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Minimum wages in Europe

Nearly three-quarters of EU Member States have some form of statutory national minimum wage, with sectoral collective agreements playing the main role in setting minimum pay rates in the remainder of the countries. This comparative study (which also includes Bulgaria, Romania and Norway) examines these minimum wage systems, looking at: current rates (both absolute and as a proportion of average wages) and their recent development; beneficiaries; the existence of differentiated rates (eg for young workers); adjustment mechanisms; enforcement; the role and positions of governments and social partners; and current academic debates on the issue.

The regulation of minimum wages varies across Europe. This comparative study examines the issue in 23 [European Union](#) (EU) Member States (Luxembourg and Portugal excluded), Bulgaria and Romania (which are due to join the EU in 2007), plus Norway. The study is based mainly on contributions from the [European Industrial Relations Observatory](#) (EIRO) national centres in the countries concerned

Eighteen of the 26 European countries considered have some kind of statutory national minimum wage (in a similar way to non-European countries, such as Canada, Japan and the USA). This group is made up of nine of the 'old' EU 15 Member States (Luxembourg and Portugal, not included in this study, also have statutory national minimum wages) and all of the 10 new Member States, apart from Cyprus which has a statutory minimum wage for a few specific occupations only ([TN0403103U](#)). Whereas France, Greece, Portugal, Spain and the Benelux countries have a long tradition of protecting pay at the bottom of the labour market in this way, Ireland and the UK introduced national minimum wage systems only in the late 1990s. In Austria, Denmark, Finland, Germany, Italy and Sweden - the remaining six 'old' EU Member States - as well as in Norway and Cyprus, collective agreements are the main mechanism used for regulating low pay.

Related Links

- [Pay developments - 2003](#)
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- [Pay developments over 2003-4 examined](#)
- [National minimum wage increased](#)
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There are commonalities and clear differences in the extent to which either minimum wages or collective bargaining have established a common floor for wage levels. Specific aspects of the minimum wage have already been analysed in previous EIRO studies (for example [TN0201101S](#) and [TN0208101S](#)). The present study updates these studies as well as describing the main features and highlighting recent developments with regard to minimum wage systems. A particularly important debate is currently underway on distributional and employment issues and these, too, are highlighted in the study.

The study:

- outlines minimum wage systems in countries with statutory national minimum wages and those where collective agreements set minimum rates;
- looks at the beneficiaries of minimum wages;
- analyses the main structural characteristics of minimum wages (eg differentiation by age, region or qualifications);
- sets out the differences between the two groups of countries with regard to adjustments of minimum wages;
- examines how statutory minimum wages are enforced in the different countries;
- describes the role and positions of governments and social partners regarding minimum wages; and
- briefly analyses the main academic debates on the issue in the countries studied.

Statutory minimum wage countries

With regard to minimum wages, we can distinguish between two groups of countries: the larger group includes those countries with a national minimum wage that is set either by law or by a national intersectoral agreement; while the smaller groups consists of countries with collectively agreed minimum wage rates negotiated between the social partners at sector level. In many of the countries with statutory minimum wages, the legal minima may be supplemented by minimum rates set in collective agreements - though the level and coverage of such agreements varies, as does the relationship of their minima to the national minimum rate ([TN0208101S](#) and [TN0503102S](#)).

Minimum wage rates

Looking first at the countries with statutory minimum wages, table 1 shows the level of these wages in

- [The UK's first national minimum wage](#)
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the national currency in 2004 (rates in EUR are given in parenthesis for countries that are not members of the 'euro-zone').

*Table 1. National minimum wage (adult rate), 2004, in national currency (gross)**

Belgium	Monthly	EUR 1,210
Bulgaria	Hourly	BGN 0.71 (EUR 0.36)
	Monthly	BGN 120 (EUR 61.43)
Czech Republic	Hourly	CZK 39.60 (EUR 1.24)
	Monthly	CZK 6,700 (EUR 210.09)
Estonia	Hourly	EEK 14.60 (EUR 0.93)
	Monthly	EEK 2,480 (EUR 158.50)
France	Hourly	EUR 7.61**
	Monthly	EUR 1,286.09**
Greece	Daily	EUR 25.01
	Monthly	EUR 559.98
Hungary	Hourly	HUF 305.00 (EUR 1.21)
	Daily	HUF 2,440 (EUR 9.70)
	Weekly	HUF 12,000 (EUR 47.68)
	Monthly	HUF 53,000 (EUR 210.60)
Ireland	Hourly	EUR 7.00
Latvia	Hourly	LVL 0.474 (EUR 0.71)
	Monthly	LVL 80 (EUR 120.26)
Lithuania	Hourly	LTL 2.95 (EUR 0.85)
	Monthly	LTL 500 (EUR 144.81)
Malta	Weekly	MTL 53.88 (EUR 125.89)
Netherlands	Monthly	EUR 1,264.80
Poland	Monthly	PLN 860 (EUR 189.98)
Romania	Hourly	ROL 16,342.44 (EUR 0.40)

- [Minimum wage increase suspended](#)
- [Government plans to double minimum wage](#)
- [National General Collective Agreement signed for 2004-5](#)
- [The National Minimum Wage: an update](#)
- [New chair and terms of reference for Low Pay Commission](#)
- [Breakthrough on new national agreement](#)

	Monthly	ROL 2,800,000 (EUR 69.12)
Slovakia	Hourly	SKK 37.40 (EUR 0.93)
	Monthly	SKK 6,500 (EUR 162.41)
Slovenia	Monthly	SIT 117,500 (EUR 491.45)
Spain	Daily	EUR 16.36
	Monthly	EUR 490.80
UK	Hourly	GBP 4.85 (EUR 7.14)

* Conversions into EUR, where necessary ** Rate applies only to workers on 39-hour week.

Source: EIRO.

Across the former EU 15, the monthly national minimum wage ranged in 2004 from EUR 490.80 in Spain and EUR 559.98 in Greece to EUR 1,264.80 in the Netherlands and EUR 1,286.09 in France. In France, the monthly wage figure given is based on a minimum hourly wage of EUR 7.61 (in 2004) and applies only to employees still working a 39-hour week ([FR0408102N](#)), following recent moves to a statutory 35-hour week ([FR0007177N](#)). The minimum-wage recipients who are on the 35-hour week are covered by a guaranteed monthly wage scheme. This scheme allows for wages that are lower than EUR 1,286.09 per month; however, it has prevented wage cuts that were proportionate to the reduction in the statutory working time. In 2003, the monthly minimum wage based on a 35-hour week was - compared with the average wage - 2.8 percentage points lower than the monthly minimum wage based on a 39-hour week. Among the new Member States, the monthly minimum wage ranged in 2004 from EUR 120.26 in Latvia to EUR 210.60 in Hungary and EUR 491.45 in Slovenia. In the candidate countries, Bulgaria ([BG0406103F](#)) and Romania, the monthly minimum wage was EUR 61.43 and EUR 69.12 respectively.

Overall, it is possible to distinguish between three groups of countries with distinct levels of statutory minimum wages:

- the first group includes Bulgaria, Romania and the new Member States apart from Malta and Slovenia. Here, statutory monthly minimum wages varied between EUR 61 and EUR 211 in 2004;
- the second group, with monthly minimum wages between EUR 491 and EUR 560, includes two new Member States - Malta and Slovenia - as well as Spain ([ES0406204N](#)) and Greece; and

- [Ireland set to introduce a national minimum wage in 2000](#)
- [Debate over minimum wage for 2005](#)
- [Minimum wage under debate](#)
- [Central wage deals reached for 2005](#)
- [National collective agreement put on hold](#)
- [Minimum wage increased for six occupations](#)
- [National minimum wage is among lowest in EU](#)

- the third group, with statutory monthly minimum wages in excess of EUR 1,000, includes Ireland, the UK, the Netherlands, France and Belgium.

The range between the national minimum wage levels decreases if the data are compared controlling for different price levels in the various countries. This can be done by applying purchasing power parities to households' final consumption expenditure; such an analysis has been carried out by Eurostat ([TN0502102F](#)).

The development of statutory minimum wages since 1995 is shown in table 2 below. In most countries for which a complete time series (1995-2004) is available, minimum wages have increased rapidly over the last 10 years. The largest increase can be seen in some of the new Member States. In Hungary, the minimum wage increased by 60% over 1995/8, by 105% over 1998/2001 and by 33% over 2001/4 (however, these figures depend on the periods chosen for examination - over 1998/2000 and 2003/4, the increase was relatively slow, while it should be taken into account that inflation was relatively high over 1995/2003). The Czech Republic has experienced similar increases. The increase among the 'old' Member States has not been as great as it has in the accession countries. In the former EU 15, the largest increase has been in Greece - 21% over 1995/8, 11% over 1998/2001 and 18.4% over 2001/4. A notable rise can also be seen in the UK; after being introduced in 1999 ([UK9904196F](#)), the statutory minimum wage rose by 14% over 1999/2001 and by 18% over 2001/4.

