



European Foundation  
for the Improvement  
of Living and Working  
Conditions

The tripartite EU Agency providing knowledge  
to assist in the development of better social,  
employment and work-related policies

# Virtual Visit to Romania: Towards adequate minimum wages and strengthening of collective bargaining

Carlos Vacas-Soriano and Christine Aumayr-Pintar

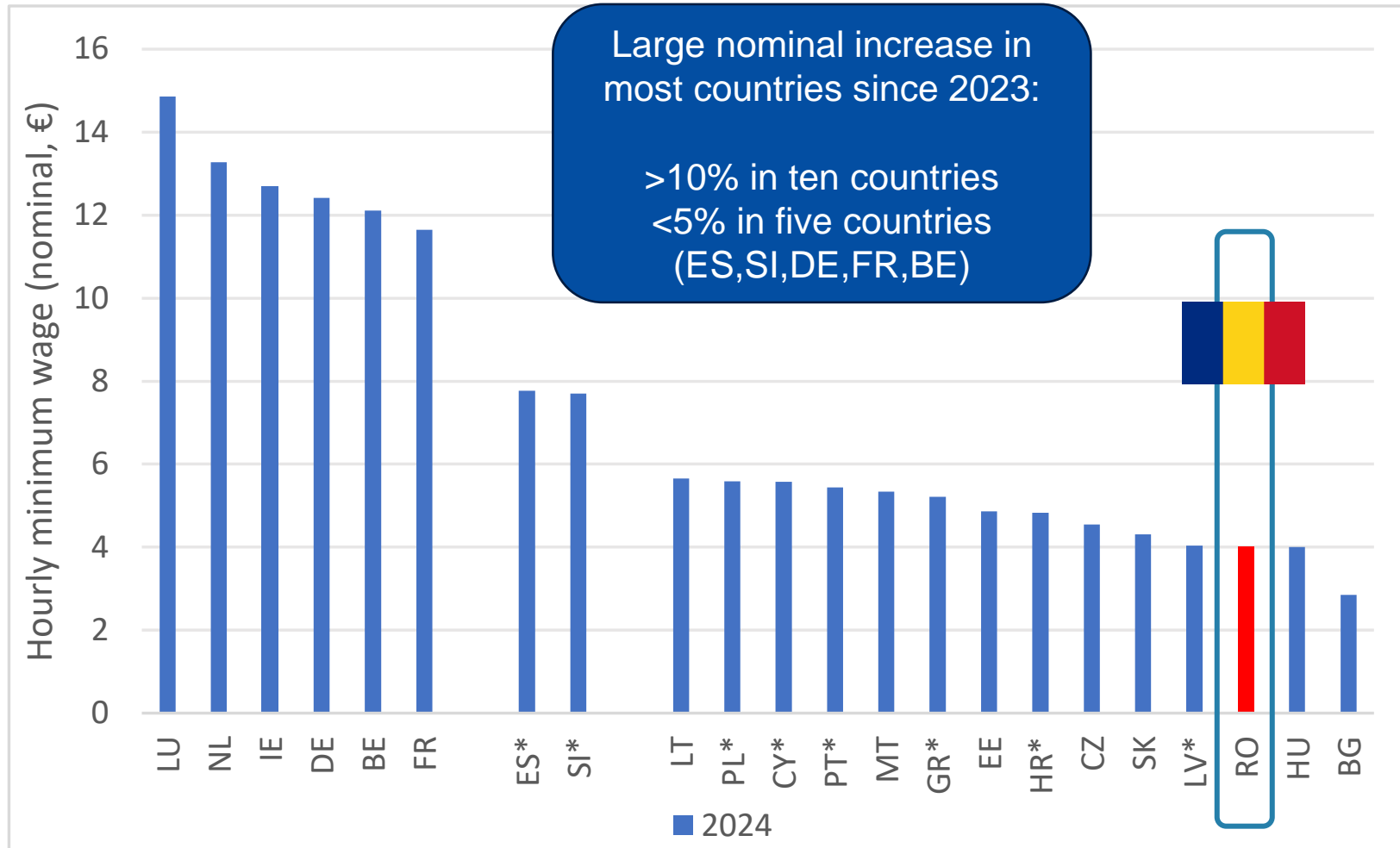
Bucharest and Dublin, 26 April 2024

# Eurofound's recent research on minimum wages



- Developments in minimum wages – **Annual review 2024**
- Pilot project on minimum wages
  - Non-compliance
  - Database for low paid workers

