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Industrial relations and social dialogue

Minimum wages in 2021: Annual review

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Eurofound

European Foundation for the Improvement of Living and Working Conditions

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Country codes

AT	Austria	**FI**	Finland	**NL**	Netherlands
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CY	Cyprus	**HU**	Hungary	**RO**	Romania
CZ	Czechia	**IE**	Ireland	**SE**	Sweden
DE	Germany	**IT**	Italy	**SI**	Slovenia
DK	Denmark	**LU**	Luxembourg	**SK**	Slovakia
EE	Estonia	**LT**	Lithuania		
EL	Greece	**LV**	Latvia	**NO**	Norway
ES	Spain	**MT**	Malta	**UK**	United Kingdom

Executive summary

Introduction

The year 2020 was a difficult one for low-paid workers, including those on the minimum wage, as they were most affected by the loss of employment and reduced working hours and subsequent income loss due to the coronavirus disease 2019 (COVID-19) pandemic. The pandemic presented exceptional challenges for national decision-makers – governments and social partners, supported by experts – setting the new minimum wage rates for 2021. In most Member States, income-support and company-support schemes were quickly put in place, often on a large scale. The current EU initiative on minimum wages supports the view that adequate minimum wages can limit the fall in income in an economic downturn, help stabilise domestic demand and ensure that workers have access to employment opportunities, all of which are essential to support a sustainable and inclusive recovery.

Policy context

In 2019, European Commission President Ursula von der Leyen announced a legal proposal to ensure that every worker in the EU has access to a minimum wage that provides for a decent living, wherever they work. Following a two-stage consultation with the social partners, the Commission presented a proposal for a directive on adequate minimum wages in October 2020. It aims to establish a framework for countries on how to set minimum wages that are adequate, but it does not set or prescribe specific minimum wage rates.

According to the proposed directive, Member States with statutory minimum wages should at least take into account the purchasing power of minimum wages, along with the level, distribution and growth of gross wages and developments in labour productivity when updating or setting minimum wage rates. The Member States are also asked to use indicative reference values to guide their assessment of minimum wage adequacy, such as those commonly used at international level. Two possible values are mentioned as examples in the proposed directive: 50% of the average and 60% of the median gross wage. The involvement of the social partners in setting and updating statutory minimum wages is a key element of the proposal. It also requires Member States with collective bargaining coverage below 70% to develop action plans with the aim of promoting collective bargaining.

Key findings

- Minimum wages were raised cautiously in most Member States from 2020 to 2021, with the median country recording an increase of 3% (in national currencies). Some Member States expressly held to previously announced commitments (Bulgaria, Croatia, Latvia, Portugal and Slovenia). Only a few Member States decided to freeze the level of their minimum wage into 2021, including (at the time of writing) Belgium, Estonia, Greece and Spain, as well as Cyprus for the occupational rates.
- Crisis-related adaptations of minimum wage regulations were few and were confined to the postponement of procedures (Greece and Poland), the renunciation of a legislative target (Slovakia) or opting to review decisions based on the availability of further data (Lithuania).
- In countries without statutory minimum wages (Austria, Denmark, Finland, Italy, Sweden and Norway) – depending on the timing of the bargaining rounds – collective bargaining was somewhat affected, and some renewals or pay increases were postponed. Wage increases were moderate, but bargaining overall proved reasonably stable in these countries.
- When asked about the main challenge they faced during the 2020 round of minimum wage setting, national decision-makers interviewed for this study most often referred to the general economic uncertainty surrounding the pandemic. Where forecasts could be made, they were more uncertain or volatile than usual. The move to virtual working practices did not prove too difficult for most, but there is a preference among negotiators for the return to face-to-face meetings.
- In 2020, employment loss for women was concentrated within occupations with higher shares of minimum wage workers.
- COVID-19-related income-support schemes were particularly important for low-paid workers, as these workers tended to be more affected by lockdown measures or reduced working hours than others. The generosity of these schemes varied. Only some countries limited the loss of earnings by introducing floors below which workers' incomes could not fall. When on short-time working schemes, workers in Estonia, France, Greece, Luxembourg, Portugal and Slovenia were at least guaranteed the minimum wage.

- The positions of the social partners on the proposed EU minimum wage directive remain unchanged. In general, employer organisations, including their EU-level representations, are most critical of the initiative and prefer a non-binding recommendation, but some can see value in clear and transparent criteria. Most trade unions are in favour of the initiative but would like to see it go further. Governments' positions are mixed, with the greatest resistance coming from Denmark and Sweden.
- The points of the proposed directive assessed most critically relate to the requirement for Member States to establish action plans when collective bargaining coverage is below 70% (Article 4) and the criteria for guiding countries' assessment of adequacy (Article 5). Trade unions from several central and eastern European Member States (where the degree of organisation is low and collective bargaining is limited) are particularly doubtful that a move towards 70% coverage can be achieved without the prior elimination of several obstacles. Overall, unions disagree with including labour productivity in the criteria to guide statutory minimum wage setting.
- In 2018, 23% of minimum wage earners in the EU reported difficulties or great difficulties in making ends meet, compared to 11.5% among the rest of employees. A total of 16% of minimum wage earners lived in materially deprived households, compared to 6% among the rest of employees.

Policy pointers

- Periods of crisis – such as the Great Recession and the COVID-19 pandemic – affect lower-paid and minimum wage workers more than other groups. It is especially important for low-paid workers that income-support schemes contain floors, below which their income cannot fall.
- Debates about the adequacy of minimum wages should not be limited to discussing the level of minimum wages in relation to other wages. Discussions on indicative thresholds (for instance, 60% of median wages or 50% of average wages) can quickly end up in technical discussions on measurements and data sources without addressing the real issue: whether low-paid workers who are earning the minimum wage are able to afford a decent standard of living that includes the ability to provide for dependants.
- When entering into debates on how to define adequacy, policymakers should consider additional indicators of adequacy, including subjectively reported ones (for example, being able to make ends meet) and objective ones (such as material deprivation) to identify the extent to which basic goods and services are or are not affordable for those earning the minimum wage.

Introduction

Minimum wage setting is never an easy task, but it is an even more daunting exercise in a time of crisis. The COVID-19 pandemic has hit economies and labour markets worldwide: suddenly, severely and almost simultaneously. Some sectors and workers, however, have been much more affected than others by the crisis. EU-wide research on the impact of the COVID-19 pandemic on low-paid and minimum wage workers is still limited, in part because comparative wage data are only available with a time lag, but it is undisputable that low-paid workers have been particularly hard hit.

Eurofound estimates that workers in the lowest job–wage quintile experienced the greatest loss of employment: between the second quarter of 2019 and the second quarter of 2020, nearly four million jobs were lost by workers in the lowest-paid 20% of jobs. This is different from the last economic crisis, when, between 2008 and 2010, workers in the lowest job–wage quintile were much less affected by job loss (Eurofound, 2021a, p. 15). A recent International Labour Organization (ILO) report also shows that lower-paid workers in the EU27 and the UK lost more working hours during the pandemic than higher-paid managers and professionals (ILO, 2020). Eurostat (2020) estimates that the highest decrease in employment due to job losses took place among temporary workers and the youngest employment cohort.[1] The youngest workers (aged 16 to 24) experienced income losses that were more than two times greater than workers aged 25 to 65. According to the same advance estimates, the income loss of workers in the lowest three earning deciles is three to six times higher than for workers in the highest income groups. Job-retention policies (such as short-time working or wage compensation schemes), which aim to preserve jobs by saving labour costs and cutting working hours, mitigated some but not all aspects of income loss. In Eurofound's *Living, working and COVID-19* e-survey, 22% of respondents reported that their household had difficulties making ends meet. The numbers reporting difficulties making ends meet were highest among unemployed respondents, which, in July 2020, were double those of working households. In addition, there is already some limited evidence from national research of the pandemic's greater impact on low-wage workers, which will be presented in this report.

There has been increasing empirical support over the years for the argument that minimum wage increases do not harm employment significantly or substantially (for example, Manning, 2021 and Dube, 2019), although this is disputed by others (such as Neumark and Shirley, 2021). However, the question of whether this holds true in times of economic recession has not been researched as widely. One study, based on a panel of 33 OECD countries between 1971 and 2009, showed that while adult employment was not significantly affected by minimum wage increases in recessions, youth employment and employment of those on the margins of work were (Dolton et al, 2012). A recent US study estimated that binding minimum wage increases during the Great Recession (2007–2009) had an impact on low-skilled worker employment (Clemens and Wither, 2019). A Japanese study suggested that recessions can exacerbate the employment effect of minimum wages, as negative demand shocks decrease firms' marginal product of labour and exert pressure on employment (Okudaira et al, 2019), while a Portuguese study found that firms that were already in financial distress were more impacted by minimum wage increases (Alexandre et al, 2020). In contrast, another recent cross-country study, also based on panel data from 19 OECD countries for low-skilled workers (1997–2013) and young workers (1983–2013), found no significant evidence for adverse effects of minimum wages in recessions (Sturn, 2018).

The COVID-19-related crisis, however, is different from other economic downturns, as it has affected some economic activities – those with close social contact and limited possibility for teleworking – so much more than others. Some sectors, on the other hand, saw great increases in demand for their products and services and an increased work intensity. What role wage and remuneration policies in relation to other income-support measures can and must play in this context – in terms of stabilising incomes, consumer demand and rewarding workers – is an important question.

A report from the UK suggests that the reduction in employment of minimum wage workers in the UK in 2020 was not the effect of the minimum wage increase (in April), but due to their overrepresentation in sectors that were furloughed, which also affected other low-paid workers substantially (Cominetti and Slaughter, 2020). The report, however, also argues that, in any economic downturn, if the minimum wage is at,

1 Young employees (aged 16 to 24) are overrepresented in minimum wage employment, as confirmed by this and previous research.

or close to, its optimal 'bite' – that is, the proportion of median pay it represents – then overshooting this bite in an environment of weak demand carries considerable employment risks.

The setting of minimum wage rates during 2020 for 2021 was influenced by the COVID-19 pandemic and associated public health measures, such as lockdowns, social distancing and school closures. These measures have had knock-on effects on the economy and society, such as increases in unemployment, decreases in working hours for some occupations and the related income losses. Uncertainty on the duration of the crisis together with the limited evidence-based advice that economic and social research can deliver under such unprecedented circumstances meant that negotiations and discussions on minimum wage changes were significantly impacted. In the majority of countries, employer organisations argued for freezes on minimum wages. Trade unions argued that many low-paid and minimum wage workers were in roles that were keeping society going through the pandemic. Governments' reactions or ultimate compromises, as this report will show, varied from sticking to previous commitments or predefined formulas, to taking more cautious paths with options to review the decisions later, to freezing minimum wage levels entirely. As a result, nominal minimum wages were cautiously increased in most countries for 2021. While the rates were lower than previous years, they were still positive in nominal terms, as well as in real terms, as inflation rates tended to be low.

Wage developments typically lag behind economic developments, which is one explanation for this year's outcome in terms of minimum wage rates, along with relatively low inflation rates. Another explanation may be the debate surrounding the proposed EU directive for an adequate minimum wage. This initiative, launched in pre-pandemic times and at the height of the economic boom, has started to change the narrative around (minimum) wages, by moving the attention to the protection of workers through decent and adequate wage levels and away from the productivity–growth alignment that was the central focus during the previous economic crisis (2007–2013). The proposal for a directive, launched in October 2020 when many countries were being struck by second waves of the pandemic, will continue to give rise to intense debates at both national and EU levels, as well as with social partners throughout 2021 and beyond. As this report shows, based on the minimum wage setting that occurred in 2020 and the interviews with national decision-makers, it appears that in some Member States the proposed directive is already, at least to some extent, influencing the minimum wage uprating and minimum wage setting 'in the shadow of the law'. This is particularly the case in countries where the 'bite' of the minimum wage is not very high yet.

Report structure

This report is structured as follows.

Chapter 1 presents the new minimum wage rates for 2021 for countries with statutory minimum wages and selected rates for countries with only sectoral collective agreement rates and explains how the national actors arrived at their decisions.

Chapter 2 summarises the different approaches taken to minimum wage setting at national level in 2020 and how the pandemic affected the process, as well as regulatory changes and debates on the determination of minimum wages.

Chapter 3 on minimum wages and the COVID-19 crisis summarises the difficulties faced by national decision-makers, how COVID-19 impacted different groups of workers, and how support schemes for workers and businesses in some countries referred to minimum wages.

Chapter 4 presents the contents of the proposed EU directive on adequate minimum wages and summarises the reactions to and assessments of EU-level social partners and national decision-makers to the proposal and their assessments of it.

Chapter 5 provides an outlook on how minimum wage setting could change over the next three to five years based on interviews with national decision-makers.

The final chapter draws conclusions on the overarching themes in this report.

Two associated working papers have been published with this report.

- *Minimum wage developments in the last decade, low-paid employees and minimum wage earners* (http://eurofound.link/wpef21060) shifts the focus to a more dynamic perspective on minimum wage developments between 2009 and 2021. Drawing on the EU-SILC datasets of the last decade (covering 2009–2018), it presents quantitative estimates of nominal and real developments in minimum wages in relation to average and median wages. It estimates the proportion of the workers below 50% of average and 60% of median wages – the 'indicative reference values' mentioned in the proposed directive – and of those 'minimum wage workers' earning 'around' the minimum wage (+/-10%). The paper also shows new results on the vulnerability of minimum wage workers in terms of ability to make ends meet and exposure to material deprivation (Eurofound, 2021b).
- *Minimum wage research in the EU, Norway and the UK 2020* (http://eurofound.link/wpef21061) reviews the most recent policy-relevant research on minimum wages in the EU, Norway and the UK (Eurofound, 2021c).

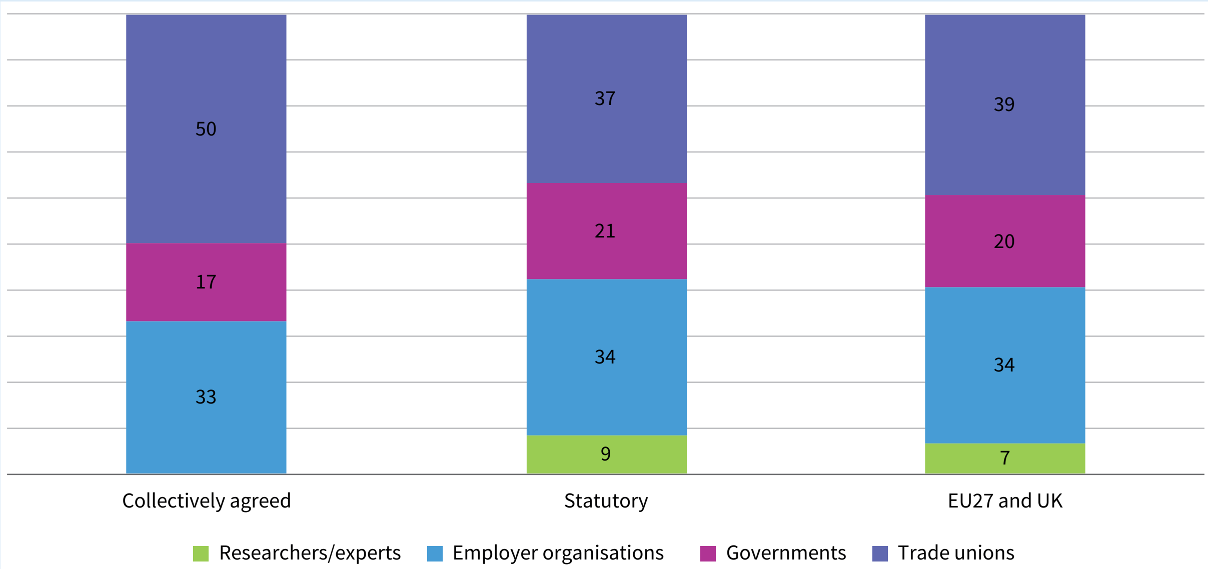
Box 1: Report methodology

In addition to a structured questionnaire that was completed by each national correspondent for their respective country, the correspondents also interviewed national decision-makers on minimum wages.

The national correspondents were asked to identify respondents from at least three organisations closely involved in the setting and updating of minimum wages to reflect each country's institutional set-up and practices. In selecting interviewees, the national correspondents were asked to aim for a balance between social partners and governments. In total, 89 interviews were obtained from the Member States and the UK (most conducted online or by telephone, although in a few cases, the interview questions were answered in writing). Most interviews were obtained from union respondents (40%), followed by representatives of employer organisations (34%), governments (19%) and researchers or experts involved in wage setting via expert committees (7%) (Figure 1). Representatives of the latter group were also partially classified into the three other categories when a clear institutional affiliation to one of these groups was present.

In countries without statutory minimum wages, more interviews with the social partners (in particular trade unions) were held, reflecting the more limited role governments in these countries have in minimum wage setting. Even in countries with statutory minimum wages, however, government respondents are somewhat underrepresented, partially because of their decision not to participate in the interviews due to ongoing negotiations at EU level on the proposed directive or because the expert committees making the recommendations play an important role.

Figure 1: Breakdown of national decision-makers interviewed, based on organisation type and system type (%)



Notes: *N = 89. Any minor discrepancies in the data shown are due to rounding.*
Source: *Interviews with national decision-makers on minimum wages 2020–2021*

The interviews focused on the following subjects:

- the process for updating the minimum wage for 2021; what difficulties, if any, were encountered due to the COVID-19 pandemic and the responses to such difficulties
- respondents' assessment of how the proposed EU directive on adequate minimum wages would impact their country's minimum wage setting
- respondents' views on how minimum wage setting will develop in the future

The results of the interviews are summarised in the thematic sections of this report.

An empirical analysis was also conducted that quantifies and characterises the employees whose wages fall below a threshold set at 60% of national median (and 50% of average) wages and those employees earning around minimum wage levels across EU countries. As in the 2020 minimum wages review, ‘minimum wage earners’ are defined as those earning +/- 10% of the national minimum wage. These analyses are based on the European Survey on Income and Living Conditions (EU-SILC), a dataset on income, poverty, social exclusion and living conditions in the EU, drawn from different sources at the national level and coordinated by Eurostat. A more detailed methodological description, as well as the main results of this analysis can be found in the Eurofound working paper *Minimum wage developments in the last decade, low-paid employees and minimum wage earners* (2021b).

1 Minimum wages in 2021: Rates and developments

Statutory minimum wage rates for 2021

Has the difficult economic situation resulting from the COVID-19 pandemic negatively affected the evolution of statutory minimum wages? To some extent yes, but most EU countries with statutory minimum wages still recorded nominal rate increases. That said, in general, 2021 minimum wage increases are more modest than they were in 2020.

Data on the evolution of gross statutory minimum wage rates between 1 January 2020 and 1 January 2021 are presented in Table 1 (overleaf). Out of the 21 EU countries with statutory minimum wage systems (plus the UK), the rates increased in all but 4. The median growth rate of statutory minimum wages in 2021 is 1.5% (in euro terms) and 3% (in national currencies).

Countries cluster in three groups based on the minimum wage hikes in euro terms.

- The first group includes five central and eastern European Member States where minimum wages increased most, by more than 5% in all cases: Latvia, Slovenia, Slovakia, Bulgaria and Lithuania. The UK is in this group too since an appreciation of the exchange rate means that the minimum wage in euro terms increased by 6.3%. Conversely, the Polish minimum wage rose notably in the national currency (8%) but not so much in euro terms, so it is included in the following group.
- The second group includes countries where minimum wages rose by a range of 0.5–5%. They are mainly EU15 countries (Portugal, Luxembourg, the Netherlands, Germany, France and Ireland) but also include some Member States that joined the EU in 2004 or subsequently (Croatia, Romania, Malta, Czechia and Poland). The UK would be in this group if wages were considered in national currencies.
- The third group of countries are those with no increase. Minimum wages remained frozen in Belgium, Spain, Greece and Estonia. Hungary is the only country to register a decline in euro terms (although this is only due to the exchange rate, since the minimum wage in national currency grew by almost 4%).

There is no significant relationship between minimum wage levels and their growth across EU countries in 2021. Among the seven countries with the highest minimum wage levels (all EU15 countries, with minimum wages above €1,550: Luxembourg, the UK, Ireland, the Netherlands, Belgium, Germany and France), growth rates in 2021 are about average, 1–4%. Among the countries at the bottom of the minimum wage scale (with wages below €650, all eastern European countries), there are significant increases (Latvia, Slovakia, Bulgaria and Lithuania) as well as sluggish evolution (Estonia and Romania). It is worth noting that if minimum wages in some of these eastern European countries are considered in their national currencies, then a slight convergence in minimum wage levels with those of the EU15 does emerge, since their growth rates in 2021 become more significant (Poland, Croatia, Czechia, Hungary and Romania).

Nevertheless, if the data are compared with what occurred last year, it may be said that recent events have affected the extent of the minimum wage increases and largely interrupted the reduction of differences in minimum wage levels in EU countries. Last year's report recorded minimum wage increases in all countries (except Latvia, where it remained unchanged), while the average increase in minimum wages between 2019 and 2020 was around 6% (Eurofound, 2020a), double the average growth rate of 3% in 2021. Moreover, the largest increases in minimum wages in 2020 took place in some of the eastern European countries characterised by relatively low levels (Poland, Slovakia, Czechia, Bulgaria, Lithuania, Croatia and Estonia), which narrowed the spread in minimum wage rates across EU countries (see also Lübker and Schulten, 2021).

The data on nominal statutory monthly minimum wage rates presented above is not the most adequate for cross-country comparisons. The working paper *Minimum wage developments in the last decade, low-paid employees and minimum wage earners* (2021b) provides a longer-term perspective of the evolution of minimum wage rates in nominal terms and in real terms by taking into account the inflation and purchasing power differentials between EU countries.

Table 1: Gross minimum wages, selected EU Member States and the UK, in € and national currencies, 2020 and 2021 compared

Country	Converted values			National rates and developments		
	2020 (€)	2021 (€)	Change (%)	2020 (€ unless otherwise stated)	2021 (€ unless otherwise stated)	Change (%)
Luxembourg	2,142	2,202	2.8	2,142/month	2,202/month	2.8
UK*†	1,790	1,903	6.3	GBP 8.72/hour	GBP 8.91/hour	2.2
Ireland*	1,707	1,724	1.0	10.1/hour	10.2/hour	1.0
Netherlands	1,654	1,685	1.9	1,654/month	1,685/month	1.9
Belgium*	1,626	1,626	0.0	1,626/month	1,626/month	0.0
Germany	1,584	1,610	1.6	9.35/hour	9.5/hour	1.6
France	1,539	1,555	1.0	1,539/month	1,555/month	1.0
Slovenia	1,019	1,110	8.9	1,019/month	1,110/month	8.9
Spain	1,108	1,108	0.0	1,108/month	1,108/month	0.0
Malta	777	785	1.0	179/week	181/week	1.0
Portugal	741	776	4.7	741/month	776/month	4.7
Greece	758	758	0.0	758/month	758/month	0.0
Lithuania	607	642	5.8	607/month	642/month	5.8
Slovakia	580	623	7.4	580/month	623/month	7.4
Poland	611	614	0.5	PLN 2,600/month	PLN 2,800/month	7.7
Estonia	584	584	0.0	584/month	584/month	0.0
Czechia	575	579	0.8	CZK 14,600/month	CZK 15,200/month	4.1
Croatia	546	563	3.1	HRK 4,063/month	HRK 4,250/month	4.6
Latvia	430	500	16.3	430/month	500/month	16.3
Romania	466	472	1.3	RON 2,230/month	RON 2,300/month	3.1
Hungary†	487	467	-4.1	HUF 161,000/month	HUF 167,400/month	4.0
Bulgaria	312	332	6.6	BGN 610/month	BGN 650/month	6.6

**2020 data refer to January 2020, except for Belgium (March 2020), Ireland (February 2020) and the UK (April 2020).*
†2021 data refer to January 2021, except for Hungary (February 2021) and the UK (April 2021).
Notes: *Converted values: rates for non-euro-zone countries (Bulgaria, Croatia, Czechia, Hungary, Poland, Romania and the UK) were converted to euro by applying the exchange rate applicable at the end of the previous reference month. Rates for countries with more than 12 wage payments per year (Greece, Portugal, Slovenia and Spain) were converted by dividing the annual sum of the minimum wage by 12 calendar months. Rates for countries where the minimum wage is defined as an hourly rate (Germany, Ireland and the UK) were converted to monthly rates by applying the average number of usual weekly hours. The rate for Malta was converted from a weekly to a monthly rate considering (52/12) weeks per calendar month.*
Source: *Network of Eurofound Correspondents*

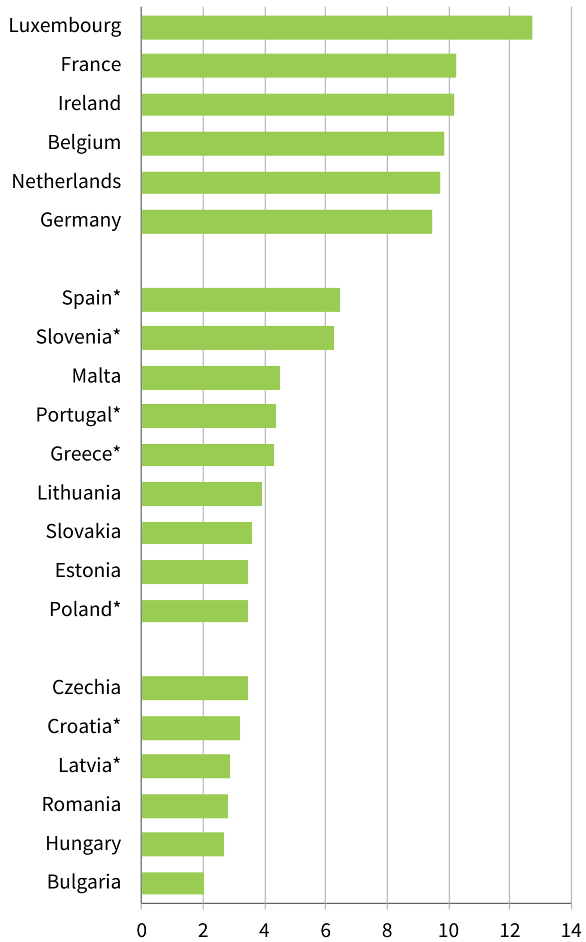
This section provides a more comparable picture of minimum wages across EU countries by offering data on hourly instead of monthly rates, which better reflects the reality of wage floors, particularly since many minimum wage jobs are part-time or conducted on hourly contracts. Figure 2 depicts hourly minimum wage rates in euro across EU countries; for some, the rates are legally defined and for others, they are statistically inferred by dividing the legally defined monthly rate by the usually worked hours.

