



Statutory minimum wages in the EU 2016

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In 22 out of 28 EU Member States, there is a generally applicable statutory minimum wage and the level of this minimum wage varies greatly from one country to another. This article provides information on statutory minimum wage levels and how this is determined across the EU in January 2016.

Introduction

This article provides information on the levels the statutory minimum wage applicable in the EU Member States in January 2016. It also provides information on how the minimum wages were set and whether any significant discussions about the minimum wage took place.

Countries applying a statutory minimum wage

The term minimum wages refers to various legal restrictions of the lowest rate payable by employers to workers (Parsons, 2008). Statutory minimum wages are regulated by formal laws or statutes. This article investigates statutory minimum wages that are generally applicable in a given country and are not limited to specific sectors, occupations or groups of employees.

22 out of 28 EU countries apply a generally binding statutory minimum wage. In the majority of EU Member States (Austria, Denmark, Finland, Italy and Sweden), where there is no statutory minimum wage, the minimum wage level is de facto set in (sectoral) collective agreements. These agreements can become generally binding – for example, in Finland, a public commission under the Ministry of Social Affairs and Health formally decides whether collective agreements are generally binding. Another example is Italy, where while such agreements only apply to enterprises and workers that are members of the bargaining social partners, case law adopts collectively agreed minimum wages as a reference for other employees as well, significantly incentivising their adoption by employers which are not affiliated to signatory employer organisations.

Table 1: EU countries which do/do not apply generally binding statutory minimum wage as of 1 January 2016

Statutory minimum wage in place

Belgium, Bulgaria, Croatia, Czech Republic, Estonia, France, Germany, Greece, Hungary, Ireland, Latvia,

No general statutory minimum wage applicable

About

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Lithuania, Luxembourg, Malta,
Netherlands, Poland, Portugal, Romania,
Slovakia, Slovenia, Spain and United
Kingdom

Austria, Cyprus, Denmark, Finland, Italy
and Sweden

Source: EurWORK Network of European correspondents

Cyprus does not stipulate a minimum wage at national level. The Minimum Wages Law specifies nine occupations (sales staff, clerical workers, auxiliary healthcare staff, auxiliary staff in nursery schools, in crèches and in schools, security guards, caretakers and cleaners) for which a minimum wage applies. The level of minimum wages is set annually by the government in consultation with the social partners and is enforced by a decree of the Council of Ministers. As a result of the economic crisis, the relevant legislation was not renewed since April 2012.

This article confirms Eurofound's previous findings, that the introduction of a statutory minimum wage in Germany triggered debates about the minimum wage across Europe, in particular in the Member States with no statutory minimum wage. However, these debates appear to be short-lived in most of these countries (for example in Austria, Finland and Denmark) as there was a consensus among the main actors to stick to the collectively agreed minima. A more significant development took place in Italy, where the government included the possibility of introducing a statutory minimum wage in the reform of its Jobs Act. However, it decided not to implement the statutory minimum wage for the time being following criticism from the trade unions.

Levels of statutory minimum wages in 2016

The level of statutory minimum wages greatly varies between EU countries. The lowest minimum wages (less than 500 EUR per month) can be found in the new Member States. Bulgaria (420 BGN/around 214 EUR) and Romania (1,050 RON/around 276 EUR) apply the lowest minimum wages in the EU. Malta and Slovenia are the only new Member States which, together with Portugal, Greece and Spain, form a middle group with minimum wages between 500 and 1,000 EUR per month. Other countries in the western European countries have the highest minimum wages with rates exceeding 1,000 EUR per month. The highest monthly minimum wage is applicable in Luxembourg: 1,922.96 EUR per month – about nine times the Bulgarian rate. An overview of the minimum wage per country can be found in Table 2.

Table 2: Recent levels of statutory minimum wage applicable in the EU Member States

Country	Effective per	Minimum wage	Remarks
Belgium	1 December 2012	1,501.82 EUR per month	No change since then
	1 January 2014	340 BGN (174 EUR) per month	
Bulgaria	1 January 2015	360 BGN (183 EUR) per month	
	1 July 2015	380 BGN (194 EUR) per month	
	1 January 2016	420 BGN (214 EUR) per month	
Croatia	1 January 2010	2,814 HRK (367 EUR) per month	
	1 January 2013	2,984.78 HRK (389 HRK) per month	

	1 January 2014	3,017.61 HRK (394 EUR) per month	
	1 January 2015	3,029.55 HRK (395 EUR) per month	
	1 January 2016	3,120 HRK (407 EUR) per month	
Czech Republic	1 January 2007	CZK 8,000 (€ 291) per month	
	1 August 2013	CZK 8,500 (€ 310) per month	
	1 January 2015	CZK 9,200 (€ 335) per month	
	1 January 2016	CZK 9,900 (€ 360) per month	
Estonia	1 January 2014	355 EUR per month	
	1 January 2015	390 EUR per month	
	1 January 2016	430 EUR per month	
France	1 January 2014	1445.38 EUR per month	
	1 January 2015	1457.52 EUR per month	
	1 January 2016	1466.62 EUR per month	
Germany	1 January 2015	8.50 EUR per hour	No change since then
Greece	1 January 2010	739.56 EUR per month	
	1 July 2011	751.39 EUR per month	
	14 February 2012	580.08 EUR per month	No change since then
Hungary	1 January 2014	101,500 HUF (322 EUR) per month	
	1 January 2015	105,000 HUF (333 EUR) per month	
	1 January 2016	111,000 HUF (353 EUR) per month	
Ireland	1 July 2007	8.65 EUR per hour	
	1 January 2011	7.65 EUR per hour	Cut under the Financial Emergency Measures Bill
	1 July 2011	8.65 EUR per hour	
	1 January 2015	8.65 EUR per hour	
	1 January 2016	9.15 EUR per hour	
Latvia	1 January 2013	200 LVL (284.6 EUR) per month	
	1 January 2014	320 EUR per month	

	1 January 2015	360 EUR per month
	1 January 2016	370EUR per month
Lithuania	1 January 2013	1,000 LTL (290 EUR) per month
	1 October 2014	1,035 LTL (300 EUR) per month
	1 July 2015	325 EUR per month
	1 January 2016	350 EUR per month
Luxembourg	1 October 2013	1921.03 EUR per month
	1 January 2015	1922.96 EUR per month
Malta	1 January 2014	165.58 EUR per week
	1 January 2015	166.26 EUR per week
	1 January 2016	168.01 EUR per week
Netherlands	1 January 2014	1,485.60 EUR per month
	1 July 2014	1,495.20 EUR per month
	1 January 2015	1,501.80 EUR per month
	1 July 2015	1,507.80 EUR per month
	1 January 2016	1,524.60 EUR per month
Poland	1 January 2014	1,680 PLN (390 EUR) per month
	1 January 2015	1,750 PLN (407 EUR) per month
	1 January 2016	1,850 PLN (430 EUR) per month
Portugal	1 January 2014	485 EUR per month
	1 October 2014	505 EUR per month
	1 January 2015	505 EUR per month
	1 January 2016	530 EUR per month
Romania	1 January 2014	850 RON (187 EUR) per month
	1 July 2014	900 RON (198 EUR) per month
	1 January 2015	975 RON (215 EUR) per month
	1 July 2015	1050 RON (232 EUR) per month

