



# Statistics in focus

## POPULATION AND SOCIAL CONDITIONS

THEME 3 – 10/2003

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Manuscript completed on: 31/03/2003  
ISSN 1024-4352  
Catalogue number: KS-NK-03-010-EN-C  
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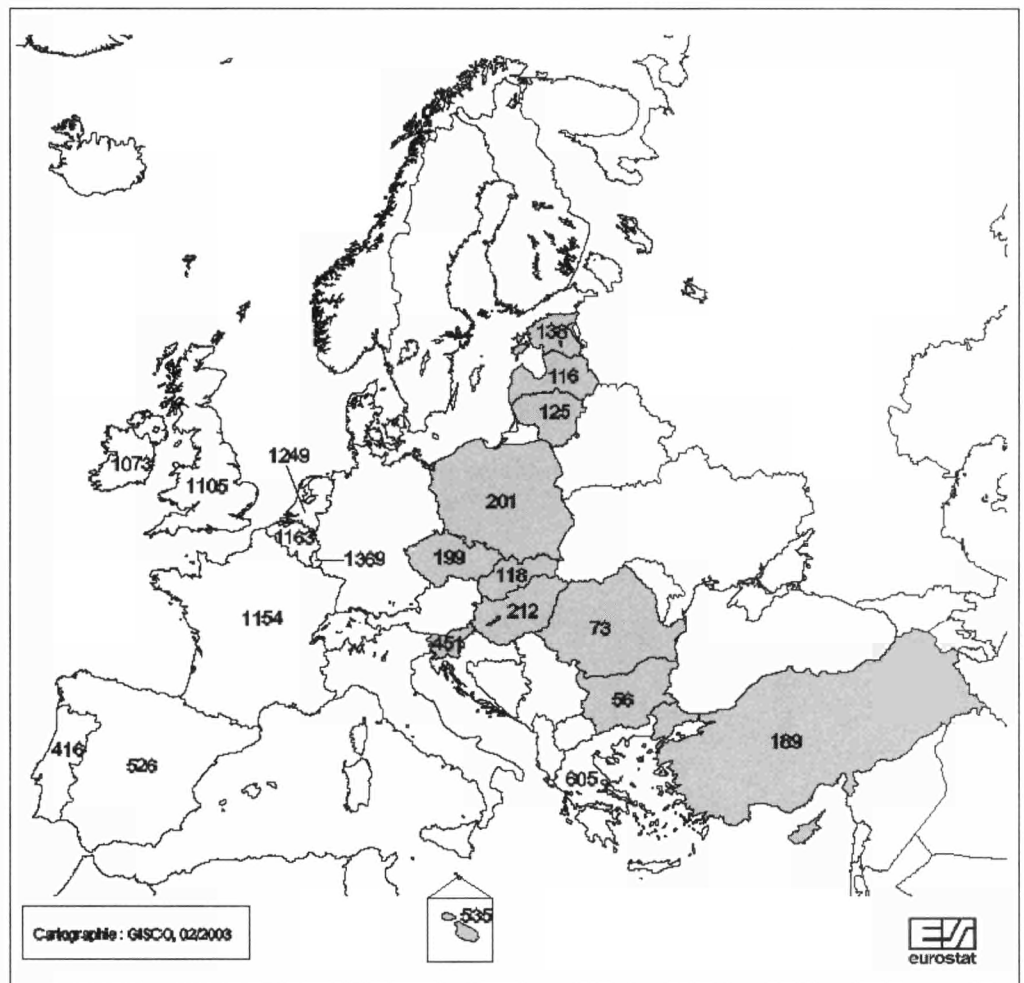
# MINIMUM WAGES

## EU Member States and Candidate Countries, January 2003

*Richard Clare & Anne Paternoster*

This article presents data on statutory national minimum wages in the Member States of the European Union (MS) and in the Candidate Countries (CC). There is a national minimum wage in 9 of the 15 Member States (Belgium, Greece, Spain, France, Ireland, Luxembourg, the Netherlands, Portugal and the United Kingdom) and in 12 of the 13 Candidate Countries (Bulgaria, the Czech Republic, Estonia, Hungary, Lithuania, Latvia, Malta, Poland, Romania, Slovenia, the Slovak Republic and Turkey). See the Summaries of the statutory national minimum wages in the countries, together with the Methodological Notes.

