
THE EVOLUTION OF THE MINIMUM WAGE IN THE EUROPEAN UNION

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Abstract

In this article we have highlighted the value of the minimum wage at the level of the member states of the European Union and the importance that must be given to this minimum threshold. Thus, the minimum wages in the member states of the European Union in July 2020 were analyzed, expressed in euros/month and grouped into three categories according to the levels of less than 500 euros, between 500 and 1,000 euros and over 1,000 euros. Next, the expression of these wages in an artificial monetary unit, namely the standard power purchase (SPC), was considered. In this case, the grouping was done according to the 1,000 SPC threshold, thus having two groups: states with national minimum wages that were less than 1,000 SPC and countries with national minimum wages that were at least 1,000 SPC in July 2020. The article is accompanied by graphic representations that make it easier to understand the analysis made in this article.

Keywords: minimum wage, currency, standard, developments, European Union.

JEL classification: J30, J31

Introduction

In 2020, most EU member states have a legal minimum wage (21 out of 27), while another six have wage levels determined by collective bargaining. Monthly minimum wages vary widely in the European Union, ranging from 312 euros in Bulgaria to 2,142 euros in Luxembourg. Disparities are significantly smaller when differences in price levels are removed.

The issue of establishing the minimum wage is one of the most analyzed and debated topics recently. In recent years and in the context of the economic and social crisis generated by the Covid-19 pandemic, the creation of a European minimum wage is increasingly considered a useful tool to ensure fair wages and, in this way, social inclusion.

In November 2017, the European Union institutions jointly proclaimed the European Pillar of Social Rights, thus underlining the European Union's commitment to fair wages for workers. Since then, the European Commission has shown its readiness to address this issue. In particular, the President of the Commission stated that in his political guidelines he will propose a legal

instrument to ensure that every worker in the European Union has a fair minimum wage. Thus, minimum wages should be established in accordance with national traditions, through collective agreements or legal provisions.

The European Trade Union Confederation was optimistic about the initiative of the European Commission and asked the Commission to propose a directive. At the same time, employers' organizations believe that the issue of setting wages should be left to the discretion of the social partners at the national level. In their opinion, should the Commission wish to act, only a recommendation from the Council of the European Union would be acceptable. The European Parliament has often debated the issue of low income and the minimum income regarding the last decade, advocating for a more inclusive economy.

A number of European Union member states have a long-standing practice of guaranteeing a national minimum wage for their lowest paid workers. In contrast, other member states, including Germany, Ireland and many of the countries that joined the European Union in 2004 or later, have only recently introduced minimum wage legislation.

Literature review

Arpaia, A. and others (2017) address in their paper the institutional problems and the macroeconomic implications of statutory minimum wages in the European Union. Darvas, Z. (2017 and 2020) addresses the problem of poverty at the level of some member states of the European Union and the efforts of the European Union to reduce poverty. Furåker, B. (2017) is concerned with the issue of the minimum wage considering the views of the Nordic trade unions. Goedemé, T and others (2015) are concerned with the development of a methodology for comparable reference budgets in Europe. Müller, T. and Schulten, T. (2020) are concerned with the minimum wage threshold in the European Union. Nikolov, A., Offnews (2019) consider the effects of establishing a minimum wage at the level of the European Union on Bulgaria.