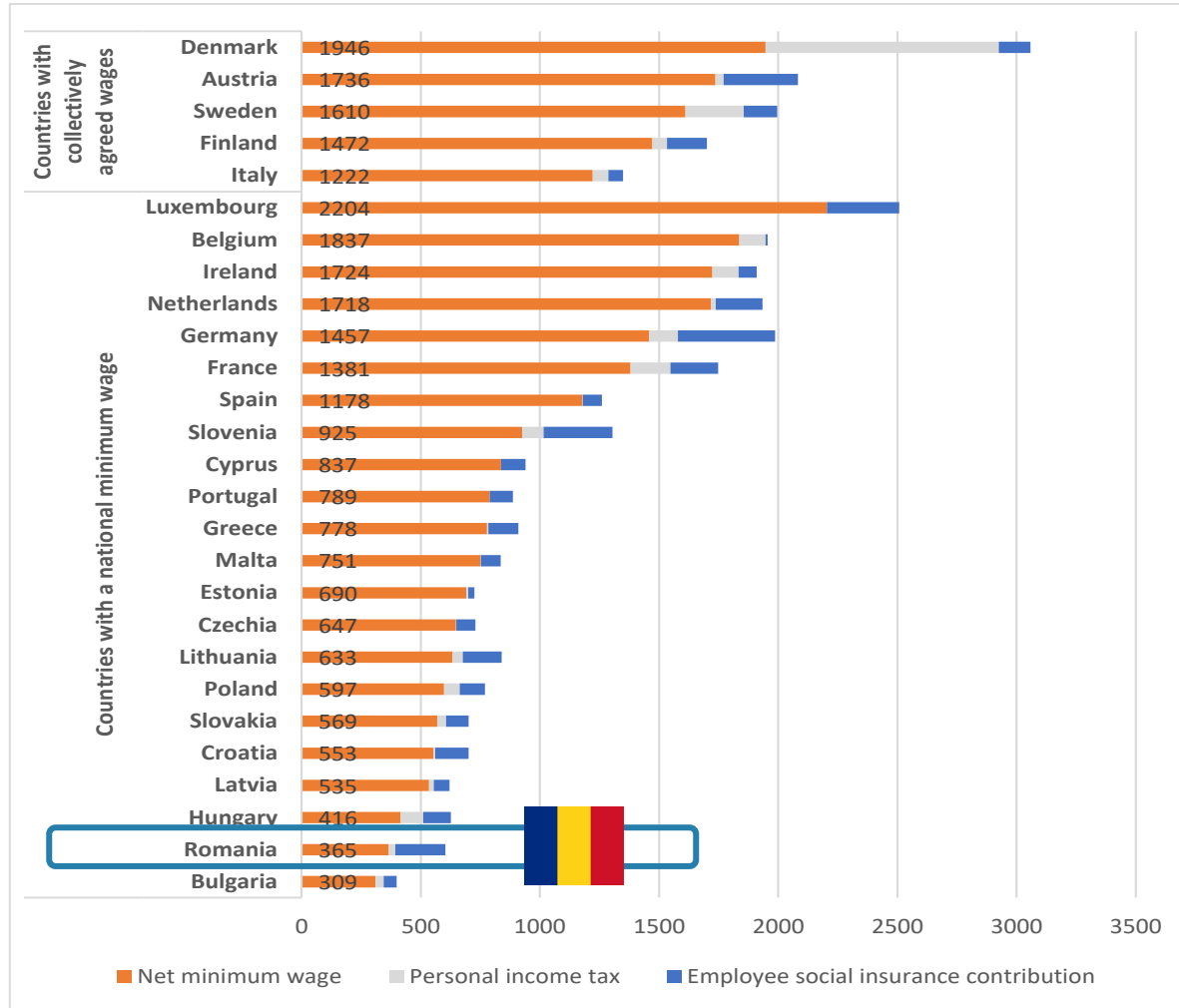
# Minimum wage level among EU countries, hourly January 2024



## Hourly minimum wage levels

- > €11 in 6 EU-15 countries
- €8 in ES/SI
- < €6 in 14 countries (EU-13, PT, EL)
- **Romania:** €4, the 3rd lowest

