

# Collectively agreed pay for low-paid workers and statutory minimum wages in the EU

Round table Improving collective bargaining in the EU. Panel 1: Wage bargaining - the road from socio-economic arguments to union pressure actions

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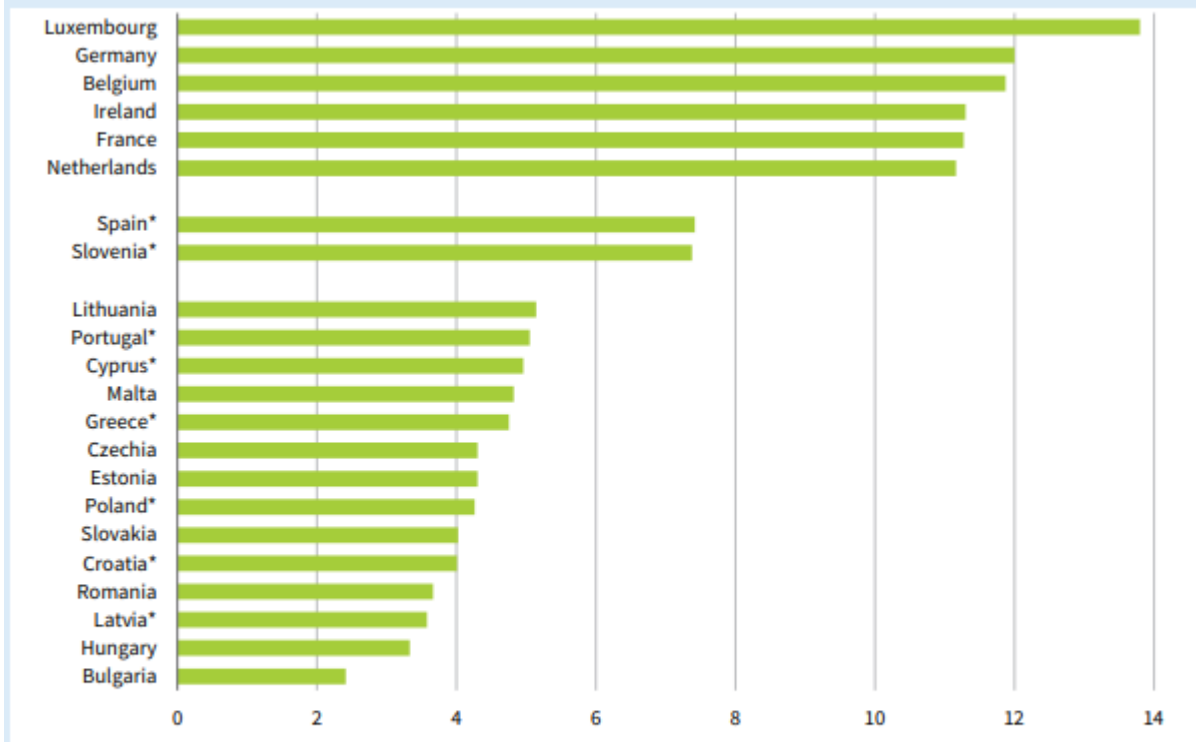
# Overview

- Statutory minimum wages: Updates for 1 Jan 2023 in a time of inflation
- Is the EU directive starting to influence national minimum wage setting?
- Eurofound's new database on collective agreements related to low-paid workers – selected findings
- Conclusions



# Minimum wages in the EU

Figure 1: Gross hourly nominal minimum wages, 22 EU Member States, January 2023 (€)