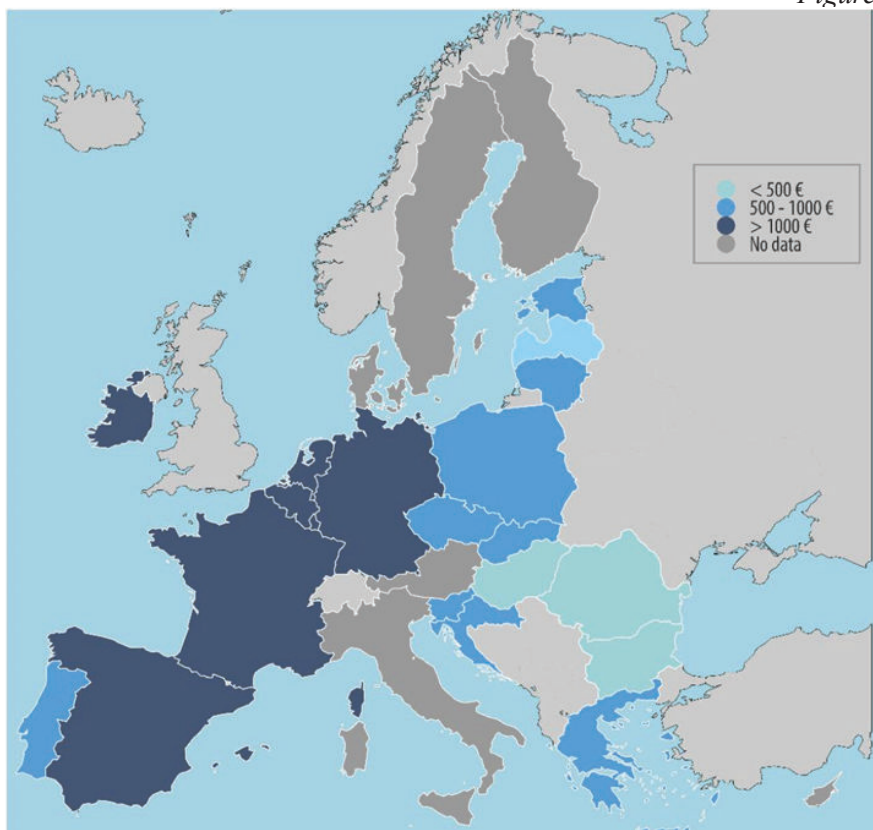
Data, Results and Discussion

In July 2020, a number of 21 member states of the European Union have a legal minimum wage, and 6 member states of the European Union have wages established through collective negotiations: Austria, Cyprus, Denmark, Finland, Italy and Sweden.

Figure number 1 shows the minimum wages in the member states of the European Union in July 2020, expressed in euros/month.

**Minimum wages in the member states of the European Union
in July 2020 (euro/month)**

Figure 1



Source: Eurostat

We find that there are three distinct groups depending on the level of the gross monthly minimum wage per economy. Thus, group I includes the countries where the national minimum wages were lower than 500 euros per month: Bulgaria, Latvia, Hungary and Romania. National minimum wages ranged from 312 euros in Bulgaria to 461 euros in Romania. Group II includes the countries where the national minimum wages were at least one euro, but less than 1,000 euro per month: Croatia, Czech Republic, Slovakia, Poland, Estonia, Lithuania, Portugal, Greece, Malta and Slovenia. The minimum wage varied from 537 euros in Croatia to 941 euros in Slovenia. Group III includes the countries where the national minimum wages were at least 1000 euros per month: Spain, France, Germany, Belgium, the Netherlands, Ireland and

Luxembourg. The minimum wage varied from 1,108 euros in Spain to 2,142 euros in Luxembourg.

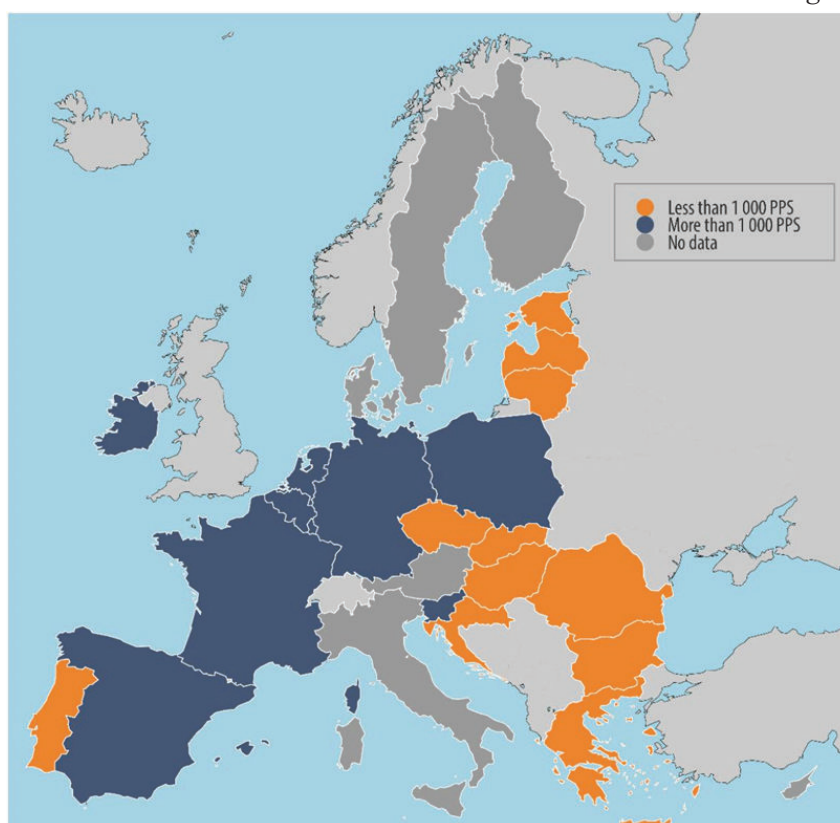
Disparities between Member States in terms of minimum wages are significantly smaller with the price level, differences that are eliminated by applying purchasing power parities (PPP) to final households.