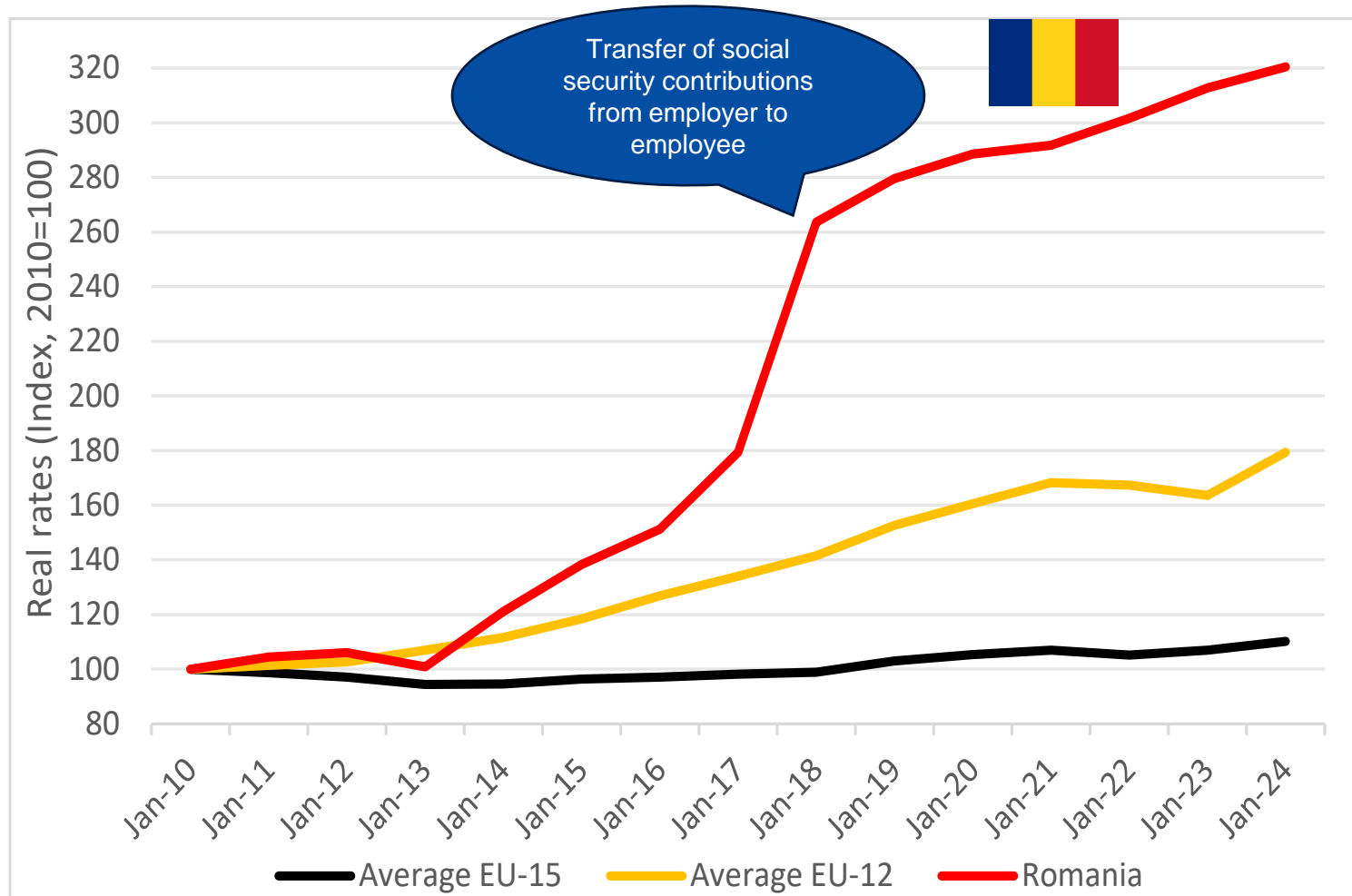
# Monthly minimum wages, gross and net, 2023



- Monthly level **gross**: €606
- **Net**: €365
- Largest gap between gross and net in the EU
- Personal income tax and employee social insurance contribution represent 40% of the gross minimum wage) [for a single person]
- Employee social insurance contribution comparatively large