EU countries can be divided into three groups in respect of their hourly minimum wage rates:

- the countries (all from the EU15) with the highest rates, ranging from €9.50 in Germany to €12.73 in Luxembourg
- the countries (a mix of Mediterranean, Baltic and eastern European countries) with intermediate hourly rates, ranging from €3.47 in Poland to €6.46 in Spain
- the countries (all from central and eastern Europe) with the lowest hourly rates, ranging from €2.00 in Bulgaria to €3.45 in Czechia

The hourly rate in Luxembourg (the highest) is 6.4 times that of Bulgaria (the lowest).

Figure 2: Hourly minimum wages (€), selected Member States, 2021



Notes: *For most countries, hourly minimum wages are legally defined at hourly rates, sometimes in addition to a monthly definition. For countries marked with *, rates have been converted to an hourly rate by considering the average number of usual weekly hours of work (Eurostat dataset [lfsa_ewhun2]) and 4.33 weeks of work per calendar month. This conversion is based on the average number of hours worked among all employees, so it could result in an underestimation of minimum wage hourly rates in countries where working hours among minimum wage workers are below the national average, particularly if they have been reduced during the crisis.*
Source: *Network of Eurofound Correspondents and Eurofound calculations*

Sub-minimum rates

Minimum wage rates that are lower than the full rate may be able to support the employment of the group to which it applies (see, for example, Marimpi and Koning (2018) on youth employment). At the same time, policymakers need to consider that differentiated rates can result in discrimination against the affected groups. Following the last economic crisis, several countries opted to introduce or reintroduce sub-minimum wages as a means to support the employment of specific groups of workers (such as younger workers, workers with less experience or longer-term unemployed people). These countries included Greece (for workers under 25 in 2012), Germany (some exceptions to the statutory minimum wage applied when it was introduced in 2015) and the UK (where the introduction of the national living wage in 2016 created a higher rate for workers aged 25 and older). In 2018, Malta granted higher minimum wage increases for those in the first and second year of employment. That same year, Belgium, which in 2013 had reduced the application of youth minima (for regular workers, not for students) within the applicable collective agreement, introduced 'starters' wages', which reduced the wage costs for employers (but not the net wages of young workers).

With the economic situation improving until 2019, there was also a counter trend of reducing the use of youth minimum wages (or other sub-minima) in several countries. For example, the Netherlands and Ireland simplified their youth (and experience-linked) minimum wages, by reducing the categories; Germany abolished the specific rates of national minimum wages in 2018; and Poland and Greece abolished their youth minimum wage rates in 2016 and 2019, respectively (see Eurofound, 2017a, 2017b, 2018a and 2019).

In the context of the employment impact of the COVID-19 pandemic, it is therefore interesting to observe whether the differentiated impact on activities and workers also led to more differentiated approaches in terms of minimum wage setting or more debates on this issue. In 2020, with very few exceptions, this was not the case, as no substantial debates or actions on introducing or reintroducing youth minima or other differentiated forms of minimum wages were reported from the Member States.

Lithuanian employers suggested the introduction of youth minima for workers aged 16 to 20, but trade unions denounced the proposal as discriminatory. **Austria** and **Finland** reported that while it has happened occasionally in other years that higher increases were granted to those on the lower end of the pay scale within collective agreements, this did not take place in 2020. In the **UK**, the applicable youth minimum wage rates ('national minimum wage') were increased less than the full adult rate (‘national living wage’), with a view to protecting young workers’ jobs.[2]

In many cases, increases to the basic full rates were cautious for 2021. To some extent at least, this cautiousness acknowledged the difficulties that some businesses would have in paying the increased rates.

As of January 2021, most sub-minimum rates are youth minima and linked to the age of the worker. Some countries also link minimum apprenticeship rates to the national minimum wage and/or combine age with some work experience (Table 2).

Table 2: Sub-minimum rates for selected EU Member States and the UK as of January 2021

Country	Groups of workers	% of full rate	Minimum wage level in 2021 (€ unless otherwise stated)
Belgium	Workers aged 16 or younger (without student contract)	70	1,138/month
	Workers aged 17 (without student contract)	76	1,236/month
	Workers aged 18 (with student contract)	82	1,333/month
	Workers aged 19 (with student contract)	88	1,431/month
	Workers aged 20 (with student contract)	94	1,528/month
France	Workers with fewer than six months of experience in the sector aged 15 and 16; workers under 16 working during summer holidays	80	1,244/month
	Workers with fewer than six months of experience in the sector aged 17	90	1,399/month
	Young people on professional contracts,* depending on age and previous qualifications	55 to 100	855 to 1,555/month
	Apprentices, depending on age, seniority and the applicable sectoral agreement	27 to 78	420 to 1,213/month
	Trainees**	n/a	3.70/hour
	Workers with disabilities employed in specific centres dedicated to the inclusion of such workers	55 to 100	855 to 1,555/month
Germany	Apprentices in the first year of their apprenticeship	n/a	550/month
Ireland	Workers aged under 18	70	7.14/hour
	Workers aged 18	80	8.16/hour
	Workers aged 19	90	9.18/hour
Latvia	Convicted people (serving sentence in a prison)	50	250/month
Luxembourg	Workers aged 15 to less than 17	75	1,651/month; 9.55/hour
	Workers aged 17 to less than 18	80	1,762/month; 10.18/hour
	Non-qualified workers aged 18+	100	2,202/month; 12.73/hour
Malta	Workers aged under 17	95	171/week
	Workers aged 17	96	174/week
Netherlands	Workers aged 15	30	505/month
	Workers aged 16	34.5	581/month
	Workers aged 17	39.5	666/month
	Workers aged 18	50	842/month
	Workers aged 19	60	1,011/month
	Workers aged 20	80	1,348/month
	Workers aged 21	100	1,685/month

2 This happened in a staggered approach: for the youngest workers aged under 18, the increase amounted to 1.5%; for those aged 18 to 20, it was 1.7%; and for those aged 21 and 22, the increase was 2%, so slightly lower than the increase for those aged 23 and upwards (2.2%).

Country	Groups of workers	% of full rate	Minimum wage level in 2021 (€ unless otherwise stated)
Portugal	Workers in apprenticeships and internships	80	621/month
	Workers with disabilities	50	388/month
UK	Workers aged under 18	47.6	GBP 4.15 (€4.62)/hour
	Workers aged 18 to 20	52.2	GBP 4.55 (€5.06)/hour
	Workers aged 21 to 24	74	GBP 6.45 (€7.17)/hour
	Apprentices aged under 19, or aged 19 or over in the first year of their apprenticeship	94	GBP 8.20 (€9.12)/hour

**In France, these contracts allow young employees to acquire a professional qualification and promote their professional integration or reintegration.*
*** May be unpaid, if less than two months.*
Notes: *Germany has not included hourly rates or their comparison with minimum wage levels. This is because the minimum amount is calculated per month, not per hour. Apprenticeship payments are not considered wages in Germany. Apprenticeships include school time. In legal terms, apprenticeship payments are comparable to stipends for university students. n/a = not applicable.*
Source: *Network of Eurofound Correspondents, based on national official sources*

Higher statutory rates and occupational rates

Several countries have statutory rates for specific groups of workers, mainly in addition to the statutory minimum wage and on top of the basic full adult rate, or, as in the case of Cyprus, instead of a universal statutory minimum wage. These can be related to different occupations, take into account seniority or qualifications, or be related to the level of hardship or job demands.

Occupational or sectoral rates

In Cyprus, Malta and Romania, such statutory rates exist for selected occupations or sectors (Table 3).

In **Cyprus**, according to the Minimum Wage Law (Chapter 183), the Council of Ministers may fix by decree minimum wage rates for any occupation in which the wages paid are unreasonably low. While such occupational rates already applied for a long time to 9 occupations (and have remained frozen since 2012), in 2020, minimum rates for 13 occupations in the hotel industry were added, which government enacted statutorily with a second decree, following the request of the social partners.

Malta has 31 wage regulation orders that specify the minimum remuneration and other conditions of specific occupations within particular sectors, listed in DIER (2020). A selection of these rates are shown in Table 3.

Romania has a statutory minimum wage rate for construction sector workers.

Table 3: Occupational or sector-related statutory minimum wage rates in Cyprus, Malta and Romania, January 2021

Country	Groups of workers	Rates as of 1 January 2021	Top-up of the basic minimum wage, % of the full rate
Cyprus	Shop sales assistants, general office clerks, childcare assistants in nurseries and kindergartens, teacher aides, healthcare assistants, cleaners and patient caretakers in clinics and hospitals	€870 per month (€924 after six months in service)	There is no basic statutory minimum wage in Cyprus
	Cleaners of offices and corporate premises	€4.44 per hour (€4.84 after six months in service)	
	Private security guards	€4.90 per hour (€5.20 after six months in service)	
	Porters, luggage assistants and assistant receptionists in the hotel industry	€870 per month (€935 after six months in service)	
	Waiters, kitchen helpers and pastry trainees in the hotel industry	€900 per month (€1,040 after six months in service)	
	Chambermaids in the hotel industry	€900 per month (€970 after six months in service)	
	Grooms and receptionists in the hotel industry	€935 per month	
	Laundry and pool attendants in the hotel industry	€960 per month	
	Cleaners in the hotel industry	€970 per month	
	Receptionists (B) and minibar attendants in the hotel industry	€1,070 per month	
Malta (selection)	Those aged 18+ in agriculture and allied industries, electronics industry, leather goods and shoes industries, printing and publishing, and private cleaning services	€181.08 per week	100%
	Those aged 18+ in wholesale and retail trades and those in the transport equipment, metal and allied industries	€182.25 per week	101%
	Those aged 18+ in construction	€185.74 per week	103%
Romania	Construction sector employees	RON 3,000 (€616) per month	130%

Source: *Network of Eurofound Correspondents, based on national official sources*

Seniority or qualification-based rates

Another set of countries has statutory top-ups of (minimum) wages based on seniority or qualifications. Belgium, Bulgaria, Greece, Malta and Slovenia allow for top-ups of (minimum) wages based on seniority. Hungary, Lithuania, Luxembourg and Romania have higher statutory minimum wages for skilled or qualified employees (Table 4).

In **Belgium**, in principle, workers lose their seniority when they change jobs. However, it is quite common that within labour contracts with new employers, the seniority years and increases are still included. In **Hungary**, there are two types of minimum wage: one for unskilled and one for skilled labour. Since the majority of workers affected by the higher minimum wage have some type of training, the unskilled (lower) minimum wage applies to a smaller proportion of workers. However, it is the official minimum wage.

In **Luxembourg**, ‘qualified’ and ‘skilled’ are based on a recognised official certificate for the relevant profession, for example, vocational skills certificates or diplomas. A specified number of years of practical professional experience can be a partial substitution for these official certificates.

According to the **Lithuanian** Labour Code, the minimum wage can be paid only for unskilled labour (employees). ‘Unskilled labour’ is defined as labour that does not require any special qualifications or professional skills. The Labour Code does not regulate how much higher the salary of a skilled worker must be compared to the minimum wage. However, the parties must, among other things, follow the principles of reasonableness, fairness, justice and other law when agreeing on the amount of the wage.

Table 4: Seniority- or qualification-related top-ups of statutory minimum wage rates for private sector workers, January 2021

Country	Groups of workers	Rates as of 1 January 2021	Top-up of the basic minimum wage, % of the full rate
Seniority related			
Belgium	Workers on the legal minimum wage (GAMMI) are also eligible for the seniority allowance for every year of service in the same job	Basic rate +	+3.83% for every year of service
Bulgaria	Workers in the private sector for years spent in the same or similar job, appointment or profession	Basic rate +	+0.6% of basic salary but may be higher depending on collective agreement
Greece	A three-year allowance is granted to workers earning the minimum wage	Basic rate +	After 3 years: 110% After 6 years: 120% After 9 years: 130%
Malta	Employees who earn the minimum wage are entitled to a seniority rate after having worked for the same employer for more than one year or more than two years	€184.08/€187.08 per week	101.7%/103.3%
Slovenia	Minimum wage workers are entitled to a seniority bonus on top of their salary (only from 2020 onwards), as all other workers are	Basic rate +	+0.5% of basic salary minimum per year but might be higher or lower depending on sectoral collective agreements. For existing contracts set by the Employment Relationships Act, ERA-1, which entered into force in 2013, or sectoral collective agreements. For newly concluded contracts after that date, only sectoral collective agreements apply. They also determine whether the seniority bonus is linked to the years spent with the same employer or in total.
Qualification related			
Hungary	Guaranteed minimum wage for skilled workers with at least a secondary education or any professional qualifications	HUF 219,000 (€602) as of 1 February 2021	130%
Lithuania	The statutory minimum wage for unqualified workers	€642 per month as of 1 January 2021	100%
	Qualified workers	–	>100%
Luxembourg	Qualified or skilled workers aged 18+	€2,642 per month or €15.30 per hour	120%
Romania	Employees with higher education and with a minimum one-year seniority	RON 2,350 (€483)	102%

Source: *Network of Eurofound Correspondents, based on national official sources*

Minimum wage rates related to level of hardship or job demands

In Latvia, hourly minimum wages are higher for younger workers and for those exposed to higher risks, as they receive the national monthly minimum wage for a lower number of working hours per week. In Slovakia, the law specifies six minimum wage rates, derived from the basic minimum wages, by degree of job demands. The six minimum wage levels per month are scaled in steps of 18–19% (see Table 5).

Table 5: Minimum wage rates related to level of hardship or job demands for private sector workers, January 2021

Country	Groups of workers/Levels of demands	Rates as of 1 January 2021	Top-up of the basic minimum wage, % of the full rate
Latvia	Younger workers and those exposed to higher risks	€3.10 to €3.60 per hour (depending on the number of working days per calendar month)	114%
Slovakia	Job demands, level 1: for example, performance of ancillary, preparatory work or handling activities according to concrete instructions	€623 per month	100%
	Job demands, level 2: for example, performance of integrated routine service activities or routine professional activities, controllable according to the given instructions	€739 per month	119%
	Job demands, level 3: for example, performance of heterogeneous or compact professional work or independent assurance of less complicated business	€855 per month	137%
	Job demands, level 4: for example, independent assurance of professional business or performance of partial conceptual, systemic and methodical work accompanied with increased mental effort	€971 per moth	156%
	Job demands, level 5: for example, performance of specialised systemic, conceptual, creative or methodical work accompanied with high mental effort	€1,087 per month	174%
	Job demands level 6: for example, creative solution of tasks by an irregular manner without specified outputs with high rate of liability for damages with widest societal implications	€1,203 per month	193%

Source: *Network of Eurofound Correspondents, based on national official sources*

Developments in the last decade: A story of convergence

A picture of the evolution of statutory minimum wages[3] and the shares of minimum wage earners over the last decade (2009 to 2021) is provided by the Eurofound working paper *Minimum wage developments in the last decade, low-paid employees and minimum wage earners* that complements this report (Eurofound, 2021b). Two main insights emerge. The first insight is that the progress of minimum wages outperformed that of average wages in more than two-thirds of the countries, especially in the newer Member States. There are only six countries where minimum wage rates have progressed below average wages (Belgium, France, Germany, Ireland, Luxembourg and Malta).

The second insight is that the evolution of minimum wage rates, especially when correcting for differentials in economic conditions and price levels across countries, reveals a clear process of convergence between EU countries over the past decade. The progress in many central and eastern European Member States, which have the lowest minimum wage rates, has been outstanding, while the evolution of minimum wage rates has been modest in those countries at the high end of the minimum wage scale. In contrast, catching up with the countries with the highest minimum wages has been much slower in the Mediterranean countries, especially in Greece, although the substantial minimum wage increases in Spain in 2019 and 2020 provide a more positive note.

These minimum wage hikes above the growth in average wages explain why the share of minimum wage earners has tended to increase over the last decade, as more employees fall within the range of minimum wage rates. The estimated proportion of workers earning 'around' the minimum wage in the EU, approximately 7% in 2018, grew slightly over the past decade, but it increased much more in countries that registered the highest minimum wage increases (Bulgaria, Romania, Czechia, Slovenia and Poland, but also, to a lesser extent, Germany and the UK).

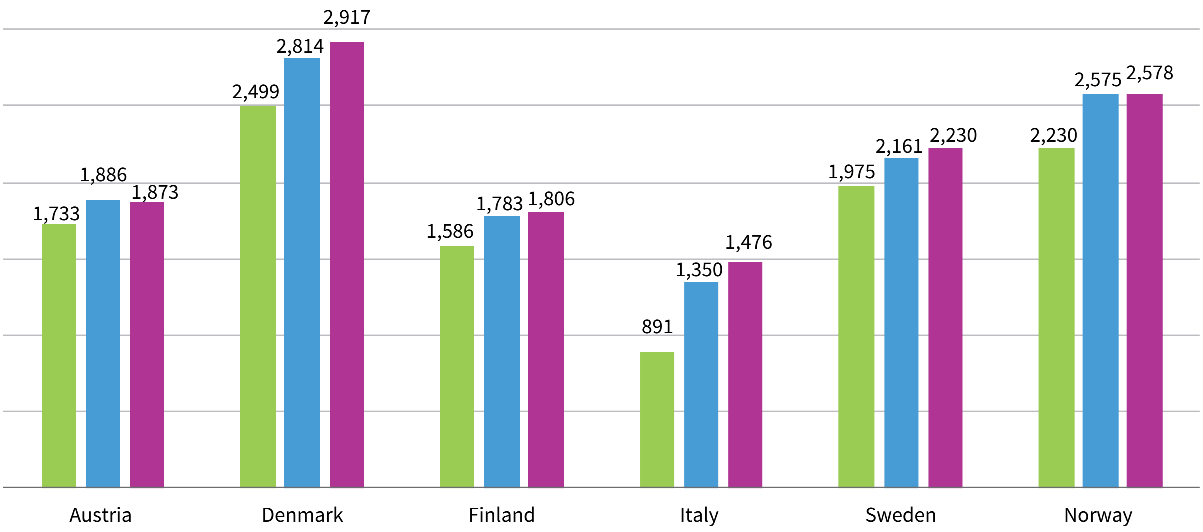
Collectively agreed minimum wages

Austria, Denmark, Finland, Italy, Sweden and Norway do not have statutory minimum wages but set wage floors in collective agreements. Due to the general unavailability of data on the levels of collectively agreed minimum wages from these six countries, the national correspondents were asked to provide the full minimum wage rates of 10 selected collective agreements related to low-paid jobs in the largest collective agreements covering these jobs, as in the previous edition of this annual report (Figure 3; Eurofound, 2020a).[4] (Cyprus, which also does not have a national statutory minimum wage, is included in the earlier section 'Higher statutory rates and occupational rates'.)

3 The analysis is based on the different waves of the EU-SILC dataset from 2010 to 2019 (the latest wave) and the statutory minimum wage rates between 2009 and 2021.

4 For a more detailed description on how these 10 jobs were selected, please see Eurofound (2020a), p. 24. More information on the individual agreements included in this exercise is available in Eurofound (2020b).

Figure 3: Collectively agreed average or median monthly pay in 10 low-paid jobs, January 2021 (€)



Source: *Network of Eurofound Correspondents, based on pay rates in the largest collective agreements related to 10 jobs*

For these 10 jobs, the monthly average collectively agreed basic pay as of 1 January 2021 converted into euro ranges between €699 for domestic cleaners in Italy and €3,256 for waiters and bartenders in Denmark. Among the 10 jobs, the lowest median basic rates relate to workers in agriculture, forestry and fishing, followed by couriers, newspaper or parcel deliverers, and domestic cleaners. The highest identified median collectively agreed rates among the 10 jobs are related to home-based personal care workers, childcare workers and shop sales assistants (see Table A3 in the annex).

Box 2: Methodology for mapping pay rates related to low-paid jobs in collective agreements

As a first step, 10 low-paid jobs (meaning a specific occupation in a specific sector) were identified using data from the EU Labour Force Survey (EU-LFS), and in line with the concept applied in Eurofound's European Jobs Monitor. The selection of jobs was based on the fact that they are considered 'low paid' (in general, this is based on the lowest earnings tercile, although this is not necessarily always the case in each country), as well as on a maximisation of the number of workers employed in these jobs. National correspondents were then asked to identify the largest (sectoral) collective agreement, in terms of worker coverage, related to each of these jobs. From these agreements, the pay rates applicable to the specific jobs were identified. In cases where more applicable pay rates exist (for example, for cyclists and motorcyclists or for skilled and unskilled workers), all provided rates were included, and a non-weighted average was calculated. For non-renewed agreements, the previously applicable rate was taken, provided that the agreement itself still had to be adhered to.

The basic rates were converted into 12 monthly payments for countries that have more than 12 payments in place, and, where required, hourly rates were converted into monthly payments based on the number of hours stipulated in the agreement.

Increases in these rates between 1 January 2020 and 1 January 2021 ranged from 0 up to 16.1% (for home-based personal care workers in Norway) (Table 6). In particular, in Italy, collective agreements were not renewed (or pay was not increased) for 6 out of the 10 jobs, but the previously agreed rates remained intact (see Box 3). Domestic cleaners in Sweden; waiters, bartenders and cooks in Austria and Finland; and childcare workers and shop sales assistants in Norway were not provided with any collectively agreed pay increase if they came under the largest collective agreement.

However, many agreements are renewed during the year (not by 1 January). This means that for some of these agreements, new rates applicable for some parts of 2021 may have already been agreed but are not reported here, due to lack of data during the report drafting period. In addition some pay increases are granted over more than 12 months.

Table 6: Change in monthly minimum wages in collective agreements (%), between 1 January 2020 and 1 January 2021, for selected low-paid jobs (national currencies)

	Austria	Denmark	Finland	Italy	Sweden	Norway
Domestic cleaners	4.2	2.2	2.0	1.5	0.0	2.0
Cleaners and helpers in offices, hotels and other establishments	1.7	2.2	2.0	0.0	1.7	2.0
Shop sales assistants	1.5	2.0	2.0	0.0	3.2	0.0
Waiters and bartenders	0.0	1.6	0.0	1.3	2.8	0.9
Cooks	0.0	0.7	0.0	1.3	2.8	0.6
Home-based personal care workers	4.8	1.1	1.3	1.4	2.8	16.1
Childcare workers	4.8	1.1	1.5	0.0	2.3	0.0
Agricultural, forestry and fishery labourers, standard employment	8.2	1.9	1.7	0.0	No data	2.1
Agricultural, forestry and fishery labourers, seasonal employment	2.1	No agreement	1.7	0.0	No data	2.4
Couriers, newspaper or parcel deliverers	6.3	2.1	4.0	0.0	No data	4.0

Note: *Many agreements are renewed during the year, not by 1 January. So for some of these agreements, new rates applicable for some parts of 2021 have already been agreed.*
Source: *Network of Eurofound Correspondents, based on national official sources*

Box 3: Italy – Collective agreement for workers employed by companies performing cleaning services and integrated services/multiservices

The Italian collective agreement concluded in 2010 for cleaners and helpers in offices, hotels and other establishments expired in April 2013. According to data from the trade unions, the collective agreement applies to around 600,000 workers. While companies still apply the rate of the expired agreement, the renewal process has been blocked. Negotiations restarted in April 2020 (in part due to the recognition that cleaning workers have been essential during the COVID-19 pandemic) but stopped again in July 2020. Trade unions called for a state of agitation in October 2020 and proclaimed a national demonstration and a sectoral general strike in November 2020 in order to bring employer associations back to the bargaining table.

2 Minimum wage setting for 2021

Decision-makers on minimum wages were faced with determining the 2021 level of minimum wages in the context of challenging economic conditions, downward pressure on wages due to higher unemployment, and great uncertainty about the economic projections for the months ahead. In addition, the pandemic led to disruptions in normal negotiation and consultation processes.

The dilemma for decision-makers – how to maintain the purchasing power of the lowest paid and ensure the adequacy of their pay while safeguarding jobs and businesses – is not a new one but was aggravated and made more urgent during the crisis.