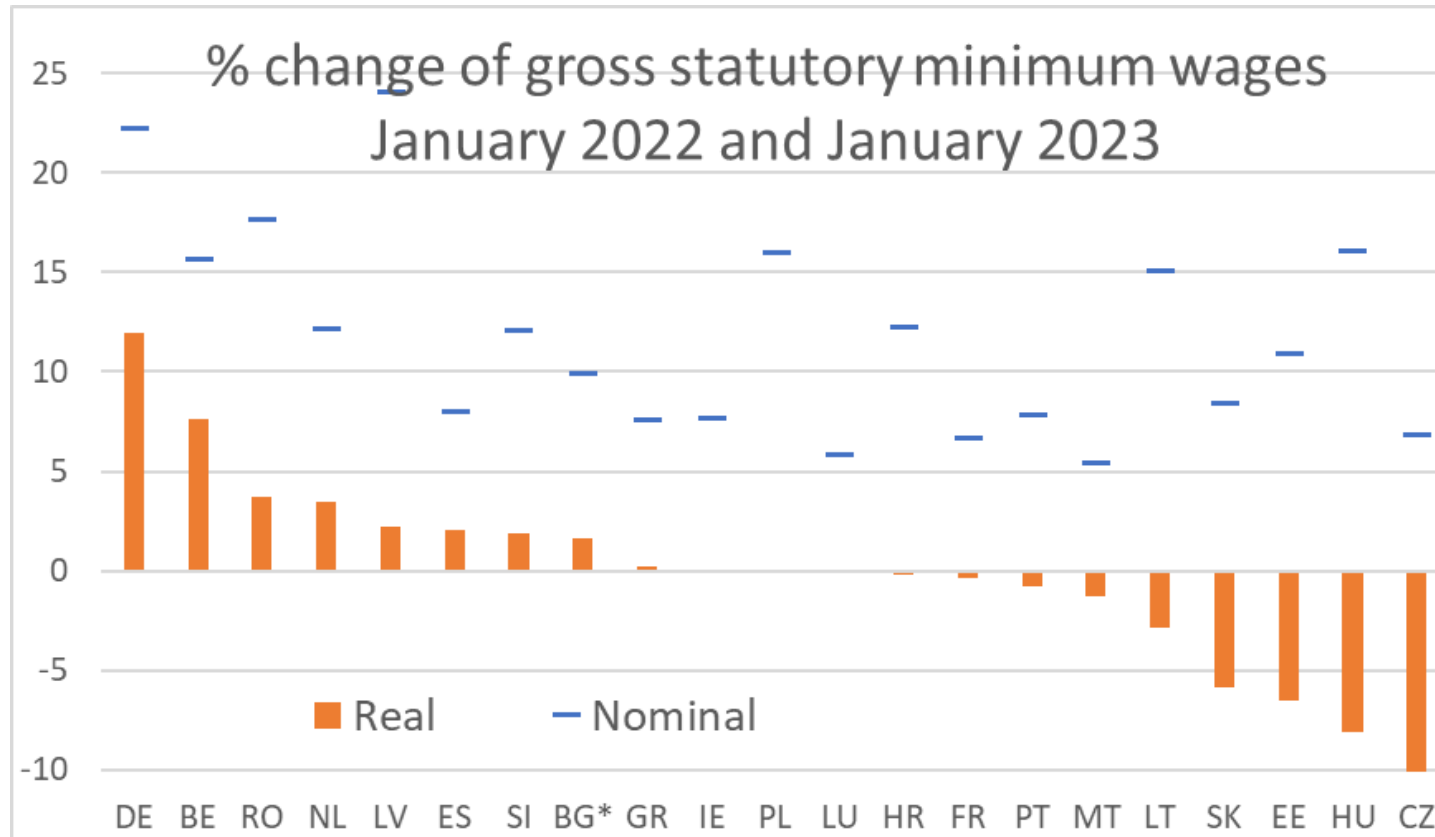


**Notes:** For most countries, hourly minimum wages are legally defined at hourly rates, sometimes in addition to a monthly definition. For countries marked with \*, rates have been converted to an hourly rate by considering the average number of usual weekly hours of work (Eurostat [lfsa\_ewhun2]) and 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.

