

# Minimum Wages 2006

## Variations from 82 to 1503 euro gross per month

### Statistics in focus

#### POPULATION AND SOCIAL CONDITIONS

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In eighteen Member States of the European Union (Belgium, Spain, Estonia, Greece, France, Hungary, Ireland, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Poland, Portugal, Slovakia, Slovenia, Czech Republic and the United Kingdom), two accession countries (Bulgaria, Romania) and one candidate country (Turkey), collective bargaining is subject to a statutory national minimum wage. The other Member States do not have a statutory national minimum wage.

In January 2006, statutory minimum wages across the various countries varied between 82 and 1503 euro gross per month

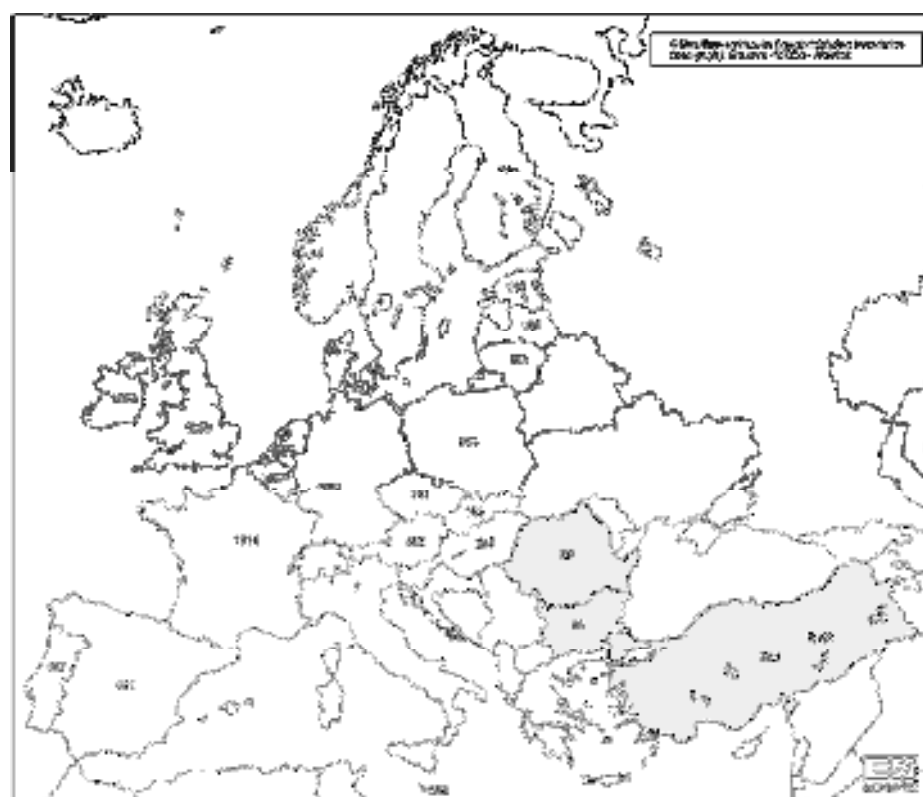


Figure 1 shows the minimum wage levels in the Member States, certain candidate countries and the USA on 1 January 2006. Among the Member States, the gross minimum wage varied from 129 euro (Latvia) to 1503 euro (Luxembourg). Regarding the candidate countries, the minimum wage was 82 euro in Bulgaria, 90 euro in Romania and 331 euro in Turkey.

The European countries can be divided into three groups based on the level of minimum wage. The first group includes the three candidate countries (Bulgaria, Romania and Turkey), as well as 7 of the 18 Member

States (Latvia, Lithuania, Slovakia, Estonia, Poland, Hungary and Czech Republic). The minimum wage in this group was between 82 and 331 euro on 1 January 2006. The second group comprises five Member States (Portugal, Slovenia, Malta, Spain and Greece) with a minimum wage between 437 and 668 euro. The third group comprises 6 Member States (France, Belgium, United Kingdom, the Netherlands, Ireland and Luxembourg) in which the minimum wage is above 1200 euro.

In the USA the Federal minimum wage is 753 euro.

