Collective bargaining and minimum wage regimes in the European Union

The transposition of the EU Directive on Adequate Minimum Wages in the EU27

Edited by
Torsten Müller

european trade union institute

etui.

Introduction

The 2022 Directive on Adequate Minimum Wages in the EU marks a milestone on the journey towards a more social Europe. With its two key objectives of ensuring adequate minimum wages and strengthening collective bargaining, the Directive aims to realize the broader policy goals of reducing in-work poverty and wage inequality. In order to achieve these objectives, the Directive sets out procedures and reference values concerning minimum wage setting and collective bargaining. Of particular importance are the reference values for the assessment of the adequacy of statutory minimum wages set out in Article 5.4 of the Directive – this is the so-called 'double decency threshold' of 60% of the national gross median wage and 50% of the national gross average wage.

Furthermore, the Directive contains several important provisions which aim to support (sectoral) collective bargaining. First, Article 3.3 emphasises that collective bargaining is the prerogative of trade unions. This is important to prevent a competitive race to the bottom through agreements concluded by non-union organisations which may undermine adequate minimum wage protection. Second, Article 4 contains various provisions calling on the Member States to promote the bargaining parties' capacity to engage in collective bargaining at (cross-) sectoral level, as well as to protect the right to collective bargaining. This explicitly includes protection against discrimination against union representatives who (seek to) exercise this right. Finally, Article 9 underlines that, in accordance with EU Public Procurement Directives 2014/23/EU, 2014/24/EU and 2014/25/EU, Member States shall take appropriate measures to ensure that, in the awarding and performance of public procurement or concession contracts, economic operators and their subcontractors comply with the applicable obligations regarding wages, the right to organise and collective bargaining on wage-setting.

Article 4.2 of the Directive, furthermore, requires each Member State in which collective bargaining coverage is below 80% to establish an action plan to promote collective bargaining. The aim of this provision is to create a framework of enabling conditions in these countries with a view to progressively increase bargaining coverage. In its expert group report on transposition of the Minimum Wage Directive, the European Commission clarifies that this threshold 'imposes an obligation of effort, not of result' and should therefore not be viewed as 'a mandatory target to be reached'. Thus, even if this provision does not oblige Member States to achieve collective bargaining coverage of 80% in the strict legal sense, it de facto defines an EU-wide standard for collective bargaining coverage that Member States should aim for as a necessary condition of adequate minimum wage protection.

Transposition of the Minimum Wage Directive into national law

Since none of the reference values in the Directive are legally binding, however, the actual impact of the Directive heavily depends on its national transposition and implementation. As regards the double decency threshold for the adequacy of statutory minimum wages, for instance, the Member States are free to choose whether they even use a reference value in determining the statutory minimum wage – and if so, at which level. Similarly, the Directive does not prescribe any specific measures to promote collective bargaining. The Directive only obliges Member States to establish an action plan to promote collective bargaining if coverage is below 80%, but the Member States are free to chose the measures they foresee in the action plan to be developed in cooperation with trade unions and employers.

The deadline for the transposition of the Directive into national law was 15 November 2024. At the time of writing in June 2025, only 19 countries had transposed the Directive. In eight countries legislation is still pending.

The national transposition and implementation of the Minimum Wage Directive will of course be heavily shaped by the existing collective bargaining and minimum wage regimes in the 27 EU Member States. Conversely, the Directive can also be expected to shape existing regimes – indeed, the Directive has already had considerable impact on national minimum wage setting and on reforms in the field of collective bargaining even before its transposition into national law.

Thus, to monitor and understand the (potential) impact of the Directive across the EU, the ETUI assembled a group of distinguished national experts to prepare brief overviews for each country.

The following 27 country profiles provide a brief and easily accessible overview of the situation and recent developments in minimum wages and collective bargaining in the 27 EU Member States. In order to facilitate cross-country comparisons, each country profile follows a common template covering three key aspects: 1) the minimum wage system; 2) the collective bargaining regime; and 3) the transposition of the Directive into national law.

Torsten Müller, ETUI

Table of contents

Collective bargaining and minimum wage regimes in the European Union – the transposition of the EU Directive on Adequate Minimum Wages in the EU27

Collective bargaining and minimum wage regime in Austria

Vera Glassner and Julia Hofmann, Arbeiterkammer Wien

Minimum wage regime in Austria

There is no minimum wage legislation in Austria. Legally enforceable minimum wages are set by industry-level collective agreements. The vast majority – 98 per cent – of workers are covered by collective agreements. This extensive bargaining coverage is mainly the result of private sector companies' statutory membership of the national employers' association, the Austrian Chamber of the Economy (see below).

