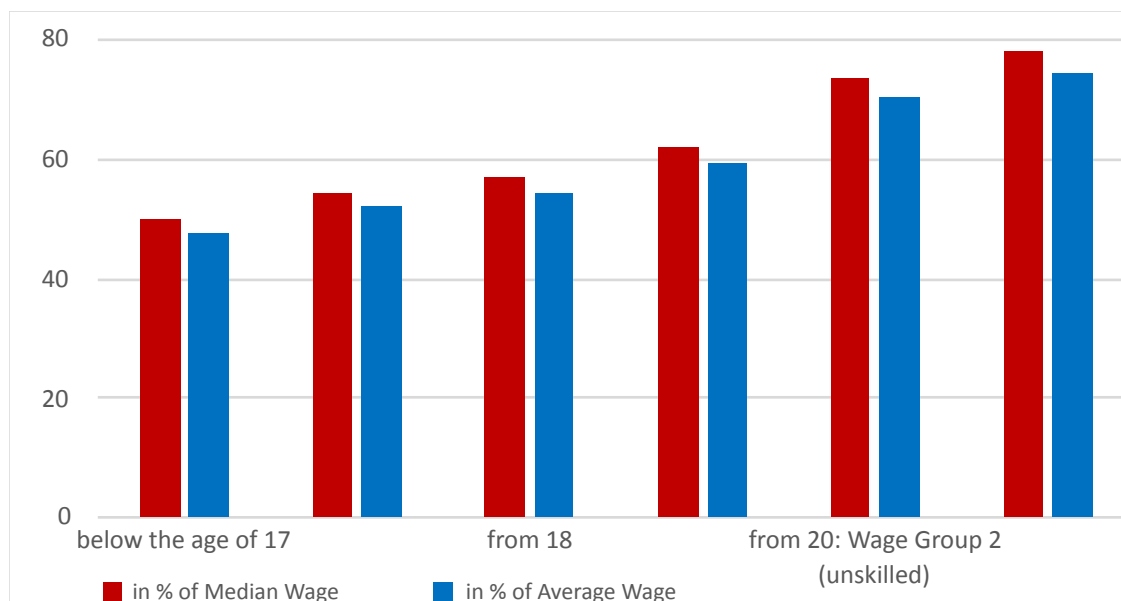
Legal basis	Collective agreements
Collective minimum wages per hour (2018) (with a 37-hour week)	mostly between SEK 110 and 140 (≈ EUR 10.30 to 13.30)
Collective minimum wages per month (2018)	mostly between SEK 17,500 and 22,500 (≈ EUR 1,650 to 2,125)
Minimum wages in % of the...	
median wage (2018)	60 to 77%
average wage (2018)	57 to 74%
Low-wage sector (2014): Full-time employees with a wage of less than 2/3 of the full-time median wage; all/women/men	2.6%/3.2%/2.0%
Setting the minimum wage	Autonomous collective bargaining between employers' associations and trade unions
Adjustment interval	every 2-3 years
Adjustment indicators	none
Exceptions to the minimum wage	none
Collective bargaining coverage (2016)	90.0%
Unionisation rate (2017)	65.6%
Current demands	Defence of the Swedish minimum wage regime based on autonomous collective bargaining Rejection of a statutory minimum wage and a binding minimum wage regulation at EU level All trade unions, employers' organisations and relevant political parties

Sources: Eurostat; ICTWSS Database Version 6.1., Medlingsinstitutet

The lowest collectively agreed wages are found in the hotel and restaurant industry, which also has the largest proportion of employees earning less than 60% of the national median wage at 7.9%. According to the largest industry agreement in the sector, the minimum wage for young workers under 19 years of age was below 60% of the Swedish median wage in 2018.

From the age of 19, the 60% threshold is exceeded while from the age of 20 the full adult minimum wage is paid, which is already well above 70% of the median wage in the lowest wage group.