**Among the Member States and the Candidate Countries, statutory minimum wages in January 2003 varied between 56 and 1369 euro per month**



Cartographie : GISCO, 02/2003



*Monthly minimum wages, in euro, in the EU Member States and the Candidate Countries, January 2003*

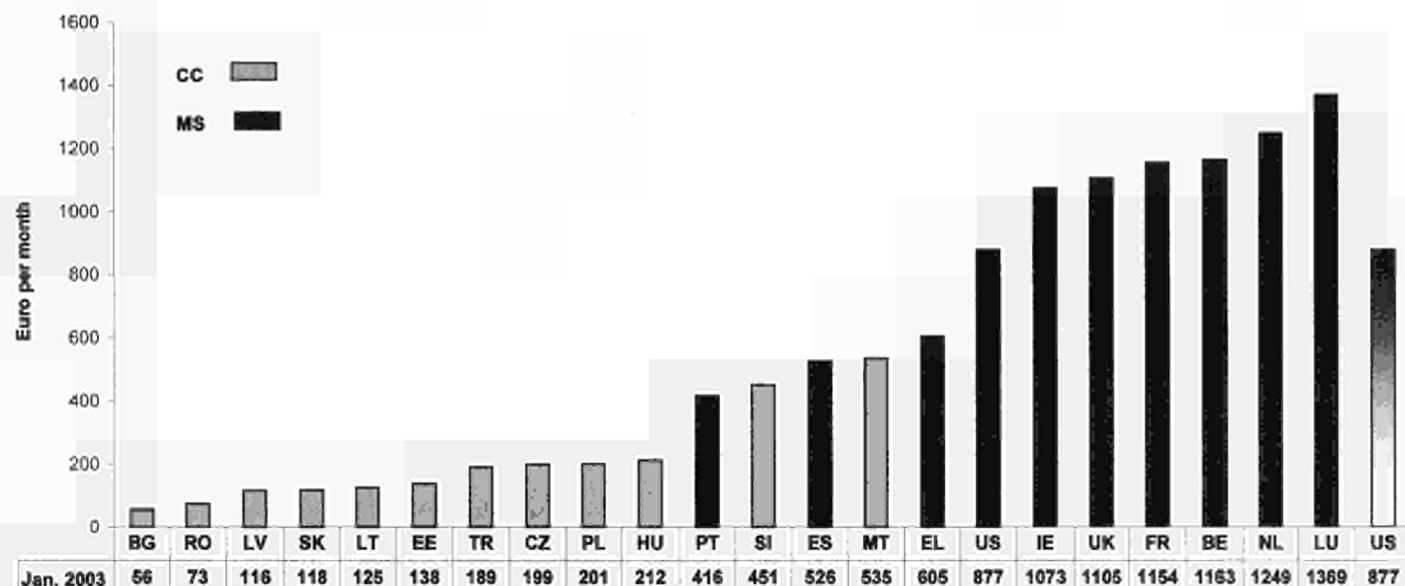
Figure 1 shows the level of the monthly minimum wage for full-time workers in each of the EU Member States and Candidate Countries on 1 January 2003. The minimum wage per month ranged from 56 euro (Bulgaria) to 1369 euro (Luxembourg).

### **The EU Member States**

On 1 January 2003, three Member States (Portugal, Greece and Spain) had monthly minimum wages between 416 and 605 euro. In the other six Member States (Ireland, the United Kingdom, France, Belgium, the Netherlands and Luxembourg) minimum wages were all in excess of 1000 euro per month, ranging from 1073 euro (Ireland) to 1369 euro (Luxembourg). In the United States, the Federal minimum wage is 877 euro, though a number of individual States have a higher minimum wage.

### **The Candidate Countries**

In January 2003, two Candidate Countries (Slovenia and Malta) had national minimum wages which, broadly speaking, were at the same level as those in Portugal and Spain, respectively. The monthly minimum wage in Slovenia was 451 euro and 535 euro in Malta. In contrast, in the other ten Candidate Countries, the monthly minimum wage ranged from 56 euro (Bulgaria) to 212 euro (Hungary).



