

# **Dawn of a new era?**

## **The impact of the European Directive on adequate minimum wages in 2024**

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### **Policy recommendations**

In 2024, there were substantial nominal increases in statutory minimum wages in the majority of Member States of the European Union (EU), which ensured minimum wage increases in real terms. Two factors in particular were instrumental in this: first, the still high levels of inflation across the EU, which made safeguarding the purchasing power of minimum wage-earners a political priority; and second, the fact that many Member States were already using the recently adopted Adequate Minimum Wage Directive's 'double decency threshold' (defined in terms of the indicative reference values of 60% of the median wage and 50% of the average wage) even before its transposition into national law, which is not due until November this year. In order to ensure adequate minimum wages in the sense of the Directive's double decency threshold, however, the following policy pointers should be considered:

- Currently, only Slovenia meets the double decency threshold. Therefore further substantial minimum wage increases are needed across the EU in order to realise the Directive's overarching objectives of promoting social convergence and reducing wage inequality and in-work poverty through adequate minimum wages.
- The most effective way of achieving adequate minimum wages would be to follow the example of Bulgaria by incorporating (elements of) the double decency threshold in national law.

- Further measures should be put in place to ensure that a minimum wage that meets the double decency threshold really ensures a decent standard of living, as foreseen by the Directive. Based on a country-specific basket of goods and services, Member States should therefore examine whether a minimum wage set at 60% of the median wage and 50% of the average wage is sufficient to be able to afford this basket of goods and services.
- One reason why a minimum wage that meets the double decency threshold may still not be sufficient to ensure a decent living standard is the fact that wages overall are very low and so necessarily also median and average wages.
- Member States should therefore immediately use the Directive's 80% threshold for adequate collective bargaining coverage as a trigger to develop action plans to increase collective bargaining coverage in particular by promoting sectoral collective bargaining as a means of raising the overall wage structure.

