

Industrial relations and social dialogue

Minimum wages in 2022: Annual review



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Executive summary

Introduction

The COVID-19 crisis and increasing inflation continued to affect Europe in 2021, during which period the minimum wage rates for 2022 were set. All countries, with the exception of Latvia, increased their rates. There is little research available yet on minimum wage workers during the pandemic, but the evidence suggests that low-paid workers (including those on minimum wages) were hit harder by the pandemic, mainly because sectors and companies with a larger share of low-paid workers were more severely affected by lockdown measures. After cautious increases in many countries in the first year of the pandemic and some disruption to processes, wage setting during 2021 for 2022 largely returned to normal – in as much as the challenging socioeconomic context allowed.

As well as reporting on minimum wage rates across the EU and Norway for 2022 and the processes through which they were set, this year's report looks at the debates at national level regarding whether and how processes for setting minimum wages could be adapted and how the debates might be influenced by the proposed EU directive, as well as examining findings from policy-relevant research that inform them.

Policy context

At EU level, in 2021 and the first half of 2022, the European Parliament and European Council continued to negotiate on the proposed directive on adequate minimum wages, finally reaching agreement on 7 June (subject to a formal vote before being adopted).

Twenty-one EU Member States currently have statutory minimum wages in the form of a legally binding minimum wage floor, covering almost all workers; in some countries, there are exceptions, for example for young workers, trainees or those who do not fall under the scope of the law because they are not considered to be employees. The six remaining Member States (and Norway, which is also covered by this report) do not have a statutory minimum wage, but minimum wages for a large proportion of the workforce are agreed collectively between the social partners for various sectors and occupations.

In most cases, the minimum wage rates are reviewed and set once a year, although some countries have more than one revision in a year or change them less often. This regular process of minimum wage setting takes several forms in the EU, including tripartite consultation or negotiation, recommendations from expert committees, bipartite negotiation between the

social partners and unilateral decisions by governments.

Key findings

- In nominal terms, between 1 January 2021 and 1 January 2022, statutory minimum wages increased to a greater extent than in the previous year in most Member States. In five central and eastern European Member States, the percentage increase in statutory rates reached two digits: Hungary (19.5%) and Lithuania, Estonia, Romania and Croatia (all more than 10%). In the pre-enlargement Member States, minimum wages generally increased more modestly (the largest increases reaching 4–6% in Portugal, Spain and Belgium).
- In countries without statutory minimum wages, data were gathered on selected low-paid jobs. These show that over the two-year period from January 2020 to January 2022, above-average pay increases were obtained by couriers, delivery persons and agricultural labourers in standard employment in Austria, personal care workers in Finland and Norway, and childcare workers in Sweden.
- The picture created by increasing wage rates changes, however, when rising inflation is taken into account: of the 21 Member States with statutory minimum wages, rates in real terms declined in more than two-thirds of them between January 2021 and January 2022, increasing in only six countries (Hungary, Croatia, Romania, Portugal, Lithuania and Estonia). Countries with indexation mechanisms – in particular, Belgium, France and Luxembourg – were quicker to increase minimum wages in line with inflation.
- In 2022, Germany will be the country with the largest increase in its minimum wage: it will rise in July from €9.82 to €10.45 per hour, and the Bundestag (German Parliament) decided on 3 June 2022 a further one-off ad hoc uprate to €12 per hour from October.
- The processes for minimum wage setting and related legislation in the EU remained by and large unchanged or were adapted only slightly for 2022. The most far-reaching amendment to minimum wage legislation was enacted in Romania, which limited the duration for which the minimum wage can be paid to a worker to 24 months. However, the new minimum wage law enacted in 2020, which aims to provide a living wage based on a consumption basket, was again not implemented.

- While it is too early to expect the proposed EU directive on adequate minimum wages to have an impact at national level, there are already signs in some Member States that the proposed directive's contents are being taken into account. Some actors are refocusing debates on the topic, starting to prepare possible modifications to the system or criteria for wage setting, or uprating wages in line with the 'international reference values' mentioned in the proposal.
- In contrast, the research for this report identified no substantial debates or reflections among national actors on how collective bargaining can be promoted and bargaining coverage increased – another aim of the proposed directive – except in Denmark, Latvia and Norway.
- An investigation into the impact of the 22% increase in the minimum wage in Spain in 2019, carried out for this report, found that Spain registered the greatest reduction in wage inequality among the EU27 Member States in 2019. This was likely to have been an effect of the increase, which counteracted the relatively high levels of wage inequality in the country that had been growing in the years before the hike.
- Based on minimum wage legislation, it appears that only around half of the countries with statutory minimum wages take inflation or changing living costs into account when setting rates. In the context of unprecedented inflation, it would be worth reviewing the extent to which minimum wage setting systems and practices can and will adapt to the current circumstances.
- The question of how statutory minimum wages influence other wages and the extent to which collective agreements result in higher wages remains important, particularly given that the policy objective is to promote collective bargaining. While several EU-wide studies have been carried out recently – most notably the European Commission's impact assessment accompanying the proposal for the directive – in many Member States there is a lack of in-depth and high-quality evaluative national-level research on the impacts of minimum wage increases on workers and businesses. Furthermore, in many Member States there is a lack of data on collective agreements and collectively agreed wages. As national decision-makers on minimum wages should be able to source their information from independent research, policymakers should consider providing adequate resources for such research and data infrastructure. Eurofound is contributing to filling data gaps in the field of collectively agreed minimum wages by piloting a new database on minimum wage rates contained in collective agreements in the EU.

Policy pointers

- If present inflation trends continue, minimum wages will barely grow at all in real terms in any country in 2022, and significant losses in the purchasing capacity of minimum wage earners will dominate the picture – unless the issue is addressed by additional uprates or other support measures for the low-paid during the year.

Introduction

Statutory minimum wages are one tool for highly centralised wage setting, and in some countries – where wage bargaining is extremely decentralised or non-existent – they are the only tool. They determine the wages of the lowest-earning workers in the labour market, but they can also affect the pay of those earning somewhat more, through spillover effects.

At EU level, minimum wages have over the past two years become the focus of an important policy debate around the proposal for a directive on adequate minimum wages (COM(2020) 682 final), which seeks to ensure that workers in the EU are paid adequate minimum wages. Just before publication of the present report, on 7 June the European Parliament and European Council reached agreement on the directive (subject to a formal vote before being adopted).

At national level, after cautious increases in minimum wages in 2021 – due largely to the pandemic – they increased more significantly in nominal terms in 2022 in most EU Member States. The challenge faced by actors involved in minimum wage setting in many countries was rising inflation, which has diminished the level of pay in real terms significantly in some countries (Eurofound, 2022).

In parallel with the regular process of setting new rates for 2022, several countries continued to deliberate renewing aspects of their wage setting processes and debated policies closely related to the issue of minimum wages aimed at supporting workers and companies.

This year's report – the latest in a series of annual reports – reviews developments in statutory minimum wages in those 21 Member States that have such a law and in a selection of collectively agreed minimum wages related to low-paid jobs in 5 Member States (Austria, Denmark, Finland, Italy and Sweden) and Norway, which have not established a universal and legally binding wage floor.

The report is structured as follows.

Chapter 1 presents the new rates for 2022 both for statutory minimum wages and for the selected collectively agreed minimum wages.

Chapter 2 looks at changes to minimum wage regulations, reviews in detail the processes of setting the rates for 2022, summarises the debates on and planned changes to how minimum wages are set, and outlines national policy debates in some Member States during 2021 that were closely linked to minimum wage setting.

Chapter 3 investigates the extent to which the EU-level discussion on adequate minimum wages has already begun to exert an impact on national minimum wage setting processes or has at least influenced national debates on how minimum wages are to be set in future.

Chapter 4 presents the latest research findings on minimum wages in the EU, mainly published during 2021. Moreover, Eurofound makes its own empirical contribution to this literature by using newly released EU-level wage microdata (from the 2020 edition of the European Union Statistics on Income and Living Conditions (EU-SILC) survey) to investigate the impact of the large Spanish minimum wage hike of 2019 on the average wage, on wage levels across the wage distribution and on wage inequality.

Throughout the report, 'spotlight' sections highlight a number of issues: how inflation has been taken into account in minimum wage setting, the debate on the non-implemented living wage in Romania, the first ex ante assessments of German experts on the likely effects of the planned increase in the minimum wage, and the impact of the Spanish minimum wage hike of 2019.

1 Minimum wages in 2022: Rates and developments

This chapter starts by presenting Eurofound's latest estimate of the proportion of workers in the EU who earn the minimum wage, based on comparative wage data from the 2019 edition of EU-SILC. It goes on to present the statutory minimum wage rates for 2022 in the individual Member States and the latest figures on collective agreements covering low-paid jobs in those countries without statutory minimum wages.

Proportion of minimum wage earners among EU employees

How many employees earn minimum wages in the EU? It is difficult to answer this question using the available EU-level sources of microdata. But a rough estimate can be made by combining data from EU-SILC and tax data (Taxing Wages) from the Organisation for Economic Co-operation and Development (OECD). The latter is needed to obtain gross wage data for those countries for which EU-SILC provides information only on employee wages net of personal income tax and employee social security contributions. Employees earning the minimum wage are defined here as those earning a wage that deviates by a maximum of +/-10% from the minimum wage rate in the EU country in question.¹

According to the latest available microdata covering most EU countries (the 2019 edition of EU-SILC), around 4% of European employees earn wages close to minimum wage floors (see Figure 1).² However, the

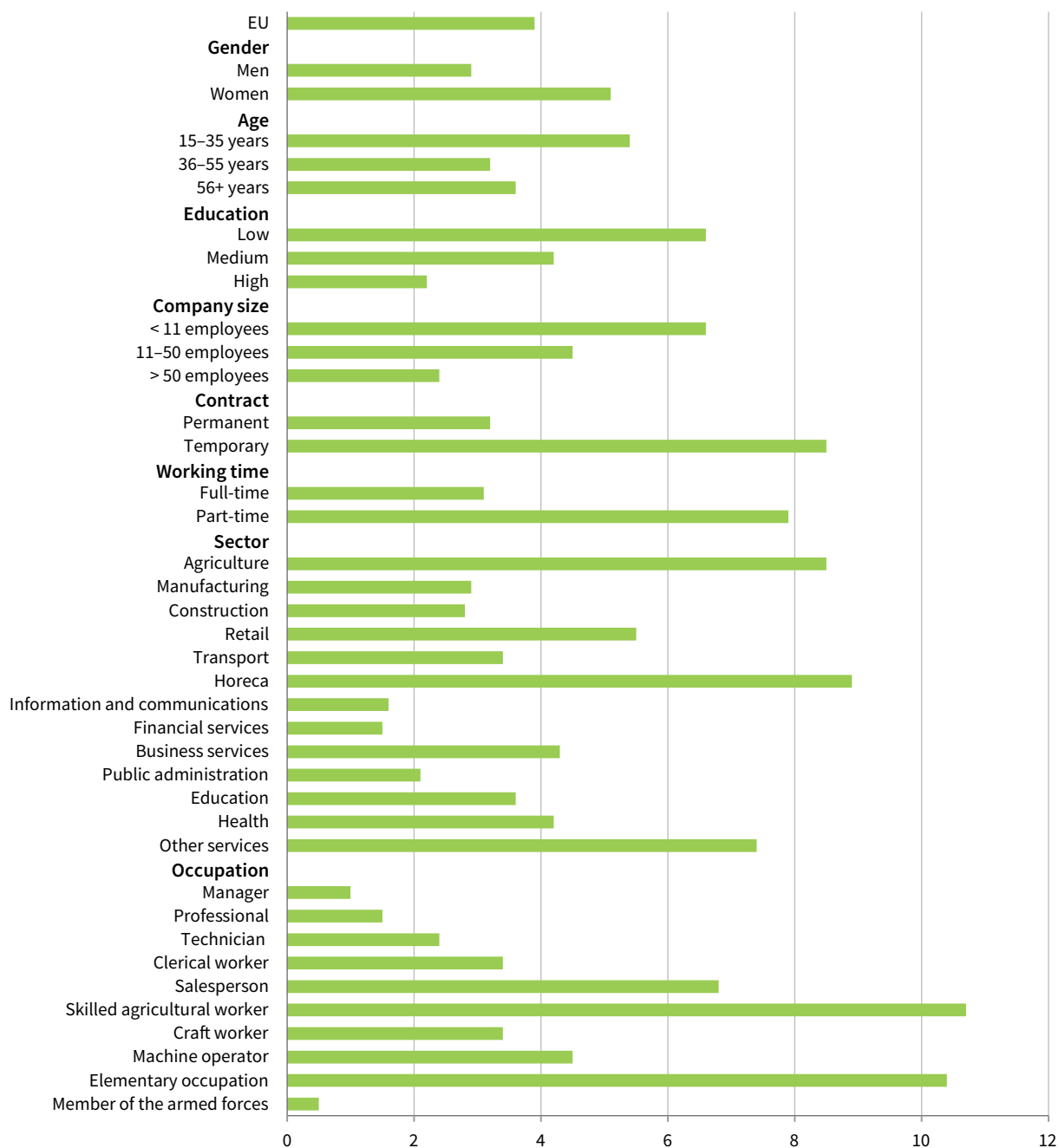
percentage varies widely depending on certain sociodemographic and employment characteristics. A higher proportion of employees who receive a wage close to the minimum wage:

- are women (5% of female employees compared with 3% of male employees)
- are young workers (more than 5% of employees aged 15–35 earn the minimum wage)
- have low educational attainment (almost 7% of those without an upper secondary education compared with 2% of those with a university education)
- work in small companies (7% of employees working in establishments with 10 or fewer employees compared with 2% of employees working in those with more than 50 employees)
- work part-time or hold a temporary contract (8% of part-timers and temporary employees earn the minimum wage compared with 3% of employees working full-time or having a permanent contract)
- work in agriculture or the hotel, restaurant and catering (Horeca) sector (where almost 10% of employees earn the minimum wage) and are much less likely to work in the financial sector or the information and communications sector
- work in elementary occupations or as skilled agricultural workers (one-tenth of employees in these roles earn the minimum wage)

1 It is not possible to empirically capture with precision those employees earning exactly the minimum wage in each country, due to data issues (see Eurofound 2014 for full details on the empirical approach applied when using EU-SILC wage data). An employee earning below the minimum wage does not necessarily signal non-compliance with minimum wage regulations, since it could be the result of different sub-minima (for instance, lower levels or exemptions from minimum wages among certain groups) or imprecision of EU-SILC labour income data to reflect the actual monthly wage level. Moreover, a note of caution is needed when estimating minimum wage earners in countries with no statutory minimum wages (Austria, Cyprus, Denmark, Finland, Italy, Sweden), since the minimum wage rate used in these countries has been obtained by calculating an average among the three lowest collectively agreed minimum wages identified by Eurofound's Network of Correspondents. This is a statistical construction, since no single minimum wage levels exist in these countries.

2 Owing to changes in the methodology applied, there is a break in the series of these estimates, and the figures cannot be compared with those for previous years in the other reports in this series.

Figure 1: Proportion of EU employees earning close to the minimum wage (%), by sociodemographic and employment characteristics, EU, 2018



Note: The EU aggregate excludes Bulgaria, Croatia and Romania. These Member States provide wage information in net terms and the conversion into gross terms cannot be done because OECD tax data on employee social security contributions and personal income tax are not available.

Source: EU-SILC 2019 (referring to 2018 wage information), Eurofound calculations

Statutory minimum wage rates for 2022

Statutory minimum wages are rising significantly again. One year ago, Eurofound's annual review of minimum wages reported that most EU Member States had settled for cautious increases in a context of huge uncertainty, growing unemployment, and disrupted minimum wage negotiations and consultation processes brought about by the COVID-19 pandemic (Eurofound, 2021).

As the negative consequences of the pandemic have started to ease and the economic and labour market situation has improved, a general picture of larger hikes in nominal statutory minimum wage rates is evident

across the EU. Data on the evolution of gross nominal statutory minimum wage rates between 1 January 2021 and 1 January 2022 are presented in Table 1, for the 21 countries in the EU with a statutory minimum wage.

The data show clear increases in minimum wages since last year. First, all the Member States increased their rates for 2022, with the sole exception of Latvia. This marks a clear contrast with early 2021, when four countries had decided to freeze their rates (Belgium, Estonia, Greece and Spain). Second, the increases in statutory rates have been much more generous this year: the median nominal increase (in national currencies) across Member States in 2022 is 5% (the average increase is above 6%), while the median increase in 2021 was 3% (the average increase was below 4%).

Table 1: Gross statutory minimum wages, 21 EU Member States, 2021 and 2022 compared

Country	Converted values			National rates and developments		
	1 Jan 2021 (€)	1 Jan 2022 (€)	Change (%)	1 Jan 2021 (€ unless otherwise stated)	1 Jan 2022 (€ unless otherwise stated)	Change (%)
Luxembourg	2,202	2,257	2.5	2,202/month	2,257/month	2.5
Ireland	1,724	1,775	2.9	10.2/hour	10.5/hour	2.9
Netherlands	1,685	1,725	2.4	1,685/month	1,725/month	2.4
Belgium	1,626	1,691	4.0	1,626/month	1,691/month	4.0
Germany	1,610	1,664	3.4	9.5/hour	9.82/hour	3.4
France	1,555	1,603	3.1	1,555/month	1,603/month	3.1
Spain	1,108	1,167	5.3	1,108/month	1,167/month	5.3
Slovenia	1,110	1,164	4.9	1,110/month	1,164/month	4.9
Portugal	776	823	6.0	776/month	823/month	6.0
Malta	785	792	1.0	181/week	183/week	1.0
Greece	758	774	2.0	758/month	774/month	2.0
Lithuania	642	730	13.7	642/month	730/month	13.7
Poland	614	655	6.6	PLN 2,800/month	PLN 3,010/month	7.5
Estonia	584	654	12.0	584/month	654/month	12.0
Czechia	579	652	12.5	CZK 15,200/month	CZK 16,200/month	6.6
Slovakia	623	646	3.7	623/month	646/month	3.7
Croatia	563	624	10.8	HRK 4,250/month	HRK 4,687.5/month	10.3
Hungary*	467	542	16.0	HUF 167,400/month	HUF 200,000/month	19.5
Romania	472	515	9.1	RON 2,300/month	RON 2,550/month	10.9
Latvia	500	500	0.0	500/month	500/month	0.0
Bulgaria*	332	363	9.2	BGN 650/month	BGN 710/month	9.2

Notes: *2021 data refer to January 2021, except for Hungary (February 2021); 2022 data refer to January 2022, except for Bulgaria (April 2022). The columns headed 'Change (%)' present the growth rate between 2021 and 2022. In Spain and Belgium, this is the result of two increases: one in September 2021 (after rates were frozen in early 2021) and one applying from January 2022. In the case of Belgium, these increases resulted from indexation, something which has occurred again in recent months (March and May 2022), together with an extra upgrade in April 2022 (see Box 1). In Greece, an additional increase from 1 May 2022 (+7.5%) was granted as a response to rising inflation. Countries are ordered by their minimum wage level (in euro) in 2022. Converted values: rates for non-euro-zone countries (Bulgaria, Croatia, Czechia, Hungary, Poland and Romania) were converted to euro by applying the exchange rate applicable at the end of the previous reference month (December 2021). Rates for countries with more than 12 wage payments per year (Greece, Portugal, Slovenia and Spain) were converted by dividing the annual sum of the minimum wage by 12 calendar months. Rates for countries where the minimum wage is defined as an hourly rate (Germany and Ireland) were converted to monthly rates by applying the average number of usual weekly hours. The rate for Malta was converted from a weekly to a monthly rate considering (52/12) weeks per calendar month.

Source: Network of Eurofound Correspondents

Newer–older Member State divide

A clear divide between older and newer Member States emerges when observing the magnitude of the changes in statutory rates for 2022.

Much larger increases in central and eastern European Member States

In five central and eastern European Member States, the growth in statutory rates reached two digits: the most notable progress took place in Hungary (above +19%), with the rate moving from HUF 167,400 (€467) to HUF 200,000 (€542), while statutory rates increased by more than 10% in Lithuania, Estonia, Romania and Croatia. Bulgaria increased its rate by more than 9% (applying from April 2022), while Poland and Czechia applied lower but still very significant increases of around 7%. These are the countries that increased their statutory minimum wages the most in the EU in 2022.

Increases were more modest in Slovenia (5%) and Slovakia (almost 4%), and Latvia stands out among central and eastern European countries as the only EU country that decided to freeze its statutory rate for 2022. This came after Latvia had set the largest increase in the minimum wage in the EU in 2021, which – together with the fact that the non-taxable part of the wage has increased, resulting in continued expansion of the net wage received by low-paid employees – explains why the social partners accepted this year's freeze.

Central and eastern European countries are generally characterised by the lowest minimum wage levels in the EU, but their statutory rates continued to catch up with those of the pre-enlargement Member States (the EU15) in 2022. In 2021, these countries tended to set above-average increases in statutory rates, but their progress in 2022 is much more remarkable; they have strongly resumed the significant upward convergence towards the levels of the western European countries that started years ago. Moreover, it is important to note that this picture remains largely the same when growth in minimum wages is calculated in euro.³

More modest growth in older Member States

Only some of the EU15 countries increased their statutory rates significantly. Notable upward trends are evident in Portugal and Spain. The Portuguese rate increased by 6% in 2022, after doing so by 5% in 2021. The Spanish minimum wage has grown significantly since 2019. Although it remained frozen for most of 2021

due to disagreement among the social partners, it increased again by more than 5% in 2022, as a result of one hike in September 2021 and a more recent one announced in February 2022 but applying retrospectively from January 2022. Similarly, after being stable for most of 2021, the statutory rate in Belgium increased by 4% as a result of two increases, one in September 2021 and one in January 2022. Moreover, there have been several further significant upgrades already in 2022 (see Box 1 on page 12 for further details).

The increase was somewhat lower in Ireland (+3%) in 2022, although it was triple that of the previous year (+1% in 2021). The Greek statutory rate was increased by a moderate 2% in January 2022, after remaining frozen in 2021. Notably, an additional increase was granted from 1 May 2022 (+7.5%) as a response to rising inflation.

Some countries adjust their statutory rates by means of a rule-based mechanism, sometimes using set formulas, which generally results in modest year-on-year upgrades. For 2022, these mechanisms led to increases of more than 3% in Germany and France, under 3% in the Netherlands and Luxembourg, and 1% in Malta.

The increase in the German statutory rate in 2022 doubles that of the previous year and, importantly, is only a beginning, with more changes to come later in the year. The statutory rate will be adjusted, as planned,⁴ from the current €9.82 to €10.45 per hour in July 2022, but the government has also announced an exceptional one-off adjustment to €12 per hour from October 2022, after which the government will leave it to the country's Minimum Wage Commission to decide on regular adjustments. This will mean a 22% increase from the current level to that of October 2022 (a 6% increase in July and a 15% increase in October), and Germany will therefore be the country in which the minimum wage increases the most during the whole of 2022, all else remaining equal.

Hourly statutory minimum wage rates

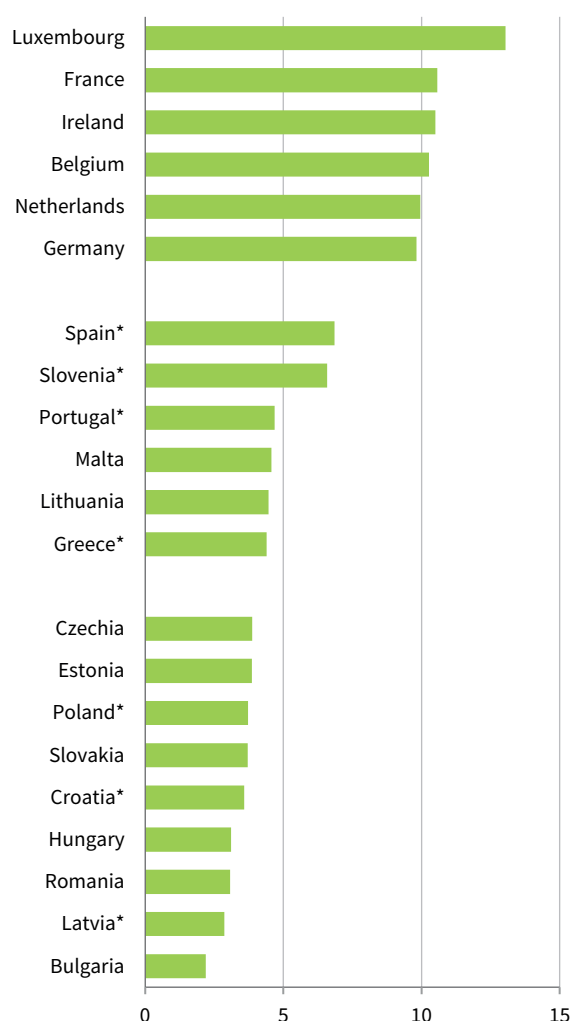
Hourly wage data may enable more meaningful comparisons of minimum earnings across Member States, since they capture wage floors that may be more relevant to the realities of some minimum wage earners, such as those working part-time or under hourly contracts.

³ The strong growth in the minimum wage in Hungary is somewhat lower (at 16%) due to modest depreciation in the Hungarian forint compared with the euro, while the increase in Czechia is stronger (at 12.5%) due to appreciation of the Czech koruna.

⁴ In 2020, the Minimum Wage Commission recommended granting an increase calculated on the basis of changes in the index of collectively agreed wages in four stages, with the later increases being larger, based on the assumption of a recovering economy in the aftermath of the pandemic.

A cross-country comparison of hourly statutory minimum wages is shown in Figure 2; these rates are legally defined in some countries and statistically inferred for others (by dividing the legally defined monthly rate by hours usually worked).

Figure 2: Hourly minimum wages (€), 21 EU Member States, 2022



Notes: For most countries, hourly minimum wages are legally defined at hourly rates, sometimes in addition to a monthly definition. For countries marked with *, rates have been converted to an hourly rate by considering the average number of usual weekly hours of work (Eurostat dataset [lfsa_ewhun2]) and 4.33 weeks of work per calendar month. This conversion is based on the average of hours worked among all employees, so it could result in an underestimation of minimum wage hourly rates in countries where working hours among minimum wage workers are below the national average.

Source: Network of Eurofound Correspondents, Eurofound calculations

The data show that Member States can be divided into three groups based on their hourly minimum wage levels.

- The six countries with the highest rates are all in the EU15, with hourly wages ranging from €13 in Luxembourg to slightly below €10 in the Netherlands and Germany.
- Six countries – all Mediterranean countries, with the exception of Lithuania – have intermediate hourly wage levels, ranging from almost €7 in Spain to €4.40 in Portugal.
- The nine countries with the lowest hourly wages are all central and eastern European countries, with hourly wages ranging from less than €4 in Czechia to barely above €2 in Bulgaria.

The highest hourly wage (Luxembourg) is six times that of the lowest one (Bulgaria). However, the magnitude of the gap has declined over the years as a result of the upward convergence of the central and eastern European countries with the other Member States.