Table 2. Development of minimum wages (gross), 1995-2004

Country	Basis	Minimum wage in national currency*						Change in %		
		1995	1998	2001	2002	2003	2004	1995/8	1998/2001	2001/4
Belgium	Monthly (EUR)	1,053	1,074	1,140	1,163	1,186	1,210	+2.0	+6.1	+6.1
Bulgaria	Monthly (BGN)	nc	nc	87	100	110	120	nc	nc	+37.9
Czech Republic	Monthly (CZK)	2,200	2,650	5,000	5,700	6,200	6,700	+20.4	+88.7	+34.0
Cyprus**	Monthly (CYP)	na	na	na	na	320	345	na	na	na
Estonia	Monthly (EUR)	29	70	102	118	138	159	+41.4	+45.7	+55.9

- [New government calls for EUR 1,000 monthly minimum wage](#)
- [Tariff Board votes to extend collective agreements to petroleum installations](#)
- [Transitional arrangements introduced for free movement of workers from new EU Member States](#)
- [New agreement concluded for employees in the state sector](#)

France	Hourly (EUR)	5.64	6.13	6.67	6.83	7.19	7.61	+8.7	+6.1	+6.1
Greece	Monthly (EUR)	350	425	473	499	520	560	+21.4	+11.3	+18.4
Hungary	Hourly (HUF)	12,200	19,500	40,000	50,000	50,000	53,000	+59.8	+105.1	+32.5
Ireland	Hourly (EUR)	-	-	5.97	6.35	6.35	7.00	-	-	+17.3
Latvia	Monthly (LVL)	28	42	60	60	70	80	+50.0	+42.9	+33.3
Lithuania	Monthly (EUR)	39	121	125	125	130	145	+210.0	+3.3	+16.0
Malta	Weekly (EUR)	93	106	115	119	123	126	+14.0	+8.5	+9.6
Netherlands	Monthly (EUR)	982	1,047	1,180	1,232	1,265	1,265	+6.6	+12.7	+7.2
Poland	Monthly (EUR)	86	127	205	195	182	183	+47.7	+61.4	-10.7
Romania	Monthly (EUR)	28	33	51	54	67	69	+13.0	+64.7	+35.3
Slovakia	Monthly (EUR)	65	70	114	133	148	167	+7.7	+62.9	+46.5
Slovenia	Monthly (SIT)	45,557	63,285	87,654	97,734	106,542	117,500	+38.9	+38.5	+34.0
Spain	Monthly (EUR)	377	409	433	442	451	491	+8.4	+5.9	+13.4
UK	Hourly (GBP)	-	-	4.10	4.20	4.50	4.85	-	+13.9***	+18.3

- [European minimum wage policy proposed](#)
- [Pay developments - 2004](#)

Note: Monthly figures are rounded; nc = not comparable; na = not available.

** Converted into EUR in some cases; ** minimum wage applicable to few specific occupations only; ****

relates to 1999/2001.

Source: EIRO.

Relationship with average earnings

The development of nominal minimum wages often appears to be very impressive in absolute terms, especially in the new Member States; however, this should be compared with the dynamics of wages more widely. Table 3 below presents the minimum wage as a proportion of average monthly gross earnings since 1995 - a common measure known as the 'Kaitz index' (see: 'Experience of the past: The national minimum wage', H Kaitz, in *Youth unemployment and minimum wages*, US Department of Labor, Bureau of Labor Statistics, Bulletin 1657, 1970, and 'The economic impact of minimum wages in Europe', J Dolado et al, in *Economic Policy*, Vol. 23, 1996). Among those countries for which 2004 data are available, the Kaitz index ranged from 29% in Romania to 51% in Ireland. In the majority of the countries for which data are available, the minimum wage is less than 50% of average monthly gross earnings. Three broad groups of countries can be distinguished in this respect:

- the first group, where the index varies between 29% and 38%, includes the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania and Spain;
- the second group, with Kaitz indices of between 40% and 44%, includes Bulgaria, Cyprus, Malta, Slovakia, Slovenia, and the UK; and
- the third group, with Kaitz indices in excess of 45%, includes Greece and Ireland. In addition, if figures for 2003 and 2002 are considered for those countries for which 2004 data are not available, we can add Belgium and France to this group.

There are only minor differences between the groups if we compare 2004 figures with 1995 figures. In 1995 the first group with a low Kaitz index included the Czech Republic, the three Baltic states, Hungary and Romania, which are still (2004) in this group, but also Bulgaria and Slovakia, which are currently in the second group. In 1995, the second group contained only Poland and Spain, both of which are now in the first group, plus Slovenia, while the third group contained Belgium, France, Malta and the Netherlands (which is now in the second group).

The development of the Kaitz index has been broadly stable in France, Ireland and Slovenia. In the other countries, statutory minimum wages have either risen faster than the average gross wage (Estonia, Latvia and the UK), or slower than the average gross wage (Belgium, the Netherlands and Poland), or fluctuated, sometimes rising lower and sometimes faster (Bulgaria, the Czech Republic, Hungary, Lithuania, Malta, Romania and Slovakia). For those countries for which 2004 data are

available, the Kaitz index is, in nine countries, higher today (2004) than it was in 1995; this is especially true for the majority of the new Member States. The Kaitz index was lower in 2004 than it was nine years ago in Malta, Poland, Romania and Spain.

Table 3. Minimum wages as % of average gross wages, 1995-2004

Country	Minimum wage as % of average gross wage						Change in percentage points		
	1995	1998	2001	2002	2003	2004	1995/8	1998/2001	2001/4
Belgium	52	49*	na	46	na	na	-3**	-3***	na
Bulgaria	34	28	36	39	40	40	-6	+8	+4
Czech Republic	27	23	34	36	37	37	-4	+11	+3
Cyprus	na	na	na	na.	na	41	na	na	na
France	47-48	49	47-48	46-47	46-48	na	+1-2	-1-2	+0-1
Greece	na	na	na	na	na	47	na	na	na
Hungary	31	29	39	41	36	36	-2	+10	-3
Ireland	-	-	51	49	na	51	-	-	0
Estonia	26	27	29	30	32	34	+1	+2	+5
Latvia	31	32	38	35	37	38	+1	+6	0
Lithuania	28	45	44	43	41	38	+17	-1	-6
Malta	52	49	43	44	44	44	-3	-6	+1
Netherlands	48	46	45	45	na	na	-2	-1	na
Poland	41	40	37	35	36	36	-1	-3	-1
Romania	39	42	32	32	27	29	+3	-10	-3
Slovakia	34	30	40	41	42	41	-4	+10	+1
Slovenia	41	40	41	42	42	44	-1	+1	+3
Spain	42	na	35****	na	na	33	na	na	na
UK	-	-	37	38	39	40	-	-	+2

* Figure refers to 1999; ** figure refers to 1995/9; *** figure refers to 1999/2002; **** figure refers to 2000.

Source: EIRO.

Low-pay sectors

In addition to comparing minimum wages with average monthly gross earnings in all industries and services, it is possible to compare minimum wages with average monthly gross wages in some specific low-paid industries. Table 4 below presents the statutory minimum wage as a proportion of collectively agreed wages for low-skilled workers in textiles/clothing, retail, hotels/restaurants and hairdressing. According to the latest available figures, this proportion ranged: from 37% (Spain) to 100% (Greece) in textiles/clothing; from 43% (Lithuania) to 100% (Greece) in retail; and from 49% (Spain) to 93% (Greece) in hotels and restaurants. Almost no information is available on average gross wages in hairdressing. Where data are available though, statutory minimum wages as a percentage of average monthly gross wages in hairdressing range from 71% in Hungary to 58% in Slovakia.

Table 4. Minimum wages and wages in low-paid sectors

Minimum wage as % of average gross wage (full-time basis) in:					
Country	Whole economy	Textiles/clothing	Retail	Hotels/restaurants	Hairdressing/personal services
Belgium (2002)	46	na	50	67	na
Bulgaria (2004)	40	79	71	na	na
Czech Republic (2003)	37	54/73***	59	71	na
Estonia (2004)	34	74	67	57	79****
France (2002)	46-48	56	50	65	na
Greece (2004) *	47	90-100	88-100	85-93	na

Hungary (2003)	36	76	48	63	71*****
Ireland (2004)	51	67/72**	na	na	na
Latvia (2004)	38	na	na	na	na
Lithuania (2004)	38	52	43	61	44****
Malta (2004)	44	79	61	60	na
Netherlands (2003)	na	46	61	66	na
Poland (2004)	36	na	na	na	na
Romania (2003)	27	54/61***	69	59	na
Slovakia (2004)	41	61	52	51	78*****
Slovenia (2004)	44	73	na	59	36****
Spain (2004)	33	37/47***	46	49	62****
UK (2003)	40	51	52	60	na

** Range refers to different occupations; ** refers to hourly/monthly basis; *** refers to textiles/clothing; **** refers to personal services; ***** refers to hairdressing.*

Source: EIRO.

Among countries with complete data for textiles/clothing, retail and hotels/restaurants, it is possible to distinguish between three groups of countries. The first group includes countries where the national minimum wage is below 67% of the average wage in all three industries. This group includes France, Lithuania, Netherlands, Slovakia, Spain and the UK. In the second group of countries, the minimum wage is below 67% of the average wage in two of three industries; this group includes the Czech Republic, Hungary, Malta and Romania. The third group comprises those countries where the minimum wage is below 67% of the average wage in one or none of the three industries, and includes Greece and Estonia. Overall, there are notable differences in minimum wages as a proportion of average gross wages for low-skilled activities in low-paid industries.

Countries without a statutory minimum wage

The second, smaller group of countries that do not have a statutory minimum wage comprises Austria, Germany, Italy and the Scandinavian countries. A common feature of this group of countries is the high coverage rate of collectively agreed minimum wages, generally laid down in sectoral agreements. The percentage of employees covered by these collectively agreed minimum wages ranges from approximately 70% in Germany and Norway to almost 100% in Austria and Italy (though excluding 'irregular' workers, who make up a relatively large share of the Italian labour market), as shown in table 5 below. In Denmark, the percentage of employees covered by collectively agreed wages is estimated at between 81% and 90%, while in Finland and Sweden, this figure is 90%. This means that a high proportion (at least two-thirds) of all dependent employees are protected by collectively agreed wages. However, this finding needs to be modified if we look at some specific branches rather than the whole economy. In particular, in Germany there are some sectors (eg business services and personal services, such as health and social work) and regions (the new eastern *Länder*) with low coverage rates, in which wages and minimum standards on working time are not set by collective agreements.