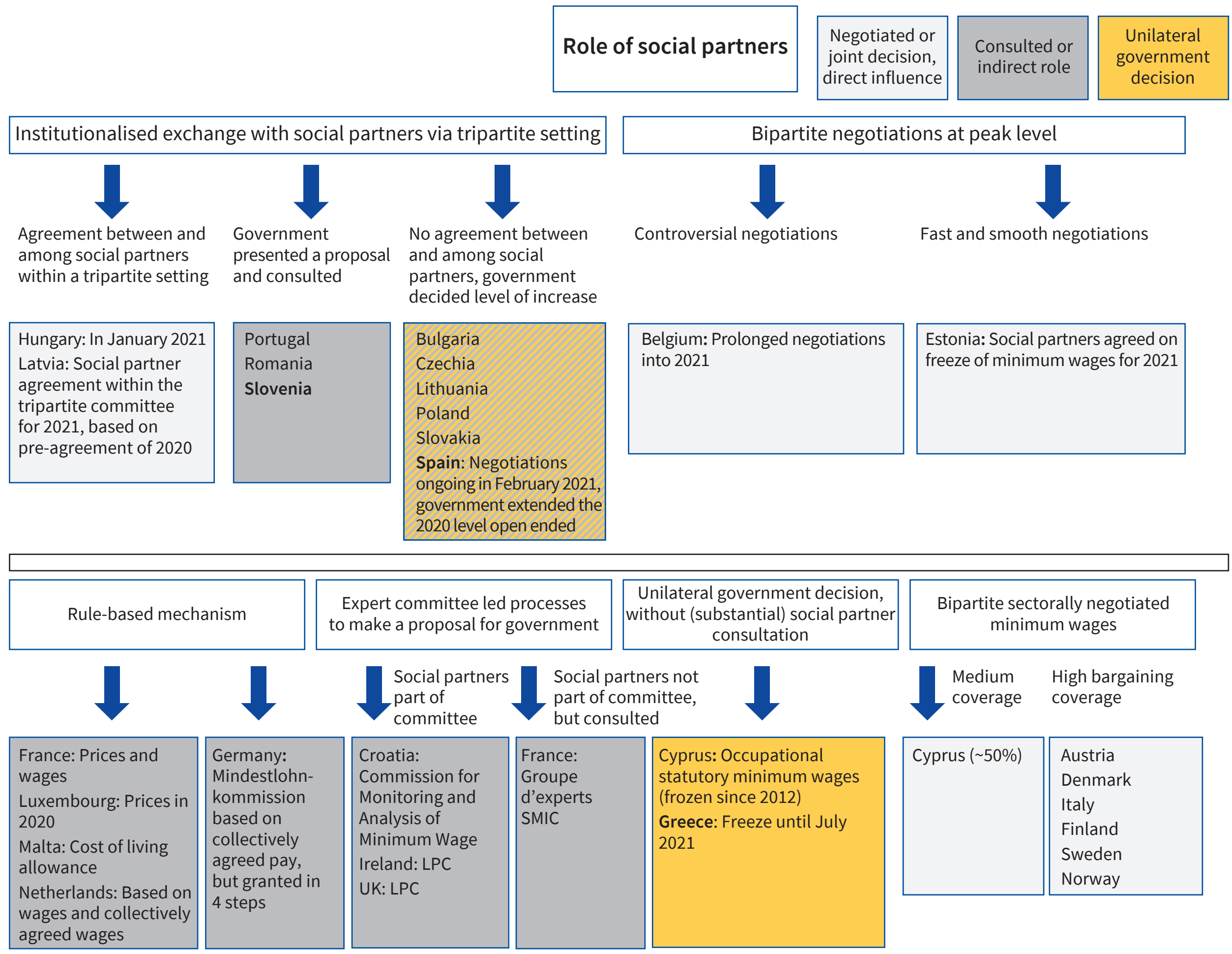
Regulations and institutions

Only a few countries made changes to their minimum wage regulations in 2020 (see Table A2 in the annex for details). The most wide-ranging change to minimum wage setting was recorded in **Romania**, where a new law (174/2020) was passed, under which the minimum expenditure basket – a monthly estimate of the minimum goods and services a household needs for a decent standard of living, based on the cost of living – represents the main foundation in the process of setting the minimum wage and wage policies. The passing of the law turned out to be controversial, and it was only promulgated after the Constitutional Court declared it to be constitutional (see the section 'From minimum to living wages?' later in this chapter).

Some regulatory changes were crisis related. Adaptations to minimum wage regulations in reaction to the pandemic concerned the deferral of the regular procedures (as in Greece and Poland), related to a review of the decision based on new data (as in Lithuania) or set a lower target in relation to actual wages (as in Slovakia). The postponement of debates and decisions to introduce a statutory minimum wage in Cyprus and Italy were regarded as consequences of the pandemic.

The regular institutional set-up for minimum wage setting was not affected by the crisis, as Figure 4 overleaf shows, and the minimum wage levels were – in most cases – determined in line with previous practice.

Figure 4: Minimum wage setting for 2021 and the role of the social partners



Note: *Countries marked in **bold** have changed their practice compared to 2020; compare with Eurofound (2020a), p. 28. LPC = Low Pay Commission. SMIC = salaire minimum interprofessionnel de croissance (minimum wage).*
Source: *Authors' depiction, based on information provided by the Network of Eurofound Correspondents*

Process of minimum wage setting for 2021

The following sections describe the process of minimum wage setting in countries with statutory minimum wages.

Following earlier commitments

Some of the highest nominal increases were recorded in countries where governments had made earlier commitments to substantial raises to minimum wages through legislation or in political statements prior to elections, or where a pathway for increases had already been agreed with the social partners in previous years. These countries included Bulgaria, Croatia, Latvia, Portugal and Slovenia.

In some of these cases, the decision was motivated by reference to Keynesian economic arguments that advocate keeping purchasing power and spending high in times of recession, such as in Portugal.

> *In fact, from an historical retrospective, experience shows that the response to a crisis situation should not be based on a strategy to reduce wage costs, under the risk of limiting aggregate demand and aggravating the risk of workers' poverty rate increasing, compromising not only social cohesion, but also internal consumption variables, which play a critical role in times of falling external demand.*
> (Preamble of Decree-Law No. 109-A/2020 of 31 December 2020)

This was also the case in Bulgaria.

> *The amount of the minimum wage has an impact in determining the remuneration of a large proportion of employees and is a major tool for implementing income policy. The lack of an update of the minimum wage would have a negative impact on the real incomes of the workers and on the ability of Bulgarian businesses to successfully shape the management models in accordance with the economic development and outlook.*
> (Ministry of Labour and Social Policy representative, Bulgaria)

More details on the process of setting minimum wages in these countries are provided in Table 7.

Table 7: Minimum wage setting for 2021 – Countries that followed previous commitments

Country	Process
Bulgaria	The government presented the draft decree in the National Council for Tripartite Cooperation, discussed it with the social partners and ultimately decided to follow the direction of the proposed EU directive on adequate minimum wages. It argued that the minimum wage in Bulgaria was a major tool for income policy, and the rise in real income would support domestic demand and limit the risk of labour shortages. All nationally representative employer organisations voiced strong opposition and argued that the increases granted between 2017 and 2020 (+32.6%) exceeded the growth of labour productivity (+8.3%). The Bulgarian Industrial Association (BIA) also stated that the approach contradicts the newly ratified ILO Convention No. 131, as it neglects the economic and social criteria that should be taken into consideration (employment, productivity, cost of living and overall economic prospects). The Confederation of Independent Trade Unions of Bulgaria (CITUB) and the Confederation of Labour (Podkrepa CL) supported the proposal, but insisted on a higher increase, so that the minimum wage would reach 50% of average wages by 2022.
Croatia	The Croatian Commission for Monitoring and Analysis of the Minimum Wage recommended a range for the increase in the minimum wage for 2021, from HRK 4,063 to HRK 4,408 (€538–€584). The government consulted the social partners on the increase but following their non-agreement decided to increase the minimum wage to HRK 4,250 (€563). The decision was linked to the legislation-based commitment for the minimum wage to achieve 50% of the average wage, based on wage and economic data for the first seven months of the year. Representatives of the Croatian Employers' Association argued that certain employers would not be able to bear the increase in costs arising from the increase in the minimum wage and stressed that the increase would spread to other wages. They highlighted that minimum wage growth between 2015 and 2020 (+25%) exceeded the growth in labour productivity (+5%). The trade unions argued that the previous increases did not put pressure on employment and that the increase supported workers in elementary jobs.
Latvia	The increase to €500 had been negotiated and decided already in 2017, so the discussions in 2020, while following the regular path of consultation in the National Tripartite Cooperation Council, were unusually short and silent. The substantial increase of 16.3% follows a three-year period of no increases. All major actors supported the previously adopted commitment, and there was also political support from the political parties in power linked to promises made in parliamentary elections in 2019 and to upcoming local elections in 2021.
Slovenia	The increase of 8.9% was based on the first-time application of the 2018 changes to the Minimum Wage Act, which stipulates that the minimum wage should exceed the minimum cost of living by 20–40%. In the context of the pandemic, the Slovenian government decided on the lowest increase and also committed to partially reimburse employers for the increase over the next half year. (See the section 'From minimum to living wages?' for more information.)
Portugal	The overall discussion concerning the determination of the minimum wage level for 2021 was focused on the role and level of the minimum wage to tackle the economic crisis associated with the pandemic. The arguments of the Socialist Party (PS) government, for maintaining earlier commitments (Programme of the XXII Constitutional Government 2019–2023) with the aim of reaching the target of €750 by 2023 and for the minimum wage update to €665 in 2021, were based on Keynesian economic theory. The social partners were consulted, but no agreement was reached. The government ultimately decided unilaterally to increase the minimum wage by 4.7%, based on its earlier commitment to raise the minimum wage to €750 by the end of its mandate in 2023.

Adherence to formulas

In countries where minimum wages are updated mainly by using a set formula, the minimum wage setting was smooth and, with some exceptions, not too contentious. Increases followed the results of the formulas, most of which rely on backward-looking wage indexation (linked to the past development of other indicators).[5] This was the case in France, Germany, Luxembourg, Malta and the Netherlands. However, the formulas are not equally binding in these Member States.

In **Germany**, the national Minimum Wage Commission (Mindestlohnkommission) recommends minimum wage adjustments based on an overall assessment of the economic and labour market situation, with a clear, though not exclusive, reliance on sectoral wage levels based on collective bargaining agreements. In 2020, the Minimum Wage Commission decided to recommend an increase over the coming two years, to be split into four separate increases, with the first increases being smaller than the later ones. The deviation was a compromise between employers, who expected a negative economic outlook for 2021 and 2022, and labour, which had more optimistic economic expectations and demanded that in the case of an economic crisis the cost should be shared between employers and labour.

All other countries increased their minimum wages in line with the standard protocol. In the **Netherlands**, the government could have activated a hardship clause in the application of the formula but decided not to do so. **Luxembourg** set an increase that ensured the maintenance of purchasing power by linking the increase to the growth of average wages. Minimum wages in **Malta** were increased based on the cost-of-living allowance approach, and in **France**, the expert committee recommended that the government

5 Among the countries in this group, only the Netherlands has a forward-looking element in its formula, based on the projected growth of average wages and subsequently adjusted for deviations between the expected and the observed average wage.

should not avail of the possibility for an additional increase beyond the legal formula.

> *For several years a consensus has existed among the experts of the committee to consider that an additional increase would jeopardise the competitiveness of the country and endanger the employment level. Therefore, there has been no controversy. The committee advises the government not to proceed with any additional increase specifically in the context of the COVID-19 crisis, as the private sector will already face competitiveness problems. For the committee, all efforts should be focussed on supporting the employment level rather than increasing the purchasing power of workers, which was already preserved through the legal increase.*
>
> (President of the expert group, France)

Table 8 provides a more detailed overview of the process of setting the minimum wage for 2021 in these countries.

Table 8: Minimum wage setting for 2021 – Countries that adhered to formulas

Country	Process
France	In 2020, the minimum wage increase was set according to the prevailing model. As per the law, it is indexed to inflation for households belonging to the lowest income quintile (excluding tobacco), and half of the growth in purchasing power of the average wage is added. In 2020, inflation was negative (-0.2%), so it was not taken into account, while half of the growth of average wages amounted to +0.99%. The government can also decide at any time on an additional ad hoc increase and since 2009 relies on the recommendation made by an expert committee. The expert committee regularly consults the main social partners. On the employers' side, the three main organisations asked the government to apply an increase based only on the legal formula, without any additional increase decided unilaterally by the government (the Confederation of Small and Medium-sized Enterprises (CPME) and the Union of Local Businesses (U2P)), while the Movement of the Enterprises of France (MEDEF) demanded a change in the legal formula to avoid any automatic increase and to leave the decision on any potential increase to an independent group of experts. Four out of five trade unions considered the level of the minimum wage to be too low and asked for an additional increase over the result of the legal formula (the French Confederation of Christian Workers (CFTC), the French Confederation of Management (CFE-CGC), the Workers' Force (FO) and the General Confederation of Labour (CGT)), while the French Democratic Confederation of Labour (CFDT) wanted to strengthen sectoral social dialogue to increase the whole wage classifications and not only the minimum wage. Some of the unions criticised the analysis and the conclusion of the expert group (CGT, FO and CFTC). On 27 November, the expert group sent its report to the government, advising it to increase the minimum wage only according to the legal formula (Cette et al, 2020). In addition, the government also consulted the social partners within the framework of the National Committee of Collective Bargaining, Employment and Vocational Training.
Germany	In preparation for the meeting of the Minimum Wage Commission, many social partners and research organisations submitted written contributions. Some employer organisations and researchers argued that the expected economic recession justified a suspension of the minimum wage increase (see, for example, bvdm, 2020). The trade unions argued that the additional burden during the pandemic justified a higher increase than in previous years, especially for employees earning low wages. Since 2019, the trade unions have demanded an increase to €12 per hour, which has been backed on the political side by the Social Democrats, the Green Party and the Left (Die Linke). The Institute of Economic and Social Research (WSI) and the Institute for Work, Skills and Training (IAQ) also supported the idea of setting the minimum wage at 60% of the national median wage level (Bosch, 2020; Herzog-Stein et al, 2020), while others, such as the Cologne Institute for Economic Research, remain sceptical that minimum wage increases have positive labour market effects (Lesch and Schröder, 2020). According to the law, the Minimum Wage Commission conducts an 'overall assessment' of the appropriate minimum wage to adequately protect workers, ensure fair competition and avoid any harm to employment levels. Recommendations on the new level, which are made every two years, also consider the development of collectively agreed wages over the previous two years. After a somewhat prolonged decision-making process, the Minimum Wage Commission recommended increasing the minimum wage in four steps over the coming two years. The first two steps are moderate (January 2021: €9.50; July 2021: €9.60), while the second two are more substantial (January 2022: €9.82; July 2022: €10.45). Overall, the recommended increases are in line with the development of collectively agreed pay as per the 'standard approach', but the first increases are lower than the standard procedure suggests. The social partners agreed on this approach in consideration of the economic downturn created by pandemic response measures, such as business confinements, travel restrictions and occupational bans in place in Germany since March 2020.
Luxembourg	According to the law, the minimum wage can be adjusted in two ways: 1. It can be indexed to changes in the cost of living. If the consumer price index changes by 2.5% in the previous semester, it can be changed by the same proportion. 2. Every two years, it can be changed according to the evolution of the average level of remuneration. When the average level of remuneration has increased relative to the minimum wage, the level of the minimum wage can be raised to partially or completely fill this gap. For this purpose, the government is obliged to submit a report every two years to the Chamber of Deputies on the evolution of general economic conditions and incomes. In 2020, the second path was applied. For 2021, the rise is about 2.8%, which fully fills the gap (Labour Code, Art. L. 222-9 and 223-1).

Country	Process
Malta	In general, the process of setting the minimum wage level for 2021 followed the usual procedure. A tripartite committee directed the calculation of the Retail Price Index (RPI). Subsequently, a government statistician calculated the cost of living increase based on the RPI, and this increase was added to the minimum wage.
Netherlands	The process did not change compared to the previous year (2019). Twice a year (in January and July), the minimum wage is adjusted to the average expected growth of the collectively agreed wages. This expected growth is calculated by the Dutch Central Planning Bureau (CPB). The Ministry of Social Affairs and Employment uses the CPB calculations to establish the minimum wage for the next six months. The government does not have any direct influence on the adjustment of the minimum wage level. This process is legally established and is based on a set formula, and can only be deviated from in extenuating circumstances (which are also legally defined). If economic hardship increases to the point where the ratio between inactive workers (who receive benefits) and active workers (referred to as the i/a ratio) increases to 82.6% or higher, as determined by the CPB, a different approach to calculating the minimum wage can be taken by the ministry. Despite the COVID-19 crisis, the i/a ratio did not reach a level that warranted deviation from the standard wage calculation formula. Reasons for this may be the various sweeping government measures implemented such as the Temporary Emergency Measure for the Preservation of Jobs (NOW) and the Temporary Measure for Self-Employed (TOZO), which have preserved livelihoods to a degree and may have diminished the need among workers to resort to benefits.

Falling short of announced targets

Governments in three other countries had also previously committed to increase the minimum wage level up to a certain target. The **Polish** government announced in 2020 its intention to increase the minimum wage substantially to PLN 3,000 (€658) in 2021 and to PLN 4,000 (€877) in 2023. The **Slovakian** government passed a law in 2019 to set the 2021 minimum wage level to 60% of average wages of the previous year, should the social partners not be able to agree on an alternative level by mid-July 2020. The **UK** government set the target that the minimum wage should reach two-thirds of the median wage by 2024 (see Eurofound, 2020a).

In each of these three countries, the increase finally decided for 2021 fell short of the previously announced target or the projected growth path.

> *The government's proposal set the tone for our expectations. Employers were also afraid of what the government would do. The discussion was emotional and long, but we were all realistic. It is easier to run a discussion when there is stability in the situation. … The negotiations failed for us, the government made a unilateral decision and it is negative from the perspective of social dialogue … The result of the debate is a step in the right direction, but it is not satisfactory.*
>
> (Trade union representative to the Social Dialogue Council, Poland)

> *The business was saying 'my members are on their knees, they are going to last only a couple more months'; on the workers' side, representatives were pointing at the long-term target and the fact that workers were on the frontline of the pandemic, they have either been hit, for example in hospitality, and have really suffered in terms of income or in social care. There was tension between the two sides and you could see the two arguments, so it was much more bringing these two sides together, and ultimately the LPC decided on a fairly substantially lower increase, but still with this commitment that we will come back to that target of the two-thirds by 2024. The way through was that 'we have to go a bit easier this year' but still there is a commitment for four years.*
>
> (Independent academic member of the Low Pay Commission, UK)

Table 9 provides a more detailed overview of the process of setting the minimum wage for 2021 in these countries.

Table 9: Minimum wage setting for 2021 – Countries that fell short of previous targets

Country	Process
Poland	Poland has a statutory mechanism for the adaptation of the minimum wage, which foresees that the minimum wage will be increased by two-thirds of the forecasted real growth of GDP if its level falls below 50% of average wages. The government's commitment of 2020 exceeds this formula-based statutory mechanism. Polish employers, who feared that any increase in labour costs would affect micro and small companies especially, suggested an increase only in line with the statutory mechanism, i.e. from PLN 2,600 to PLN 2,716 (€570 to €596), should it not be possible to suspend the mechanism and freeze wages. The unions defended the statutory mechanism, reminded the government of its promise to go beyond this mechanism and proposed that the government actively stimulate the economy in times of crisis. The All-Poland Alliance of Trade Unions (OPZZ) also called for policies to reduce costs for companies, including an increase in the tax-free income amount for the lowest earners and increases in the amount of lump-sum tax-deductible costs. After deferred decisions, the increase to PLN 2,800 (€614) for 2021 was made unilaterally by the government and exceeds the value that the regularly applied formula would have suggested; however, it is still short of the previously communicated target of PLN 3,000 (€658) for 2021.
Slovakia	The discussion in Slovakia during 2020 was particularly demanding, as, according to the new minimum wage law, the government should set the 2021 level to €656 (60% of the average wage in 2019) if the social partners could not agree on a different level by 15 July. In the context of the COVID-19 crisis, the employers demanded a more careful approach, and during several negotiation rounds, no agreement with the unions was reached. At the meeting of the tripartite Economic and Social Council (HSR) on 24 August 2020, the Ministry of Labour, Social Affairs and Family (MPSVR SR) proposed an increase to €623 (57% of the average wage in 2019), but the unions in the Confederation of Trade Unions of the Slovak Republic (KOZ SR) insisted on implementing the legal automatic update to 60% of average wages and refused any compromise. Representatives of the KOZ SR left the meeting of the HSR, organised protest actions and asked the European Commission, the President of Slovakia and the Attorney General for their opinions. Though the employers are not fully satisfied with the solution, they agreed on the government's proposal and consider this a better solution than the original legislation.
UK	In their response to the Low Pay Commission's (LPC) consultation, the trade unions called for a substantial increase to the minimum wage, in particular to recognise the contribution of low-paid 'key workers' during the pandemic. The Trades Union Congress (TUC) and major unions such as the Unite general union and the Union of Shop, Distributive and Allied Workers (Usdaw) called for a general increase of around 15% to GBP 10.00 (€11.12) per hour. According to the TUC, 'essential workers deserve a pay rise' as 'millions of low-paid workers have kept the country running', demonstrating their importance to the economy (it estimated that 38% of key workers earn less than GBP 10.00 per hour) (LPC, 2020). For Unite, an increase to GBP 10.00 would be affordable and would bolster economic confidence and productivity. Most employer respondents to the LPC consultation called for a cautious approach to increasing the minimum wage, in the light of the pandemic-induced economic downturn and impending risks from the end of the UK's transitional trade arrangements with the EU on 31 December 2020. The approach taken by organisations such as the Confederation of British Industries (CBI), the British Chambers of Commerce, the Association of Convenience Stores, and the Food and Drink Federation was to argue for an inflation-only increase, as a form of 'emergency brake' on linear progress towards the government's new 2024 target of two-thirds of median pay. Some employer bodies, such as UKHospitality, the British Beers and Pubs Association, and the Federation of Small Businesses, asked the LPC to delay its recommendations until late 2020 or early 2021 to allow more evidence on the pandemic's economic impact to be gathered. A small number of employer bodies, such as UK Fashion and Textiles and the National Hair and Beauty Federation, called for a freeze in 2021, while others, such as the Early Years Alliance and Community Leisure UK were in favour of an above-inflation rise, though with concerns about affordability and job losses. Before coming to a decision, the government had asked the LPC to 'advise on any emerging risks and – if the economic evidence warrants it – recommend that the government reviews its target or timeframe'; the government referred to this as an 'emergency brake', aimed at 'ensuring that the lowest paid workers continue to see pay rises without significant risks to their employment prospects'. In their unanimous decision, the LPC recommended a cautious approach and put forward a rate that minimises any significant risk to employment prospects. The increase (to GBP 8.91 (€9.91) from April 2021) is still largely in line with wage growth and slightly higher than predicted inflation. Even though the 2021 increase falls somewhat short of the projected target path of GBP 9.06 (€10.08) for 2021, the LPC noted that it did not recommend a change to the UK government's target of two-thirds of median earnings by 2024 (LPC, 2020).

Opting for a cautious increase

More tense were the debates and negotiations in Czechia, Hungary, Ireland, Lithuania and Romania, which deferred decision-making until late in the day, the final outcome being slight increases. In most of these countries, the final decision came closer to what employers had originally proposed. In some cases, some forms of 'safeguards' were implemented, in the form of agreements to renegotiate or change the level at a later stage, subject to economic conditions (Lithuania) or on condition that further government support would be given (Hungary).

The moratorium on freezing the value of the minimum wage assumes that the impact of the pandemic was massive, general and homogeneous across sectors, which was not the case. This is a result of the absence of sectoral, bipartite social dialogue and of the absence of sectoral collective bargaining agreements. The absence of sectoral social dialogue/bargaining puts pressure on the value of the statutory minimum wage. The minimum wage becomes the sole instrument that guarantees a certain wage for workers.

(Trade union representative, Romania)

In 2020, the biggest problem was that the minimum wage setting largely neglected high economic uncertainties. We are not fully satisfied with the outcome, as we expected a more reserved approach to increasing the minimum wage. The situation in 2020 was extraordinary and could thus be taken into account by temporarily suspending the use of the agreed formula, i.e. leaving the minimum wage at the same level until the economic situation in the country becomes clearer.

(Employers' representative, Lithuania)

Table 10 provides a more detailed overview of the process of setting the minimum wage for 2021 in these countries.

