Minimum wages rise again, but the pandemic puts a brake on their growth

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Decision-makers approached minimum wage setting for 2021 cautiously due to the economic uncertainty caused by the pandemic. Despite this, nominal statutory minimum wages rose in most Member States and the UK, although at lower rates than in recent years.

The dilemmas for decision-makers setting the 2021 minimum wage rates were aggravated by the COVID-19 pandemic. Their usual concern to strike a balance between adequate wages for the lowest-paid employees and safeguarding jobs and businesses was amplified by the challenging economic outlook: growing unemployment, a downward pressure on wages and huge uncertainty about the future. The disruption to the normal negotiation and consultation processes, caused by the virus-containment measures, added to challenges.

Were statutory minimum wage adjustments affected by the troubled economic situation? To some extent, yes: while rates rose in 2021 across most countries, the magnitude of the rises were lower than a year ago.

Figure 1 presents data on gross statutory minimum wages in 2021 and their growth rates (calculated in national currencies) between January 2020 and January 2021. Among these 21 EU countries with statutory minimum wage systems (plus the UK), rates rose in all but four. We can divide countries into three groups.

- **Countries with the largest increases (above 5%)**: A group of six central and eastern European countries: Latvia, Slovenia, Poland, Slovakia, Bulgaria and Lithuania. If rates were calculated in euro, however, Poland would be in the next group.
Countries where minimum wage rates rose by 1–5%: Mainly older Member States of the EU (Portugal, Luxembourg, the Netherlands, Germany, France and Ireland) and as well some Member States that joined in 2004 or later (Croatia, Romania, Malta, Czechia and Hungary). Although Hungary’s minimum wage grew by 4% in its national currency, it fell in euro terms, in which case it would be the only country to register a decline in its minimum wage. The UK is in this group, too, although the exchange rate appreciation of the British pound would place it in the first group if rates were calculated in euro.

Countries where minimum wages were frozen: Belgium, Spain, Greece and Estonia.

Despite these generally positive developments, minimum wage rises for 2021 were more modest than for 2020. The median minimum wage increase in 2021 is 3% (in national currencies), while last year it was 8.4% and all countries but Latvia recorded minimum wage increases. Furthermore, the differences in minimum wage rates across EU countries reduced only modestly in 2021. These two developments are important because it means the pandemic has slowed down the ongoing process of strong minimum wage growth and minimum wage convergence across EU countries.

Figure 1: Statutory minimum wages in 2021 – Levels and growth rates

Notes: The percentages in the blue bars refer to the increases in gross statutory minimum wages in national currencies between 2020 and 2021. The percentages in the orange labels show the growth rates in euro for non-euro-zone countries. The minimum wage levels in 2021 are reported beside the country labels (monthly rates, if not otherwise
indicated, and converted to reflect 12 payments in Greece, Portugal, Slovenia and Spain). Austria, Cyprus, Denmark, Finland, Italy and Sweden are not included as they do not have a statutory minimum wage.

Source: Network of Eurofound Correspondents

**Strong minimum wage growth over the last decade in most countries**

How have minimum wages evolved in recent years? Figure 2 depicts this evolution and that of average wages from 2009 to the most recent year that data are available (2021 for minimum wages and 2018 for average wages). The data are indexed (2009 = 100), and countries are ranked by the magnitude of their minimum wage growth over the whole period: from Romania, where minimum wages tripled, to Greece, the only country where minimum wages declined. Two main insights emerge.

- Although progress in both indicators tends to go hand in hand, statutory minimum wages have increased faster than average wages in more than two-thirds of countries, which means the lowest-paid employees have experienced higher wage growth than the average employee. Among these countries, the central and eastern European Member States stand out for the exceptional growth in their minimum wages: Romania, Bulgaria, the three Baltic countries, Hungary, Poland, Slovakia and Czechia. In other countries, where increases were smaller, minimum wage growth is still very much above that observed in average wages; these include Spain (especially after the 2019 increase), Portugal, the UK and Slovenia. Greece is the only country where the minimum wage level fell, although average wages declined even further.

- At the other extreme, there is a small group of six countries where rises in the statutory minimum wage have not kept up with the growth in average wages. These countries are Belgium, Germany, France, Ireland, Luxembourg and Malta.

Figure 2: Evolution of statutory minimum wages (2009–2021) and average wages (2009–2018), 21 Member States and the UK

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Notes: Data on monthly statutory minimum wages and average wages are presented as indexes (2009 = 100), except for Germany, where the base year is 2015, when the minimum wages were introduced. Countries are ranked by the magnitude of the average yearly growth rate in minimum wages over 2009–2021 (2015–2021 for Germany). Source: EU-SILC data for average wages (available up to 2018); Eurostat data for statutory minimum wages

Member States with the lowest rates are catching up

EU Member States have strongly converged in their statutory minimum wage rates (as well their average wage rates) over the last decade. This is the result of two simultaneous developments in minimum wages. On the one hand, growth has been modest among the older Member States that have the highest minimum wages: Belgium, France, Germany, Ireland, Luxembourg and the Netherlands. On the other hand, there has been remarkable progress among countries that have the lowest rates, which have at least doubled those rates over the period: Romania, Bulgaria, the Baltic states, Hungary, Slovakia, Poland, Czechia and, behind them, Slovenia and Croatia. This convergence is evident when data on nominal minimum wage rates is used, but it is even stronger when correcting for differentials in economic conditions and price levels across countries.

Unlike the central and eastern European countries, the Mediterranean Member States have failed to significantly catch up with those countries that have the highest minimum wage rates. Greece is a particularly dramatic case in point: its minimum wage was cut in 2012 and subsequently frozen until 2019. More recent developments in Spain, however, are positive, especially the large increase in 2019.
Research carried out prior to the UK’s withdrawal from the European Union on 31 January 2020, and published subsequently, may include data relating to the 28 EU Member States. Following this date, research only takes into account the 27 EU Member States (EU28 minus the UK), unless specified otherwise.

**Part of the series**

**Minimum wages in the EU**

This series reports on developments in minimum wage rates across the EU, including how they are set and how they have developed over time in nominal and real terms. The series explores where there are statutory minimum wages or collectively agreed minimum wages in the Member States, as well as minimum wage coverage rates by gender.