Table 5. Coverage rates of collectively agreed minimum wages

Country	Whole economy	Textiles/clothing	Retail	Hotels/restaurants	Hairdressing
Austria (2004)	98	98	98	98	98
Denmark (2004)	81-90	na	na	na	na
Finland (2004)	90	100	100	100	100
Germany (2003)	69	50*	55*	na	36**
Italy (2004)	100 (85 including irregular workers)	100 (84 including irregular workers)	100 (80 including irregular workers)	100 (79 including irregular workers)	100 (76 including irregular workers)

Norway (2004)	70	na	68	55	na
Sweden (2004) ***	na	na	c. 80	80+	na

** Figures refer to 2000; ** figure refers to personal services; *** figures regard to coverage of sector-level agreements that include minimum wage regulations.*

Source: EIRO.

Available figures on coverage rates in low-paid industries are more scarce - see table 5 above. There are high rates in Austria Austria (where minimum wages are set in each sectoral collective agreement), Finland and Italy (excluding irregular workers) in the textiles and clothing industries as well as in retail and hotels/restaurants (as they are in Sweden in the latter two industries). The high coverage rate in Finland is due to the fact that collective agreements have 'erga omnes' applicability in their respective sectors; this means that all employers, including non-organised employers, are obliged to pay at least the collectively agreed minimum wages. Similar in Italy, collectively agreed minimum pay levels negotiated by trade unions apply to all workers. They represent the compulsory minimum even for employees of firms that do not belong to employers' associations.

The coverage rates of agreed minimum wages in low-paid industries are much lower in Germany and Norway. Figures for Norway show coverage rates of 68% in retailing and 55% in hotels/restaurants. Current estimates for Germany indicate coverage rates of around 50% in textiles/clothing, 55% in retail and only 36% in personal services (including hairdressing). In these two countries, it is possible to extend collective agreements to non-organised employers; however, this right is not exercised as extensively as it is in Finland and Italy.

In Germany, however, statutory minimum wages do exist for specific branches. They are based on regulations introduced to implement the EU Directive ([96/71/EC](#)) on the posting of workers in the framework of the provision of services ([DE0306207T](#)). The first branch-specific minimum wage was introduced in January 1997 in the main construction industry ([DE9702202F](#)). The social partners negotiated further minimum wages for employees in the electrical engineering industry who work on construction sites and for workers in the roofing industry in the same year. Today, there are four branches with this kind of sector-specific minimum wages: the main construction industry; the roofing industry (Dachdeckerhandwerk); the painting industry (Maler- und Lackiererhandwerk); and the demolition/wrecking industry (Abbruch- und Abwrackgewerbe). The government has recently proposed

that the Posted Workers Act should be extended to all sectors of the economy in order to fight 'wage dumping'. Details of the level of current minimum wages are provided in table 6 below.

Table 6. Sector-specific statutory minimum wages in Germany (end of 2004)

Sector	West	East	West	East	West	East
	Per hour (EUR)		Per month (EUR)		% of gross average wage****	
Main construction industry*	10.36/12.47	8.95/10.01	1,758/2,116	1,518/1,690	60.5/72.8	52.2/58.1
Painting industry**	7.69/ 10.53	7.00/9.20	1,338/1,832	1,218/1,601	46.0/63.0	41.9/55.1
Roofing industry*	9.30	9.30	1,578	1,578	54.3	54.3
Demolition/wrecking industry***	9.49/11.60	8.95/9.65	1,527/1,867	1,557/1,679	52.5/64.2	53.5/57.7

*Notes: The average wage is based on the full-time average wage as the median wage is not available; * monthly earnings based on working time of 39 hours per week; ** monthly earnings based on working time of 40 hours per week; *** monthly earnings based on working time of 37 hours (west) and 40 hours (east) per week; and **** average of industry (including energy and construction), wholesale, retail, banking and insurance.*

Source: EIRO.

Table 7 below provides an overview of the relative level of collectively agreed minimum wages in some low-paid sectors. In Austria, Germany, Finland and Italy, the only four countries for which figures are available, the lowest collectively agreed wages in low-paid sectors are around 50% of the gross average wage in all industries and services. There is only one major exemption: German hairdressers, who receive 35% of the gross average wage.

Table 7. Collectively agreed minimum wages in low-paid sectors in countries without a statutory minimum wage, as % of the gross average wage (whole

*economy)**

Country	Textiles/clothing	Retail	Hotels/restaurants	Hairdressing
Austria (2003)	48/52**	51/53**	48	46
Finland (2002)	>50	>50	>50	na
Germany (2004)	50***	45***	42***	35***
Italy (2004)	57	60	59	52

* See footnotes; ** figures refer to blue-/white-collar workers; *** minimum wages as a percentage of gross average wage in industry (including energy and construction), wholesale, retail, banking and insurance.

Source: EIRO.

Comparing the relative level of the lowest collectively agreed wages in the countries considered in this section with the relative level of statutory minimum wages, in comparison with the gross average wage in both cases, we can conclude that lowest collectively agreed wages are as high as statutory minimum wages in the third, 'high minimum wage' group of statutory minimum wage countries (see above) - ie those that have statutory minimum wages in excess of 45%.

Beneficiaries

Apart from Belgium and Cyprus, in all other countries with a statutory minimum wage it affects, in principle, all adult employees, as table 8 below shows. In Belgium, the minimum wage affects only private sector employees, whereas it covers only specific occupations in Cyprus. The list of exempted groups of adult employees is small. There are no exemptions in Bulgaria, Estonia, Greece, Hungary, Ireland, Latvia, the Netherlands, Poland, Romania, Slovenia and the UK (though there is a lower rate for adult trainees). Apprentices are exempted in Belgium, France and Spain (where people with disabilities are exempted too). In the Czech Republic, lower minimum wage rates exist for certain specific situations - for example, during the first employment or equivalent working relationship of an employee aged 18 to 21 (applicable for six months from the date on which the employment starts). Reduced minimum wages for some groups of public sector employees exist in Lithuania; however, this exemption is irrelevant, as the groups affected receive higher gross wages than the minimum wage anyway. In Malta, all employees who are covered by sectoral minimum wages (implemented by wage-

regulation orders) are excluded from coverage by the statutory minimum; these sectoral minimum wages are established by the government in accordance with the recommendations of wage councils.

As table 8 also shows, the percentage of employees with earnings at the minimum wage level is markedly different between countries. According to the latest available data, the proportion of beneficiaries ranges from 1% to all earners. In the Czech Republic, Ireland, the Netherlands, Poland, Slovakia, Slovenia, Spain and the UK, the percentage of earners who are beneficiaries ranges from 1% to 5%. By contrast, the percentage in Romania is 28%, in Lithuania 18.4%, in Latvia 15.7% and in France 13%.

Table 8. Beneficiaries of statutory minimum wages

Country	Minimum wage applies to.	Groups of exempted employees.	Coverage
Belgium	Private sector employees.	Public sector employees, apprentices.	na
Bulgaria	All employees.	No exemptions.	na
Czech Republic	All employees.	Lower monthly and hourly minimum wage rates exist for certain specific situations, eg when in first employment aged 18 to 21 or for employees collecting partial invalidity benefits.	2%-3% of all employees.

Cyprus	Six occupations.	No minimum wage for all employees just those in the six occupations (sales staff, clerical workers, auxiliary healthcare staff and auxiliary staff in nursery schools, crèches and schools).	na
Estonia	All employees.	No exemptions.	na
France	All employees.	Civil servants, apprentices, employed prisoners.	2.9 million employees or 13% of all employees.
Greece	All employees, apprentices and civil servants.	No exemptions.	na
Hungary	All employees.	No exemptions.	na
Ireland	All employees.	No exemptions.	57,000 private-sector employees (excluding agricultural), or 4.5% of all employees.
Latvia	All employees.	No exemptions.	15.7% of all employees

Lithuania	All employees.	Reduced minimum wages apply to some groups of public sector employees (public politicians, judges, civil servants, soldiers and public officials); these are irrelevant because none of these groups receive only the minimum wage.	18.4% of all employees and 10.1% of full-time employees.
Malta	All employees.	All employees who are covered by sectoral wage regulation orders.	No detailed figures, but most wages are above minimum wage.
Netherlands	All employees.	No exemptions.	130,000, or 2.1% of all employees.
Poland	All employees.	No exemptions.	4.2% of all employees.
Romania	All employees.	No exemptions.	28% all employees.
Slovakia	All employees.	Reduced minimum wages (50% to 75%) for disabled employees receiving a disability pension.	2%-4% of all employees.
Slovenia	All employees.	No exemptions.	2.7% of all employees.
Spain	All employees.	Apprentices, people with disabilities.	1%-3% of all employees.

UK	All employees.	No exemptions among adults (trainees receive lower rate - see main text).	1.5 million, or 5% of all employees.
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Source: EIRO.

There is only a small amount of information available on the proportion of various subgroups receiving the minimum wage. In the Czech Republic, a higher proportion of women (3.1%) than men (1.1%) receive the minimum wage, and minimum wage earners are overrepresented in agriculture, textiles and the clothing industries, as well as in accommodation and catering. In France, the percentage of part-time employees who receive the minimum wage is twice as high as the average, while in small businesses (fewer than 10 employees), the percentage of beneficiaries is twice as high as the average. France's highest coverage rate is reported amongst agricultural and domestic workers. An overrepresentation of part-timers, women, young employees and employees in retail, hotels and catering as well as agriculture is reported from the Netherlands. In the UK, the [Low Pay Commission reports](#) that 70% of beneficiaries are woman.

According to Eurostat [estimates](#), the proportion of full-time employees earning the minimum wage is usually higher for females than for males, except in Hungary and Poland, where the male percentage is higher, and in Latvia where the percentages are almost equal.

It is estimated that sector-specific statutory minimum wages in Germany, based on the Posted Workers Act (see above), currently cover a total of 795,250 employees. This includes 521,000 blue-collar workers in the main construction industry, nearly 170,000 blue-collar workers in the painting industry, nearly 84,200 in the roofing industry and an estimated 11,050 in the demolition/wrecking industry. As a result, branch-specific statutory minimum wages cover 2.1% of all employees.