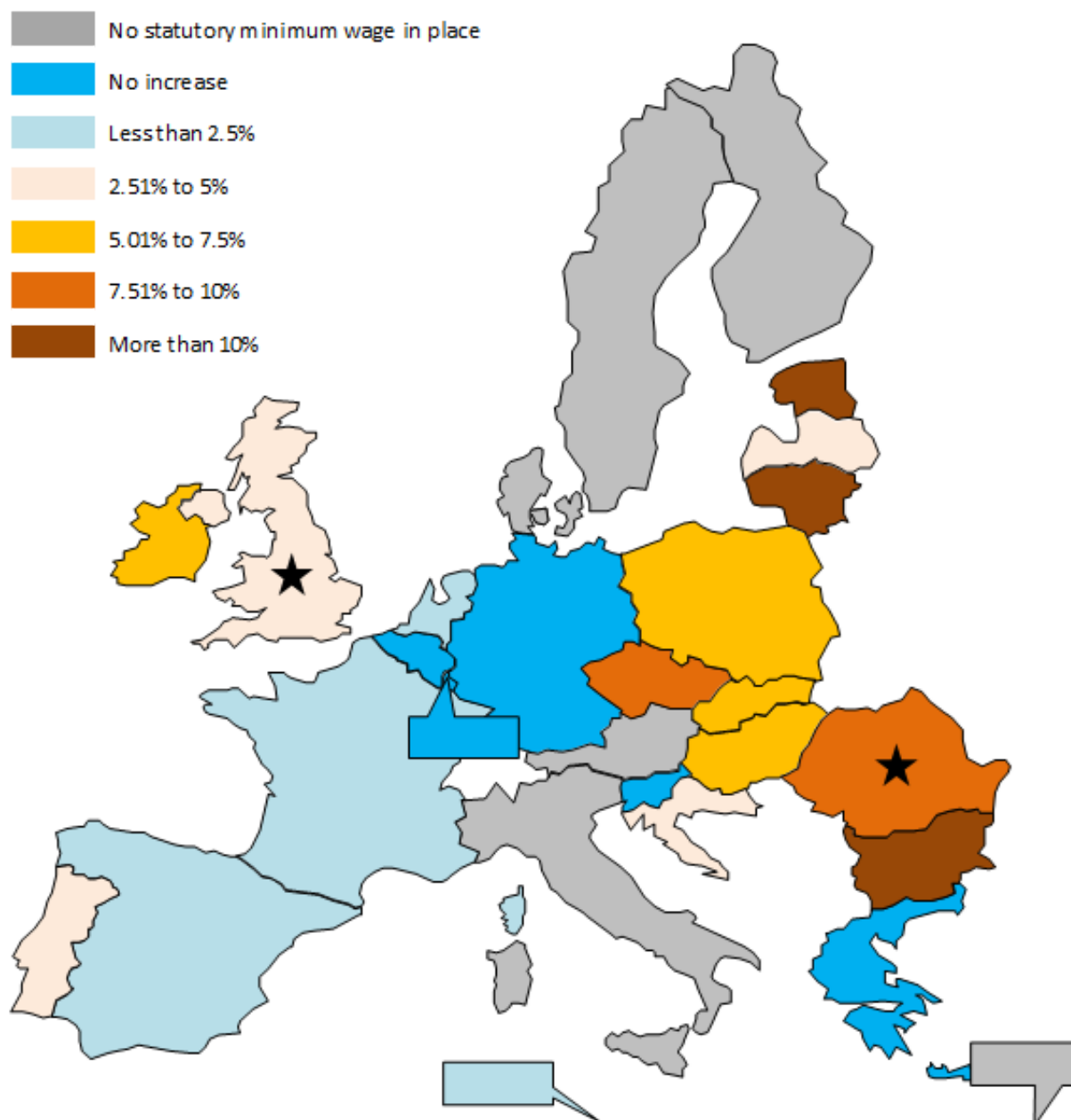
	1 May 2016	1250 RON (276 EUR) per month	
Slovakia	1 January 2014	352 EUR per month	
	1 January 2015	380 EUR per month	
	1 January 2016	405 EUR per month	
Slovenia	1 January 2014	789.15 EUR per month	
	1 January 2015	790.73 EUR per month	
	1 January 2016	790.73 EUR per month	
Spain	1 January 2010	633.30 EUR per month	
	1 January 2013	645.30 EUR per month	
	1 January 2014	645.30 EUR per month	
	1 January 2015	648.60 EUR per month	In total 14 payments per year, including 'extra payments' in June and in December
	1 January 2016	655.20 EUR per month	
United Kingdom	1 October 2013	6.31 GBP (8.3 EUR) per hour	
	1 October 2014	6.50 GBP (8.6 EUR) per hour	
	1 October 2015	6.70 GBP (8.8 EUR) per hour	Full adult rate (all workers aged 21+)
	1 April 2016	7.2 GBP (9.5 EUR) per hour	National Living Wage (all workers aged 25+)

Source: EurWORK Network of European correspondents

United Kingdom: The Chancellor of the Exchequer outlined plans for the new National Living Wage (NLW) which will come into operation in April 2016. The NLW will be mandatory and will apply to all workers aged 25 and over. The rate is initially set at 7.20 GBP per hour. The current minimum wage (so-called national minimum wage) will continue to apply to workers aged 21–24 years. Forthcoming LPC recommendations will also cover the rate for the NLW.

At the same time, the new Member States have generally experienced a more pronounced growth of statutory minimum wages than the majority of other EU countries. When comparing the level of minimum wage on 1 January 2016 with the level one year earlier, Bulgaria, Lithuania (both 17%) and Estonia (10%) had the highest increases. On the other hand, Belgium, Germany, Greece, Luxembourg and Slovenia have not had any change in the rates of minimum wage. In Belgium and Greece, the minimum wage has remained unchanged since 2012. Romania and the United Kingdom have foreseen further growth of the minimum wage during 2016. The Romanian minimum wage is supposed to increase by 19% (to 1,250 RON/around 276 EUR per month) in May 2016. The UK will introduce an increased rate (7.2 GBP/around 9.5 EUR per hour) of minimum wage (the NLW) for workers aged 25 years or more.