**Sources:** Network of Eurofound Correspondents, Eurostat and Eurofound calculations

- Gross hourly minimum wages differ greatly in EU countries: between €2.40 in Bulgaria and €13.80 in Luxembourg.
- Wage convergence ongoing, but still a long way to go.
- Statutory minimum wage saw real progress in the past decade: in real terms and in relation to other wages.
- The inflation of the past year has not eroded this progress to date (Jan 2023)

# Large nominal increases for 2023 were not always able to keep real values



Ad hoc extra increases:

- Germany: to EUR 12.
- Netherlands: by +7.5%

Indexation:

- Belgium, France
- Luxembourg (but second indexation postponed)
- Malta

Introduction of a SMW:

- Cyprus

Data refers to the growth rate between January 2022 and January 2023 (except for Bulgaria, for which April 2022 to January 2023 is used). Real values have been calculated by deflating nominal rates using monthly data on prices levels (HICP). Countries are ranked by the magnitude of increase in real statutory rates.

# Is there already an influence of the EU directive on national wage setting?

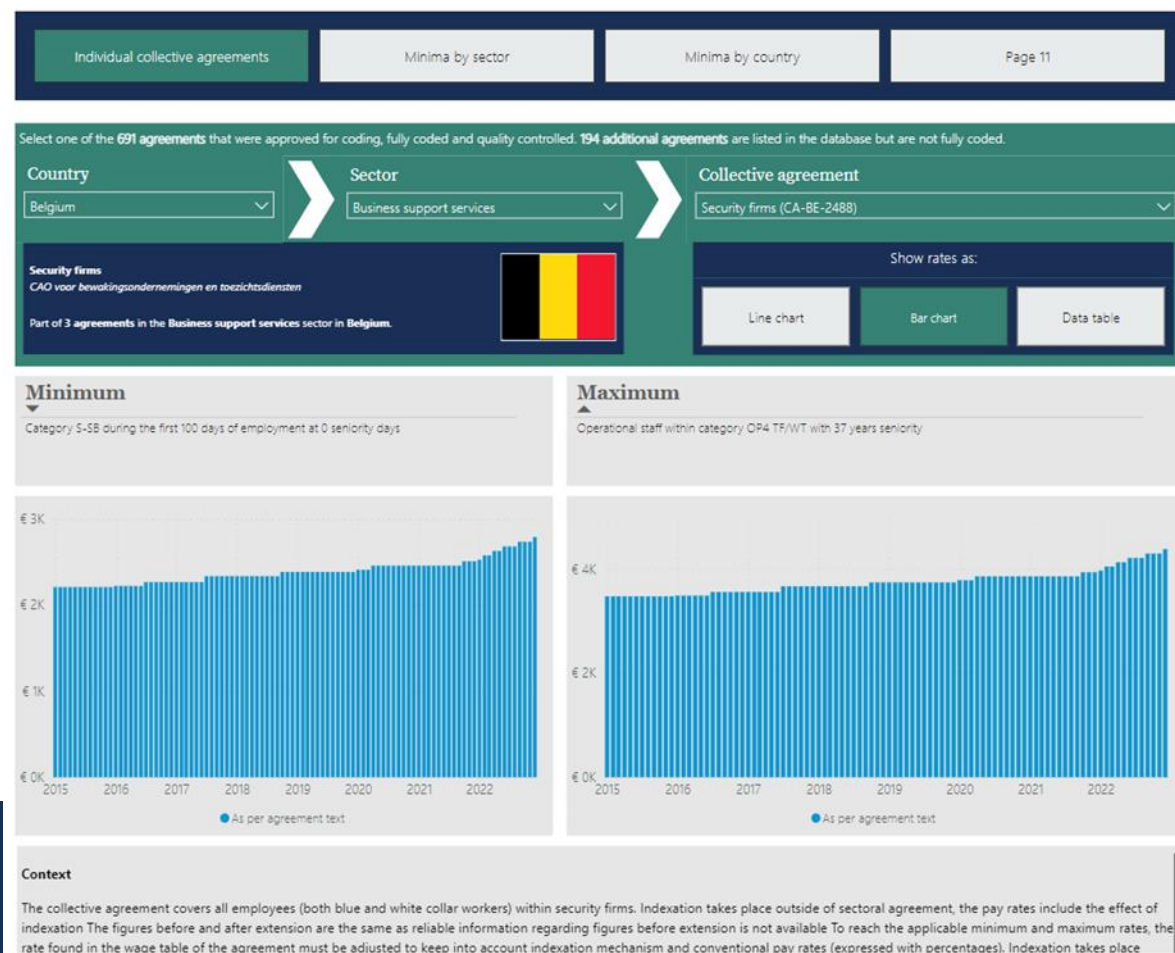
- The ‘indicative reference values’ are noticeably entering the national debates
  - Bulgaria: new law as of Feb 2023 links the SME to 50% of gross average wages
  - Ireland: ‘Living wage’: 60% of gross median wages
  - Spain: 60% of net average wages
- Where these levels have been achieved, ‘adequacy’ is more prominent in the debates
  - Luxembourg, Croatia, Portugal
- New expert committees:
  - Malta: Low Wage Commission launched in March 2023
  - Spain ‘Advisory Commission for the Analysis of the Minimum Interprofessional Wage’ ‘Cassmi’ (but temporary advisory board)
  - Cyprus: Wage Commission, to advise on the update
- Limited action yet to promote collective bargaining coverage
  - Germany, Romania, Estonia, Portugal