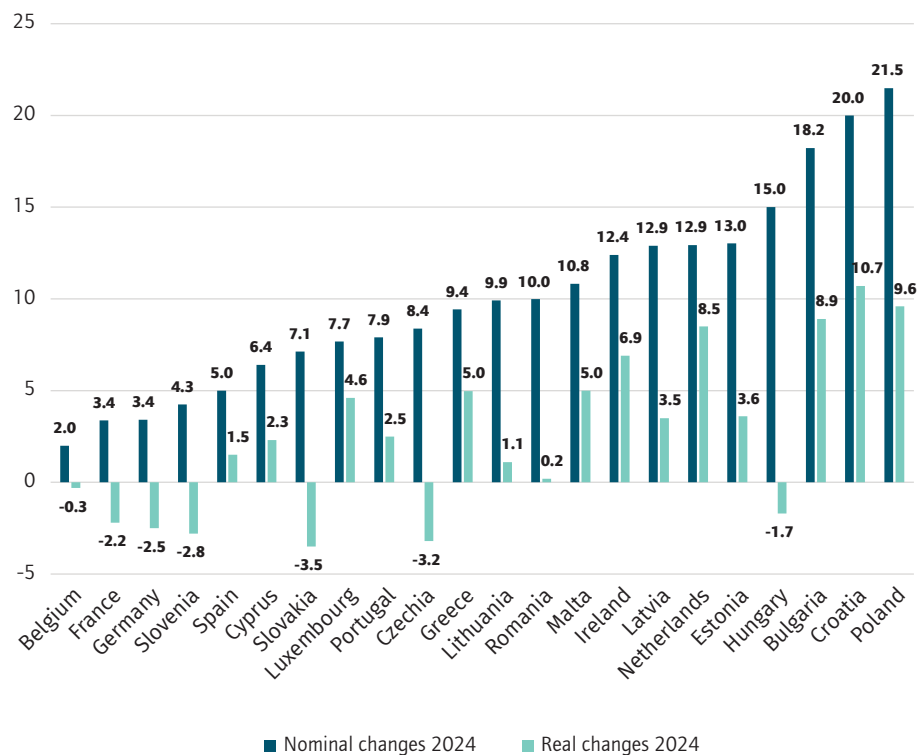
## Introduction

In January 2024, most EU Member States substantially increased their statutory minimum wages. In the majority of cases, these significant nominal increases also led to increases in real terms. This development was influenced by two factors in particular: first, the fact that, despite a fall in EU inflation compared with 2022, it remained at a very high level, 6.4% in 2023 (Eurostat 2024). Because prices for essential goods, such as food, increased by 12.7% in the EU – almost double the rate for all items – low-wage earners were still particularly hard hit by inflation because they tend to spend a larger share of their income on such essential goods than workers higher up the pay scale. Safeguarding low-wage workers' purchasing power therefore continued to be a principal consideration in minimum wage setting in 2024. The second key factor was the October 2022 European Directive on Adequate Minimum Wages with its explicit objective of establishing a framework for minimum wages that provides for a decent standard of living (European Parliament and Council of the European Union 2022). Although the EU Member States still have until 15 November 2024 to transpose the Directive into national law, policymakers in a range of EU countries were already using the Directive's reference values for adequate minimum wages as a guideline when adjusting the statutory minimum wage. Against this background, the aim of this Policy Brief is threefold: first, to illustrate the development of statutory minimum wages in EU Member States in 2024; second, to analyse the impact of the Directive on national minimum wage setting; and third, to identify some policy implications.

## Development of statutory minimum wages in 2024

Figure 1 distinguishes three broad groups of EU Member States in terms of the development of nominal statutory hourly minimum wages. The first group has the smallest increases, ranging between 2 and 7%. It includes six countries, ranging from Belgium (2%) to Spain (5%) and Cyprus (6.4%). The second group also includes six countries, with nominal increases between 7 and 10%, and ranging from Slovakia (7.1%) to Greece (9.4%) and Lithuania (9.9%). The group with the largest increases, of 10% and upwards, includes ten countries. Almost half the EU Member States with a statutory minimum wage thus belong to this group. Romania (10%) and Malta (10.8%) are at the bottom of this group, while the largest increases took place in Bulgaria (18.2%), Croatia (20%) and Poland (21.5%). The fact that seven of the ten countries in this group are in central and eastern Europe (CEE) means that the long-term trend of minimum wage convergence between CEE countries and western European countries has continued in 2024.

Figure 1 **Development of hourly nominal and real minimum wages in 2024**  
(%; January 2023–January 2024)



Note: author's calculation based on national currencies. It should be noted that the calculation of real minimum wage changes is based on Eurostat's harmonised index of consumer prices, which can lead to slightly different results from calculations based on national non-harmonised consumer price indices.

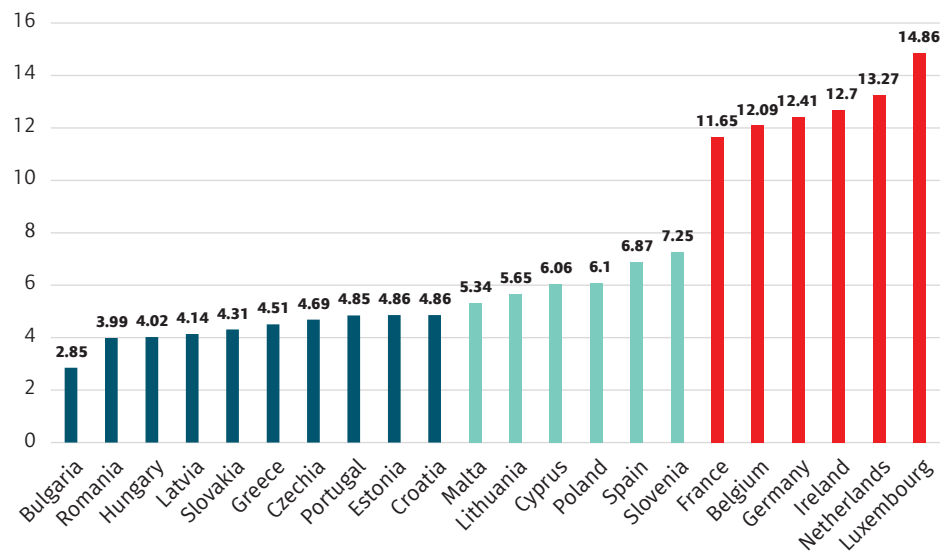
Source: WSI Minimum Wage Database (WSI 2024) and own data.