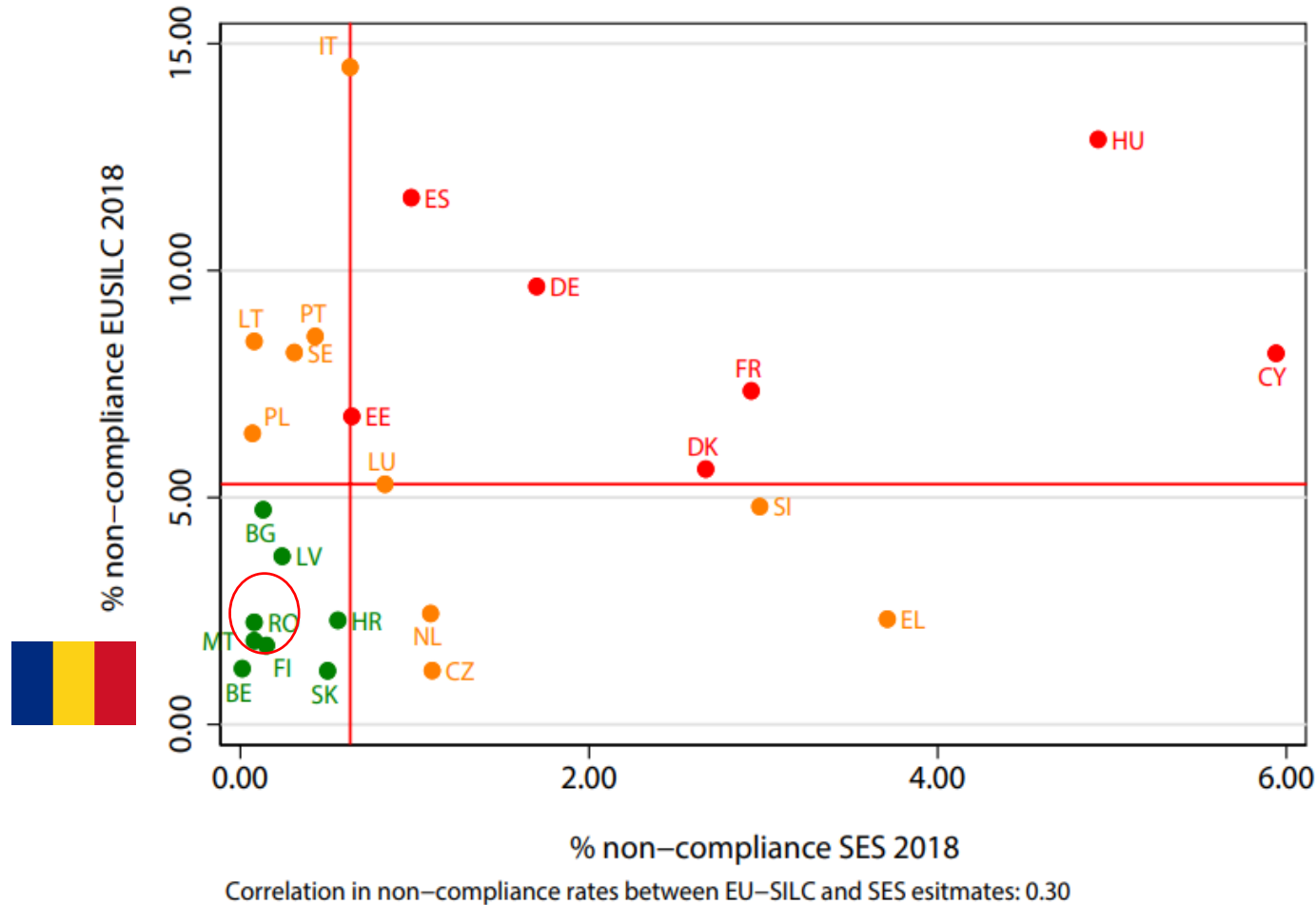
The total length of the bar refers to the gross monthly minimum wage (net minimum wage plus PIT plus employee SIC paid on the gross minimum wage). Only the amounts of net minimum wage are displayed in the figure.

