

Minimum wages in 2022: Annual review

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.

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.
- 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.

Further information

The report *Minimum wages in 2022: Annual review* is available at <http://eurofound.link/ef22040>

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