In the majority of countries, statutory minimum wages are usually adjusted once a year, in January. In some countries with an indexation system linking minimum wage adjustments to the development of consumer prices, however, additional increases already took effect during 2023. In Luxembourg, for instance, the hourly minimum wage was adjusted three times: on 1 February 2023 to €14.14, on 1 April 2023 to €14.50 and on 1 September 2023 to €14.86, which remains the current rate. In France, the statutory minimum wage was increased to €11.52 on 1 May 2023. Other countries where additional adjustments took place during 2023 are: the Netherlands, with an increase to €12.12 on 1 July 2023, and Poland, with an increase to €5.17 on 1 July 2023. Special cases are Hungary and Romania, where minimum wage increases took effect already on 1 October 2023 and on 1 December 2023, respectively, as extraordinary measures to compensate for the high inflation in the two countries.

In the majority of countries, the substantial minimum wage increases in nominal terms led to increases in real minimum wages, albeit to widely varying degrees. The smallest increases took place in Romania (0.2%), Lithuania (1.1%) and the southern European countries Spain (1.5%), Cyprus (2.3%) and Portugal (2.5%). By contrast, real minimum wages increased most strongly in the Netherlands (8.5%), Bulgaria (8.9%), Poland (9.6%) and Croatia (10.7%). In seven countries, however, the nominal minimum wage increases were not sufficient to compensate for the loss in purchasing power, which means that real minimum wages actually decreased. The fall in real minimum wages ranges from fairly marginal in Belgium (–0.3%) to substantial, with more than 3% in Czechia (–3.2%) and Slovakia (–3.5%). This is particularly dramatic for Czechia and Slovakia because they had already experienced a substantial drop in real minimum wages in 2023 (Müller 2023).

The wide variation in the development of nominal minimum wages has implications for countries' ranking in terms of nominal statutory minimum wages (Figure 2). In this respect, three broader groups of countries can be distinguished. On top is a group of six western European countries with hourly statutory minimum wages of more than €11, ranging from France with €11.65 to the Netherlands (€13.27) and Luxembourg (€14.86). This top group is followed by a group of six countries with minimum wages between €5 and €8. This group ranges from Malta with €5.34 to Slovenia with €7.25. Particularly noteworthy are developments in Malta and Poland, which, because of the comparatively large increases in 2024, for the first time joined this middle group of countries whose minimum wages range between €5 and €8. The group with the lowest statutory minimum wages of below €5 comprises ten, mainly CEE countries, ranging from Bulgaria (€2.85), Romania (€3.99) and Hungary (€4.02) to Portugal (€4.85), Estonia (€4.86) and Croatia (€4.86). It should be mentioned that in Greece, Portugal and Spain the minimum wage is paid 14 times a year. In Figure 2 the minimum wage for these three countries has been converted to 12 payments to make the figures more comparable. If the full 14 payments were taken into account, the hourly minimum wage would be €8.02 in Spain, €5.66 in Portugal and €5.26 in Greece. Thus, taking into account the actual annual 14 payments Portugal and Greece would also join the middle group of countries with statutory minimum wages between €5 and €8.

Figure 2 **Statutory national minimum wages in the EU (per hour, in euros, January 2024)**



Note: in countries in which minimum wages are set in terms of monthly (or, in Malta, weekly) pay, the amount has been converted into hourly rates based on the average collectively agreed number of working hours per month, as provided by Eurofound (2023). For non-euro countries, the national currency has been converted using the average annual exchange rate for 2023 (Eurostat 2023a). For Greece, Portugal and Spain, where the minimum wage is usually paid 14 times a year, the figure refers to 12 payments a year.