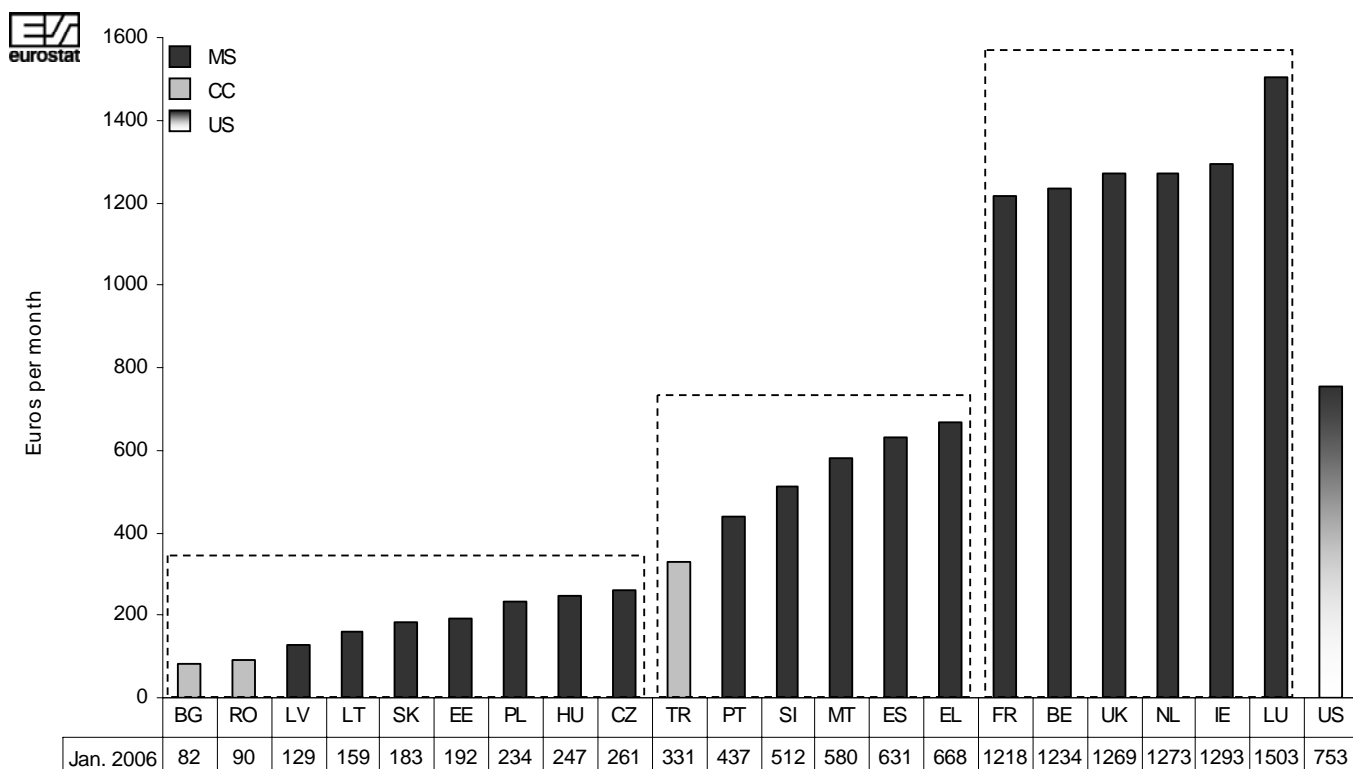


Figure 1: Minimum wages in certain EU Member States (MS), certain candidate countries (CC) and the USA, January 2006, in euro

Source: Eurostat, database on minimum wages.

## Applying purchasing power parities halves the differences in the levels of minimum wages between the Member States

Figure 2 compares the minimum wages after removing the effect of price level differences by applying Purchasing Power Parities (PPPs) to households' final consumption expenditure.