Figure 1: Increase in the level of statutory minimum wage, 1 January 2015 to 1 January 2016



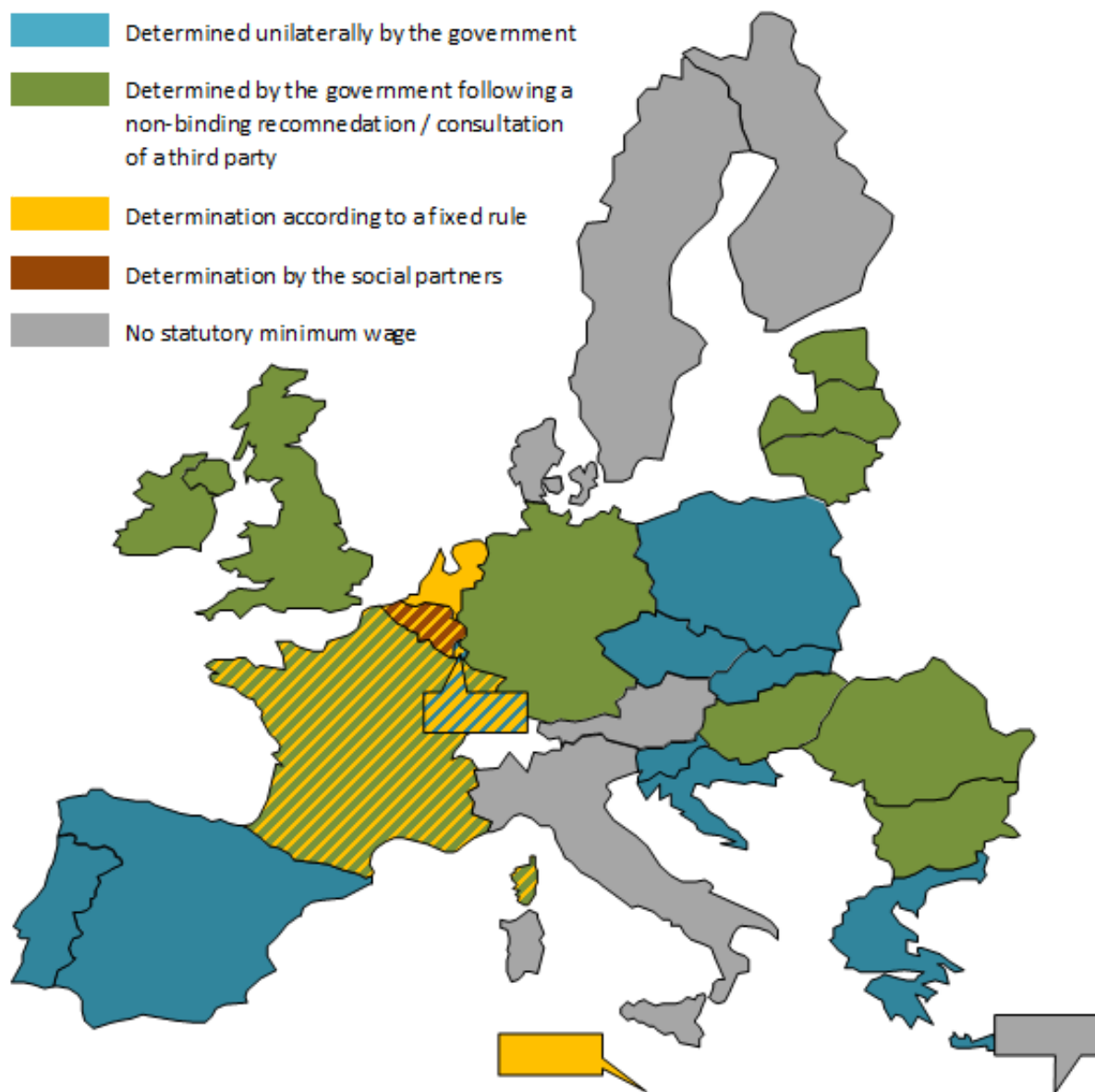
Source: EurWORK Network of European correspondents

* In Romania, a further increase is foreseen for May 2016. In the UK, a higher level of minimum wage will apply for workers aged 25+ years from April 2016 on.

Determination of minimum wage level

In ten countries, the level of minimum wage is determined by the government following a (non-binding) recommendation or consultation of a third party – often the social partners or a tripartite body. In nine countries, the wage is determined unilaterally by the government. In **Luxembourg**, this was done in combination with the application of automatic indexation. A fixed rule for the determination of the minimum wage was used in **Belgium, France, Luxembourg, Malta** and the **Netherlands**. In **Belgium**, this is carried out together with the social partners' agreement and in **France** together with the non-binding recommendation of an expert committee.

Figure 2: Determining the current level of the statutory minimum wage



Source: EurWORK Network of European correspondents

Determination unilaterally by the government

In Croatia, Portugal, Slovenia and Spain, while the minimum wage was determined by the government, the social partners were consulted.

The programme of the new Socialist Party government in **Portugal** that came into power in November 2015 included the proposal to increase the minimum wage to 530 EUR in 2016, 557 EUR in 2017, 580 EUR in 2018 and 600 EUR in 2019. The social partners in the Standing Committee for Social Concertation agreed with the increase to 530 EUR in 2016. However, there was no consensus over the reduction of employers' social security contributions, put forward by employer confederations as a condition to sign an agreement. The government decided to increase the minimum wage to 530 EUR in 2016 without a formal agreement. Despite opposition from CGTP, the government expects to reach a tripartite agreement on the minimum wage increase including the reduction of social contributions in mid-January 2016 with the support of employer confederations and UGT.

In **Slovenia**, there is a standardised process of minimum wage determination. At a sitting of the Economic and Social Council of Slovenia in January 2016, the government proposed the 2016 minimum wage level to the social partners. According to the Minimum Wage Act, it should be indexed with (at least) inflation and other economic indicators (such as GDP growth) from the

previous year. While Slovenia recorded a deflation in 2015 (0.5 %) and a positive GDP, wage and employment growth, it was decided not to increase the minimum wage level as of January 2016. In November 2015, the parliament approved amendments to the law on the minimum wage, changing the definition of minimum wage. From January 2016, the allowances for unfavourable working hours are exempt from the minimum wage and are henceforth paid separately.

Slovenia: Because the economic crisis coincided with changes in legislation, in the period 2008–2015 the Slovenian minimum wage rose 3.3 times faster than the average wage. The ratio between the two therefore rose to 51.4% in 2013, which ranks Slovenia among the top of the EU. The ratio dropped slightly in the last two years, due to economic recovery and lack of inflation pressures. While the country recorded one of the largest real declines in economic activity in the EU during the crisis, minimum wage growth also exceeded labour productivity growth in private sector activities.

In Spain, the social partners were informed and consulted about the minimum wage increase, but they were not involved in its determination. The trade unions requested the Ministry of Employment to increase the minimum inter-professional salary by 11% in 2016, up to 720 EUR per month, in order to progressively reach 800 EUR in 2017. They did not receive any answer from the Government and criticised them for not considering the social partners in their decisions. The increase of 1% for 2016 was approved in December 2015 by the Government via Royal Decree 1171/2015.