Source: author's compilation based on national sources and the WSI Minimum Wage Database (WSI 2024).

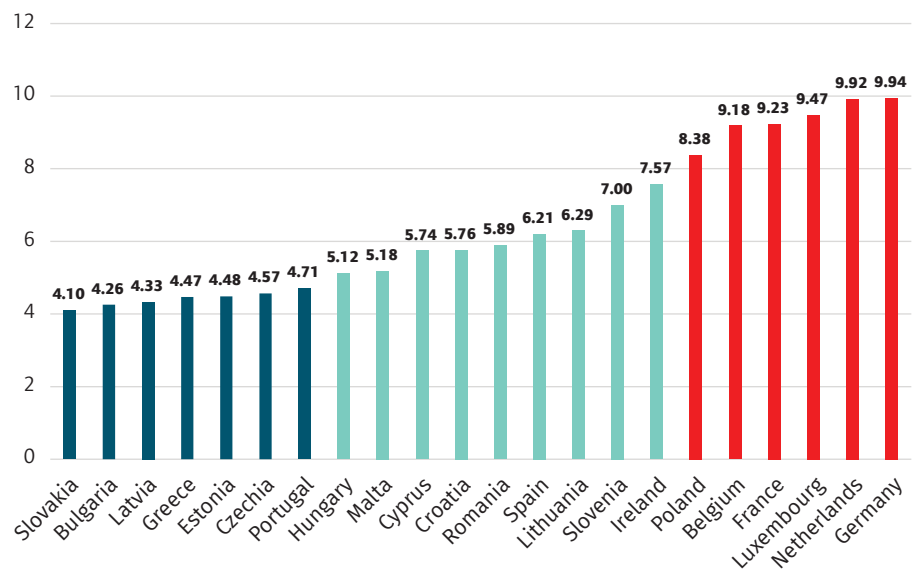
## Statutory minimum wages in purchasing power standards

For a more realistic comparison of minimum wage levels, it is helpful also to take the cost of living into account. Measuring minimum wages in terms of purchasing power standards (PPS) is a way of taking into account, for comparative purposes, the considerable variation in the cost of living across in the EU. Because there is always a time lag in calculating PPS conversion factors, the data in Figure 3 are based on the PPS for private consumption in 2022.

Figure 3 demonstrates that measuring statutory minimum wages in PPS considerably reduces the gap between EU Member States – and in particular between western European countries, which make up the top group of the table, and the CEE countries, which are largely represented in the bottom group. Whereas the ratio between the highest nominal minimum wage, in Luxembourg, and the lowest nominal minimum wage, in Bulgaria, is 1:5.2, the ratio between the highest and the lowest minimum wage more than halves – to 1:2.4 – when minimum wages are measured in PPS. If, as a mental experiment, we take the average annual rate of change of minimum wages in PPS over the past 10 years for the western European countries and for the CEE countries, it would still take more than 62 years for minimum wages to reach the same level – 9.83 PPS – for both groups of countries.

Figure 3 furthermore shows that taking the actual cost of living into account considerably changes the order of countries as regards the value of their minimum wages. The most notable changes are: first, Ireland drops out of the top group of six western European countries with the highest nominal minimum wages and is replaced by Poland; second, due to the lower cost of living, Germany tops the table with 9.94 PPS, ahead of the Netherlands with 9.92 PPS, despite the considerably higher nominal minimum wage; third, Hungary, Croatia and Romania join the middle group of countries with a minimum wage of between 5 and 8 PPS; and fourth, within the third group of countries with the lowest nominal minimum wages Bulgaria is no longer at the bottom of the table.

Figure 3 **Statutory minimum wages in purchasing power standards (per hour, PPS in euro basis, January 2024)**



Notes: conversion to PPS in euros based on purchasing power parities for private consumption reported by the World Bank for 2022. The conversion from PPS in US dollar terms provided by the World Bank to PPS in euros is based on Eurostat's PPS conversion rate of 1 PPS € = 1.6071 PPS dollar.

Source: WSI Minimum Wage Database (WSI 2024).