Statutory minimum wages in real terms

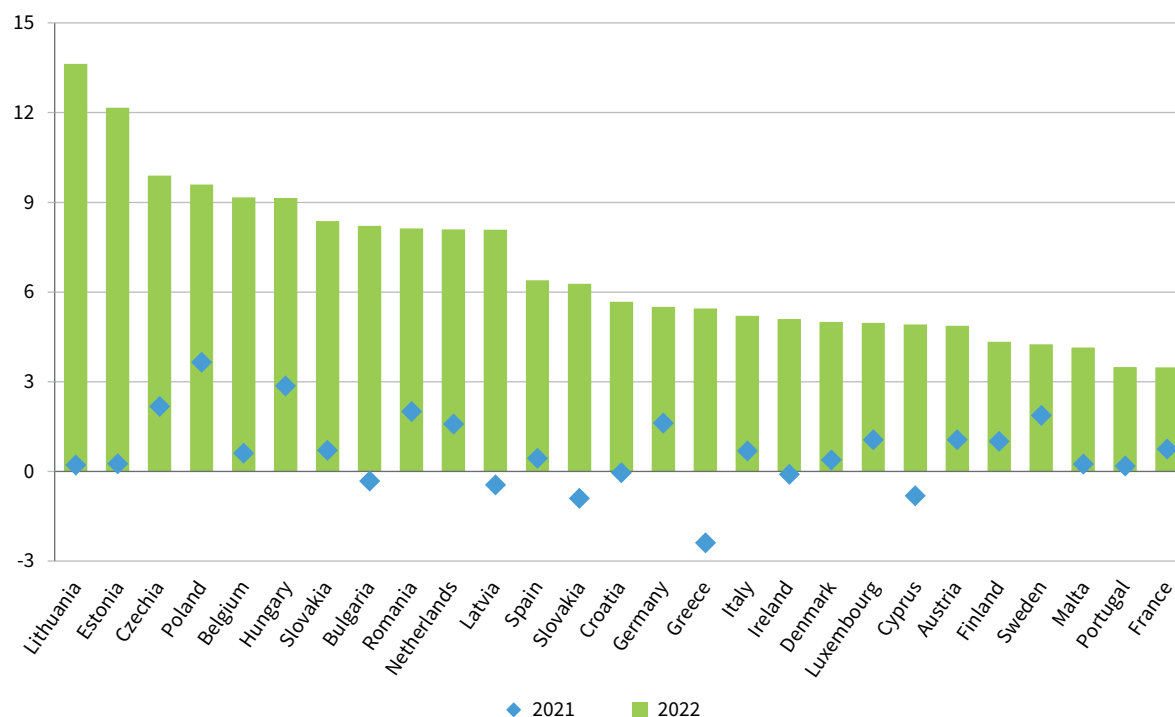
In recent years, even moderate increases in nominal statutory rates have generally translated into some increase in the purchasing power of minimum wage earners, since inflation was low in Europe. But this is no longer the case: only a third of countries managed to improve their real statutory rates between January 2021 and January 2022, and hardly any will do so in the months to come if the current trend in inflation persists.

Inflation takes centre stage

After being largely absent from the European economy for many years, inflation is now back at centre stage. As economies recovered lost ground, energy prices soared and bottlenecks in supply chains emerged as a result of the pandemic during 2021, fuelling inflation; the war in Ukraine will exacerbate the situation.

Many Member States are registering inflation at rates not seen in decades. Figure 3 compares inflation data for January 2022 with the figures one year earlier. The average rate of inflation in the EU in January 2022 was almost 6%, as measured by the year-on-year change in the Harmonised Indices of Consumer Prices (HICP), while it was just above 1% in January 2021. Inflation was especially high, between 13% and 8%, in several central and eastern European countries (the Baltic states, Czechia, Poland, Hungary, Slovakia, Bulgaria and Romania) and also in Belgium and the Netherlands. All Member States are registering much higher inflation in 2022 than they did in 2021.

Figure 3: Year-on-year change in inflation rates (%), Member States, 2021 and 2022



Note: Inflation is measured by the Eurostat HICP monthly index (2015 = 100). The 2022 figures refer to the change between January 2021 and January 2022; those for 2021 refer to the change between January 2020 and January 2021.

Source: Eurostat [prc_hicp_midx], Eurofound calculations

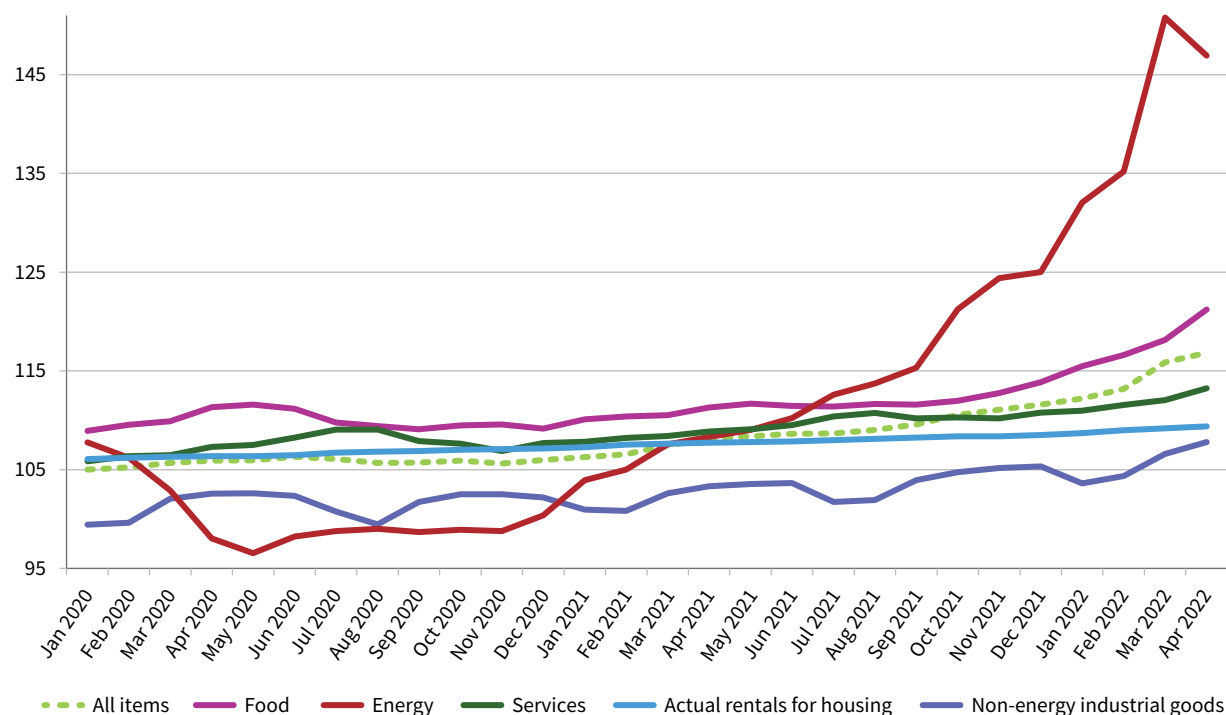
Inflation started to grow notably from the end of 2020 and has been accelerating further since the end of 2021 (Figure 4). The main factor pushing inflation upwards is soaring energy prices (gas, electricity, solid and liquid fuels), while inflation in other areas, such as non-energy industrial goods, housing rental prices and services, is much more restrained so far. There is a risk that higher energy prices will translate into high inflation in other areas, hence diminishing purchasing power further. Data up to April 2022 clearly indicate that rising energy prices are already pushing prices upwards in other areas – mainly food, but industrial goods and services too.

Impact of changes in prices on purchasing power

Information on statutory minimum wages has so far been presented only in nominal terms, which reflect the rates set by governments in law. But improved living standards and increased purchasing capacity for minimum wage earners depends on increases in nominal rates and on inflation, since the purchasing power of minimum wage earners does not improve if nominal rates are merely adjusted for inflation.

This section takes into account recent developments in prices across EU countries in order to provide information on minimum wages in real terms. Real wages are calculated as nominal minimum wages deflated by national price indexes. This provides a much more pessimistic picture of this year's changes in minimum wages.

Figure 4: Monthly evolution in inflation, by category, EU, January 2020–April 2022



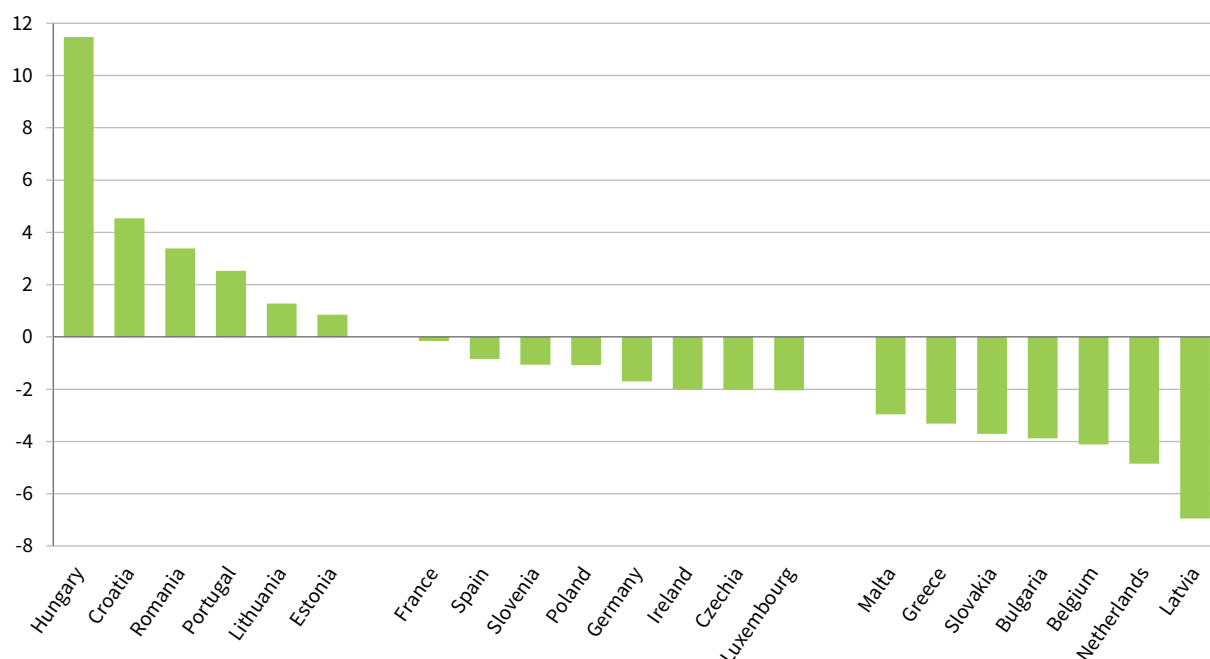
Note: Inflation is measured by the Eurostat HICP monthly index (2015 = 100).

Source: Eurostat [prc_hicp_midx], Eurofound calculations

Figure 5 provides data on the evolution of real statutory rates between January 2021 and January 2022. As expected, the increases in minimum wages in real terms

are more modest than those in the nominal rates, as is always the case when inflation exists. But the gap between the two wage measures is especially large this

Figure 5: Changes in minimum wages in real terms (%), 21 EU Member States, January 2021–January 2022



Note: Groups are based on the rate of change between January 2021 and January 2022 in all countries, with the following exceptions: February 2021 was used for Hungary; April 2022 was used for Bulgaria. Change is calculated based on monthly gross minimum wage figures and the Eurostat HICP monthly index (2015 = 100)

Source: Network of Eurofound Correspondents and Eurostat [prc_hicp_midx], Eurofound calculations

year, as inflation started to accelerate strongly in 2021. Countries may be divided into three groups based on the trend in the real minimum wage rate.

- **Increase in real statutory rate:** Of the 21 EU Member States with statutory minimum wages, real rates increased in less than a third of them between January 2021 and January 2022: Hungary, Croatia, Romania and Portugal, and, to a smaller extent of less than 2%, Lithuania and Estonia.
- **Modest decline in real statutory rate:** A relatively small reduction (of up to 2%) in purchasing power among minimum wage earners occurred in slightly over a third of the countries: France, Spain, Slovenia, Poland, Germany, Ireland, Czechia and Luxembourg.
- **Significant decline in real statutory rate:** A more significant reduction characterises the evolution of statutory rates in real terms in the remaining third of EU countries, ranging from a 3% fall in Malta to a 7% fall in Latvia.

Figure A1 in Annex 1 provides monthly data on the evolution of real statutory rates over the past two years, from January 2020 to January 2022 (showing indexes based on national currencies). This longer-term perspective with monthly data provides useful

information on the yearly pattern of change in minimum wages in real terms and the worrying situation for minimum wage earners regarding their purchasing power in 2022.

It is obvious that the situation with regard to real minimum wages is much worse this year than in 2021. Between January 2020 and January 2021, reductions in the statutory minimum wage in real terms occurred in only four countries (Hungary, Germany, Estonia and Spain). By contrast, between January 2021 and January 2022, such reductions took place in most countries with a statutory minimum wage.

This raises concerns about prospects for real minimum wages during the course of 2022 in the light of current inflation trends. As Figure A1 shows, the typical pattern of evolution of minimum wages over the calendar year is that the rate in real terms spikes in January following its nominal upgrade, before starting to decline month after month during the year as inflation progresses. If present inflation trends continue and unless further nominal increases are introduced throughout 2022, minimum wages in real terms will hardly grow in any country, and significant losses in the purchasing capacity of minimum wage earners will dominate the picture.

Box 1: Repeated upgrades of the minimum wage in 2022 – Belgium

Belgium is an example of a country where significant recent hikes in the nominal rate are taking place in order to protect the purchasing power of minimum wages.

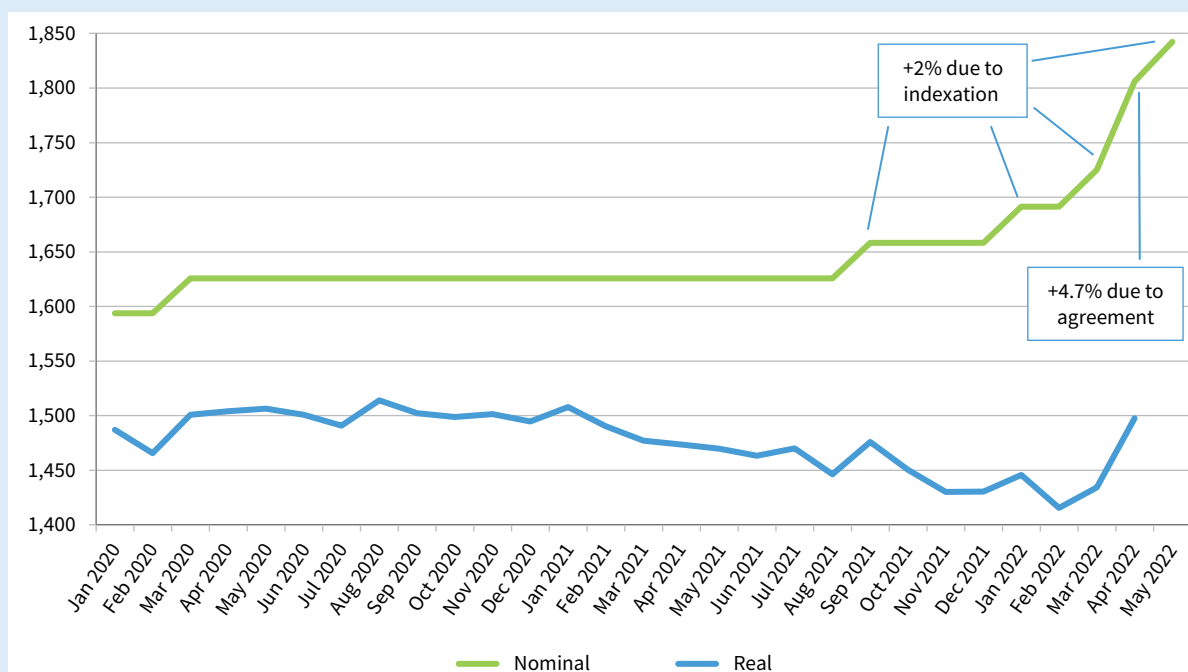
As shown in Figure 6 below, the statutory rate remained unchanged for most of 2021, which resulted in real minimum wages deteriorating as inflation started to kick in from January 2021. As a result of the nominal rate being linked to indexation mechanisms, this growing inflation led to two first upgrades of +2% in the statutory rate, one in September 2021 and one in January 2022, placing Belgium in the rank of western European countries having a bigger progress in its statutory minimum wage.

Nevertheless, against the background of accelerating inflation, this was not enough to halt the deterioration of the real minimum wage during 2022. For this reason, further upgrades of the nominal statutory rate have taken place in recent months.

On the one hand, two additional +2% increases as a result of indexation have taken effect (March and May 2022). On the other hand, an almost 5% increase of the statutory rate took place in April 2022 as a result of two further upgrades, due to agreements in this case. An increase of +0.4% on the statutory rate was agreed last July 2021 by the National Labour Council, based on calculations from the Central Economic Council on the so-called 'wage norm' (see Chapter 2). A much further increase (above €76 euros per month) resulted from a larger ongoing effort to improve the statutory rate every two years, agreed by social partners within the context of the 2021–2022 Interprofessional Agreement. This was the first increase, while two further increases of €35 are expected in April 2024 and April 2026.

As a result of these repeated increases in the statutory rate, Belgium has been able to reverse the deterioration of the purchasing power among minimum wage earners. Belgium was one of the countries where real minimum wages declined the most between January 2021 and January 2022. Nevertheless, despite one of the highest inflation rates among EU countries, the real statutory rate was in April 2022 almost at the same level as in January 2021 (and may be even above it in May 2022 once inflation data for this month is published).

Figure 6: Minimum wages in nominal and real terms (€), Belgium, January 2020–May 2022



Notes: Data for both nominal and real rates is presented in euros (the real rate takes into account the inflation level).

Source: Network of Eurofound Correspondents (monthly gross minimum wage) and Eurofound calculations (for monthly real minimum wage, based on Eurostat inflation data [prc_hicp_midx]).

Minimum wages in countries without statutory rates

Austria, Denmark, Finland, Italy, Sweden and Norway do not have statutory minimum wages but set wage floors in collective agreements. These agreements are mainly concluded at sectoral level, although in the Nordic countries, they are often interlinked with company-level

agreements, which usually top up wages (and benefits) (Eurofound, 2020b). As collective bargaining coverage is high in all of these countries, most workers are covered by some form of wage floor (see Box 2). Cyprus, which similarly has no statutory minimum wage, does have statutory minimum wages for some professions and in the hotel industry, and has only a moderate level of collective bargaining coverage.

Box 2: Bargaining coverage in countries with collectively agreed minimum wages

In **Austria**, due to compulsory membership of private sector companies in the Federal Economic Chamber (WKÖ), an employer confederation that bargains collectively for its members, bargaining coverage is believed to be close to 100%.

In **Italy** – at least theoretically – all workers can also be considered to be covered by a collective agreement, due to the legal extension of collectively agreed wages under Article 36 of the Italian Constitution. In practice, according to recent estimates from a representative survey of companies by the National Institute for the Analysis of Public Policies (INAPP), sector-level collective bargaining covers 89% of Italian employees and 82% of all Italian workers (Bergamante et al, 2021).

No such mechanism exists in **Denmark**, but the Confederation of Danish Employers (DA) estimates that bargaining coverage is 82% on average: 73% of private sector employees and 100% of public sector employees are covered by some form of collective agreement (DA, 2020).

In **Finland**, high bargaining coverage of around 84% in the private sector and 89% in the public sector in 2018 is the result of a high degree of organisation of companies, supported by a general application clause (Ahtiainen, 2019).⁵

Norway has no such general extension, but it extends the minimum terms of collective agreements in a number of sectors characterised by a high prevalence of foreign employees and low pay, with the aim of ensuring that foreign employees' wages and terms of employment are not worse than those of Norwegian employees. Alsos et al (2021) estimate 63% bargaining coverage for all wage earners. This includes both the private sector (estimated 45% coverage) and the public sector (full coverage). If wage earners in industries covered by statutory extensions of minimum wage terms are included, the overall coverage rate increases to 71%.

In **Sweden**, a total coverage rate of 90% (85% in the private sector and 100% in the public sector) has been estimated; this has remained relatively stable over time and is the result of a strong degree of organisation on the trade union side and the fact that collective agreements also cover employees who are not union members (Kjellberg, 2021, p. 58).

Occupational statutory rates in Cyprus

In Cyprus, minimum wages are set only for specific occupations in which wages are unreasonably low by the Council of Ministers and in accordance with the Minimum Wage Law (Chapter 183). The system in Cyprus therefore cannot be characterised either as one in which there is a statutory minimum wage nor as one in which minimum wages are collectively agreed. Although pay rates are fixed by order of the Council of Ministers, their levels and the occupations covered are decided on in consultation with the social partners within the Labour Advisory Board. Minimum wages are normally reviewed on an annual basis; however, due to the 2008–2012 economic crisis and a condition included in the memorandum of understanding agreed in 2013 between the Cypriot government and its creditors (the European Commission, the European Central Bank and the International Monetary Fund), which specifies that minimum wage policy must be aligned with economic and labour market developments and that any revision to it must be subject to consultations between the signatory parties, minimum wages have remained at the same levels since 2012.

Employer organisations are generally hesitant to increase minimum wage floors, occasionally even proposing reductions of up to 20%, while trade unions demand that coverage be extended to more low-wage occupations.

Currently, minimum monthly pay rates of €870 at the beginning of service and €924 after completion of six months' service apply to the following occupations:

shop sales assistants, general office clerks, childcare assistants in nurseries, childcare assistants in kindergartens, teachers' aides, and healthcare assistants, cleaners and care workers in private clinics and hospitals. For private security guards, the minimum wage is set at an hourly rate of €4.90, increasing to €5.20 after the completion of six months' service, and the hourly minimum wages for cleaners of offices and corporate premises are set at €4.55 and €4.84, respectively.

Since 1 January 2020, statutory minimum wage floors have been introduced for 13 professions in the hotel industry, based on a multi-employer collective agreement. The monthly pay rates, for those working a 38-hour week, range from €870 for porters without prior experience to €1,070 for receptionists and minibar attendants with more than 6 months' experience. These pay rates have not been revised for 2021.

Collectively agreed minimum wages for low-paid jobs

Due to the general unavailability of data on the levels of minimum wages from the six countries that rely on collective agreements to set levels, the national correspondents were asked to provide all basic minimum wage rates for 10 selected low-paid jobs included in the largest collective agreements covering these jobs, as in the previous editions of this annual report (see Eurofound, 2021, Figure 3, p. 15). The jobs were selected on the basis that they are low-paid in general (although not necessarily in all of the countries) and they cover relatively large shares of workers.⁶

⁵ When more than 50% of employees in a sector either work for a company that is a signatory party to the collective agreement or (more commonly) work for an employer that is affiliated with a signatory employer organisation, the collective agreement is declared generally binding for all employees in the sector by an independent commission.

⁶ For a more detailed description of how these 10 jobs were selected, please see Eurofound, 2020a, p. 24. More information on the individual agreements included in this exercise is available in Eurofound, 2020c. More methodological information on the selection of agreements and relevant pay rates can be found in Eurofound, 2021, Box 2, p. 15.

These 10 low-paid jobs are:

- domestic cleaners
- cleaners and helpers in offices, hotels and other establishments
- shop sales assistants
- waiters and bartenders
- cooks
- home-based personal care workers
- childcare workers
- agricultural, forestry and fishery labourers in standard employment
- agricultural, forestry and fishery labourers in seasonal employment
- couriers and newspaper or parcel deliverers

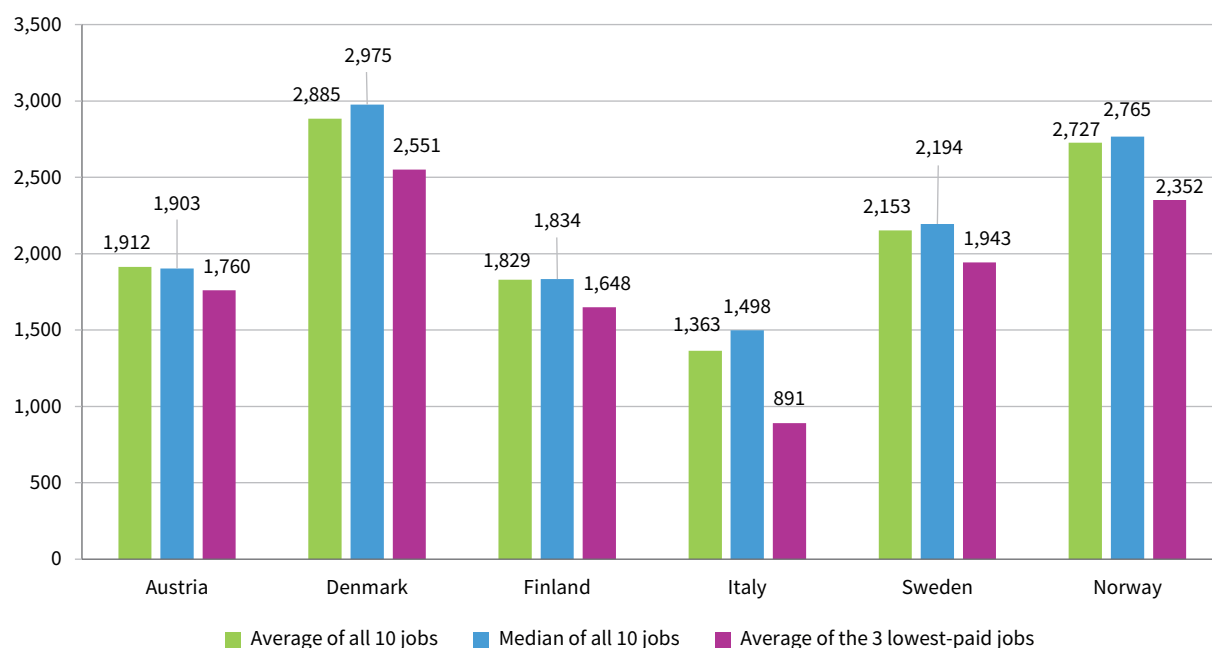
For these selected jobs, the average monthly collectively agreed basic pay in January 2022 varies widely both across and within the six countries (Figure 7). While in Italy, the basic pay ranges from €699 for domestic cleaners to €1,768 for couriers and newspaper or parcel deliverers, in Denmark the basic wage range, converted into euro, is higher, between €2,483 for domestic cleaners and cleaners and helpers in offices, hotels and other establishments and €3,310 for waiters and bartenders.

Among the 10 jobs, the lowest median collectively agreed basic pay rates across the six countries are those for agriculture, forestry and fishery labourers in

seasonal employment (€1,755) and couriers and newspaper or parcel deliverers (€1,869). The highest median collectively agreed basic pay rates are for home-based personal care workers (€2,162) and cleaners and helpers in offices, hotels and other establishments (€2,128) (See Tables A1 and A2 in Annex 1).

Between 1 January 2021 and 1 January 2022, increases of up to 4.5% took place in these collectively agreed minimum wages (Table 2). In a new transport services three-year agreement in Austria, the minimum rate of pay for couriers and newspaper or parcel deliverers was increased by 4.5% for the first year. In Finland, the collectively agreed minimum pay rate for home-based personal care workers increased by 4.2% compared with January of the previous year. A significant increase of 4.2% was implemented for childcare workers in Norway, where wage clauses were updated. In Denmark, where the last rounds of bargaining took place in the public sector at the beginning of 2021 and in the private sector in 2020, the collectively agreed minimum rates of pay for the 10 jobs increased by 1.9% on average. In Sweden, the last significant round of collective bargaining was carried out in 2020; however, a new agreement was signed for childcare workers, with a 3% year-on-year increase in their collectively agreed minimum wage. In Italy, the collectively agreed minimum rate of pay for cleaners and helpers in offices, hotels and other establishments increased by 3.3%.

Figure 7: Collectively agreed average and median monthly wages (€) in 10 low-paid jobs, January 2022



Note: Rates for countries with more than 12 wage payments per year were converted by dividing the annual sum of the minimum wage by 12 calendar months. Hourly rates were converted to monthly rates by applying the average number of usual weekly hours.