In the Czech Republic, Poland and Slovakia, the minimum wage was determined by the government because the social partners were not able to agree among themselves.

Czech governmental parties committed themselves to increase the minimum wage gradually to 40% of the average wage, which would correspond to nearly CZK 11,000. **The efforts to increase the minimum wage** are helped by the growing economy. The social partners at the tripartite meeting failed to reach an agreement on an increase of the minimum wage for 2016. Employer representatives proposed to increase it by CZK 500, while the employee representatives called for a rise of CZK 1,000. Since mutual agreement was not reached, the decision was finally adopted by the government. From January 2017, the Minister of Labour and Social Affairs wants to carry through a further increase of the minimum wage to almost CZK 11,000.

The **Polish** national minimum wage is set annually in accordance with the Minimum Wage Act of 2002. Since 2015, the Social Dialogue Council is the new central-level tripartite body entitled to determine the minimum wage. The decision has to be made unanimously by the social partners and the government. The figure proposed by the government must not be less than the current minimum wage, adjusted to the Consumer Price Index forecast for the next year. In the case where no consensus is reached by the Council for Social Dialogue, the government takes the decision unilaterally, yet the wage cannot be lower than the original proposal. In 2015, no unanimous decision on minimum wage was taken by the Tripartite Commission, which was boycotted by the trade unions. The unions (NSZZ Solidarność, OPZZ and FZZ) pressed for a more substantial increase (in the range of 1,880 PLN). Three of the representative employer organisations (BCC, Pracodawcy RP and ZRP) recommended the minimum wage to be increased to 1782 PLN, while Konfederacja Lewiatan suggested an increase up to the level of 1800 PLN. The government made the decision unilaterally, setting the wage at 1850 PLN (gross).

In **Slovakia**, for the past five years the social partners were not able to agree on the level of the minimum wage. In October 2015, the tripartite Economic and Social Council considered the proposal of the Ministry of Labour, Social Affairs and Family to increase the monthly minimum wage to 400 EUR and recommended to submit it for approval to the government. The Association of Municipalities of Slovakia agreed with the proposal but representatives of the

employers (AZZZ and RUZ) refused it. The Confederation of Trade Unions insisted on its demand to increase the minimum wage to 410 EUR. The government discussed the proposal of the ministry but decided to increase the minimum wage to 405 EUR per month.

In **Greece**, the government's decision (Act of Cabinet No. 6/2012) orders that statutory minimum wages will not change as long as the Greek state is implementing Fiscal Adjustment Programme. In the election campaign for the January 2015 general elections, the SY.RI.ZA party (which eventually won the election) promised the immediate reset of the minimum wage to 751 EUR (the level valid before July 2011) and its redefinition through negotiations between the social partners. But due to the economic situation, the government postponed the implementation of its promise saying that this measure will be implemented at a four-year period (i.e. the constitutional term of office), which sparked disputes mainly on the part of the trade unions.

Determination by the government following a non-binding recommendation/consultation of a third party

In ten EU countries, the minimum wage was determined by the government following a non-binding recommendation of a third party. In Bulgaria, Estonia, Hungary, Latvia and Lithuania, the government received a recommendation from the social partners or tripartite bodies. In **Romania**, the government initially cancelled the minimum wage scheduled for January 2016 but agreed with the social partners another minimum wage increase for May 2016. The level of the German minimum wage was codetermined by the social partners and an expert committee. The minimum wage in Ireland and the UK was based on recommendations from expert committees.

The **Bulgarian** National Council for Tripartite Cooperation (NCTC) that has an advisory role for determination of the statutory minimum wage did not reach an agreement on the increase of the minimum wage for 2016. The representatives of employers believed that the proposal was too high and would make companies uncompetitive, while the trade unions said that the minimum wage remains too low compared to the neighbouring countries. The social partners sent their position to the National Assembly where the minimum statutory wage was settled. A further increase to 460 BGN has been foreseen from January 2017.

Bulgaria: In May 2015, the Bulgarian Supreme Administrative Court revoked ministerial decree № 419/17.12.2014 changing the minimum wages as of 1 January 2015 and 1 July 2015. The case was brought by the national employers' organisations who challenged the government decree because the government failed to hold the obligatory discussions within the NCTC. In June 2015, the Government approved a new decree № 139/04.06.2015 that re-established foreseen minimum wage increases and followed the ruling of the Court.

Since 2002, the minimum wage in **Estonia** has been negotiated between the Estonian Trade Union Confederation (EAKL) and the Estonian Employers' Confederation (ETTK). In 2001, the social partners agreed to raise the minimum wage to 41% of the average wage by 2008. To date, this aim has not been reached. The agreement concluded for 2014 and 2015 was the first agreement for a period of two years. The negotiations for the following agreement started at the end of April 2015. EAKL proposed to raise the monthly minimum wage to 488 EUR in 2016 and 609 EUR in 2017, while ETTK proposed a rise to 417 EUR in 2016 and 448 EUR in 2017. In June, the parties approached the National Conciliator, who in September proposed to raise the minimum wage to 450 EUR (41% of the average wage) and to 50% of the average wage by 2017. The employers did not agree with the conciliator's proposal and in October a new proposal was made: 430 EUR in 2016

and 470 EUR in 2017. This was accepted by the social partners. The agreement between the social partners was signed in October 2015 and brought into effect by Government's regulation in December 2015.

In **Hungary**, according to the Labour Code, the Government sets the minimum wage after consultation with the National Economic and Social Council (NGTT). The Government also consults the social partners in the tripartite Permanent Consultative Forum of the Competitive Sector and the Government (VKF). In practice, VKF is the terrain of wage negotiations which mainly take place between the social partners rather than with the government. The agreement in VKF is a non-binding proposal, which is presented by the Government to NGTT for consultation. If no agreement is achieved within VKF, the Government has the right to put forward its own proposal to NGTT. Taking into consideration the outcome of the consultation in NGTT, the final decision on minimum wage rests with the Government. In November 2015, four national trade union confederations (MaSZSZ, ÉSZT, MOSZ and SZEF) organised a conference on the minimum wage. The discussions on the 2016 minimum wage began only in November 2015 and were concluded by a partial tripartite agreement signed within VKF on 22 December 2015. Trade unions initially proposed a 9% (13%) increase while employers targeted a maximum 3% increase, and the Government proposed a 5% increase. The agreed increase was a 5.7% rise in the (guaranteed) minimum wage.

Hungary: In 2015, one national trade union confederation (MaSZSZ) was not part of the consensus in VKF. Therefore, the minimum wage delivered is for the first time not based on a full tripartite consensus.