Because of Austria's extremely high and stable collective bargaining coverage the trade unions have not pressed for a national statutory minimum wage. However, the peak-level social partners – the Austrian Trade Union Confederation (Österreichischer Gewerkschaftsbund – ÖGB) and the national employers' association, the Austrian Chamber of the Economy (Wirtschaftskammer Österreich – WKO) – did reach agreement on a general gross wage floor of 1,500 euros (€) a month (2017). More recently, trade unions agreed on a wage floor of €2,000 (2023), which guides their wage bargaining demands vis-à-vis employers. By the end of 2024, almost all collective agreements in force (excluding only four) exceeded the minimum wage target of €1,500 euros a month, and more than half of all collective agreements (59 per cent) exceeded the monthly wage floor of €2,000 (Zuckerstätter 2025). It is important to note that the collectively agreed (gross) minimum wage per month is based on 14 monthly wages.

For the few workers not covered by collective agreements – that is, when there is no employers' organisation – so-called 'minimum wage standards' (*Mindestlohntarife*) are in force. These standards are settled by decree of the Federal Office for Conciliation (*Bundeseinigungsamt*), which is part of the Federal Ministry for Labour and Economy. The Federal Office is entitled to adopt minimum wage standards and apprentice pay for people not covered by collective agreements (for example, for assistants at private nursery schools or 24-hour care staff in private households) (Zuckerstätter 2025).

Minimum wage levels vary widely across sectors. In socio-economic terms, workers with low educational levels, young workers and migrant workers frequently fall below the €1,700 floor (Titelbach et al. 2024), while full-time white-collar workers with higher educational degrees and in stable employment rarely fall below the general minimum wage target. Furthermore, minimum pay levels in collective agreements compared with the monthly median wage vary between sectors. For instance, the minimum wage of workers in the metal industry amounted to 69 per cent of the monthly median wage (full-time employment) in 2022 (Statistik Austria 2025a). It has to be noted, however, that effective pay exceeding collectively agreed wages is widespread in the metal industry, even in the lower pay grades. In comparison, (full-time) minimum pay of retail staff amounted to 55 per cent of the monthly median wage in 2022. That said, the majority of retail workers are part-time.

Collective bargaining system in Austria

Austria has one of the highest coverage rates in Europe, with around 98 per cent of private sector workers covered by a collective agreement. This high coverage rate has remained remarkably stable over recent decades. **Three main features** that characterise the Austrian collective bargaining model also explain its outstandingly high coverage:

(i) (Compulsory) membership of the national employers' association:
Private companies are obliged to be members of the Chamber of the Economy (WKO), which makes collective agreements legally binding for them. Currently, the WKO covers companies that employ over 66 per cent of all Austrian employees (Zuckerstätter 2025). To date, firms have made no significant attempts to 'opt out' of collective agreements. The Austrian economy is dominated by small and medium-sized enterprises that benefit more from their membership of employers' associations than large international companies. Generally speaking, the vast majority of firms support collective bargaining and the stability it provides (for example, a very low incidence of strikes, high economic predictability) (Glassner/Hofmann 2024).

The Austrian Labour Constitution Law (ArbVG) grants the right to negotiate collective agreements also to voluntary organisations of employers or employees, provided they meet certain criteria (ArbVG 1974: §4ff., Zuckerstätter 2020). There is a substantial number of voluntary organisations. Some have a long tradition of collective bargaining, such as associations of newspaper publishers or electricity suppliers (Zuckerstätter 2025). Others are employers' organisations that have formed more recently, for instance, in educational and social services. Employers oriented towards norms of cooperation and legal norms (such as the extension of collective agreements), as well as organising efforts and pressure exerted by unions lead to their successful inclusion in the collective bargaining regime.

(ii) The multi-level structure of wage-setting ensures high bargaining coordination. The industry is the dominant level of collective bargaining in Austria. However, collective agreements are embedded in a nested, hierarchical system of regulation. While labour law sets basic working conditions, such as maximum working hours, it confers the settlement of wages and wage-related issues on social partners at the industry level (Glassner/Hofmann 2019). Next are company/works agreements, concluded between management and works councils. Importantly, terms and conditions settled in individual labour contracts can only set more favourable conditions for workers ('favourability principle').
Only when mandated by a multi-employer agreement are works councils authorised to bargain over pay. One example is the 'competition clause' settled in the metalworking agreement of 2023, which allows works councils in companies struggling with economic difficulties to negotiate pay settlements that deviate from the industry-wide wage increase in exchange for more leisure time or one-off payments. According to the Federation of the Metalworking Industry the clause was used by around 10 per cent of metalworking companies in 2024.

(iii) Holistic and coordinated wage bargaining process
Usually, pay and conditions are settled annually, in a synchronised and coordinated process ('pattern bargaining'). The pay increase settled in the metalworking collective agreement serves as a benchmark for other industries in their subsequent collective bargaining rounds (Bittschi 2023). The public sector is formally excluded from collective bargaining. In practice, however, the public sector unions negotiate the pay and working conditions of civil servants and public sector employees. These standards are declared legally binding by parliamentary resolution.