Source: Network of Eurofound Correspondents, based on pay rates set in the largest collective agreements related to the 10 jobs

Table 2: Change in monthly minimum wages (%) in collective agreements for 10 low-paid jobs, in nominal terms, 1 January 2020–1 January 2022

	Austria		Denmark		Finland		Italy		Sweden		Norway	
	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022
Domestic cleaners	4.2	0.0	2.2	2.2	2.0	1.3	1.5	0.0	0.0	3.0	2.0	0.0
Cleaners and helpers in offices, hotels and other establishments	1.6	3.5	2.2	2.2	2.0	1.3	0.0	3.3	0.0	3.2	2.0	2.4
Shop sales assistants	1.5	1.3	2.0	2.0	2.0	1.3	0.0	0.0	3.2	0.0	0.0	1.6
Waiters and bartenders	0.0	1.7	1.6	1.7	0.0	1.9	1.3	2.2	2.8	0.0	0.9	3.4
Cooks	0.0	1.7	2.0	1.9	0.0	0.0	1.3	2.2	2.8	0.0	0.9	3.4
Home-based personal care workers	4.9	0.0	1.1	1.7	1.3	4.2	1.5	0.0	2.8	0.0	16.1	1.5
Childcare workers	4.8	0.0	1.1	1.6	1.5	1.0	3.3	0.0	2.3	3.0	0.0	4.2
Agricultural, forestry and fishery labourers in standard employment	8.2	0.0	1.8	2.2	1.6	1.6	0.0	0.0	0.0	2.8	2.1	2.2
Agricultural, forestry and fishery labourers in seasonal employment	2.1	1.6	No agreement		1.6	1.6	0.0	0.0	No data		2.4	2.6
Couriers and newspaper or parcel deliverers	6.3	4.5	2.1	2.0	4.0	0.0	0.0	0.9	No data		4.3	3.1
Median % increase	3.2	1.5	2.0	2.0	1.6	1.3	0.6	0.0	2.6	1.4	2.0	2.5
Average % increase	3.4	1.4	1.8	1.9	1.6	1.4	0.9	0.9	1.7	1.5	3.1	2.4

Note: Change is calculated in national currencies. Many agreements are renewed during the year, not by 1 January. Rates agreed after 1 January 2022 have not been taken into account.

Source: Network of Eurofound Correspondents, based on national official sources

Except in Denmark, collectively agreed minimum pay for the 10 jobs grew at a lesser rate between 1 January 2021 and 1 January 2022 than in the same period the year before. The lack of increases in some of the pay rates can be explained by significant increases in 2021. This is confirmed by the fact that, from 1 January 2020, minimum wages for the 10 jobs increased by 3.7% on average over a two-year period, corresponding to a 1.8% average yearly increase. Some jobs in some countries stand out: couriers and deliverers (+11.1% : 6.3% in 2021 and 4.5% in 2022) and standard employees in agriculture in Austria (+8.2%), personal care workers in Finland (+5.6%: 1.3% in 2021 and 4.2% in 2022) and Norway (+17.8%: 16.1% in 2021 and 1.5% in 2022), and childcare workers in Sweden (+5.4%: 2.3% in 2021 and 3% in 2022) are among those with above-average pay increases since 1 January 2020. It should also be noted that important bargaining rounds are planned for 2022 and beyond in some of these countries.

As discussed earlier in this chapter, Europe is facing unprecedented levels of inflation. While nominal minimum pay rates increased across the 10 low-paid jobs in January 2022, the figures are much less positive

when adjusted for inflation. From 1 January 2020 to 1 January 2021, the purchasing power of employees in these low-paid jobs increased or remained stable in all six countries, ranging from a 0.1% decrease in Sweden to a 2.3% increase in Austria. However, between 1 January 2021 and 1 January 2022, there was a stark reduction in wages in real terms, with nominal increases unable to keep up with high levels of inflation (Figure 8). During this period, real minimum wages in these jobs in these countries decreased on average by 2.5%, ranging from a 0.7% decrease in Norway to a 4% decrease in Italy (see Table A3 in Annex 1 for details of changes in minimum wages in real terms for the 10 jobs).

Bargaining measures addressing low pay

In some of these countries, the earnings of low-paid workers were subject to special consideration in the context of collective bargaining. This was the case in some sectors in Denmark and Sweden, and more widely at peak level, with political proposals and interventions, in Austria (Table 3). In Italy, while low pay as such was not an issue widely debated, a ministerial group was set up to deal with the issue of in-work poverty more generally.

Figure 8: Change in average monthly minimum wages (%) set in collective agreements for 10 low-paid jobs, in nominal and real terms, 1 January 2020–1 January 2022



Note: Change is calculated in national currencies. Many agreements are renewed during the year, not by 1 January. Rates agreed after 1 January 2022 have not been taken into account.

Source: Network of Eurofound Correspondents, based on national official sources

Table 3: Addressing low pay in collective bargaining in countries without statutory minimum wages

Country	Description
Austria	In Austria, the social partners had agreed in 2017 that no worker covered by a collective agreement would be paid under €1,500 per month. Already by 2016, 90% of all workers received a wage of €1,700 or more (Arbeiterkammer Oberösterreich, 2018). The €1,500 threshold is currently being gradually implemented in the many collective agreements that still set minimum wages below this level. The largest opposition party, the Social Democratic Party (SPÖ), has demanded an increase to €1,700 in the threshold for collectively agreed minimum wages. In addition, the SPÖ argues that the Public Employment Service (AMS) should focus on fairly paid jobs, primarily placing jobseekers in jobs with a gross salary of €1,700 or more (Kontrast.at, 2021). In the easternmost state, Burgenland, which has a Social Democratic governor, a project to implement a gross minimum wage of €1,700 for public employees began in 2019, and the measure has been gradually rolled out. The new minimum wage was first introduced for public employees at state level and then expanded to the regional healthcare and hospital provider and the holding company of Burgenland. Currently, it is being rolled out at municipal level. The legal basis for a redesign of the salary system (with higher starting wages and a flatter wage curve) was established in December 2021, and the municipalities are now free to implement starting wages of €1,700 per month.
Denmark	In Denmark, the 2021 collective agreement in the public sector included a special allocation (albeit very limited in terms of the amount allocated) aimed at improving low pay and ensuring equal pay. In total, DKK 173.3 million (€23.3 million) was allocated by municipalities and regions to the low wage pool and the equal pay pool (<i>lavtløns- og ligelønspulje</i>). Regarding low pay, the agreement included a wage increase for employees in the salary grades 11 to 21 (at municipality level) or 11 to 22 (at regional level), in addition to a general 5.02% wage increase. Employees in the municipalities in these grades can expect an annual salary increase of DKK 933 (€125) and employees in the regions in these grades will obtain an additional DKK 653 (€88) per year. The allocation was not intended for particular professions but targeted salary grades across disciplines. Regarding equal pay, the special allocation was aimed at professions in which more than 60% of those employed are women and in which the salary is below the average for the region or municipality in question (Fagbladet FOA, 2021).
Sweden	In late 2019, the Swedish Trade Union Confederation (LO) demanded that during negotiations in 2020 the lowest-paid workers (those earning less than SEK 26,100 (€2,467)) should receive an additional 3% wage increase, amounting to at least SEK 783 (€74) per year over the 2020–2023 collective agreement period. The measure has, however, had only a marginal effect. For instance, the Swedish Commercial Employees' Union (Handels) threatened a strike to get the extra raise, which resulted in about SEK 56 (€5) extra per month for the lowest-paid employees, in total an extra SEK 1,354 (€128) during 2021–2023. However, the employer organisation the Swedish Trade Federation (Svensk Handel) questioned the effectiveness of the measure. Typical occupations among Handels members, such as cashiers in grocery stores, have high rates of turnover, and few employees would therefore gain the entire SEK 1,354 (Arbetet, 2021).

2 Minimum wage setting for 2022

This chapter provides an in-depth overview of how minimum wages for 2022 were set during 2021 and in some cases during early 2022. It starts with a review of changes to minimum wage legislation and then summarises the processes through which rates for 2022 were set. The discussion then turns to debates concerning potential changes to minimum wage setting processes, and the final section reviews policy debates that are closely linked to minimum wages.

Changes to regulations on minimum wages

As in most years, the rules and regulations on minimum wage setting remained unchanged in most Member States. Minor amendments to relevant legislation were made during 2021 in Croatia and Portugal. In Croatia, the Minimum Wage Act was amended to strengthen compliance with the minimum wage. In Portugal, the minimum wage regulation for 2022 included an

extraordinary measure to support employers paying the minimum wage.

The most far-reaching amendment to minimum wage legislation was enacted in Romania, which limited the duration for which the minimum wage can be paid to a worker to 24 months. After this period, a higher wage must be paid. Under a government programme, during those initial 24 months, the employer will receive state support for the training of employees paid the minimum wage; the idea is that companies are supported and encouraged to ensure that people gain qualifications. Training will be carried out through Ministry of Labour programmes, which will be planned in discussions between the Ministry of Labour, the Ministry of Education, employer organisations and trade unions, so that the training courses offered are tailored to labour market demand and needs.

Table 4 provides more information on these legislative changes.

Table 4: Changes to minimum wage regulations in 2021 for 2022

Country	Description
Croatia	The main aim of the Act on the Amendments to the Minimum Wage Act (Government Ordinance 120/2021) is to strengthen compliance with the Minimum Wage Act through clearer specification of offences and increased fines. Article 10 of the Minimum Wage Act has expanded the number of offences, from one to five. An employer commits an offence if he or she: 1. does not pay the minimum wage in the manner prescribed by the Act 2. does not stipulate the gross amount of the minimum wage in the employment contract 3. concludes an agreement with the employee on waiving the right to payment of the minimum wage 4. does not pay a salary increase at least in the amount determined by a collective agreement whose application has been extended in accordance with the provisions of the Labour Act 5. does not pay the minimum wage in the amount determined by a decree of the Government of the Republic of Croatia The Act also specifies that wage supplements for overtime work, difficult working conditions, night work, work on Sundays and work on holidays or any other days that the law stipulates are not working days do not count towards the basic minimum wage. Employers are now obliged to stipulate the gross amount of the wage in employment contracts, and it is prohibited to waive the right to receive the minimum wage, bringing an end to previously existing practices.
Portugal	The regulation that set the minimum wage for 2022 (Decree Law No. 37/2021 of 21 May 2021) includes an extraordinary measure to support employers (Decree Law No. 109 B/2021 of 7 December 2021, Articles 4 to 9). The measure entitles companies to compensation in the form of a one-off cash allowance of €112 per year and per worker earning base remuneration equivalent to the 2021 minimum wage in December 2021. Companies are also entitled to compensation amounting to 50% of the cash allowance for each worker earning a wage slightly above the 2021 minimum wage and below the 2022 minimum wage in December 2021. However, when this wage level was the result of a collective agreement signed, revised or amended in 2021, the compensation given to companies per worker is 100% of the €112 cash allowance, a bonus intended to reward companies that had set salaries above €665 per month in collective agreements in 2021 (Público, 2021a).
Romania	In Emergency Ordinance No. 142 of 28 December 2021, the Romanian government stipulates that as of 1 January 2022, the basic gross minimum wage can be paid to an employee only for a maximum period of 24 months from the date of conclusion of the individual employment contract. After the expiry of that period, irrespective of whether or not the employee has obtained a qualification, they must be employed at a basic wage that is higher than the statutory basic gross minimum wage.

Process of minimum wage setting for 2022

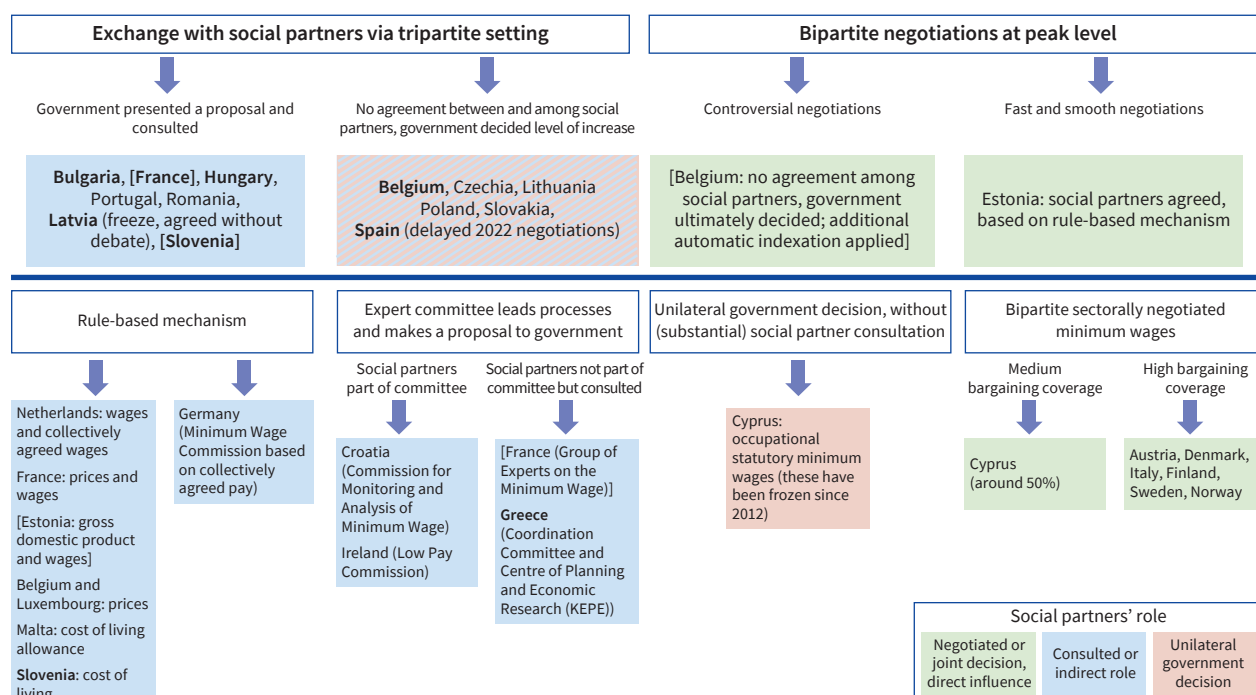
Overall, the process of minimum wage setting – in terms of both procedures and rules guiding the setting – remained stable in the EU, without drastic changes to the practices followed in previous years. Figure 9 provides an overview of how minimum wages were determined during 2021 for 2022. Some minor changes in practice were observed in a number of Member States (see the countries in bold in the figure), but these only confirm that procedures are generally settled and that changes to systems or practices are usually incremental rather than drastic. It should be noted that this year there were somewhat fewer countries in which increases were agreed by the social partners and more in which the government consulted and the social partners did not reach agreement or in which the social partners' failure to agree a rate resulted in government ultimately determining the rate. The dividing line between these cases is, however, not always clear. Overall, the EU-wide monitoring of these annual processes shows that the social partners are involved and that – while there are exceptions that confirm the rule – there tends to be more social partner involvement through regular consultation as part of the process.

Formula-based processes and processes led by expert committee

As noted in previous versions of this report, an increasing number of Member States have set up processes through which minimum wages are set based on a fixed formula or the recommendation of an expert committee or a combination of both. The social partners may participate in these expert committees, as in Germany, Croatia and Ireland, or they can be consulted separately, as in France and Greece. The existence of a formula for setting the minimum wage does not mean that a country is strictly bound by it: the Netherlands provides for the possibility of deviating from the formula to prevent economic hardship; in France, the government can opt for a discretionary increase; the German Minimum Wage Commission can make its recommendation based on a balanced overall assessment informed by the regularly applied formula; and in Slovenia, the law provides for a substantial margin for manoeuvre, as the calculated minimum amount can be increased by 20–40% by agreement among the parties involved in setting the minimum wage.

In all countries with such processes in place by law, they were fully implemented this year, including in Greece for the second time, after the process had been suspended since 2018/2019.

Figure 9: Minimum wage setting for 2022 and the role of the social partners



Notes: Countries in bold have moved boxes since last year's report. Square brackets indicates cases which are classified in more than one box.

Source: Created by the authors based on contributions from the Network of Eurofound Correspondents

Formula-based regimes

The **German** rates for 2022 had already been established during 2020, as the Minimum Wage Commission convenes every two years. For the first time in 2020, it recommended that the increase be granted in four steps over two years – a more cautious approach, due to the pandemic, but overall still in line with the calculated increase in collectively agreed wages.

In **France**, an additional increase in the minimum wage to €10.48 came into force from 1 October 2021, as inflation in the prices of consumer goods (excluding tobacco) exceeded 2% during the year. This additional increase was the first of its kind in 10 years. Another automatic increase of about 2% is expected before the summer of 2022, according to the Minister for the Economy. As for the rate on 1 January 2022, the consistently applied formula is designed to increase minimum wages in line with wage and price increases. For several years, the government has opted to stick to the result of the formula – based on the recommendation of the expert committee – on the basis that an increase in the level of the minimum wage beyond inflation would have a negative impact on employment levels, with job loss affecting unskilled workers, most of whom are paid the minimum wage. The employer organisations support this approach, but the peak-level union organisations are divided. The main trade union confederation (French Democratic Confederation of Labour (CFDT)), agree that an increase beyond inflation would have negative effects on employment while others demand a significant increase in the minimum wage to increase the purchasing power of low-paid workers (General Confederation of Labour (CGT) and the Workers' Force (FO)).

Luxembourg also has mechanisms by which the statutory minimum wage is adjusted in line with growth in the average wage (every second year; as this adjustment was made in 2020 for 2021, no such increase was applied for 2022) and increased in line with inflation if the consumer price index exceeds 2.5%. The annual inflation rate of the national consumer price index stood at 2.7% for September 2021, triggering an increase of 2.5%. This is the seventh inflation-related increase in the minimum wage over the past 10 years. The Minister for the Economy, Franz Fayot of the Luxembourg Socialist Workers' Party (LSAP), commenting on the increase, stressed that 'it aims to preserve the purchasing power of employees. It is a mechanism that guarantees our social peace'.

In **Malta**, the process of uprating the minimum wage for 2022 in line with the cost-of-living allowance was reported to be 'business as usual' and to have been done following the regular procedures. However, as the social partners and the government agreed in 2017 to reform minimum wage setting and establish an expert commission, debates around the set-up and how the new process will work in practice have surfaced

(for more details, see section 'Debates on changes to minimum wage setting' on p. 29).

In **the Netherlands**, while the process of uprating the minimum wage twice a year in line with growth in contractual wages was applied as usual, high inflation in 2021 triggered a parliamentary debate in December on a proposal to grant an additional one-off increase of 4%. There were four reasons behind the motion: the sharp rise in energy bills and the cost of groceries, a fall in disposable income projected for 2022, the fact that Germany planned to raise its minimum wage to €12 per hour (while in the Netherlands it was €9.96 per hour), and the fact that the election programmes of most political parties promised an increase in the legal minimum wage and that low-paid employees would not suffer from the long and slow process of forming the cabinet. While most opposition parties voted in favour of the motion, the proposal was opposed by the governing parties, which referred to ongoing negotiations on uprating the minimum wage in due course.

In **Slovenia**, since 2021, the minimum wage has been determined by taking the minimum cost of living as a starting point; this cost is calculated at least every six years, then valued at recent prices and subsequently increased by 20–40%. The level is determined by the Minister for Labour, after consultation with the social partners. Regarding the minimum wage in 2022, there were two rounds of consultation with the social partners. After the second, the Minister for Labour announced that the minimum wage in 2022 would be €1,074.43 per month, which was an increase equal to the growth in consumer prices between December 2020 and December 2021, and the lowest possible amount.

Processes guided by expert committee

Croatia, Greece and Ireland also have in place processes guided by expert committees, but, in contrast to the countries reported on in the previous section, these committees do not have to adhere to pre-set formulas. In essence, these committees gather evidence on economic, labour market and wage developments, and sometimes also on the impact of previous minimum wage increases on employment and working hours. The committee then recommends a rate agreed on through bargaining between members (as in some years in Ireland), a set of rates proposed by individual members of the committee (as in Croatia and in other years in Ireland) or a rate decided on by the committee following consultations with the social partners (as in Greece).

In 2020, the **Greek** government decided to suspend procedures relating to the setting of the minimum wage until at least July 2021, and the new expert-guided process was not applied as envisaged to determine the 2021 minimum wage rate. After two postponements in 2020, the new consultation process under Article 103 of Law 4172/2013 was launched in March 2021 (see Box 3).

Following the conclusion of the consultation, on 26 July 2021, the Minister for Labour announced that the Council of Ministers had approved a 2% increase in the minimum wage from 1 January 2022. According to the Greek government,

the proposed 2% increase in the minimum wage from 1 January 2022 is the golden mean chosen to enhance the purchasing power of employees without compromising the viability of businesses that are in a precarious situation. The decision was adopted taking into account the economy's evolution over the years 2019–2020 and, in particular, the cumulative recession of 6.29% in 2019–2020 and the estimates of international and national organisations for growth of 3.3–4.3% in 2021.

(Greek Ministry of Labour, 2021)

In **Croatia**, similarly, the process of determining the minimum wage based on the recommendation of the Commission for Monitoring and Analysis of the Minimum Wage and following consultation with the social partners is a relatively new one, having been applied for the second time now.⁷

The Minimum Wage Act stipulates that the level of the minimum wage is to be determined by 31 October each year and that consultations with the social partners

have to take place in September and October. When preparing its recommendation for 2022, the commission took into account the share of the minimum wage in the average gross wage from January to July 2021, inflation, wage trends, the unemployment rate and employment trends, demographic trends, labour productivity trends and the overall state of the economy. The commission also paid special attention to the situation in the economy and the labour market due to the impact of the COVID-19 pandemic and its effects in terms of rising prices of goods and services, increasing proportions of workers engaged in low-wage activities and larger groups of vulnerable employees. The commission had four meetings in 2021, after which it proposed a new minimum wage rate for 1 January 2022. Based on the proposal, the Minister of Labour, Pension System, Family and Social Policy, at a meeting on 8 October 2021, discussed with the social partners the rate of the minimum wage for 2022. As the social partners did not reach consensus, the government decided that the minimum wage for 2022 would be HRK 4,687.50 (€624) in gross terms or HRK 3,750.00 (€499) in net terms.

A fairly similar process is in place in **Ireland**, where the role of the tripartite Low Pay Commission is to make recommendations to the Minister for Enterprise, Trade and Employment designed to set a minimum wage that

Box 3: New consultation process following suspension of minimum wage process – Greece

The dialogue that preceded the consultation rounds ran from March to July 2021 and included:

- a tripartite oral consultation/working meeting under the auspices of a representative of the Organisation for Mediation and Arbitration (OMED)
- the submission of written proposals by the national social partners, their scientific bodies and other relevant bodies
- the processing of all proposals and the preparation of a final recommendation by the Centre of Planning and Economic Research (KEPE), a research institute for economic science in Greece supervised by the Ministry of Development and Investment

Several proposals, studies and memoranda were submitted and taken into account. They suggested courses of action ranging from freezing the minimum wage (proposed by the Hellenic Confederation of Commerce and Entrepreneurship (ESEE), the Hellenic Confederation of Professionals, Craftsmen and Merchants (GSEVEE), the Hellenic Federation of Enterprises (SEV) and the Association of Greek Tourism Enterprises (SETE)) to increasing it by 15.4% (proposed by the Greek General Confederation of Labour (GSEE)).

In the conclusions of the consultation, the KEPE and some members of the committee argued that it was appropriate that 'any adjustment of the minimum wage be suspended until normality in the economy is restored and it consistently records positive growth rates'. Other members of the committee proposed increasing the minimum wage by up to 4%, arguing that this would send a positive signal that could help to restart the economy.

⁷ The new process is based on the Minimum Wage Act of 2018 (Government Ordinance 118/2018), which aims to end the previous practice that resulted in the minimum wage being determined at the last minute and without adequate consultation of the social partners.

is fair and sustainable. In 2021, the Low Pay Commission invited submissions from stakeholders regarding the level of the 2022 minimum wage and produced a comprehensive report, which was published in July 2021 (Low Pay Commission, 2021). The report recommended that the minimum wage for an adult worker should be €10.50 per hour. Among other considerations, the recommendation was based on acknowledging that low-pay sectors such as hospitality had been severely affected by the pandemic and full recovery might take some years; that Brexit had caused some difficulties, but a hard Brexit had been avoided; and that the costs of housing, childcare and transport continued to be significant issues for minimum wage and low-paid workers (but these problems could not be solved by the minimum wage alone). In October, the government announced that it accepted the recommendation of the Low Pay Commission.

Rate set by government after consultation or unsuccessful negotiation

In most Member States with statutory minimum wages, the government ultimately determines the new rate following consultation with or unsuccessful negotiations between the social partners. Typically, the social partners remain in disagreement over the rate to be applied, with employers usually offering to pay less than trade unions consider adequate.

The procedures are relatively similar and usually take place in a tripartite setting, institutionalised or ad hoc. And while processes may vary somewhat over the years, they are by and large relatively stable: in several countries, the government prepares a proposal and consults the social partners on the proposal. In 2021, this was the case in Bulgaria, Hungary, Latvia, Lithuania, Portugal and Romania.⁸ In other countries, the social partners' negotiations should in principle determine the setting of the minimum wage, and the government intervenes only if negotiations fail. It is notable, however, that the failure of such negotiations is the rule rather than the exception; in 2021 in Czechia, Poland and Slovakia the government stepped in. In Belgium, social partner negotiations on the interprofessional agreement – which includes the statutory minimum wage rate – failed.

In Hungary and Lithuania, consultation and negotiation processes in 2021 were somewhat different from previous years, as in both cases the government presented the social partners with a proposal for a substantial increase, instead of promoting negotiations between them, as it had done in other years.

Consultation and negotiation between peak-level social partners are part of the setting process in Bulgaria and Spain also, but discussions were delayed and ran into 2022.

Unilateral determination following failed negotiations

In **Belgium**, in addition to the indexation-based increases, the social partners negotiate bilaterally every second year on the legal minimum wage as part of their work on the interprofessional agreement for the relevant two-year period. A point of departure for this is the Central Economic Council's calculation of the so-called 'wage norm', a range of wage increases – based on economic and labour market considerations and the development of wages in neighbouring countries – within which collective bargaining outcomes, including those on the statutory minimum wage, must fall. In the most recent negotiations, there was disagreement on this wage norm, in terms of the calculated level proposed (0% to +0.4%, which the trade unions regarded as too low) but also in terms of the general principle – there was disagreement about whether the approach should be continued in future. Because of a stalemate in negotiations, the government ultimately decided unilaterally to apply the 0.4% increase and it became effective from 1 April 2022.

In **Czechia**, the dividing lines in the consultation/negotiation process ran not only between the social partners but also between the Ministry of Labour and Social Affairs (which presented a proposal for an increase) and the Ministry of Finance (which argued that a recent tax reform had already resulted in higher net wages). The compromise reached, following a series of three tripartite debates, resulted in an increase that was much closer to the employer organisations' (lower) proposal than the initial one from the Ministry of Labour and Social Affairs.

In **Poland**, where the level of the minimum wage has been set unilaterally by the government since 2010, this situation continued, as the social partners failed to reach agreement in the Social Dialogue Council.

In **Slovakia**, the minimum wage legislation specifies that the social partners negotiate on the minimum wage in the first place. Should they not come to an agreement by 15 July, the government can set it at 57% of average nominal wages two years previously. As the social partners were not able to agree on the level of the minimum wage for 2022 by the deadline required by law, they discussed it at the meeting of the tripartite Economic and Social Council (HSR SR) on 23 August 2021.

⁸ In addition, this applies to certain countries reported on in the previous section – France, Greece and Slovenia – where the government proposal is based on a recommendation from an expert committee or on a fixed formula, and the social partners are consulted separately.

In **Spain**, the negotiation and consultation process for 2022 was again delayed, as had been the case in 2021, and the new rate for 2022 was set in February 2022 (applicable from January), following unsuccessful tripartite negotiations, based on an agreement between the trade unions and the government only. The increase is based on the recommendation made by an ad hoc expert committee on the minimum wage. The committee convened by the government had to specify a range of increases that could achieve the objective of ensuring that the minimum wage reached 60% of the average salary. It concluded that the annual minimum

wage for 2023 should be made up of 14 payments of between €1,011 and €1,049.

Because of the pandemic, the committee suggested that the increases to achieve this rate should be applied primarily in 2023, when it was expected that the economy would have started to recover, rather than in 2022. This was in line with the government's intention to leave the higher increase until the last year of its term. It understands that, despite the progressiveness of the increases, the political impact of introducing the higher increase in the electoral year could be greater.