# Developments in real terms from 2010 to now



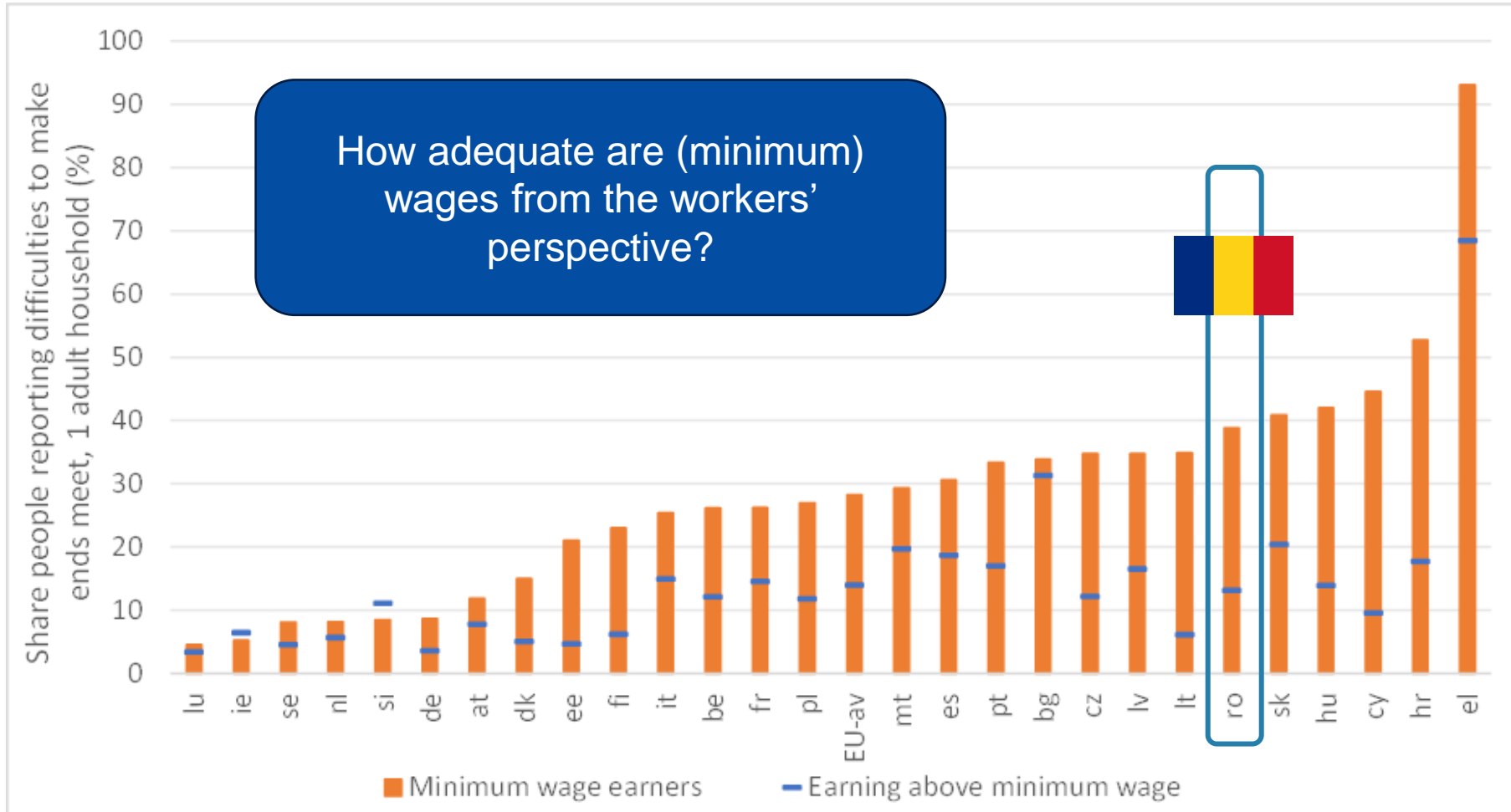
- NMS > EU15
- Moderation during pandemic
- 2024: A return to real growth in minimum wages
  - Increases in most countries:
  - +2.5% Romania
  - Sensitive to inflation measure used
- Change of approach to minimum wage policy: Early impact of the EU directive?

# Compliance with minimum wages in Romania was found to be comparatively high



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.

# Large country differences in ability to make ends meet by minimum wage workers



Percentage of minimum wage earners reporting difficulties to make ends meet:

- EU: 28%
- Romania: 38%

Percentage of workers earning above the minimum wage with difficulties:

- EU and Romania: both around 14%

Note: Among single adult households, no dependents, figures relate to 2022  
 Source: Eurofound 2024b, forthcoming

# The EU directive on adequate minimum wages

... aims to improve working and living conditions in the European Union (EU) by establishing a framework for:



adequacy of statutory minimum wages



Article 5

promoting collective bargaining on wage-setting;



Article 4

enhancing the effective access of workers to their rights to minimum wage\* protection where provided for under national legislation and/or collective agreements.



# Are countries already looking at the adequacy?

## Adequacy

Recital (28): “Minimum wages are considered to be adequate if ..... they are fair in relation to the wage distribution in the relevant Member State and if they provide a decent standard of living for workers based on a full-time employment relationship”. \*