*Figure 1: Monthly minimum wages, in euro, in the EU Member States and the Candidate Countries, January 2003*



## Applying Purchasing Power Parities considerably reduces differences in the levels of minimum wages between the Countries

Figure 2 compares the minimum wages after removing the effect of price level differences by applying Purchasing Power Parities (PPPs) for households' final consumption expenditure. PPPs convert the minimum wage expressed in national currencies into an artificial common currency unit that is called Purchasing Power Standard (PPS). See the Methodological Notes for more background.

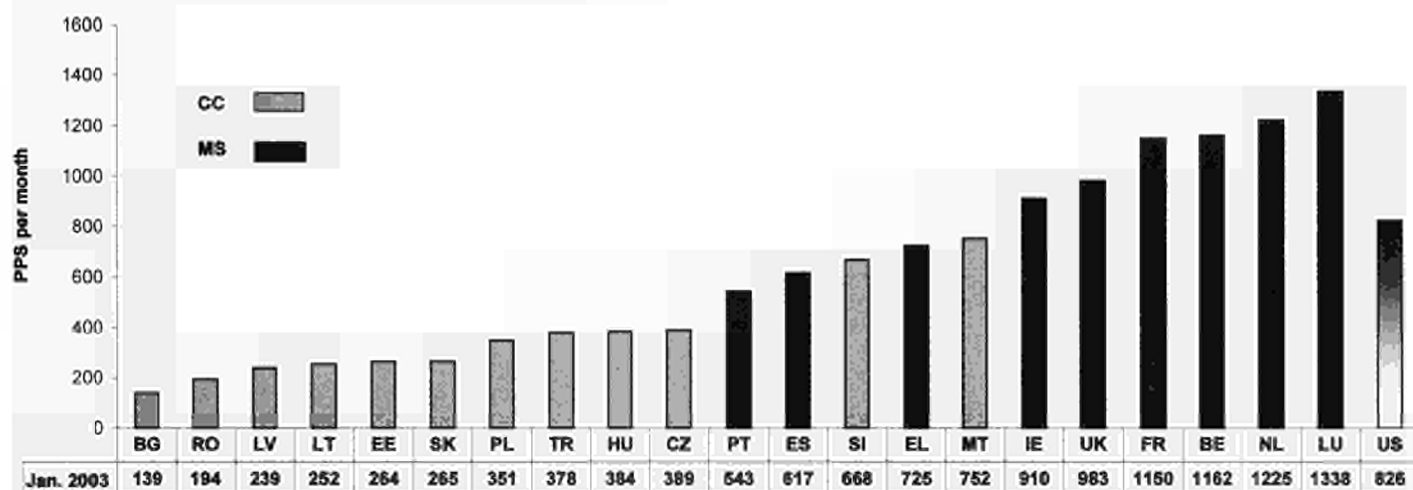


Figure 2: Monthly minimum wages in Purchasing Power Standard (PPS), January 2003

Compared with the ranking of minimum wages in euro per month in Figure 1, the ranking of the countries is not dramatically affected when monthly minimum wages are expressed in PPS. In Figure 2, the ranking among the EU Member States remains unchanged. Among the Candidate Countries, the ranking is affected, but the relative position of the countries only changes by two places at most. For example, the PPP-adjusted figures for the Czech and Slovak Republics show an increase of two places compared to Figure 1, while Poland falls two places. However, none of these changes are statistically significant. As in Figure 1, the monthly minimum wages shown in Figure 2 for Malta and Slovenia are notably higher than in the other Candidate Countries. Indeed, in Figure 2, Malta is ranked higher than Greece and Slovenia is ranked higher than Spain.

While the changes in the country rankings between Figures 1 and 2 are not very marked, differences in the levels of the monthly minimum wages are markedly reduced when expressed in PPS, rather than euro. In particular, removing differences in price levels between the countries has the effect of increasing the minimum wage in all the Candidate Countries and three Member States (Portugal, Spain and Greece). In the other six Member States, the effect of applying PPPs is to reduce their minimum wage levels. Among the nine Member States, the minimum wage in euro (Figure 1) ranges from 416 to 1369 euro, which represents a factor of 3.3; in contrast, the minimum wage in PPS (Figure 2) extends between 543 and 1338, a factor of 2.5. More notably, among the Candidate Countries, the minimum wage in euro varies from 56 to 535 euro, or a factor of 10.5, whereas in PPS the corresponding factor is 5.9.