Table 5: Setting of statutory minimum wages for 2022 in countries where the social partners did not reach an agreement

Country	Description
Belgium	The trade unions disagreed with the 0.4% increase that had been calculated by the Central Economic Council, as they believed it to be too small, given that the cost of living had increased. In addition, they were very dissatisfied with the general limits on negotiation arising from the Wage Norm Act of 2015. The trade unions even organised national demonstrations in December 2021 against the wage norm and its repercussions on collective bargaining. The employer organisations, on the other hand, were more or less in agreement with the proposed 0.4%. As they have stated in the past, they believe that it is necessary to be cautious with wage increases, as they consider that high (and increasing) wages pose a risk to the international competitiveness of the Belgian economy. They disputed the trade unions' point of view also by arguing that, aside from the 0.4% wage increase, there had already been increases to keep pace with inflation (indexation) as well as increases of wages. Because of this stalemate, the government ultimately took responsibility for setting the rate and decided to apply the 0.4% wage increase. This was formalised in a royal decree of 30 July 2021. As is the established procedure, the 0% to 0.4% wage margin now forms the basis for negotiations between sectoral social partners. It should be noted that, aside from the increase in the minimum wage, the national-level social partners also had other subjects on which to negotiate. These negotiations continued and responsibility was not transferred to the government. The increase of 0.4% of the statutory minimum wage was applied from April 2022 onwards.
Czechia	Negotiations to increase the minimum wage for 2022 took place in three tripartite meetings in June, September and October between representatives of the government, trade unions and employer organisations. An increase of 18.4%, which would have brought the minimum wage to CZK 18,000 (€719), was proposed by the Ministry of Labour and Social Affairs, under the government of the Czech Social Democratic Party, but this was considered unacceptable by both the Ministry of Finance and the employer organisations (the Confederation of Employer and Entrepreneur Associations of the Czech Republic (KZPS ČR) and the Confederation of Industry of the Czech Republic (SP ČR)). These two parties proposed an increase of only CZK 500 (€20) to CZK 15,700 (€627). The employer organisations argued that the proposed increase to CZK 18,000 (€719) would harm small and medium-sized enterprises (SMEs) and suggested that the minimum wage be increased automatically in the future on the basis of a binding valorisation criterion. In addition, the Ministry of Finance argued that the 'super-gross wage' had been abolished in 2021 and that this step had resulted in a substantial increase in employees' net wages. The proposal of the Ministry of Labour and Social Affairs was supported by the trade unions (the Czech-Moravian Confederation of Trade Unions (ČMKOS) and the Association of Independent Trade Unions (ASO)), which argued that the minimum wage in Czechia had been low for a long time, below the average for the neighbouring EU Member States. At a tripartite meeting on 27 October, the Ministry of Labour and Social Affairs unsuccessfully presented an amended proposal for a minimum wage of CZK 16,600 (€663). As no consensus was reached during the tripartite negotiations, the government decided on 5 November to increase the minimum wage to CZK 16,200 (€647).
Poland	In May 2021, the government proposed an increase in the monthly minimum wage from PLN 2,800 (€595) to PLN 3,000 (€638). The employer organisation Confederation Lewiatan found the proposal 'reasonable'. Other employer organisations suggested an increase of only PLN 187 (€40), the lowest possible increase in accordance with the statutory mechanism. Two out of three representative trade unions (the Trade Unions Forum (FZZ) and the Independent Self-governing Trade Union Solidarity (NSZZ Solidarność)) suggested that the minimum wage should increase to PLN 3,100 (€659) per month, while the All-Poland Alliance of Trade Unions (OPZZ) suggested that it should be increased by PLN 500 (€106) net. In July 2021, agreement between the parties had not been reached, so the government decided to set the level of the minimum wage unilaterally. On 14 September 2021, it announced that the minimum wage would increase to PLN 3,010 (€640).

Country	Description
Slovakia	The Confederation of Trade Unions of the Slovak Republic (KOZ SR) demanded that the minimum wage for 2022 be set at 60% of the average nominal wage in the economy two years previously (following the original wording of Act No. 663/2007 on the minimum wage before its amendment in 2020). According to the KOZ SR, the monthly minimum wage for 2022 should be €680 and the hourly minimum wage should be €3.99. Representatives of employer organisations took a different position and argued for smaller increases based on the negative impact of the COVID-19 pandemic on the economy. The Federation of Employer Associations of the Slovak Republic (AZZZ SR) wanted to set the minimum wage at 57% of the average nominal wage in the economy two years ago (in accordance with the amended act on the minimum wage), which would make the monthly minimum wage €646. The Association of Employers in Industry and Transport (APZD) and the National Union of Employers (RUZ) made the same proposal of €646 per month. The RUZ also proposed future amendments to the law on the minimum wage, setting its level at 60% of the median wage in the economy, instead of the average wage. This would be in line with the proposed EU directive on adequate minimum wages and recommendations made by the International Labour Organization. Representatives of the Association of Towns and Communities of Slovakia (ZMOS) had no comments and agreed with the proposal of €646 per month. Having considered the arguments, the Ministry of Labour, Social Affairs and Family decided to set the minimum wage for 2022 at €646 per month and €3.71 per hour.
Spain	The main consequence of the COVID-19 crisis for setting the minimum wage has been opposition from employers to increasing the level, to avoid a negative impact on the economy and its recovery. Since the autumn of 2020, the employers have argued for the minimum wage to be frozen to avoid further damage to the economy and employment levels and to facilitate recovery. This opposition led to a postponement of the increase for 2021 until September, and there was further opposition to any increase then and again in February 2022. The government has maintained its commitment to negotiated increases. Negotiations take place on a tripartite basis, outside national social dialogue institutions. Negotiations on labour market reform with the social partners that had been ongoing since October 2021 made it impossible to discuss the minimum wage in the weeks prior to the Christmas break of 2021. In addition, the government maintained its goal of negotiating a new increase for 2022 to maintain the objective of reaching the level of 60% of the average wage, as recommended in the European Social Charter, by the end of its term. For this reason, the government initiated a new process of negotiation with the social partners in the last week of January, and the minimum wage for 2022 was set in February.

Unilateral determination following consultation

The discussions in **Bulgaria** on the minimum wage were delayed and ran into the first quarter of 2022 due to the unprecedented political context: two consecutive rounds of parliamentary elections in 2021 failed to result in the formation of a government due to strong party fragmentation and unsuccessful negotiations. The proposed amount of the new minimum wage had already been announced on 4 January 2022 by the new finance minister, but the government did not consult the social partners until the meeting of the National Council for Tripartite Cooperation on 22 March 2022. Most employer organisations refrained from supporting the government's proposal, asserting that they were not against increasing wages and incomes in general but disagreed with the way in which the minimum wage was set (for more details, see section 'Debates on changes to minimum wage setting' on p. 29). The unions (the Confederation of Independent Trade Unions in Bulgaria (CITUB) and the Confederation of Labour Podkrepa (Podkrepa CL)) supported the increase in the minimum wage but argued that it was insufficient to compensate for the rise in inflation (10% in February 2022 compared with the same month in the previous year). CITUB proposed a further minimum wage increase to BGN 760 (€389) from 1 July, while Podkrepa CL pointed out that, in order to meet the set minimum ratio of 50% of the average wage, the government should strive to introduce a minimum wage of BGN 840 (€429) by the end of 2020.

In the context of forthcoming elections, the **Hungarian** government was more proactive in the setting of the minimum wage rate for 2022 than in previous years, when it had delegated the matter to the social partners. Based on the results of a national consultation (see Box 4 on p. 27), it announced a substantial increase in the statutory minimum wage. The consultation on the rate in the Permanent Consultative Forum of the Private Sector and the Government resulted not in a debate on the rate per se but in a discussion on an instrument through which employers could be compensated for the increase (for more details, see 'Policy debates affecting minimum wage workers' on p. 35).

About the **Latvian** process of setting the rate for 2022, little is known, as, unlike in other years, the relevant meetings took place online and there was limited media attention devoted to the debate. One out of a total of five meetings of the National Tripartite Cooperation Council in 2021 included a discussion on the minimum wage as a part of a wider discussion on the state budget. The minimum wage rate for 2022 – to remain frozen at the level of 2021 – was adopted without discussion. As it was decided that in 2022 the non-taxable minimum was to be increased, minimum wage workers will nevertheless obtain an increase in their net wages. This was accepted by the social partners because there had been a substantial increase in the minimum wage in 2021 (from €430 to €500, or by 16%). The social partners decided to continue discussions on increasing the minimum wage in 2023.

The **Lithuanian** process of setting the minimum wage, in contrast, was influenced by uncertainty around the impacts of the pandemic on the economy and labour market. Based on a forecast from the Lithuanian Ministry of Finance, the government initially proposed a rate of €703 in May in a regular meeting with the social partners concerning the minimum wage. Later in the year and in an extraordinary meeting, it revised its proposal to €730, based on a more optimistic outlook. This has led to dissatisfaction not only among all the major employer organisations in the country but also among some trade unions, as there is a sense that the government is only formally consulting the social partners while taking the decision unilaterally. Employer organisations expressed their dissatisfaction that the social partners had not been informed that the issue would be revisited after the discussions in June 2021; they considered that the form that the discussion had taken did not constitute social partnership.

In **Portugal**, the determination of the minimum wage for 2022 followed the normal procedure. After the government announced its proposal, followed by a period of public debate in which the social partners expressed their views autonomously, the government formally presented the proposal to the social partners at the tripartite Standing Committee for Social Concertation on 16 November 2021.

In line with the views that they had expressed in September 2021, the General Confederation of Portuguese Workers (CGTP) and the General Union of Workers (UGT) argued that the proposed 6% increase was insufficient. The employer confederations argued that compensation for employers would be required. In a second meeting, on 26 November, the social partners discussed a measure to compensate companies. Neither the CGTP nor the UGT supported the extraordinary measure proposed, a one-off cash allowance compensating employers for the increase in the minimum wage. Employer confederations would not sign an agreement that did not include a compensation measure. Therefore, the process of consultation did not lead to an agreement. Following the rounds of consultation, the government published Decree Law No. 109 B/2021 of 7 December 2021. In line with its initial proposal, the law increased the minimum wage to €705 (paid 14 times per year), while an extraordinary compensation measure for companies reflected to a certain extent the claims and concerns of employer confederations.

In **Romania**, consultation on setting the minimum wage for 2022 took place in the framework of the National Tripartite Council for Social Dialogue, which is the responsible body. The discussions started in September 2021, earlier than usual (the first discussions generally take place in December). As reported in previous years, Romanian actors are still grappling with the introduction of a transparent and predictable mechanism for setting the minimum wage. The most recent law on minimum wage setting specifies that it is to be determined based on a basket of goods, but it was not implemented (see 'Spotlight: The non-implemented living wage in Romania', p. 33) and, instead, the government and the social partners discussed a new way of determining the rate in the context of the uprate for 2022.

The Ministry of Labour stated that the minimum wage formula discussed with trade unions and employer organisations is based on economic indicators, is predictable and will bring a 10% increase in the net minimum wage from 1 January 2022. The calculation formula presented by the government took into account:

- the inflation rate of 5.0% forecast by the National Commission for Strategy and Forecasting
- 2.1% real growth in labour productivity per person in 2020 according to Eurostat data
- growth in average gross earnings
- the share of the minimum gross basic wage (RON 2,550 (€515)) in the average gross earnings forecast for 2022 by the National Commission for Strategy and Forecasting (RON 5,889 (€1,190) at the end of 2022, an increase of 6.68% compared with the beginning of 2022) is 43.3%
- based on the economic growth forecast for 2021/2022, full application of a correction coefficient of 2%

Following discussions with the social partners, the Ministry of Labour, in accordance with the law on transparency of decision-making in public administration, launched a public consultation starting on 29 September 2021. Upon publication of the notice, the public administration authority set a period of 10 days to receive proposals, suggestions or opinions in writing on the draft legislation. The public consultation ended on 8 October 2021, but the government decision introducing the new minimum wage (effective from 1 January 2022) was published on 4 October 2021.

Box 4: Opinion surveys with questions on minimum wage updates

Surveys among companies, workers and the general population are a research tool commonly used to feed into political debate, including on minimum wages. Often, such surveys are carried out by one side of industry, while, less frequently, governments use them to consult more widely.

Hungary: Two surveys on a 20% minimum wage increase

In July 2021, the Hungarian government launched a national consultation on the post-pandemic situation. Consultation letters were sent to all adult residents of Hungary and included a questionnaire consisting of 14 questions. One question asked whether the respondent would support an increase in the minimum wage to HUF 200,000 (€524) (an increase of around 20%). Possible answers were (1) The minimum wage should be raised as soon as possible. (2) There is no need to increase the minimum wage now. According to government sources, 1.4 million people responded to the questionnaire. In total, 94% of respondents marked answer 1, showing their support for a significant increase in the minimum wage (Government of Hungary, 2021).

The Institute for Economic Research (GKI) conducted a survey on how an increase of 20% in the minimum wage would affect Hungarian SMEs in 2022. According to the survey, of 1,044 SMEs with more than four employees, 3–4% were planning layoffs due to the higher minimum wage, jeopardising the jobs of 5,000 to 7,000 people. Other firms were planning to reduce working hours, reassign workers to different jobs or cut cafeteria benefits (GKI, 2021).

Croatia: Fears of rising costs among companies in manufacturing

The Croatian Employers' Association conducted a survey of its members. According to the results, 83% of respondents from the manufacturing industry, which employs almost a quarter of all employees in Croatia, are concerned about wage increases accompanied by price increases for raw materials and energy ranging from 20% to 200% (Telegram, 2021).

Greece: Survey of workers on wages, working time and job security

The GSEE published the results of a survey conducted by the polling company Alco. The telephone survey was carried out in October 2021 among 1,500 randomly selected private sector employees aged 17 years and over. According to the results, 82% of employees expect the increase in their monthly household bills caused by rising prices for energy and food to be large or very large. The percentage varies depending on income. All respondents with a monthly salary of €500 or less said that they expected increased living costs to be a huge burden.

When asked about the most effective means of protecting their living standards in the context of price increases, 48% of respondents mentioned a (minimum) wage increase, 43% identified reduced consumer and other special taxes, and only 3% mentioned increased state income benefits (GSEE, 2021).

Successful social partner negotiations

Estonia is the only EU Member State in which the determination in 2021 of the statutory minimum wage rate for 2022 was based on the outcome of a bilateral agreement between the social partners. When the negotiations started at the end of August, the Estonian Trade Union Confederation (EAKL) and the Estonian Employers' Confederation (ETKL) agreed that the decision to freeze the minimum wage in 2021 had been reasonable, especially given that it had been based on the information and forecasts available at the time, which had been pessimistic. Looking to the future, neither wanted to rush into too rapid a wage increase. The ETKL reasoned that too rapid growth in the minimum wage would increase unemployment and undeclared work, while the EAKL believed that, despite positive forecasts, the economy overall was still fragile (Äripäev, 2021).

As in previous years, the social partners used an agreed set of indicators to agree on the level of the minimum wage (the Bank of Estonia's forecasts regarding economic growth and growth in the average wage), with the aim of ensuring (with certain caveats) that the minimum wage would not be less than 40% of the average wage (EAKL, 2018). On 5 October 2021, the social partners agreed to increase the minimum wage by €70, from €584 to €654. This amounts to 39.5% of the average wage forecast by the Bank of Estonian for 2022 (EAKL, 2021).

The ETKL stated that, if there were no major setbacks in the economy, in 2023 the minimum wage would again reach the level of 40% of the forecast average wage, which had been achieved before the pandemic. It also said that the higher rise of 12% (compared with 6–8% in recent years) was intended to compensate workers for the previous year's minimum wage freeze. The EAKL agreed that the more significant increase would help to

offset the increased cost of living of the past two years and that the aim was to try to keep up with growth in the average wage (ERR, 2021).

Unilateral decision without social partner consultation

Cyprus is the only Member State in which the decision to keep (occupational) statutory minimum wage rates

frozen has been made without any consultation with the social partners.⁹ These occupational minimum wages have remained at the same level since 2012. However, the government is discussing reform of the minimum wage setting system with the social partners. For more details, see 'Possibility of introducing a statutory minimum wage' on next page.

Spotlight: Impact of inflation on minimum wage setting

The agenda for setting the 2021 minimum wage rates was dominated by the COVID-19 pandemic unfolding during the course of 2020. The negative consequences of the pandemic for European economies and labour markets resulted in great uncertainty and made conducting negotiations challenging. However, with countries learning to cope with the virus, the pandemic has not featured so prominently in this year's minimum wage setting processes.

By contrast, inflation has emerged as a significant topic of discussion. The full impact of inflation on the evolution of statutory minimum wages and wage negotiations between the social partners will be seen in the months to come if current inflation trends persist; this is likely, due to soaring energy prices, which will rise further as a result of the war in Ukraine. However, inflation concerns had already started to feature in minimum wage setting processes during 2021.

In around half of the Member States with a statutory minimum wage, minimum wage legislation explicitly mentions inflation (or changing prices or living costs) as a factor to be taken into account when updating the rate (see Eurofound (2019), Table A4, p. 47). In other countries, there is a more indirect link; for instance, in the Netherlands, the link between the minimum wage and collectively agreed wages can result in an increase of minimum wages to compensate for inflation, provided that inflation is addressed quickly in collective bargaining.

Information on wage setting processes during 2021 for 2022 indicates that trade unions explicitly referred to inflation when advocating for higher increases in nominal rates, for instance in Austria – where inflation and trends in productivity are traditionally taken into account in collective bargaining on the minimum wage – Bulgaria and Lithuania.

The influence of the issue on collectively agreed wages has been limited so far (since negotiating rounds may have been affected by recent trends only to a very limited extent), but this is clearly bound to change if inflation pressures persist. The mapping of pay rates for 10 low-paid jobs in countries without statutory minimum wages shows that inflation has eroded nominal increases between January 2021 and January 2022 (see 'Collectively agreed minimum wages for low-paid jobs' in Chapter 1, p. 14).

Moreover, some governments have mentioned higher inflation as a reason for decisions on higher statutory minimum wage rates, although these increases have not been able to compensate for the magnitude of the inflation that EU countries are currently experiencing, since the new statutory rates for January 2022 were decided during the course of 2021. Bulgaria and Spain set their 2022 rates in April and February, respectively, and stakeholders participating in these negotiations expressed concerns about growing inflation. Inflation has prompted the Greek government to announce a second increase in the minimum wage, to take place by mid-2022. It remains to be seen if other governments will do the same during the course of 2022.

Higher inflation has already led to significant statutory minimum wage increases in those countries that use rules or a set formula to decide on the new minimum wage rates and where inflation is taken into account in the calculations. Countries such as Belgium and France use such indexation formulas and have already increased their statutory rates by January 2022 much more than they did for 2021 (the 2022 increase in France is the result of two increments, one in October 2021 and one in January 2022).

Moreover, since inflation levels during 2021 were far below current levels, these automatic uprates – which take place in Luxembourg and Malta also – will produce much higher increases in the statutory rates if inflation trends persist. For instance, two upgrades of 2% to the Belgium statutory rate have been implemented in March and May 2022 due to indexation mechanisms, while the Greek minimum wage was increased by more than 7% in May 2022 as a result of inflation concerns. In France, it has already been announced that a further automatic increase in the statutory minimum wage (a 2% increase, €25 per month) is expected before summer 2022 due to rising inflation.

⁹ In addition to the occupational rates, a second decree applies to 13 professions in the hotel industry. The decree was released on 8 January 2020 at the request of the social partners in the hotel industry. Therefore, any review of the terms of the decree would need to be undertaken on the initiative of the social partners; they are not currently in negotiations to review their agreement of 2019, which led to the introduction of the minimum wage decree.

Debates on changes to minimum wage setting

Changes to the way minimum wages are determined were on the policy agenda in some Member States during 2021. The most far-reaching of these was the introduction of statutory minimum wages in Cyprus and Italy. Policy debates continued in both countries, although no breakthrough has yet been reached, as outlined in the next section. Other countries considered changes to aspects of their minimum wage setting mechanism or the criteria for determining the new rate. These cases are summarised in the section ‘Modifying the existing mechanism or criteria’, p. 30. Finally, ‘Moving from a minimum wage to an adequate living wage’ (p. 32) summarises developments in those Member States that sought or seek to transform the minimum wage into a living wage.

Possibility of introducing a statutory minimum wage

Debates on the possible introduction of a statutory minimum wage continued to be confined to Cyprus and Italy, as noted in previous reports in this series. In all other countries without statutory minimum wages (Austria, Denmark, Finland, Sweden and Norway), the topic is not on the agenda for general debate, with limited exceptions when minority organisations or political parties occasionally express their preference for introducing such a legally based minimum. In **Finland**, the Left Alliance (one of the governing political parties) repeated its position in 2021 regarding the need to introduce a statutory minimum wage in Finland if, as employer organisations want, the generally binding collective agreement is abolished (Helsingin Sanomat, 2021).

In Cyprus and Italy, the political debates on introducing a statutory minimum wage did not advance much in 2021, in Cyprus partly because of a shift in policy focus and delays in political processes caused by the pandemic, and in Italy partly because of the general political situation and the formation of a new government.

In **Cyprus** at the beginning of January 2021, the Council of Ministers decided to suspend work towards a general reform of the country’s minimum wage regime, reiterating that the minimum wage setting mechanism would be reviewed only if the unemployment rate fell below a 5% threshold, a target that could not be reached as long as the COVID-19 crisis persisted. The suspension was meant to last only until summer 2021. In August 2021, the Minister of Labour, Welfare and

Social Insurance invited the relevant cross-industry social partners to participate in intensive social dialogue on pressing labour and social issues, including the minimum wage. On 8 September 2021, in the framework of a meeting of the Labour Advisory Board, the Minister gave a presentation on various issues relating to the reform of the country’s minimum wage regime. The presentation discussed various options as regards the coverage of and possible exemptions from the statutory minimum wage, possible targets, the possible combination of a statutory minimum wage with collectively agreed sectoral minimum wages, the review mechanism for the minimum wage and the criteria to be taken into consideration (cost of living, employment developments, changes in productivity), and how the social partners would be consulted on and involved in the review process. The ministry stated that it intended to finalise the reform by the end of 2021. However, at the end of January 2022, the consultation proceedings with the social partners had not yet addressed in detail the specific features of the new minimum wage regime, as there had been no concrete proposal from the government. As Cyprus is preparing for presidential elections in February 2023, it is becoming less likely that the reform process (which was initiated by the current president) will be completed before the new term.

In **Italy**, the change of government in February 2021 reduced the political momentum that had developed around the issue, as noted in last year’s report.¹⁰ The introduction of a statutory minimum wage was a flagship measure on the part of the political majority supporting the previous government (in particular the Five Star Movement), and it was mentioned in all major policy documents produced by the Conte government in 2020. By contrast, the opportunity to introduce a statutory minimum wage was not mentioned in the national recovery and resilience plan presented by the new Draghi government in May 2021 (Seghezzi, 2021). The current Minister for Labour and Social Policy, however, has set up a special working group on the more general issue of in-work poverty, composed of national experts on the topic. This is part of a broader initiative undertaken by the ministry to set up groups of experts to advise it on issues such as the regulation of telework and platform work, and a minimum income scheme (Gruppo di lavoro, 2021).

The work of the group addressed not only the issue of low pay but that of in-work poverty more generally, and the members discussed specific policies to reduce its incidence in the Italian labour market. Among them was the establishment of a statutory minimum wage. The

¹⁰ Currently, there are three main legislative texts before the Senate regarding the introduction of a statutory minimum wage. Two of them (Catalfo et al S.658 and Nannicini et al S.1132) were presented some time ago (2018 and 2019, respectively), while the third (Catalfo et al S.2187) was presented in April 2021 by the former Minister for Labour, Nunzia Catalfo.

report produced by the group underlines the political difficulties of the proposal (especially given the opposition of the social partners, in particular employer organisations) and advances two proposals that could help to overcome the impasse. These are:

- the introduction of a minimum wage on an experimental basis only and only in sectors where the situation is particularly complex and there is objective evidence of workers' vulnerability
- setting a parameter for appropriate labour costs, similar to that used in public procurement, through a ministerial decree (Garnero et al, 2021).

On 19 January 2022, the final report of the working group was presented publicly. On the occasion, the Minister for Labour and Social Policy stated:

I believe that the minimum wage is needed because bargaining alone is no longer enough, but bargaining must be integrated with the instrument of [social partner] representation. We have to find a way to relate them.

(ANSA, 2021)

However, it is still unclear what action the Draghi government will take on the issue, if any.

Modifying the existing mechanism or criteria

Most of the debates on changing the process of minimum wage setting, or aspects of it, are not new. On the contrary, they have been going on for years, without much progress.

The **Bulgarian** social partners continued to debate promoting collective bargaining as the main vehicle for wage determination. However, while employers would like to replace the statutory minimum wage with wages decided through sector-level collective bargaining, trade unions are keen to keep it.

In **Czechia**, members of parliament tabled a proposal for a modified mechanism for setting the minimum wage. The government declined to take up the proposal, arguing that such changes to the process should be taken on its initiative, based on consultations with experts and with the involvement of the social partners. The new government's programme announced that it would introduce a new mechanism for setting the minimum wage.

In **Finland**, the debate on local-level bargaining forms part of the debate on statutory minimum wages. In 2021, the employer organisation Technology Industries of Finland left it to its members to decide if they would like to join a new organisation involved in sectoral bargaining or if they would prefer to bargain locally. Such steps towards raising the importance of local-level bargaining have given rise to a debate on the future of generally binding agreements. The president of the Central Organisation of Finnish Trade Unions (SAK) has argued that the goal of the employers' organisations is to get rid of generally binding agreements (Iltalehti, 2021). The employers' side has not confirmed this. Bargaining in the technology industry, where employers can now choose whether to bargain at local level or sectoral level, is ongoing (since 18 November 2021); the sector-level agreements will be collectively binding, as a sufficient number of companies joined the new employer organisation (YLE, 2021).

In **Greece**, some peak-level social partners continue to push for a return to negotiating the statutory minimum wage bilaterally. In addition, aspects of the criteria for setting the minimum wage are under debate.

Malta has started to set up the new Low Wage Commission in accordance with the national agreement of 2017. The commission will be entrusted with developing a new mechanism for adjusting the minimum wage and issuing recommendations to the government. It will make its first recommendations in 2023.

Table 6: Policy debates on changes to mechanisms for minimum wage setting

Country	Description
Bulgaria	For several years, including in 2021, a proposal of the employer organisations (especially the Bulgarian Industrial Capital Association) has been a topic of debate. The proposal is to have no national statutory minimum wage and instead to have minimum wage levels decided through bipartite negotiations at sectoral or industry level (according to NACE classification). The employer organisations suggest that, in sectors that would have difficulty paying a minimum wage at the same level as the current national statutory minimum wage, the sectoral social partners should negotiate a lower level of minimum wage. Likewise, in high-paying industries, such as ICT, energy, mining and finance, negotiated minimum wages would be higher than they would be under a statutory minimum wage. The unions are positive about some aspects of this proposal, especially since bipartite bargaining would increase the role of the social partners. However, the unions categorically do not accept the abolition of the national statutory minimum wage. This means that they want first to agree through tripartite discussions on the minimum wage for the country, and then through bipartite negotiations to decide on minimum wages for sectors or industries, which, however, cannot be lower than the national statutory minimum wage.