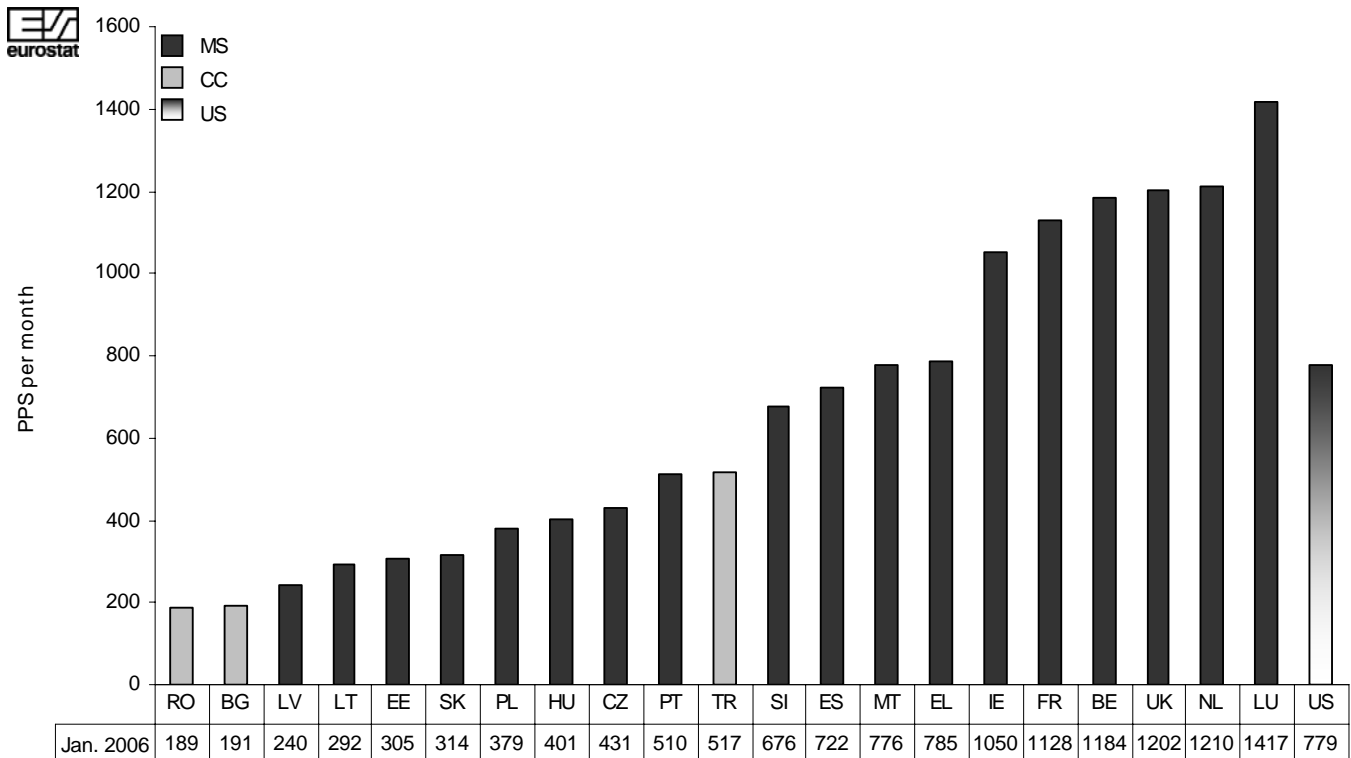


Figure 2: Minimum wages in certain EU Member States, certain candidate countries (CC) and the USA., January 2006, in PPS

Source: Eurostat, database on minimum wages.

The countries' rankings shown in Figure 1 (minimum wages expressed in euro per month) remain virtually unchanged when the monthly minimum wages are expressed in Purchasing Power Standard (PPS).

However, differences in the levels of the monthly minimum wages are markedly smaller when expressed in PPS rather than euro. In particular, removing price level differences between the countries has the effect of increasing the purchasing power of the minimum wage in all the Member States except those in group 3 (high

minimum wages). In the Member States the minimum wage in euro (Figure 1) ranged from 129 to 1503 euro in January 2006, which represents a factor of approximately 1:12. In contrast, the minimum wage in PPS (Figure 2) ranged from 240 to 1417, a factor of approximately 1:6.

Overall, countries' rankings remain unchanged, except for Ireland which drops 4 places in the high-wages group (group 3).

## The average annual growth of the minimum wage in euro is between 1% and 12% among the Member States

Table 1 shows the minimum wages in euro, in national currency (NAC) and in PPS in January of each year.