## The impact of the Adequate Minimum Wages Directive

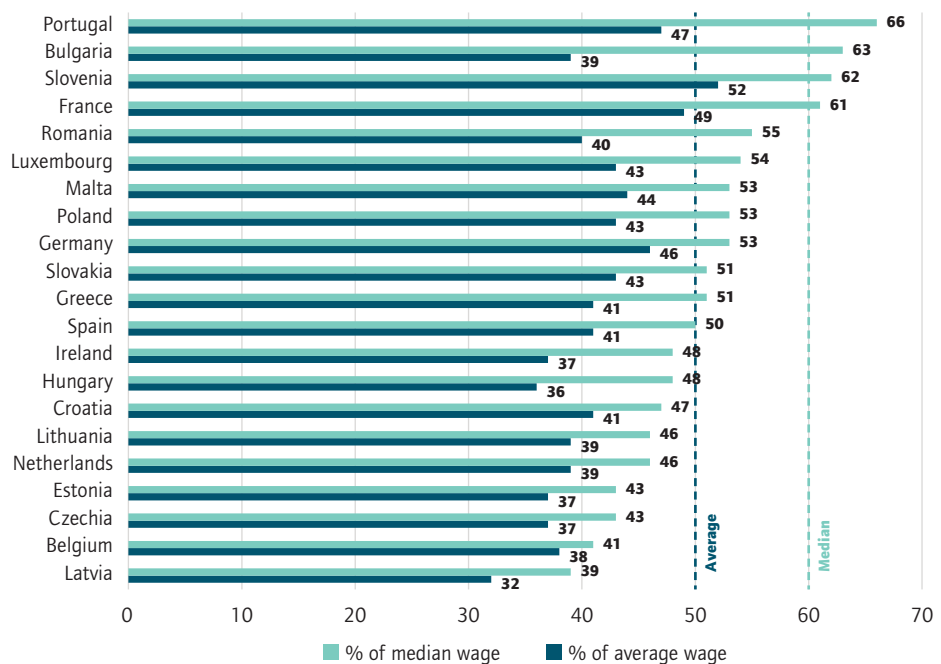
The Adequate Minimum Wages Directive is not about setting a uniform minimum wage level across the EU, but about specifying criteria to ensure adequate minimum wages at national level. Article 5(2) of the Adequate Minimum Wages Directive lists four criteria that Member States shall take into account when setting statutory minimum wages: (i) the purchasing power of statutory minimum wages, taking into account the cost of living; (ii) the general level of wages and their distribution; (iii) the growth rate of wages; and (iv) long-term national productivity levels and developments. Member States are supposed

to formulate transparent rules for setting minimum wages, but they are free to decide on their relative weight.

Article 5(4) of the Directive, furthermore, stipulates that Member States ‘shall use indicative reference values to guide their assessment of adequacy of statutory minimum wages. To that end, they may use indicative reference values commonly used at international level such as 60% of the gross median wage and 50% of the gross average wage, and/or indicative reference values used at national level’. The Directive thus de facto establishes a double ‘decency threshold’ below which no minimum wage should be set. Although this threshold is not legally binding, it represents a strong normative benchmark for national minimum wage setting.

Measured against this double decency threshold set out in the Adequate Minimum Wages Directive, Figure 4 shows that, according to data from the OECD earnings database (OECD 2023), in 2022, only Slovenia met the Directive’s criteria for adequate minimum wages. In all other Member States, increases in the minimum wage would be needed to establish it as an ‘adequate’ minimum wage. It should be emphasised that the OECD database provides data only up to 2022, so any substantial minimum wage increases that took place in 2023 and in January 2024 have not yet been taken into account in measuring the relative value of minimum wages.

**Figure 4 Minimum wage as a percentage of full-time median and average wages (2022)**



Source: OECD Earnings Database (OECD 2023), for Malta and for Bulgaria the data were taken from Eurostat (2023b). For Bulgaria the most recent figure available at Eurostat for the percentage of the median wage comes from 2018.