Country	Description
Czechia	In April 2021, deputies for the Czech Social Democratic Party in the Chamber of Deputies of the Parliament unsuccessfully put forward a parliamentary proposal for an amendment to Act No. 262/2006, Coll. of the Labour Code, that included, among other things, the creation of a mechanism for the annual determination of the minimum wage. On 19 April 2021, the government rejected this proposal, arguing that such fundamental changes should not be the subject of a parliamentary proposal but should instead be submitted as a government proposal, preceded by an expert discussion and a broad consultation procedure including the social partners. For a long time, since about 2018, the social partners have not been able to agree on any mechanism according to which the amount of the minimum wage would be adjusted automatically. No further information on the options discussed or the positions taken is available. According to the programme statement of the new government, which was published on 7 January 2022, the government will introduce an automatic mechanism for setting the minimum wage.
Finland	When statutory minimum wages are debated in Finland, the debate is usually linked to broader questions about a shift from collective bargaining at sectoral level towards collective bargaining at local level and the impact of such a shift on generally binding agreements. This wider debate has a long history in Finland, but few concrete steps towards increased local-level bargaining had been taken until 2020 when the Finnish Forest Industries Federation announced that it would no longer conclude sector-wide collective agreements and that all collective agreements would be concluded at local level. Similarly, Technology Industries of Finland announced in 2020 that it would establish a new organisation conducting collective bargaining at sectoral level. Those members of Technology Industries of Finland who wanted to join this organisation could do so; the others would conclude agreements at local level. Since coverage is a key threshold for sector-level agreements to be generally binding, the number of members joining this new bargaining organisation will determine whether the agreements are generally binding or not (Helsingin Sanomat, 2021). Update from early 2022: the sector-level agreements will be collectively binding, as a sufficient number of companies joined the new employer organisation (YLE, 2021). These changes have contributed to a shift in the debate on minimum wages. It is too early to say what the consequences will be for the Finnish system as a whole, but some stakeholders have expressed the view that a minimum wage is a tool to guarantee employees' wages in the event of a more widespread shift towards local-level agreements and away from generally binding agreements. In 2021, the Left Alliance (one of the governing political parties) repeated its position regarding the need to introduce a statutory minimum wage in Finland if, as employer organisations want, the generally binding collective agreement is abolished (Helsingin Sanomat, 2021). SAK is concerned about the impact of local-level bargaining and the developments described above. It argues that this shift would have a negative impact on other benefits currently specified in collective agreements (additional pay components, a 37.5-hour week, etc.) and would be likely to lead to the removal of these advantages for employees. However, for SAK, strengthening the collective bargaining system seems to be the only alternative – it is against the idea of a statutory minimum wage as an alternative to collectively agreed minimum wages. According to the president of SAK, it would not be possible to set the statutory minimum wage as high as collectively agreed minimum wages are (the president did not give specific grounds for this argument). Furthermore, the sector-specific collective agreements take into consideration education levels required to work in particular sectors and occupations and their contribution to society. The president also argues that a statutory minimum wage would most likely lead to employers removing holiday pay and other additional pay components (Iltalehti, 2021).
Greece	System for setting the minimum wage: GSEE, GSEVEE and ESEE propose reinstating free collective bargaining to set the minimum wage, as part of negotiations on the national general collective agreement (EGSEE). Criteria for determining the minimum wage: In the context of the public debate, SEV strongly supports linking the minimum wage to competitiveness and productivity, as well as considering the non-mandatory application of sectoral minimum wages to all companies. It also suggests that there should be criteria for exemption from the mandatory application of sectoral minimum wages. GSEE, on the other hand, supports the universal application of both a statutory minimum wage and sectoral minimum wages to ensure equal competition between companies. It argues that an increased minimum wage would lead to a rise in consumption and growth, since the majority of minimum wage earners' pay is spent on living costs. Moreover, GSEE proposes that the level of the minimum wage should be set at 60% of the national median salary.
Malta	The national agreement on the minimum wage signed by the social partners and the government in 2017 included the setting up of a Low Wage Commission to evaluate the current minimum wage mechanism and make related recommendations. An introductory meeting to establish this commission was held in the Malta Council for Economic and Social Development (MCESD) in September 2021. The Low Wage Commission will report directly to the Prime Minister and will make recommendations to the government every four years, starting in 2023. It will be chaired by the chairperson of the MCESD, but the identities of its other members have not yet been announced. However, trade unions and employer organisations that participate in the MCESD will have equal representation, and there will be government representatives. It has been stated that the commission will base its recommendations on scientific research and official data, but the precise manner in which it will operate has not been made public. However, it has been stated that, without excluding any other mechanism that may be proposed, the commission will establish a mechanism to determine whether the minimum wage needs to be changed. The mechanism may take into consideration trends in price levels and increases in wages in selected collective agreements covering employees in low grades. The agreements to be selected will be determined by the social partners. Adjustments to the minimum wage may be informed by data on the distribution of minimum wage earners by sector and the average or median wage rates in the selected collective agreements covering the sectors and occupations in which minimum wage earners are employed (MCESD, 2017, 2021).

Moving from a minimum wage to an adequate living wage

Few countries in the EU frame the determination of their minimum wage rates around the concept of a living wage, which is typically defined as the minimum income that is necessary to afford a minimum acceptable standard of living.

There are two broad types of approach to calculating this minimum income, or living wage: basket-based and target-based approaches (Eurofound, 2018). The first approach is based on the income needed to obtain a basket of goods and services considered to be the socially acceptable minimum required for a decent living. In the second approach, the level of a living wage is determined in relation to median (or average) wages in a country.

Regular monitoring of minimum wages in the EU shows that both approaches are applied in the Member States; the first is followed in only a few, while the latter has gained momentum as a result of the proposed EU directive on adequate minimum wages, which takes a target-based approach.

Basket-based approaches

In last year's report, the cases of Slovenia and Romania were presented, both of which have relatively new legislation in place specifying that the statutory

minimum wage is to be based on the value of a certain basket of goods and services. But, while the question of what constitutes a living wage is already complex, its implementation has proved to be even more challenging. **Slovenia** did implement its law in 2021, but continuing challenges with the legislation in **Romania** has prevented its implementation in that country. The omission of some quantities from the legal definition of the living wage basket was named as the main problem that rendered the calculation of the basket's value impossible. But some actors also attributed the non-implementation to a lack of political will on the part of the government. See 'Spotlight: The non-implemented living wage in Romania' on next page for more details.

Ireland has shown greater political will to develop the concept of a living wage in the national context and to transform its statutory minimum wage into a living wage, where the Low Pay Commission was given a new mandate to work on this.

Still less advanced is the debate on a living wage in **Malta**, which has been driven mainly by non-governmental organisations but is also connected to the wider policy debate on reforming the country's (minimum) wage setting system.

While a living wage has not generated discussion in **Norway**, the relationship between income and house prices has – see Box 5 for details.

Table 7: From minimum to living wage policies – new developments in 2021 and early 2022

Country	Description
Ireland	In Ireland in 2021, the Tánaiste (deputy prime minister) and Minister for Enterprise, Trade and Employment, Leo Varadkar, announced that the Low Pay Commission was to begin work on shifting its focus from a statutory minimum wage to a statutory living wage. This is in line with the government's programme, which commits to 'progress to a living wage over the lifetime of the government'. In April 2021, the government agreed the terms of reference for a report by the Low Pay Commission examining how Ireland can move towards a living wage. The definition of a living wage to be used is 'the minimum income necessary for a single adult worker in full time employment, with no dependents, to meet his or her basic needs and afford a minimum acceptable standard of living' (Government of Ireland, 2021). The Low Pay Commission's report will cover: - national and international experiences of a living wage - how a living wage could be calculated in the Irish context and the rates calculated using different methods - the policy implications of moving to a living wage - an outline, informed by national and international evidence, of a process, method or forum through which Ireland could progress towards achieving a living wage
Malta	Whether or not the minimum wage should be linked to the concept of a living wage continued to be discussed in Malta in 2021. Non-governmental organisations such as Caritas, Moviment Graffiti and Alleanza Kontra l-Faqar and other civil society stakeholders have expressed support for increasing the minimum wage to a level that guarantees a decent living. The Union of United Workers (UHM) has been vocal in arguing that the current cost-of-living increases made by the government do not reflect the sharp rise in the prices of essential products. It states that not only should the process leading to cost-of-living increases be reviewed, but also a new mechanism for low-income earners needs to be discussed as soon as possible. The government acknowledges the need to raise the minimum wage to ensure a better standard of living among the lowest-paid workers. However, despite its claim to want to ensure a decent income for everyone in Malta, the government appears to be hesitant to act in this regard. For example, in November 2021, the government revealed that it had decided not to publish a report on a basic living income that it had commissioned in 2020, stating that it would be used only as an 'internal working document'.

Box 5: Examining house prices and income levels using the Nurse Index – Norway

Debates revolving explicitly around the concept of a living wage are uncommon in the Norwegian public sphere. The minimum wage floors established by collective bargaining (and, in some sectors, by statutory extension through general application of minimum terms) 'are set at a level that seems to be sufficient to qualify as a living wage' (Alsos and Nergaard 2021, p. 131; see also Alsos et al, 2019). There has, however, been debate on the relationship between the cost of living and wages, particularly the relationship between (rising) house prices and income levels.

The problem is usually construed as house prices being too high rather than wages being too low. Real Estate Norway (Eiendom Norge), which is the national association for Norwegian real-estate brokerages, publishes and updates a 'Nurse Index' that indicates how many of the available properties on the housing market would be attainable based on a single average nurse's wage with maximum mortgage. Nurses were chosen for the index because 'the income represents a typical good Norwegian income that is not highly sensitive to the business cycle'. In Oslo in 2021, a single nurse could afford roughly 1 out of 100 properties available for purchase.

Spotlight: The non-implemented living wage in Romania

After a delayed legislative process during 2019 and 2020 – in which the President of Romania did not promulgate the law, referred it back to parliament and consulted the Constitutional Court – the new law on minimum wages (Law 174/2020) came into force in 2021. With this law, Romania became the second country in Europe, after Slovenia, in which the statutory minimum wage is based on a living wage concept, established using a basket-based approach. It includes the provision 'The value of the minimum consumption basket for a decent living shall be established annually by the National Institute of Statistics and approved by order of its President'.

The formula for calculating the minimum wage is in the appendix to the law; the basket includes necessary expenses such as food and housing costs, cultural activities, medical expenses and holidays. According to the appendix, the share of food and beverages in the value of the minimum monthly basket is more than 45%, while housing, fuel, water, electricity and gas account for 13.3%. The percentages earmarked for clothing, furniture, health, transport, education, culture, savings and other products and services range from 2.3% to 10%.

However, in 2020 and 2021, the value of the basket was not established and no official calculation of the living wage was made. The Romanian People's Advocate issued a special report on compliance with the right to work and social protection at work, which underlined that no institution in Romania had been officially tasked with making this calculation (Avocatul Poporului, 2022). In the report, the People's Advocate also made a number of recommendations on amending and supplementing the legislation to ensure that the minimum gross basic wage is updated periodically. The recommendations state that the government should:

- establish clear and objective criteria for setting an adequate and fair gross minimum wage in the country
- adopt a decision to take into account the value of the basket when setting the gross minimum wage and to regularly update the minimum wage so that the net minimum wage is at least equal to the value of the minimum basket of goods and services required for a decent living
- set a gross minimum wage according to the level of education and length of service

The implementation of the basket-based approach turned out to be methodologically and politically challenging. The National Institute of Statistics (NIS) announced that it had not calculated the cost of the living wage basket in the two years since the law had come into force because the legislation itself was insufficiently clear to enable it to do so. The NIS could calculate the value only of the items for which the law specified the required quantities. These quantities were not given for all items, and the NIS was not mandated to decide how much of an item a household needed to consume. The law mentions the role of the NIS in establishing prices, not the amounts required.

The social partners and other interested parties who participated in the debate and supported the living wage law pointed out that the omitted quantities were a material error that had appeared after the President had asked for the re-examination of the law.

Other research institutions, such as the Research Institute for Quality of Life, maintain that the current methodology for the implementation of the living wage makes it difficult to apply because it does not meet the standards usually applied to research. The methodology included in the appendix to the law and the basket values assume a family of two adults aged between 35 and 45 and two children, in a large urban environment. This artificially inflates the living wage, hence the value of RON 7,200 (€1,455) (hotnews.ro, 2020).

The social partners and others involved in the debate have suggested that the new Minister for Family, Youth and Equal Opportunities issue an emergency ordinance to specify the quantities omitted from the annex and thus enable the NIS to calculate the cost of the living wage basket. In addition, the NIS has taken steps to draft, under the supervision of the Ministry of Labour and Social Solidarity, an act ‘amending/complementing the normative act currently in force, i.e. Government Emergency Ordinance 217/2000’ (Europa Liberă România, 2022).

The NIS and the Research Institute for Quality of Life (ICCV), which also has specific responsibilities under the law, need the law to be amended before they can fulfil those responsibilities. Both will contribute to the amendment based on the data and studies that they have available. The scope of the work on the amendment will include redoing the methodology and calculating the cost of the basket annually. The methodology is to include price indexation each year for each category of products and services.

Some representatives of the social partners have commented that the current net minimum wage is approximately half of the cost of the living wage basket and that the increase cannot be implemented in a single year. They proposed a staggered increase. One calculation, taking into account inflation and productivity data, found that raising the minimum wage by 4 percentage points each year would achieve a net minimum wage equal to the cost of the living wage basket by 2030. One possible alternative option for setting a statutory living wage is under discussion at national level. This would involve the creation of an objective and predictable mechanism for calculating the value, taking into account the need to improve the living standards of low-income workers and the need for economic and budgetary sustainability. As yet, there is no clear timeline for the implementation of either approach.

Uprates planned in relation to median wages

In addition to the case of Spain – where the government intends to increase the minimum wage to 60% of the average wage, as discussed above – there are plans in Germany to uprate the minimum wage, and in the Netherlands the idea is under consideration. In Germany, the new coalition government plans an ad hoc increase of the statutory minimum wage to €12 per

hour, which would meet about 60% of the median wage criterion. Similarly, in the Netherlands, a new government coalition plans to increase the statutory minimum wage substantially. However, the ambition still needs to be translated into a concrete policy proposal.

Table 8 provides further information on these cases.

Table 8: Plans to increase minimum wages to bring them closer to median wages

Country	Description
Germany	In the parliamentary election campaign of 2021, the trade unions’ demand for an increase of the minimum wage to €12 per hour was backed by the centre-left parties the Social Democratic Party (SPD), the Greens and the Left (which called for €13 per hour). Other relevant parties, such as the conservative Christian Democratic Union (CDU) and Christian Social Union (CSU) and the liberal Free Democratic Party (FDP), did not call for a specific minimum wage level and criticised the idea of direct political intervention to determine the level by law instead of following the recommendations made by the Minimum Wage Commission. After the election, in August 2021, the new government coalition, which consists of the SPD, the Greens and the FDP, committed in its coalition agreement to undertake a one-time adjustment to the minimum wage, increasing it to €12, and after that to leave it again to the Minimum Wage Commission to decide on regular adjustments (SPD, Grünen and FDP, 2021, p. 69). The competent minister, Hubertus Heil (of the SPD), announced that the draft law to increase the minimum wage would be his first priority in 2022. While there was no further major public debate on the €12 level, there was some criticism regarding the procedure. The Confederation of German Employer Organisations (BDA) – together with some representatives within the CDU and the CSU of the business platforms Economic Council (Wirtschaftsrat) and CDU SME Association (Mittelstandsunion) – criticised the planned political circumvention of the regular procedure within the Minimum Wage Commission (RND, 2021; WiWo, 2022). On the other hand, the German Trade Union Confederation (DGB) strongly backed the coalition government’s plan, stating that it hoped that the minimum wage would develop further into a living wage, while criticising the increase in the number of working hours permitted under the ‘mini-jobs’ regime and the removal of the initially planned obligation to document working hours (DGB, 2022). The draft law was endorsed by the ministerial cabinet of the governing coalition in February. According to the law, the new minimum wage of €12 will be applicable from 1 October 2022.

Country	Description
Netherlands	The trade unions have been demanding that the minimum wage be increased to €14 an hour (from €9.96 an hour) from 1 January 2022, especially since the prices of basic necessities such as energy, fuel, clothes and housing have increased significantly. On 15 December 2021, the new coalition agreement was published. This included the following passage about the minimum wage: <i>We make work more rewarding and reduce the poverty trap. We are introducing a minimum hourly wage based on the 36-hour working week [based on a bill (Parliamentary Paper 35335) put forward by Members of the House of Representatives Gijs van Dijk (of the Labour Party) and Senna Maatoug (of GroenLinks)]. We will gradually increase the minimum wage by 7.5% in stages and maintain the link with benefits (except for the AOW [old-age pension]) to reinforce the minimum subsistence level. We will compensate the elderly through a higher elderly discount.</i> Based on this passage, it can be concluded that the minimum wage will be increased. The idea still needs to be translated into concrete policy proposals.

Policy debates affecting minimum wage workers

In addition to the regular discussions and reflections on the rate at which the minimum wage should be set, national actors also debate related policy issues. In 2021, such policy debates related to:

- policies influencing the net take-home pay of minimum wage workers
- cases in which the minimum wage acts as a reference value for other benefits or allowances
- compensation for employers from governments in return for minimum wage increases
- the status of workers and their entitlement (or not) to the minimum wage
- the relationship between statutory minimum wages and those set in collective agreements
- regional minimum wages
- various country-specific topics and policies

These policy debates are described in more detail in this section. Inflation – as a topic affecting the setting of minimum wages – also featured in a number of Member States (see ‘Spotlight: The impact of inflation on minimum wage setting’ earlier in this chapter (p. 28)).

Net take-home pay

Closely linked to the regular setting of minimum wages – which are in most cases exclusively determined in gross amounts – are policy debates around the level of taxation that applies to minimum wage workers and the amount of social security contributions that they have to pay.

Changes that were debated or implemented during 2021 included the following.

- In **Czechia**, the abolition of the super-gross wage resulted in increased net take-home pay for minimum wage workers (and ultimately a lower rate being set in 2022 than initially envisaged).
- In **Estonia**, the Social Democrat Party proposed increasing the threshold for tax exemption, as the minimum wage has also grown.
- In **Germany**, an increase in the earnings threshold for mini-jobs was planned, meaning that, with increased minimum wage rates, a larger number of working hours can be done in a mini-job without paying social security contributions.
- In **Greece**, a planned small reduction in social security contributions was implemented, and employers requested further reductions for companies.
- In **Latvia**, the amount of the tax-exempt income was increased, and the social partners accepted a freeze on the gross minimum wage.
- In **Lithuania**, an increase in the amount of tax-exempt income was proposed and ultimately introduced.

More details on these cases are given in Table 9.

Table 9: Changes in policies affecting net take-home pay

Country	Description
Czechia	The Ministry of Finance argued against a proposal to increase the minimum wage because the super-gross wage had been abolished in 2021, resulting in a substantial increase in the net wages of employees. ‘Super-gross wage’ refers to the basis on which employee income tax was calculated. Unlike the gross wage, the super-gross wage included the employer’s compulsory health and social insurance contributions. It was thus equal to the total amount of the employer’s wage costs for the employee. The term super-gross wage has been used in policy discussions since the public finance reform in 2008, when it was introduced, but it has never been used in legislation; it was simply a popular term for the basis of income tax calculation. Following a government decision of 2020, the super-gross wage was replaced by the gross wage as the basis for calculating income tax in 2021. In practice, the abolition of the super-gross wage means that the 15% income tax rate of 2021 was levied on the gross wage (i.e. on a lower amount).
Estonia	As a reaction to the minimum wage increase, the Social Democratic Party proposed that the basic income tax exemption should also increase (Postimees, 2021a, 2021b). In 2018, the income tax system in Estonia was changed; the income tax rate is still 20% as before, but the basic exemption depends on income. The maximum exemption is set at €500 for those earning less than €1,200 per month (decreasing proportionally to €0 for those earning more than €2,100); when this reform was introduced, €500 was the level of the monthly minimum wage. The initial objective was to ease the situation of those on low incomes, but as the minimum wage has increased, the level of the exemption no longer achieves this objective. The Social Democratic Party submitted a proposal to change the law by increasing the basic exemption to €654 to parliament in October 2021. In March 2022, parliament rejected the proposal, the main reason being state budget constraints.
Germany	There was debate on how the increasing minimum wage level affects working time in mini-jobs. Mini-jobs are defined as those with an absolute maximum monthly wage of €450 and are generally exempt from social security contributions and coverage. Many or most mini-jobs are paid at the level of the minimum wage. Therefore – if the absolute maximum monthly threshold stays the same – the higher the hourly minimum wage rate, the shorter the working time allowed. The new government declared in its coalition agreement that the maximum monthly wage for a mini-job would be raised to €520. This is the first update to the threshold since 1 January 2013, when it was raised from €400 to €450. Raising or lowering the mini-job earning threshold is generally understood not as a technical issue but as a highly political question. Mini-jobs are a controversial topic in the political debate in Germany. On the political left, the SPD wants to curb mini-jobs, while the Left and the Greens want to completely abolish them by integrating them fully into social security coverage. However, the conservative CDU and CSU and the liberal FDP want to expand the regime by significantly raising the threshold (Bundestag, 2020).
Greece	From 1 June 2022, there will be a 0.25% increase in the net remuneration of private-sector employees – including those earning the minimum wage – due to a planned reduction in supplementary social security contributions of 0.5% (0.25% for insured workers’ contributions and 0.25% for employers’ contributions). Moreover, in line with the government’s commitment to reduce non-wage costs by 5% between 2019 and 2023, an additional 0.6% reduction in contributions is pending. Employer organisations, particularly SEV, have repeatedly emphasised the need to reduce non-wage labour costs and increase the competitiveness of businesses. On the other hand, trade unions stress the negative impact of the reduction in social security contributions on the revenue of insurance funds and benefits to support workers such as unemployment benefits.
Latvia	For a long time, the two related social policies of increasing the minimum wage and increasing the non-taxable minimum for personal income tax have been topics of discussion. The government decided in 2022 that the non-taxable minimum would be increased, while the minimum wage would stay at the same level as before. This was accepted by the social partners because there had been an impressive increase in the amount of the minimum wage in 2021 (by 16% from €430 to €500). From 1 January 2022 to 30 June 2022, the non-taxable minimum for personal income tax for working people and pensioners will be €350 per month (up from €300 per month for working people and €330 per month for pensioners), and from 1 July 2022 it will be increased again to €500 per month. The majority of members of the Latvian parliament supported this change.
Lithuania	One of the debates connected with the latest minimum wage increase was how to raise the incomes of those earning the least to encourage them to enter the labour market more actively. In regard to this, the tax-exempt amount of income (TEAI, or basic tax allowance) has attracted a lot of discussion. In July 2021 the President of Lithuania, Gitanas Nausėda, submitted amendments to the law on personal income tax to the Seimas (Parliament) that would have increased the TEAU by €50. According to the President, this was necessary to reduce inequality (LRT.lt, 2021a, 2021b, 2021c). However, a decision was postponed by the Ministry of Finance, which wanted to make a comprehensive assessment of the entire tax system in Lithuania and come up with the best option. On 16 November 2021, after a debate, the Seimas approved amendments to the law on personal income tax providing for an increase in the TEAU by €60 (to €460) for employees paid less than the average wage, with effect from 1 January 2022. The amendments increased the maximum monthly TEAU for people with a disability/limited capacity to work from €645 or €600, depending on the level of disability or incapacity for work, to €740 or €690, respectively (LRS, 2021).

Minimum wage as reference value

The statutory minimum wage level may act as a reference value for other benefits, allowances or costs for employees, and annual increases in the minimum wage can trigger increased costs, including for those not earning the minimum wage. This issue was debated in Estonia and Lithuania during 2021.

In **Estonia**, the minimum wage is linked to a number of state benefits and service fees, including the kindergarten fee, which by law cannot exceed 20% of the minimum wage. Despite the law stating that an increase in kindergarten fees must be justified, several local governments have made the links automatic, so that the fees automatically increase with the minimum wage. These links create difficulties for those who do not earn the minimum wage and whose wages do not increase with the minimum wage, for example self-employed workers. The social partners stated in 2021 on concluding their minimum wage agreement that they proposed to abolish these links (EAKL, 2021a).

Similarly, in **Lithuania** the rise in minimum wage-related contributions was highlighted in the context of the regular debate on setting the new rate. For example, compulsory health insurance contributions currently paid by self-employed people stand at 6.98% of the minimum wage. In 2021, they amounted to €44.81 per month. In 2022, they increased to €50.95, thus potentially increasing the tax burden for the self-employed. Moreover, the floor for state social insurance contributions is also linked to the minimum wage, meaning that companies employing a part-time employee earning less than the full minimum wage have to pay the same social insurance contributions as for someone on the full minimum wage (Lrytas.lt, 2021).

Compensation for employers

Hungary and Portugal have chosen to compensate employers for an increase in the statutory minimum wage, while Malta and Slovenia, at the request of employers, are considering doing so.

In **Hungary**, there was a tripartite debate between the social partners and the government about the compensation of employers for the financial burden caused by a significant increase in the minimum wage. In the end, the government decreased the social contribution tax to be paid by employers by 2.5 percentage points (from 15.5% of the gross wage to 13%) and the vocational training contribution by 1.5 percentage points. Altogether, the taxes paid by employers decreased by 4 percentage points from 1 January 2022. This compromise was achieved in the context of a longer-standing policy to reduce employers' social contributions, as the tax burden for employers in Hungary is regarded as too high.

The **Portuguese** government accompanied the increase in the minimum wage from 1 January 2022 with an

exceptional support measure for employers. Decree Law No. 109 B/2021 of 7 December 2021, which sets the minimum wage at €705 (14 times per year) provides for a one-off cash subsidy to companies, corresponding to €112 per worker who earns the minimum wage, which is intended to contribute towards employers' social security costs. Companies are also entitled to compensation amounting to 50% of the cash allowance for each worker earning a wage slightly above the 2021 minimum wage and below the 2022 minimum wage in December 2021. However, when this wage level results from a collective agreement signed, revised or amended in 2021, the compensation given to companies per worker is to be 100% of the cash allowance – that is, €112 per worker, a bonus intended to reward companies that set salaries above €665 in collective agreements in 2021 (Público, 2021a).

In **Malta**, during the budget speech for 2022, the Minister for Finance and Employment acknowledged the need to raise the minimum wage 'to have a good standard of living'. The minister stated that, in order to keep businesses competitive, an increase in the minimum wage needs to be balanced by decreasing companies' income tax. The government intends to continue discussing this issue within the MCESD in 2022 'with the aim of finding a common position' with the social partners (Maltese Ministry for Finance and Employment, 2021).

In **Slovenia**, the Slovenian Chamber of Commerce (GZS) argues that the proposed increase in the minimum gross wage by 4.9%, in the light of the extraordinary rise in the prices of energy and raw materials, is a particular challenge for many companies carrying out energy-intensive activities and for small businesses. GZS suggests that the state should allocate part of the increase, in the form of a subsidy in the flat-rate amount of €30 per minimum wage employee per month, to the most affected companies. In addition, GZS proposes that, on a temporary basis from 1 March 2022 to the end of 2022, a lower basis to that specified in Pension and Disability Insurance Act (ZPIZ-2) will apply for calculating social security contributions. It proposes an amount based on the new minimum wage.

Status of workers and their entitlement to the minimum wage

Another policy debate related to minimum wages that emerged in a few Member States was the employment status of workers in general, and platform or gig workers in particular. Whether a worker is classified as dependent or self-employed can have repercussions on their labour rights, including their entitlement to the minimum wage. National debates often took place in the context of the EU initiative on platform workers and were triggered by it; these debates usually remained at the level of discussion, rather than resulting in any actual changes.

Rulings from court cases on the issue took place in Belgium and the Netherlands, but with contradictory outcomes. In **Belgium**, the Labour Court of Brussels deemed the relationship between Deliveroo drivers and the company to be between self-employed workers and contractor. In **the Netherlands**, a lawsuit by the Federation of Dutch Trade Unions (FNV) against Deliveroo and Uber resulted in Deliveroo drivers having the right to demand a labour contract, while Uber is obliged to apply the collective agreement for drivers during those periods in which the agreement has been declared generally binding.

The Danish and Norwegian governments set up expert commissions to investigate the issue. Denmark is considering measures to ensure that the default presumption is that workers are in dependent employment, and Norway has recommended doing so.

As part of a wider proposal covering the next 10 years, the **Danish** government aims to put the focus on more groups of workers than it currently does. The proposal has led to the establishment of a committee that will advise the government on issues relating to new forms of employment that challenge the Danish labour market model, such as working for digital platforms. Furthermore, the government has introduced a plan to implement a 'presumption rule', which will mean that a

worker is presumed to be a wage earner unless proved to be genuinely self-employed. The government aims to draft legislation to implement the rule (Regeringen, 2021, p. 19).