Table 10: Minimum wage setting for 2021 – Countries that opted for cautious increases

Country	Process
Czechia	The minimum wage for 2021 was discussed in the Council of Economic and Social Agreement on 12 October 2020. The Czech-Moravian Confederation of Trade Unions (ČMKOS) and the Association of Independent Trade Unions (ASO) argued for an increase to CZK 16,000 (€610). The employers (the Confederation of Industry of the Czech Republic (SP ČR) and the Confederation of Employer and Entrepreneur Associations of the Czech Republic (KZPS ČR)) argued for a freeze with reference to the uncertainty around the crisis and the economic situation of employers, and also because a planned change in wage taxation would already entail an increase in the net incomes of employees. Due to non-agreement among the social partners, the government had to set the level by 20 November, yet, being a coalition government, was not itself united. The Ministry of Labour (held by the Czech Social Democratic Party) pushed for an increase to CZK 16,400 (€625) with reference to the aim of strengthening the purchasing power of low-paid workers and their families in the crisis. Other government officials belonging to the ANO movement (a centre-right-oriented party) proposed a maximum increase to CZK 15,000 (€672), referring to the economic situation and larger increases granted in the past. The government then decided to increase the minimum wage to CZK 15,200 (€579).
Hungary	In Hungary, the social partners voiced different expectations on the future development and economic recovery during their negotiations in the Permanent Consultation Forum of Businesses and Government (VKF). The trade unions argued that the crisis would pass by 2021, pointed to growing industrial production (year on year) in the autumn months, requested continued government support for the sectors that have been most impacted by the pandemic and demanded a raise of 10%. The employers stressed the large losses they faced in 2020, argued that the outlook was uncertain and proposed a freeze. Positions converged during the negotiations but were still deferred into January 2021. The government, which has the right to set the minimum wage should the social partners not agree, remained passive in the negotiations, as a regulator, a decision-maker and an employer. The final agreement was reached in January 2021 to increase the minimum wage by 4% (valid from February) but contains clauses for an additional uprate of 1 percentage point, under the condition that the government will cut the social security contribution tax (which is paid by the employer) by a further 2 percentage points from 1 July, or when new data on wages become available.
Ireland	During the annual process of arriving at a recommendation, the debate within the Irish Low Pay Commission turned very tense and ultimately resulted in the decision of two trade union delegates to leave the commission. The Irish Congress of Trade Unions (ICTU) argued that many minimum wage workers were also part of the group of essential workers and should therefore be given an ‘equitable increase in the minimum wage’. The main employer group – the Irish Business and Employers Confederation (Ibec) – highlighted the impact on retail, tourism and hospitality and argued that there was little evidence of pay increases across the private sector, with many businesses where the national minimum wage is prevalent availing of wage subsidy schemes and many others restructuring to survive. In September 2020, the Low Pay Commission made a majority recommendation to increase the minimum wage by 10 cents from 1 January 2021. This recommendation was accepted by the government.
Lithuania	In Lithuania, the government decides the minimum wage upon the recommendation of the Tripartite Council of the Republic of Lithuania (TCRL), in which both the employers and the trade unions actively express their views. In 2020, meetings had been postponed and the decision deferred several times at the request of the employers, mainly in connection with the uncertain economic situation but also due to elections scheduled for the autumn. An extraordinary meeting of the TCRL was convened on 30 September following the threat of the step-down of the trade union chairperson should the decision be further deferred. While the trade unions advocated for an increase to €655, the employers continued to opt for a freeze and suggested that different positions should be recorded in the TCRL’s recommendation to government (Kalinkaitė-Matuliauskienė, 2020). On 14 October 2020, the government adopted the decision to increase the minimum wage from €607 to €642 gross as of 2021 but reserved the possibility to reconsider this amount in December 2020 (Mykolaityte, 2020). In order to take into account the concerns of employers, small businesses in particular, regarding minimum wage increases, Resolution No. 1114 provided that the government would ask the TCRL to submit an updated recommendation by 11 December 2020, on the basis that the decision could change if the Ministry of Finance published an updated scenario regarding Lithuania’s economic development that forecasted the unemployment rate would rise above 8.5% in Lithuania in 2021 and the growth of the average monthly gross wage in the country’s economy would be less than 2% in 2021. The decision was not changed in December, as the projections turned out less negative than expected (Savickas, 2020).
Romania	Initially, the government presented an analysis to the social partners in the National Tripartite Council for Social Dialogue (CNTDS) proposing three scenarios for the increase in the minimum wage. The first scenario proposed increasing the minimum wage to RON 2,380 (€489), the second to RON 2,424 (€498) and the third to RON 2,335 (€478). The scenarios took into consideration the annual inflation rate, labour productivity and a correction index, calculated as the difference between the economic growth rate for the year for which the minimum wage is increased and the economic growth rate for the previous year. Representative employer organisations rejected all three scenarios and proposed a freeze. Two out of the six representative employer organisations advanced the option of increasing the minimum wage just in line with the inflation rate, one organisation proposed an increase to RON 2,300 (+3.1%; €472). One of the scenarios presented by the government, which was providing for an increase of 7.6% (RON 2,400; €493) was considered acceptable by the trade unions. The greatest bone of contention for the trade unions, however, was that the government had not taken into account the decent living consumption basket, which as per Law 174/2020 should be the main criterion in the process of setting the national minimum wage (See the sections ‘Regulations and institutions’ and ‘From minimum to living wages?’). After several rounds of consultations, the government announced the minimum wage would increase from RON 2,230 (€458) in 2020 to RON 2,300 (€472) in 2021, and therefore it stayed below the level of the government’s own initial scenarios.

Freezes or deferred decisions

Only two Member States, Estonia and Greece, had already decided to freeze the minimum wage level for a full year by the start of 2021. The Greek government decided to freeze the procedures for (re)formation of the minimum wage until at least July 2021, while the Estonian social partners quickly agreed on the freeze.

Belgium and Spain also saw prolonged negotiations beyond January 2021 and deferred the decision to later in the year.

> *Overall, the bargaining went quickly and smoothly. … In the context of the economic and labour market conditions, the minimum wage could not be changed and was frozen for 2021. The main task of unions in a crisis situation is to save jobs and make sure no one's working conditions are made worse without good reason. The reality today is that it was not possible to hike the minimum wage in 2021, while we also did not want to see it fall.*
>
> (Trade union representative, Estonia)

> *No procedure or consultation and no social dialogue at a bilateral or tripartite level took place in 2020 concerning the determination of the minimum wage. The planned activation of the minimum wage setting procedure and mechanism, which was due to begin in March 2020, was postponed because of the COVID-19 pandemic.*
>
> (Representative of a trade union-related research institute, Greece)

Table 11 provides a more detailed overview of the process of setting the minimum wage for 2021 in these countries.

Table 11: Minimum wage setting for 2021 – Countries that froze the level or deferred decisions

Country	Process
Belgium	Minimum wages in Belgium are not set at regular intervals, yet there is an automatic nominal increase in order to preserve the real value of the minimum wage whenever a threshold of a 2% increase in prices (following the 'health index', an adjusted consumer price index) is reached, which was the case in March 2020. Real increases in the minimum wage are rare and must be set in a bipartite collective agreement reached within the National Labour Council. The last uprating of the minimum wage was in October 2008. Since then, the minimum wage relative to median wage (the Kaitz index) has steadily decreased, as the median wage has increased. The debate on raising the minimum wage was very active during the formation of the new government (De Croo I) over the summer, as the French speaking socialist party (PS) insisted on increasing the wages of low-wage workers, following the campaign of the socialist trade union, the General Labour Federation of Belgium (ABVV-FGTB). However, this was not explicitly in the government declaration when it came to power in October 2020. Negotiations on minimum wages usually take place during the negotiations on the national interprofessional agreement. A basis for these negotiations is the so-called 'wage norm', the agreed maximum pay increase.[6] For 2021, this was calculated to be at most 0.4%, a level considered too low by the trade unions. Negotiations were prolonged into 2021 and had not been resolved by end of March 2021. On 29 March, the trade unions held a national day of strike action to plead for an increase in the minimum wage above 0.4%. The main questions are whether and how the wage norm will be relaxed. Currently, there is no agreement, and the employers' federations are sticking to the stipulated 0.4% maximum wage increase as determined by the 2015 revision of the wage norm law. In April, an agreement on minimum benefits was reached, paving the way for increases in the minimum wage.
Estonia	The Estonian social partners responsible for negotiating the minimum wage came to a quick agreement to freeze the level for 2021. The employers referred to a Bank of Estonia forecast on labour productivity and growth, which would have justified a cut to the minimum wage, according to the previously agreed formula, but supported the freeze, based on the argument that it would ensure stability.
Greece	In March 2020, the President of the Organisation for Mediation and Arbitration (OMED) invited all participants in the first stage of consultation to initiate the minimum wage-setting procedure in 2020. With two legislative interventions (Law 4690 on 30 May 2020 and Law 4764 on 23 December 2020), the government suspended the start of the minimum wage formation procedure from the last 10 days of February 2020 initially until September 2020 and, later, until the last week of March 2021, with a projection of completion in the last fortnight of July 2021. Consequently, the minimum wage has already been planned to remain the same until the end of July 2021. This change was included in the emergency measures and was deemed necessary in the context of addressing the effects of the pandemic. This decision was supported by the employers' side, who had already opposed an increase in the minimum wage before the outbreak of the pandemic (on 15 February 2020) and asked the government 'to show prudence, as a repetition of the 2019 increase would have detrimental effects on the economy' (SEV, 2020). The trade unions argued that the minimum wage should move towards a 'living wage' and be increased to 60% of the median wage (INE GSEE, 2020). At the same time, in the context of the 2020 public debate, both the government and the social partners developed proposals and views on changes to minimum wage setting (see the section 'Debated changes to minimum wage setting'.)

6 In 1996, an indicative wage norm was introduced by law, linking wages in Belgium to the forecast wage evolution in the economies of its main trading partners, France, Germany and the Netherlands. From 2017 onwards, the agreement has been strictly limited by the calculation reported by the Central Economic Council.

Country	Process
Spain	Negotiations about increasing the minimum wage in 2021 have proven particularly difficult in the context of the COVID-19 crisis. First of all, it is important to highlight the commitment of the current government to social dialogue, which meant that it was a priority for the increase to be agreed between the social partners and the government. Regulating unilaterally is a last resort and should be used only if all other channels to reach an agreement have been explored. However, it is also true that the divisions within the government rule out unilateral regulation, as it would cause a major conflict between the coalition parties. In 2020, the employer organisations openly supported a freeze in the minimum wage for 2021, given the uncertainty surrounding the economy and the labour market. Because of this economic uncertainty, they argued, it would be better to avoid any negative impact arising from a further minimum wage increase, particularly since many companies are in a precarious financial situation and increasing the minimum wage for 2021 would weaken an economic recovery. On the other hand, the trade unions argued for a moderate increase. According to the two largest confederations, increasing the minimum wage would contribute to meeting the 60% average wage target and would sustain demand, which would support an economic recovery. However, based on their awareness of the difficulties many companies experienced throughout the pandemic, they advocated for a limited increase. Throughout 2020, the government was divided over the 2021 increase, and the negotiations aggravated the tensions within the coalition. While the Socialist Party in the government (in charge of the Ministry of Finance) and the prime minister aligned with the employer organisations against any increase, Podemos (in charge of the Ministry of Labour) aligned with the trade unions and were favourable to a small increase that was between the average negotiated increase in collective agreements for 2020 (1.8%) and the increase in public sector employees' wages for 2021 (0.9%). By the end of 2020, the government extended the 2020 minimum wage level to 2021 by decree on an open-ended basis. Negotiations continued in January 2021; however, the employer organisations continued to oppose any increases for 2021 and no agreement could be reached. The social partners and the government expect to meet again by June 2021 to explore the possibility of an agreement. The interpretation by the Ministry of Finance is that the minimum wage will be frozen for at least the first half of 2021, and it will consider the possibility of granting an increase only in the second half of the year. So, while the Socialists in the coalition government interpret the extension to 2021 of the 2020 minimum wage level as a freeze, the other partner, Podemos, interprets it as a legal requirement to avoid a vacuum until an agreement is reached (one more step in the minimum wage setting process for 2021).

Countries without statutory minimum wages

In general, wage bargaining was somewhat influenced by the COVID-19 pandemic, but to different degrees in the Member States that exclusively use collectively agreed minimum wages. (Note: Cyprus, which has occupational statutory minimum wages, was discussed in the earlier section 'Higher statutory rates and occupational rates'.)

Overall, minimum wage increases were very moderate due to the pandemic in **Austria**. The increases mostly compensated for inflation in the past 12 months. In some sectors, collective bargaining was unusually quick (for example, in the pattern-setting metalworking sector, an agreement was signed in the first round of negotiations) and, on average, with very few negotiating rounds. In other cases, such as in the hard-hit Horeca (hotel, restaurant and café) sector, collective bargaining was suspended in 2020 due to the COVID-19 crisis.

In **Denmark**, the last collective bargaining round in the private sector (the organisations under the umbrella of the Danish Trade Union Confederation (FH) and the Confederation of Danish Employers (DA)) took place in January and February 2020 and ended before the spread of the virus caused a lockdown of the country on 12 March. Thus, the negotiations about the minimum wages according to sector were 'business as usual', and the outcomes were not influenced by the looming economic and social crisis. Likewise, in **Finland**, the question of minimum wages was not one of the key points of debate during the 2019–2020 bargaining round. The round started in August 2019, and the large majority of the sectors had new agreements in place before summer 2020.

In both Norway and Sweden, the COVID-19 pandemic caused the original schedule of bargaining rounds to be postponed. In **Norway**, the bargaining round scheduled for spring 2020 was postponed until the autumn. In **Sweden**, collective bargaining agreements that were set to expire in the spring were prolonged to the autumn/winter and thus also the bargaining round. According to a report by Medlingsinstitutet (2020) reflecting the situation in October 2020, the rate of wage increase was halved, and the number of hourly wage earners had decreased by 140,000. The reduction in the rate of wage increase was mainly due to the fact that collectively agreed wage rates were not updated, as no new agreements were signed.

In **Italy**, the bargaining rounds proceeded with difficulties, due to the worsening economic situation and prospects, but negotiations continued, and some renewals were signed. Despite the COVID-19 crisis, some important collective agreements were renewed in 2020, such as food manufacturing, wood and chemical industry. Direct references to the impact of the COVID-19 pandemic were included in the introductory texts of some renewals, like the agreement of the food industry sector signed in May 2020, to underline the economic difficulties and uncertainty being faced and the importance of social dialogue in addressing these issues. In some cases, such as that of tourist agencies, the economic impact of the pandemic led to the postponement of the payment of some pay components, such as bonuses. In general, the economic conditions and uncertainty caused by the pandemic were taken into consideration in the renewals and influenced the levels and the timing of wage increases.

Debated changes to minimum wage setting

Beyond the regular debates and negotiations on the change in the applicable rate, which were significantly affected by the economic and social realities of the COVID-19 pandemic, minimum wage setters in some countries also continued to discuss how to determine minimum wages in the future. Three main issues under discussion were:

- if and how the mechanism for minimum wage setting should be adapted (Bulgaria, France, Greece and Lithuania)
- if minimum wages should move closer to living wages and, if yes, how (Ireland, Malta, Romania and Slovenia)
- if national statutory minimum wages should be introduced and, if yes, how (Cyprus and Italy)

Establishing a new minimum wage setting mechanism

Debates on changes to the minimum wage setting mechanism tend to be long, so many cases referred to here have already been discussed in previous years. In Bulgaria, Czechia, France and Lithuania, the substance of the debate essentially covered the criteria for minimum wage setting, while in Bulgaria and Greece, procedural elements and the institutional set-up were also debated.

In June 2020, the **Bulgarian** government and the representative employer and trade union organisations signed a National Tripartite Agreement. One of the tasks and objectives set out in it was as follows.

> *Resumption of negotiations on the development and adoption of a transparent mechanism for strengthening the negotiating basis in determining the national minimum wage, following ILO Convention No. 131 and upgrading it with a procedure for subsequent negotiation of minimum wages by economic activities. Launching bipartite negotiations on minimum wages in 2020 and their implementation in 2021.*
>
> (Bulgarian National Tripartite Agreement)

The government gave the social partners the opportunity to agree on a mechanism for national minimum wage setting and a procedure for bipartite negotiations on minimum wages by economic activities. Despite the efforts made, the social partners did not reach a compromise in 2020. The main points of disagreement were how much the minimum wage could grow in relation to the national average wage and what steps should be taken in case one of the branch employer organisations refuses to negotiate or in case of not reaching an agreement with the branch unions on minimum wages in any of the economic activities. At least at this stage, the negotiations have failed.

In **Czechia**, a discussion that has been under way for several years on a new automatic valorisation mechanism for the minimum wage continued and will eventually be incorporated into the Labour Code. Although the social partners agreed on it being linked to the average wage, no agreement has yet been reached on the ratio of the minimum wage to the average wage. Employer organisations are pushing for a ratio of 40%, while the unions insist on a ratio of 50% of the average wage.

The **French** group of experts reiterated its recommendation to abandon all or part of the automatic revaluation clauses, as it believes that the formula limits the government's margin of appreciation and decision-making (Cette et al, 2020). (More detail about the formula applied is given in the section 'Process of minimum wage setting in 2021'.)

In **Greece**, the government and the social partners developed proposals and views on the minimum wage level during 2020, after the pandemic halted the regular update. The government's Development Plan for the Greek Economy, in which a new setting process was outlined (see Box 4 for a description), was met with criticism from the trade union side (see also INE GSEE, 2020).

The trade unions proposed a return to the practice of setting the minimum wage through a National General Collective Labour Agreement (EGSSE). On 29 December 2020, the General Greek Confederation of Greek Workers (GSEE) called on the other social partners to open collective bargaining for the preparation and signing of a new national collective labour agreement for 2021, as provided for in Law 1876/1990. In its call, the GSEE noted both the impact of the pandemic and the adverse effects that the memorandum period (roughly 2012 to 2018) had on the standard of living and the rights of workers. It also proposed the abolition of anti-labour memorandum laws and the reintroduction of the regulation for the formation of minimum wages by the leading organisations representing employees and employers. The GSEE referred to the proposed directive (COM(2020) 682 final 2020/0310 (COD)), which states, in Article 13, that 'Member States may entrust the social partners with the implementation of the Directive, where social partners request to do so'.

In respect of the employer organisations, the Hellenic Federation of Enterprises (SEV) and the Association of Greek Tourism Enterprises (SETE) have developed a common position since 2019 that suggests any minimum wage increase should not impact on the recovery of the economy or employment, especially for small and medium-sized enterprises. The two organisations have called for a reduction in the taxation of labour; the containment of non-wage costs by reducing insurance contributions; the disconnection of the increase in the minimum wage from the average wage; and streamlining of the compulsory arbitration procedure.

As the crisis continues into 2021, employer organisations have maintained the position that they disagree with an increase in the minimum wage for 2021. The employer organisations representing small and medium-sized enterprises (the Hellenic Confederation of Professionals, Craftsmen and Merchants (GSEVEE) and the Hellenic Confederation of Commerce and Entrepreneurship (ESEE)) had, prior to the pandemic, advocated a gradual increase in the minimum wage to the pre-crisis level (€751) over a four-year period and its correlation with productivity. The GSEVEE, however, has also supported the view that the minimum wage setting process should be returned to the social partners.

Box 4: Greece – Proposed process for setting the minimum wage as outlined in the Pissarides report

The Development Plan for the Greek Economy, authored by Christopher Pissarides and published by the government on 14 November 2020, argues that the existence of a minimum wage is essential, but it should be set in an economically rational manner, taking into account the interests of both the employed and the unemployed (Greek Ministry of Finance, 2020). The changes enacted in 2014 that provide for the state to set a minimum wage must be maintained, because the state's role is crucial and must ensure that the interests of the unemployed are represented in the negotiation.

To reduce the possibility of short-term political intervention, the development plan proposes three changes to the process of setting the minimum wage.

First, the minimum wage should be decided by a Council of Experts with a three-year term (so that it does not necessarily coincide with the political cycle of a government). The members of the council should be eminent experts who have a solid knowledge of economic and social issues but do not represent interest groups. The council should be provided with resources and have access to studies and data prepared by public or private bodies, such as Hellenic Statistical Office (ELSTAT), the Bank of Greece and the Centre of Planning and Economic Research (KEPE). It should publish an annual report that proposes the minimum wage level and documents the data used to determine the proposal.

Second, the government should consider the council's proposal binding. However, the government would have an opportunity to deviate from the council's proposal as long as it published an adequate justification for this difference.

Third, there should be no formal link between the minimum wage level and any transfers from the state, such as allowances and pensions.

Lithuanian actors continued to debate the formula used for determining the minimum wage level. The social partners agree that the formula needs to be reviewed in the future, as there are controversies about it every time negotiations take place, including, for instance, whether the average wage should be inclusive of bonuses and what period should be used to calculate the average wage. However, there is little consensus on how this formula should define the minimum wage rate. According to the head of the Investors' Forum, the formula for calculating the minimum wage must be accurate and produce a specific level after the values of certain indicators are entered, so the regular update would be less politicised. Representatives of the government disagree with the proposal and see the role of the tripartite committee as not being limited to simply putting numbers into the formula. The tripartite committee in their view should be a discussion platform where the social partners should find a solution on the minimum wage rate (Alonderytė, 2020).

From minimum to living wages?

In contrast to minimum wages, 'living wages' are designed to provide workers and their families with a decent standard of living while respecting the national and possibly regional price levels, as well as social and economic circumstances (Eurofound, 2018b; ETUI, 2019). Only a few countries worldwide (as well as in the EU) have functioning living wage calculations – among them Ireland and the UK, though these do not coincide with the statutory minimum wage and are paid by companies on a voluntary basis. The Irish government has committed within its coalition agreement to move towards a living wage. Attempts have been recently made in Slovenia and Romania to bring the minimum wage closer to a living wage (see details on the methods used for calculations in Box 5). In Czechia, an independent expert group has published living wage calculations for Prague and Czechia. In Malta, a debate on moving towards a living wage is driven by non-governmental organisations (NGOs).

In **Czechia**, an informal expert platform for the minimum decent wage (MDM)[7] developed a concept for the Czech minimum decent wage and calculated it. For 2020, it amounted to CZK 32,438 (€1,276) gross for Czechia and to CZK 37,987 (€1,495) for Prague. The calculations take into account eight expense categories and assume that at least one 'care commitment' is present (for example, a child, an older parent or a sick partner). More than half of workers do not reach this level, because the median wage is lower, while a Czech minimum wage worker would need a top-up of 113% to reach this level.

In late 2020, the **Irish** government announced it is considering how to transform the Low Pay Commission into a living wage commission to meet its programme-for-government commitment to introduce a living wage over the coalition's term in office. Tánaiste (Deputy Prime Minister) Leo Varadkar said such a commission would 'carry out research and advise us on fair wages in an independent and evidence-based way, moving towards a living wage over the period of this government' (Irish Independent, 2020a; Irish Times, 2020). Separately, Taoiseach (Prime Minister) Micheál Martin said that COVID-19 has exposed income inequality and that measures to address this would be introduced by government, including a living wage. 'I think there is a clear message emanating from COVID that it has exposed the duality of the Irish economy in terms of low-paid workers and in terms of ... the sectors that were key to us all from March onwards … retail and so forth', he said (Irish Independent, 2020b). At the time of writing, there is no further information on how this will be implemented.

In **Malta**, despite the absence of a debate among the social partners about minimum wages in 2020, there was a related debate about living income and a living wage. Some NGOs continued to be vocal against the current cost of living allowance (COLA) mechanism. For example, the Alliance Against Poverty put forward proposals to government for a separate calculation of COLA for particular social groups such as pensioners, whose spending is primarily on food and medicines. According to the alliance, 'the current index is inadequate because it does not capture the extent of inflation on basic items like food and medicines not provided by the government … The current system is unjust on those with low incomes' (Sansone, 2019).

In **Slovenia**, the newly amended Minimum Wage Act of 2018 foresees that as of 2021, the national statutory minimum wage will be set at a level of 20–40% higher than the value of 'minimum living costs'. These minimum living costs are calculated for the purpose of social security legislation every six years, the last one being carried out in 2017. The legal range of a top-up of 20–40% above the minimum living costs provides a range for negotiation between the social partners.

In 2020–2021, the minimum wage setting and the transition to the new methodology was contentious, particularly in the context of the pandemic. The employers argued that increases should be suspended, while the trade unions demanded the recalculation of minimum living costs. The government, in turn, opted for the most moderate possible legal increase of 20% above the minimum living costs and will reimburse

7 Details can be found at www.dustojnamzda.cz.

employers by partially subsidising the increase on a temporary basis.

In **Romania**, following the controversial passing of the new minimum wage law of 2020 (174/2020),[8] which states that statutory minimum wages should take into account the value of a calculated living wage as 'the main criterion', its implementation remained controversial. Despite the law being in force, the minimum expenditure basket was not taken into consideration in setting the wage for 2021. In response to criticism from the trade unions, government officials argued that the methodology for calculating the minimum was not very well elaborated in the law. The government announced its intention to draft a bill in 2021 that will provide for a transparent mechanism for setting the minimum wage, based on inflation and labour productivity instead.

Box 5: Slovenia and Romania – How the minimum costs of living are determined

In **Slovenia**, the Institute for Economic Research (IER), an autonomous research institute, is responsible for calculating the minimum living costs. The social partners are not included in this process. The methodology is based on Ernst Engel's idea that the well-being of a household can be described in connection with the share of food expenses in all household expenses. Minimum living costs are thus determined as the product of the food basket costs and reciprocal values of the share of total expenditure spent by the household on food.

A food basket for a male adult aged 19 to 65 is compiled by experts from the National Institute of Public Health (NIJZ). Based on recommended foods by type and quantity, a monthly menu for consumers with a lower socioeconomic status is derived, which also considers the recommendations of a healthy balanced diet. The balanced basket therefore meets both the health nutrition guidelines as well as the nutrient intake reference values in a cost-effective way. The basket includes different types of fruit, vegetables, meat and fish, eggs, milk and dairy products, cereals and cereal products, fat and other foods. The costs of the food basket are then evaluated according to retail price data for the included foods provided by the Statistical Office of Slovenia (SORS). SORS also provided data on the share of food expenses of Slovenian households, based on its Households Budget Survey, from which the share of food expenses for the 20% of households with the lowest income is calculated. Minimum living costs for a single adult based on calculations from 2017 amount to €613 in net terms.