	NAC				EUR				PPS			
	2003	2004	2005	2006	2003	2004	2005	2006	2003	2004	2005 (p)	2006 (p)
BE	1163	1186	1210	1234	1163	1186	1210	1234	1164	1138	1161	1184
CZ	6200	6700	7185	7570	199	207	235	261	406	382	409	431
EE	2160	2480	2690	3000	138	159	172	192	265	252	273	305
EL	605	605	668	668	605	605	668	668	774	711	785	785
ES	526	537	599	631	526	537	599	631	612	615	685	722
FR	1154	1173	1197	1218	1154	1173	1197	1218	1151	1086	1108	1128
IE	1073	1073	1183	1293	1073	1073	1183	1293	929	872	961	1050
LV	70	80	80	90	116	121	116	129	247	213	213	240
LT	430	430	500	550	125	125	145	159	281	228	265	292
LU	1369	1403	1467	1503	1369	1403	1467	1503	1207	1322	1383	1417
HU	50 *	53 *	57 *	63 *	212	189	232	247	364	340	366	401
MT	222	233	241	249	534	542	557	580	781	727	752	776
NL	1249	1265	1265	1273	1249	1265	1265	1273	1187	1202	1202	1210
PL	800	824	849	899	201	177	205	234	387	347	358	379
PT	416	426	437	437	416	426	437	437	554	497	510	510
SI	104 *	111 *	118 *	123 *	451	471	490	512	620	615	648	676
SK	5570	6080	6500	6900	133	148	167	183	294	277	296	314
UK	710	761	832	862	1106	1083	1197	1269	1012	1061	1160	1202
BG	110	120	150	160	56	61	77	82	155	143	179	191
RO	2500 *	2800 *	2800 *	330	73	69	72	90	195	160	160	189
TR	306 **	423 **	489 **	531	189	240	240	331	375	412	476	517
US	893	893	893	893	877	727	666	753	798	779 (p)	779	779

\* : in thousands of NAC      \*\* : in millions of NAC      (p) : provisional

*Table 1: Minimum wages in certain EU Member States, certain candidate countries and the USA, 2003-2006, in national currencies, in euro and in PPS.*

*Source: Eurostat, database on minimum wages.*

Based on the euro, the annual increase in the minimum wage ranges from 1% in the Netherlands to 12% in Estonia.

Based on PPS, the annual increase in the minimum wage ranges from -3% in Portugal to 6% in Spain and the United Kingdom.

For all countries, except for Luxembourg (increase based on the euro 2%, increase based on PPS 5%), the United Kingdom (increase based on the euro 5%, increase based on PPS 6%) and the United States (increase based on the euro -5%, increase based on PPS -1%), the annual increase based on the euro is higher than that based on PPS.

The proportion of full-time employees earning the minimum wage is much higher among females

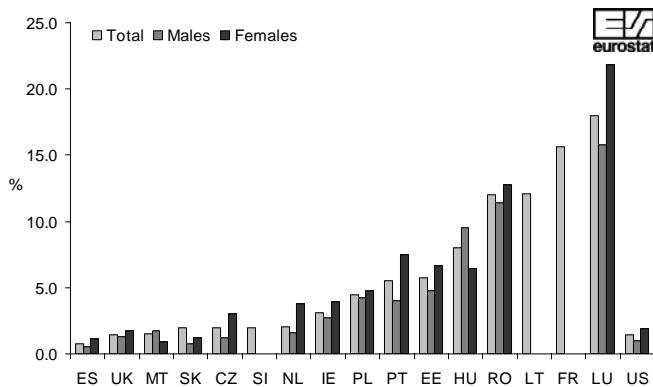


Figure 3: proportion of full-time employees earning the minimum wage in certain EU Member States, certain candidate countries and the USA, in 2004.

Source: Eurostat, database on minimum wages.

As Figure 3 shows, the percentage of full-time employees earning the minimum wage is markedly different between the countries and is generally higher among females.

In Spain, the United Kingdom, Malta, Slovakia, the Czech Republic, Slovenia and the Netherlands this percentage was below 3%.

In Ireland, Poland, Portugal, Estonia and Hungary the percentage was between 3% and 8%.

Finally, in Romania, Lithuania, France and Luxembourg the percentage was above 12%.

In the United States, the percentage of employees earning the minimum wage was 1.4%.

This percentage rose between 2003 and 2004 in 6 of the countries: Spain (+0.13%), Slovenia (+0.7%), the Netherlands (+0.13%), Estonia (+0.68%), Hungary (+0.1%) and Romania (+0.2%). In the other countries the percentage either remained stable (Czech Republic, Ireland, United States) or fell (United Kingdom, Malta, Slovakia, Lithuania, France, Luxembourg).

The percentage of females earning the minimum wage is higher than the corresponding percentage for males in all countries except two, namely Malta and Hungary.

The minimum wage level is between 34% and 50% of average gross monthly earnings in industry and the services sector.

Figure 4 shows the minimum wage as a percentage of average gross monthly earnings in industry and the services sector.