Structural characteristics

By looking at the structural characteristics of minimum wages, which are summarised in table 9 below, it is possible to discern many different features. One common feature is that statutory minimum wages exist only at the national level. There are no differences between various sectors or regions. As mentioned above, in Malta, apart from the national minimum wage, the government also establishes

sectoral minimum wages; however, this difference is of relatively minor importance, as actual wages are, usually, above both types of minimum wages.

Table 9. Structural characteristics of minimum wages

Country	Wage subsidies for minimum wage earners	Differentiation by regions or sectors	Differentiation by age	Differentiation by qualification / occupations
Belgium	No	No	Reduced rates for 16-20 year olds; seniority rules for employees aged 21.5 years with 6 months in employment (+2.75%) and for employees age 22.5 years with 12 months in employment (+4%).	No
Bulgaria	No (there are wage subsidies that are not directly linked to minimum wages).	No	No	No
Czech Republic	No	No	Reduced rates for 15-21 year olds.	Reduced rate (50%-75%) for disabled people receiving full or partial invalidity benefit.

Cyprus	No	No	No	Higher minimum wages after six months of employment.
Estonia	No	No	No	No
France	Reduction of employers' social security contributions.	No	Reduced rates for 16-17 year olds.	Reduced rate for disabled people; adjustments to specific working conditions (eg concierges, janitors, domestic workers, nannies) and for employees in the hotel and catering trades.
Greece	No	No	No	Minimum wage amount varies according to employees' length of service and marital status; different minimum wages for blue- and white-collar workers.
Hungary	No	No	No	No

Ireland	No	No	Reduced rates for employees under age 18.	Reduced rate for employees over age 18 in the first two years after the date of first employment; reduced rate also for employees undergoing a prescribed course of study or training.
Latvia	No	No	Differentiation by age and by qualification/occupations, under same conditions - with 14% higher hourly rates, and both groups may work only up to 7 hours a day and 35 hours a week.	
Lithuania	No	No, but possible by law.	No	No
Malta	No	Besides national minimum wage, the government establishes sectoral minimum wages.	Reduced rates for employees under age of 18	National minimum wage: no. Sectoral minimum wage: may vary by occupation.

Netherlands	For low-paid employees (earning less than EUR 17,805 per year) employers pay less wage tax (by EUR 530 per year).	No	Reduced rates for 15-22 year olds.	No
Poland	No	No	No	Employees who have worked less than two years receive a reduced rate (80% during the first year of employment, 90% during second year).
Romania	No	No	No	No
Slovakia	No (there are wage subsidies for employers that employ long-term unemployed people and/or unemployed people with disabilities).	No	Reduced rates for employees aged 16-18 (75%) and under 16 (50%).	Reduced rates (50% and 75%) for employees with disabilities.

Slovenia	No (there are reimbursements of employers' contributions to social funds for employers recruiting long-term unemployed people).	No	No	No
Spain	No (there are reductions of social contributions that are not linked to the minimum wage).	No	No	Reduced rate (66.7%) for apprentices and people with disabilities.
UK	No	No	Reduced rates for 16-21 year olds.	Reduced rate (85%) for adult workers for the first six months of employment (if they are new recruits and on an training scheme).

Source: EIRO.

More widespread are differences according to age and qualifications. The figures set out above (in table 1) are the full adult rates. However, nine countries apply lower rates to younger or less experienced workers. The countries with no age-based different rates are Cyprus, Estonia, Greece, Hungary, Latvia, Lithuania, Poland, Romania, Slovenia and Spain. The group of countries with differences based on age includes Belgium, the Czech Republic, France, Ireland, Malta, the Netherlands, Slovakia and the UK.

Brief details of these differences are provided in table 10 below. In France, Ireland, Malta and Slovakia, the full adult rates apply to all employees aged 18 and older, while there is one or more reduced rate that applies to all employees under 18 years of age. In Belgium, the full adult rates apply to all private sector employees aged 21 and older, while there are five lower rates for workers aged between 16 (younger workers also receive this rate) and 20. In addition, two higher rates exist for workers aged 21.5 and above with at least six months' service and workers aged 22.5 and above with at least 12 months' service. In the Czech Republic and the UK, the full adult rate applies to workers aged 22 and above. In addition, there are two further rates that apply to younger workers. In the Netherlands, the full adult rate applies to workers aged 23 and older, while there are eight reduced rates ranging from 30% for workers aged 15 to 85% for workers aged 22 ([NL0402102F](#)).

Table 10. National minimum wage - lower rates for younger and less experienced workers, 2004

Country	% of adult rate	Applicable to:
Belgium	94	Workers aged 20.
	88	Workers aged 19.
	82	Workers aged 18.
	76	Workers aged 17.
	70	Workers aged 16 and younger.
Czech Republic	90	Workers aged 19-21 in the first six months of employment.
	80	Workers aged 18 and younger.
Ireland	90	Workers aged under 18/workers aged over 18 and undergoing final third (lasting one month to one year) of a course of authorised training or study.
	80	Workers aged 18 and above in first year of employment/workers older than 18 and undergoing second third (lasting one month to one year) of a course of authorised training or study.

	75	Workers aged over 18 and undergoing first third (lasting one month to one year) of a course of authorised training or study.
	70	Workers aged 18 and over in second year of employment.
Latvia	Special hourly rate	Workers aged 15-18, who may only work up to 35 hours a week.
Malta	94.6	Workers aged 17.
	92.34	Workers aged under 17.
Netherlands	85	Workers aged 22.
	72.5	Workers aged 21.
	61.5	Workers aged 20.
	52.5	Workers aged 19.
	45.5	Workers aged 18.
	39.5	Workers aged 17.
	34.5	Workers aged 16.
Poland	90	Second year of employment.
	80	First year of employment.
Slovakia	75	Workers aged 16-18.
	50	Workers aged under 16.
United Kingdom	84.54	Development rate for workers aged 18-21 inclusive, plus workers aged 22 and above during first six months in a new job with a new employer and who are receiving accredited training.
	61.86	Workers aged 16 and 17, other than apprentices.

Source: EIRO.

Differences based on qualifications or occupation exist in the Czech Republic, Cyprus, France, Greece, Ireland, Latvia, Malta (only for sectoral minimum wages), Poland, Spain and the UK. The differentiations mainly take account of disabilities (as in the Czech Republic, France, Slovakia and Spain) or work experience (as in Cyprus, Greece, Ireland and Poland). In Greece, the minimum wage varies according to employees' length of service and marital status. In Ireland, reduced rates apply to employees over 18 in the first two years after they start work; reduced rates also apply to employees undergoing a prescribed course of study or training. In Poland, reduced rates apply to all employees who have worked less than two years, irrespective of age ([PL0211109F](#)). Less common are adjustments to specific working conditions. In France, minimum wage adjustments are possible for specific occupations as well as for employees in the hotel and catering industries. In Latvia, workers in high-risk jobs receive a higher minimum wage rate.

Wage subsidies for low-paid workers, including minimum wage earners, are applicable only in France and the Netherlands. Measures exempting low-wages from social security contributions have existed for a number of years in France and have been the subject of a number of amendments. In the Netherlands, employers can reduce their tax bill if they employ low-paid workers. Reductions in social contributions are also common in Bulgaria, Slovakia, Slovenia and Spain; these are, however, primarily linked to recruiting long-term unemployed people. The UK introduced a national minimum wage just as a tax-credit policy was being extended, at least to some extent in order to avoid the positive repercussions on labour supply expected from tax credits being cancelled out by a drop in wages at the bottom of the wage ladder (according to the [OECD](#))

In Germany, statutory minimum wages based on the Posted Workers Act are, as mentioned above, sector-specific. Moreover, regional differences exist between the old federal states (western Germany) and the new ones (eastern Germany) in all the branches concerned, except the roofing industry. In addition, the social partners are authorised to introduce more than one minimum wage rate for a specific sector. In 2003, they introduced a second minimum wage for more qualified workers in the main building industry, while in the painting and demolition/wrecking industries, the social partners have also introduced two minimum rates.

Adjustment

Statutory minimum wages are adjusted regularly by governments. The frequency of adjustment is annual in Belgium, Bulgaria (since 2000), the Czech Republic, Cyprus, Estonia, France, Hungary (though there was a freeze in 2003), Malta, Romania, Slovakia ([SK0411101N](#)), Slovenia and the UK

(in practice, since 2000). Adjustments are made twice a year in Greece and the Netherlands and, sometimes, in Poland and Spain. In the Netherlands, increases normally take place each 1 January and 1 July, but as part of a 2003 'social agreement' between the government and the social partners ([NL0310103F](#)), the legal minimum wage has been frozen at that year's level. Statutory minimum wages are adjusted regularly, but generally at intervals longer than one year, in Ireland, Latvia and Lithuania ([LT0410101N](#)). Since the minimum wage was introduced in Ireland in April 2000, increases have taken place approximately every 16 months. The Latvian government usually raises minimum wages every two years ([LV0307101N](#)), though since the mid-1990s there have been two cases of annual adjustment.

In most countries, the statutory minimum wage is set by the government after consultation with the social partners, as indicated in table 11 below. Looking first at the old EU Member States, in Belgium the national minimum wage (based on an intersectoral agreement and given legal force through a royal decree) may rise in one of two ways: either linked to increases in prices or based on an agreement between the social partners in the National Labour Council ([Conseil National du Travail/ Nationale Arbeidsraad](#)). In France, the minimum wage is adjusted by decree after the government has consulted with the social partners, with increases reflecting consumer prices, increases in manual workers' hourly wages and government policy. In Greece, all minimum wage increases are determined in the framework of National General Collective Agreements (signed by the social partners, usually every two years) ([GR0409102F](#)), with the government giving them legal force. In the Netherlands, the minimum wage is adjusted by the government, based on the development of collectively agreed pay. However, in the event of severely adverse economic developments, or a rise in unemployment or the number of employees with disabilities, the government can decide to abandon this mechanism temporarily, as is currently the case following a tripartite agreement in 2003 (see above). The Spanish government adjusts the national minimum wage based on consultations with the social partners, and on forecasts for inflation, productivity and the general economic situation.