Similarly, in **Norway**, a government-appointed commission on the Norwegian labour market model and the future of work reviewed and discussed issues relating to employment status in the light of structural and technological changes in the labour market (NOU, 2021, p. 9). The commission recommended a revision to the Norwegian Working Environment Act to clarify the concepts of self-employed and employee: currently, employment status is determined on a case-by-case basis, and employees who argue that they are misclassified as self-employed must attain a court ruling to be reclassified as being in an employee relationship. The commission recommended a change in the act so that an employee relationship is assumed unless there is a reason to assume that employees are in fact self-employed. This recommendation was supported by a majority of the commission members including representatives of the trade unions, but was opposed by all employer organisations.

Box 6 describes the coverage of platform workers by collective agreements in Denmark and Sweden.

Box 6: New collective agreements on minimum wages for platform workers – Denmark and Sweden

Some **Danish** platform workers have had their rights secured through collective agreements when their work is carried out as wage earners and not as self-employed workers. The Hilfr agreement of 2018 was a breakthrough in attempts to unionise platform work (Ilsøe et al, 2020). Furthermore, in 2021, the delivery company Just Eat signed a nationwide collective agreement concluded between the United Federation of Danish Workers (3F) and the Danish Chamber of Commerce (DE) that includes a regulated wage, pension and sick pay. Just Eat was the first company to sign the agreement improving food couriers' conditions, which had not previously been covered by collective agreements (Fagbladet 3F, 2021).

In **Sweden** in 2021, there were two new collective agreements, one with a major delivery service operating using platform workers (Foodora) and one for the self-employed (Frilans Finans). In February 2021, Foodora and the Swedish Transport Workers' Union signed an agreement covering about 2,000 delivery workers. It includes minimum hourly wages, as follows: Monday to Friday, SEK 70 (€7) per hour plus SEK 20 (€2) per delivery; Saturday and Sunday, SEK 90 (€8.5) per hour plus SEK 20 (€2) per delivery. The agreement also sets out salary increases in line with those in other collective agreements, allowances for repair of bikes and supplying work gear, as well as pensions and provisions for continuous work in the working environment. The agreement made Foodora the first online delivery platform to sign a collective agreement in Sweden. However, subsequent news reports show that far from all Foodora drivers are covered by the agreement. Many are hired by Foodora subsidiary companies, which have not signed the collective agreement (Svenska Dagbladet, 2021a, 2021b).

The second of these collective agreements is between the sales and marketing workers' union Säljarnas and Frilans Finans (an invoicing service for self-employed workers) regarding minimum rates for self-employed workers; it covers about 20,000 workers and is valid from 1 March 2022. The agreement is primarily about calculations for determining minimum rates for self-employed work. It is the same as the regular agreement that determines when payments should be due, additions for pension and overtime compensation. This agreement also relates to platform workers. A major platform for delivery couriers, Wolt, primarily hires workers on a self-employed basis through Frilans Finans. However, the company has stated that the collective agreement will not cover its couriers (Arbetsvärlden, 2021; Säljarnas, undated; Svenska Dagbladet, 2021c).

In France, the expert committee on the minimum wage

supports a minimum income for certain economically dependent self-employed workers, such as platform workers (VTC [car rental with driver] and deliveries). In this regard, the path currently chosen to encourage and support the role of collective bargaining seems appropriate.

(Ministère de l'Economie, des Finances et de la Relance, 2021, p. 6)

In **Portugal**, the government considered ways to extend collective bargaining coverage to new categories of workers, including self-employed 'economically dependent' workers (in the context of the Green Paper on the Future of Work). Work was done on issuing new regulations on platform work aiming to clarify the criteria for the recognition of a labour contract and for assigning to the platforms responsibilities as employers (MTSSS, 2021a). Implicitly, the mandatory minimum wage would apply to these workers as a result of these changes. The proposals were integrated into a government bill amending labour legislation within the scope of the decent work agenda (MTSSS, 2021b). This was cancelled, however, and not voted on due to the dissolution of the Portuguese parliament on 5 December 2021.

In **Malta**, the COVID-19 pandemic has resulted in a rapid increase in courier work, especially in the food-delivery sector. This shift to the platform model of work has been hailed by operators in the sector as an improvement, increasing efficiency and flexibility and thus benefiting everyone, including workers. However, trade unions such as the General Workers' Union (GWU) have accused the operators of exploiting workers, who are at risk of becoming the 'new labour slaves'. The GWU is particularly concerned about these workers' lack of contracts. In February 2021, it was revealed that over 1,200 non-EU nationals working with food-courier platforms were employed on 'illegal work contracts'. The problem appears to stem from the fact that, while according to Malta's employment laws, third-country nationals must be employed on a full-time contract, these workers were being recruited as self-employed people, and potentially being subjected to zero-hours contracts. It was reported that the situation was being reviewed and addressed by the Department for Industrial and Employment Relations (Malta Today, 2020, 2021).

Exchanges between social partners and governments on the employment status of platform workers were also noted in **Croatia** and **Poland**, but without any repercussions on national regulations.

Relationship between statutory and collectively agreed minimum wages

In France and Portugal, the relationship between statutory and collectively agreed minimum wages was a subject of debate during 2021.

In both countries, it can happen that collective agreements are not updated (either for a long time or not quickly enough), so that one or some of the lower pay rates in the agreement may fall below the statutory minimum wage and would be therefore illegal to apply. In **France**, this is regularly monitored by the Ministry of Labour. In 2021, it identified as many as 40 of the largest branches covering 5,000 employees or more whose minimum wages were below the statutory minimum wage. It therefore asked the social partners to initiate wage negotiation. According to Les Echos (2021), out of a total of 171 branches monitored by the Ministry of Labour specifically because they negotiate infrequently, 108 (employing 6.6 million employees in all) have at least one salary coefficient that does not comply with the exceptional €35 increase of 1 October 2021.

One consequence of the two increases to the French minimum wage during 2021 was a compression of pay grades. In other words, employees on low pay grades can remain stuck at the minimum wage level even when they progress on a seniority-based pay scale. The situation is self-perpetuating, as employers can have a financial interest in keeping workers on the minimum wage, as they can benefit from lower social security contributions (i.e. they need pay only those relating to accidents at work and occupational diseases).

In **Portugal**, it was suggested in a policy debate that the results of collective bargaining were disadvantageous for skilled and highly skilled workers, as average wages grew at a much slower pace than statutory minimum wages, and lower pay levels in collective agreements often remained at the level of the statutory minimum wage. The government wanted to incentivise companies to pay higher wages than the statutory minimum, and the decision to extend in 2022 the one-off cash allowance of €112 per year per worker earning the statutory minimum wage to those companies with workers earning slightly higher minimum wages set by collective agreements (above the 2021 mandatory minimum wage and below the 2022 one) reflected this debate. Monitoring by the Ministry of Labour of the differences at sector level between minimum agreed wages and the statutory minimum was also a consequence of this debate (Campos Lima et al, 2021; GEP/MTSSS, 2021; Público, 2021a).

Regional minimum wages

In **Spain**, the most representative employer organisation, the Spanish Confederation of Business Organisations (CEOE), (re)launched the idea of setting minimum wages by region, arguing that €950 does not have the same purchasing power across regions, nor is the average wage – to which the minimum wage should be linked, as recommended by the European Commission and the OECD – the same across regions. Both the government and the trade unions strongly opposed this proposal from CEOE, arguing that it would reduce the capacity of the minimum wage to lessen wage inequalities. Moreover, the trade unions argued that collective bargaining already creates opportunities to adjust wages to different sectoral, regional and company situations.

A **Polish** employer organisation, Business Centre Club, also suggested introducing regional minimum wages. According to its proposal, the poviát (district) would be treated as a region, and the minimum wage would be set with reference to the average wage in the poviát (Bojanowska-Sosnowska and Marzęda, 2021; Forsal, 2021). The proposal seems to be supported by the Ombudsman of the SMEs, who organised a debate on the idea in June 2021. An expert from NSZZ Solidarność said that the trade union was extremely critical of the idea of regionalising the minimum wage.

Other topics in policy debates around minimum wages

The remaining debates reported this year in the context of minimum wage determination, aside from discussion of regular updates to the level of the minimum wage, tended to relate to country-specific issues.

- There is financial support for low-paid workers in the form of a ‘jobs bonus’ in **Belgium**, which has been designed as an incentive to work. This amounts to €600 per worker per year for those earning less than €1,800 and gradually decreasing amounts for those earning up to €2,500.
- In **Denmark**, construction sector workers receive wage supplements that make the average wage much higher than the minimum wage, as is common across the Danish labour market. However, posted workers are more likely to be paid the bare minimum, meaning that there is a

substantial wage gap and that they are being discriminated against in practice, even though there is minimum wage compliance. The sectoral trade unions therefore argued for an increase in sectoral minimum wages in order to reduce the gap; however, no such raise was made (Berlingske, 2020).

- In **Estonia**, a new study prompted a debate on the true prevalence of minimum wage workers, considering that some minimum wage workers may receive additional pay in the form of envelope wages (Masso et al, 2021).
- During 2020 and 2021, there has been a debate about criminalising underpayment of workers in **Finland**. Currently, paying a wage under the limit set in a collective agreement can constitute a crime if it is considered work discrimination or extortionate work discrimination. However, in itself, non-compliance with minimum wages is not a crime. Peak-level trade union SAK has argued for the criminalisation of non-compliance, which would be a strong deterrent for employers (SAK, 2020). Peak-level employer organisation the Confederation of Finnish Industries (EK) argues that instead of criminalising non-compliance, extortion in working life should be criminalised (currently, extortionate work discrimination is criminalised). According to EK, disputes relating to the interpretation of collective agreements should not result in criminal charges (EK, 2020). In 2020, the government established a tripartite working group to assess different ways to address underpayment. So far, this has not led to any concrete conclusions or suggestions.
- A legal dispute between some **Greek** employer organisations and the state centred on whether the seniority allowance should apply also to minimum wage workers (and be paid on top of the minimum wage).
- In **Norway**, some municipalities (*kommune*) have made the right to serve alcohol conditional on employers paying the minimum wage and have removed alcohol licences from pubs, restaurants, cafés and night clubs that have been found to be in breach of the generally applicable collective agreement in the Horeca sector. This policy in turn triggered a dispute on the legality of the measure.

3 Influence of EU policy on national minimum wage setting

In last year's annual review of minimum wages, the reactions and stances of national governments and social partners to the proposed directive on adequate minimum wages were mapped and presented, based on a substantial number of interviews (Eurofound, 2021). As the negotiations at EU level on the proposal continued throughout the year, the focus turned to more nuanced details of it. The general lines of argument of the various actors as presented last year have not changed dramatically. It is therefore more valuable at this stage to establish to what extent the EU proposal may have started to influence national policy and policy debates on minimum wage setting. This is, of course, a less straightforward task than to map the national actors' reactions to the proposal, not least because causality is hard to establish.

Many aspects of the EU proposal will have been on the agenda for debate or consideration in Member States before the launch of the proposal, and so the proposed directive may have supported or fuelled the debate or encouraged some actors to take it up again, without the debate necessarily being a direct result of the proposal. In relation to most aspects, it is also too early to expect an impact on the practice of minimum wage setting, as actors are likely to wait for the final directive and use the time allowed to transpose the directive to implement the changes.

Nevertheless, there are already signs in some Member States that the proposed directive's contents have not gone unnoticed, and that some actors are refocusing debates or starting to prepare some likely modifications to the system of or criteria for setting the minimum wage.

Developments in **Bulgaria** and **Germany** are clearly connected with the EU-level initiative, where new governments have expressly mentioned their support for the proposed directive and their intention to change aspects of minimum wage setting accordingly, uprating minimum wages. Raising the German minimum hourly wage to €12 in October 2022 will more or less match the 60% of the median wage criterion debated at EU level. The German debate on the proposed EU directive has also revolved around procedures for setting the minimum wage (the new directive would be likely to require changes to the decision-making procedures of the Minimum Wage Commission as determined by the German law on the minimum wage) and the proposed national action plans on collective bargaining coverage.

Likewise in **Spain**, the government maintained its intention to increase the statutory minimum wage to

60% of the average wage, with reference to the proposed directive (although this commitment preceded the proposal). Another possible link with the proposed directive can be established in the case of **Croatia**, where the government – following recommendations from the expert committee and consultation of the social partners – substantially increased the statutory minimum wage to around 60% of the median wage, hence in line with the indicative reference value mentioned in the proposal. And in **Italy**, the proposal for the directive restarted the national debate on introducing a statutory minimum wage – although some commentators believe that it might act as a brake on the endeavour, as the proposed directive would not oblige the national legislator to introduce a legal minimum wage (see, for example, Razzolini, 2021). Similarly, in **Portugal** the CGTP believes that the directive could have an adverse effect, slowing down minimum wage growth, if the indicative thresholds mentioned in the proposal are interpreted as ceilings.

More details on these cases are given in Table 10 on next page.

Adjustments to minimum wage setting in response to the directive are still at the stage of debate in Lithuania and Cyprus and therefore the discussion is less concrete. In **Lithuania**, stakeholders are reflecting on the criteria for determining the minimum wage set out in the proposal and are debating what this would entail for Lithuanian practice. The inclusion of labour productivity developments among the factors to be considered has been welcomed by the employer organisations (in a context of comparatively low labour productivity growth and stronger wage growth in Lithuania). The trade unions wish to focus on net take-home pay. Likewise, in **Cyprus** aspects of the proposal are being debated, such as possible targets, coverage and promotion of collective bargaining. However, this is happening in the framework of planned reforms of the country's minimum wage regime, which pre-dated the EU debate.

In some other countries, even though there has been no broader debate or action on the adequacy of minimum wages, trade union lobbying for adequate minimum wages has reportedly received additional impetus from the EU initiative. These include **Greece**, where the trade union GSEE and its research institute INE-GSEE have argued for the introduction of an adequate minimum wage in line with the Commission's proposal (INE-GSEE, 2021). In **the Netherlands**, the proposed directive has caused discussions to continue, although these form

Table 10: Influence of proposed EU policy on national minimum wage setting

Country	Description
Bulgaria	The Bulgarian government's coalition governance agreement includes a commitment to introduce a 'transparent statutory automatic mechanism for setting the minimum wage, which is based on the European directive and after consultation with the social partners, the minimum wage should be 50% of the average wage' (Annex 13, 'Labour and social policy'). And in Annex 17, 'Finance', it is stated that 'For the 2023 budget, the minimum wage should be synchronised with the European minimum wage directive.'
Croatia	The adequacy of minimum wages featured in a parliamentary debate in Croatia. This was indirectly related to the European Commission's proposal for a directive on adequate minimum wages and more closely connected to the current low level of the minimum wage. In the discussion on amendments to the Minimum Wage Act in October 2021, the parliamentary opposition claimed that the amount of the minimum wage in Croatia was not enough for a dignified life, that Croatia had one of the lowest minimum wages in the EU, and that it did not agree with the idea that Croatia can be competitive only if it has low wages. Although Croatia has progressed in the past five years in terms of the share of the minimum wage in the average wage, which has moved from 38% to more than 46%, the question is how great is the purchasing power of the minimum wage. The Croatian government ultimately decided to uprate Croatia's minimum wage substantially: the net monthly wage for 2022 will be HRK 3,750 (€500), rising by 10.3%, and will thus be above 50% of the average net pay (52.96%) or 60% of the median net wage (63%) for the first time. The gross minimum wage will be 49% of the average gross wage and 61% of the median gross wage, thus mirroring the indicative reference value in the proposed minimum wage directive (Nezavisni Hrvatski Sindikati, 2021a).
Germany	In March 2021, a key policy paper by the German Ministry for Labour and Social Affairs (BMAS) – which continues to be led by the same responsible minister, Hubertus Heil, under the new government – proposed, among other things, to include a reference to the median wage in the criteria for minimum wage setting in Germany (BMAS, 2021). The new German government coalition, consisting of the Social Democrats, the Greens and the FDP, declared in its coalition agreement that it supported the European Commission's proposal for an EU directive and the introduction of binding minimum standards 'in the same way as they will be applicable in Germany according to the new minimum wage law after its adoption' (SPD, Grünen and FDP, 2021, p. 69). On 21 January 2022, the BMAS put forward a first technical draft of an amending act to change the minimum wage law. On 18 May, the government's draft law was adopted without amendments by the Bundestag Committee on Social Affairs and will now be sent to the plenary of the Bundestag. According to the draft law, the minimum wage will be increased to €12 from 1 October 2022. The draft does not contain any changes regarding the procedures in the Minimum Wage Commission. According to the draft law, the raising of the level of the minimum wage by a political act is a one-time measure and the Minimum Wage Commission will continue to work as usual thereafter (BMAS, 2022).
Italy	The current Minister for Labour and Social Policy has stated that Italy will soon be engaged in transposing the EU directive on the minimum wage and that it is therefore important that 'this theme is at the centre of our reflection and discussion with the social partners' (Il Fatto Quotidiano, 2021). The centrality of the social partners to the implementation of the directive was also noted by the Head of the Technical Secretariat of the Ministry of Labour and Social Policy, who was satisfied with the compromise reached by the European Commission and pointed out that there was room for improvement in the Italian legal system. He argued that the most important point on which it will be necessary to restart the debate is that of the promotion and enhancement of collective bargaining. Under the Italian legal system, this means addressing the quality of collective bargaining, because agreements signed by the most representative social partners are the only ones able to guarantee proportionate and sufficient remuneration in line with Article 36 of the Italian Constitution. According to the Head of the Technical Secretariat, under the Italian legal system, any changes to the minimum wage must involve a robust and broad dialogue and, in essence, can start only by addressing the representativeness of the social partners. He was optimistic that a solution would soon be found (Agenda Digitale, 2021).
Portugal	On 6 December 2021, on the eve of the Porto Social Summit, and on the eve of the publication of the Decree Law raising the minimum wage to €705 (14 times per year), the Minister of Labour, Ana Mendes Godinho, stated to the press that the agreement adopting a proposal for a directive was a historical decision. The Minister of Labour added that the minimum wage regime in Portugal meets the targets of the proposed directive in relation to the actual average or median wage (e.g. 60% of the median wage/not below 50% of the average wage), and that the minimum wage update to €705 for 2022 'is within these standards and meets these two indicators' (Público, 2021b, 2021c). CGTP made a public statement, on 10 December 2021, questioning the Minister of Labour: <i>By stating that the increase in the minimum wage to €705 in 2022 'is within these standards and meets these two indicators', the Minister of Labour confirms, even before the directive is approved, that this benchmark could be used as a ceiling and be an obstacle to raising the national minimum wage.</i> It also warned that the proposed directive paves the way for collective bargaining with non-union organisations, a change that would contravene the Portuguese Constitution, which gives the exclusive prerogative for collective bargaining to the trade unions (CGTP, 2021).
Spain	In line with the recommendation of the European Social Charter that countries should aim for the minimum wage to reach 60% of the average wage by 2023, the government appointed an expert committee with the objective of providing recommendations on the path towards achieving this goal. The Spanish government referred to the 60% average wage recommendation in support of its intention to uprate the minimum wage.

part of a debate that was already ongoing. The Dutch Trade Union Federation (FNV), one of the two big unions in the Netherlands, has argued that the minimum wage

should have been set at €14 since 2019. The proposed EU directive has strengthened the position of all unions demanding higher minimum wages (FNV, 2021).

4 Latest minimum wage research in the EU

This chapter first provides an overview of the latest policy-relevant research on minimum wages in the EU. The second section summarises the findings of some quantitative micro and macro impact assessment studies on the effects of minimum wages on a variety of labour market and socioeconomic outcomes. The chapter also highlights research on the potential effects of the German minimum wage rise in 2022 and the impact of the substantial increase in Spain in 2019.

Overview of recent policy-relevant research

The studies listed in this section were identified based on desk research by Eurofound and reports from the Network of Eurofound Correspondents. This year, an increasing number of policy papers including legal analysis related to the proposed minimum wage directive were identified. These were complemented by several ex ante impact assessments of the envisaged large increases in the minimum wage in Germany, Hungary and Spain; also, as in previous years, governmental institutions in some countries published studies intended to guide the process of minimum wage setting. In addition to these more political papers, a number of research papers were published during 2021, predominantly looking into the impacts of past minimum wage increases on workers and companies. Finally, in some countries without statutory minimum wages the research mainly reviewed aspects of collective bargaining such as coverage and systems.

Table 11 provides an overview of the identified research, and the findings of some of these papers – notably ex post empirical studies – are summarised in the remainder of the chapter. The mapping of this body of research (including information from previous years) shows that most (evaluative) minimum wage research is concentrated in a few countries, notably in Germany, Ireland and, based on previous reports, the United Kingdom; Norway also has comparatively well-resourced bodies and dedicated sections of research institutes that are entrusted with studying (minimum) wage developments and their impacts. In France, Ireland and Portugal, there are annual official reports on minimum wages, published by the relevant expert committees and/or government departments. In contrast, policy-relevant (evaluative) empirical research

on minimum wages remains fragmented in most other Member States, is carried out infrequently (if at all) and is not always commissioned by the most authoritative institutions.

At EU level, some important EU wide research was conducted in recent years, which fed into the impact assessment accompanying the proposed directive, investigating, for instance the macro-economic effects of minimum wages on employment, prices and poverty; (e.g. European Commission, 2016; 2019; 2020). The research also included a microsimulation analysis of economic, social and fiscal impacts of minimum wages conducted by the Joint Research Centre, based on simulations with the EUROMOD model. It found that minimum wages can reduce in-work poverty (on average by 12-13%), wage inequality (on average by 8-10%) and the gender pay gap (by 5% on average), generally improving the public budget balance. The research also detected small negative employment effects of -0.4% for the scenario with the largest increases in minimum wages (Grünberger et al, 2021). The impact assessment also included simulations of the European Commission based on EU-SILC 2017 for Member States with statutory minimum wages, identifying low and minimum wage earners.

The most interesting case studies in the EU that investigate the impacts of minimum wage policies over the past decade are on Germany (the introduction of a statutory minimum wage in 2015), Greece (the impacts of a large cut in the minimum wage in 2012 and a significant increase in the minimum wage in 2019, as well as the introduction and abolition of a youth minimum wage), Slovenia (a large increase in 2010) and Norway (the impact of introducing the general application of collective agreements in selected sectors). The recent substantial increases in Spain, Bulgaria and Hungary could lead to interesting research.

Some countries in which research is less well developed have started to investigate minimum wage effects in more detail recently. Good examples from 2021 are Estonia, where the government and the social partners jointly commissioned and financed a comprehensive study by the University of Tartu (Masso et al, 2021), and Spain, where a report was drafted by an ad hoc expert group to inform the envisaged update of the Spanish minimum wage (Comisión Asesora para el Análisis del Salario Mínimo Interprofesional, 2021).

Table 11: Latest research on minimum wages in the EU, published in late 2020 and 2021

Topic	Studies
EU minimum wage directive: policy papers, blogs and discussions	Denmark: Arnholtz et al (2020) Czechia: Trexima (2021) Italy: Bergamante et al (2021) EU/Germany: Lübker and Schulten (2021, 2022), Schulten and Müller (2021a), Schröder (2021), Schulten and Müller (2021b) Southern EU countries: Molina (2021)
EU minimum wage directive: legal analysis	Germany: Eichenhofer (2021) (for the DGB), Franzen (2021) (cited in Schröder (2021), (for the BDA) Poland: Surdykowska and Pisarczyk (2021)
Official papers guiding the process of minimum wage setting	France: Ministère de l'Économie, des Finances et de la Relance (2021) Greece: World Bank (2021) Ireland: Low Pay Commission (2021) Portugal: GEP/MTSSS (2021) Spain: Comisión Asesora para el Análisis del Salario Mínimo Interprofesional (2021)
<i>Statutory minimum wages: research</i>	
Minimum wage earners, incidence, characteristics	Czechia: Trexima (2021) Estonia: Masso et al (2021), Pinel (2021) Lithuania: Garcia-Louzao and Tarasonis (2021) EU/Ireland: Redmond et al (2021)
Minimum wages in companies	Germany: Kagerl and Ohlert (2021), Ohlert (2021)
Ex ante impact assessments or discussions in the context of envisaged increases or changes to aspects of minimum wage setting	Bulgaria: Kostov (2021) Germany: Bach and Schröder (2021), Fedorets (2021), Gürtzgen (2021), Heise and Pusch (2021), Knabe et al (2021), Lesch et al (2021), Pusch (2021), Schulten and Müller (2021a). Hungary: Magyar Narancs (2021) Spain: Randstad and CEPYME (2021)
<i>Impact of statutory minimum wage increases</i>	
Employment or working hours	Estonia: Masso et al (2021) Spain: Barcelo et al (2021), López-Tamayo et al (2021)
Unemployment	Czechia: Chytilová and Frejlich (2020) Greece: Andriopoulou and Karakitsios (2021) Poland: Sikora (2021)
Wages and wage inequality	Estonia: Masso et al (2021) Slovenia: Laporšek et al (2021)
Company outcomes	Estonia: Masso et al (2021)
In-work poverty, social benefits	Germany: Bruckmeier and Bruttel (2021)
Membership of social partner organisations	Germany: Ress and Spohr (2021) Norway: Alsos et al (2021), Benedictow et al (2021)
<i>Collectively agreed minimum wages</i>	
Collective bargaining and minimum wage setting systems, collective bargaining coverage	Italy: Bergamante et al (2021) Norway: Alsos et al (2021)
Workers not covered by collective bargaining, low-wage segments	Norway: Jordfald et al (2021) Nordic countries: Nordic Council of Ministers (2021)
Collective bargaining outcomes	Denmark: Hansen and Mailand (2021)
Compliance with minimum wages	Italy: Garnerio and Lucifora (2021)
Impact of collective bargaining (system features) on wages	Italy: Lucifora and Vigani (2021) Norway: Alsos et al (2021), Benedictow et al (2021), Jordfald and Svarstad (2020) Portugal: Campos Lima et al (2021), Martins (2021)
<i>Other topics related to minimum wage setting</i>	
Living wage calculations and discussions	Ireland: Living Wage Foundation (2021) Malta: Caritas Malta (2021) Romania: Friedrich Ebert Stiftung Office Romania (2021)

Spotlight: Experts debate the likely impacts of the 2022 German minimum wage hike

The one-off increase in the German minimum wage to €12 during 2022 represents a substantial rise of nearly 15% and will affect around eight million workers, twice as many as in 2015, when the statutory minimum wage was first introduced (Schulten and Müller, 2021a; Pusch, 2021). Compared with 2015, there was a much less extensive policy debate around the rise – and when the issue was discussed, it was intertwined with consideration of the impacts of the proposed EU minimum wage directive on the German system of minimum wage setting. However, a number of researchers, some of them affiliated with research institutes financed by the social partners, have published papers discussing the likely impacts of this rise.

Impacts on employment

There is disagreement among commentators on how to interpret the employment effects detected in empirical studies in recent years, which in turn influences their expectations with regard to the planned rise. Heise and Pusch (2021) argue that the failed predictions of massive employment losses made by the majority of classical economists in the context of the introduction of the minimum wage in Germany did not lead to a due scientific paradigm shift in the underlying theories, but instead to muddling through with all kinds of theoretical extensions and adaptations, which, however, did not live up to empirical reality. They conclude that lessons should be learned from this ‘fiasco of policy advice’ for the evaluation of the increase in the minimum wage in Germany to €12. Policy recommendations should not use only the minimum wage’s elusive employment effects as an indicator, but should also consider the effects on income distribution, poverty, job satisfaction and labour productivity.

Knabe et al (2021), on the other hand, argue that although the introduction of the minimum wage in 2015 has been received positively in general, this has overlooked the negative employment effects, which materialised in a reduction of overall individual monthly working time and in probable (difficult to measure) circumvention of minimum wage rules through unpaid overtime, and are therefore hidden. If the minimum wage is raised to €12 and accompanied by better controls, negative effects on overall employment could become more visible.

Gürtzgen (2021) argues that the fact that there were no employment losses after the introduction of the minimum wage in 2015 provides little information about any possible employment effects of a minimum wage increase to €12. Even the significantly higher coverage of a €12 minimum wage does not allow any statements to be made as to how harmful or harmless the increase will be to employment. However, it can be predicted that a uniform increase in the minimum wage will have different effects in different segments of the labour market.