When wages are expressed in an artificial monetary unit, the standard purchase power (PPS), monthly minimum wages range from PPS 547 in Latvia to PPS 1,634 in Luxembourg. In the PPS, the highest minimum wage in the European Union was three times higher than the lowest.

Figure number 2 shows the minimum wages in the member states of the European Union in July 2020 expressed in PPS/month.

**Minimum wages in the member states of the European Union
in July 2020 (PPS / month)**

Figure 2



Source: Eurostat

According to figure number 2, it follows that the grouping based on the level of the national minimum gross monthly salary in the PPS is made into two groups. Thus, group I includes the states with national minimum wages that were lower than 1,000 PPS in July 2020: Latvia, Bulgaria, Estonia, Slovakia, Hungary, Czech Republic, Croatia, Portugal, Romania, Lithuania, Greece and Malta. Their national minimum wages ranged from PPS 547 in Latvia to PPS 890 in Malta. Group II comprises countries with national minimum wages that were at least PPS 1,000 in July 2020: Poland, Slovenia, Spain, Ireland, France, Belgium, the Netherlands, Germany and Luxembourg. Minimum wages ranged from PPS 1,008 in Poland to PPS 1,634 in Luxembourg.

Minimum wages in Member States with relatively lower price levels become proportionally higher when expressed in PPS and comparatively lower in Member States with higher price levels.

Table number 1 shows the data related to the minimum wage in July 2020 in the member countries of the European Union for the two groups (PPS/month).

Minimum wage in July 2020 in the member countries of the European Union for the two groups (PPS/month)

Table 1

Group I	PPS per month	Group II	PPS per month
Latvia	547	Poland	1 008
Bulgaria	590	Slovenia	1 068
Estonia	686	Spain	1 147
Slovakia	715	Ireland	1 277
Hungary	758	France	1 349
Czechia	762	Belgium	1 417
Croatia	769	Netherlands	1 443
Portugal	843	Germany	1 484
Romania	856	Luxembourg	1 634
Lithuania	873		
Greece	876		
Malta	890		

Source: Eurostat

Considering the basis of the level of the gross monthly minimum wage per country expressed as a proportion of the average gross monthly earnings, Eurostat classified the Member States into three different groups, namely: group I where the proportion of the minimum wage in the average earnings was over 60% (Portugal, Slovenia and France), group II where the proportion of the minimum wage in average earnings was between 60% and 50% (Luxembourg, Hungary, Bulgaria, the Netherlands, Belgium, Poland, Germany, Latvia, Romania, Lithuania and Malta) and group III where the proportion of the minimum wage in average earnings was below 50% (Czech Republic, Ireland and Estonia).

Conclusions

From the study done and presented in this article, a number of conclusions can be drawn. First of all, the issue of establishing the minimum wage is one of the most analyzed and debated topics in the economic-social sphere. Establishing a legal minimum wage is increasingly considered a useful tool to ensure fair wages and social inclusion.

Another conclusion is that establishing a European minimum wage could be a tool to ensure that all workers earn a decent wage and would support the fight against income inequality and in-work poverty, as well as a means to combat gender inequality.

Last but not least, a conclusion would be that establishing a minimum wage must be an objective to which the European Union should give maximum priority in order to be able to ensure the protection of every worker in the member states of the European Union, so that citizens benefit of wages appropriate to the work carried out.

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