In the UK, the government decides on minimum wage adjustments, based upon recommendations from the [Low Pay Commission](#) (LPC), which was established in July 1997 ([UK9711177F](#)) and granted permanent status in October 2001 ([UK0207102N](#)). The LPC is made up of a chair, three members from the business community, three from the trade unions and two independent academics. It monitors and evaluates the economic and social impact of the national minimum wage. In its recommendations to the government, the LPC takes the economic and social implications of any increase into account. It has usually recommended increases for a two-year period. In Ireland, minimum wage increases have been negotiated by the social partners at national level as part of the country's current series of social pacts ([IE0301209F](#)). There is currently no body such as the UK's Low Pay Commission - a National

Minimum Wage Commission, which was set up in 1998 ([IE9804246F](#)), played a major role only until the advent of the legal minimum wage in April 2000.

Among the new EU Member States, there is a special role in minimum wage-setting for tripartite councils; this is especially true in the central and eastern European countries. In these cases, the government decides on national minimum wage adjustments after reaching (or seeking) an agreement with the social partners. In the Czech Republic, Poland ([PL0410101F](#)) and Slovenia ([SI0405102F](#)), the decision is mainly linked to the expected development of consumer prices. Apart from Poland, in these countries other economic indicators play only a minor role. In Hungary, negotiations over minimum wage adjustments are integrated into the annual intersectoral pay bargaining round ([HU0501102N](#)). There is no accepted formula or automatic mechanism. The adjustment of statutory minimum wages in the two accession countries considered, Bulgaria and Romania, is mainly a matter for the government. Adjustments have usually been implemented unilaterally by the government in Bulgaria. In Romania, the government decides after consulting the social partners ([RO0407101N](#)). The level of the adjustment depends on the economic and social situation.

In Malta, increases in the national minimum wage are linked to changes in the cost of living, which is based on inflation over the previous 12 months. The government sets the wage in accordance with recommendations made by the [Employment Relations Board](#) (ERB). Apart from the national minimum wage, the government establishes sectoral minimum wages in agreement with the ERB. In Cyprus, the government adjusts the minimum wages for specific occupations on the basis of decisions made by the social partners; these take into consideration various factors, especially the 'cost of living allowance' through which wages are indexed, twice a year, to average consumer price inflation over the preceding six months. The percentage increase in the minimum wage that came into effect in April 2004 for the six occupations (see above) was decided on the basis of a previous decision aimed at gradually bringing the minimum wage up to 50% of the national median wage by 2008 ([CY0405101N](#)).

Table 11. Statutory minimum wage adjustment and enforcement

Country	Frequency of adjustments	Adjustment body	Adjustment criteria	Supervising institutions	Fines in case of non-compliance

Belgium	Annually.	Social partners.	Indexation (minimum wage rise is linked to 'health index' of prices).	Industrial tribunal or Federal Public Service Employment, Labour and Social Dialogue.	Yes.
Bulgaria	Regularly (no fixed period, but annually since 2000).	Government decree; usually implemented unilaterally by the government.	Economic and social situation.	No monitoring system.	No; paying wages lower than the minimum wage is a very common practice.
Czech Republic	Annually.	Government, after consulting the social partners.	Consumer prices index.	Public labour offices (of which there are 100).	If labour offices find shortcomings, the employer is fined and obliged to top up pay to the level of the minimum wage.
Cyprus	Annually.	Government in consultation with the social partners.	Various factors (especially consumer prices index).	Ministry of Labour and Social Insurance's Department of Labour Relations.	Yes; the amount depends on the number of days of non-compliance.

Estonia	Annually.	Government decree, based on a decision by the social partners.	Various factors - in particular forecast for consumer prices index, labour productivity and economic situation.	Labour inspectorate.	No penalties. If employer pays less than the minimum wage, the employee can demand the arrears with 0.5% interest, through labour inspectorate.
France	Annually.	Government decree, after consulting the social partners.	Development of prices index and basic hourly manual worker's wages.	Labour inspectorate, with various monitoring bodies.	Maximum fine of EUR 1,500 for each case of non-compliance.
Greece	Twice a year.	Government by law (different laws for private and public sector), based on national collective agreement.	Consumer prices index.	Labour inspectorate and labour courts can intervene in the event of complaint.	Employer has to pay any arrears with interest.
Hungary	Regularly	Government, after an agreement is concluded by tripartite council.	Negotiations are integrated into the annual intersectoral bargaining round.	Labour inspectorate.	Maximum is EUR 410 (single case) to EUR 24,500 (multiple cases).

Ireland	Every 16 months (in practice).	Government and social partners through social pacts; recently, Labour Court has a role.	Negotiated as part of national pacts.	Labour inspectorate	Fines and/or imprisonment.
Latvia	Irregularly, depending on political considerations (every 1-2 years).	Government, after consulting the social partners.	Pressure from social partners, budgetary considerations and minimum wage increase plan agreed by social partners and adopted by cabinet in 2003.	Labour and financial control institutions.	Courts rule on cases of non-compliance. Normally, employer must pay all unpaid wages.
Lithuania	Regularly.	Government, upon recommendation of tripartite council.	No specific criteria.	Labour inspectorate.	Employers paying less than the minimum wage are fined up to LTL 10,000 (EUR 2,896).
Malta	Annually.	Government, upon recommendations made by the Employment Relations Board.	National minimum wages increase linked to the cost of living index.	Government Department of Industrial and Employment Relations.	Penalties range between EUR 231 to EUR 2,313 in the second case of non-compliance.

Netherlands	Twice a year (frozen since 2003).	Government decision.	Development of collectively agreed wages.	Labour inspectorate.	No penalties; government stipulates that employers should not pay less than minimum.
Poland	Once or twice a year.	Tripartite commission, with reference to proposals and information presented by the government.	Forecast for consumer prices index and other economic indicators.	Labour inspectorate.	Yes.
Romania	Annually (since 2002)	Governmental decree, after consulting the social partners.	No formal criteria, though the government decides to adjust the minimum wage according to developments in the cost of living, consulting the social partners.	Labour inspectorate.	The amount varies between 3 and 6 months' gross minimum wages.

Slovakia	Annually.	Government, based on a decision made by social partners (tripartite agreement).	Relationship with average wage and subsistence minimum, plus whole economic situation.	Labour inspectorate; employee representatives at the workplace.	Up to SKK 1,000,000.
Slovenia	Annually.	Government, based on a decision made by social partners (tripartite agreement).	Expected inflation.	Labour inspectorate.	Up to SIT 500,000.
Spain	Once or twice a year.	Government, after consulting the social partners.	Forecasts for inflation, productivity, economic situation.	Labour inspectorate.	Yes.
UK	Annually (in practice, since 2000).	Government decision, based on recommendations by the Low Pay Commission.	Whole economic situation (taking into account economic and social implications).	Inland Revenue and employment tribunals or civil courts.	GBP 7.20 per day and worker; employer has to pay any arrears to employees.

Source: EIRO.

Collectively agreed minimum wages are adjusted annually in Austria, Denmark, Finland and Norway, and every two years in Italy, as shown in table 12 below. . In Sweden, the agreed minimum wages and their annual adjustment are set in three-yearly sectoral agreements at the same time as ordinary wages. In Germany, the picture is somewhat different. There are some branches, such as the chemicals industry, in which the social partners negotiate every year; however, there are others branches, such as the metalworking and electrical industry and the construction industry, in which the

social partners sometimes negotiate only once every two years. In such cases, the agreements adjust minimum wages on a staged basis.

The main criterion of adjustment in these cases is the expected inflation rate. In addition, trade unions usually try to include workers' contributions towards increases in productivity in Austria, Germany and Norway. In these countries, collective bargaining rounds are characterised by pilot agreements, with the lead usually taken by the metalworking (including electrical in the cases of Austria and Germany) industry. The development of profits plays only a minor role in determining agreed wage rises Germany.

Furthermore, it should be noted that the German Posted Workers Act (Arbeitnehmer-Entsendegesetz) grants the social partners an important role in setting minimum wages for the sectors concerned (see above), as they have to determine the branch-specific minimum wage. If agreement is reached between the social partners, the Minister of Economics and Labour declares the negotiated minimum wage generally binding. This means that all employers, including non-organised domestic and foreign employers acting as subcontractors, are obliged to pay at least the collectively agreed minimum wages.

Table 12. Adjustment and enforcement of collectively agreed minimum wages

Country	Frequency of adjustments	Criteria for adjustments	Supervising institution	Fines in case of non-compliance
Austria	Annually.	Pay increases influenced by bargaining outcomes in pattern-setting metalworking industry; increases vary with the sectoral power of trade unions.	No specific supervising institution; trade unions support employees when they appeal to the labour court over non-compliance with minimum rates of pay.	No, but employer has to refund any arrears.

Denmark	Annually.	No specific criteria used in bargaining.	Industrial court and trade unions.	Unions are allowed to take action against companies failing to pay, through boycotts.
Finland	Annually.	Specified in collective agreements, with no single criterion (such as inflation) used.	In conflicts between an individual employee and an employer, a trade union can take the case to the civil court on behalf of its members. Additionally, the unions provide legal assistance to members when they sue their employers.	Yes. Additionally, the employer has to refund the arrears.
Germany	Annually or every two years.	Productivity, inflation, profits.	No institution; but individual employees or unions can appeal to the labour court; with regard to statutory minimum wages based on Posted Workers Act (AEntG), customs	No, but employer has to refund any arrears; fines only exists for sectors affected by the AEntG.

			authority fights against illegal working including non-compliance with minimum wage.	
Italy	Every two years.	Expected inflation rate.	Labour tribunal.	Yes. Additionally, the employer has to refund the arrears.
Norway	Annually.	Metalworking industry is pattern-setting; wage increases are based on productivity and inflation.	Social partners, in particular trade unions, and labour court in case of conflict.	No. Employer has to pay the correct wages if agreement is found to have been breached.
Sweden	Annually.	Expected inflation rate, productivity growth (as for ordinary wage-setting).	Labour court.	No, but employer has to refund any arrears.