EU Member States are required to transpose the directive into national law by 15 November 2024

Research has been carried out in the context of the pilot project 'Role of the minimum wage in establishing the Universal Labour Guarantee'. This project was proposed by the European Parliament and delegated to Eurofound by the European Commission's Directorate-General for Employment, Social Affairs and Inclusion.

## An EU-wide database of collective agreements for low-paid workers Pilot project 2021 - 2023



# What does the database include?

A sample of collective agreements related to 12 broader 'low-paid sectors of interest'.

- 1 - Agriculture
- 2 - Manufacture of food, leather, textiles, and clothes
- 3 - Construction excl. civil engineering
- 4 - Retail
- 5 - Postal, courier, land transport and warehouses
- 6 - Hospitality
- 7 - Business support services
- 8 - Residential and social care
- 9 - Arts, gambling and sports
- 10 - Personal services
- 11 - Domestic personnel
- 12- Multi-sectoral agreements

- 885 'listed' collective agreements valid or ultra-active in 2020
- 692 'fully coded' agreement series - if available from 2015 to 2022
- 3,202 renewal texts
- 118,303 (monthly) pay rate observations

- 24 NACE 2-digit sectors sampled, grouped into 12 sectors.
- Representing about 36 mio. low-paid employees (as per LFS) or up to 60% of all low-paid workers between 15-65 years of age in EU-27

## Two basic pay rates per agreement:

- Minimum rate: Lowest, full adult
- Maximum rate: The highest, with the highest seniority