In **Latvia**, the process starts with the proposal of the Ministry of Welfare on the level of minimum wage, then this is elaborated on the basis of consultations with the Ministry of Finance and the social partners. Depending on economic conditions, the minimum wage may be increased or remain the same. The proposal is discussed in the National Tripartite Cooperation Council which takes a decision, following which the government issues regulations on the minimum wage for the current budget years. While the decision of NTSP is not binding for the Cabinet of Ministers, the government tries to keep it at the same level as was agreed.

According to the Lithuanian Labour Code, the minimum wage in **Lithuania** is determined by the government upon the recommendation of the Tripartite Council. Having regard to the council's recommendation from October 2015, the government adopted the Resolution on the Minimum Wage whereby the minimum monthly wage was fixed at 350 EUR with effect from 1 January 2016. The decision to increase the minimum wage was taken by the government in light of the improving economic situation in the country.

In **Romania**, the monthly minimum wage was planned to rise to 1200 RON starting from 1 January 2016. However, the newly appointed technocrat Government announced on 5 December 2015 the freezing of the minimum wage as an impact study of this measure needed to be carried out. The five national trade union confederations have harshly criticised the Government's decision. The Government met with the representative of the social partners in the framework of the National Tripartite Council for Social Dialogue. The trade unions proposed to increase the minimum wage to 1275 RON starting from 1 May 2016. The employers' organisations proposed an increase to 1200 RON starting from 1 January 2016, accompanied by a regulation that allows the employers to pay tax and social contribution only for 1050 RON. Following this consultation, the Government has decided to increase the minimum wage to 1250 RON starting on 1 May 2016, with plans for an additional increase to 1400 RON from January 1, 2017.

Current **German** minimum wage was determined by the government in 2014 when passing the Minimum Wage Act, acting on recommendations of the collective bargaining parties and on experts' opinions. The trade unions had called for a higher minimum wage (up to 10.50 EUR) while the employers had opted for a lower minimum wage.

Germany: The Minimum Wage Act in Germany gives a strong role to the social partners and stipulates that from 2016 onwards a Minimum Wage Commission will analyse the economic and labour market impacts of the minimum wage and decide on the rise of the wage level. Its members are recommended by the social partners and appointed by the labour minister. The Commission comprises three representatives from employer organisations, three representatives from the trade unions, two research experts and a chairperson agreed to by both sides. The Minimum Wage Commission will take its first decisions by summer 2016 with effect from 2017.

The Low Pay Commission was established in **Ireland** in 2015, its principal function being to examine and make non-binding recommendations, on an annual basis, to the Minister on the appropriate level of the national minimum wage and related matters. When making a recommendation, the Commission shall have regard to such aspects as other changes in earnings, currency exchange rates, income distribution, unemployment rates, productivity and national competitiveness. In July 2015, the Commission issued its first report. The Government announced that it would accept the recommendation and would raise the minimum wage by 50 cent to 9.15 EUR from 1 January 2016.

Ireland: The National Minimum Wage Act was introduced in 2015 to establish the Low Pay Commission and the new way of determining the minimum wage. The Commission membership is composed of representatives of the social partners, academics and other experts in the area. The Minister can accept the recommendation of the Commission, declare a different level of minimum wage or decline to make any change. If the Minister does not accept the recommendation, a statement with justifying reasons must be laid before Parliament.

The rates for the minimum wage in the **United Kingdom** are decided by Government following a recommendation from the Low Pay Commission. The Government annually sets out the remit for the commission, which then makes its recommendations. The Government makes its decision based on the recommendations. It is unusual for Government not to accept the Low Pay Commission's recommendations. In 2015, the Government chose to reject the recommended rise for the apprenticeship rate and instead implement a higher increase.

Determination according to a fixed rule – and by the social partners

In Belgium, Luxembourg and Malta, minimum wages are subject to automatic indexation (although automatic indexation by 2% was not carried out in Belgium in 2015). In **Belgium**, this process is combined with determination by the social partners. France has also a mixed system, whereby the government adjusts the minimum wage based on the advice of an expert committee and the minimum wage can be subject to automatic adjustment. In the Netherlands, the Minimum Wage Act determines that the minimum wage is changed twice a year, following the development of the contractual wages in the year before.

The **French** minimum wage is adjusted annually on 1 January of each year by the government, after it receives non-binding advice from a group of experts. The experts estimated that the growth is too weak and unemployment level too high to increase the minimum wage in January 2016 by more than what is the result of the legal mechanism. The government in December 2015 followed the recommendation. According to a decree, the minimum wage is indexed to inflation (apart from tobacco) for households that belong to the lowest disposable income quintile. Half of the growth in purchasing power of the average hourly wage for workers and employees is added to the result. If inflation exceeds 2% during the year, the minimum wage is automatically

adjusted. The government may at any time decide to increase the minimum wage above the calculated rate. In France, it is forbidden to pay workers below the legal minimum wage even if sector-level collective agreements maintain minimum agreed wages lower than the legal minimum wage.

The **Luxembourg** minimum wage is adjusted according to wage indexation mechanism (article L222-13 of the Labour code) in line with the cost of living. When the consumer price index increases or decreases by 2.5% during the previous quarter, salaries are normally adjusted by the same proportion. The next automatic adjustment is not expected before the second quarter 2016 or later if oil prices continue to fall. The Labour code (article L222-2) also foresees a biennial assessment of the minimum wage. In this framework, the Council of government in December 2014 adopted a draft bill to increase the minimum wage up to 0.1% on the 1 January 2015. The law was adopted on 19 February 2015 and published on 26 February 2015.

In **Malta**, the statutory minimum wage is increased every year according to the Cost of Living Allowance (COLA) announced in the budget. COLA takes into account the rate of inflation over a period of 12 months and is granted as a flat rate to all workers. As such, the increase in the minimum wage is considered to be nominal rather than real.

Table 3: National regulations bringing into effect the current level of the statutory minimum wage

By law or governmental decree/regulation

Bulgaria	GD № 375/28.12.2015
Croatia	The Law on Minimum Wage (in some years it was the Decree) - Zakon ili Uredba o minimalnoj placi
Czech Republic	Government resolution No. 567/2006 Coll. was amended by resolution No. 233/2015 effective from 1.1.2016.
Estonia	<u>Government Regulation on the establishment of the minimum wage (Vabariigi Valitsuse määrus "Töötasu alammäära kehtestamine")</u>
France	<u>Decree n° 2015-1688 of 17 December 2015 on the minimum wage increase - Décret n° 2015-1688 du 17 décembre 2015 portant relèvement du salaire minimum de croissance</u>
Germany	Mindestlohngesetz (MiLOG)
Greece	Act of Cabinet No 6/2012 (28/2/2012)
Hungary	Government decree 454/2015. (XII.29.) on the minimum wage and the guaranteed wage minimum
Ireland	<u>National Minimum Wage Order 2015, (Statutory Instrument 442 of 2015)</u>
Latvia	<u>Regulation of the Cabinet of Ministers Nr. 656 "Regulation on the amount of minimal monthly salary relative to normal working time and calculation of minimal hourly tariff rate", adopted on 24 November 2015 on the basis of part two of the Section 61 of part two of the Section 61 of the Labour law</u>
Lithuania	<u>Resolution No 1240 On the Minimum Wage approved on the 2nd of December 2015.</u>
Luxembourg	Law of 19 February 2015 modifying Article L. 222-9 of the Labour Code - Loi du 19 février 2015 modifiant l'article L. 222-9 du Code du travail
Malta	Legal Notice 431 of 2015 under Subsidiary Legislation 453.71: National Minimum Wage National Standard Order
Netherlands	Regeling van de Minister van Sociale Zaken en Werkgelegenheid van 29 oktober 2015, nr. 2015-0000277569, tot aanpassing van het wettelijk minimumloon per 1 januari 2016
Poland	