The **Romanian** law (174/2020) includes a long list of expenditure items such as food, clothing, housing and related expenses, household and hygiene products, services, education and culture, healthcare, recreation and vacation, as well as expenses for a family savings fund. The necessary quantity of each of these items should be calculated by the National Institute of Statistics for different household compositions, but the annex to the law also references a study by the Friedrich-Ebert-Stiftung (FES) Romania, which included quantities and a methodology to calculate the value of such a minimum monthly consumption basket for a decent standard of living (Guga et al, 2018). The list was based on a previously existing methodology and finalised with the support of 3 to 4 focus groups in each of the 5 largest cities in Romania, attended by 8 to 12 employees from different sectors. The groups established the type of expenditures and could add suggestions to the list, and participants estimated the quantities required for a decent living standard.

The value of the basket has since been updated on an annual basis, based on consumer price indices obtained from the National Institute of Statistics. In 2020, FES Romania estimated the value of the basket to be RON 7,278 (€1,522) for a household with two adults and two children. The amounts required for further household compositions were derived from this calculation and amounted to RON 6,194 (€1,295) for two adults with one child, RON 4,597 (€961) for two adults without children and RON 2,818 (€589) per month for a single adult.

Hence, for a single adult, the minimum living basket is about 109% higher than the current statutory net minimum wage (RON 1,346); for two adults (who are both statutory minimum wage earners, earning RON 2,692) without children, net earnings would be 71% short of the minimum living basket; and for two minimum wage earners with one child, net earnings would be 130% short of the calculated basket (FES Romania, 2020).

8 See 'Statutory minimum wage regulations' and Table A2 in the annex on the passing of the law.

Introduction of a statutory minimum wage

In both countries where the possible introduction of a statutory minimum wage has been on the agenda – Cyprus and Italy – the COVID-19 pandemic put a brake on the debate.

In **Cyprus**, discussion about the possible introduction of a national statutory minimum wage started in 2018, triggered by the programmatic declarations of the President of the Republic of Cyprus and the submission of draft bills to the House of Representatives, by three different parties, amending the country's minimum wage regime. In this context, the Ministry of Labour, Welfare and Social Insurance announced that it had already sought the assistance of the ILO for the preparation of various studies in relation to the reform of the minimum wage setting system. In spring 2019, the social partners had a meeting with representatives from the ILO and expressed their initial thoughts. Since then, the ILO has conducted a 'number of major studies' for the ministry, but to date the findings of these studies have not been shared with the social partners. In a decision of the Council of Ministers at the beginning of January 2021, the government stated that the reform of the country's minimum wage regime will be addressed only when the unemployment rate falls below the 5% threshold. The government explained its decision by pointing to adverse labour market developments in the context of the COVID-19 crisis.

In **Italy**, the discussion on the introduction of a statutory minimum wage was part of the public debate during 2019 and 2020. Negotiations were undertaken at the end of 2019 by the Labour Minister of the Conte government, Nunzia Catalfo, with the social partners, and in February 2020, the minister stated that an agreement among the parties supporting the government was close. The new proposal advanced by the minister confirmed what was originally proposed in the law proposal 658 of 2018 (still under discussion in the Senate). The proposal aimed at giving *erga omnes* validity to wage levels set by the most representative national collective labour agreements and at introducing a minimum level under which the minimum hourly wage cannot fall. According to the text proposed by the minister in February 2020, however, this minimum level should no longer be set at €9 per hour, but at around €7 to €8 per hour, taking as a reference 70% of the median value of wages defined in the most representative collective agreements (Il Fatto Quotidiano, 2020). Another issue for discussion was determining which components of remuneration should be included in the minimum wage rate.

The debate among the political parties and the social partners around the introduction of a statutory minimum wage was then put on hold by the outbreak of the COVID-19 pandemic, and there were no further negotiations during 2020. Still, the goal of introducing a statutory minimum wage was included in several documents presented by the Conte government in 2020 and is considered a key part of government strategy for the post-pandemic recovery (Governo Italiano, 2020 and Ministero dell'Economia e delle Finanze, 2020). The discussion received renewed interest following the European Commission's proposal for a directive on adequate minimum wages. In early 2021, hearings of experts, the social partners and institutions were undertaken in the relevant commissions both at the Chamber of Deputies and at the Senate (Camera dei Deputati, 2021; Senato della Repubblica, 2021). However, the change in the government makes it unclear whether there will be any new initiative in this regard. The new Draghi government did not express a position on a statutory minimum wage, even though on March 16, 2021, the Labour Commission at the Senate expressed a positive attitude to the directive proposal (Senato della Repubblica, 2021).

3 Minimum wages and the COVID-19 crisis

This chapter reviews aspects of minimum wages in the context of the COVID-19 pandemic. The first section looks at the impact of the pandemic on different groups of low-paid or minimum wage workers and presents the first national research findings in this regard. The second section presents the views of national decision-makers, gathered through interviews, on minimum wages, the difficulties they faced due to the pandemic during 2020 and how they reacted to the challenges of setting the minimum wage rate for 2021. The final section reviews the role statutory minimum wages played within COVID-19-related government support measures for employees and employers.

Impact of the pandemic on minimum wage workers

The COVID-19 pandemic and the related public health measures have had an uneven impact on different sectors, economic activities, occupations and thus different groups of workers. While some sectors experienced extra demand, resulting in longer hours, higher work intensity and also a greater risk of exposure to the virus, other workers had their activities or working hours reduced, were furloughed or were made redundant.

According to recent Eurofound estimates based on Labour Force Survey (LFS) data up to the second quarter of 2020, the COVID-19 crisis has resulted in employment losses mainly among the lowest paid jobs in the two lowest wage quintiles, particularly in the accommodation, food and beverage, travel and tourism, and arts and entertainment sectors, in which women and younger workers are overrepresented (Eurofound, 2021a).

With the available data, it is not (yet) possible to estimate the extent to which the employment of minimum wage workers has been affected EU-wide,[9] but Figure 5 provides a first overview by linking net employment losses by occupation (as per LFS data) to the proportion of minimum wage workers within the same occupation (as per EU-SILC).

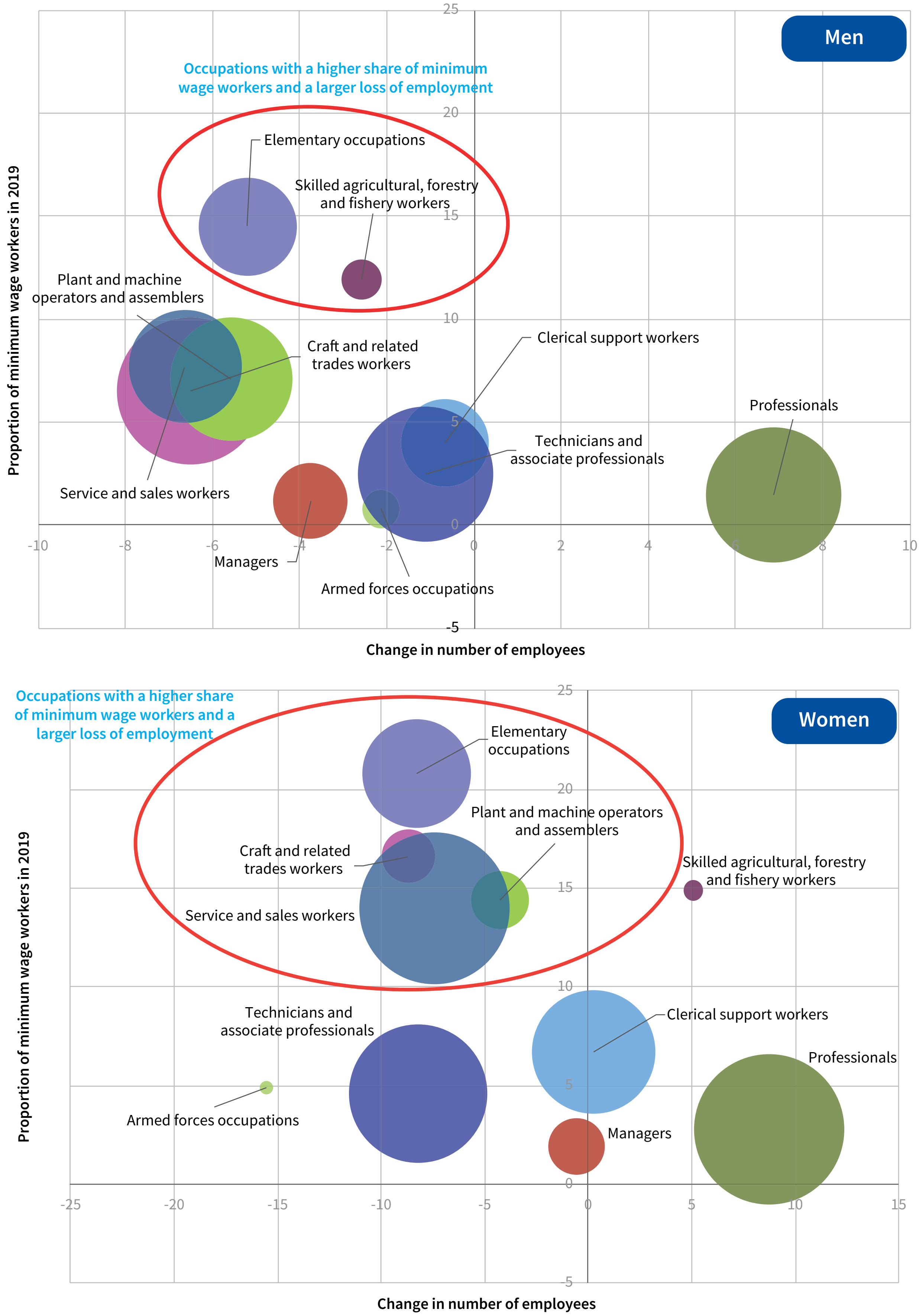
Overall, the number of employees in the EU Member States dropped by -1.7% between 2019 and 2020 and to a similar extent for both men (-1.6%) and women (-1.8%).

Occupations in the upper left quadrant are those with both a higher extent of job loss and a higher proportion of minimum wage workers.[10] For men, this quadrant includes mainly workers in elementary occupations and in skilled agricultural, forestry and fishery occupations. But for women, next to elementary occupations, the quadrant includes service and sales workers, craft and related trades as well as plant and machine operators. On the other hand, some employment gains for women were recorded among the skilled agricultural professions, which are also characterised by an above-average share of minimum wage workers.

9 For minimum wage workers, the latest data come from the 2019 wave of EU-SILC (where income relates to 2018). The LFS, which is used here to map the impact on employment, does not include minimum wage workers, as wage data are only available by deciles.

10 These figures do not allow us to establish whether and to what extent minimum wage workers were affected by job loss compared with non-minimum wage workers in the same occupation.

Figure 5: Change in number of employees between 2019 and 2020 and proportion of minimum wage workers by occupation, men and women



Notes: *The x-axis shows the change in the number of employees between 2019 and 2020. The y-axis shows the proportions of minimum wage workers based on EU-SILC. The size of the bubbles relates to the total number of employees in 2019.*
Sources: *LFS, LFSQ_EEGAIS (number of employees) and EU-SILC 2019 for the proportion of minimum wage workers*

Table 12: Change in the number of employees 2019 to 2020 and proportion of minimum wage workers, by sector

		Change in employment in %			Proportion of minimum wage workers in % of employees in the sector		
NACE sector		Total	Men	Women	Total	Men	Women
A	Agriculture, forestry and fishing	-1.2	-1.3	-1.1	12	12	14
B, C, D, E	Mining, manufacturing and utilities	4.8	4.3	9.3	7	5	11
F	Construction	-5.3	-5.7	-2.2	7	7	9
G	Wholesale and retail	-3.9	-5.3	-2.5	9	6	13
H	Transport and storage	-5.4	-5.1	-6.4	6	6	8
I	Accommodation and food service activities	-14.6	-13.2	-15.6	14	12	15
J	Information and communication	9.6	10.0	8.6	3	3	3
K	Financial and insurance activities	3.2	4.1	2.5	3	1	5
L, M, N	Business services	-3.0	-1.3	-4.5	7	6	8
O	Public administration	4.2	2.5	5.9	3	3	4
P	Education	1.6	3.5	0.8	6	4	6
Q	Human health and social work activities	-1.7	-1.3	-1.8	6	5	7
R, S, T, U	Other services	-22.0	-3.3	-30.4	10	8	12
	Total	**-1.7**	**-1.6**	**-1.8**	**7**	**5**	**9**

Notes: *'Minimum wage workers' are those earning +/- 10% of the national minimum wage in 2018–2019 (see Eurofound, 2021b). Dark orange indicates substantial loss of employment/share of minimum wage workers, while light orange indicates some loss of employment/share of minimum wage workers above average.*
Sources: *Eurofound, based on LFS (LFS_Q_EEGAN2) for employment and EU-SILC for the proportion of minimum wage workers*

Similar statistics are provided by sector in Table 12. And overall, the figures suggest that workers in activities with a higher proportion of minimum wage workers (for example, accommodation and food services and other services) have seen more losses in the number of employees than others.

To date, there is only very limited national research available on how much minimum wage workers were affected in 2020, particularly by the COVID-19 pandemic (as compared to other, higher paid groups of workers). Two notable exceptions – from France and Germany – are described in more detail in Box 6. For **France**, the expert group on the minimum wage showed in its analysis that minimum wage workers were dually affected by the pandemic: being at higher risk of unemployment and working in key sectors where their work involved direct contact with the public or was considered frontline during lockdown. In contrast to France, in the **UK**, a report by the LPC (2020) found that – with the exception of those working in the food and necessary goods industry – minimum wage workers were less often found working in 'key roles' than the average worker (21% of minimum wage workers versus 28% of average workers). Minimum wage workers in the UK were more likely to have been affected by lockdown measures, in particular those in hospitality and non-essential retail. In **Germany**, among 21 professions listed as 'essential', 4 have average hourly wages below €12.

Box 6: France and Germany – Minimum wage and low-wage workers in the COVID-19 pandemic

In **France** the expert group on the minimum wage stressed in its latest annual report (Cette et al, 2020) that employees paid close to the minimum wage (less than 1.05 times the minimum wage) appear both more exposed to the risk of unemployment (being more often employed on short fixed-term contracts or in temporary work) and overrepresented in sectors that continued their activity during the lockdown. In the second trimester of 2020, minimum wage workers were more often found to be out of work (57%) than employees in general (44%), which is a reversal of the situation in the same trimester in 2019, in which 15% of minimum wage workers versus 19% of all employees had been out of work. During the lockdown, minimum wage workers were more often on partial unemployment compared to all employees (31% versus 21%), slightly more often on sick leave (8% versus 6%)

and on other leave at about the same rate (10%). The group's analysis also suggests that minimum wage workers from business services, private non-market sectors, agro-food industries, real estate activities and transport were more likely to have been placed into partial unemployment than better-paid employees, while in the Horeca sector, the impact was equally high for both groups.

The report also introduces a typology of five groups of French workers based on their degree of vulnerability in three dimensions: economic risk, working conditions and living conditions.[11] It found that workers whose earnings are close to the minimum wage were overrepresented in the 'new vulnerable' category of workers, which contains 22% of all minimum wage workers and 13% of other workers. This group contains six professions within sectors that were locked down during the first confinement, because their work involves direct contact with the public (hairdressers, beauticians, cultural and sports professionals, cooks, and hotel and restaurant staff). Minimum wage workers were also overrepresented among the group of frontline workers, of which nearly a quarter are paid around the minimum wage. Among frontline workers, those employees engaged in the care of vulnerable people and cleaning more often earn close to the minimum wage.

A **German** study by Koebe et al (2020) provides a more detailed analysis of 'essential' (*systemrelevante*) professions and lists the average wages for these professions as well as their average perceived value ('prestige'). The study distinguishes between essential professions 'of the first hour' (based on an official classification of professions deemed essential at the beginning of the pandemic) and essential professions 'of the second hour' (which were included at a later stage).[12] On average, workers in essential professions of 'the first hour' earn a rate of €14.90 per hour, which is below the German average of €17 per hour. Among the 21 listed professions, 4 have average wages below €12: cleaners (€10), drivers in road transport (€11.40), assistants in doctors' practices (€11.60) and sales personnel in food retail (€9.70), suggesting that there is a substantial share of minimum wage workers among them. Drawing on a representative survey of private households, the study also presents figures on the average 'prestige' of these professions (*Magnitude Prestige Skala*) and shows that these professions have a lower prestige than average, and that frequently the lower prestige of the essential professions is coupled with lower wages. Essential professions 'of the second hour' have a somewhat higher-than-average prestige, but still lower-than-average pay. In both groups, there is furthermore a significant gender pay gap.

Difficulties faced by minimum wage setters

In the context of this report, Eurofound's national correspondents interviewed 89 national decision-makers on minimum wages and asked them whether they had encountered any difficulties in minimum wage setting due to the pandemic crisis. These decision-makers included representatives from governments, unions and employer organisations and other experts.

Most interviewees highlighted the general economic uncertainty surrounding the pandemic crisis as the main challenge faced during the 2020 round of minimum wage setting. Where forecasts were made and were available, they were more uncertain or volatile than usual, and some also mentioned issues with the reliability of the available data. The consequence was that decisions were deferred, for a shorter (for example, Ireland, Lithuania and Poland) or longer period (Belgium, Greece and Spain).

> *[F]rom March 2020 onwards this process was severely disrupted. All the information coming to the Commission from March 2020 onwards came with an 'enormous health warning', with a lot of projections 'trying to play down the economic effect' of the pandemic. As such, the information available in May 2020 was not sufficient to base a decision to make a recommendation on the national minimum wage for 2021.*
>
> (Employers' representative to the Irish Low Pay Commission)

11 The five groups are: the 'always vulnerable', who work in sectors that were shut down and were unable to work from home; the 'new vulnerable', whose activity was restricted or prohibited because of their close contacts with the public; the 'frontline' workers, whose work was deemed essential (for example, health, education, agriculture and commerce); the 'hyperconnected professionals', who could continue their work at home; and those in 'partial inactivity'.

12 For example, healthcare professionals, cleaners and the police were considered essential from the beginning, whereas teachers and some professions in banking and in veterinary medicine were added later.

Specific technical difficulties

In some cases, there were specific difficulties with obtaining data or carrying out forecasts, including difficulties with the following:

- forecasting economic developments (Bulgaria, Czechia, Finland, Germany, Greece, Hungary, Ireland and the UK)
- forecasting inflation and income levels (Bulgaria)
- calculating inflation (Malta)
- carrying out the impact assessment accompanying the proposed increase based on Article 27 of the Labour Code, as no reliable data on inflation, productivity levels and GDP growth could be obtained (Spain)
- dealing with methodological issues associated with the increase in average wages due to inclusion of COVID-19 bonuses and earlier changes to the Minimum Wage Act (Slovenia)
- gaining access to data provided by government, partially explained by the high work intensity of government officials (Czechia and Greece) or as part of a longer-standing issue of unavailability (Romania)
- dealing with a delay in the publication of the biannual Technical Report stipulating the wage norm (the range of wage increases to be adhered to in collective bargaining, including on minimum wages) by the Central Economic Council, due to the difficulty of obtaining the data for the report (Belgium)

Greater divergence of views and tensions

Greater uncertainty about the economic and labour market outlook led to different assessments by the social partners of the situation and, in some cases, resulted in aggravated tensions between the two sides of industry (for example, in Belgium, Lithuania, Romania, Slovakia, Spain and the UK), but also within government coalitions (Czechia and Spain). The following were reported.

- Understanding between the social partners in Belgium deteriorated, in particular on the extent to which the wage norm should be relaxed.
- The lack of resources of the French expert group to order economic projections led the French Democratic Confederation of Labour (CFDT) to call for more resources for the group, so that independent studies could be commissioned.
- The German Minimum Wage Commission members did not share a joint outlook on future economic development.
- The Hungarian unions stressed the importance of long-term wage convergence and a reduction in the regional wage gap, while employers, based on their own experience, argued that another very difficult year lies ahead.
- In Ireland, the uncertainty caused by the COVID-19 pandemic was compounded by uncertainty over Brexit and whether a trade deal would be secured.
- In negotiations, the Swedish trade unions and employer organisations were further apart than usual when it came to what wage increases would be possible in relation to maintaining competitiveness.

Impact of new virtual working practices

Postponement of face-to-face meetings for consultations or negotiations in some cases increased the time pressure on the decision-makers. In many countries, meetings for consultation or negotiation were held virtually. By and large, this did not seem to cause any major disruptions (with some respondents from Hungary, Latvia and Lithuania particularly stressing this), as participants adapted quickly. Other respondents found the move to virtual meetings somewhat more difficult and even felt that the quality of the social dialogue was somewhat affected. Several respondents stressed the importance of the rest breaks during face-to-face meetings, which allowed them to coordinate demands with their own partners and helped to ease tensions with their negotiating partners.

> *The work in the council was carried out remotely. We quickly learned to work in this manner. A new culture of online working has been established. However, I believe that online work on such an important issue has an adverse impact on the overall process. Informal relationships between participants are important and sometimes crucial. During the breaks, people can quickly agree on something. It is important to see other people, including their body language. Previously, we had been able to find two to three points in common. Online work seems to be much less effective. Perhaps it did not take more time, but it was not as effective as in a face-to-face meeting. In real life, it is easier to come to an agreement, even if the initial distance is big.*
>
> (Employers' representative, Poland)

Oral consultations with stakeholders did not go ahead as planned in Ireland and the UK, and the Irish Low Pay Commission was unable to hold their annual research day. Latvian unions reported lower media participation.

The UK Low Pay Commission, which regularly carries out field visits as part of its fact-finding process, reported that the move to virtual consultations posed more difficulties.

> *[I]t was rather more difficult to reach workers than business online. If you want to get a group of vulnerable workers to talk to outsiders … you need to do so in an environment that is high trust. We in the past talked to workers brought together by unions. Unions organised that this year too, but we could not go to community centres, for example, and I think there was a greater challenge than normal this year to hear from workers' voice. And in hearing business voices, theirs was less focused on the minimum wage.*
>
> (Employers' representative to the Low Pay Commission, UK)

> *Most communication was via telephone or video conference, and face-to-face communication was limited to only very few people, and thus, participation and co-determination have severely suffered. They are very important elements for unions. The consequence was that the demands on trust were enormous. … In normal times, union representatives go and visit companies, and employees and works council members get the opportunity to ask questions and are provided with answers. This was not possible this year and was the largest problem we had encountered.*
>
> (Trade union representative, Austria)

> *The relationship with workers has also become more difficult, because for instance, it is no longer possible to hold assemblies.*
>
> (Trade union representative, Italy)

> *Journalists were less active in attending virtual meetings – this explains why the process of minimum wage setting was less reported in media and seemed unusually silent. However, in some cases when complicated issues were discussed, the non-presence of journalists was even better, because participants felt freer in expressing their views.*
>
> (Trade union representative, Latvia)

Interaction with other COVID-19-related policy measures

The emergence of the crisis situation shifted priorities and the focus of some decision-makers to other policy areas and some attention away from minimum wages, as policies were devised to cushion the effects of the crisis. In several cases, this appeared to have an impact on the depth of the debate on minimum wages. This was mentioned by respondents from Czechia, Greece, Italy, Poland and Portugal.

Box 7: How other COVID-19-related policies influenced minimum wage setting in 2020

> *By announcing its intention to introduce tax reforms aimed at reducing the tax burden on employees, the government signalled that there was no need to raise wages under the current difficult economic conditions, thus influencing negotiations on the minimum wage.*
>
> (Trade union representative, Czechia)

> *For [our organisation], as for the other social partners, the new situation has created other priorities that concern both the protection of workers' health and the support of businesses in dealing with the pandemic's effects.*
>
> (Employers' representative, Greece)

> *As for the debate on the introduction of a statutory minimum wage, the shift of political attention and political priorities due to the COVID-19 emergency did not favour the discussion concerning the introduction of a legal minimum wage, as both were concentrated on the management of the health and economic crisis.*
>
> (Government representative, Italy)

> *There were no consultations with social partners on the anti-crisis shields in spring, they were very often passed at night. The government made the decisions alone. When it came to the negotiations on the minimum wage, everyone was already very tired. The debate no longer had energy. There was no deep discussion.*
>
> (Trade union representative, Poland)

> *The 'normal' social concertation agenda was strongly marked by the public health crisis and discussion and tripartite consultation on exceptional and urgent measures to respond to the health and employment crisis. Within this framework, the ongoing discussions on central issues such as the valorisation of wages (in which the role of the minimum wage and collective bargaining should be strategic areas, articulated with other dimensions such as combating poverty) or equal opportunities for men and women and the promotion of the conciliation between professional, personal and family life were 'suspended' by the government, discussions that could have contributed to speed up and improve the discussion about updating the minimum wage already for 2021.*
>
> (Trade union representative, Portugal)

No particular difficulties

Interviewees from a number of other countries, on the other hand, reported no particular difficulties or no greater impact on the process of minimum wage setting. This included Croatia, Estonia, Latvia, Malta and the Netherlands.

Box 8: Wage increases for workers exposed to higher risk

Most commonly, requests for higher minimum wages, especially for workers exposed to higher COVID-19-related health risks, were transferred into the remit of collective bargaining. This strategy was applied particularly in countries with wider ranging sectoral bargaining schemes (for example, Austria, Finland, France and Italy). In many cases, this strategy resulted in moderate increases, but in some cases, increases for the most affected sectors were deferred.[13] In other sectors, the payment of ‘Corona bonuses’ was often based on collective agreements. This was noted, for instance, in Austria, France and Germany. In some cases, increases were supported by the state via exemptions from income tax.

In **Austria**, there is significant polarisation within and between sectors – for example, all retail is covered by the same collective agreement, but while food retail did consistently well during the crisis, other types of retail recorded large losses and business closures during the lockdown phases. This made it difficult for the unions to formulate a bargaining strategy. What was achieved in several sectors was either the payment of a one-time ‘Corona bonus’ or the recommendation in the collective agreement to do so if the economic situation allowed for it.