## The proportion of full-time employees earning the minimum wage varies considerably between the Member States and is consistently higher for females

As Figure 3 shows, the percentage of full-time employees with earnings at the minimum wage level is markedly different between the countries. In Spain, the UK, the Netherlands and Ireland, the percentage of employees on the minimum wage lies between 0.9 and 2.2%. In the US, the figure is 1.5% (see footnote to Figure 3). In contrast, the percentage in Portugal is 4.0%, in France 13.9% and in Luxembourg 15.5%. In the case of France and Luxembourg, the percentages include part-time as well as full-time employees, though the inclusion of part-timers is not thought to have much impact on the overall figure. The percentages relate to the year 2001. No data is presently available for Belgium and Greece, nor for the Candidate Countries.

The percentage of females on the minimum wage is consistently higher than the corresponding percentage for males. The ratio differs somewhat between countries, but broadly speaking, the female percentage is twice that of males.

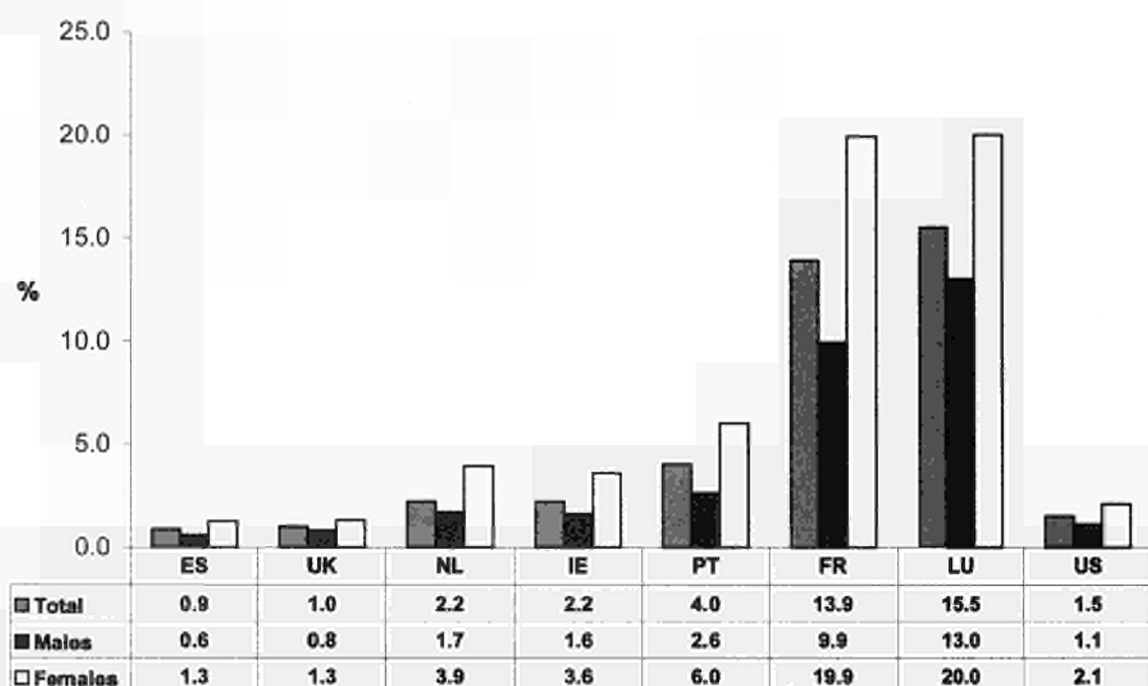


Figure 3: Proportion of full-time employees on the minimum wage

US: The % of full-time hourly-paid workers, excluding salaried employees and other non-hourly workers with earnings on or below the Federal minimum wage.