Lowest collectively agreed wages in the hotel and restaurant sector in Sweden (2018)*
in % of the median and average wages of full-time employees



*Collective Agreement „Gröna Riksvalet“ of the LO affiliated trade union HRF, from 1 April 2018

Sources: Trade union HRF(collectively agreed wages); Statistics Sweden (median and average Wages); own calculation

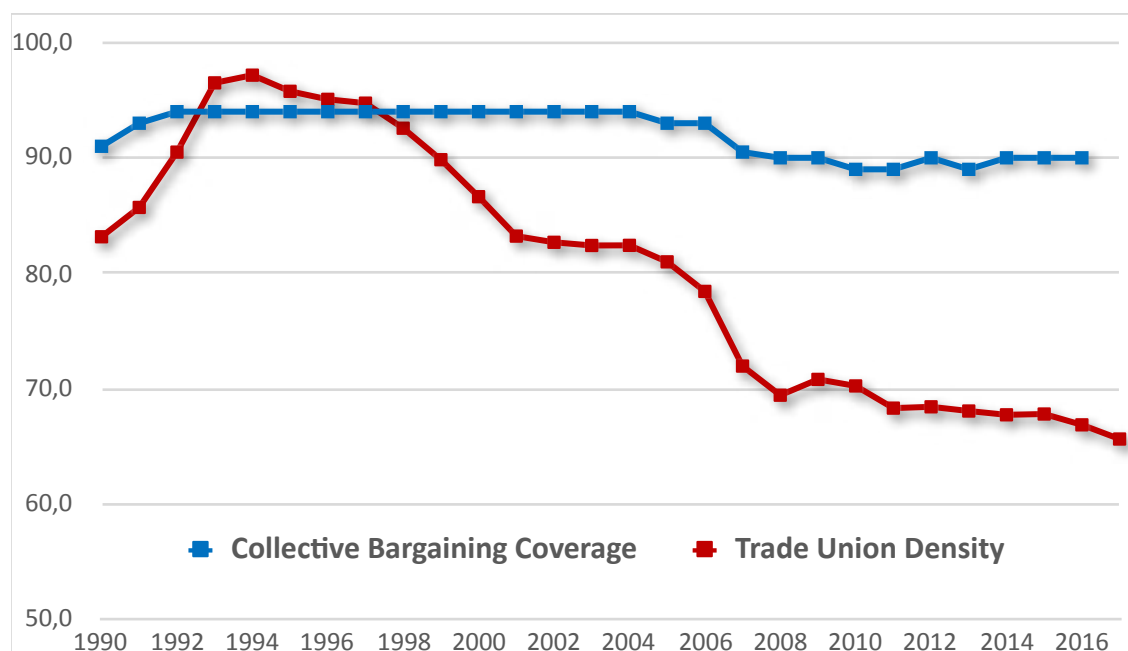
Collective bargaining coverage development

In countries whose minimum wage regimes are primarily based on collectively agreed minimum wage protection, the scope of minimum wages depends primarily on the development of collective bargaining coverage. In Sweden, collective bargaining has remained extraordinarily stable over the last few decades, all the more so because, unlike for instance in Norway or Finland, there is no extension mechanism in Sweden by which the state supports the collective bargaining system.

At 66%, the rate of unionisation – the mainstay of the Swedish collective bargaining system – is still extremely high by international standards. Over time, however, it has declined significantly from over 90% in the mid-1990s and continues to show a downward trend to the present. In particular, the low-wage sectors of the private service industry show a rather below-average degree of unionisation.

Collective bargaining coverage and unionisation rate in Sweden (1990-2016)

in % of employees



Source: ICTWSS Database Version 6.1.

Current debates on the minimum wage

The minimum wage regime based on autonomous collective bargaining is currently not questioned by any of the relevant social and political actors in Sweden. Violations of existing minimum wages are widely perceived as a problem of foreign companies that undermine Swedish standards with posted workers. Swedish trade unions are stepping up their efforts to organise foreign workers and to force the companies concerned to comply with collectively agreed minimum wages, including through solidarity strikes that are still possible in Sweden. However, the so-called Laval ruling of the European Court of Justice (C-341/05) significantly limited the trade unions' scope for action, as trade union industrial action now always runs the risk of being regarded as an impermissible restriction of the European freedom to provide services.

The introduction of a statutory minimum wage is rejected by the Swedish trade unions as well as the employers' organisations because in their view it would lead to a weakening of the collective bargaining system. The same applies to the adoption of a binding European minimum wage regulation, which is primarily perceived as a threat to the Swedish model.

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