Although the Member States still have until 15 November 2024 to transpose the Directive into national law, recent developments in various EU countries indicate that even before its transposition, the Directive is already influencing national minimum wage setting and political debates on national reforms to ensure compliance with the Directive's objectives. Particularly important as regards the practical implications for minimum wage setting is the Directive's double decency threshold for adequate minimum wages of 60% of the gross median wage and 50% of the gross average wage. In different ways and to varying degrees they have already influenced developments at national level (see Table 1).

The most direct way in which the double decency threshold influences national minimum wage setting is through the integration of one of its elements into national law, thus creating a quasi-indexation procedure. This method was chosen in Bulgaria. The Labour Code was amended on 1 February 2023 to stipulate that in the future the statutory minimum wage would be set at 50% of the national average gross wage on 1 September each year. The second way in which the double decency threshold may influence minimum wage setting is by serving as a guideline for political decision-makers. A case in point is Croatia, where the government decree that set the statutory minimum wage for 2024 makes explicit reference to the Directive's double decency threshold. Other examples are Ireland and Estonia, where the double decency threshold is used as a reference for government plans to increase the statutory minimum wage over time (see Table 1).

In other countries, developments have not yet progressed to include the double decency threshold (or parts of it) in law or to use it as a political guideline for minimum wage setting. In some countries, however, the Directive has prompted a debate on the adequacy of minimum wages and whether the double decency threshold should be the official reference. In Germany, for instance, the extraordinary increase in the minimum wage in October 2022 – which was justified by explicitly referring to the then draft Directive – boosted the political debate about inserting the reference value of 60% of the gross median wage into the German minimum wage law (Herzog-Stein et al. 2023). Discussions about the appropriate indicator for the adequacy of minimum wages are also under way in Latvia and Spain.

The fourth way in which the Directive's double decency threshold is already influencing minimum wage policies is by serving as a tool and additional argument in trade union strategies to achieve adequate minimum wages. In Hungary and Romania, for instance, the trade unions used the double decency threshold as an additional argument in support of their demands for a higher minimum wage increase in discussions with the government and employers. In the Netherlands, the Dutch Federation of Trade Unions (FNV) is campaigning for a fair minimum wage of €16 per hour. FNV's slogan 'Voor een better bestaan – 60% Mediaan' (For a better life – 60% of the median) explicitly refers to the Directive's decency threshold of 60% of the median wage (FNV 2023).



**Table 1 Impact of the Minimum Wage Directive on national minimum wage setting**

	Implementation of double decency threshold into national law
Bulgaria	Change of law on 1 February 2023 stipulating that from 2024 the statutory minimum wage will be set at 50% of the national average gross wage on 1 September each year. Calculation of the average wage is based on data for the last two quarters of the previous year and the first two quarters of the current year. The new minimum wage cannot be lower than that of the previous year.
Slovakia	Before the adoption of the Directive, the minimum wage law was changed in 2021 to stipulate that if trade unions and employers cannot agree on a minimum wage increase, it will be set by law at 57% of the average wage.
	Double decency threshold as political guideline
Croatia	The government decree determining the increase in 2024 referred explicitly to the double decency threshold of 60% of the national median wage and 50% of the national average wage.
Cyprus	On 1 January 2023, Cyprus introduced a new national statutory minimum wage, which at the time corresponded to 60% of the median gross wage.
Estonia	In May 2023, trade unions, employers and government concluded a tripartite 'goodwill agreement' expressing the commitment to increase the statutory minimum wage to 50% of the national average wage by 2027.
Ireland	Government commitment to increase the statutory minimum wage to a living wage level equivalent to 60% of the national median wage by 2026.
	Double decency threshold boosted debate about adequacy
Germany	The introduction of the double decency threshold encouraged the political debate to incorporate the reference value of 60% of the median wage in national legislation.
Latvia	There is a debate on adequacy criteria; while unions argue in favour of the double decency threshold, employers argue for 40% of the national average wage.
Spain	While the trade unions have long been calling to increase the minimum wage to 60% of the average wage as foreseen in the Council of Europe's European Social Charter, the current left-wing government has proposed including the target of 60% of the median wage as a lower limit in Spanish labour law.
	Double decency threshold as part of trade union strategy
Hungary	Unions used the double decency threshold in discussions with the government and employers about minimum wage adjustments for 2024.
Netherlands	FNV started a political campaign for a statutory minimum wage of €16 with explicit reference to 60% of the national median wage.
Romania	Unions used the double decency threshold in discussions with the government and employers about minimum wage adjustments for 2024.