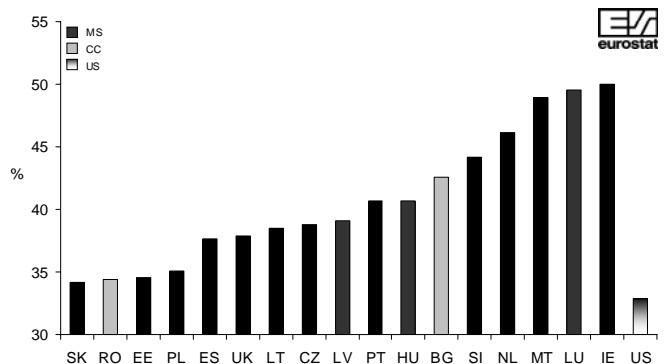


Figure 4: minimum wage as a percentage of average gross monthly earnings in industry and the services sector in certain EU Member States, certain candidate countries and the USA, in 2004.

Source: Eurostat, database on minimum wages.

In most countries the monthly minimum wage is less than 50% of average gross earnings. The only exceptions are Luxembourg and Ireland, where the monthly minimum wage equals 50% of average gross earnings.

Here too, the countries can be divided into three groups: Slovakia, Romania, Estonia and Poland form the first group, in which the monthly minimum wage is less than 35% of average gross monthly earnings. The second group is composed of Spain, the United Kingdom, Lithuania, the Czech Republic, Latvia, Portugal and Hungary, where the minimum wage is between 38% and 41% of average gross monthly earnings. Finally, the third group is composed of Bulgaria, Slovenia, the Netherlands, Malta, Luxembourg and Ireland, where the minimum wage is above 43% of average gross monthly earnings.

Synthesis table of statutory minimum wages in the European Union and in the United States (Situation as at 1 January 2006)

	BE	CZ	EE	EL	ES	FR	IE	LT
Year of introduction	1975	1991	1991	1991	1980	1970	2000	1991
Coverage	Private sector employees aged 21 or over	All employees	All employees	All employees aged 19 or over (non-manual workers) or 18 or over (manual workers)	All employees irrespective of age	All employees aged 18 or over	Experienced adult employees <sup>2</sup>	All employees
Method of setting	Negotiation by social partners	Set by government based on negotiation by social partners	Set by government	Annual negotiation by social partners	Set by government	Set by government	Set by government based on recommendations of social partners or Labour Court	Set by government
Method of updating	Automatic indexation + periodic review	Set by government, usually once a year	Set by government based on recommendations of social partners	Annually, based on government forecasts of inflation	Set by government, usually once a year	Automatic indexation + annual review	Set by government based on recommendations of social partners or Labour Court	Set by government based on recommendations of the competent institutions
Type of rate	Monthly	Monthly and hourly	Monthly and hourly	Monthly (for non-manual workers), daily (for manual workers).	Monthly and daily	Hourly	Hourly	Monthly and hourly
Statutory level in national currency <sup>1</sup>	1 234.00	7 570.00	3 000.00	591.18	540.90	1 217.88 <sup>3</sup>	7.65	550.0 / 430.0 <sup>4</sup>
		44.70	17.80	26.41	18.03	8.03		3.28 / 2.57 <sup>4</sup>
In force since	01.08.2005	01.01.2006	01.01.2006	01.09.2004	01.01.2006	01.07.2005	01.05.2005	01.07.2005
	LV	LU	HU	MT	NL	PL	PT	SI
Year of introduction	1991	1973	1988	1974	1969	1990	1974	1995
Coverage	All employees	All employees aged 18 or over	All employees	All employees	All employees aged 23 or over	All employees	All employees irrespective of age	All employees
Method of setting	Set by government based on recommendations of social partners	Set by government	Set by government based on recommendations of social partners	Set by government	Set by government	Set by government based on negotiation by social partners	Set by government	Set by government based on negotiation by social partners
Method of updating	Set by government based on recommendations of social partners	Automatic indexation + periodic review	Set by government based on recommendations of social partners	Automatic indexation	Twice a year	Once or twice a year, based on government forecasts of inflation	Annually, based on government forecasts of inflation	The min. wage is set by Act implementing the wage policy agreement adopted on the basis of the social agreement between the social partners
Type of rate	Monthly and hourly	Monthly	Monthly	Weekly	Monthly	Monthly	Monthly	Monthly
Statutory level in national currency <sup>1</sup>	90.00	1 503.42	62 500.00	57.88	1 273.00	899.10	374.70	122 600.00
In force since	01.01.2006	01.10.2005	01.01.2006	01.01.2006	01.01.2006	01.01.2006	01.01.2005	01.08.2005
	SK	UK	BG	RO	TR	US		
Year of introduction	1991	1999	1990	1990	1936	1938		
Coverage	All employees aged 16 or over	All employees aged 16 or over	All employees	All employees irrespective of age	All employees aged 16 or over	Employees of private enterprises with business > \$500,000 a year, or in smaller firms engaged in interstate commerce, or in federal, state or local government		
Method of setting	Set by government based on recommendations of social partners	Set by government based on recommendations of social partners	Set by government based on recommendations of social partners and taking account of State budgetary restrictions	Set by government after consultation with the social partners	Set by the Minimum Wage Committee, composed of representatives of the government, workers and employers	Set by government		
Method of updating	Set by government based on recommendations of social partners – annual updating	Set by government based on recommendations of social partners	Set by government based on recommendations of social partners and taking account of State budgetary restrictions	Set by government after consultation with the social partners	Generally each year (at least every two years)	Periodic review		
Type of rate	Monthly and hourly	Hourly <sup>5</sup>	Monthly and hourly	Monthly	Monthly	Hourly <sup>6</sup>		
Statutory level in national currency <sup>1</sup>	6 900.00	5.05	160.00	330.00	531.00	5.15		
In force since	01.10.2005	01.10.2005	01.01.2006	01.01.2006	01.01.2005	01.09.1997		