Source: EIRO.

Enforcement

All countries with statutory minimum wages, apart from Bulgaria and Greece, have monitoring organisations that oversee their enforcement. However, the specific institutions that are responsible for this task differ - see table 11 above. In most cases, labour inspectorates exist and play this role. In other countries, either industrial or employment tribunals (Belgium and the UK), or labour offices (the Czech Republic) or the relevant ministry (Cyprus and Malta) is responsible. These countries differ widely with regard to fines on employers for non-compliance. For instance, in Bulgaria, no fines exist

and the practice of paying wages lower than the minimum wage is very common, while in Hungary, at least formally, large legal penalties apply in the event of non-compliance. In general, the information with regard to fines is scarce. Examples include fines of GBP 7.20 per day and worker concerned in the UK, on top of any arrears to employees. In Lithuania, employers that pay less than the minimum wage may be fined to up to LTL 10,000 (EUR 2,896). In Hungary, the fine can be up to EUR 24,500 in cases of multiple violations.

In countries without a national statutory minimum wage, supervision is mainly delegated to trade unions or the social partners in general and industrial/labour tribunals or courts (Denmark, Finland, Italy, Norway and Sweden) - see table 12 above. In Germany, individual employees or trade unions can appeal to the labour court. Moreover, the customs authority fights against illegal working, which includes non-compliance with minimum wages that are based on the Posted Workers Act. The fines in the event of non-compliance differ. In some countries, fines and, normally, a duty to refund the arrears (Finland, Germany in certain sectors, and Italy) exist, in other countries there is simply a responsibility for employers to refund the arrears (Austria, Germany in most sectors and Sweden).

Views of government and social partners

In countries with statutory minimum wages, many governments reportedly regard such wages as an instrument of social protection (as in Bulgaria, Latvia, Lithuania, Malta, the Netherlands, Poland, Romania, Slovenia and Spain) or as a way to cover non-unionised workers paid low wages (as in Cyprus and Spain) - see table 13 below. Other important aspects include the goal of either refraining from state intervention (Greece, Hungary and Slovakia) or of using the minimum wage as an important tool in tripartite negotiations (Estonia). In the UK, the minimum wage is regarded as a means to promote fairness as well as efficiency, as it encourages employers to compete through high-quality products and services instead of through wage competition only. Positive effects that the British government expects from implementing a national minimum wage include the reduction of staff turnover and absence from work, as well as lower taxes as a result of reduced spending on in-work benefits.

In general, many trade unions regard the minimum wage as an effective means of combating poverty and low pay (in general and in terms of closing gender wage gaps). Other unions argue that minimum wages set at a low level reduces their significance as a means of protecting employees (eg in Belgium, Greece, Hungary, Ireland, Latvia, Malta, Romania, Slovenia and the UK). Some trade unions call for a rise in current minimum wages in either absolute or relative terms, especially in the new Member States and accession countries (eg in Bulgaria, the Czech Republic, Romania and Slovakia). This is

also true for some of the trade unions in France. Other trade unions, such as those in the UK, argue that the minimum wage should represent a living wage, ie not requiring additional state benefits to supplement it. One argument in favour of a rise in the minimum wage could be that, as argued by Irish unions, the minimum wage can boost employment, first by increasing the spending power of the low-paid and, second, by spurring employment growth in low-paid sectors through guaranteeing basic levels of pay. Other trade unions, such as those in the Netherlands, stress that the current level of the minimum wage has not had negative employment effects. However, some unions also acknowledge that current minimum wages are a 'blunt instrument' with regard to, for example, addressing gender inequality if women often work part time, as happens in France. Existing control mechanisms for monitoring the implementation of minimum wages have been particularly strongly criticised in Cyprus, where an extension of minimum wages to cover more types of jobs (eg cleaners, security guards) has also been suggested by trade unions.

British trade unions support the view that the adult minimum wage should be unified, in the sense that the adult rate should be applied to all employees who are 18 and older, and Belgian trade unions have criticised some of the existing age-related differences in their country with regard to age (and even demand a Europe-wide minimum wage). By contrast, trade unions in Hungary support a more differentiated minimum wage according to skills levels. A further interesting criticism, for example in Estonia, is that the annually agreed national minimum wage constrains the development of sectoral bargaining - which is currently almost non-existent - and both central trade unions and employers' organisations state that there is a need to develop sectoral agreements in the near future.

The responses of employers differ considerably in countries with statutory minimum wages. Most countries can be grouped either into: those where employers, more or less, support the existing minimum wage regulations; and those where they oppose the current regulations as they regard them, to varying degrees, as an obstacle to hiring because they increase labour costs. The former group consists of Hungary, Lithuania, the Netherlands, Poland, and Spain. The latter, larger group includes Belgium, Bulgaria, the Czech Republic, Estonia, France, Greece, Ireland, Malta and Slovenia. Employers in Latvia have mixed opinions on whether an increase in the minimum wage would, on the one hand, help to stop the emigration of workers and, on the other hand, affect competitiveness adversely. Employers in Romania propose a modest rise in minimum wages, conditional on social and profit taxes being reduced. Finally, quite a few employers' associations also call for a stronger differentiation of existing minimum wages with respect to skills, regions and/or sectoral differences. This is characteristic, for example, of employers in Estonia, Slovakia and the UK.

Table 13. Evaluation of minimum wage policy in countries with a statutory minimum wage

Country	Government	Trade unions	Employers	Academic debate
Belgium	No intervention or real evaluation.	Minimum wage is an effective instrument for combating poverty; argue for the repeal of age-based differences and demand a European minimum wage.	Minimum wage is an obstacle to the hiring of young people.	No national academic debate; no specific studies on gender equality aspects.
Bulgaria	Minimum wage is regarded as an instrument of social protection.	Seek a higher minimum wage level because (collectively agreed and individual negotiated) wages in different branches and enterprises are set at levels close to it.	Opposed to the current system because minimum wage leads to increased labour costs.	There appears to be an academic consensus that the minimum wage serves as a tool for (restrictive) centralised incomes policy/ economic stabilisation. Minimum wage paid widely in sectors with majority of female workers.

Czech Republic	Wish for gradual growth of minimum wage to ratios customary in EU states in order to increase employees' motivation and to prevent dependency on social benefits.	Demand a faster increase in minimum wage in order to improve work incentives. Level of minimum wage should rise relative to a subsistence minimum.	Seek gradual growth or stagnation of minimum wages in reaction to the sharp increase during 1999-2002.	Debate on the interaction between the minimum wage and the system of social protection (unemployment/poverty) and its effects on the employment rate and labour market flexibility. No debate on gender equality questions.
Cyprus	Aims to cover certain categories of non-unionised workers paid low wages.	Want to strengthen control mechanisms for monitoring the implementation of minimum wages; propose the inclusion of new occupations (eg cleaners, security guards).	The high level of union density has made minimum wages unnecessary. Minimum wages push collectively agreed wages upwards.	No debate on the impact of the minimum wage on employment and wage structure. Gender equality issues not academically discussed, but some positive effects reported of minimum wage on gender equality. No interactions of minimum wage with other systems of protecting the low-paid.

Estonia	Regards minimum wage as one of the most important topics in tripartite negotiations.	Minimum wage dampens the incentive to negotiate branch-level agreements. Minimum wage might lose its importance only when wage agreements at branch level become more important.	Different minimum wages should apply to less competitive groups in the labour market. Rate of minimum wage growth rate should not be higher than the growth rate of labour productivity in industry. Further increases could put employment at risk in some sectors and age groups.	An independent study of 'micro-data' indicates that 8% of workers in the sample had to accept wages lower than the minimum and also found that minimum wage increases lead to a fall in employment among the workers directly affected and to a rising proportion of workers with earnings below the legal minimum wage. Gender wage gap has been constantly high despite the minimum wage.
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France	Current government does not have a clear position - an official report will be produced by the end of 2005.	Some argue for a steep rise (to EUR 1,400 per month). Minimum wage does not enable an effective struggle to be waged against gender inequalities because woman often work part time.	Minimum wage is a hindrance to employment; argue for an independent commission to set the minimum wage.	Independent empirical studies have, it is reported, regularly failed to elucidate a detrimental impact of the minimum wage on employment. Women appear to be 'trapped' in part-time work, as minimum wage is not effective in giving access to full-time employment.
Greece	No direct state intervention during minimum pay bargaining.	Low level of minimum wage reduces its significance as a means of protection.	General policy of wage restraint needed to safeguard companies' competitiveness.	Only indirect references to issue. Minimum wage appears to protect women as they are concentrated in low-paid jobs.

<p>Hungary</p>	<p>Refrains from intervening in the bipartite negotiation of the minimum wage.</p>	<p>Minimum wage guarantees the subsistence minimum for those in employment. Demand to set different minimum wages for skilled, unskilled and white-collar workers.</p>	<p>Current practice is essentially accepted, in the main.</p>	<p>Strong criticism by many academics of large increases in minimum wages. One paper finds a significant reduction in small firm employment and the job-loss/job-finding probabilities of low-wage workers - low-wage segments of the economy appear to be particularly adversely affected.</p>
		<p>Minimum wage is a tool for combating low pay, reducing income inequality,</p>		<p>Academic studies find only modest numbers of employees receiving pay increases as a direct result of the introduction of the minimum wage (with strong sectoral differences, however). Most families gaining from the</p>

Ireland	Increases benefit low-paid workers, in particular part-time and younger workers.	redistribution of wealth. It can boost employment by increasing spending power of the low paid and spur employment growth in low-paid sectors through guaranteeing basic levels of pay.	Further increases would be detrimental, in particular to the small business sector.	minimum wage are in the middle-income distribution range, research indicates. Positive effects are reported with regard to workers' morale, productivity and staff turnover. The minimum wage has reduced the gender wage gap. Tax reform has been important for removing people on the minimum wage from the tax net.
Latvia	Minimum wage ensures higher living standards and increases tax revenues.	Minimum wage is an effective instrument for improving living conditions.	Increasing minimum wage helps to stop the emigration of the workforce, but high minimum wage levels also influence competitiveness negatively; no assessment of employment effects.	Hardly any academic debate on this issue. An assumed positive impact on gender equality is reported.

