

Minimum wages in 2024: Annual review

Introduction

Minimum wages protect workers from unjustified low wages and ensure a level playing field for companies. All EU Member States and Norway have minimum wages in place, albeit in different forms. Among the 27 Member States, 22 have a national minimum wage, with one (or sometimes more than one) rate setting a basic wage floor. In addition, collective agreements are used to further regulate pay and usually set rates above the national minimum wage. In the remaining five Member States and Norway, minimum wages are set in sector-level collective agreements, which includes a high coverage of workers in these countries. The 2024 version of this annual review provides an update on minimum wage developments, details how the rates were set and which criteria were used in their adjustment, and maps the influence of EU-level policy on minimum wage setting.

Policy context

National governments and – depending on national traditions and practices – social partners continue to be the key actors entrusted with the regulation of wages and compensation. The EU Minimum Wage Directive, passed in October 2022, aims to improve standards of living with a view to achieving upward convergence and reducing in-work poverty, wage inequalities, and the gender pay gap. It aims to establish a framework for setting adequate levels of minimum wages and ensuring workers' access to minimum wage protection, within which national actors retain their prerogative in the choice of the modalities of wage setting and implementation, as well as in establishing the levels of minimum wages. Member States must transpose the directive into national law by November 2024, and, at the time of drafting, the required legislative changes and other actions have been assessed and prepared in many countries.

Key findings

- National minimum wage rates for 2024 were substantially increased and – depending on the measure used to calculate inflation – this led to an increase in minimum wages in real terms across most countries. The losses of purchasing power that minimum wage workers experienced between 2021 and 2023 in many countries were thus reversed, as minimum wages in real terms have increased across almost all countries between 2020 and 2024.
- In countries without national minimum wages, there were fewer cases of real increases in the latest bargaining rounds (in a sample of low-paid jobs), and not all losses in purchasing power that have occurred since the onset of the COVID-19 pandemic have been recuperated.
- Among all minimum wage earners, 23% reported difficulties in making ends meet in 2022 on average across EU Member States, which is 10 percentage points higher than for other workers. Also, 10% of minimum wage workers in the EU reported difficulties with keeping their homes adequately warm (compared with 6% of others). Country differences are striking, with minimum wage workers in Greece topping the list regarding difficulties in making ends meet, at 80%.
- Minimum wage earners are relatively spread out over the entire household disposable income distribution: about two-thirds of minimum wage workers live in households belonging to the middle to lower part of the income distribution, but they are underrepresented among the poorest households in the bottom income decile.

- An attempt at capturing the adequacy of minimum wages is possible by looking at the financial squeeze felt by minimum wage earners living in single-person households in 2022. Those minimum wage earners are more likely to face difficulties in making ends meet than their better-paid counterparts in almost all countries: 28% face such difficulties compared with 14% on average across countries. The extent of such difficulties varies widely across countries and seems quite related to general levels of economic development (captured by average income levels).
- The linking of minimum wages to certain percentages of average or median wages, as suggested in the directive, continues, with an increasing number of countries adopting this practice.
- The use of such reference values has certainly played a role in the large increases witnessed in 2024. But while such structural uprating processes are currently being put in place in several countries, less attention was given to other criteria in 2023 when setting the rates for 2024. In particular, considerations of whether the rates are adequate in absolute terms to provide for a decent standard of living were not widespread.
- Inflation rates were the most frequently considered criterion for the setting of the 2024 national minimum wage rates, used in 14 countries, followed by a broad range of country-specific criteria in 10 countries, while 8 Member States with national minimum wages deployed some form of target values for the rates in relation to wages. Less frequently considered were some other forms of wage-level or development-related criteria: the development of gross domestic product and unemployment (6 countries in each case), labour productivity levels and/or developments (5 countries) and employment (4 countries).

Policy pointers

- While an increasing number of Member States are embarking on improving minimum wages relative to average or median wages, thereby increasing the ‘fairness’ dimension, it is important to further reflect and analyse whether such measures ensure a ‘decent standard of living’ as an additional dimension in the assessment of adequacy.
- The technicalities of uprating minimum wages to a certain percentage of average or median wages are relatively straightforward, making such uprating a pragmatic first step to raise minimum wages and improve fairness. Analysing and ensuring their adequacy – by also taking into account the absolute cost of living in a Member State, based, for example, on a typical consumption basket of low-paid earners, and long-term labour productivity developments – is more complex. National wage setters, including governments, social partners and expert committees, are free to discuss the most suitable approach for their country contexts regarding what can be deemed adequate and whether it still needs to be achieved.

Disclaimer: The analysis in this report, carried out by Eurofound, is based on inputs from the national correspondents, and the main period reported on is 2023. During a time in which the transposition of the Minimum Wage Directive is ongoing, envisaged changes are still under debate and the subject is a moving target. While all due care has been taken with regard to the information provided and presented, this analysis does not constitute a legal assessment by Eurofound regarding whether Member States’ current regulations or proposed amendments of the same are already or will be in line with the directive. This is up to the Member States to analyse and the European Commission to confirm retrospectively.

Further information

The report *Minimum wages in 2024: Annual review* is available at <https://eurofound.link/ef24017>

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