## ➤ ESSENTIAL INFORMATION – METHODOLOGICAL NOTES

### Statutory monthly minimum wages

Minimum wages are enforced by law and apply nationwide to the majority of full-time employees in each country. Other minimum wages can be applied for certain groups taking into account the employee's age, length of service, skills or physical and mental capabilities, or the economic conditions affecting the enterprise. In Greece, the minimum wage published in this article applies for non-manual workers; a different rate applies for manual workers.

Minimum wages are gross amounts, that is, before the deduction of income tax and social security contributions. Such deductions vary from country to country. 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 minimum wage is agreed in terms of a monthly rate. For some countries (e.g. France, Ireland, United Kingdom, USA) the minimum wage is fixed at an hourly rate. For purposes of comparison, the hourly rates for these countries have been converted to a monthly rate, using the following factors:

- France: 35 hours x 52 weeks divided by 12;
- Ireland: 39 hours x 52 weeks divided by 12;
- United Kingdom: 39.4 hours x 52 weeks divided by 12;
- United States: 40 hours x 52 weeks divided by 12.

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

The minimum wages as at 1 January 2006 are given in euro. For the non-euro zone countries (United Kingdom, the new Member States, Candidate countries and USA), the minimum wages in their national currencies were converted into euro by applying the monthly average exchange rate in December 2005.

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

To remove the effect of differences in price levels between the countries, special conversion rates called Purchasing Power Parities (PPPs) have been used. In particular, PPPs for household final consumption expenditure in each country were used to convert the minimum monthly wages expressed in national currencies to an artificial common unit called the Purchasing Power Standard (PPS). The resulting minimum wages effectively show the purchasing power of the minimum wages.

### Synthesis table of statutory minimum wages in the European Union and in the United States (Situation as at 1 January 2006)

<sup>1</sup> All countries Rate applied to employees having reached a certain age (see under "Coverage"). In certain countries, the Netherlands for example, different minimum rates are applied to young persons.

<sup>2</sup> IE Employees aged under 18 years, or in their first job, or following a structured training scheme, may be paid at special rates below the statutory national minimum wage.

<sup>3</sup> FR Guaranteed monthly wage for employees who have worked 35 hours per week since 01.07.2002.

<sup>4</sup> LT The monthly minimum income of LTL 430 and the hourly minimum wage of LTL 2.57 have been set for certain groups of employees (national politicians, judges, national civil servants, civil servants and soldiers).

<sup>5</sup> UK Workers aged 22 or over.

<sup>6</sup> US Employees aged under 20 years may be paid a wage below the statutory minimum wage, namely a wage of 4.25 \$ per hour, for their first 90 consecutive days of work for an employer.

## *Further information:*

### Data:

[EUROSTAT Website/Population and social conditions/Labour market/Earnings and labour costs/Minimum wages/Monthly minimum wages](#)

[EUROSTAT Website/Population and social conditions/Labour market/Earnings and labour costs/Minimum wages/Proportion of full-time employees with earnings on the minimum wage](#)

[EUROSTAT Website/Population and social conditions/Labour market/Earnings and labour costs/Minimum wages/Minimum monthly wage as a proportion of average monthly earnings in industry and services](#)

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