Lithuania	Minimum wage ensures certain living standards and induces higher tax revenues.	Current practice is acceptable. Sectoral agreements (non-existent at present) could set specific minimum rates.	Some small companies will not be able to pay an increased minimum wage. Current practice is acceptable.	No detailed research on this issue. The minimum wage is reportedly too low to improve gender equality with regard to pay and employment. Nonetheless, the existing minimum wage appears to contribute to protecting women.
Malta	Minimum wage reduces pay inequalities and poverty.	Accept current practice.	Criticise the method of indexation; increases should be linked to productivity gains (unions reject this proposal.)	There is a narrow gap between the minimum wage and social benefits and, therefore, the former acts as a disincentive to unemployed people to return to work. The minimum wage promotes gender equality and is intended to provide an incentive to join the labour market. An

				unwanted side-effect is, it is reported, a poor response by the unemployed to activation schemes provided by the Employment and Training Corporations.
Netherlands	<p>Guarantee employees a socially acceptable reward for the work performed. Consideration of introducing an hourly minimum wage to replace the existing monthly wage, which would result in a 10% decrease in income for many employees concerned. Proposals to create possibilities to pay long-term</p>	<p>No significant employment effects with the exemption of long-term unemployed without qualifications. Unions consider the minimum wage a basic right of employees and are more or less satisfied with the present arrangements. Redistributive effects are not an issue.</p>	<p>Like unions, employers consider employment effects not to be very important. Similar to unions, employers seem more or less satisfied with the present arrangements. Employers regard current government plans as inflexible.</p>	<p>According to one influential study, the relationship between the level of the minimum wage and employment appears to be weak. However, some studies find that decreasing the minimum wage for unskilled long-term unemployed people would increase employment. No independent research on minimum wage's effects on gender equality.</p>

	unemployed people less than 90% of the statutory minimum wage.			However, it is reported that there appear to be positive effects.
Poland	Sees a threat of a price and wage spiral; minimum wage has a long tradition as an instrument for fighting low wages.	Seek the introduction of a guaranteed minimum level of earnings per family.	Current practice is accepted in the main.	Hardly any academic debate on the issue. No gender equality aspects are discussed.
Romania	Minimum wage is an instrument of social protection.	Minimum wage is an instrument of social protection. Claim for a minimum wage level of 60% of average gross wages in order to prevent 'working poor' problems.	Propose a modest rise in minimum wages on condition that social taxes and taxes on profits are reduced.	Debate on issue exists, especially with regard to strong emigration to other countries due to very low (minimum) wage level; apparently no debates on gender equality issues and interactions with other ways of protecting the low-paid.

Slovakia	Sees the determination of minimum wages as a matter to be negotiated by the social partners.	Demand a minimum wage level of 60% of the average wage.	Oppose the minimum wage because it prevents them from creating new jobs. Seek regional and branch differences.	No special studies exist with regard to the effects of the minimum wage on employment and wage structure. Influence of the minimum wage is mainly in small companies without a collective agreement. Positive effects on gender equality are reported.
Slovenia	Minimum wage has positive influence on reducing inequalities in income redistribution and prevention of poverty.	Minimum wage is regarded as an effective instrument of social protection for the lowest-paid workers (also recognised by employers) but should be based on the needs of employees and their families.	Increases in minimum wage endanger jobs in labour-intensive sectors.	National minimum wage does not appear to have negative effects on job creation and job preservation. No data are available with respect to gender aspects. However, the national minimum wage improves gender equality among the worst-paid employees.

Spain	Aims to guarantee a minimum income for all employees irrespective of membership of a trade union or of their employer belonging to an employers' association.	Not an effective redistribution tool because more than 20% of the population fails to achieve an annual income equivalent to the minimum wage, due to the great number of temporary and seasonal jobs.	Minimum wage has no significant impact on employment because it is relatively low.	Hardly any academic debate in recent years, though according to independent research it appears that the minimum wage has been so low (ES0209202N) that it has no employment effects. There is no debate on gender equality with regard to the issue or on other interactions.
UK	Minimum wage encourages employers to compete through high-quality products and services, reduces staff turnover and absence and limits spending on in-work benefits.	Confirm government's estimations. Adult rate should be applied to all employees who are 18 and older. Some unions argue that the minimum wage should represent a living wage.	Call for a regionalisation of minimum wage; see a danger of future job losses.	Low Pay Commission: minimum wage has little significant impact on employment. Minimum wage is an instrument for closing gender pay gap. There appear to be no interactions with other systems of protection for the low-paid.

Source: EIRO.

The positions of government on minimum wages differ widely among those countries without a national statutory minimum wage - see table 14 below. While there are no debates on the issue in Denmark, Italy and Sweden, the Austrian government has proposed a statutory monthly minimum wage of EUR 1,000 for full-time workers ([AT0303202F](#)). By contrast, the Finnish government sees no need for setting a statutory minimum wage. Norway is currently debating statutory minimum wages in order to prevent the influx of a large number of low-paid workers from the new EU Member States in eastern Europe ([NO0411103F](#) and [NO0405105F](#)). Germany is currently discussing the extension of the Posted Workers Act to include other sectors in order to fight 'wage dumping' involving foreign workers, especially those from new EU Member States (a decision on this issue will be taken by the new federal government to be elected in September 2005).

It is interesting to note that a similar variety of positions exists among the social partners. There is no debate on this issue at all among unions and employers' organisations in Sweden (which is also true for the government). In Denmark, the social partners support, as the government does, the existing situation. In Austria, neither trade unions nor employers call for a statutory minimum wage as both social partners regard as sufficient the high coverage rates of collective agreements reached through free collective bargaining. Similarly, neither the Finnish government nor the social partners demand a statutory minimum wage, although employers call for the possibility of deviating from collectively agreed minimum wages. In Italy, employers call for a regional differentiation of collectively agreed minimum wages between North and South, but trade unions reject this proposal. In Germany, trade unions support current government proposals to extend the Posted Workers Act to other economic sectors, while employers oppose this move and would prefer to stick to current regulations.

Table 14. Evaluation of minimum wage policy in countries without a statutory minimum wage

Country	Government	Trade unions	Employers	Academic debate

Austria	Proposes a statutory minimum wage of pay of EUR 1,000 per month (full-time worker).	Do not call for a statutory minimum wage. The high coverage rate of collective agreements justifies the current procedure of free collective pay bargaining.	In agreement with trade unions' view.	No debate on general issue. Gender equality affected positively by minimum wages in some sectors. No interaction of minimum wage with other systems of protecting pay at the bottom of the labour market.
Denmark	Supports existing situation.	Support existing situation.	Support existing situation.	No debate on general issue. Gender equality affected positively to a small extent by sectoral minima. With regard to interaction with other systems of protecting pay at the bottom of the labour market, in 2005 the public sector introduced a lower starting wage for immigrants undergoing training.

Finland	No proposal for setting a statutory minimum wage.	No demands for a statutory minimum wage.	No demands for a statutory minimum wage. Call for possibility to deviate from collectively agreed minimum wages.	No debate.
Germany	Extending the Posted Workers Act to further branches is proposed in order to fight 'wage dumping' by foreign workers (especially those from east European countries).	Support government proposals to extend the Posted Workers Act.	Are mainly content with current procedures; opposed to efforts of some politicians and unions to extend the Posted Workers Act to further branches.	Controversial debate about the government proposal to extend the Posted Workers Act to further branches. Some research bodies call for a tax credit to prevent 'working poor' instead of implementing additional statutory minimum wages. No statutory minimum wage in sectors with a large number of female employees. No direct interactions between the few sectoral statutory minimum wages

				and training measures or wage subsidies.
Italy	No debate	Reject employers' proposal for regional differentiation (see 'employers' column).	Call for a regional differentiation of collectively agreed minimum wages (between North and South).	Some researchers propose a statutory minimum wage in order to protect the 'working poor' . A statutory minimum wage should be combined with wage subsidies. Marked gender-based wage differentiation persists.
Norway	Issue not raised - government tends to believe that existing measures (limited form of extension procedure and regulations regarding work permits) are sufficient in respect of 'cheap' workers from eastern European EU Member States.	Statutory minimum wage is not seen as a suitable solution to the problem of social dumping; unions prefer extension mechanisms.	Discussion of statutory minimum wage, connected with current debate on how to handle low-paid employees from new EU Member States.	No debate.

Sweden	No debate specifically on minimum wages. No demands for a statutory minimum wage.	No demands for a statutory minimum wage.	No demands for a statutory minimum wage.	No proposals to establish a statutory minimum wage.
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Source: EIRO.