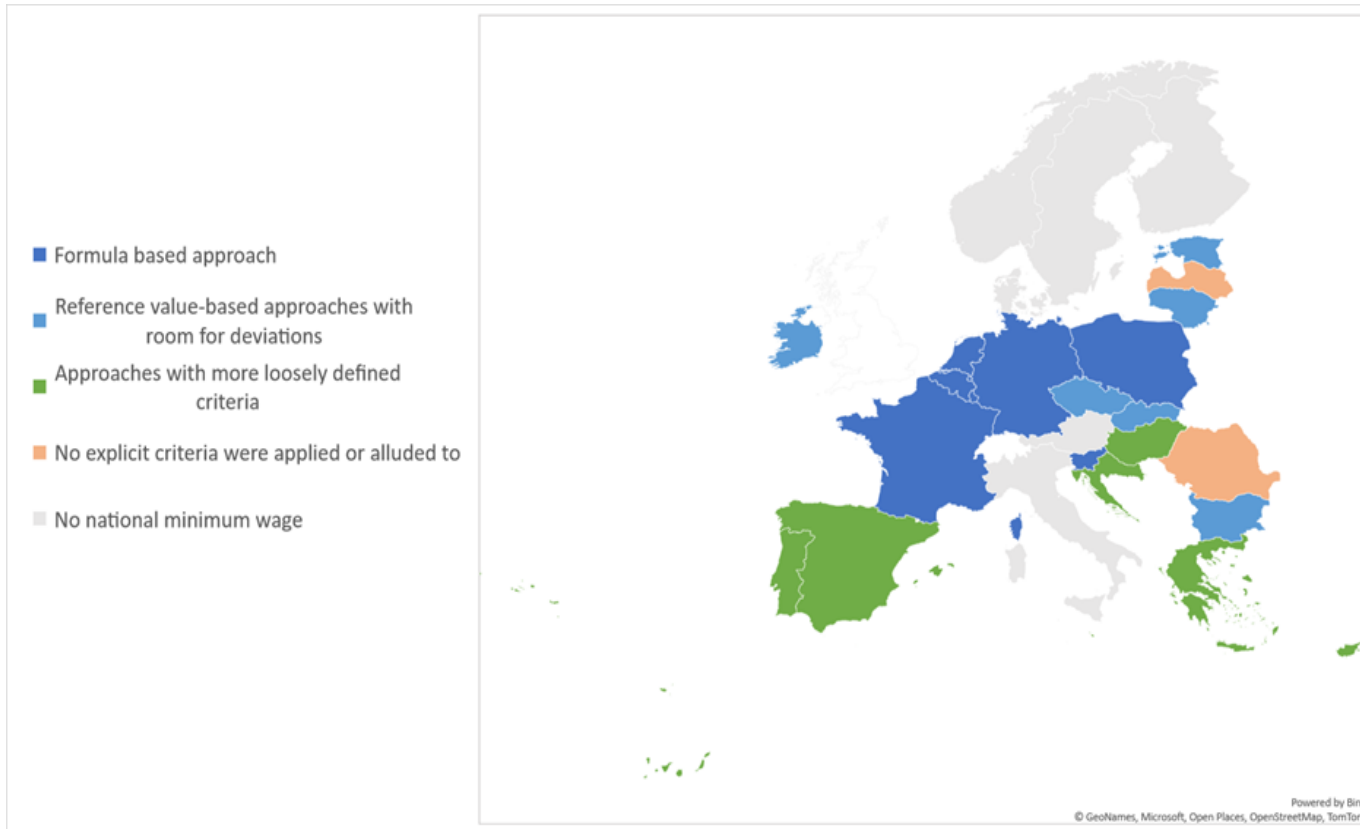
Fairness – vis a vis other wages  
X/50/60% of average/median wages

