

Minimum wages for low-paid workers in collective agreements

Introduction

In 2020, the European Parliament requested the European Commission to carry out a pilot project on the role of the minimum wage in establishing the Universal Labour Guarantee. Eurofound was entrusted with the implementation of the pilot project (2021–2023). In the module of the project on which this report is based, the feasibility of an EU-wide database of minimum pay rates in collective agreements related to low-paid workers was explored. The main objectives of the module were (1) to select a representative sample of agreements covering low-paid workers, (2) to devise a common coding scheme for these agreements and (3) to capture the level of minimum pay in the most comparable way.

To this end, 24 sectors were selected in which in nearly all cases over 30% of workers belong to the lowest three earnings deciles and are therefore regarded as low paid. These sectors have an estimated number of 36.5 million low-paid employees aged 15 to 65. They represent around half of all low-paid employees in the 27 EU Member States in this age bracket, as per EU Labour Force Survey data.

Policy context

Collective bargaining is a key feature of the European social market economy. Most EU Member States have ratified the International Labour Organization's Right to Organise and Collective Bargaining Convention of 1949 (No. 98), and about half (14) have ratified the International Labour Organization's Collective Bargaining Convention of 1981 (No. 154). The 2017 European Pillar of Social Rights encourages social partners to autonomously conclude collective agreements. Improving the situation of low-paid employees has been a focus of the EU policy agenda for a long time, but gained renewed support in the course of the introduction of the directive on adequate minimum wages (Directive (EU) 2022/2041). Beyond statutory minimum wages, the directive stresses the importance of wage fixing

in collective agreements and requires Member States with a collective bargaining coverage rate below 80% to provide action plans. For Member States without statutory minimum wages, the directive also contains reporting requirements on the lowest pay rates provided for in collective agreements covering low-wage earners and the share of workers covered by them. The Council Recommendation on strengthening social dialogue in the EU recommends that Member States, in close cooperation with social partners, enable collective bargaining and promote a higher level of collective bargaining coverage. It also encourages social partners to make agreements widely accessible, including by digital means and in public repositories.

Key findings

- Eurofound's pilot project confirmed the feasibility of establishing an EU-wide database of minimum pay regulated in collective agreements for low-paid workers. Based on 3,202 renewal texts, which cover over 43 million workers, time series with monthly observations of negotiated minimum pay between 2015 and 2022 could be created for more than two-thirds of the countries.
- Figures on worker coverage were relatively good: for 85% of agreements, it was possible to obtain estimates for the total number of workers covered. This figure drops to 72% when looking at the number of workers covered in the 24 low-paid sectors of interest. The largest data gaps were found in Germany, Luxembourg and Poland.
- Accessing collective agreement texts proved to be particularly difficult at company level. Access to texts was available for only 37% of the 243 agreements listed in the sampling stage – a much lower proportion than for sectoral (and regional) agreements, for which texts were available for more than three-quarters of the agreements.

- Some 13% of collective agreements identified at the listing stage 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). A total of 77% also regulate pay for higher-paid workers, so the highest rate in the agreement could also be retrieved.
- Agreements in the central and eastern European Member States relatively frequently refer explicitly to statutory minimum wages as the minimum payable rates, rather than including higher collectively agreed rates.
- In countries without statutory minimum wages, the absence of any wage floors due to the non-renewal of collective agreements was a very seldom detected and temporary phenomenon.
- On average, the highest nominal negotiated minimum was found in Danish agreements (€2,951), and the lowest in Bulgarian ones (€389). When differences in price levels between Member States (measured in purchasing power standard (PPS)) are taken into account, the average negotiated minimum wage provides the highest purchasing power for workers in Denmark (PPS 2,042) and Belgium (PPS 1,850), while the lowest purchasing power, equal to around a third of the highest average negotiated rates in the EU, was found in Bulgaria (PPS 663) and Croatia (PPS 698).
- Negotiated pay rates in valid and ultra-active agreements are sometimes outdated and may fall below the statutory minimum wage, in which case employers are obliged to pay the statutory rate. This was particularly the case in collective agreements from Croatia, Poland, Portugal, Slovakia, Slovenia and Spain and to some extent in France and Germany.

Policy pointers

- Collective bargaining can be a vehicle for avoiding unduly low-paid labour; however, it may not always be sufficient. Findings from this project show that collective agreements do not always contain pay rates, and that pay rates frequently fall behind the statutory minimum wage. This can be ‘by design’, for example because industry agreements do not specify minimum wage levels (as observed in Sweden), leaving actual pay-setting to take place at different levels. However, it could also be indicative of a more limited role given to pay regulation in collective agreements.
- In more modern types of agreements, pay is not differentiated based on occupation or seniority but is linked to job demands in terms of skills, autonomy and responsibilities. While the differentiation of pay in agreements did not change much over the observed period, the project has shown that in a few countries and agreements such change is ongoing. Seniority and professions, nevertheless, remain the most widely used differentiators for collectively agreed pay.
- The accessibility of collective agreements remains an issue in a considerable number of countries. There is room for improvement, as recommended by the Council Recommendation on strengthening social dialogue in the EU.
- The fact that in some Member States many collective agreements are outdated highlights the role and importance of promoting and reinforcing collective agreements in pay-setting. In this context, statutory minimum wages have a key role to play in effectively protecting workers from unduly low pay in countries and sectors with a low collective bargaining rate and a low degree of organisation.
- In contrast to statutory minimum wages, which in the EU context usually provide one wage floor, collective agreements can also regulate the pay of medium- and higher-paid workers. However, this opportunity is not always taken and could be expanded in some countries and sectors.

Further information

The report *Minimum wages for low-paid workers in collective agreements* is available at <https://eurofound.link/ef23061>

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