In **Finland**, the salaries of practical and medical nurses were at the centre of debate between the unions and local governments as employers, since their salaries are low in comparison to neighbouring countries. In addition, there is a significant pay gap between some of the male-dominated sectors and the healthcare sector. For instance, depending on the calculation method, the average wage in the paper sector (floor workers) is around €4,000 to €4,600 (gross). Medical nurses’ average wage is around €3,000, while that of practical nurses is around €2,300.

In **Germany**, different groups of employers granted employees one-time payments to compensate for pandemic-related changes in work organisation or work intensity. In some cases, this one-off payment was agreed as part of sectoral collective bargaining agreements, for example, for healthcare workers, construction workers and public service employees. In other cases, employers and employees agreed on these payments at establishment level, for example, at Daimler Germany. The German Parliament (Bundestag) voluntarily extended the agreement on these payments for public service workers, so that employees of Members of Parliament were also covered.

A study by Hövermann (2020) found that German employees working in companies with a collective agreement or with an official employee representation were less likely to state they were worried about their own economic situation or to have already experienced income losses. In countries with weaker collective bargaining and lower coverage, the referral of increases into the sphere of collective bargaining was a less viable option, though attempts were made, such as in **Lithuania**, where the government recommended in its Resolution on setting the minimum wage (No. 1114) that company-level agreements should seek to exceed the statutory level. In other countries, frontline workers in the public sector were granted additional bonuses or pay increases, for example, in Latvia and Romania, as well as additional top-ups on pay for hazardous work in Slovenia. See also the following COVID-19 EU PolicyWatch database case studies: BG-2020-31/1086 (Bulgaria), HR-2020-23/1047 (Croatia), GR-2020-14/697 (Greece) and HU-2020-27/1213 (Hungary).[14]

13 Examples include the tourism sector in Finland and Italy.

14 The COVID-19 EU PolicyWatch database is an online resource available at https://www.eurofound.europa.eu/data/covid-19-eu-policywatch

Minimum wages and COVID-19-related support schemes

The main policy interventions to cushion the impact of the pandemic on businesses and workers were business-support schemes, short-time working schemes and other income-protection schemes that were established to safeguard workers' incomes. These measures are documented in Eurofound's COVID-19 EU PolicyWatch database, and a Eurofound working paper takes an in-depth look at some of these schemes (2021a). Analysis conducted for this report shows that in several countries such schemes made explicit reference to the minimum wage in one way or another – the minimum wage either determined the level of the benefit (being a fraction or a multiple of it) or determined the eligibility of workers or companies.

The analysis showed three broad sets of policies within which minimum wages were found to play a role:

- employment- and income-protection schemes (such as short-time working or wage-compensation schemes, including subsidised jobs)
- income support for self-employed people and other workers and job-seekers
- specific support for companies affected by minimum wage increases

Employment- and income-protection schemes

Most employment- and income-protection schemes in the EU are designed in such a way that the compensation received by the worker for hours not worked is proportional to their previous wages (and the generosity of this replacement rate varies across Member States, see Eurofound (2021a)). If such schemes do not include wage floors below which wages cannot fall, the income loss will be felt more acutely by those on lower wages, as they already have a higher likelihood of not being able to make ends meet prior to any reductions.[15] In Germany, Hungary and the UK, for example, the schemes do not include a lower boundary (see Box 9).[16] In some cases, employers may provide a top-up to workers who are receiving a state benefit. This is country specific and also linked to the degree of organisation in the sector, as the German example in Box 9 shows.

Box 9: Germany and the UK – Examples of short-time working schemes without wage floors

Germany: Kurzarbeit

In Germany, workers on short-time working schemes receive 60% of their former wages (or 67% if they have dependants). Employers can top up the short-time working compensation to help stabilise workers' income. Collective organisation is an important factor influencing whether workers receive a top-up to their short-time working payments. As of November 2020, 52% of employees covered by collective agreements but only 29% of workers without the coverage of collective agreements were receiving an employer top-up of their short-time working compensation (Pusch and Seifert, 2021).

As a substantial proportion of workers on short-time working are based in low-paying sectors with low bargaining coverage, these workers' incomes tended to be more significantly affected than those of employees with higher earnings. An online survey during June 2020 among 6,309 respondents showed that in the case of low-wage earners, the income loss due to short-time working was more substantial than for others. Workers with a household income below €1,500 were significantly less likely to receive a top-up of their short-time working compensation compared to workers with a household income of more than €2,600.

While there were debates in March and April on the possible introduction of a floor for the short-time working compensation, the initiative was not able to gain a majority. However, the proportion of wage compensation was increased to 70% (77% with children) for workers who had been on short-time working uninterruptedly for three months and to 80% (87% with children) after six months (Hans-Böckler-Stiftung, 2020; Hövermann, 2020; Schulten, 2020; Pusch and Seifert, 2021).

15 On the other hand, those on higher earnings can be more affected if the schemes contain maximum levels above which hours lost are not compensated or if the schemes include flat-rate benefits.

16 Even in the absence of links to (minimum) wages, in some countries, the support schemes that are available to furloughed workers can be needs-based and refer to minimum income schemes (for example, in the Netherlands and Germany).

UK: Coronavirus Job Retention Scheme

The main minimum wage issue under the Coronavirus Job Retention Scheme (CJRS) is that, according to the scheme's rules, furloughed employees must be paid at least 80% of their normal wages, but with no minimum floor for their pay when not working. Although employers are free to top up the 80% to an employee's normal pay, fully or partially, they are not required to do so. In the absence of any employer top-up, furloughed employees normally paid the minimum wage, and up to 25% above it, receive less than the minimum wage on an hourly basis. The result has been a large increase in the number of employees recorded as being paid less than the statutory minimum wage.

In April 2020, when some 8.8 million employees were fully furloughed, the Office of National Statistics' Annual Survey of Hours and Earnings (ASHE) found that 2,043,000 employees (7.2% of the total) were paid below the minimum wage, compared with 409,000 in 2019 (1.4%). LPC analysis suggests that without the CJRS, the April 2020 figure for employees paid below the minimum wage would have stood at only 347,000 (1.2%).

Several countries opted to put **floors on the total compensation** received by workers, based on the minimum wage. For example, during the pandemic, the short-time working schemes in Estonia, France, Greece, Luxembourg, Portugal and Slovenia ensured that workers received at least the minimum wage. Notably, some of these countries capped the level of compensation at a multiple of the minimum wage, for example, Hungary at 1.5 times, Luxembourg at 2.5 times, Portugal at 3 times and France at 4.5 times (Table A4 in the annex).

Several countries linked the level of COVID-support-related **subsidies paid out to companies applying active labour market measures** to the minimum wage. Bulgarian companies participating in the 'Employment for you' scheme receive a grant equivalent to one minimum wage for three months when they employ an unemployed person. Portugal subsidises some companies with one minimum wage per worker, to facilitate the gradual return to work after a temporary reduction in working time or the suspension of employment contracts. It provides a subsidy up to two times the minimum wage per worker for companies that benefited from the simplified lay-off scheme. Lithuania (until 1 January 2021) pays between 1 and 1.5 times the minimum wage to companies during idle time.

In a few countries, such as in Ireland and Malta, the wage-compensation schemes are paid in the form of **lump-sum benefits**. In Ireland, workers who are fully furloughed or out of work can receive the Pandemic Unemployment Payment (PUP) that could amount up to €350 per week (COVID-19 EU PolicyWatch case IE-2020-11/782). At the beginning of the pandemic, this benefit was granted irrespective of former working hours, which led to an increase in income for those workers who were lower paid and on fewer hours. Redmond (2020), for instance, explains that an average minimum wage worker in retail or accommodation and food work, who had previously worked 23 hours per week, would see a 50% rise in earnings when receiving the original PUP. To address this, the Irish government made adjustments to the scheme in June and October and introduced different rates for different earnings thresholds.

Box 10: Lithuania and Spain – Examples of use and non-use of top-ups of COVID-19-related income replacements

Lithuania: Most employers did not top up subsidies for idle time above the minimum wage

Until January 2021, the income support provided in Lithuania was not linked to the contractual wages of employees but to the minimum wage. Thus, most employees during the downtime in 2020 received either the minimum wage (€607 gross) or 1.5 times the minimum wage (€910.50 gross). The employer could always pay higher wages than the minimum wage but would only receive a subsidy of €910.50 gross (if they chose to contribute 30%) and €607 gross (if they chose to contribute 10%). According to the Ministry of Social Security and Labour, about 93% of employers who applied for subsidies paid only the minimum wage to their employees who were on downtime (data from 28 July 2020).

Spain: Regional tripartite agreement on top-up benefits for minimum wage workers

In the case of the region of Murcia, a tripartite agreement was reached for the regional government to top up the benefit for those workers receiving the minimum wage. The workers received 70% of the average wage for the previous four months. This measure meant that the government paid an additional 30% to reach the minimum wage for these workers.

Some countries have also made the **eligibility for some benefits** for employees contingent in relation to the minimum wage (see Table A5 in the annex). Slovenian workers whose monthly wages do not exceed double the minimum wage were entitled to a crisis allowance of €200. Laid-off workers in Portugal whose basic salary did not exceed twice the minimum wage were eligible for a lump sum benefit between €100 and €351. The UK made access to the CJRS for apprentices contingent on them being paid at least the applicable statutory minimum wage.

Income support for self-employed and other workers

Several countries linked their COVID-19-related benefits for other workers, such as self-employed people and working parents with care obligations, to the minimum wage level. In other instances, income losses or past income of self-employed people and other workers were compared to the minimum wage level to determine their benefit eligibility (see Table A6 in the annex).

Poland provided one-time public support of 50–80% of the minimum wage to entrepreneurs whose sales dropped by at least 40% (COVID-19 EU PolicyWatch case PL-2020-44/1344). **Slovenia** also provided financial support of up to 80% of the minimum wage to farmers and fishermen (case SI-2020-11/484). **Spain** paid a subsidy of up to one minimum wage to registered domestic workers who did not have the right to unemployment benefit in the case of an absence of activity, a reduction in working hours or a termination of contract (case ES-2020-14/617). **Bulgaria** provided income support equivalent to the minimum wage per month, for a period of up to three months, to artists and freelancers with average monthly incomes of less than BGN 1,000 (€500) in the previous year (case BG-2020-11/501). **Luxembourg** gave refundable aid to self-employed people in craft, commercial and industrial businesses, capped at 2.5 times the minimum wage (case LU-2020-12/430). **Lithuania** has supported workers with disabilities, unemployed workers aged 45+ and young unemployed workers (under 29 years of age) to set up a new business with a grant of up to 31.03 times the minimum wage (case LT-2020-23/1087).

Other countries made their income support for groups of self-employed people contingent on their income being below or not exceeding a certain minimum wage threshold (see Table A7 in the annex). This concerned **Estonian** freelancers in creative industries earning below the minimum wage level and **Lithuanian** agricultural workers earning below the minimum wage who can obtain lump-sum benefits. **Luxembourgish** self-employed people can receive an inclusion allowance, without having to register with the public employment service, for a period of six months if their income is below the minimum wage for unqualified workers. They can also obtain a benefit of €2,500 under certain conditions, provided that their professional income does not exceed 2.5 times the minimum wage.

Bulgaria and Portugal both linked their assistance for workers with family care obligations to the minimum wage. In **Bulgaria**, the rates have been 25–150% depending on the number of days that schools were closed and the number of children in the household. In **Portugal**, parent pay-outs – while income-related – were capped at between one and three times the minimum wage.

Much lower proportions of the minimum wage were granted to **Lithuanian** job-seekers who were otherwise not entitled to benefits (7–33% of the minimum wage) or to those whose vocational training was suspended during the lockdown (47%). **Hungarian** companies have been allowed under a government decree to pay an allowance to teleworkers of 10% of the minimum wage (see Table A6 in the annex).

Support for companies affected by minimum wage increases

In Luxembourg and Slovenia, the governments introduced new support for companies with minimum wage workers to compensate for the most recent increase in minimum wages in 2021. Reductions in social security contributions, as a means of supporting employers, have been under consideration in Hungary and Greece, and were somewhat related to the debates on the minimum wage rates.

Following the increase in the minimum wage for 2021, the **Luxembourgish** government decided to implement a new financial support measure for those firms that have been most impacted by the pandemic and whose financial situation makes it difficult to shoulder the increase in the minimum wage. This support measure relates to companies that had hired employees before the minimum wage increase. It provides a one-time lump-sum grant of €500 per employee whose monthly earnings on 1 January 2021 were higher or equal to the non-qualified minimum wage (€2,202) and less than or equal to the qualified minimum wage (€2,642) (case LU-2021-1/1793).

The **Slovenian** government chose a similar path and on 3 February 2021 enacted a law that provides for the government to cover a part of the minimum wage increase in 2021. In the first semester of 2021, the government gave €50 a month for each worker whose full-time salary without variable pay and bonuses did not exceed the minimum wage. In the second semester of 2021, employers benefited from reduced social contributions. Employers who benefited from this subsidy cannot dismiss these workers during the lifetime of the measure or within three months of the measure ending (case SI-2021-1/1781).

4 Proposal for an EU directive on adequate minimum wages

Since the announcement in 2019 by European Commission President von der Leyen in her political guidelines of the Commission's intention to prepare a legal proposal to ensure that every worker has access to adequate minimum wages by 2024, the initiative has advanced. The Commission held a two-stage consultation with the social partners in January (first stage) and June 2020 (second stage) and produced an impact assessment (European Commission, 2020). In the second-stage consultation, the European Trade Union Confederation (ETUC) reaffirmed its openness in principle to negotiate on the matter under Article 155 of the Treaty on the Functioning of the European Union (TFEU), but it suggested that in light of the negative response employers voiced during the first stage consultation, there appeared to be no opportunity to open negotiations that could result in a positive outcome (ETUC, 2020a). The cross-sectoral employer organisation, on the other hand, expressed its 'forced readiness to negotiate', but only if the agreement would lead to a non-binding Council Recommendation rather than a directive (BusinessEurope, 2020a; SGI Europe, 2020a; SMEunited, 2020a).

Based on the consultation, and the fact that social partners decided not to open negotiations under Article 155 of the TFEU, the Commission presented its proposal for a directive on 28 October 2020 (COM(2020) 682 final 2020/0310 (COD)). The proposal outlined two main objectives:

- ensure that minimum wages are adequate
- ensure that all workers have access to minimum wage protection

The proposal does not seek to establish a uniform rate or rule across Members States and does not seek to alter the mechanisms for setting minimum wages (for example, from non-statutory to statutory). It contains the provision that Member States with collective bargaining coverage of less than 70% should seek to improve the coverage and develop action plans on how to promote collective bargaining (Article 4).

Some provisions in the proposal apply only to statutory minimum wage systems. Concerning adequacy (Article 5), the proposal for a directive leaves it up to **Member States with a statutory minimum wage** to define (according to national traditions) what level is considered adequate but asks Member States to implement a number of measures to promote adequate minimum wages. Adequacy is promoted by setting and updating the rate in a regular and timely manner (Article 5(4)), based on the advice of 'consultative bodies' (Article 5(5)) and by adhering to a set of **stable and clearly defined national criteria** (Article 5(1)). The countries are free to decide their criteria but should include at least the following elements (Article 5(2)):

- the purchasing power of statutory minimum wages, taking into account the cost of living and the contribution of taxes and social benefits
- the general level of gross wages and their distribution
- the growth rate of gross wages
- labour productivity developments

The proposal is not prescriptive on how these criteria (and possibly others) should be taken into account in setting and updating the rate but adds in Article 5(3) that Member States should use **indicative reference values** to guide their assessment 'in relation to the general level of gross wages'. The explanatory memorandum of the proposal clarifies that such commonly used criteria could include, for example, the Kaitz index, which compares the minimum wage to the median or the average wage. Recital 21 also refers to concrete values as examples.

> *The use of indicators commonly used at international level, such as 60% of the gross median wage and 50% of the gross average wage, can help guide the assessment of minimum wage adequacy in relation to the gross level of wages.*

For countries with statutory minimum wages, the proposal includes the requirement to involve the social partners in setting and updating, including through their participation in the consultative bodies, in a number of ways (Article 7). They should participate in the following aspects:

- the selection of the national criteria and indicative reference values that guide adequacy
- the regular and timely updates
- the establishment of variations and deductions from the minimum wage
- the collection of data and the conducting of studies to inform wage setting authorities

The proposal furthermore:

- stipulates requirements for variations and deductions from the statutory minimum wage (Article 6)

- requires Member States to take the necessary action to enhance the access of workers to statutory minimum wage protection (Article 8)
- requires Member States to ensure that economic operators comply with wages set by collective agreements and with statutory minimum wages, where they exist, in the performance of public procurement or concession contracts (Article 9)
- sets data collection and reporting obligations to ensure the monitoring of minimum wage adequacy and coverage (Article 10)
- includes a provision on the right to redress and protection against adverse treatment or consequences (Article 11)
- requires Member States to provide for 'effective, proportionate and dissuasive penalties' for breaches of national provisions establishing minimum wage protection (Article 12)

Reactions from EU-level social partners

According to a review of press releases and position papers, the reactions from the EU-level social partners on the proposed directive continued to show the wide gap in views on and support for the initiative between the two sides of industry. The ETUC reiterated its support for the endeavour: 'Commissioner Schmit's proposal for a Directive is a positive step as it is the only way to achieve real change'. But it also highlighted a number of points that it believes should be improved in the directive, including the inclusion of a concrete 'decency' threshold within the main text of the directive (of 60% of median and 50% of average wages), below which minimum wages should not fall, provisions in the action plans to ensure the right to collective bargaining, and the abolishment of all exceptions from minimum wages and deductions (ETUC, 2020b).

Employer organisations, on the other hand, reiterated their previous calls for a Council Recommendation instead of a directive (BusinessEurope, 2020b; SGI Europe, 2020b; SMEunited, 2021).

In a press release, the Confederation of European Businesses (BusinessEurope) called the proposal a 'recipe for disaster' and 'a legal monster' and repeated its objection to any kind of binding tool (BusinessEurope, 2020c). In a position paper of 4 December 2020, BusinessEurope stressed, among other issues, that the directive would lead to numerous European Court of Justice (ECJ) rulings, as it is overly detailed, with many possibilities to derogate. In addition, the position paper suggests that the focus on adequacy disregards the employment impact and that – contrary to its intention – the directive would take away power from the social partners (BusinessEurope, 2020b).

The European Association of Craft, Small and Medium-Sized Enterprises (SMEunited) stated it was 'strongly disappointed' and suggested that the directive would 'have a clear negative economic impact on SMEs, creating higher minimum wages in the vast majority of Member States … at a time when SMEs are struggling to survive and maintain jobs'. It is against any binding national criteria to define the level of the minimum wage (SMEunited, 2020b). In a position paper, SMEunited suggested, among other issues, that more attention be dedicated 'to the impact of the proposal for a Directive on employment, productivity and competitiveness of SMEs when defining the adequacy of minimum wage', and that resorting to the indicative reference values be optional instead of a requirement (SMEunited, 2021).

The European association representing enterprises that carry out services of general interest, SGI Europe,[17] in turn, referred to its previous openness to enter into negotiations (on a Council Recommendation) and stressed its conviction that social dialogue was the best way to address issues directly impacting employers and workers (SGI Europe, 2020c). In a position paper published in late 2020, SGI Europe asked the Commission for further clarification on the proposal, including how the ECJ will interpret the directive in the future, how the derogation for Member States that exclusively set wages through collective agreements is interpreted and how the EU intends to promote collective bargaining on wage setting in practical terms (SGI Europe, 2020b).

National decision-makers' general assessments and views

In the context of this study, Eurofound's correspondents carried out 89 interviews with national decision-makers on minimum wages, including governments, social partners and researchers/experts (see Box 1).

In the interviews, the most common general remarks on the proposed directive related to its legal form:

- whether the initiative should be a non-binding recommendation
- whether it would breach Article 153(5) of the TFEU, which excludes pay from the areas in which the EU has a mandate to intervene
- whether it was in line with the subsidiarity principle

17 Formerly known as the European Centre of Employers and Enterprises providing Public Services and Services of general interest (CEEP).

The views of the social partners were in most cases closely aligned with the positions of the EU-level organisations, while governments demonstrated a more diverse range of views.

The greatest general objection to the directive came from actors in Denmark and Sweden.

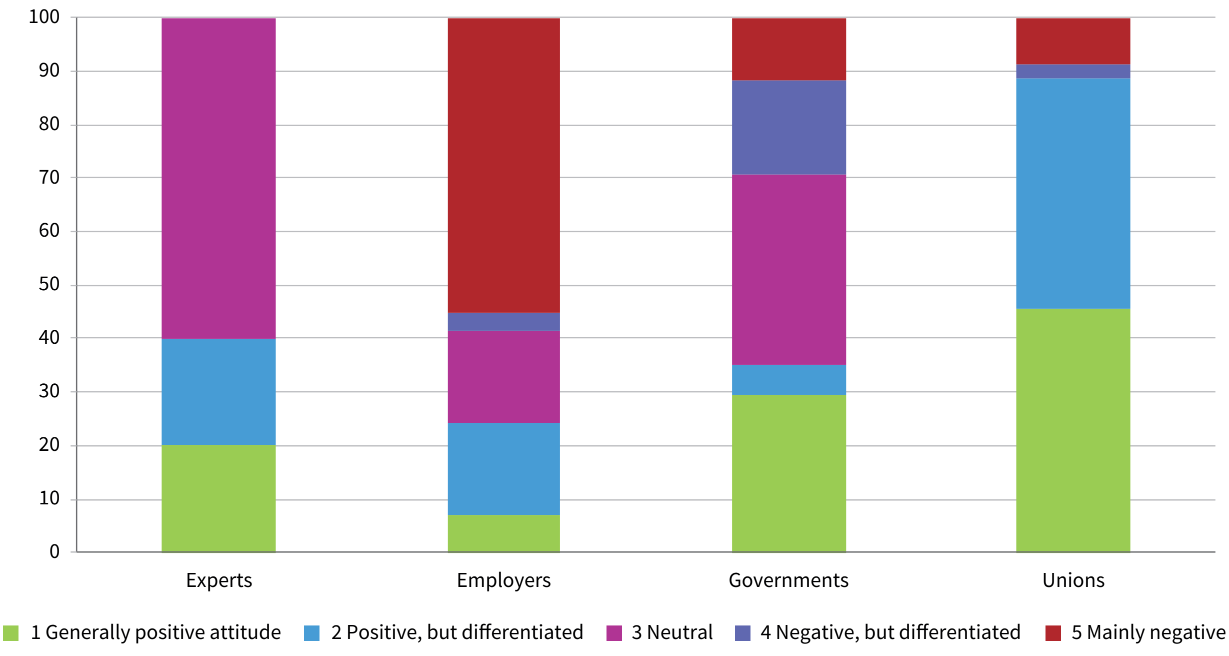
> *All in all, the Commission's proposal represents a very serious attack on the Swedish collective agreement model. In the long term, the collective self-regulatory model – where the parties are given the primary responsibility to independently regulate the conditions in the labour market – is at stake. In light of the fact that it is the Commission's ambition to strengthen the Member States' collective bargaining coverage by means of the Minimum wage directive, this attack is profoundly paradoxical. Should the proposal be realised, power over the labour market risks becoming European in the long run. The Swedish social partners, together with the Swedish legislator, may gradually lose control over the rules underpinning the Swedish collective agreement model, rules which provide the conditions for Swedish wage formation and for the entire Swedish collective bargaining system. Both employers' and workers' incentives to organise and enter into collective agreements are at risk of falling dramatically.*
> (Labour Market Council for EU Affairs, 2020, p. 15, Sweden)

Several respondents from employer organisations furthermore questioned the timing of the proposed directive, referring to the impact of the pandemic crisis on companies and employment levels, which makes any implementation or negotiation of higher wage levels 'unrealistic', 'inappropriate' and 'problematic'.

Several respondents from some of the wealthier Member States (such as Austria, Belgium, Finland, France, Germany, Greece and Ireland) and from both sides of industry felt that the directive would impact their countries more indirectly and referred to the proposed directive as a possibility to limit wage-related competition from other Member States, to reduce outsourcing of activities to Member States where pay is low or to reduce poverty-related labour migration. Some unions from lower-wage countries (Hungary, Latvia and Poland) mentioned the directive's potential to reduce outward labour migration by promoting wage convergence. Meanwhile, employers from some of the central and eastern Member States argued that the speed of economic convergence was paramount and should not be to the detriment of business competitiveness (Hungary, Latvia and Lithuania).

Summing up the decision-makers' views, as depicted in Figure 6, there is no sharp 'black and white' divide between trade unions, employers and governments. All sides, at least to some extent and varying degrees, can see the benefits of the proposal but are also critical of some aspects of it. Despite their overall support, the trade union side has voiced some disappointment in the proposal and some feel that it does not go far enough. On the employer side, many are unhappy with the move towards a directive instead of a Council Recommendation. In fact, employer organisation respondents showed the highest degree of disapproval among all interviewees,

Figure 6: Stances towards the proposed directive by respondent type (%)



Note: *The stances were classified by Eurofound, based on an overall assessment of the answers provided.*
Source: *Eurofound, based on 86 interviews with national decision-makers on minimum wages from the EU27 (UK not included)*

with more than half of them taking a predominantly negative stance against the proposal. Among the areas touched upon in the proposed directive, the employers are most supportive of the requirement to set minimum wages according to clear, stable and transparent criteria, and express the wish that minimum wage setting could be depoliticised in this regard.