Decent standard of living

Baskets of goods and services or surveys



# Approaches applied during 2023 to set minimum wages (pre-transposition of the directive)



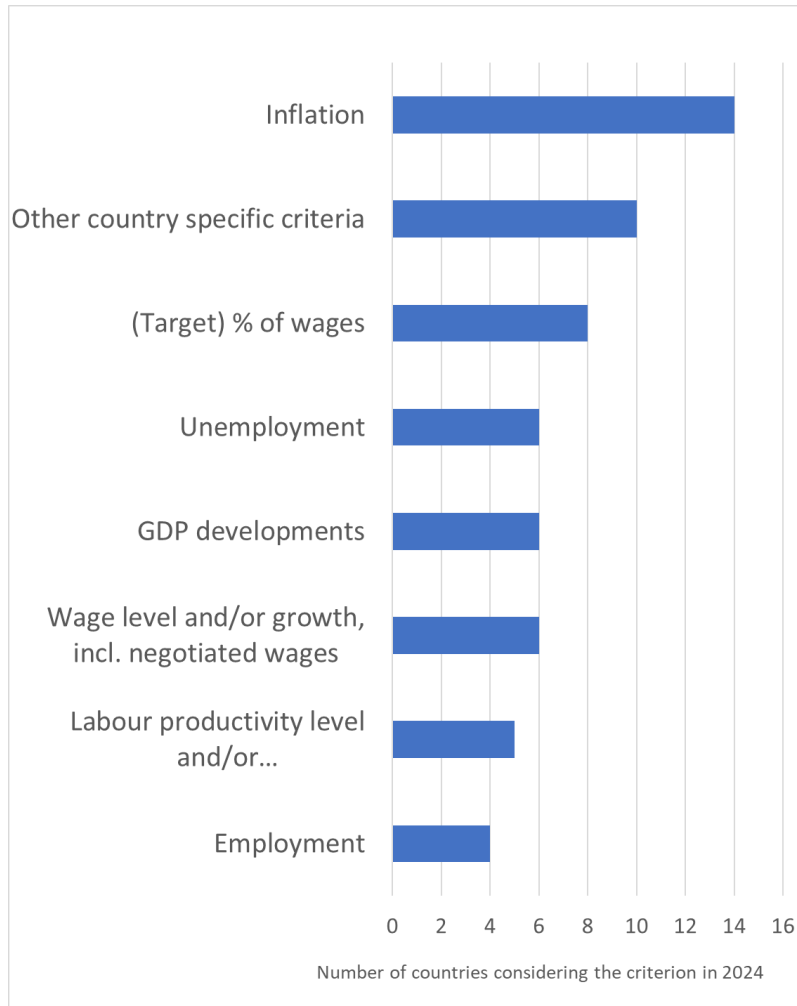
Source: Eurofound 2024b, forthcoming

Article 5:

Member States with statutory minimum wages shall establish the necessary procedures for the setting and updating of statutory minimum wages (...)

- Define criteria in a clear way
- Decide on the weight
- **Criteria** shall include at least the following **elements**:
  - (a) the purchasing power of statutory minimum wages, taking into account the cost of living;
  - (b) the general level of wages and their distribution;
  - (c) the growth rate of wages;
  - (d) long-term national productivity levels and developments.
- .. Use **indicative reference values** to guide the assessment of adequacy [...] such as **60 %** of the gross median wage and **50 %** of the gross average wage

# Criteria referred to in the minimum wage setting for 2024 in EU countries



- Price developments top the list
- Target X% of median/average wages is increasingly used,
- Followed by country specific criteria
- **Purchasing power of SMW/cost of living:** hardly referred to (but inflation as nearest proxy)

# Are countries already looking at the adequacy?

## Adequacy

Recital (28): “Minimum wages are considered to be adequate if ..... they are fair in relation to the wage distribution in the relevant Member State and if they provide a decent standard of living for workers based on a full-time employment relationship”.

Fairness – vis a vis other wages

Yes, increasingly so.

Decent standard of living

Not yet.

## Article 4

### Promotion of collective bargaining on wage-setting

Collective bargaining coverage and of facilitating the exercise of the right to collective bargaining on wage-setting, Member States, with the exception of those which have opted for the alternative arrangements, shall:

strengthening of the capacity of the social partners to engage in collective bargaining on wage-setting, in particular at sector or cross-industry level, to ensure meaningful and informed negotiations on wages between the social partners, on an equal footing, where both parties have access to appropriate information, and to promote collective bargaining on wage-setting;

in order to protect the exercise of the right to collective bargaining on wage-setting and to protect workers and trade union representatives from discrimination on the grounds that they participate or wish to participate in collective bargaining on wage-setting;

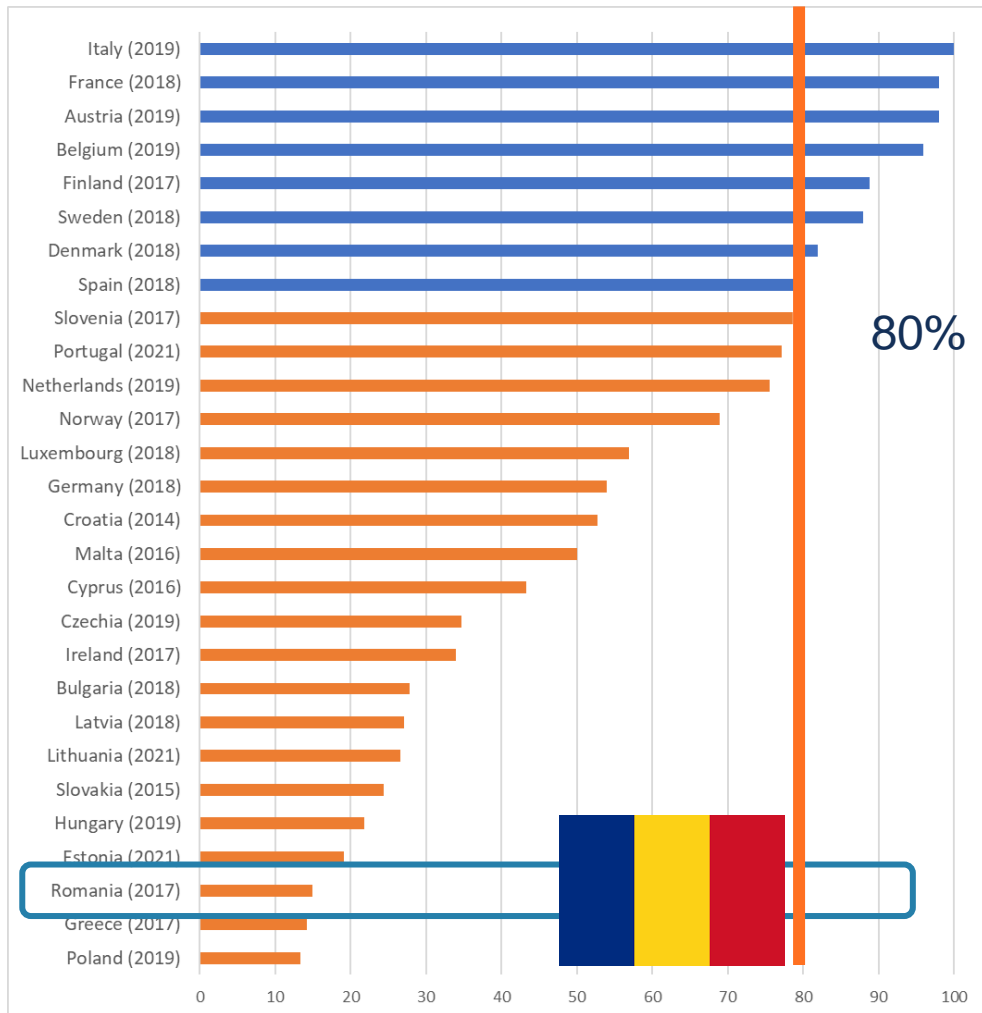
in order to ensure that, in promoting collective bargaining on wage-setting, take measures, as appropriate, to protect trade unions and employers' organisations participating in collective bargaining on wage-setting from interference by each other or each other's agents or members in their establishment, functioning or administration.