**Summary of statutory national minimum wages in the European Union and the USA**

(Situation as at 1 January 2003)

	<b>B</b>	<b>EL</b>	<b>E</b>	<b>F</b>	<b>IRL</b>	<b>L</b>	<b>NL</b>	<b>P</b>	<b>UK</b>	<b>US</b>
<b>Date of introduction</b>	<b>1976</b>	<b>1991</b>	<b>1980</b>	<b>1970</b>	<b>2000</b>	<b>1973</b>	<b>1969</b>	<b>1974</b>	<b>1999</b>	<b>1938</b>
<b>Coverage</b>	Private sector employees aged 21 or over	All employees aged 19 or over (for non-manual workers) 18 or over (for manual workers)	All employees irrespective of age	All employees aged 18 or over	Experienced adult employees (2)	All employees aged 18 or over	All employees aged 23 or over	All employees irrespective of age	All employees aged 18 or over	<i>Employees of private enterprises with business &gt; \$500,000 a year, or in smaller firms engaged in interstate commerce, or in federal, state or local government.</i>
<b>Method of fixing</b>	Negotiation by social partners	Annual negotiation by social partners	Set by government	Set by government	Set by government following recommendations of social partners or Labour court	Set by government	Set by government	Set by government	Set by government following recommendations of social partners	<i>Set by government</i>
<b>Method of updating</b>	Automatic indexation + periodic review	Annually according to government forecasts of inflation	Annually according to government forecasts of inflation	Automatic indexation + annual review	Set by government following recommendations of social partners or Labour court	Automatic indexation + periodic review	Twice a year	Annually according to government forecasts of inflation	Set by government following recommendations of social partners	<i>Periodic review</i>
<b>Type of rate</b>	Monthly	Monthly for non-manual workers; daily for manual workers	Monthly and daily	Hourly	Hourly	Monthly	Monthly	Monthly	Hourly	<i>Hourly</i>
<b>Statutory level in national currency (1)</b>	EUR/mth 1163	EUR/mth (3) 518.3 EUR per day (4) 23.23	EUR/mth 451.2 EUR per day 15.04	EUR/hr 6.830	EUR/hr 6.350	EUR/mth 1368.7	EUR/mth 1249.20	EUR/mth 356.60	GBP/hr (5) 4.2	<i>US \$/hr (6)</i> 5.15
<b>In force since</b>	1.2.2002	1.7.2001	1.1.2003	1.7.2002	1.10.2002	1.1.2003	1.1.2003	1.1.2003	1.10.2002	<i>1.9.1997</i>

(1) Rate applied to employees over a certain age (indicated above under "coverage"). For certain countries, as for the Netherlands, different minimum wage rates apply for young persons.

(2) Employees who are (i) aged under 18, or (ii) first-time job entrants, or (iii) undergoing structured training can be paid specified rates below the national minimum wage.

(3) Non-manual workers

(4) Manual workers

(5) Workers aged 22 or more

(6) Employees under 20 years of age can be paid a subminimum wage of \$4.25 an hour during their first 90 consecutive days of employment with an employer.

**Summary of statutory national minimum wages in the Candidate Countries**  
(Situation as at 1 January 2003)

	BG	CZ	EE	HU	LT	LV	MT	PL	RO	SI	SK	TR
<b>Year of introduction</b>	1990	1991	1991	1988	1991	1991	1974	2003	1990	1995	1991	1936
<b>Coverage</b>	All employees	All employees	All employees	All employees	All employees	All employees	All employees	All employees	All employees irrespective of age	All employees	All employees aged 16 or over	All employees aged 16 or over
<b>Method of fixing</b>	Set by government following recommendations of social partners and taking into account the state budget restrictions	Set by government following negotiations by social partners	Set by government following recommendations of social partners	Set by government following recommendations of social partners	Set by government following recommendations of social partners	Set by government following recommendations of social partners	Set by government following recommendations of social partners	Set by government following negotiations by social partners	Set by government after consultations with social partners	Set by Government following negotiations by social partners	Set by government following recommendations of social partners	Set by the Minimum Wage Fixing Committee consisting of government, employee and employer's representatives.
<b>Method of updating</b>	Set by government following recommendations of social partners and taking into account the state budget restrictions	Set by government usually once a year	Set by government following recommendation of social partners	Set by government following recommendations of social partners	Set by government following recommendations of responsible institutions	Set by government following recommendations of social partners	Automatic indexation	From 2003, indexation can occur up to twice a year, depending on the rate of inflation	Set by government after consultations with social partners	The minimum wage is adjusted regularly - usually twice a year.	Set by government following recommendations of social partners - annual update	Usually every year (at least every 2 years).
<b>Type of rate</b>	Monthly and hourly	Monthly and hourly	Monthly and hourly	Monthly	Monthly and hourly	Monthly and hourly	Monthly	Monthly	Monthly	Monthly	Monthly and hourly	Monthly
<b>Statutory level in national currency</b>	BGN per month 110	CZK per month 6200	EEK per month 2160	HUF per month 50000	LT per month 430	LVL per month 70	MTL per month 222.46	PLN per month 800	ROL per month 2,500,000	SIT per month 103643	SKK per month 4920	TRL per month 306000000
<b>In force since</b>	1.10.2001	1.01.2003	1.01.2003	1.1.2002	1.6.1998	1.1.2003	1.1.2002	1.1.2003	1.01.2003	1.12.2002	1.04.2002	1.01.2003