Austrian unions usually pursue a solidaristic, productivity-oriented wage policy in order to ensure that all groups of workers benefit from economic progress based on the norm that past inflation plus general productivity increases should equal the nominal wage increase ('Benya formula'). Nevertheless, there is a comparatively high inter-industry wage differentiation and a growing divide is emerging between wage developments of instable, insecure (seasonal) jobs, on one hand, and stable, secure (all-year round, social insurance-based) employment, on the other (Bittschi 2023).

Other **structural key features** of the Austrian collective bargaining regime include:

- Erga omnes and extension clauses
  Collective agreements cover all employees regardless of their membership status. If an agreement reaches a large share of employers, it can be declared legally binding, even for non-members of the employers' organisation. An example is the collective agreement for social service providers, which was declared generally binding by the Federal Office for Conciliation.
- Validity of collective agreement after expiry
  Collective agreements are usually binding for one or two years. Collective agreements remain valid as long as no subsequent collective agreement is in force. There is no obligation for employers to engage in collective bargaining, but collective bargaining norms and practices are still established among bargaining actors and are rarely questioned.
- Comprehensive institutional resources and very limited competition on the employee side
  The Austrian trade union system is unitarian with only one peak-level organisation, the Austrian Confederation of Labour (ÖGB, Österreichischer Gewerkschaftsbund). The vast majority of works councils, which play a central role in Austria's dual system, are well integrated in the union system. Unions and works councils in Austria, ultimately, can rely on the Chamber of Labor (Arbeiterkammer, AK), which acts as the statutory employee interest organisation of all employees in Austria.
- Bargaining clauses in public procurement
  As bargaining coverage in Austria is exceptionally high, bargaining clauses in public procurement are not a major issue for ensuring collective bargaining. Because public procurement also involves foreign providers, however, measures are in place to ensure that minimum wage rates are applied.
- Right of access to workplaces for unions
  Around 54 per cent of employees in Austria have access to a works council in their company. In Austria's dual system, works councils serve as employees' direct access to interest representation. Works councils have the right to invite trade union representatives into their companies. In companies without works councils, union access to workplaces is possible but legally sensitive (Majoros/Risak 2014).
- Protection of union representatives against discrimination
  Works councils in Austria are comprehensively and legally protected against dismissal and discrimination. However, legal issues arise mainly in the period before works councils are established.

A number of **factors challenge the stability** of collective bargaining in Austria:

- Political attacks on statutory membership of the chambers and on the influence of social partners on Austrian politics driven by right wing and economic liberal parties endanger one of the most important legal underpinnings of the exceptionally comprehensive system of collective bargaining (Flecker/Astleithner 2017).
- Employers' compliance with collective agreements and their normative support for collective bargaining can no longer be taken for granted. To date, however, attempts to circumvent the application of collective agreements are very rare. One exception is the break-up of the 'bargaining cartel' in the metal sector in 2011 (Pernicka/Hefler 2015).
- Commonly acknowledged bargaining norms, such as the orientation towards the two indicators of mid-term overall productivity growth and the consumer price inflation rate of the previous year ('Benya formula') have repeatedly been called into question by employers, especially in difficult bargaining rounds in times of high inflation, such as 2023.

Transposition of the European Directive on Adequate Minimum Wages in the EU

Austria's high bargaining coverage of 98 per cent mean that the European Minimum Wage Directive has had no direct impact on Austrian law. The Directive was transposed by including an indication in several laws – such as the Law on the Prevention of Wage and Social Dumping – that the Directive is in line with Austrian legislation. With regard to people (still) not covered by collective agreements, however, there is some need for improvement, in particular with regard to the mechanism for extending collective agreements. Minimum wage standards should be strengthened and extended, and the definition of 'appropriate' minimum wages (§1152 ABGB) should be clarified. Furthermore, the Directive requires effective instruments for data collection to monitor minimum wage developments. In Austria, data on the number of persons earning the lowest minimum wages in collective agreements are not yet available.

Collective bargaining and minimum wage regime in Belgium

Sem Vandekerckhove, HIVA Research Institute for Work and Society

Minimum wage regime in Belgium

The minimum wage regime in Belgium is essentially a hybrid system, with a statutory minimum wage in the public sector and negotiated minimum wages in the private sector. The national minimum wage – the so-called guaranteed average monthly minimum income (GAMMI) – is negotiated in the National Labour Council, the national cross-sectoral joint committee in which the social partners are represented, but not the government. The GAMMI is based on collective agreement no. 43 of 1988, last updated in 2024 (CA 43/17). It is the average of all income from labour, from one employer, over a twelve-month period. This means that bonuses can make up for pay rates below the GAMMI. It applies to private sector employees over the age of 18 with an employment contract. In addition to the national/cross-sectoral GAMMI, which applies to around 3 per cent of the workforce, there are sectoral minimum wages which are negotiated in the around 100 joint committees and 64 sub-committees for the various sectors and branches. These sectoral minimum wages are on average around 19 per cent higher than the GAMMI.