Impacts on other factors, including collective bargaining autonomy

Fedorets (2021) argues that there are a number of factors that need to be taken into account when discussing minimum wage effects. If the €12 minimum wage is supported by improved control mechanisms, its positive impact on the labour market will be greater. Digitalisation could compensate for the increase in the cost of labour by optimising other costs. Adequate training would increase employees’ productivity and enable them to apply new technical solutions. On the other hand, the effect of the minimum wage is likely to be massively reduced by the mini-jobs regime, which is the framework for a precarious low-wage segment of the labour market with weak social protection. Finally, a one-off political intervention might influence the future of the Minimum Wage Commission, for example regarding appointments to the commission (which could become more political) and the cooperation between the social partners.

Lesch et al (2021) discuss possible negative effects of a reform of the German minimum wage law should the new government decide to implement a living wage and make 60% of the median wage a binding point of reference for the Minimum Wage Commission. They compare the German situation to that in France and the United Kingdom. In their findings, the authors argue that a minimum wage based on the median wage would have negative effects on collective bargaining autonomy and could be implemented only if affected companies were to receive wage subsidies from the government, which in turn would have negative fiscal effects.

Bach and Schröder (2021) believe that a politically motivated increase to €12 interferes with the collective bargaining structure. In addition, the planned sharp increase and its spillover effects on higher-earning groups will increase wage pressure. This could drive the inflation rate up and exacerbate the danger of a wage–price spiral. Therefore, Germany should take time to adjust the minimum wage and carefully evaluate the possible effects. These relate not only to income and employment effects but also to possible effects on the perceived fairness of the wage level in relation to the work performance, educational incentives and job satisfaction, with special consideration needed of the possibility of minimum wage-induced job changes.

Schulten and Müller (2021a), in contrast, argue that changes to the minimum wage setting process and relevant legislation do not impact bargaining autonomy, as these are distinct processes. They also argue that the introduction of the minimum wage has resulted not in a reduction of collective agreements in low-paid sectors but in an increase in and reinvigoration of collectively agreed wages.

Impacts of statutory minimum wage increases

This section presents findings from a number of impact studies that mainly investigated the impact of minimum wage changes on a range of outcome indicators, including employment and working hours, unemployment, in-work poverty and degree of organisation. It should be noted that the results stem from both micro- and macrodata analyses using varying methodologies and research questions.

Employment and working hours

The limited findings from evaluation research on the impacts of minimum wages on employment or working hours continued to be mixed, as in other years. For **Estonia**, Masso et al (2021), applying a difference-in-difference approach in their evaluation, found some positive employment impact for selected groups but most often no statistically significant impact on employment during 2012–2019. For example, in the case of the wage group considered most likely to be affected by a minimum wage increase, the impact was not statistically significant in 2012, 2013, 2016 and 2019, was negative in 2015 (probability of staying in employment decreased by 1.2 percentage points) and was positive in 2014 (probability of staying in employment increased by 1.2 percentage points), 2017 (1 percentage points) and 2018 (2.9 percentage points).

A **Spanish** study by the Bank of Spain drew on the Spanish Continuous Working Lives Survey to investigate microdata for 2017–2019, thus including the substantial increase of 2019. By applying several methodologies – from simple correlations between wages and employment to micro-simulations – it found that the employment of low-wage workers grew more slowly after the increase. There were larger adverse impacts on older workers in terms of job losses, and a sharper reduction in hours worked and in job creation for younger workers. According to the authors, the estimated impacts should be interpreted with caution, due to difficulties in establishing a control group (Barcelo et al, 2021). Another study in **Spain** investigated youth employment between 2006 and 2018 in detail and showed that the initially significant negative relationship between minimum wage increases and employment among the 24- to 29-year-old cohort disappeared once spatial factors (i.e. taking into account the proximity of regions) were taken into

account in the modelling. In contrast, the employment rates of the 16- to 19-year-old cohort (i.e. those potentially transitioning from school to work) appeared to be negatively affected once the spatial dimension had been taken into account (López-Tamayo et al, 2021).

Unemployment

This year, three new empirical studies were identified that investigated what impact minimum wages have on unemployment. Each of the studies used a different methodology. For **Czechia**, Chytilová and Frejlich (2020) used linear regressions and found no statistically significant effect of minimum wage increases on the total unemployment rate between 2006 and 2018, although women's unemployment rates increased. The study was carried out using macrodata at the aggregate level and also took into consideration the growth in gross domestic product and the level of unemployment benefits. Also at the aggregate level, a study of **Poland** applied a time-series approach to quarterly aggregate data between 2002 and 2019 to analyse the relationship between minimum wages and different labour market indicators, including the unemployment rate. The results indicate a causal relationship, in the Granger sense,¹¹ between the Kaitz index and the unemployment rate: when the minimum wage in relation to average wages (i.e. the Kaitz index) went up, the unemployment rate also went up. No such relationship was proven between the Kaitz index and the employment rate. For **Greece**, researchers affiliated to the Ministry of Labour and the Economic Council of Advisors studied transitions into and out of unemployment over 2004–2019, during which a large number of policy changes to the minimum wage took place. The data analysis was based on microdata from the Greek Labour Force Survey and applied logistic models to the full sample and for three subperiods: pre-crisis, crisis and recovery. According to the research, changes in the real minimum wage had no statistically significant effect on transition into unemployment and a small but positive impact on transition from unemployment into employment. But the latter finding should be interpreted with care, as it may be related to the high levels of job informality and segmentation in the Greek labour market. The results show that characteristics of the individual workers, such as gender, marital status, age and education, are all stronger predictors for transition into and out of unemployment than changes in the minimum wage.

¹¹ Based on this type of time-series analysis, a variable *x* is a Granger cause for another variable *y* if and only if the future values of *y* can be better predicted using present and past *x* values. Granger causality is not (necessarily) a real or true causality, but a statistical measure for causality, showing how well changes in one variable predict changes in another.

In-work poverty

Empirical studies that aim to quantify the impact of minimum wages on in-work poverty are rare. This year, only one such new study was identified, in relation to **Germany**, authored by a researcher from the Institute for Employment Research and the head of the Minimum Wage Commission's office (Bruckmeier and Bruttel, 2021). It found limited impacts of the German minimum wage on in-work poverty and on the number of welfare recipients, concluding that the minimum wage was not an adequate social policy instrument.

Degree of organisation

Another **German** study investigated the impact that the introduction of the statutory minimum wage had on union membership based on individual worker data from the Labour Market and Social Security Panel for 2012–2017. A priori, the expected results are unclear, as different theories point to opposing results. On the one hand, those gaining directly from the introduction of a statutory minimum wage might be less inclined to join unions once the state guarantees minimum pay and rates are no longer negotiated by unions. On the other hand, when the introduction of a minimum wage results from trade union campaigning, this could lead workers to become more conscious of unions and to remain or become members. The analysis of microdata on more than 14,000 individuals' entry and exit into union membership showed that the introduction of the minimum wage neither increased the rate of withdrawal

from unions nor decreased the rate of entry within the group of workers that benefited directly from the minimum wage. The data show that in 2015, when the minimum wage was introduced, a sharp and significant increase in union members occurred. The authors conclude that this can be attributed to unions campaigning for the statutory minimum wage, and that its introduction did not lead to a lower degree of organisation.

Several **Norwegian** studies also took a detailed look at trends in organisation and/or collective bargaining rates, in particular in relation to the effects of the introduction of general application mechanisms. Econometric analysis by Benedictow et al (2021) found no indication of changes in patterns of business closures after the introduction of statutory extension. The findings indicate no effect on organisation rates and collective bargaining coverage rates in the sectors with general application. Alsos et al (2021) discuss employers' attitudes towards collective institutions and investigate trends in organisation rates among employers and collective bargaining coverage. They found that there has been growth in the degree of organisation among employers, especially since the turn of the millennium. Using interviews with employers, the study also sheds light on the reasons employers join organisations: the provision of advice and assistance to members, irrespective of whether the organisation has signed a collective agreement, is an important reason.

Spotlight: Wage impacts of the 2019 minimum wage hike in Spain

This section contributes to the minimum wage literature presented in this chapter with an analysis of the effects that minimum wage policies may have on raising wage levels among the lowest-paid employees, modifying wage dynamics across the different parts of the wage distribution and reducing wage inequality levels among the workforce. The specific case of Spain is used for the analysis, as, when mapping relevant examples of minimum wage setting policies over the past decade, recent developments in this Member State stand out.

Spain increased its statutory rate by 22% in 2019, from 14 monthly payments of €735.90 per year to 14 monthly payments of €900 per year for those in full-time employment. This upgrade was remarkable, since it followed more modest increases in 2017 (+8%) and 2018 (+4%), after the minimum wage had been largely stable between 2009 and 2016. Comparable EU-level cross-country wage microdata permitting an assessment of the effects of this large increase in 2019 have just become available this year. The empirical analysis is based on gross (and nominal) wage data from EU-SILC, the 2020 edition of which includes wage information for 2019.

It is important to note the empirical analysis presented here focuses only on exploring the impact of the minimum wage hike on average wage levels across the wage distribution and on wage inequality levels. It does not analyse other possible impacts, such as those on employment. The significant increase in the Spanish minimum wage in 2019 took place in the context of a labour market that was seeing a dynamic employment expansion after employment levels in the country had bottomed out in 2013 and recovered thereafter. Therefore, the potential employment impact of the minimum wage hike should be considered not in terms of its effect on overall employment levels but rather in terms of its possible specific impact on certain groups of employees. This has been the focus of some empirical analysis, presented in the previous section.

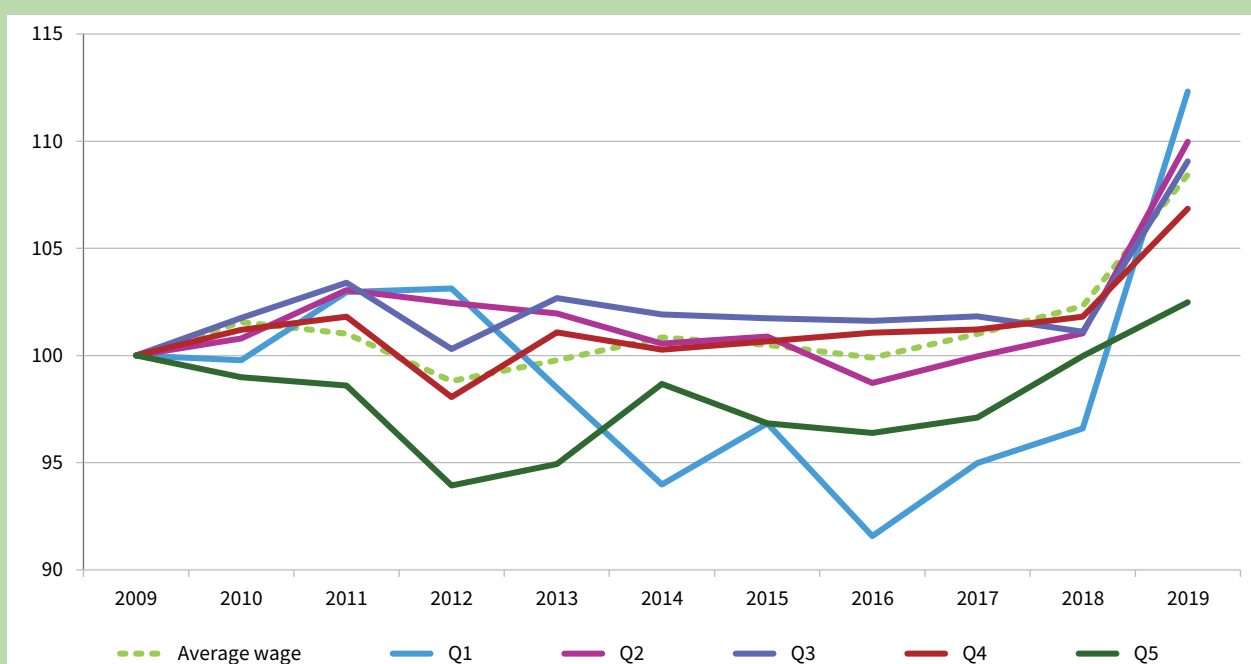
General wage dynamics over the past decade

The large impact of the 2019 minimum wage policy in Spain becomes obvious when observing the wage dynamics in the country over the past decade. Figure 10 depicts the evolution of the average wage of the whole workforce and across different wage quintiles, from the lowest-paid employees (Q1) to the best-paid employees (Q5).

The Spanish labour market was severely hit by the Great Recession, and, as Figure 10 illustrates, average wage levels fell from 2010. This was especially severe and protracted among the lowest-paid employees, whose wage levels bottomed out as late as 2016, falling well below their pre-crisis levels. When the Spanish government increased the minimum wage rate in 2019, wage levels had already reversed the downward trend and had been growing since 2016 for most of the workforce.

Nevertheless, the policy intervention had a significant impact on wage dynamics. Wage growth accelerated in 2019, and much more among the lower-paid segments of the workforce than among employees on higher wages. The wages of the lowest-paid employees (Q1) grew the most in 2019, but those of the employees in the quintiles just above them (Q2 and Q3) grew as well, more so than those of the highest wage earners (Q4 and Q5).

Figure 10: Evolution of average wages by wage quintile, Spain, 2009–2019



Note: Index, 2009 = 100

Source: EU-SILC, Eurofound calculations

A closer look at wage developments after the increase

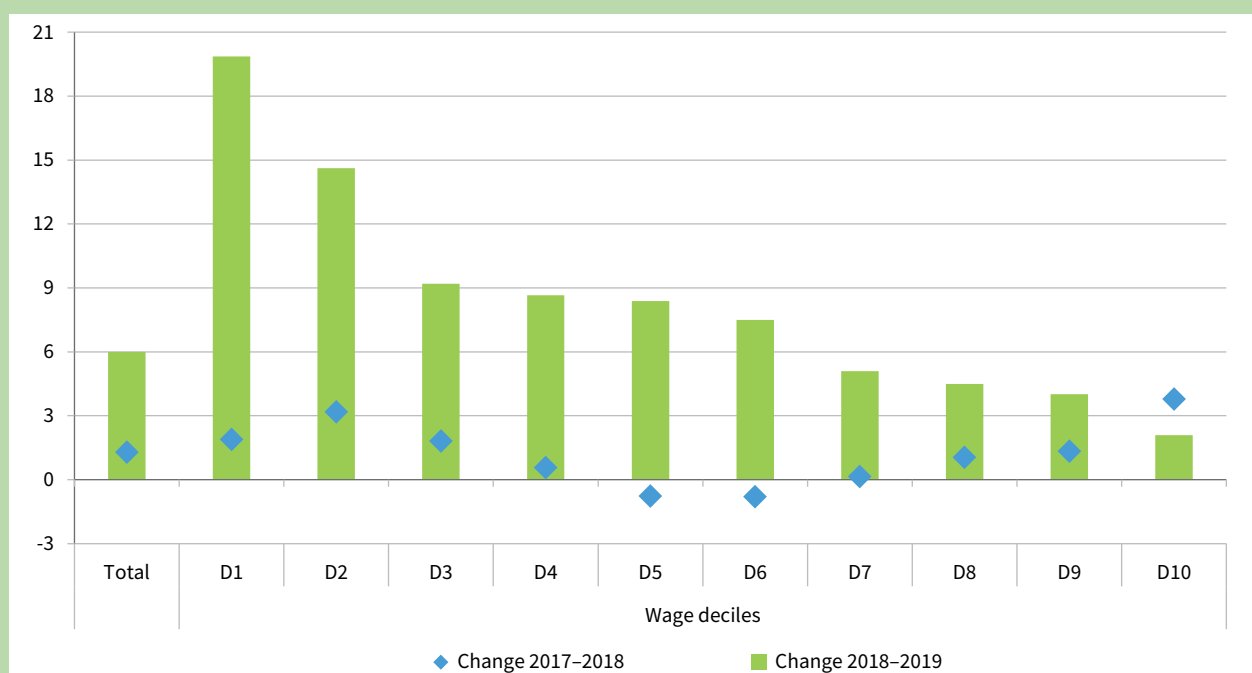
Wage dynamics across the different parts of the wage distribution can be examined more closely by focusing specifically on the year when the policy intervention took place. Figure 11 presents data on wage growth in 2019 (showing the change between 2018 and 2019), in total and for the different wage deciles of the workforce. Moreover, it compares these wage developments with wage growth in 2018 (the change between 2017 and 2018), so that the distinctive wage dynamics partly produced by the minimum wage hike in 2019 are highlighted when put into the perspective of general wage evolution in the previous year. Several points are worth highlighting.

First, the average wage in Spain increased by 6% in 2019. The contribution of the minimum wage hike to explaining this acceleration is surely significant, since the average wage had grown merely by around 1% during the previous year.

Second, the impact of the policy is much more evident when considering the stark differences in wage dynamics across the different parts of the wage distribution in 2019. While in 2018 wages grew by slightly over 1% on average and by more than that among the top earners especially, wage growth in 2019 was notably highest among the lowest-paid segments of the workforce (+20% in the bottom wage decile), with growth decreasing gradually from one decile to the next across in the wage distribution (to +2% in the upper wage decile).

Third, the Spanish minimum wage hike in 2019 seems to have significantly lifted the wages of a comparatively large part of the workforce earning relatively low wages. Although wage growth was largest among the lowest earners, it seems that there were notable knock-on effects throughout the wage distribution, since wage growth was around 10% for employees in the third to fifth wage deciles. One of the explanations for this phenomenon may be the characteristics of the Spanish collective bargaining process. Spain has traditionally been a country in which a relatively low proportion of employees earn the minimum wage, because the social partners use the statutory minimum wage level to start negotiating higher wage floors applying to different sectors, which ultimately cover a large proportion of the workforce. Therefore, the notable increase in the statutory rate in 2019 resulted in large increases not only among those employees earning around minimum wage levels but also among those employees earning higher wages, who may have benefited from higher wages in their sectors as a result of the knock-on effects of the new statutory rate on collectively agreed wage floors.

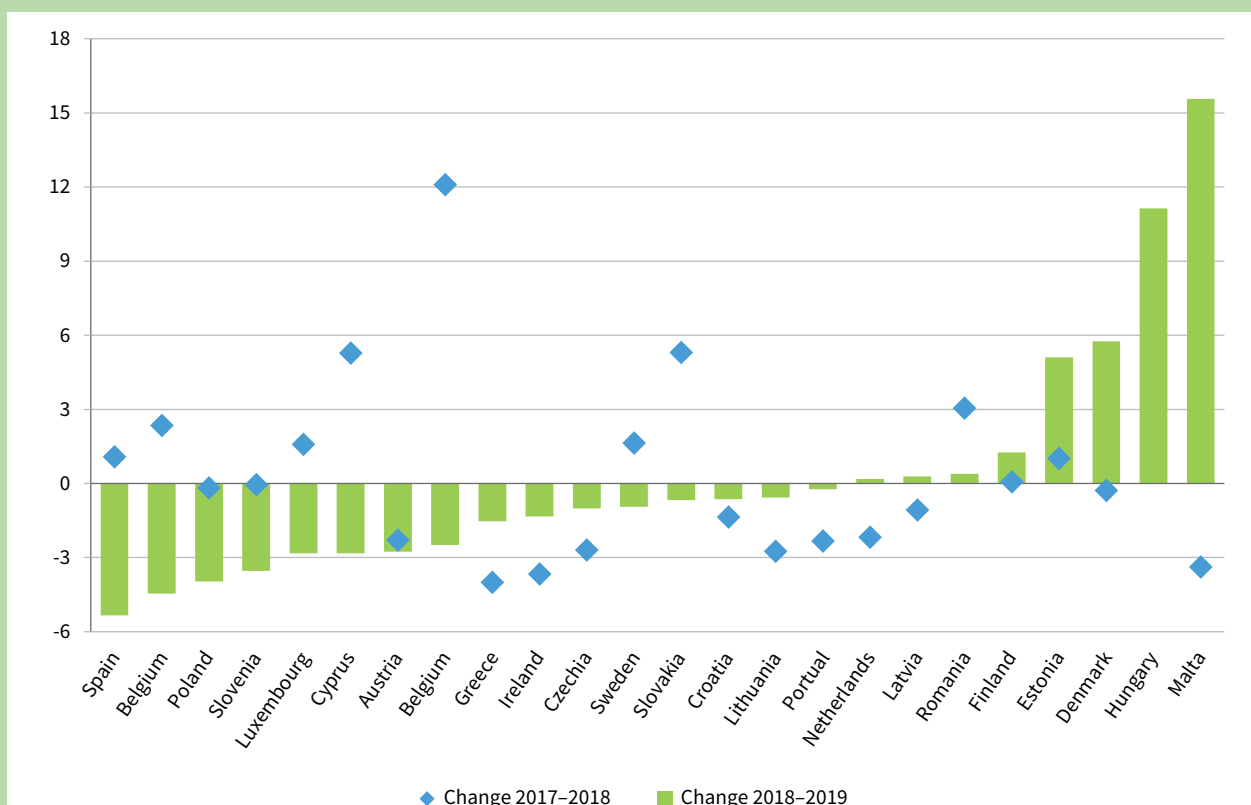
Figure 11: Relative change in average wages (%) by wage decile, Spain, 2018 and 2019



Source: EU-SILC, Eurofound calculations

It is important to highlight the notable impact of this policy initiative on wage disparities in the Spanish labour market. Spain is typically characterised by relatively high levels of wage inequality (as measured by the Gini index): for instance, it occupied the seventh position among EU27 countries in terms of wage inequality levels in 2018. Against this background, the wage dynamics unleashed by the minimum wage hike in 2019 contributed to a significant reduction in wage disparities among the different groups of the workforce. Figure 12 shows that Spain was the EU Member State that registered the strongest reduction in wage inequality in 2019, which contrasts with the expansion in wage inequality that had occurred in the previous year (as a result of wages growing more among the top earners, as shown in Figure 11).

Figure 12: Relative change in wage inequality (%), EU Member States, 2018 and 2019



Notes: Wage inequality is measured by the Gini index. Three Member States are excluded: Germany and Italy because no EU-SILC wage data was available for 2019, and France because of a change in wage information from net to gross in 2019.

Source: EU-SILC, Eurofound calculations

In summary, the hike in the Spanish minimum wage in 2019 resulted in a remarkable increase in wage levels at the bottom of the wage distribution and in a significant reduction in wage inequality. Moreover, it is important to note that these effects become even stronger when the analysis includes a small fraction of employees with extremely low wages who are typically excluded from empirical analysis (see Box 7 for further details).

Uneven impact of the policy within the workforce

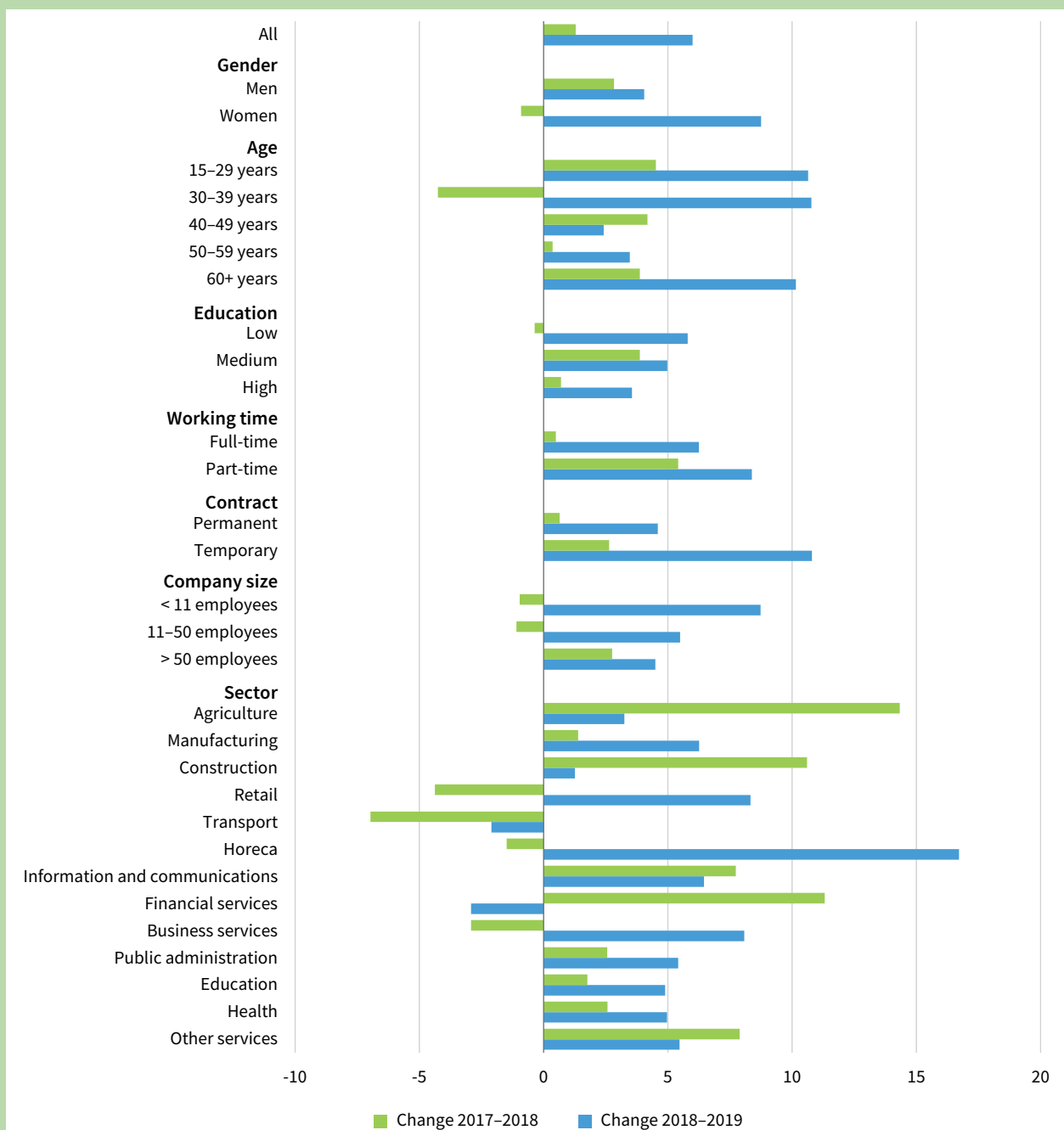
It has been demonstrated that a significant wage growth, especially at the bottom of the wage distribution, occurred in Spain in 2019, likely explained by the minimum wage hike. Since certain groups of workers are more likely to receive lower wages, it is to be expected that this policy decision will have caused larger wage growth among certain types of employees in the workforce, namely those more heavily represented at the bottom of the wage distribution. Figure 13 depicts wage growth in Spain in 2019 (compared with that in 2018) for workers grouped according to sociodemographic and employment characteristics.

The results show that this policy intervention, which caused significant change in the trend in wage growth observed in the previous year, tended to benefit certain groups of workers more.

- Women's wages increased much more than those of their male counterparts (twice as much).
- Both younger and older employees (those aged under 30 and 60 or over) saw their wages increase more than those aged 40–59. In addition, those aged 30–39 benefited from large wage increases, perhaps reflecting the extensive use of temporary contracts associated with low-wage levels among this group of employees.
- Employees with a low level of education also benefited, although the relationship between wage growth and educational attainment is perhaps not so relevant in the case of Spain, as having a post-secondary or tertiary education does not shield workers from relatively low-wage levels in Spain as much as it does in other European countries.
- Part-time workers' wages increased more than those of employees working full-time.

- Temporary employees' wage levels increased by more than twice as much those of employees holding permanent contracts.
- Employees working in smaller companies (with 10 or fewer employees) received much larger wage increases than those working in large companies with more than 50 employees (their wages grew twice as much).
- Employees working in the service sector also saw their wages increase significantly. Those who benefited most were employees working in the Horeca sector (+17%), retail and real estate, and professional and administrative activities (all +8%).