## ➤ ESSENTIAL INFORMATION – METHODOLOGICAL NOTES

### National Monthly Minimum Wages, in Euro

The national minimum wages featured in Figure 1 mostly apply to the majority of full-time employees in each country. Other minimum wages can apply for certain groups taking into account the employee's age, length of service, skills or the physical and mental capabilities of the employee or the economic conditions affecting the firm. In Greece, the minimum wage in Figure 1 applies to non-manual workers; a different rate applies for manual workers.

Figure 1 relates to gross minimum wages, that is, before the deduction of income tax and social security contributions. Such deductions vary between the countries. A comparison based on the net wage can affect the relative position of the countries, depending on the family situation assumed.

For most countries, the national minimum wage is agreed in terms of a monthly rate. For some countries, (eg France, Ireland, the United Kingdom, the United States of America), the national minimum wage is fixed at an hourly rate. For purposes of comparison, the hourly rates for these countries has been converted to a monthly rate, using the following factors:

- for France: 169 hours per month;
- for Ireland and the United Kingdom: 39 hours x 52 weeks divided by 12;
- for the United States of America: 40 hours x 52 weeks divided by 12.

In addition, when the minimum wage is paid more than 12 months per year (as in Spain, Portugal and Greece where it is paid for 14 months a year), data have been adjusted to take these payments into account.

In Figure 1, the minimum wages as at 1 January 2003 are given in euro. For the non-euro zone countries (the UK, the US and the Candidate Countries) the minimum wages in their national currencies was converted into euro by applying the exchange rates shown in the table below (for each country, the monthly average in December 2002 was used).

### Purchasing Power Parities (PPPs) and Purchasing Power Standard (PPS)

The minimum wages in Figure 1 reflect, among other things, differences in price levels between the countries, so special conversion rates called Purchasing Power Parities (PPPs) were used to remove the effect of price level differences. In particular, PPPs for household final consumption expenditure in each country were used to convert the monthly minimum wages expressed in the national currencies to an artificial common currency called Purchasing Power Standard (PPS). The resulting minimum wages in Figure 2, expressed in PPS, effectively show the purchasing power of the national minimum wage in each country for household final consumption expenditure. The PPPs used, which are forecasts for the year 2002, are shown in the following table.

Country code	Euro exchange rate (December 2002)	PPP (2002 average)
Bulgaria (BG)	1.95	0.79
Czech Republic (CZ)	31.19	15.93
Estonia (EE)	15.65	8.20
Hungary (HU)	236.07	130.21
Latvia (LV)	0.60	0.29
Lithuania (LT)	3.45	1.70
Malta (MT)	0.42	0.30
Poland (PL)	3.99	2.28
Romania (RO)	34,251	12,863
Slovak Republic (SK)	41.75	18.56
Slovenia (SI)	230.02	155.21
Turkey (TR)	1,619,050	808,678
Belgium (BE)		1.00
Greece (EL)		0.83
Spain (ES)		0.85
France (FR)		1.00
Ireland (IE)		1.18
Luxembourg (LU)		1.02
Netherlands (NL)		1.02
Portugal (PT)		0.77
United Kingdom (UK)	0.64	0.72
United States of America (US)	1.02	1.08



# Further information:

## ➤ Reference publications

Title Minimum Wages in the European Union, 2002 (Statistics in focus)  
 Catalogue No KS-NK-02-005-EN-N  
 Title Purchasing Power Parities and related economic for EU, Acceding  
 and Candidate Countries and EFTA  
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## ➤ Databases

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