

# EUROPEAN MINIMUM WAGE PROPOSAL: WHAT DOES IT MEAN?

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## About EUROPEUM

EUROPEUM Institute for European Policy is a non-profit, non-partisan, and independent think-tank focusing on European integration and cohesion. EUROPEUM contributes to democracy, security, stability, freedom, and solidarity across Europe as well as to active engagement of the Czech Republic in the European Union. EUROPEUM undertakes original research, organizes public events and educational activities, and formulates new ideas and recommendations to improve European and Czech policy making.



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Ensuring that workers in the Union earn adequate minimum wages is essential to guarantee adequate working and living conditions, as well as to build fair and resilient societies as set out by Principle 6 of the European Pillar of Social Rights.<sup>1</sup>

The European Commission adopted a proposal for a Directive on adequate minimum wages on 28 October 2020 to promoting collective bargaining on wages and improving the enforcement and monitoring of the minimum wage protection established in each country.<sup>2</sup>

Member States with statutory minimum wages will have to put in place the conditions for statutory minimum wages to be set at adequate levels: clear and stable criteria for minimum wage setting, indicative reference values to guide the assessment of adequacy, regular and timely updates of minimum wages, and the establishment of consultative bodies to advise the competent authorities ensuring the effective involvement of social partners in statutory minimum wage setting and updating.<sup>3</sup>

While the agreement has been mostly seen as a positive step for a more social Europe and workers, many show their concerns about the concrete effects of this Directive. Does it impose a statutory minimum wage in each Member State, or sets a minimum threshold that would raise minimum wages?

With the economic-social crisis from the pandemic and recently with the war, which brought a high inflation, without wages following that trend, most people struggle, especially the low wage workers. This context was the ideal to put forward a legislation reinforcing the Europe's Social Pillar. However, this proposal is not to create the same European minimum wage all over EU, rather it sets how

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<sup>1</sup> <https://ec.europa.eu/social/main.jsp?catId=1539&langId=en>

<sup>2</sup> [Adequate minimum wages in the EU - Employment, Social Affairs & Inclusion - European Commission \(europa.eu\)](https://ec.europa.eu/social/main.jsp?catId=1539&langId=en)

<sup>3</sup> <https://ec.europa.eu/social/main.jsp?catId=1539&langId=en>

statutory minimum wage should be in EU countries that have a statutory minimum wage.<sup>4</sup>

For example, Denmark, Italy, Austria, Finland, and Sweden do not have statutory minimum wage and are not forced to introduce the Directive provisions, wages are indeed set exclusively through collective bargaining and thus do not have a statutory minimum wage. Central and Eastern countries, in particular Hungary, were also finding the Directive to trample on their national sovereignty and would have preferred the issue to be left entirely up to the Member States. For others though, such as France, Luxembourg, Belgium, Italy and Spain, the Directive was seen as an opportunity to accelerate wage convergence in the EU. For example, the statutory minimum wage in Luxembourg is about 7 times higher than the one in Bulgaria, and about 3 times higher when we consider national prices.<sup>5</sup>

However, the ones that have it, need to ensure at least it that the minimum wage corresponds to 60% of the countries median wage or 50% of the average wage. Indeed, most countries are below these thresholds, so it can be possible an increase in raises in minimum wages; however, the EU does not have the competence to impose Member-States to set a specific minimum wage. In practice, Member-States must have a framework that allows them to see if it is still adequate and the threshold defined in the directive provides good support to labour unions' fight for a higher minimum wage. In addition, the directive hopes to have strengthen collective bargaining in the EU, when trade unions and business associations negotiate and together determine the working conditions in a certain sector with the idea to guarantee some level of protection to the employees covered by bargaining agreements.<sup>6</sup>

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<sup>4</sup> <https://institutdelors.eu/en/publications/one-step-closer-to-adequate-minimum-wages-in-the-eu/>

<sup>5</sup> <https://institutdelors.eu/en/publications/one-step-closer-to-adequate-minimum-wages-in-the-eu/>

<sup>6</sup> <https://www.euractiv.com/section/economy-jobs/news/eu-minimum-wage-directive-gets-final-stamp-of-approval/>

The response to this EU initiative had a different reaction across EU. Some countries were very sceptical, like Danish and Swedish government, who had long resisted the directive as they have a labour system without much state intervention, where trade unions and business associations negotiate everything on their own seemingly to great success.<sup>7</sup>

The previous Council Presidencies tried to push for this initiative. During the German Presidency, the Council adopted a decision on guidelines for the employment policies affirmed that Member States should ensure proper involvement of social partners, provide for fair wages that enable a decent living, and workers should have fair wages and benefit from collective agreements or adequate statutory minimum wages.<sup>8</sup> During the Portuguese Presidency, the Porto social committee gave birth to an agreement on continuing deepening implementation of the European pillar of social rights at EU and national level. The French Presidency continued this work, as the minimum wage proposal was a high priority.<sup>9</sup> But, only during the Czech Presidency the directive was adopted on 4 October 2022.<sup>10</sup> In fact, the directive needed to be adopted rapidly, otherwise it would be more challenging, with the Swedish Presidency being a well-known opponent against it.<sup>11</sup>

The Council managed to adopt the Directive, while Denmark and Sweden voted against, Hungary abstained, and several explanatory statements were made, specifying how Member States intend to interpret the text. Though in some of these countries the effect of the Directive will very limited, nothing in this directive that is posing an obligation on Sweden and Denmark to introduce a statutory

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<sup>7</sup> [Nordics split as EU minimum wage proposal delayed — Nordic Labour Journal](#)

<sup>8</sup> October 2020

<sup>9</sup> <https://www.euractiv.com/section/economy-jobs/news/france-ready-to-pick-up-the-baton-on-eu-minimum-wage-proposal/>

<sup>10</sup> [Council adopts EU law on adequate minimum wages - Consilium \(europa.eu\)](#)

<sup>11</sup> [Nordics split as EU minimum wage proposal delayed — Nordic Labour Journal](#)

minimum wage.<sup>12</sup> However, they fear that the text will allow a future EU Commission or the EU Court of Justice to impose obligations on Denmark and Sweden based on this directive.<sup>13</sup> The final act was published in the Official Journal of the European Union on 25 October and Member States have two years, until 15 November 2024, to comply with the new rules.<sup>14</sup>

In conclusion, this Directive *can* be a start for improving working conditions, but the EU can only do as far as its competences allows, and that is very far from including the possibility of dictating each country's salaries.

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<sup>12</sup> [https://www.europarl.europa.eu/RegData/etudes/BRIE/2022/733535/EPRS\\_BRI\(2022\)733535\\_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/BRIE/2022/733535/EPRS_BRI(2022)733535_EN.pdf)

<sup>13</sup> <https://www.euractiv.com/section/economy-jobs/news/eu-minimum-wage-directive-gets-final-stamp-of-approval/>