Figure 13: Relative change in average wages (%) by employees' sociodemographic and employment characteristics, Spain, 2018 and 2019



Source: EU-SILC, Eurofound calculations

Box 7: Mapping the very bottom of the wage distribution – Spain

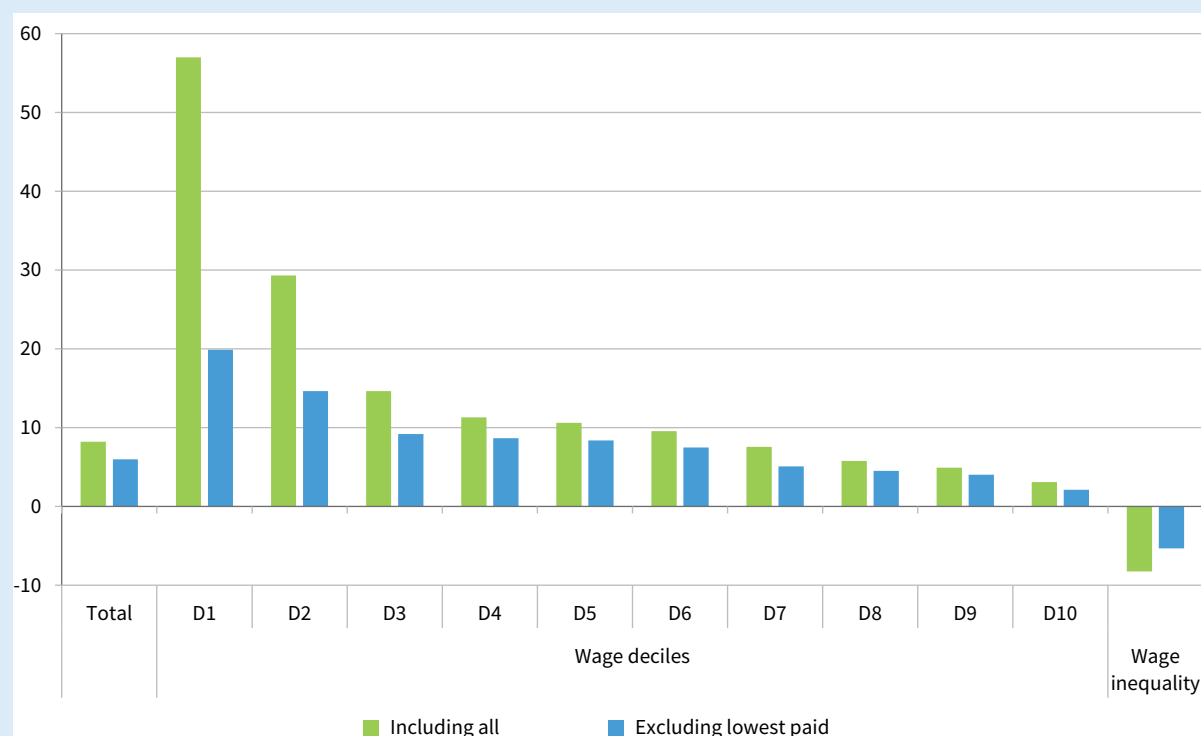
The empirical analysis of Spanish wage data presented in this chapter relies on an approach commonly used by Eurofound when dealing with wage data (see Eurofound (2014) for a detailed description). In brief, it involves applying some corrections to the yearly labour income variable provided in EU-SILC so that a full-time equivalent monthly wage can be constructed. As part of this analysis, cases with improbably low-wage values (defined as those below half the minimum wage of the country concerned in a particular year) are eliminated from the analysis, because they are considered to be unreliable. These abnormally low-wage levels among certain employees could be caused either by significant underpayment (resulting from employers not complying with minimum wage regulations) or by employees misreporting their actual pay levels (for instance, by saying they worked more months than they actually did over the year for which they received the income).

In the case of Spain, around 4% of the sample reported abnormally low-wage values in 2018, while less than 3% did so in 2019, reflecting wage growth among the lowest-paid employees. These employees were not taken into account in the results presented so far, but since the Spanish minimum wage increase in 2019 was significant and had a large impact on the lowest-paid employees, it is worth looking at the results when the whole sample of employees is included, regardless of whether the abnormally low wages of some of them may be the result of reporting errors.

Figure 14 shows that wage growth at the bottom of the wage distribution in 2019 becomes even larger when all employees are included in the analysis. Average wage levels increased enormously among employees in the lowest-paid decile and, to a lesser extent, among employees in the adjacent deciles. As a result, the reduction in inequality that took place in 2019 also becomes more marked.

It is important to note this very intense wage growth among the lowest-paid employees. Although it cannot be said with certainty whether all employees with abnormally low-wage values are underpaid or whether some employees have misreported their earnings, it is clear that the minimum wage hike in 2019 significantly increased the money earned by these employees.

Figure 14: Relative change in average wages by wage decile, and change in wage inequality, Spain, 2019 (%)



Note: Data refer to changes between 2018 and 2019.

Source: EU-SILC, Eurofound calculations

Spanish employees who report abnormally low-wage values tend to be temporary employees (60%, while 40% hold permanent contracts); more than half work in companies with 10 or fewer employees; more than 40% have low educational attainment; more than half are between 30 and 50 years old; they are more likely to be women than men (55% and 45%, respectively); and around 70% work in various services sectors (hotels and restaurants, professional and administrative activities, retail, health services and other service activities) or in agriculture.

5 Conclusions

Large increases nominally, but a bleaker outlook once inflation is taken into account: In a context in which inflation is rising at a rate not seen in decades across the EU, this year's statutory minimum wage picture varies significantly depending on whether nominal or real rates are considered.

While nominal rates increased in all Member States except Latvia, and quite significantly so, the picture changes notably once inflation is taken into account. Of the 21 EU Member States with a statutory minimum wage, real minimum wages have declined in more than two-thirds of them, falling by 2% or less in some (for instance, Germany, Poland, Spain and France) but by 3–7% in others (for instance, the Netherlands, Belgium and Greece). This means that statutory rates increased in real terms in less than a third of the 21 Member States (Hungary, Croatia, Romania, Portugal, Lithuania and Estonia) between January 2021 and January 2022.

This widespread deterioration in the purchasing capacity of minimum wage earners is bound to become more acute as the year progresses. If current inflation trends persist, and no additional increases are granted, hardly any Member State will register an increase in the real minimum wage over the coming months, and further reductions in the purchasing capacity of the lowest-paid employees will be the norm.

Inflation is firmly back on the agenda: Inflation has replaced COVID-19 concerns as the main topic for consideration in minimum wage bargaining. Although inflation did not feature as prominently as might be expected in the negotiations to set this year's rates, because price pressures accelerated mainly in the last months of 2021, its importance will increase strongly if current trends persist.

However, stakeholders often referred to growing inflation during negotiating rounds in 2021. Trade unions in particular raised the issue when advocating higher increases in statutory minimum wages, and governments also did so when justifying the new nominal rates set for January 2022. It remains to be seen if persistent inflation as 2022 progresses will force governments to increase statutory rates during the course of the year, as the Greek and the French governments have already announced that they will do in mid-2022.

Higher inflation has already affected the calculations made during minimum wage setting for 2022, leading to higher increases in Member States that use indexation formulas when deciding on their statutory rates (Belgium and France). While inflation for the whole of 2021 was moderate, if the current trends persist,

growing inflation will raise statutory rates in these Member States substantially when minimum wages are next updated.

Reforms to national minimum wage setting systems and practices are protracted: This series of annual reports on minimum wages has consistently reported on Member States debating or implementing changes to aspects of their minimum wage setting systems. Most of the debates on such reforms reported this year have already been going on over a number of years, yet without much progress. This is the case in particular in Bulgaria, Czechia and Romania, which are continuing to debate transparent and predictable criteria for setting the minimum wage; Malta, which is considering a reform of the cost-of-living allowance mechanism; and Cyprus and Italy, which are contemplating the introduction of a statutory minimum wage.

The proposed minimum wage directive may, on the one hand, have promoted and fuelled these debates, as aspects of the proposal are likely to have trickled down, influencing and reinvigorating the envisaged, and sometimes dormant, national reforms. On the other hand, it may also have acted as a brake, as some actors may wait until the negotiations on the directive are finalised before moving ahead with reforms.

Systems that are both predictable and flexible work best: What is the right balance between rule-based mechanisms and discretionary setting? While many countries are discussing the establishment of clear criteria to guide minimum wage setting (for example, Bulgaria, Czechia, Romania and Spain), not least in an effort to limit arbitrary or pre-election political influence, others with stricter rules are (at least to some extent) questioning their merit. In France, which has a legally binding formula, the expert group continues to argue for more discretion in setting the minimum wage, to provide more room for manoeuvre for the government. And Malta is also considering reforming its indexation mechanism, partly to take stark rises in inflation into account.

Experiences in recent years have shown that disruption occurs regularly: in addition to the ups and downs of the business cycle (including the Great Recession), countries can be faced with internal financial or socioeconomic crises (as in Greece, for example) or disruption affecting important trading partners (for instance, the effects of Brexit on Ireland and other countries). The COVID-19 pandemic and its associated impacts on business affected all countries, and now there is rising inflation in the aftermath of the pandemic, likely to be aggravated by the fallout from the war in Ukraine.

The best approach is probably somewhere between the extremes of a minimum wage setting system that adheres strictly to a formula and a system with vague guiding criteria that creates space for political intervention and discretion throughout the process. The ideal system would be one that establishes clear criteria for minimum wage setting, to be adhered to in normal times when economies and labour markets are functioning steadily, but with enough flexibility to deviate from those criteria should the overall situation justify or require it (including when the system does not deliver as expected).

Some limited early impacts of the proposed minimum wage directive in Member States are detected: The proposed EU directive's impacts on national-level minimum wage setting are still limited, which is not unexpected, given that the directive was still under negotiation. However, some countries and actors seem to have begun to reflect on what impacts the directive may have on their national practices, and even to have entered into national policy debates and the preparation of changes. The evidence reported by the Network of Eurofound Correspondents shows that some countries have made commitments to increase wages in line with the indicative reference value for the minimum wage mentioned in the directive. Others have started to reflect on reforming aspects of their wage setting processes or the criteria for determining the new rate.

In contrast, limited evidence was found of policy debates around how to improve collective bargaining coverage, which is another key aspect of the proposal. Only in two Member States (Italy and Portugal) was there a focus on the extent to which collective

bargaining delivers (or does not deliver) higher wages, although Danish, Latvian and Norwegian stakeholders have started to reflect on how to increase bargaining coverage. More impacts will be seen once the directive has been adopted and Member States enter into the transposition phase.

Evaluative research on minimum wage increases remains fragmented: An important strand of research around minimum wages is evaluation research, which investigates in depth the impacts of past minimum wage rises on a number of indicators, including, among others, employment, working hours, unemployment, wages, in-work poverty, job satisfaction and various company outcomes. While the European Commission's impact assessment accompanying the proposed directive provided a comprehensive overview across all Member States, this series of reports has found that most such research at national level is concentrated in a handful of Member States – notably those with well-resourced expert bodies. In other Member States, evaluative research is much more fragmented, less frequent, carried out ad hoc or not procured by the most authoritative institutions. In addition, the wage and employment impacts of minimum wage changes continue to be researched more than other outcomes. Notable in particular is the absence of quantitative in-depth studies on the link between minimum wages and in-work poverty. Overall, there continues to be room for improvement in many countries when it comes to providing basic evidence-based information to decision-makers entrusted with setting the minimum wage.

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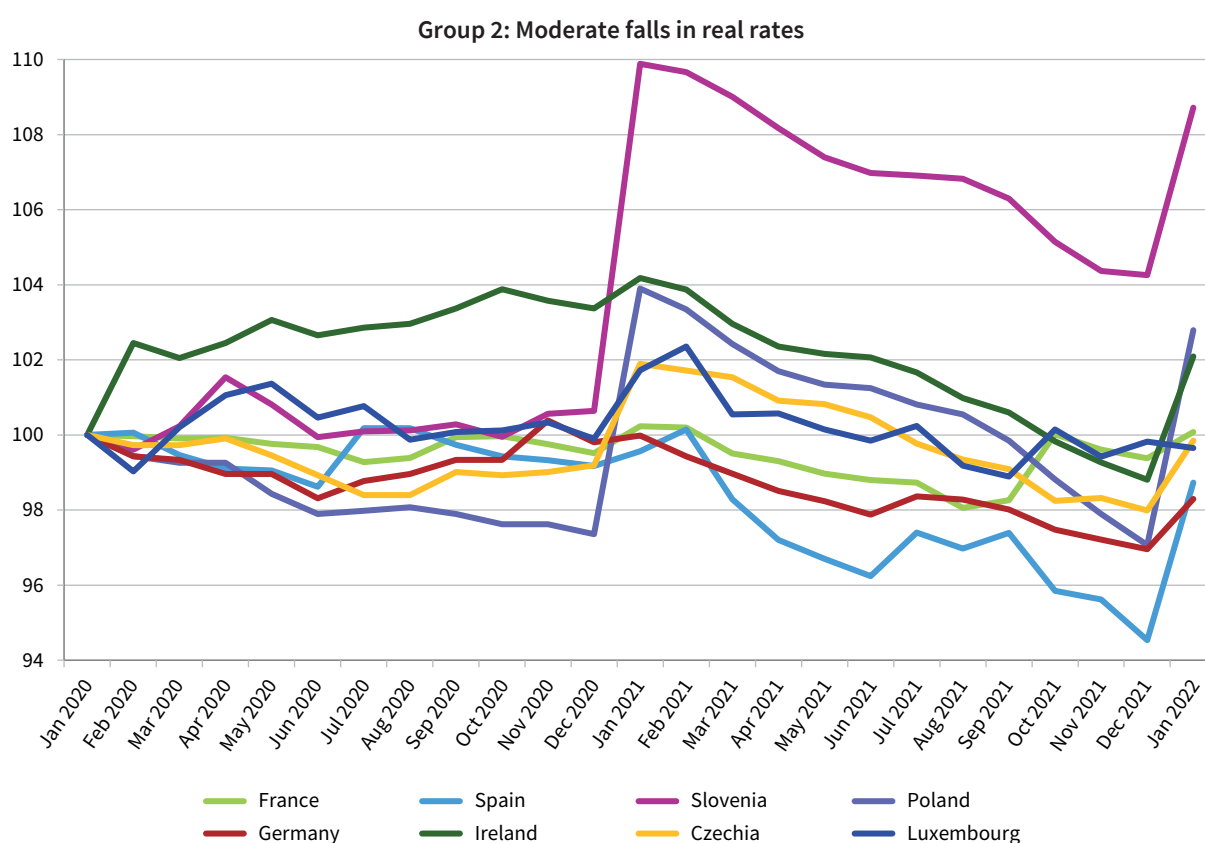
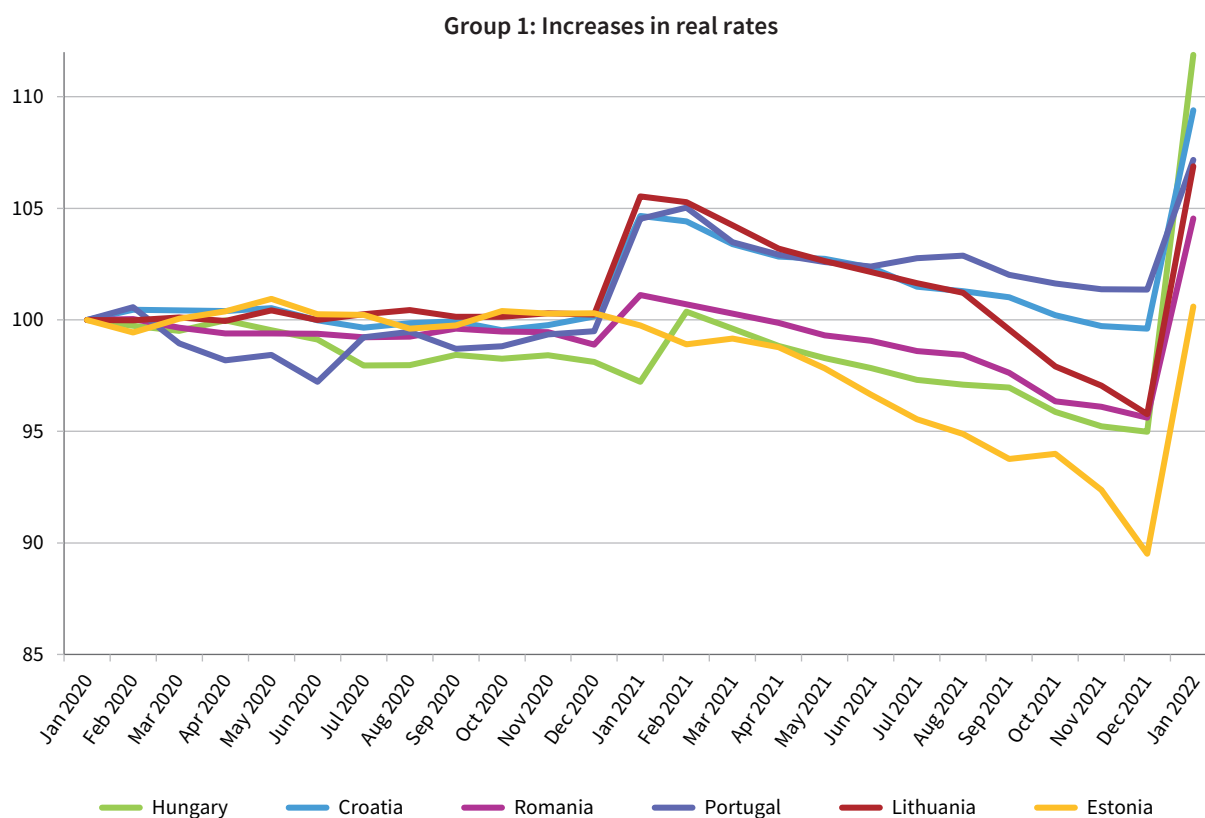
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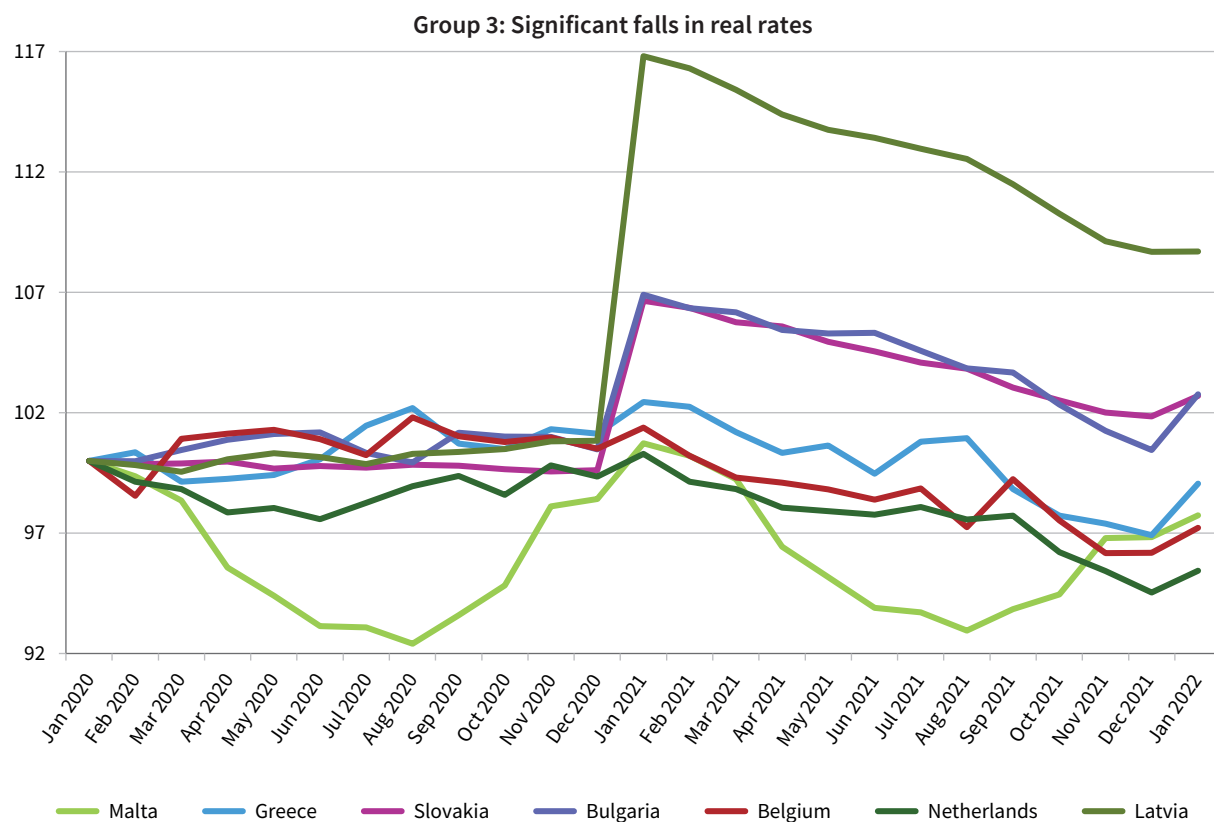
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Annexes

Annex 1: Additional figures and tables

Figure A1: Changes in minimum wages in real terms, selected EU Member States by group, January 2020 to January 2022





Notes: For the index, January 2020 = 100. Groups were created based on the rate of change between January 2021 and January 2022 in all countries, with the following exceptions: February 2021 was used for Hungary; April 2022 was used for Bulgaria.

Source: Network of Eurofound Correspondents (monthly gross minimum wage figures) and Eurostat, [prc_hicp_midx] (2015 = 100), Eurofound calculations

Table A1: Monthly equivalised basic pay rates from the largest collective agreements covering 10 low-paid jobs, January 2021 and January 2022 (national currencies)

	Austria (€)		Denmark (DKK)		Finland (€)		Italy (€)		Sweden (SEK)		Norway (NOK)	
	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022
1. Domestic cleaners	1,843	1,843	18,085	18,479	1,825	1,848	699	699	21,347	21,990	31,077	31,077
2. Cleaners and helpers in offices, hotels and other establishments	1,895	1,962	18,085	18,479	1,825	1,848	1,316	1,359	23,312	24,069	31,077	31,832
3. Shop sales assistants	1,908	1,933	20,138	20,539	1,911	1,936	1,760	1,760	23,486	23,486	25,904	26,310
4. Waiters and bartenders	1,863	1,894	24,219	24,633	1,786	1,820	1,669	1,706	22,548	22,548	27,542	28,492
5. Cooks	1,863	1,894	21,722	22,143	1,752	1,752	1,669	1,706	23,854	23,854	28,341	29,291
6. Home-based personal care workers	2,149	2,149	22,171	22,545	2,087	2,176	954	954	19,075	19,075	25,000	25,366
7. Childcare workers	2,097	2,097	22,677	23,034	1,882	1,901	1,637	1,637	19,479	20,063	26,067	27,150
8. Agricultural, forestry and fishery labourers in standard employment	1,569	1,569	22,849	23,362	1,571	1,597	1,020	1,020	24,859	25,565	23,715	24,243
9. Agricultural, forestry and fishery labourers in seasonal employment	1,882	1,913	No agreement	No agreement	1,571	1,597	1,020	1,020	No data	No data	20,484	21,011
10. Couriers and newspaper or parcel deliverers	1,788	1,869	19,586	19,986	1,812	1,812	1,753	1,768	No data	No data	27,352	28,205

Source: Eurofound, based on information from the Network of Eurofound Correspondents based on selected collective agreements; for a methodological description, see Eurofound (2021), Box 2, p. 15

Table A2: Monthly equivalised basic pay rates from the largest collective agreements covering 10 low-paid jobs, January 2022 (€)

	Austria	Denmark	Finland	Italy	Sweden	Norway
1. Domestic cleaners	1,843	2,483	1,848	699	2,096	3,105
2. Cleaners and helpers in offices, hotels and other establishments	1,962	2,483	1,848	1,359	2,295	3,180
3. Shop sales assistants	1,933	2,760	1,936	1,760	2,239	2,629
4. Waiters and bartenders	1,894	3,310	1,820	1,706	2,150	2,847
5. Cooks	1,894	2,975	1,752	1,706	2,274	2,927
6. Home-based personal care workers	2,149	3,029	2,176	954	1,819	2,534
7. Childcare workers	2,097	3,095	1,901	1,637	1,913	2,713
8. Agricultural, forestry and fishery labourers in standard employment	1,569	3,139	1,597	1,020	2,437	2,422
9. Agricultural, forestry and fishery labourers in seasonal employment	1,913	No agreement	1,597	1,020	No data	2,099
10. Couriers and newspaper or parcel deliverers	1,869	2,686	1,812	1,768	No data	2,818

Source: Eurofound, based on information from the Network of Eurofound Correspondents based on selected collective agreements; for a methodological description see Eurofound (2021), Box 2, p. 15

Table A3: Change in monthly minimum wages in collective agreements, in real terms and in national currencies, between 1 January 2021 and 1 January 2022, for 10 low-paid jobs (%)

	Austria		Denmark		Finland		Italy		Sweden		Norway	
	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022
1. Domestic cleaners	3.1	-4.3	1.8	-2.6	1.0	-2.8	0.8	-4.8	-1.8	-0.9	-0.7	-3.0
2. Cleaners and helpers in offices, hotels and other establishments	0.6	-0.9	1.8	-2.6	1.0	-2.8	-0.7	-1.7	-1.8	-0.6	-0.7	-0.7
3. Shop sales assistants	0.4	-3.0	1.6	-2.7	1.0	-2.7	-0.7	-4.8	1.3	-3.8	-2.6	-1.5
4. Waiters and bartenders	-1.0	-2.7	1.2	-3.0	-1.0	-2.2	0.6	-2.7	0.9	-3.8	-1.7	0.3
5. Cooks	-1.0	-2.7	1.6	-2.8	-1.0	-4.0	0.6	-2.7	0.9	-3.8	-1.7	0.2
6. Home-based personal care workers	3.8	-4.3	0.7	-3.0	0.3	0.1	0.8	-4.8	0.9	-3.8	13.1	-1.6
7. Childcare workers	3.7	-4.3	0.7	-3.1	0.5	-3.0	2.6	-4.8	0.4	-0.9	-2.6	1.0
8. Agricultural, forestry and fishery labourers in standard employment	7.1	-4.3	1.4	-2.5	0.6	-2.4	-2.7	-4.8	-1.8	-1.0	-0.6	-0.9
9. Agricultural, forestry and fishery labourers in seasonal employment	1.0	-2.7	No agreement		0.6	-2.4	-2.7	-4.8	No data	No data	-0.2	-0.5
10. Couriers and newspaper or parcel deliverers	5.2	0.0	1.7	-2.7	2.9	-4.0	-2.7	-4.0	No data	No data	1.6	0.0

Source: Eurofound, based on information from the Network of Eurofound Correspondents using national official sources; for a methodological description see Eurofound (2021), Box 2, p. 15

Annex 2: Network of Eurofound Correspondents

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	Irena Klemenčić	Faculty of Law, University of Zagreb
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After a cautious round of minimum wage setting for 2021, nominal rates rose significantly for 2022 as the negative consequences of the pandemic eased and economies and labour markets improved. In this context, 20 of the 21 EU Member States with statutory minimum wages raised their rates. Substantial growth was apparent in the central and eastern European Member States compared with the pre-enlargement Member States, while the largest increase occurred in Germany. When inflation is taken into account, however, the minimum wage increased in real terms in only six Member States.

If present inflation trends continue, minimum wages will barely grow at all in real terms in any country in 2022. Significant losses in the purchasing capacity of minimum wage earners are likely to dominate the picture, unless the issue is addressed by policy changes during the year. The processes for minimum wage setting and related legislation in the EU have remained unchanged, by and large, or were adapted only slightly for 2022.

The European Foundation for the Improvement of Living and Working Conditions (Eurofound) is a tripartite European Union Agency established in 1975. Its role is to provide knowledge in the area of social, employment and work-related policies according to Regulation (EU) 2019/127.