Source: Aumayr-Pintar et al. (2023), Lübker and Schulten (2024), Müller (2024), Müller and Schulten (2024).

Although the Directive's rules and criteria for adequate minimum wages apply exclusively to countries with a statutory minimum wage, they are also already influencing discussions in countries whose minimum wage regimes have until now been based exclusively on collective agreements. The most prominent

example is Cyprus which, in view of its relatively low level of collective bargaining coverage, has switched from a regime based on negotiated minimum wages and statutory minimum wages for only a few occupational groups to a regime based on a general national statutory minimum wage. Given the fact that in Italy collectively agreed minimum wages are very low in many sectors (Ricciardi 2023), it is another example of a country in which the Adequate Minimum Wages Directive has given new impetus to the debate about a statutory minimum wage. Opposed to any kind of statutory minimum wage, the new Meloni government stalled the debate after coming to power in autumn 2022 (Aumayr-Pintar et al. 2023). More recently, however, opposition parties, with the support of the trade unions CGIL and UIL, submitted a proposal for a statutory minimum wage of €9 per hour (Müller 2024).

## Conclusion

In 2024, minimum wages in 15 out of the 22 EU countries with a statutory minimum wage increased sufficiently to ensure an increase in real terms and therefore to safeguard the purchasing power of low-wage workers. This is not only an important development in terms of achieving the Minimum Wage Directive's overarching objectives of promoting social convergence and of reducing wage inequality and in-work poverty. It also makes sense economically, because in view of the still highly volatile – as a consequence of the various political crises – export markets, domestic demand based on dynamic development of (minimum) wages is a very important factor in stabilising the economy.

The analysis of recent minimum wage developments, however, also shows that, despite the substantial increases in 2024, there is still a lot to be done in almost all EU Member States to reach the Directive's double decency threshold for adequate minimum wages. This means that further substantial minimum wages increases will be needed also in the years to come to meet the Directive's overarching objectives.

The analysis also reveals how the Directive's double decency threshold has contributed to substantial minimum wage increases in various countries even before the Directive's formal transposition into national law, which is due in November 2024. This has happened in different ways: by including parts of the threshold in national law, by using it as a political guideline, by prompting a debate about the adequacy of minimum wages, or by serving as a tool for trade union strategies and campaigns. Against this background, it is important to recognise that the Directive is not aimed at defining legally binding standards, but at providing political and normative frames of reference. This also applies to the double decency threshold. This, however, means that the Directive's real significance depends on its use by national actors and its effective transposition into national law. The easiest and most effective way to ensure the desired outcomes of the Directive in terms of ensuring adequate minimum wages would be to follow the Bulgarian example by including (the most relevant part of) the decency threshold into national law, thereby turning 'soft' into 'hard' law. The analysis of the Directive's impact demonstrates that other ways of ensuring impact are possible as well. The crucial lesson learned from experience so

far should, however, be that the implementation of the Directive – just like its adoption – needs to be fought for at national level by all those progressive actors striving for more social convergence and less wage inequality and in-work poverty.

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- All links were checked on 09.02.2024.
- Cite this publication: Müller T. (2024) Dawn of a new era? The impact of the European Directive on adequate minimum wages in 2024, Policy Brief 2024.02, ETUI.

The ETUI Policy Brief series is edited jointly by Kurt Vandaele and Bart Vanhercke. The editor responsible for this issue is Bart Vanhercke, [bvanhercke@etui.org](mailto:bvanhercke@etui.org)

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ISSN 2031-8782



The ETUI is co-funded by the European Union.

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