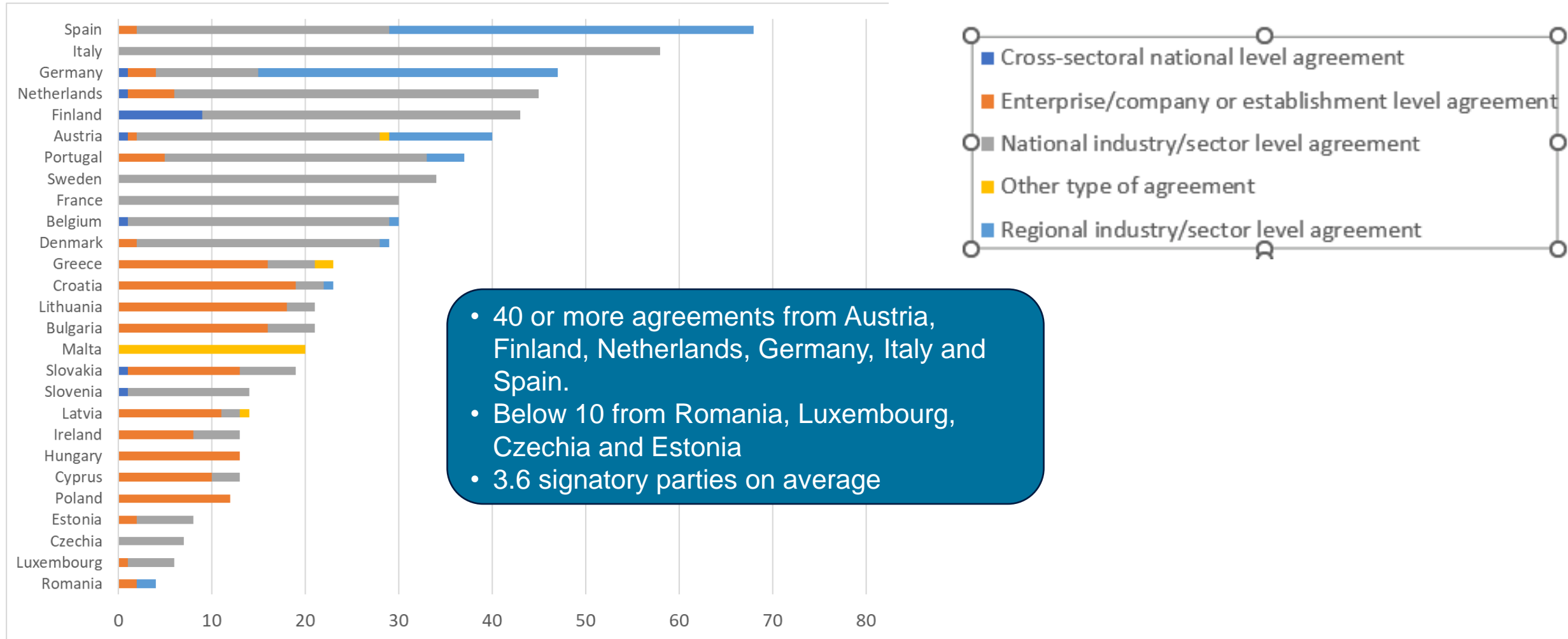
- Agreements cover at least\* 42 mio. workers in total in the EU 27

\* excl. Germany, Luxembourg and Malta.

## More outputs:

- Consolidated report (forthcoming)
- 27 national reports documenting meta-data and background info on collective bargaining in the low-paid sectors.
- Preliminary concept paper
- Note on registers of collective agreements in the EU-27