There are also a number of exceptions to the GAMMI:

- So-called 'flexi-jobs', which are secondary jobs for workers who are already working at least 4/5 full time under a regular contract, and are not subject to the sectoral wage floors.
- Workers without employee status, such as freelancers and platform workers, who do not meet at least three out of eight criteria characterising an employment relationship.
- Family members employed in a business managed by a parent, workers who usually work less than a month.
- Students for whom work is part of their training ('alternating learning'), and who do not have a labour contract.
- Workers in the 'starter-jobs' scheme for people over the age of 18 but under the age of 21 with little work experience.
- 'Neighbourhood jobs' is a scheme to enable re-entry into the labour market through small jobs in their neighbourhood for long-term unemployed workers.

Sub-minima exist for young workers, as stipulated by collective agreement no. 50 of 1991, which was last updated in 2021 (CA 50/4): 67 per cent of the GAMMI is paid at 16 years of age, 73 per cent at 17, 79 per cent at 18, 85 per cent at 19, and 90 per cent at 20 years of age. Since 2015, the full minimum wage has applied to regular workers from the age of 18. Previously, this was from the age of 21, as is still the case for students. The De Wever I government, which has been in office since February 2025, intends to extend student work and child labour to 650 hours and 12,000 euros (€) annually from the age of 15 onwards.

The current rate of the GAMMI as of 1 February 2025 is €2,111.89 per month, or €12.83 per hour for a 38-hour week, €12.50 per hour for a 39-hour week, and €12.18 per hour for a 40-hour week. For part-time workers, the national minimum wage is applied proportionally, according to collective agreement no. 35. Social security contributions and taxes on this income are almost entirely waived, so gross and net pay levels are nearly the same. The intention is to establish this as a principle, and to maintain the GAMMI at €500 above out-of-work benefits.

Within the EU, in 2025, Belgium's GAMMI ranks fifth behind Luxembourg, Ireland, the Netherlands and Germany. According to OECD data, the relative value of the GAMMI is 45 per cent of the average wage and 49 per cent of the median wage for full-time workers.

The GAMMI is adjusted to inflation through a 'pivot' mechanism: when the so-called 'smoothed health index' (a four-month average figure for inflation calculated without taking into account the price of alcohol, tobacco, petrol and diesel – the so-called 'pivot index') is exceeded, an increase in the GAMMI, usually of 2 per cent, is triggered one month later. This last happened in May 2024 and February 2025. Note that strong inflation in 2022 led to no less than six 2 per cent adjustments of the GAMMI in one year.

Collective bargaining regime in Belgium

Collective bargaining regimes can be characterised in terms of the collective bargaining coverage rate, the dominant level of collective bargaining, the unionisation rate, the existence of a minimum wage and its differential from average effective and collectively agreed wages.

The collective bargaining regime in Belgium may be described as a strongly institutionalised partial Ghent system. It is also neo-corporatist, compatible with the Christian democratic welfare state based on universalism, subsidiarity and favourability. The Act of 5 December 1968 on collective agreements and joint committees lays out the organisation of collective bargaining in the private sector, taking these three principles into consideration.

Subsidiarity refers to the delegation of decision-making to lower, decentralised bodies. For instance, the Act of 1968 allows cross-sectoral, sectoral, sub-sectoral and company-level collective agreements; collective bargaining that excludes certain groups of employees is also permitted in the private sector. Collective bargaining in the public sector is slightly different, as the unions have consultation rights, but not decision-making rights. Negotiations in the various committees (according to the level of governance and separately for education) lead to 'protocols', which can be taken into consideration when drafting the relevant legislation.

There are 100 joint committees and 64 joint sub-committees for sectors and branches. They cover blue- or white-collar workers separately, or together. Collective agreements nos 43 and 50 of the NLC, on which negotiated minimum wages are based, are examples of cross-sectoral, national agreements. In the broader field of social dialogue, social partners are further represented in many bipartite and tripartite bodies at the federal and regional level, including in the social security institutions. This demonstrates the cooperation between the state and civil society.

There are additional collective bargaining bodies within companies, and elections are held every four years. In principle, company-level collective agreements must be signed by a sectoral trade union secretary. Companies with at least 50 employees are required to set up an occupational safety and health committee, and companies with at least 100 employees need a works council. In addition, collective agreement no. 5 of 1971 provides the framework for a union delegation within companies, if a union demands this. It includes some broad principles, such as provision of the 'necessary (paid) time and facilities', including an office, for union work and training, and the means necessary to inform and consult the employees. The union delegation has information rights with regard to labour relations and employment conditions, and is responsible for complaints and conflict resolution, as well as occupational safety and health in the absence of a committee. This national collective agreement was not extended to all sectors, and sectors may have specific agreements on the conditions for setting up a union delegation and provision of the requisite resources.