Academic debate

The national evidence seems to confirm that current minimum wages are not regarded as a major obstacle to employment in most of the countries analysed here. However, it is often argued - for example by the [Organisation for Economic Cooperation and Development](#) (OECD) - that, while available cross-country evidence suggests that statutory minimum wages, at the levels at which they are currently set in OECD countries, do not have major perverse effects on aggregate employment, a high statutory minimum wage undermines the employment prospects of disadvantaged groups: 'For these groups, the most effective solution in terms of employability would therefore be to lower the minimum wage. But this could reduce the attractiveness of work compared to welfare receipt for some groups (for example, young people). A second-best solution would be to offer employers a reduction in non-wage labour cost for those employed at or around the minimum wage. That is, a high minimum wage appears to call for policies that support labour demand' (OECD [Employment Outlook](#) 2003). In other words, 'tax-credit schemes and employer subsidies pose questions about the minimum wage and the level at which it should be set'. For example, as a high minimum wage compresses the wage distribution at the bottom of the wage ladder, it may be very expensive to introduce broad in-work benefits since the targeted low-wage earners may represent a relatively large proportion of those in employment. Additionally, a minimum wage may also have the effect of pushing up other wage rates that are above the minimum wage, or have a knock-on effect by influencing pay rates in areas not covered by the minimum wage - that is, effects on the structure of wages and employment.

In the countries with a statutory minimum wage, national academic debate and evidence on these issues - employment and the wage structure effects of minimum wages and interactions with other systems of protecting the low-paid - is quite sparse (see table 13 above). In quite a few of these countries - such as Belgium, Cyprus, Greece, Latvia, Lithuania, Poland, Slovakia and Spain - the existence of the minimum wage and its effects is not currently a major issue of debate. Where national

information exists, this often tends to oppose the argument that wage floors set by minimum wages have a noteworthy negative effect on employment (as in France, Slovenia, Spain and the UK). However, in a few countries negative effects of strong increases in minimum wages are acknowledged as well (as in Estonia, Hungary and Malta). Studies in the Netherlands show mixed results. Examples of national information on this issue include the following:

- in Bulgaria, there appears to be an academic consensus that the minimum wage serves as a tool for (restrictive) centralised incomes policy/economic stabilisation. Employers are encouraged by law to provide training to workers on the minimum wage;
- in Estonia, an independent study of 'micro-data' found that 8% of workers in the sample had to accept wages lower than the minimum, despite the fact that the minimum wage is compulsory for all workers without exception (the lower the sectoral average wage, the higher the proportion of workers receiving below the minimum rate). The study also found that minimum wage increases lead to a fall in employment among the workers directly affected and to a rising proportion of workers with earnings below the legal minimum wage;
- in France, independent empirical studies have, it is reported, regularly failed to find that the SMIC minimum wage has a detrimental impact on employment;
- in Hungary, one study finds a significant reduction in employment in small firms and the job-loss/job-finding probabilities of low-wage workers. Low-wage segments of the economy appear to be particularly adversely affected;
- despite the introduction of a national minimum wage in April 2000, unemployment subsequently dropped sharply in Ireland. Research has found that only a modest number of employees had a pay increase as a direct result of the introduction of a minimum wage (there were strong sectoral differences, however). Most families gaining from the minimum wage are in the middle-income distribution range, research indicates. Positive effects were reported by about 3% to 12% of employees surveyed with regard to workers' morale, productivity increases and lower staff turnover;
- in Malta, the minimum wage narrows the gap between the lowest legal wage and social benefits. It therefore acts as a disincentive to unemployed people to return to work;
- in the Netherlands, according to one influential study, the relationship between the level of the minimum wage and employment appears to be weak. However, some studies find that decreasing the minimum wage for unskilled long-term unemployed persons would increase employment; and
- in Romania, a debate exists especially as a result of large-scale emigration of citizens to other countries due to very low (minimum) wage levels.

It is reported from several countries that there are no major interactions between minimum wages and

other systems of protecting pay at the bottom of the labour market (such as training or wage subsidies). These countries include Belgium, Cyprus, Estonia, Greece, Lithuania and the UK (though the OECD highlights this interaction).

Some countries do report interaction of the minimum wage with other systems of protection of low-paid workers, including Bulgaria, the Czech Republic, Ireland, Latvia, Malta, the Netherlands and Slovakia. In Bulgaria, for example, employers are encouraged, by law, to provide training to workers on the minimum wage. Regarding interactions with other governmental programmes, tax reform has been important for removing people on the minimum wage from the tax net in Ireland. In Malta, an unwanted side-effect of the minimum wage is reported to be a poor response among unemployed people to activation schemes provided by the Employment and Training Corporations. In the Netherlands, interactions exist between the minimum wage and other forms of protecting the low-paid, as certain wage subsidies or tax grants are granted only to those employees earning the minimum wage or slightly above it. In Slovakia, the minimum wage serves as a 'substitute' in the absence of collective agreements in certain enterprises. In Slovenia, the minimum wage is regarded as compatible with other measures (eg training and increasing the number of enrolled pupils and students) aimed at fighting poverty and social exclusion. No information is available on the interaction with other protection systems at the bottom of the labour market in Hungary, Poland and Romania.

Most countries report that the minimum wage has undoubtedly been important for raising income levels among female workers and facilitating a reduction in the gender wage gap. These countries include, in particular, Bulgaria, Cyprus, Greece, Ireland, Malta, the Netherlands, Slovakia, Slovenia, the UK and, to a lesser extent, Lithuania. In France, women appear to be 'trapped' in part-time work, as the minimum wage is not effective in giving access to full-time employment. This highlights problems of low-wage traps. There are no or hardly any academic debates on such gender equality questions in the Czech Republic, Hungary, Latvia (where women and men appear to be employed to a similar degree on minimum wages), Poland, Romania, Slovenia and Spain.

Academic debate on core minimum wage issues in those countries without a national statutory minimum wage is mainly limited to Germany and Italy - see table 14 above. While some academic studies in Italy support a statutory minimum wage in order to protect the 'working poor', in Germany a controversial debate about proposals made by the government to extend the Posted Workers Act to other economic sectors has been going on for some time. Moreover, some research bodies call for a tax credit to prevent 'working poor' problems, instead of introducing additional statutory minimum wages.

Gender equality appears to be positively affected by existing collectively agreed minimum wages,

particularly in Austria, Finland and Norway. It should be noted, however, that in Austria the redistributive effects for women appear to be very modest, though it is reported that without any minimum wage regulations gender-specific pay inequality might be even greater. Direct interactions of agreed minimum wages with other systems of protecting pay at the bottom of the labour market appear not to play an important role in these countries. However, proposals exist in Italy to combine a statutory minimum wage with wage subsidies, while Denmark has recently introduced lower starting wages for immigrant workers in the public sector undergoing training ([DK0503101N](#)).

Finally, there has been a recent initiative calling for a Europe-wide minimum wage. In April 2005, researchers from Germany, France and Switzerland presented 'theses for a European minimum wage policy', according to which every country in Europe should guarantee a national minimum wage that corresponds to 60% of the average national wage ([DE0505203N](#)).

Commentary

The minimum wage is a controversial issue. Its proponents argue that it is an instrument for protecting low paid incomes; its opponents argue that it may price low-skilled workers out of jobs, and that many of those typically affected by the minimum wage do not live in poor households. Despite some criticisms, the majority of EU countries have statutory minimum wages in addition to collectively agreed wages; the latter also provide a minimum wage floor. It is noteworthy that statutory minimum wages are calculated carefully in most countries covered this study. As a proportion of the average monthly gross earnings, the minimum wage ranges from 29% to 51% and, in a majority of countries, the minimum wage is less than 45%. In the light of collectively agreed wages in low-paid sectors in those countries without a national statutory minimum wage, which usually represent 45% or more of the average wage, the ratio in countries with a minimum wage does not seem to be very high. In other words, countries with a collective bargaining-based minimum wage system tend to set relatively high minimum rates, compared with many national statutory systems. It would be interesting to see in future research how this interacts with employment opportunities. Even if national evidence in several countries appears to demonstrate that no noteworthy negative employment effects exist - even in the case of relatively high minimum wages - one should not jump to conclusions that statutory minimum wages have no adverse employment effects. This is simply because a comparison of observed employment levels at two points of time has led some academic studies to conclude that minimum wages have had no adverse employment effects. However, this simple before/after comparison is not the correct one if labour demand has shifted (due to strong economic growth, for example). In other words, in a growing economy, the expected effect of a one-off increase in the minimum wage is to reduce the rate of growth of employment (and not to result in a lower level of persons working at the

new minimum wage compared to the former minimum). However, a lower growth of employment will also have a detrimental effect on certain groups in society and the argument that minimum wages have had no adverse employment effects may well not be as valid as is sometimes claimed.

Furthermore, information on the redistributive effectiveness of a minimum wage is rather sparse. The percentage of employees with earnings at the minimum wage level is markedly different between countries. There are some countries in which the percentage of beneficiaries ranges from 1% to 5% only. This reflects the fact that most employees are covered by collectively agreed or individually negotiated wages that are higher than the legal minimum. However, there are higher rates of coverage by the minimum wage if we look at specific sectors. The statutory minimum wage often protects workers in low-paid sectors like agriculture, textiles/clothing, retail, hotels/restaurants as well as some personal services. As female workers are over-represented in some of these industries, the statutory minimum wage tends primarily to protect women. Taking this into account, we can conclude that the minimum wage may be regarded as a rather effective instrument for reducing gender wage gaps, as is acknowledged in many countries in this study (even though gender wage gaps have certainly not disappeared for other reasons) ([TN0503103U](#)).

Whether the minimum wage protects low-skilled workers effectively is, however, much less clear. On the one hand, it guarantees minimum earnings. On the other hand, we can see that some countries differentiate the statutory minimum wage according to age and qualifications. There are eight countries with reduced rates for younger or less-experienced workers. This reflects the danger that a minimum wage may price low-skilled workers out of jobs. A minimum that is not calculated carefully is an obstacle to combating youth unemployment, which is a huge problem in most countries analysed in this study.

Finally, quite a few recent studies raise questions about the effectiveness of the minimum wage as an anti-poverty tool by demonstrating that the main beneficiaries of the minimum wage are employees in better-off households. Therefore, more research is needed in this respect as it is reported from the countries covered here that studies which analyse interactions of the minimum wage with other systems of protecting the low paid or poor people appear to be rare. (Lothar Funk and Hagen Lesch, Cologne Institute for Economic Research, IW)

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