# The sample of agreements: We prioritise the inclusion of agreements from the predominant bargaining level



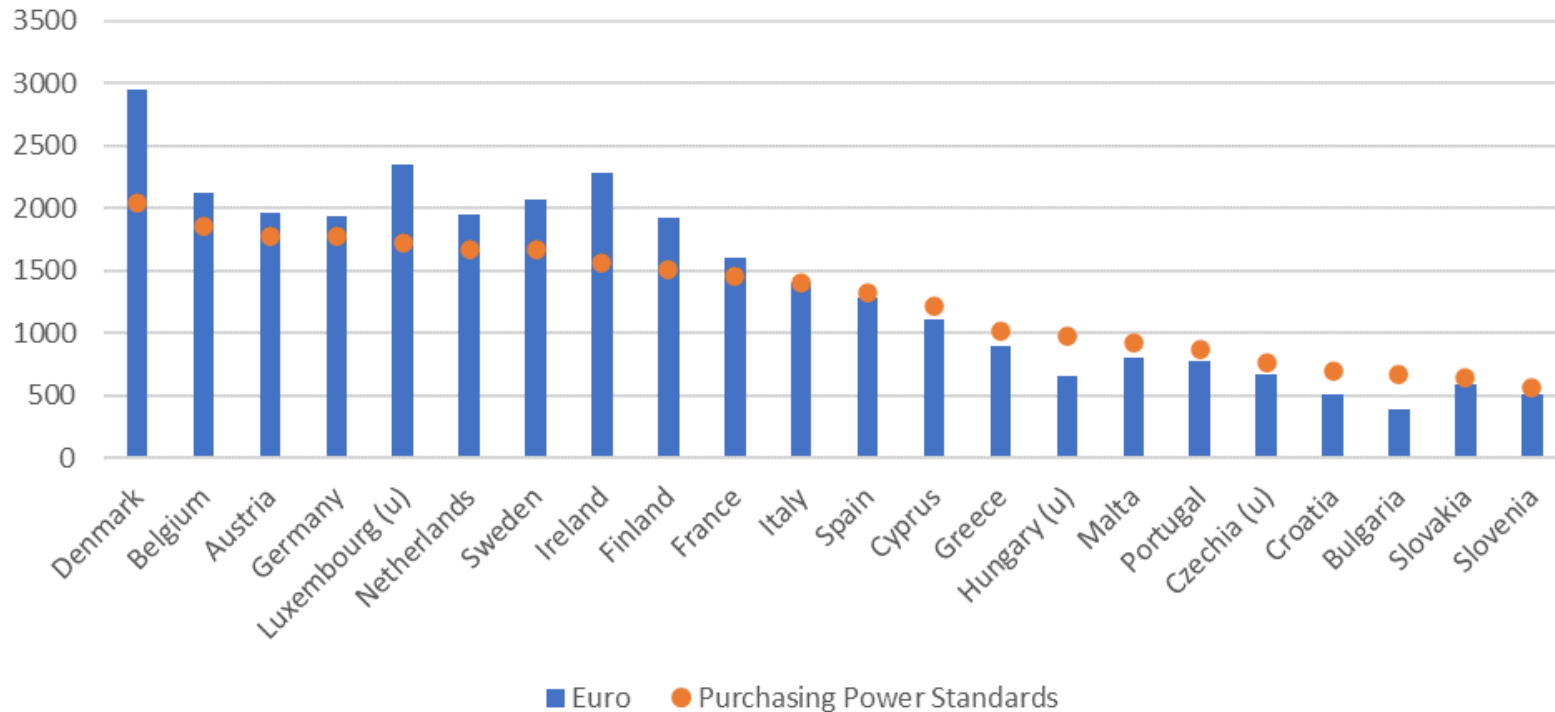
Note: The number of collective agreements includes all 692 agreements approved for coding from all countries.  
Source: Eurofound Database of collective agreements for low paid workers, 5 October 2023.



# Representativeness of the listed sample

Degree of representativeness of the (listed) sample	Countries	General description (individual countries may deviate in some respects)
Very high	Austria, Belgium, France, Italy, Netherlands, Slovenia	Typically, the listed agreements in this group could be identified based on comprehensive official registers, which included at least agreements of the predominant bargaining levels, all sectors with existing agreements are captured and the proportion of covered workers represented by the listed agreements is very high.
High	Bulgaria, Finland, Lithuania, Portugal, Spain	Typically, the listed agreements in this group could be identified based on relatively complete registers and represent the predominant bargaining levels in the country, and all sectors with existing agreements are captured. The proportion of the covered workers is mostly somewhat lower than in the first group.
Good	Cyprus, Denmark, Germany, Sweden	In this group there is no official and comprehensive register, but the main source typically relates to one (major) social partner confederation. All sectors with existing agreements are included. The proportion of covered workers is lower in Denmark and Germany, but the included agreements are considered to be representative and often of a pace-setting nature for pay.
Acceptable	Croatia, Greece, Ireland, Slovakia,	The agreements in this group tend to be based on less comprehensive registers (if any), and may not fully reflect the predominant bargaining levels, particularly as company level agreements may have not been very accessible. Often not for all sectors of interest agreements could be identified, and the proportion of covered workers is typically lower.
Low	Czechia, Hungary, Latvia, Luxembourg	The listed sample of agreements in this group of countries could not be based on official (updated) registers, and the included available agreements may not always reflect the predominant bargaining level. Given the predominance or importance of company level bargaining the listed sample is very small and so is the proportion of covered workers in this group, sectors with agreements tend to be missing.
Not representative	Estonia, Poland, Romania	In the absence of accessible registers only a small number of agreements was identified, only few sectors could be included and due to the predominance of fragmented company level bargaining the sample is not sufficient and representative.