Member States in which the collective bargaining coverage rate is less than a threshold of 80% shall provide for a framework of enabling conditions for collective bargaining on wage-setting to be established by agreement with them. Such a Member State shall also establish an action plan to promote collective bargaining. The Member States shall report to the Commission on the progress made in implementing this action plan.

The Commission shall report to the Council on the progress made in implementing this action plan.

**Increasing collective bargaining coverage**

# Timely action plans for countries with less than 80% collective bargaining coverage will be required



- With a substantial drop in collective bargaining coverage in the early 2010er years, Romanian workers are currently among the least covered by collective agreements.

Note: Collective bargaining coverage: Workers covered by a collective agreement in relation to all workers (adjusted for those that are excluded from collective bargaining)

Source: Eurofound (2024b), based on OECD, ICTWSS

# What are countries doing to increase collective bargaining coverage?

- Romania: New Law on Social Dialogue (from 2023)
  - Facilitating union representation at the workforce
  - Making **sectoral representativeness** and CB easier
  - Possibility to conclude national CAs
- Czechia: Draft regulation
  - Conclusion of company CAs possible without all unions
  - Increasing scope of companies to apply CAs
  - **State support** for sectoral CB
- Portugal: Two tripartite agreements of 2022/23
  - Fiscal **incentives** to companies
  - Making wage increases and CB applications more dynamic
  - If companies apply a recent CA (max 3 years)
- Ireland: High level collective bargaining group – LEEF
  - Made **recommendations** on how to improve the framework
  - Reforming the 'joint labour committees'
  - No veto rights when employment regulation orders (EROs) are concluded
  - Non-union employers to be compelled to engage with unions



Limited number of examples to date - addressing country specific factors hampering bargaining

# Summary

- National minimum wages are overcoming the decline in real terms witnessed due to the cost-of living crisis
- The minimum wage directive requires Member States to ensure that adequacy can be achieved.
- Many countries are advancing on the ‘fairness dimension’ of adequacy, but have not yet focused on the absolute dimension: Are they sufficient to ensure a decent living in the country?
- At present a minority of Member States are (openly) reflecting on how to promote collective bargaining coverage rates
- Access to collective agreements in Romania an issue for Eurofound



# References

- Eurofound (2024a), Minimum wages for low-paid workers in collective agreements, Minimum wages in the EU series, Publications Office of the European Union, Luxembourg
- Eurofound (2024b forthcoming), Minimum wages – Annual review 2024, Minimum wage in the EU series, Publications Office of the European Union, Luxembourg.
- Eurofound (2024c), A look behind 80% bargaining coverage: What do collective agreements actually contain?, Article, 15 March 2024.
- Eurofound (2023), Minimum wages: Non-compliance and enforcement across the EU, Publications Office of the European Union, Luxembourg.
- Eurofound (2022a), Preliminary framework for a Eurofound Collective Agreements Database on collectively bargained minimum pay rates, Eurofound Working Paper, WPEF22043.
- Eurofound (2022b), Summary of national databases and archives for the Eurofound Collective Agreements Database, Eurofound Working Paper, WPEF22044.