Trade union representatives, as well as candidates in trade union elections are protected against dismissal because of their union work by collective agreement no. 5, if applicable, or by the Act of 19 March 1991 on the specific dismissal procedure for employee representatives.

In both cases, the union can appeal the decision in the sectoral joint committee, and if there is no reconciliation, the labour court shall decide, with potential sanctions on the employer.

The Act of 1968 also defines the hierarchy of legal norms, among laws and collective agreements. The *favourability* principle means that each lower-order agreement needs to be compliant with higher-order legislation or improve the situation of the weaker party, namely the workers.

Finally, the Act of 1968 describes the procedure for extending the scope of collective agreements to non-signatory parties. This refers only to the form, not the content of the agreement (provided there is compliance with higher-order legislation). The main elements are the duration of the agreement (starting date and ending date, or open-ended, for instance in the case of wage schemes) and the categories of workers affected. Agreements can be amended if the signatory parties are the same, and prolonged if the content remains the same. By law, collective agreements are no longer valid after their expiry; pay agreements are usually open-ended, however.

As a rule, extension is requested and approved. This is in line with the principle of *universalism* or equal treatment, and it is reflected in the high collective bargaining coverage. According to the latest OECD/AIAS data coverage stood at 96 per cent in 2019, as nearly all workers were covered by an active sectoral joint committee. Moreover, when sectoral bargaining is limited, there are usually fewer and larger companies in the sector, which have company-level agreements. A relatively high unionisation rate of 49.1 per cent, which ranks sixth in the OECD, behind Iceland, Denmark, Sweden, Finland and Norway, and a high employer organisation density rate of around 80 per cent further underline the wide reach of collective bargaining.

In recent years, following the Act of 26 July 1996 on the promotion of employment and the preventive preservation of competitiveness, a 'wage norm' was imposed, setting the margins for wage development in each negotiation period of two years, based on expected wage cost evolutions in the Netherlands, France and Germany. While difficult to enforce, this has strongly constrained the dynamics of sectoral bargaining. A revision of this Act in 2017 strengthened the norm even further, as the social partners cannot agree on a norm above the recommendation of the Central Economic Council (CEC), which since 2009 has never provided more than a 1.1 per cent real wage increase over two years and even 0 per cent for 2025–2026. Indexation, however, is guaranteed. All sectors have indexation clauses, but the frequency and mechanism of wage indexation varies: about half of the sectors follow the pivot mechanism as explained above; the other half adjusts wages according to the 'coefficient' mechanism, once or several times per year. The De Wever I government social partners have been asked to propose a revision of the wage norm by the end of 2026, along with the indexation mechanism.

Transposition of the European Directive on Adequate Minimum Wages in the EU

EU Directive 2022/2041 on adequate minimum wages has a twofold aim: to promote national minimum wages and collective bargaining. If there is no collectively agreed minimum wage and the collective bargaining coverage rate is under 80 per cent the procedure for establishing and adjusting a statutory minimum wage is specified, and Member States are supposed to present an action plan to improve collective bargaining and increase the coverage rate. If the coverage rate is at least 80 per cent, there are no further requirements. This is the case in Belgium.

Nevertheless, Belgium has opted for 'partial transposition', as the GAMMI does not cover the public sector. In particular, the federal and regional governments have renamed the lowest pay grades, excluded negative adjustments to deflation and added criteria for uprating the minimum wage in accordance with the recommendations of the directive. In this respect, the Flemish government refers only to the target of 50 per cent of average wages, whereas the

federal government leaves space for other targets to be taken into account when revising the minimum wage. According to the ACV-CSC union the current public sector minimum wage in Belgium, as of February 2025, is €2,294.7 per month. Regarding the use of public procurement to support collective bargaining, the Act on public procurement of 17 June 2016 required contractors to comply with all applicable laws, including collective agreements, and to enforce this on subcontractors (Ch. 2, Art. 7).

As the GAMMI is negotiated collectively and autonomously, without strong interference by the state, it is not subject to the stipulations of the minimum wage directive. This was explicitly stressed in three opinions presented by the social partners in the NLC. However, the (announcement of a) minimum wage directive may have inspired the social partners in two ways. First, following a fourteen-year gap between the 2008 and 2022 upratings of the minimum wage, a series of three increases was planned and a 2028 increase was foreseen and has been supported by the government. Secondly, in the past the GAMMI was not monitored systematically, but in the 2023/2369 advisory document, the NLC demands more timely data on collectively agreed and effective wages. Also, following the 2021 and 2023 agreements on the uprating of the GAMMI, a review was produced in 2025 (advisory document 2025/2440), comparing the evolution of the GAMMI with the minimum wage in Germany. According to this exercise, the gross minimum wage rose faster in Germany, by 33.5 per cent between 2021 and 2025 compared with 27.4 per cent in Belgium, or 29.9 per cent after the expected indexation. Similarly, net wages and wage costs increased more in Germany, and wage costs for minimum wage workers in Belgium are lower than in Germany.