The Decree of the Council of Ministers of 11 September 2015 Regarding the Level of the Minimum Wage in 2016 (Rozporządzenie Rady Ministrów z dnia 11 września 2015 r. w sprawie wysokości minimalnego wynagrodzenia za pracę w 2016 r.) (Journal of Laws, 1385)/(Dz. U. poz. 1385).

Portugal	<u>Decree-Law no. 254-A/2015</u>
Romania	Government Decision no. 1017/2015
Slovakia	Nariadenie vlády Slovenskej republiky, ktorým sa ustanovuje suma minimálnej mzdy na rok 2016.
Slovenia	As stipulated in the 2010 Minimum Wage Act; Official Gazette No. 13/2010, a decree on the minimum wage amount is issued in the Official Gazette, by Minister of Labour, Family, Social Affairs and Equal Opportunities.
Spain	Royal Decree 1171/2015 of 29 December, which establishes the minimum inter-professional salary for 2016
United Kingdom	<u>The National Minimum Wage Regulations 2015</u>
By agreement between social partners	
Belgium	<u>Collective Agreement 43 (CAO-CCT 43): Average Minimum Monthly Income</u>

Source: EurWORK Network of European correspondents

Discussions and debates about the minimum wage in 2015

Several countries reported significant discussions regarding the minimum wage taking place in 2015. The discussion concerned the perceived – too low or too high - level of the statutory minimum wage. The trade unions often perceived the minimum wages to be too low while the employers argued that higher levels could lead to loss of employment and competitiveness. The debates also concerned possible changes of scope of the statutory minimum wage and other issues such as compliance with the minimum wage or relating other benefits, subsidies and fees to the minimum wage.

Concerns about the low level of the minimum wage

Bulgaria, Croatia, Hungary, the Netherlands, Portugal, Romania and Spain reported significant calls that the minimum wage level should be set higher. In the **Netherlands**, this was linked only to young employees who have lower levels of minimum wages than adults. In **Hungary** and **Romania**, it was argued that the minimum wage was not high enough to guarantee a minimum standard of living for workers. In **Croatia**, the relation between the minimum and average wage was highlighted. Bulgarian social partners referred to the economic indicators. In **Portugal** and **Spain**, it was reported that there were efforts made to increase the minimum wage following the drop in income during the economic crisis. The **Bulgarian** social partners within the NCTC had contrary views. While the trade unions claimed that the increase of the minimum wage was insufficient with regard to the economic indicators, the employers said that the increase was too high and it was not economically defended.

Former **Croatian** Minister of Labour and Pension System announced the government's intention to increase the minimum wage to around 60% of the average wage (currently 37%) [This article was written prior to the formation of the new government]. The Croatian Employers' Association complained that the increase in the minimum wage will endanger the competitiveness of the national economy. **Hungarian** Trade unions criticised the fact that that the minimum wage was for many years lower than the minimum subsistence level. In 2015, one quarter of employees earned less than the subsistence minimum. In 2014, the MaSZSZ put forward a proposal to increase the minimum wage gradually to the minimum subsistence level in 2018 but received no positive response from employer organisations or from the Government.

In 2015, a majority in the **Netherlands** Parliament asked for a substantial rise in the minimum wages for young employees. The Cabinet seems divided on the issue. For the unions this is an important issue, and they have in recent years succeeded in raising minimum wages for young employees in several collective agreements: a recent example is the agreement for supermarkets. In **Portugal**, the debates about the minimum wage increase in 2015 were part of a more general debate on the impact of austerity policies on declining income and slow-down of internal demand. Trade unions voiced concerns about increasing poverty and inequality as well as how to achieve economic growth. Employer confederations argued that the minimum wage increase could undermine competitiveness and employment. Minimum wages became an issue also in general elections and increasing the disposable income of families became one of the top priorities of the socialist party and other left-wing parties.

Romanian Minister of Public Finances stated that the increase of the minimum wage planned for January 2016 could negatively affect the business environment and the competitiveness of **Romania**, and said that it was necessary to analyse the measure. This triggered a debate on several issues: the informal economy, taxation levels, economic competitiveness. Many have counter-argued that the cheap labour force cannot be a competitive advantage and that more investments are needed in education and a skilled labour force. The low wages are said to undermine the country's development by encouraging mass labour migration and by maintaining 40% of the population above the poverty line. In **Spain**, trade unions have criticised the dramatic salary decrease experienced over the last few years in the labour market – particularly as a consequence of the economic crisis. Meanwhile, employers' representatives are happy to keep salaries at moderate levels. The experts agree that the Spanish economy has gained competitiveness thanks to the reduction in labour costs.

Concerns about the high level of the minimum wage

In France, Luxembourg and Malta some argued that the minimum wage could be set too high (for some groups) or that it should not be further increased. The President of the Banque de France stated that **France** needed to make the minimum wage more flexible and that it could be set on a regional level. He suggested that it could be temporarily decreased to facilitate the hiring of certain groups of people such as the young and low-skilled workers. This was echoed by other economists. A study published by Institut Montaigne highlighted that the minimum wage has increased between 1990 and 2010 by 28% against a 10% increase in the average salary. The minimum wage is considered to limit the entry to the labour market for low-skilled workers. However, the government refuses to reduce the minimum wage level in view of the high costs of housing.

In its January 2015 recommendation, the **Luxembourg** Chamber of Trades denounced the government's draft bill to increase the minimum wage. It highlighted that the economical context and the competitiveness of the companies are too fragile to increase labour costs. The Chamber of Commerce in its recommendation noted that wage increases do not have to be automatic. It appears that employers want to keep the current level of minimum wage but reject any increases. In February 2015, the executive committee of the main union confederation OGBL stated that it is against any change in the legislation on the minimum wage and asked for an increase of the minimum wages. The study by the Chamber of Employees shows an increase in the risk of poverty in Luxembourg. OGBL also denounced the government's bill which increased the length for some qualified workers before they are entitled to the minimum wage for qualified employees. In November 2015, OGBL presented a social package for Luxembourg in which the union ask for an increase in the minimum wage to the tune of 10%. In April 2014, the IMF published a study that considers the biennial increase of the minimum wage to be a threat to the competitiveness of the economy. In its critical analysis of this study published in March 2015, the Chamber of Employees indicates that neither indexing nor the biennial adjustment of the minimum social wage seem to be responsible for inflation in Luxembourg.