# Average negotiated basic pay in EUR and PPS, 1 January 2022



## Negotiated pay:

- As per agreement text
- Agreement refers to rate in other text
- Agreement explicitly refers to the statutory minimum wage

Note: No data are displayed for Estonia, Poland and Romania, as their listed sample is not representative, and for Latvia and Lithuania, as the number of coded rates is based on less than four agreements

(u): low reliability, applicable to Czechia, Hungary and Luxembourg, as they are based on a sample with a low degree of representativeness.

Maltese data refer to wage regulation orders.

The PPS is based on Eurostat figure, EU27\_2020 = 100 (PRC\_PPP\_IND).

Source: Eurofound Database of collective agreements for low paid workers, 5 October 2023.

# Agreed rates below the statutory minimum wage

- Negotiated rate comparison to SMW, rates below due to:
  - Non-renewal (minimum pay rates not updated)
  - Different wage composition (basic pay and top-up)

	Proportion of agreements which contain at least one negotiated rate below SMW	Proportion of negotiated rates below SMW	Average length of rate being below SMW in years	Number of collective agreements with at least one rate below SMW	Total number of collective agreements with a negotiated rate
<b>Slovenia</b>	100%	100%	7.9	13	13
<b>Portugal</b>	86%	48%	4.3	32	37
<b>France</b>	80%	32%	2.9	24	30
<b>Slovakia</b>	74%	58%	4.9	14	19
<b>Poland</b>	67%	47%	4.1	8	12
<b>Spain</b>	40%	18%	3.3	27	67
<b>Croatia</b>	35%	70%	5.7	7	20
<b>Germany</b>	29%	7%	1.7	15	51

# Content related main findings

- On average the highest negotiated minima are found in Danish agreements (€2,951), followed by Luxembourg (€2,350) and Ireland (€2,285). On average the lowest negotiated minima relate to Bulgaria (€389), Croatia (€504) and Slovenia (€512).
- 13% of collective agreements captured at the stage of listing do not contain any pay rates.
  - Out of the sampled agreements 12% contain only one minimum pay rate (most frequently in Central and Eastern European Member States),
  - while 77% regulate pay also for higher paid workers.
- Agreements in the newer Member States **more frequently refer to statutory minimum wages** explicitly, rather than including higher collectively agreed rates.
- In countries without statutory minimum wages the appearance of ‘**no wage floors**’ due to collective agreements not being renewed (and past any ultra-activity phase) was a **very seldomly detected** and a temporary phenomenon.
- Negotiated pay rates can be **outdated and below the statutory minimum wage**. This was particularly the case in collective agreements from Slovenia, Slovakia, Portugal, Spain, Poland, Croatia and to some extent also in France and Germany.

# Summary and conclusion

- Large differences in gross minimum wages and take-home pay across EU countries, but overall convergence
  - Good progress for minimum wage earners over the past decade
  - Rises in nominal rates for 2023 are barely sufficient to maintain purchasing power
- EU minimum wage directive might have started to influence national minimum wage setting in some countries
  - Promotion of collective bargaining until now the least observed
- Increasing collective bargaining coverage necessary but not always sufficient.
  - Do agreements indeed contain any pay rates at all?
  - And if so: are they above the statutory minimum wage, or already outdated?
  - And is the potential of bargaining – to regulate pay also for those on higher pay – always used?
- Statutory minimum wages remain an important tool – especially for the CEE countries.
  - But collective bargaining – topping up these rates – should be promoted.

# Thank you for your interest!

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Latest EU wide report:

<https://www.eurofound.europa.eu/publications/report/2023/minimum-wages-in-2023-annual-review>

<https://www.eurofound.europa.eu/data/statutory-minimum-wages-2023>

Eurofound's publication series on minimum wages:

<https://www.eurofound.europa.eu/publications/series/minimum-wages-in-the-eu>

Eurofound (forthcoming, Q1 2024), Minimum wages for low paid workers in collective agreements,  
<https://www.eurofound.europa.eu/en/publications/2023/minimum-wages-low-paid-workers-collective-agreements>