Collective bargaining and minimum wage regime in Bulgaria

Rositsa Makelova, Institute for Social and Trade Union Research, Education and Training (ISTURET)

Minimum wage regime in Bulgaria

In Bulgaria, a minimum wage has been set by a Council of Ministers' Decree since the mid-1960s. Since the fall of the socialist regime, a minimum wage has typically been set every 1 January. In response to massive restructuring and inflationary pressure in the 1990s, it used to be amended several times a year in order to keep pace with rocketing prices. For the past ten years, however, mid-year adjustments have been rare and the minimum wage rate typically applies for the whole calendar year.

The legal basis of the Bulgarian minimum wage regime is Article 244 of the Labour Code (Кодекс на труда). It provides that the Council of Ministers shall set the rate of the national minimum wage for each calendar year by decree. Prior to its adoption the new minimum wage is publicly announced on the Council of Ministers' Portal for Public Consultation. The draft rate is also subject to consultation with the nationally representative trade unions and employers' organisations in the National Council for Tripartite Cooperation (Национален съвет за тристранно сътрудничество). The national minimum wage applies to all employees without exception.

The mechanism for minimum wage setting has been regularly addressed over the past 13 years in government-led discussions with the social partners. The ratification of ILO Convention No. 131 in 2018 sparked off debates but did not lead to the adoption of an agreed tripartite mechanism. In February 2023, the Bulgarian government amended the Labour Code by introducing an automatic formula for minimum wage setting. According to Art. 244 of the Labour Code, this formula is based on just one criterion and provides that the minimum wage shall be fixed at 50 per cent of the gross average wage. The average wage rate is defined by summing up the quarterly average wages of the current year (first and second quarter) plus the average wages of the previous year (third and fourth quarter) and then dividing the result by four. The automatic minimum wage formula was first applied at the end of 2023 to produce the rate for 2024. It was applied once again at the end of the previous year to establish a new rate as of 1 January 2025. The 2023 amendments also envisage that the minimum wage shall not be below the previous year's rate. Thus if the formula provides for a fall in the new minimum wage rate, no adjustment shall be made at all.

Council of Ministers Decree No. 359 of 23 October 2024 set the minimum wage at BGN 1,077 (551 euros). The rate applies as of 1 January 2025 following the automatic indexation formula introduced in 2023. The National Statistical Institute (NSI) provides data on the monthly minimum wage as a proportion of the average wage. In 2023, the minimum wage was 37.7 per cent of the average wage. NSI publishes data on the median wage once every four years. The median wage in October 2022 was BGN 1,144 (585 euros). According to expert calculations by the Ministry of Labour and Social Policy the median wage was supposed to be raised to BGN 1,300 (665 euros) in 2023. Thus, according to national data, the minimum wage was 60 per cent of the median wage in 2023.

Collective bargaining regime in Bulgaria

Collective bargaining in Bulgaria is regulated by the Labour Code. The Law on the Settlement of Collective Labour Disputes and other regulations are also relevant to this process.

NSI publishes data on collective bargaining coverage once every four years. The 2018 data show that the coverage rate was 28 per cent, with major differences across sectors. The coverage rate is over 50 per cent in the following sectors: education, mining and quarrying, electricity, gas, steam and air conditioning supply, water supply, sewerage, waste management and remediation activities, health care and social work activities. The sectors with the lowest coverage rate are wholesale and retail, repair of motor vehicles and motorcycles and real estate activities. In these sectors only 8 per cent of employees are covered by collective agreements mainly because of the prevalence of small businesses (up to nine employees).

The National Institute for Conciliation and Arbitration (NICA) publishes annual data on the number of collective agreements in force at different levels. According to NICA data, between 2015 and 2023 the number of company-level agreements fell from 1,976 to 1,437. In the same period, the number of sectoral and municipal-level agreements declined as well: municipal agreements fell from 61 to 55, while sectoral agreements fell from 21 to 14.

The decline in collective bargaining was caused largely by the restructuring and closure of enterprises, along with employers' reluctance to negotiate. Another reason for the low collective bargaining coverage is the inability to initiate sectoral dialogue or to reach agreement on the extension of sectoral agreements. The development of non-standard forms of employment, such as short-term contracts and platform work, further have exacerbated the decline in bargaining coverage. Economic factors such as crises, globalisation and pressure to reduce costs are also weakening unions and bargaining processes.

Other structural key featurs of the Bulgarian collective bargaining regime include

- Validity of collective agreements after expiry

The Labour Code (Art. 54) stipulates that collective agreements can be concluded for a period of one year, unless another period is agreed, but in any case for no more than two years. Negotiations on a new collective agreement shall commence no later than three months before the expiry of the existing collective agreement. Collective agreements are not valid after the envisaged expiry date.