The Chamber of Commerce, Enterprise and Industry in **Malta** expressed its concerns about the proposed rise in the minimum wage, warning the government that the spiralling effect on wages which such an increase could induce would be harmful to the competitiveness of the Maltese economy. The Prime Minister declared that he had no intention of raising the minimum wage. He preferred to give in-work benefits in order not to add any financial burden to employers.

Consensus between the social partners on the minimum wage level

Latvia and Lithuania report a relative consensus between the social partners regarding the level of the minimum wage. In **Lithuania**, there were no serious debates on the minimum wage increase in 2015. Trade unions, employers and the government agreed that the stable economic situation and relatively low minimum wage level in the country create the conditions for raising the minimum wage. To avoid an unreasonable rise, the Lithuanian Employers' Confederation proposed to peg minimum wage with average wages, changes in productivity and consumer price index. However, the forthcoming elections in October 2016 may have influenced the politicians' decision to increase the minimum wage. In the end, the minimum wage was increased with no extensive debate from 1 January 2016. Similarly in **Latvia**, agreement between the government and social partners was reached relatively easily, without significant discussions.

Countries with no statutory minimum wage

Debates about introduction of the statutory minimum wage were reported from Italy and Cyprus. On the other hand, Denmark, Finland and Sweden - where no statutory minimum wage exists - saw no significant discussions about the issue and no relevant organisations proposed introduction of statutory minimum wage in 2015.

Italy: The Italian government was set to approve a decree to introduce on an experimental basis a legal hourly minimum wage in sectors not covered by national collective bargaining agreements. This met with criticism from the unions who stated that all sectors are covered. They also feared that a legal minimum wage could weaken the role of collective bargaining because companies could step out from employers' organisations in sectors where collectively agreed minimum wages would be higher than the statutory wage levels. Therefore the government decided not to introduce a legal minimum wage for the moment. The government expects the social partners to reach a national-level collective agreement specifying - among other things - the role of the collectively agreed minimum wage. Should they fail, the Government could decide to finally implement the legal provisions on minimum wage.

In **Cyprus**, a small proportion of workers demanded that the minimum wage level should apply to a wider range of occupations. In particular, the Democratic Federation of Labour is of the opinion that all salaries should be increased and maintained at 60% of the national median wage. In contrast, the Employers and Industrialists Federation (OEB) and the Cyprus Chamber of Commerce and Industry (CCCI), encouraged by the implementation of the Memorandum of Understanding insist that the minimum wage applicable to selected occupations should be abolished or drastically reduced. In late 2015, **Austrian** white-collar union GPA-djp started a campaign in which they demand a monthly gross minimum wage of 1,700 EUR in all collective agreements to be implemented. This has been reached in the 2015 metalworking industry agreements.

Other discussions

In **Germany**, a debate took place about exceptions from the statutory minimum wage. The German Chamber of Industry together with some employer organisations and members of Parliament suggested treating refugees - once they find employment - in a similar way to long-term unemployed people and to not apply the Minimum Wage Act to them for the first six months of employment. This suggestion was, however, opposed by the confederation of

employers BDA as well as by the trade union confederation DGB. In a preliminary analysis, the Confederation of German Trade Unions highlighted deficits in compliance with the minimum wage and in inspections by the Customs Service because of lack of staff. In contrast, the Federation of German Employer Organisations points to additional bureaucratic and reporting burdens.

Germany: The statutory minimum wage was introduced on 1 January 2015. Before its enactment, opponents had argued that it would put a strong burden on SME and would result in job losses. Against the background of an overall stable economic situation and the increase in gainful employment in autumn 2015, the Federal Employment Agency stated that such a negative impact is not evident. The agency detected a decrease in short part-time work (usually strongly marked by low wages) and assumes this may be related to the statutory minimum wage. The government stated in autumn 2015 that it is too early to draw any conclusions. A final analysis is planned for 2020.

In 2015, **Slovenia** recorded deflation for the first time, causing some doubt as to whether the minimum wage would be cut in 2016. Taking into account GDP, wages and employment growth, the government proposed that minimum wage levels would remain unchanged in 2016. While the trade unions were satisfied, the employer's associations sought an explanation. In previous years, the minimum wage was fully adjusted with inflation even if other macro-economic indicators deteriorated. The employers did not consider it to be transparent that now – when the country is facing a deflation – the formula takes into account the positive macroeconomic indicators.

The **Estonian** minimum wage is linked to the level of several benefits, subsidies and fees, which raised some discussions in 2015. If wages increase, the fees (for example, for some childcare facilities) automatically increase too, without a discussion as to whether it is actually necessary. This affects the affordability of such services. Both the EAKL and ETTK stated that minimum wages should not be linked to other fees and subsidies, because its purpose is to regulate the labour market, instead of being an instrument to increase fees without the need of going through public discussions. The government acknowledges the issue, but has not taken any actions yet.

Special rates of statutory minimum wages

Thirteen countries reported that the adjusted rates of the minimum wage apply to specific groups. Minimum wages are adjusted for young workers (Belgium, Greece, France, Ireland, Latvia, Luxembourg, Malta, the Netherlands and the UK) and for workers undergoing training or apprenticeships (France, Ireland, and the UK). Different minimum wage levels can apply according to the length of work experience or the period from the beginning of employment (Belgium, France, Ireland and Poland). The Czech Republic and France have specific rates for disabled persons, Germany for (parts of) sectors and Hungary for specific occupations. In Luxembourg, a special rate of the minimum wage applies to qualified people, while in Hungary this is the case for people working in jobs that require certain qualifications. The following paragraphs provide a more detailed overview by country.

In Belgium, a degressive scale applies to minors. The pay scale* valid 1 January 2015 is:

From the age of 20 and 12 months seniority	104% of the standard minimum wage
At the age of 19,5 and 6 months seniority	103% of the standard minimum wage
At the age of 18	100% of the standard minimum wage
At the age of 17	76% of the standard minimum wage
At the age of 16 and younger	70% of the standard minimum wage

** For the federal GGMMI. Sectoral figures can deviate due to collective agreements.*

In France, a reduced rate minimum wage covers some groups of employees:

- Workers under 18 years with less than six months of experience in the sector (80% of the standard minimum wage for workers aged 15 and 16, and 90% for those aged 17).
- Young workers under 16 working during summer holidays (80% of standard minimum wage);
- Young people on professionalisation contracts receive 55%–100% of the standard minimum wage depending on age and previous qualifications (Labour Code, article L6325-8, article D6325-14).
- Apprentices are paid 25%– 78% of the SMIC depending on age, seniority and the applicable sectoral agreement (see table below).
- Other exceptions exist for trainees (they may not be paid if they work less than 2 months or they receive a financial compensation of at least 36.29% of standard minimum wage) and disabled workers employed in specific centres dedicated to the inclusion of disabled workers where they are paid between 55% and 110% of the standard minimum wage.