The views of governments were assessed to be mixed and more heterogeneous, with around one-third of government respondents displaying a positive stance, one-third a neutral and one-third a negative stance.

The views of the smallest group of respondents (researchers/experts) were to a large extent assessed to be neutral or positive.

As shown in Figure 7, the highest degree of support for the directive comes from countries in which governments (during 2021) consulted the social partners but set the minimum wage unilaterally. Respondents from countries where minimum wages are based on agreements (be they sectoral collective agreements or bipartite or tripartite agreements at peak level) most frequently demonstrated a negative stance, while respondents from countries where minimum wages are uprated based on formulas and/or where expert committees provide recommendations showed the greatest spectrum of views.

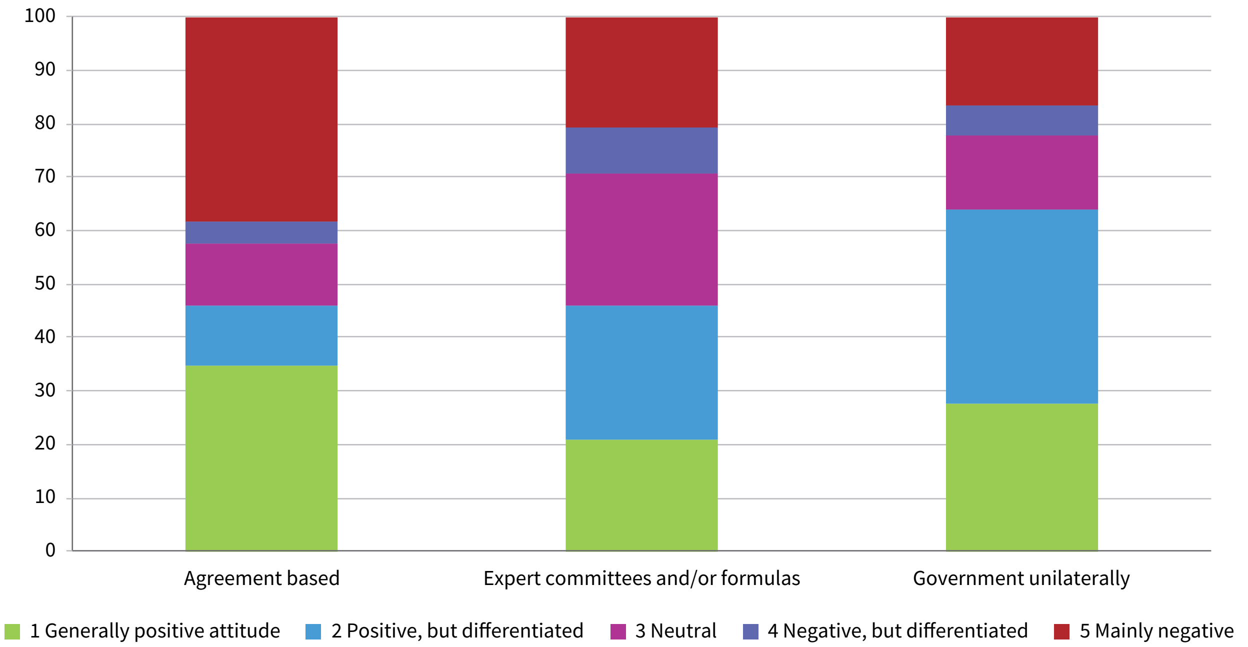
A tentative explanation for this observation – following the work of Boeri (2012) – is that in the first group of countries, the social partners tend to be weaker, and there are elements in the directive that find support on both sides: for employers and unions alike, the prospect of greater involvement in setting the rate; and for unions specifically, the prospect that minimum wage levels reflect adequacy goals and move upwards. For some employers in this group, the prospect of being more involved is also associated with gaining bargaining power and limiting the more unpredictable increases related to political interventions.

In the second group of countries, in contrast, the bargaining power of the social partners (with exceptions) tends to be stronger and wage levels higher. For actors in these countries, potential gains from the directive would be smaller, and some fear that the well-functioning systems that exist could be undermined.

Respondents from countries where minimum wages are set via expert committees and/or based on formulas showed the largest mix of opinions. This third group of countries had the greatest share of neutral positions, not least because researchers/experts in this group conveyed a neutral stance when interviewed.

Some respondents also voiced doubts about the capacity or capability of the Commission to pass the proposal, based on the resistance of several governments and employers.

Figure 7: Stances towards the proposed directive by type of wage setting (%)



Notes: *The opinions were classified by Eurofound, based on an overall assessment of the answers provided from all respondents (governments, social partners and researchers/experts). Countries categorised under 'Agreement based': Austria, Denmark, Estonia, Finland, Hungary, Italy, Latvia and Sweden; countries categorised under 'Expert committees and/or formulas': Belgium, Croatia, France, Germany, Ireland, Luxembourg, Malta and the Netherlands; countries categorised under 'Government unilaterally': Bulgaria, Cyprus, Czechia, Greece, Lithuania, Poland, Portugal, Romania, Slovakia, Slovenia, Spain.*
Source: *Eurofound, based on 86 interviews with national decision-makers on minimum wages from the EU27 (UK not included)*

National decision-makers' assessments of specific contents

Concerning the specific contents of the proposal, the most disputed points for the national decision-makers interviewed centred on the promotion of collective bargaining on wage setting (Article 4) and the provisions on adequacy (Article 5 for countries with statutory minimum wages).

The requirement to involve the social partners in statutory minimum wage setting and updating (Article 7) was generally welcomed by respondents. The requirements on data reporting and monitoring (Article 10) received a mixed reaction – some government and employer respondents said that the requirements would be an additional administrative burden, but some trade union and expert respondents felt that the requirements would be a welcome addition.

Fewer reactions were recorded in relation to the directive's requirements to limit the use of variations of minimum wages, to observe compliance within public procurement and contracts and to ensure effective access of workers to statutory minimum wages.

Promoting collective bargaining

For most trade union respondents, the requirement to promote collective bargaining and to provide action plans if a country's bargaining coverage is below 70%, is a positive development. Increasing collective bargaining has been a long-standing aim of many trade union respondents. But the proposal's perceived vagueness on how this can be achieved was discussed by some.

Mainly respondents from central and eastern European Member States voiced concerns about the practicality of implementing the proposed directive. Some of the concerns voiced include:

- low membership levels in trade unions and dire financial resources (Hungary)
- recurring practices of trade union busting that impedes collective organisation and bargaining (Bulgaria and Romania)
- lack of employer organisations as counterparts in sectoral negotiations (Slovakia)
- perceived lack of interest from the employer side or from government (Croatia and Poland)

There were also technical questions on what the contents of the action plans should be, how to calculate collective bargaining coverage (Belgium) and how to consider non-renewed agreements in the calculation of the coverage rate (Portugal).

Some respondents argued that for Member States with the lowest coverage rates, the directive's emphasis on collective bargaining could result in diminishing the role of the statutory minimum wage, which they believe should remain the most important vehicle for setting minimum wages.

Several respondents, again mainly from central and eastern European Member States with hitherto low bargaining coverage rates, were more openly doubtful in relation to the directive's ambition to work towards bargaining coverage of 70%. Specifically, they noted:

- the impossibility of achieving high coverage rates without sectoral agreements and the possibility that the directive's objective could result, de facto, in prescribing the use of sectoral agreements (Hungary, employers' representative)
- insufficient interest, support and understanding from and among the social partners and the government contributing to underdeveloped and inadequate industrial relations (Croatia, trade union representative)
- large proportions of employment in very small companies, which are difficult for unions to cover (Bulgaria, Latvia, government representative)

Some respondents voiced their doubts on how collective bargaining could be promoted without interfering with the autonomy of the social partners and freedom of association. On the issue of autonomy, some Nordic unions are more aligned with employer views.

Another area of concern is the legitimacy of the bargaining actors, in particular as concerns the trade unions. The Member States have a wide range of regulations and practices to determine which organisations may be a bargaining partner with the capacity to conclude collective agreements (Eurofound, 2016).

Some Member States – among them Greece, Lithuania and Romania – allow collective agreements to be signed by employee representatives or by unions not established as 'representative' according to national criteria (see Eurofound, 2020c and 2020d). As Article 3(3) of the proposed directive refers to 'workers' organisations', not trade unions, this raises questions on who may be considered a legitimate bargaining partner. While (some) trade unions push for this to be an exclusive right for them and would like to see the directive amended in this regard, (some) employers have different thoughts.

Adequacy of statutory minimum wages

In relation to Article 5 on adequacy (applying only to statutory minimum wages), the points most commonly made by the respondents related to the four listed national criteria that Member States should at least consider in setting and updating the minimum wage (Article 5(2) a–d), as well as to the 'indicative reference values to guide their assessment of adequacy'.
See Box 11 for a discussion of Eurofound's analysis of these values.

Box 11: On indicative reference values

In the discussion among researchers and policymakers on the possibility of EU-wide minimum wage coordination and the impact assessment of the proposed directive on adequate minimum wages in the EU, the reference values of 60% of the median and 50% of the average wage have been typically referred to.

The Eurofound working paper *Minimum wage developments in the last decade, low-paid employees and minimum wage earners* (2021b) uses these two reference values to estimate the share of employees below these thresholds across EU countries. According to the data analysis, more workers would benefit from a target set at 60% of the median wage, as it typically translates into a higher threshold than 50% of the average wage in almost two-thirds of EU countries. For the EU as a whole, around 16% of employees earn below the former threshold, and more than 20% in Estonia, Germany, Luxembourg and Spain. Over the last decade, the share of employees below that threshold has tended to decline. Among the larger countries, the greatest reductions are seen in Poland (and Germany to a lesser extent), while reductions in most recent years occurred only in France and the UK. Significant expansions took place in Italy and Spain as a result of the impact of the Great Recession on the lowest-paid employees.

The notable progress in raising statutory minimum wages in many central and eastern European Member States has largely reduced their distance from those reference values, be it 60% of the median or 50% of the average wage. Nevertheless, the relationship between minimum wages and average and median wages is not straightforward and is very much dependent on the dataset chosen to calculate the magnitude of the average or median wage. Reference indicators that solely calculate 'adequacy' in terms of percentages of average or median wages could prove to be too restrictive, as they capture only the dimension of 'fairness' of wages compared with other workers. Therefore, the proposed directive requires Member States to also take into account at least the other factors mentioned in Article 5(2), and in addition they are free to make decisions on adequacy themselves.

Rather than technical discussions on a specific threshold, the real issue of concern is the extent to which minimum wage earners are able to afford a decent and socially acceptable standard of living. Eurofound's analysis uses two further indicators to explore this: one on reported ability to make ends meet and one on material deprivation. For the EU as a whole and according to EU-SILC 2019 data, 23% of minimum wage earners reported difficulties or great difficulties in making ends meet (compared to 11.5% among the rest of employees) and 16% of minimum wage earners lived in materially deprived households (compared to 6% among the rest of employees). Minimum wage earners are affected more by changes in the economic cycle, and minimum wage hikes can improve their material situation and that of the households they live in.

A more detailed discussion is provided in the Eurofound working paper *Minimum wage developments in the last decade, low-paid employees and minimum wage earners* (2021b).

National criteria for setting and updating statutory minimum wages

Concerning the national criteria, some respondents mentioned the lack of clarity of the indicators and regretted that there was no further elaboration or clarification in terms of methods or how the indicators should be linked together. Others stressed that the criteria for setting minimum wages should remain exclusively in the national domain, or would have preferred less prescriptiveness and more flexibility at national level.

Some respondents (mainly from governments) reflected on the implications of these minimum criteria for the current way of setting and the possible adaptation of practices and regulations required from a more technical perspective, with some rejecting any potential changes to their practices.

Several trade union respondents were particularly critical of introducing 'labour productivity development' (or elements of competitiveness) into the setting and instead stressed the inclusion of criteria to provide for a decent living. Employers, in contrast, were more open to the idea.

Indicative reference values in relation to gross wages

The fact that the proposed directive text itself does not include any concrete values (or thresholds) on the lower limit of minimum wages was among the most commonly voiced points of disappointment among trade unions. Some argued – in line with the ETUC – that the double minimum threshold of 50% of average and 60% of median wages should be part of the directive's text instead of being referred to in the recitals, while others also saw pitfalls in applying any relative rates as compared to gross wages and instead argued for absolute minimum decency thresholds.

Employers voiced their relief that the threshold had not been entered into the proposed main text of the initiative (Germany), while others continued to be critical of setting minimum wage rates in relation to targets (Romania), questioned the origin of equating the poverty line with 60% of median wages (the Netherlands), or highlighted the stronger country-specific polarisation between higher and lower productive parts of the economy, making reference to median or average wages skewed and somewhat arbitrary (Ireland and Luxembourg).

Other government respondents voiced concerns of a more ‘technical’ nature about the idea of linking minimum to median or average gross wages, such as the unavailability of annually updated figures on median wages (Bulgaria) or the speed of change in average wages and the related issue of choice of reference period (Lithuania).

Other adequacy aspects

The other aspects summarised under Article 5 caused fewer reactions. The objective to base the setting of statutory minimum wages on clear and transparent criteria and to undertake timely updates was not questioned and was stressed by some employer organisations as a welcome element.

In relation to the proposed consultative bodies, a few governments referred to the need to adapt to some degree the regulation of an existing body (Lithuania’s tripartite committee) or to set up a new permanent body (Spain) or referred to ongoing work in this regard (Malta).

Involvement of the social partners in statutory minimum wage setting systems

The clear reference in the directive to involving the social partners in the setting and regular updating of statutory minimum wages via the consultative bodies was welcomed by many social partner organisations. It was not seen as problematic overall by governments, some of which (for example, Luxembourg and the Netherlands, where the social partners’ role is an indirect one) reflected on the extent to which this could imply changes to current modalities.

Some employers interpreted this as potentially giving them a stronger role in bargaining as compared to the current set-up, with greater government and political influence.

Monitoring and data collection

For respondents in some Member States – mainly trade unions and researchers/experts – the directive’s requirement for Member States to report data on minimum wages, collective bargaining coverage or collectively agreed wage distributions (for countries without statutory minimum wages) was warmly welcomed, due to longer-standing issues about the lack of such data. Government and employer respondents, in contrast, more often referred to the additional administrative burden such a requirement would create, which was regarded by some as excessive (Bulgaria, Finland, Hungary, Latvia and Lithuania).

Other provisions

All other provisions in the proposed directive were much less frequently referred to or commented upon.

Article 6, which sets out limitations to variations of and deductions from the minimum wage levels, was mentioned as potentially critical by few employer organisations and governments. A French employer organisation and a Hungarian employer organisation both voiced concerns over a possible end to paying sub-minimum wages to apprentices, people on work–study contracts or trainees. A government respondent from the Netherlands anticipated that youth minimum wages will be a discussion point. The French social partners from both sides also said that the requirement of Article 6 as regards deductions could affect some sectoral practices, where bonuses and other allowances are sometimes counted towards the minimum wage.

Respondents from Belgium, Germany, Greece and Italy highlighted the importance of Article 8 on guaranteeing effective access of workers to statutory minimum wages: a German trade union representative referred to access as ‘a general problem of minimum wage enforcement across Europe and a related problem of declining bargaining coverage’. An Italian employer organisation – in the context of long-standing issues around the undercutting of wages via ‘pirate agreements’ (see Eurofound, 2020e) – suggested that it would be important to increase and enhance controls to sanction those who do not apply the correct agreement. A Greek respondent, in the context of long-standing efforts to combat undeclared work, referred to Article 8 as being among ‘the most difficult to implement’.

Concerning the provision on public procurement and concession contracts (Article 9), two unions from Bulgaria and Romania criticised the text for not going far enough, as it relates only to collectively agreed and statutory minimum wages and does not oblige employers to pay decent wages and respect workers’ rights or consider any sanctions for those who refuse to negotiate. In addition, they were critical of the fact that the rules do not cover public subsidies, grants or other financial support for companies.

Further developments in 2021

Following the release of the proposal, parliaments in Denmark, Malta and Sweden sought to trigger the 'yellow card' procedure, which can be invoked if there are doubts about the subsidiarity of a proposed EU-level intervention (Rolfer and Wallin, 2021). The required number of 18 votes (2 votes are allocated to each Member State), however, was not reached. In another coordinated move, ministers of labour from nine Member States sent a letter to the presidency of the EU in January 2021, arguing that a recommendation would be a better legal instrument than a directive.[18]

At the request of several Member States, the Council Legal Service (which assists the European Council and the Council of the EU) provided an opinion on the legal basis of the proposal in March 2021. While the opinion itself has not been made publicly available (2020/0310(COD)), according to newspaper articles, the legal experts suggest that there is no violation of the TFEU, as long as the initiative does not set the level of the minimum wage or its calculation basis. As the indicative reference values to assess the adequacy of minimum wages are not binding, the opinion considers the legal basis for the proposal to be appropriate, with the exception of Article 6 on variations and deductions, as this would constitute a direct interference. The opinion also notes that the proposed directive does not require Member States to grant access to a minimum wage to all workers; but if it did intend to impose minimum wage coverage for all workers, the limits of Article 153(5) TFEU would be reached (Agence Europe, 2021; Planet Labour, 2021).

During 2021 (and possibly beyond), the directive will be discussed and negotiated between the European Council and the European Parliament.

18 The Member States are Austria, Denmark, Estonia, Hungary, Ireland, Malta the Netherlands, Poland and Sweden.

5 Outlook on minimum wage setting in the medium term

How could minimum wage setting develop in the next three to five years, either as a result of the pandemic or as a response to the EU directive? This question was posed to minimum wage setters by the current study. Overall, according to their assessments, the impact on wage setting in the medium term will depend on the depth and length of the recession and the speed of the economic recovery. And not all points mentioned were necessarily perceived as a direct consequence of the proposed directive, as most have been on the countries' agendas already for a while. Also, respondents from some countries seemed to seek opportunities within the directive to back up some of their longer-standing demands on wage setting.

In a number of countries, predominantly those with well-functioning collective bargaining systems – Austria, Finland, France, Germany and Sweden – no major changes to wage setting practices were expected in the medium term, except for some likely wage moderation in the coming years. The necessity to ensure no state interference in the autonomy of the social partners was particularly important for both sides of industry in Austria, Finland and Sweden.

The directive's focus on strengthening the role of the social partners and collective bargaining triggered reflections in some countries on whether this could actually support (the return to) a more prominent role for negotiated minimum wages, either as a vehicle to determine the level of statutory minimum wages or possibly to replace them. Such reflections were voiced by some of the Greek social partners and by employers from Slovakia, Slovenia and Spain. This could be interpreted as a more strategic move by employers, especially in contexts where stronger political support had recently increased minimum wages and where the prospect of negotiating with unions appears to be a more appealing alternative. Potential changes to the process of minimum wage setting were also expected by respondents from Bulgaria, based on a bipartite or tripartite agreement; Romania, where the signing of a tripartite agreement on minimum wage setting could take place in 2021; and Cyprus and Italy, where the debates on introducing statutory minimum wages could regain momentum.

More structural changes to the institutions setting minimum wages were believed to be likely in Greece (meaning either the implementation of a technical group, as per the General Collective Agreement of 2018, or a Council of Experts, as per the government report), in Malta (the Low Pay Commission) and Spain. Better resourcing of the French expert group, built on the UK model, as proposed by one French union, is in prospect, as is the transformation of the Irish Low Pay Commission into a Living Wage Commission. At least some of these changes could be somehow linked to the directive's proposal to establish consultative bodies for the setting of minimum wage rates.

Despite the proposed directive's indirect reference to 'indicative values and targets' of minimum wages in relation to gross wages, only a few respondents said that they envisaged minimum wage setting to develop along these lines. These respondents were mainly from Member States in which the reference to such thresholds is already current practice or part of the national debate (Bulgaria, Czechia, Latvia and Spain).

Respondents from other countries believed that the criteria or mechanisms currently used for updates could be changed in the medium term. This included possible new formulas for minimum wage setting, for example: in Belgium, a change in the current wage norm and indexation practice; in Romania, whether the living wage legislation will be implemented or changed into a more competitiveness-oriented mechanism; and in Czechia, the implementation of a new valorisation mechanism. Or the orientation could be based on new criteria, for example: productivity developments, as proposed by employers in Croatia; living wage criteria, as proposed by unions in Bulgaria and Greece and the Irish government; or a revision of the way average wages are calculated in Luxembourg, by also including the highest 5% of wage earners.

Finally, some minimum wage setters reflected on how minimum wage policy can be better integrated with other policy areas, such as with employment policies, skills and career development, income taxation or in-work poverty. Areas mentioned included changes to taxation and social security contributions to alleviate the impact of the crisis on wages (Greece); the use of wage policy to address income inequalities (Italy and Portugal); a renewed focus on the role of minimum wages in reducing in-work poverty (the Netherlands and Portugal); how to get workers out of the low-wage trap and rethink their career paths (France and Ireland); and how to include non-standard or new forms of employment under the minimum wage (Belgium and Bulgaria).

6 Conclusions

Cautious but positive increases for 2021

The pandemic situation has had a significant impact on lower-paid employees, including minimum wage workers. These workers were more affected by employment losses and reduced working hours – particularly because of an overrepresentation in sectors that were shut down (such as the Horeca sector and hairdressing). Certain other minimum wage workers were affected by the pandemic because they are overrepresented in some of the activities declared essential (such as retail and delivery services).

Most minimum wage setters throughout the EU reacted with more cautious increases than seen in previous years, with the increase in the median country standing at 3% (in national currencies). This decision to grant a raise in nominal terms, which mostly also translated into an increase in real earnings due to lower inflation rates, was also motivated by the desire to maintain the purchasing power of lower-paid workers as a means to stabilise demand or to reward those whose work was deemed essential for responding to the COVID-19 outbreak. In countries where minimum wages are set by more mechanistic formulas, of which most are backward looking, the raises also tended to reflect the previous good economic situation, and no substantial hardship-related changes were made. Other countries implemented some safeguards in the uprating of minimum wages by deferring further increases to a later stage. Also, the debate around the proposed EU minimum wage directive might have prompted some Member States to opt for increases rather than to resort to freezes immediately.

Minimum wage rates important in determining COVID-19 support

Governments across the EU reacted quickly to the pandemic crisis by introducing or revamping existing short-time working schemes or other types of income-support schemes (for example, for self-employed people, workers usually not covered by social protection or working parents).

As the compensation rates of most short-time working schemes for hours not worked are calculated as a percentage of previous wages, the degree to which an individual worker is affected depends on the number of working hours lost, the generosity of the scheme and whether the scheme includes a floor. Many countries have not foreseen such wage floors, making income losses particularly hard for lower-paid workers and those on minimum wages, as they are already at full pay and more likely to struggle to make ends meet than other workers. Some countries (including, for example, France and Portugal) have therefore opted to limit the loss of earnings by ensuring that workers' total income (from wages and compensation) cannot fall below the statutory minimum wage.

Some countries have also used a multiple of their statutory minimum wage level as a reference value to cap the level of the compensation; have made reference to minimum wages in determining the eligibility for workers or self-employed people; or have defined the level of compensation – often connected to lump-sum payments for self-employed people – in terms of the minimum wage.

In some countries, governments supported companies via wage subsidies connected to the minimum wage for the employment or re-employment of workers or sought to compensate employers for the increased minimum wages in terms of reduced social security contributions.

These points illustrate that the impact of (statutory) minimum wages stretched far beyond those usually earning them.

Changed narrative on the role of minimum wages

Following the introduction of the European Pillar of Social Rights in 2017 and the continuous commitment to renew and support social dialogue, the proposed directive on adequate minimum wages is an example of the changing EU narrative on social issues in general and wages in particular. The focus on making statutory minimum wages adequate and on maintaining workers' purchasing power, supported by the involvement of the social partners and through the promotion of collective bargaining, is different from the approach taken in the aftermath of the Great Recession. In that earlier crisis, the goal of aligning wages with productivity developments, driven by decentralisation or a reduction in collective bargaining, resulted in wage cuts and wage moderation in many Member States (Eurofound, 2014a).

This renewed focus on pursuing social rights has not been stalled in the COVID-19 crisis, as the publication of the proposed directive in October 2020 suggests.

The directive clearly spells out that economic conditions, employment and labour productivity developments should guide the setting of minimum wages. It has triggered a wide range of reactions from the various actors who engage in the process. While most trade unions are supportive and would like to see it go further in one aspect or another, most employer organisations are very critical and would only support a non-binding recommendation. Governments display a more heterogenous range of views. Generally speaking, where the social partners are stronger, there is less enthusiasm for an EU minimum wage policy (for instance in Austria, Denmark and Sweden). The interviews with decision-makers carried out for this report, however, also suggest that the demarcation lines are not always black and white. Some employers, for instance, can see merits in having frameworks for minimum wage setting and uprating established that are based on clear and transparent criteria, and which ‘take the politics out’ of the process. Some also hope that the directive can aid them to gain (or regain) greater bargaining power, or that it can help reduce intra-EU wage competition.

The most debated elements in the directive appear to be the articles on collective bargaining and the adequacy of statutory minimum wages. There is a polarisation of views among the national minimum wage setters on how prescriptive the indicators of adequacy should be. While some criticise the lack of clarity and regret that there is no further elaboration or clarification in terms of methods or how the indicators should be linked, others stress that the criteria for setting minimum wages should remain exclusively in the national domain or ask for less prescriptiveness and more flexibility at national level. While there are diverging views, the opinion given by the Council Legal Service supports the formulation of the directive.