The Labour Code (Art. 55) also envisages that collective agreements shall remain valid in specific cases related to the employer. Thus, if the employer ceases membership of the employers' organisation that signed the agreement or undergoes a change in legal status, for example, following a company merger, the collective agreement shall continue to apply to the workers concerned.

- Exclusion from bargaining of certain groups of employees

Collective agreements apply to employees who are members of the trade union party to the agreement. Employees who are not union members may still benefit from the collective agreement after submitting a written application to the employer or the union. The conditions for joining are determined between the parties. The Civil Servant Act does not provide for collective bargaining for civil servants. This legal gap prevents the conclusion of collective agreements for civil servants. Civil servants can only sign a kind of compact with the respective government authority but the special legal status of civil servants under the Civil Servants Act essentially leaves them out of collective bargaining processes.

- Collective bargaining clauses in public procurement

Bulgarian legislation does not provide for mandatory collective bargaining clauses in public procurement. However, the Confederation of Bulgarian Trade Unions (CITUB) has submitted

proposals for legislative changes aimed at introducing requirements for compliance with collective agreements and ensuring decent working conditions in the implementation of public procurement. These proposals have not yet been discussed and adopted in legislation.

- Right of access to workplaces for trade unions

Trade unions have the right to report violations of labor legislation and to request the imposition of administrative penalties. In carrying out this function, union representatives have the right to visit enterprises and workplaces, as well as premises used by workers, without prior notice. They may request explanations from the employer, as well as access to documents and information in relation to specific cases. In addition, unions have the right to question workers about working conditions and observed violations.

- Protection of workers and trade union representatives from dismissal and discrimination

The Labour Code stipulates that employers may dismiss the company-level trade union secretary and leader only after obtaining consent from the relevant trade union organisation. This provision applies in cases of dismissals resulting from reductions in available job positions or workload, a lack of qualifications for effective performance, a change in the requirements for the position or disciplinary dismissal. Protection applies both while the worker holds a trade union position and up to six months after being released from it. The Labour Code also allows collective agreements to establish clauses regulating workers' dismissal due to reductions in available job positions or workload only with the prior consent of the trade union in the enterprise.

An amendment (new Art. 174b added) to the 2023 Criminal Code aims to guarantee workers' right to organise. If the employer prevents workers from organising, they may be punished either by imprisonment of up to three years or by payment of a penalty of up to BGN 5,000 (2,556 euros). In the event of a repeat offence a longer period of imprisonment or a higher penalty shall apply.

- Employers' obligation to engage in collective bargaining with trade unions

Employers and their organisations are obliged to negotiate with trade unions to conclude a collective agreement. They must provide access to applicable collective agreements and relevant information about their economic and financial situation, unless its dissemination would be detrimental to the enterprise. In the event of failure to comply with these obligations, employers shall be liable and subject to payment of compensation.

Transposition of the European Directive on Adequate Minimum Wages in the EU

As of early February 2025, the Directive had not yet been transposed into Bulgarian law. The Multi-Agency Working Group to the Ministry of Labour and Social Policy has been dismissed multiple times in the wake of political instability (principally because of the lack of a regular government). There is still no official draft of changes to the Labour Code and related regulations. With regard to minimum wage setting both CITUB and the Confederation of Labour (CL) 'Podkrepa' insist on further legal amendments that would enable the inclusion of new indicators in the formula and assessment of the adequacy of the minimum wage in comparison with the living wage. CITUB even proposed certain formulae incorporating the criteria listed under the Directive's Article 5, This also included suggesting how to weigh each criterion. CL 'Podkrepa' also announced certain criteria that should be applied to the minimum

wage formula. Employers' organisations insist that the minimum wage should be set based on criteria agreed on a tripartite basis and thus that the automatic indexation formula should be abolished. As regards collective bargaining, the unions demand the adoption of new legal norms regarding collective bargaining in different economic sectors and bargaining levels (including municipal). The unions also insist on regulation of the right to collective bargaining for civil servants within the Civil Servant Act. In that way bargaining would be regulated just as it is within the Labour Code for those working in a regular employment relationship. The unions also propose the registration of collective agreements electronically, the periodic submission of information on their implementation and scope (including by sectors and territories), and the establishment of rules on access to the electronic register. They have also called for the adoption of legislative texts allowing for an annual update of remuneration through collective bargaining. That way collective agreement clauses on wages can be negotiated annually.

Collective bargaining and minimum wage regime in Croatia

Dragan Bagić, University of Zagreb, Faculty of Humanities and Social Sciences

Minimum wage regime in Croatia

The legal regulation of the minimum wage in Croatia was introduced in mid-2008 with the adoption of the first Minimum Wage Act. Before the enactment of this law, however, there was already a binding regulation on the minimum wage for all employers, derived from the extended application of a national collective agreement on the minimum wage. This agreement was signed in March 1998 by the Government, a small and relatively insignificant association of small and medium-sized employers, and two trade union confederations. The minimum wage stipulated by this collective agreement was set at an extremely low level, ranging between 32 and 35 per cent of the average wage during its implementation. Since 2003, an automatic adjustment mechanism has been in place, setting the minimum wage at 35 per cent of the average wage during the first eight months of the previous year. In response to these low levels, trade unions later called for a statutory minimum wage, which was implemented in 2008.