Year of apprenticeship contract	Minimum wage applicable for the group as % of standard minimum wage		
	Aged 15 to 17 years	Aged 18 to 20 years	Aged 21+ years
1 st year	25%	41%	53%
2 nd year	37%	49%	61%
3 rd year	53%	65%	78%

In the Czech Republic, a special rate of the minimum wage is applicable for disabled persons (9,300 CZK in 2016).

In Germany, the extended sectoral minimum wage agreements take precedence over the statutory minimum wage until December 2017. The agreed minimum wages – that are lower than the statutory minimum wage – are valid in (parts of) agriculture and forestry, temporary agency work, textile and garment and laundry. The agreed minimum wages are higher than the statutory minimum wage in (parts of) 14 other sectors.

In Greece, as long as the Fiscal Adjustment Programme is in effect, a special rate of the statutory minimum wage is applicable for those under 25 years (510.95 EUR). The distinction between the age-based thresholds is not based on a steady proportion but was formed after government's unilateral decision.

In Hungary, the minimum wage is legally binding for all workers in all sectors of the economy with two exceptions:

- Workers in jobs requiring at least a secondary level of education have the so-called guaranteed wage minimum, which is higher than the statutory minimum wage. Its monthly amount in 2016 is 129,000 HUF.
- Workers employed in public works programmes get a wage that is determined separately and only by the Government (without any consultation with the social partners). For 2016, the minimum wage of 80,421 HUF was announced but the relevant regulation has not yet been published. For this reason it appears that no

wage increase would take place as of January 2016.

In **Ireland**, a special rate of minimum wage is applicable for young workers:

- Employees younger than 18 years are entitled to 70% of the standard minimum wage.
- Employees who are in the first year of employment since the age of 18 are entitled to 80% of the standard minimum wage.
- Employees in the second year of employment since the date of first employment over the age of 18 are entitled to 90% of standard minimum wage.

Furthermore, trainee rates apply to employees who are over 18 and undergoing a course of structured training or directed study that is authorised or approved of by the employer. The training course must meet certain criteria if the trainee rates are to apply.

- First third of training course – 75% of standard minimum wage rate.
- Second third of training course – 80% of standard minimum wage rate.
- Final third of training course – 90% of standard minimum wage rate.

Each one third period must be at least one month and no more than one year.

In **Latvia**, there is no specific monthly minimum wage for specific groups, but the hourly minimum wage may differ between groups depending on their statutory working time. If, for example, a youth worker has a statutory working time of 35 hours per week (which is less than normal working time of 40 hours), their hourly minimum wage will be higher because their monthly minimum wage will still be 370 EUR (standard minimum wage is not adjusted for the shorter working time).

In **Luxembourg**, the full minimum wage is paid from the age of 18 years. Employees aged between 17 and 18 years receive 80% of the full rate (€1,538.37 since 1 January 2015). Employees aged between 15 and 17 years receive 75% of the full rate (€1,442.22 since 1 January 2015). Qualified employees over 18 years receive 120% of the national minimum wage (2,307.56 EUR since 1 January 2015). There is no reduction for disabled employees. The employer must pay the minimum wage but he may receive financial compensation from the State.

In **Malta**, a special rate applies to young people. In 2016, the full-time weekly rate for 17 year-old employees was 161.23 EUR and for employees younger than 17 years it was 158.39 EUR.

In the **Netherlands**, there is a national minimum wage for young employees:

Age	% of standard minimum wage	Age	% of standard minimum wage
15 years old	30%	19 years old	52.5%
16 years old	34.5%	20 years old	61.5%
17 years old	39.5%	21 years old	72.5%
18 years old	45.5%	22 years old	85%

In **Poland**, an 80% rate applies to persons in their first year of employment.

In the **United Kingdom**, separate rates apply for workers younger than 21 years and for apprentices. The current rates (valid from 2015) are listed in the table below.

Category

Hourly minimum wage

aged 18 to 20 years	5.30 GBP
aged 16 and 17 years	3.87 GBP
Apprentices aged 16-18, or 19+ but in first year of training	3.30 GBP

Conclusions

The research shows that 22 out of 28 EU Member States have generally applicable statutory minimum wage. However, the level of minimum wage greatly varies among these EU countries. Bulgaria and Romania have the lowest minimum wage in the EU, while Luxembourg has the highest minimum wage – about nine times the Bulgarian rate. Between January 2015 and January 2016, the highest increases of the minimum wage (by more than 10%) took place in Bulgaria, Estonia and Lithuania. Romania plans a significant minimum wage increase (by 19%) in May 2016. In Belgium and Greece, the minimum wage has remained unchanged since 2012.

There are also considerable differences in the way countries set the level of the minimum wage applicable in January 2016. In ten countries, the government determined the minimum wage following a (non-binding) recommendation of a third party – often the social partners or a tripartite body. In nine countries, the wage was set unilaterally by the government. A fixed rule for the determination of the minimum wage was used in five countries. In several countries, these ways of determination were combined. A remarkable change in the setting of the minimum wage took place in Ireland.

Significant discussions regarding the minimum wage in 2015 were about the level of the minimum wage that was in many cases perceived by the trade unions as too low. The employers usually counterargued that higher levels of the minimum wage could cause loss of employment and competitiveness. Other topics of discussion were possible changes in scope of the statutory minimum wage and other issues such as compliance with the minimum wage or relating other benefits, subsidies and fees to the minimum wage. There were almost no calls to introduce a statutory minimum wage in countries where no statutory minimum wage exists.

Specific rates of minimum wage for selected groups were reported in thirteen countries. These concern young workers, workers undergoing training (or apprentices), disabled workers or workers with certain qualifications. Different minimum wages can apply also depending on the length of work experience or the period from the beginning of employment, sector or occupation.

About this article

This article is based on contributions from Eurofound's network of European correspondents relating to information received in the third quarter of 2015.

Further resources on individual employment relations can be found on the EurWORK homepage. Further information on wages formation and minimum wages can also be found also in the following publications:

- Eurofound, Wage formation in the EU
- Eurofound, Changes to wage-setting mechanisms in the context of the crisis and the EU's new economic governance regime report
- Eurofound, Pay in Europe in the 21st century
- Mindestlohn-Bürokratie nervt Hochlohnbranchen [Minimum bureaucracy to bother high-wage industries] (Hans-Boeckler-Foundation)

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