The interviews with national decision-makers have shown that a common denominator for support of the directive could be a more robust convergence of wages in the EU. This policy could generate such a convergence if statutory minimum wages were raised and collective wage bargaining was promoted in central and eastern Member States, where those wages are currently low, both as compared to other EU Members States, but in several cases also in relation to other wages in the same country. This could reduce intra-EU wage competition and influence intra-EU migration tendencies, which can hamper economic development in the sending countries, as many are increasingly affected by labour shortages.

In the end, the extent to which the directive will exert an impact on national (statutory) minimum wage policies in the future will depend very much on the political will of national governments.

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Annex

Statutory minimum wage regulations

Table A1: Legal basis for statutory minimum wages

Country	Source
Belgium	The National Labour Council establishes the national monthly minimum wage (GAMMI) via CA43. The concrete amount is not mentioned within the CA but is written down in a specific table (Source: National Labour Council (2021): CAO bedragen)
Bulgaria	Council of Ministers Decree No. 350 of 19 December 2019 (published in State Gazette No. 101/27.12.2019); Council of Ministers Decree No. 331 of 26 November 2020 (published in State Gazette No. 103/04.12.2020)
Croatia	Uredba o visini minimalne plaće za 2021. Godinu
Cyprus	KDP 180/2012. The minimum wage (shop sales assistants, general office clerks, childcare assistants in nurseries, childcare assistants in kindergartens, teachers' aides, healthcare assistants, private security guards, cleaners and patient caretakers in private clinics and hospitals). Decree of 2012 KDP 6/2020. The minimum wage in the hotel industry. Decree of 2020
Czechia	Regulation of the Government of the Czech Republic No. 347/2019, Coll. of 9 December 2019 Regulation of the Government of the Czech Republic No. 487/2020, Coll. of 16 November 2020
Estonia	Vabariigi Valitsuse määrus 'Töötasu alammäära kehtestamine' [Government regulation on the establishment of the minimum wage], adopted on 19 December 2020
France	Décret n° 2020-1598 du 16 décembre 2020 portant relèvement du salaire minimum de croissance
Germany	Mindestlohnkommission (2020), Dritter Beschluss und Dritter Bericht [Third Minimum Wages Commission decision and report] Gesetz zur Regelung eines allgemeinen Mindestlohns [Statutory Minimum Wages Act]
Greece	Decision of the Minister of Labour No. 4241/127/30.1.2019, 'Determining the Minimum Wage for Employees and Workers Across the Country'
Hungary	Government Decree 731/2020 (XII. 31.) on postponing of setting the mandatory minimum wage and the guaranteed minimum wage in 2021 Government Decree 20/2021 (I. 28.) on setting the mandatory minimum wage (minimum wage) and the guaranteed minimum wage
Ireland	S.I. No. 427/2020 – National Minimum Wage Order (No. 2) 2020
Latvia	Labour law Regulation of the Cabinet of Ministers No. 656, Regulation on the amount of the minimum salary within the regular working time and calculation of the minimum hourly rate Amendments to the Regulation of the Cabinet of Ministers No. 656, Regulation on the amount of the minimum salary within the regular working time and calculation of the minimum hourly rate Ministry of Welfare
Luxembourg	2020: Ministry of Social Security, General Inspection of Social Security, Social parameters from 1 January 2020, Grand-ducal government 2021: Ministry of Social Security, General Inspection of Social Security, Social parameters from 1 January 2021, Grand-ducal government
Malta	Government of Malta (2017), National Minimum Wage National Standard Order, Consolidated Government of Malta (2018), National Minimum Wage National Standard Order Government of Malta (2019), National Minimum Wage National Standard Order
Netherlands	Rijksoverheid, (2020), Bedragen minimumloon 2020 Regeling van de Minister van Sociale Zaken en Werkgelegenheid van 8 april 2019, nr. 2019-0000050552, tot aanpassing wettelijk minimumloon per 1 juli 2019 Regeling van de Minister van Sociale Zaken en Werkgelegenheid van 10 oktober 2019, nr. 2019-0000146977, tot halfjaarlijkse aanpassing van het wettelijk minimumloon per 1 januari 2020 Regeling van de Minister van Sociale Zaken en Werkgelegenheid van 10 april 2020, 2020-0000050963, tot aanpassing van het wettelijk minimumloon per 1 juli 2020

Country	Source
Poland	Council of Ministers, Decree of 15 September 2020 on statutory minimum wage and minimum hourly wage in 2021
Portugal	Decreto-Lei n.º 109-A/2020, Diário da República n.º 253/2020, 3º Suplemento, Série I de 2020-12-31
Romania	Government Decision 935 of 13 December 2019
Slovakia	Zakon c. 294/2020, ktorym sa meni a doplna zakon c. 663/2007 Z. z. o minimalnej mzde v zneni neskorsich predpisov a ktorym sa meni a doplna zakon c. 311/2001 Z. z. Zakonnik prace v zneni neskorsich predpisov
Slovenia	Zakon o spremembah Zakona o minimalni plači, Uradni list RS, 83/2018 [Act Amending the Minimum Wage Act, Official Gazette of the Republic of Slovenia, No. 83/2018, 24.2.2018]
Spain	Consejo de Ministros, 29 Diciembre 2020, Referencia (for the extension of the 2020 minimum wage) Royal Decree 231/2020 (setting of minimum wage for 2020), that will remain the minimum wage until a new one is approved
UK	National Minimum Wage (Amendment) Regulations 2020

Table A2: Overview of changes to minimum wage regulations in 2020

Country	Legal change
	General changes
Latvia	In an attempt to counteract the shadow economy, the Latvian government adopted an amendment to the Labour Law of 1 January 2020, which includes administrative penalties for employers who fail to pay the hourly minimum wage rate to employees (Section 159 of the Labour Law). The fine ranges from €430 to €570 for natural persons and from €850 to €7,100 for employers who are legal persons. While these provisions existed previously in the Administrative Violations Code, they have now been established in the Labour Law.
Romania	In October 2019, the Romanian parliament adopted a law under which the minimum expenditure basket, a monthly basket for decent minimum living based on the cost of living, represents the main foundation in the process of setting the minimum wage and wage policies. However, President Klaus Iohannis did not promulgate the law and sent it back to parliament for revision. Parliament adopted the law for a second time in 2020 and sent it for promulgation to the president. After challenging it in the Constitutional Court of Romania, the president promulgated the law (174/2020), which entered into force in August 2020. (Read more in the section 'From minimum to living wages?').
Slovakia	In Slovakia, wage supplements for night work, working on Saturdays and Sundays, which were previously defined as a percentage of the minimum, were replaced by fixed sums per hour, which will not be subject to annual update (Act No. 294/2020).
	Crisis-related adaptations: Postponements of procedures
Greece	In Greece, under Law 4172/2013, the commencement of the minimum wage setting procedure for 2020 should have begun during the last 10 days of February 2020 and should have been completed in June 2020. Due to the pandemic, the government made it a top priority to implement protective measures for workers and businesses, and with two legislative interventions (Law 4690 of 30 May 2020 and Law 4764 of 23 December 2020) suspended the start of the minimum wage setting process and the activation of the minimum wage setting mechanism by 13 months (initially until September 2020 and, later, until the last week of March 2021). It is now projected that the process will be completed in the last fortnight of July 2021. This change was an urgent measure to deal with the pandemic's effects and followed a request by some employer organisations to postpone the procedure.
Poland	The Polish government amended the Minimum Wage Act and changed some regulations under the Act of 31 March 2020. The normal process foresees that by 15 June each year government proposes the suggested minimum wage level to the Social Dialogue Council, which in turn has 30 days to agree on the amount. The COVID-19-related amendment extended the government deadline to 31 July 2021 and reduced the Council's time to agree to 10 days.
	Crisis-related adaptations: Affecting the level
Lithuania	In Lithuania, the government took into account the employers' concerns in relation to the minimum level for 2021, and Resolution No. 1114 on the minimum wage in 2021 was supplemented with paragraph 3, providing for a review of the minimum wage level, taking into account the unemployment rate and average wage growth trends in Lithuania.
Slovakia	In Slovakia, upon agreement with the employers, the government approved and the parliament adopted amendments to the Act on Minimum Wage. According to the amendments, the original determination of the minimum wage for 2021 as 60% of the average wage in the economy in 2019 was reduced to 57% of that figure.

Collectively agreed minimum wage rates

Table A3: Wage rates in collective agreements related to 10 selected low-paid jobs, 2020 to 2021, in national currency

	Austria		Denmark		Finland		Italy		Sweden		Norway	
	€		DKK		€		€		SEK		NOK	
	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021
1. Domestic cleaners	1,768	1,843	17,690	18,085	1,790	1,825	689	699	21,347	21,347	30,471	31,077
2. Cleaners and helpers in offices, hotels, and other establishments	1,865	1,896	17,690	18,085	1,790	1,825	1,316	1,316	22,770	23,149	30,471	31,077
3. Shop sales assistants	1,880	1,908	19,737	20,138	1,874	1,911	1,760	1,760	22,760	23,488	25,904	25,904
4. Waiters and bartenders	1,863	1,863	23,831	24,219	1,786	1,786	1,648	1,669	21,930	22,548	27,284	27,542
5. Cooks	1,863	1,863	21,572	21,722	1,752	1,752	1,648	1,669	23,200	23,854	28,083	28,241
6. Home-based personal care workers	2,050	2,149	21,921	22,171	2,060	2,087	940	954	18,552	19,075	21,532	25,000
7. Childcare workers	2,000	2,097	22,421	22,677	1,854	1,882	1,637	1,637	19,041	19,479	26,067	26,067
8. Agricultural, forestry and fishery labourers, standard employment	1,449	1,569	21,295	21,696	1,484	1,509	1,020	1,020	No data	No data	23,228	23,715
9. Agricultural, forestry and fishery labourers, seasonal employment	1,844	1,882	No agreement	No agreement	1,484	1,509	1,020	1,020	No data	No data	19,996	20,484
10. Couriers, newspaper or parcel deliverers	1,682	1,788	19,185	19,586	1,675	1,742	1,753	1,753	22,050	No data	26,215	27,271

Note: *Data indicated reflect the value on 1 January for the respective year.*

Minimum wages and COVID-19-related benefits

This section describes policy measures implemented by Member States and the UK in response to the COVID-19 pandemic that relate to the minimum wage. Several are recorded in Eurofound's COVID-19 EU PolicyWatch database, and for these the case number is given.

Table A4: Minimum wage references used in short-time working schemes or for subsidised employment

Country	Examples	Proportion/multiple of minimum wage	COVID-19 EU PolicyWatch case number
	Short-time working or income support for people in employment		
Hungary	**Wage support programme for job retention – Kurzarbeit with training obligation** In the Kurzarbeit scheme, employees receive 70% of their net salary for the time not worked, while the employer pays for the time worked. Earnings above the double threshold of the minimum wage are not subsidised in the short-time working scheme. The scheme was in place on a temporary basis (between April and August 2020).	No lower threshold, up to 250%	HU-2020-18/640
Hungary	**Wage support for the catering and recreation sectors** The sectoral subsidy for the catering and recreation sectors is equal to 50% of a full-time or part-time employee's wages, up to an amount equivalent to 150% of the minimum wage.	No lower threshold, up to 150%	HU-2020-46/1562
Greece	**'SYNERGASIA': Income support for employees working fewer hours** In the SYNERGASIA scheme, employees receive 60% of their net salary for the time not worked. If the net earnings of the employees are less than the statutory minimum wage, the difference is covered by the state.	>100%	GR-2020-25/957
Estonia	**Temporary subsidy programme** Temporary subsidy programme (Ajutine töötasu hüvitis): if the employer had cut the wages of at least 30% of employees by at least 30% or down to the minimum wage, the employees were eligible for a wage subsidy of 70% of their average monthly wages and at least the minimum wage.	>100%	EE-2020-13/325
Slovenia	**Temporary layoff scheme and reimbursement of related wage compensation to employers** Wage compensation for workers in quarantine or workers who cannot work due to force majeure cannot be lower than minimum wage.	>100%	SI-2020-11/436
Luxembourg	**Measures for short-time working in cases of force majeure related to the Coronavirus** During the period of short-time working (*chômage partiel*), the state pays compensation of up to 80% of salaries, up to 2.5 times the minimum wage. Any difference between the amount of the compensation and the social minimum wage for unskilled workers will be borne by the Employment Fund.	100–250%	LU-2020-12/303
Portugal	**Support to temporary reduction of the normal period of working time** Extraordinary support for the temporary reduction of the normal working period (*redução temporária do periodo normal de trabalho*) amounts to compensation of two-thirds of gross wages (August/September 2020) and four-fifths of gross wages (last quarter of 2020) for the hours not worked. If the value of wages and the compensation falls below the minimum wage, workers are guaranteed the minimum wage. This compensation can be up to three times the statutory minimum wage.	100–300%	PT-2020-31/1278
France	**Short-time working** Employees in partial activity or partial unemployment (*activité partielle* or *chômage partiel*) receive at least the net minimum wage; this is capped at 4.5 times the minimum wage. Long-term short-time working is also capped at earnings below 4.5 times the minimum wage.	100–450% the minimum wage	FR-2020-10/462

Country	Examples	Proportion/multiple of minimum wage	COVID-19 EU PolicyWatch case number
	Short-time working or income support for people in employment		
UK	**Coronavirus job retention scheme** While employees are furloughed, the employer may ask them to participate in certain training. Employees are entitled to be paid at least the applicable statutory minimum wage during such training (that is, the national living wage for those aged 25 and over (23 or over from 1 April 2021), the appropriate rate of the national minimum wage). If the relevant minimum wage rate is more than 80% of the employee's pay (the normal maximum payment funded by the state during furlough), the employer must pay the difference, which is not normally the case during furlough (Box 9).	At least the minimum wage (only for workers in training)	GB-2020-10/216
	Job subsidies for companies		
Bulgaria	**Measure: 'Employment for you': subsidised employment for hiring unemployed** 'Employment for you' is a subsidy for the employment of unemployed people for a period of up to three months, during which they receive payments amounting to the minimum wage and social security contributions.	100%	BG-2020-26/1004
Portugal	**Extraordinary financial incentive to support the normalisation of business activity** Subsidy for businesses to support the gradual return to work after the temporary reduction in working time or the suspension of employment contracts. The amount to be paid is equal to the value of one national minimum wage per worker.	100%	PT-2020-13/433
Lithuania	**Wage subsidies for companies declaring idle time due to quarantine/emergency situation** For companies declaring idle time due to the quarantine regime, the amount of the subsidy may reach 90% or 70% of the wage amount, subject to the employer's choice. If the employer contributes 10% and chooses a 90% subsidy, the state will contribute one minimum wage maximum; if the employer chooses a 70% subsidy, the state contributes 1.5 minimum wages. The amount of the subsidy may be 100% for employees aged 60 or older. This scheme was valid until 31 December. On 1 January 2021, amendments to the Law on Employment came into force, according to which the amount of the wage subsidy equals 100% of the calculated funds, but not more than 1.5 minimum wages (i.e. €963 gross) in case of full-time employment contracts.	100–150% the minimum wage	LT-2020-12/311
Portugal	**Exceptional and temporary measure on layoffs to protect jobs in the context of the COVID-19 pandemic** Companies that have benefited from the simplified lay-off regime can benefit from an extraordinary incentive to normalise business activity, choosing one of two modalities: one minimum wage one-off or two minimum wages over six months per worker.	100–200%	PT-2020-13/297
Lithuania	**Subsidising job creation/adaptation** Employers supporting the employment of workers with disabilities through the establishment of new jobs or adaptation of the existing ones can receive a subsidy. The amount of the subsidy per job cannot exceed the amount of 31.03 times the minimum wage (i.e. €19,921 in 2021).	31.03 times the minimum wage	LT-2020-20/1128

Table A5: References to the minimum wage determining the eligibility for income support when employed

Country	Examples	Eligibility threshold	Level of benefit	COVID-19 EU PolicyWatch case number
	Income support for employees, short-time working			
Slovenia	Every employee who works and whose last paid monthly salary did not exceed twice the minimum wage is entitled to a crisis allowance of €200, which is exempt from all taxes and contributions.	Monthly wage must not exceed twice the minimum wage	€200	–
UK	**Coronavirus job retention scheme** Apprentices who are included in the CJRS may be furloughed but only if they are paid at least the national minimum wage. If the apprentice is aged under 19 or is over 19 but in the first year of the apprenticeship, the special apprentice rate of the national minimum wage applies. If the apprentice is over 19 and has completed the first year of the apprenticeship, the relevant age-related national minimum wage rate applies or, if aged 25 or over, the national living wage rate applies.	Monthly wage must be at least the national minimum wage		GB-2020-10/216
	Subsidised employment for companies			
Luxembourg	**Aid to compensate for the increase of the social minimum wage** A new support measure provides a one-time lump-sum grant of €500 per employee whose monthly earnings are higher or equal to the non-qualified minimum wage and less or equal to the qualified minimum wage.	Monthly earnings between the minimum wage for non-qualified and qualified workers	€500	LU-2021-1/1793
UK	**The Kickstart Initiative and incentivising apprenticeships** The Kickstart scheme provides funding to create job placements for recipients of Universal Credit (the main social security benefit) who are aged 16 to 24 and at risk of long-term unemployment. Kickstart funding covers the statutory minimum wage rate applicable to the individual (that is, the national living wage or the appropriate age-related national minimum wage rate) for 25 hours per month, plus associated employer national insurance contributions and minimum auto-enrolment pension contributions. During job placements, participants must be paid at least the applicable statutory minimum wage rate.	Monthly wage must be at least the national minimum wage	GBP 6,500 (€7,230)	GB-2020-28/943
	Other			
Portugal	**Exceptional and temporary measure on layoffs to protect jobs in the context of the COVID-19 pandemic** The Stabilisation Complement is a measure designed to improve the income of workers who have been laid off; it is paid as a lump sum. It applies to all workers who earned an income in February (up to an amount equivalent to two minimum wages), who registered a loss of basic salary and were laid off in one of the months between April and June.	Basic salary must be above one minimum wage and up to two	Between €100 and €351	PT-2020-13/297

Table A6: Minimum wage references used to determine the level of COVID-19-related benefits for self-employed people, working parents and others

Country	Examples	Proportion/multiple of minimum wage	COVID-19 EU PolicyWatch case number
	Subsidies or income support for self-employed people		
Poland	**Sectoral shield: Support measures for sectors affected by lockdown measures** One-time public support for entrepreneurs whose sales dropped by at least 40%.	80% or 50% for tax card users	PL-2020-44/1344
Slovenia	**Subsidies for agriculture, forestry and fisheries and mandatory local purchases** Financial support for farmers and fishermen.	Up to 80%	SI-2020-11/484
Spain	**Extension of the extraordinary subsidy for lack of activity to domestic workers** Subsidy for registered domestic workers who do not have the right to unemployment benefit, in the case of absence of activity, reduction in working hours or termination of contract.	Up to 100%	ES-2020-14/617
Bulgaria	**COVID-19: Assisting artists and freelancers** Income support for artists and freelancers with average monthly incomes of less than BGN 1,000 (€500) in the past year; support is provided for a period of up to three months.	100%	BG-2020-11/501
Luxembourg	**Financial aid for self-employed to compensate for temporary financial difficulties caused by the COVID-19 crisis** Refundable aid to self-employed people in craft, commercial and industrial businesses.	Up to 250% of the minimum wage	LU-2020-12/430
Lithuania	**Support for self-employment of people with disabilities** People with disabilities, unemployed people aged 45+ and young people under the age of 29 can receive subsidies to create jobs for themselves for the first time in microenterprises.	Up to 31.03 times the minimum wage	LT-2020-23/1087
	Support for working parents		
Bulgaria	**COVID-19: Assistance for parents taking unpaid leave due to a state of emergency** Monthly targeted assistance for families with children up to 14 years of age in the case of a declared state of emergency or emergency pandemic situation. The rate varies between 25% and 150% of the monthly minimum wage depending on the number of working days children are not in school and the number of children in a family.	25–150%	BG-2020-11/499
Portugal	**Exceptional support to workers' families** Support for parents who are absent from work during the period of school and social care closures. Working parents receive two-thirds of their basic remuneration, but at least the minimum wage and up to three times the minimum wage. Domestic workers are entitled to financial support, with the bottom limit of one national minimum wage and the top limit of three national minimum wages. The respective employer must pay one-third of the remuneration.	100–300% the minimum wage	PT-2020-11/874
	Other subsidies or benefits linked to minimum wages		
Lithuania	**Temporary job-search benefit for unemployed who would otherwise not be eligible to receive benefits** Job-search benefit for unemployed workers who would otherwise not be eligible to receive benefits is 33% of the minimum wage (i.e. €200 for people not entitled to unemployment social insurance benefits and for people for whom the benefit payment period has expired) and 7% of the minimum wage (i.e. €42 for people entitled to the unemployment social insurance benefit). It is paid for up to six months, but no longer than 31 December 2020. Since 1 January 2021, in order to be eligible for the support, the person's employment contract or legal relations deemed to be equal to employment relations should have expired not more than three months before the date of the government-introduced state of emergency or quarantine. The benefit amounts to 33% of the minimum monthly wage.	7–33%	LT-2020-24/906

Country	Examples	Proportion/multiple of minimum wage	COVID-19 EU PolicyWatch case number
	Other subsidies or benefits linked to minimum wages		
Lithuania	**Vocational training for workers who have been suspended due to the quarantine regime** The public employment service provides financing for the training, pays training scholarships, and reimburses costs for transport and accommodation. At the choice of the unemployed person, they may be paid a training scholarship that is 47% of the minimum wage or an unemployment social insurance benefit.	47%	LT-2020-12/313
Hungary	**Allowing new working arrangements due to pandemic** Under a government decree regulating telework in response to increased demand for it during COVID-19, employers can optionally pay compensation to employees for their costs related to working from home. The amount of the subsidy is a flat monthly contribution of up to 10% of the minimum wage.	10%	HU-2020-12/659

Table A7: References to the minimum wage determining the eligibility to obtain certain benefits

Country	Examples	Eligibility threshold	Level of benefit	COVID-19 EU PolicyWatch case number
	Subsidies or income support for self-employed people			
Estonia	**Subsistence support for freelancers in creative industries**	Income below one minimum wage	€584 per month	EE-2020-17/355
Lithuania	**Benefits for people engaged in individual agricultural activities** If a person engaged in individual agricultural activities also worked under an employment contract during the quarantine period, but their gross wage during the quarantine did not exceed the gross minimum wage, the person is eligible to receive a periodic benefit for one full month of quarantine.	Earnings under employment contract not below the minimum wage	€200	LT-2020-12/1161
Lithuania	**Compensation for self-employed** A fixed benefit may be granted to self-employed people and to those who are in addition working under employment contracts. The benefit is granted if the person's earnings under the employment contract (or equivalent) do not exceed one gross minimum wage. Since 1 January 2021, the main criterion is that the person has been included in the list of self-employed people affected by COVID-19 restrictions, published by the State Inspectorate.	Earnings under employment contract below the minimum wage	€260 per month	LT-2020-12/314
Lithuania	**Subsidies for self-employed to reorient their business activities** Self-employed people who were unable to carry out their activities and lost income as a result of the quarantine can apply to the public employment service for a subsidy to change their economic activities.	Income below one minimum wage	€6,980.50 max.	LT-2020-20/915
Luxembourg	Self-employed people can receive the inclusion allowance without having to register with the public employment service (ADEM) if their professional income is lower than the social minimum unqualified wage. They can receive this for a period of six months, renewable once. After this period, they must register with ADEM if their professional income remains below the minimum wage.	Income below one minimum wage	–	
Luxembourg	**Establishment of an emergency fund for self-employed** The granting of this lump-sum support measure for self-employed people is subject to several conditions: the applicant must have temporary financial difficulties due to the consequences of COVID-19, have fewer than 10 employees, and have a professional income (which is the basis for calculating social contributions) that does not exceed 2.5 times the minimum wage.	Income must not exceed 2.5 times the minimum wage	€2,500	LU-2020-15/306

Table A8: List of other COVID-19 EU PolicyWatch database cases referred to in this report by country

Country	Case number	Case title
		COVID-19 related bonus payments
Austria	AT-2020-14/1247	Tax exemption for COVID-19 bonuses
Bulgaria	BG-2020-31/1086	COVID-19: Assistance for frontline workers in health care services
Croatia	HR-2020-23/1047	Annex to the Collective Agreement for Croatian State Administration Employees
Greece	GR-2020-14/697	Extraordinary financial support to personnel of public health and civil protection institutions
Hungary	HU-2020-27/1213	Healthcare workers' one-off bonus for COVID-19 work
Ireland	IE-2020-11/782	COVID-19 pandemic unemployment payment introduced
		Support for companies affected by minimum wage increases
Luxembourg	LU-2021-1/1793	Aid to compensate for the increase of the social minimum wage
Slovenia	SI-2021-1/1781	Partial reimbursement of the minimum wage increase

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This report summarises how minimum wage rates for 2021 were set during 2020 – the year marked by the COVID-19 pandemic. It reviews the difficulties faced by national decision-makers and how they reacted to the challenges of the economic and social fall-out of the pandemic when making decisions regarding the minimum wage. It maps the extent to which minimum wages were referred to in COVID-19-related support measures. It discusses advances made on the EU initiative on adequate minimum wages and maps the reactions of the EU-level social partners and national decision-makers. The report is accompanied by two complementary working papers: one providing an analysis of developments for low-paid employees and minimum wage workers over the past decade; the other summarising the most recent research on minimum wages in EU countries, Norway and the UK.

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