Since then, the minimum wage regulations have been amended five times, with two entirely new laws (adopted in 2013 and 2018). The latest version of the Minimum Wage Act underwent minor revisions in 2021 and late 2024. The last update was connected with the transposition of the EU Directive on adequate minimum wages.

The law specifies that the minimum wage shall be the lowest monthly wage for full-time work (40 hours a week). It is reduced proportionately for part-time work. The minimum wage is defined as the basic salary, meaning that it is subject to increases for overtime, night shifts, work on Sundays and public holidays, and special working conditions specified in collective agreements or workplace regulations. The statutory minimum wage applies to all employees in Croatia, except for the self-employed. A separate law mandates that the minimum wage also applies to students working under special student contracts.

The government determines the minimum wage level by decree, based on a proposal from the Labour Minister, following consultations with social partners and labor market experts within a permanent advisory commission. The minimum wage is set annually, with a decision made by the end of October for the following year. The law stipulates that the minimum wage cannot be lower than in the previous period. When determining the minimum wage, the government considers various factors, including the ratio of the minimum wage to the average gross wage, inflation, general wage trends, employment and unemployment rates, demographic trends, productivity and the overall economic situation.

It is worth noting that the lowest wage determined by a sectoral collective agreement, extended to all workers and employees in the relevant sector, is also considered a minimum wage. This provision makes labour inspections obligatory to monitor compliance with both the statutory minimum wage and the minimum wages set by sectoral collective agreements.

Until the most recent amendments in late 2024, it was possible for negotiated minimum wages to be up to 5 per cent lower than the statutory minimum wage. However, this provision was abolished in the latest legislative changes, which took effect at the beginning of 2025.

After a period during which the ratio of the minimum wage to the average wage remained low (up to 35 per cent), different governments (center-left and center-right) adopted a policy of gradual relative increases in the minimum wage, starting in 2013. This brought the ratio closer to 40 per cent. A significant rise in the relative level of the minimum wage occurred in 2019. Over the past five years, the relative level of the minimum wage has been stable. Between early 2020 and late 2024, the minimum wage averaged around 45 per cent of the average gross wage (ranging from 44.2 per cent in 2023 to 46.3 per cent in 2024) and 55 per cent of the median gross wage (ranging from 50.9 per cent in October 2023 to 57.5 per cent in March 2024).

While in 2024 the gross minimum wage was €840, in 2025 the government increased the minimum wage by 15.5 per cent to €970. Following the adoption of the EU Directive on adequate minimum wages, the government explicitly refers to the Directive's double 'decency threshold' of 60 per cent of the median and 50 per cent of the average wage when setting the level of the minimum wage, but relying on the most recent historical data on the level of wages without projections of general wage trends in the labor market. As a consequence, the minimum wage is de facto below 60 per cent of the median and 50 per cent of the average wage.

Collective bargaining regime in Croatia

Collective bargaining in Croatia is regulated by the Labour Act and partly by the Act on Representativeness of Employers' Associations and Trade Unions. According to the Labour Act, collective agreements shall be signed between trade unions and individual employers or employers' associations, thereby legitimising both enterprise-level and sectoral collective agreements. Collective agreements can be concluded for a fixed term of up to five years or an indefinite period. The Labor Minister can extend the application of a collective agreement to all employers and employees in a specific industry if the agreement is signed between representative trade unions and an employers' association, provided both parties request the extension and after a public interest test has been conducted. The law also stipulates that the provisions of a collective agreement shall remain in effect for three months after its expiry unless a new agreement is concluded earlier. Collective agreements may stipulate a longer extension period.

Employers are generally obliged to enter into collective bargaining with trade unions. Refusal to negotiate is considered a lawful basis for initiating a strike. The Labour Act provides several incentives for employers to conclude collective agreements, such as allowing a higher overtime limit than the statutory maximum, enabling more flexible working time arrangements and extending the duration of fixed-term employment contracts. However, the current public procurement legislation does not allow for preferential treatment of bidders who apply collective agreements, though discussions are ongoing about introducing such clauses as part of an action plan to increase worker coverage by collective agreements in line with the EU Directive on adequate minimum wages.

All workers in Croatia, except active military personnel, have the right to union membership and collective bargaining. The right to strike is further restricted for some groups of workers in sensitive public services (such as health care) and public administration (for example, the police). Employers are prohibited from discriminating against or treating workers unfairly because of union membership. Union representatives have the right to promote the rights and interests of union members with employers, and employers must allow appropriate activities and access to necessary data for this purpose. Employers cannot dismiss union representatives or otherwise put them at a disadvantage during their mandate or six months thereafter without the union's consent.

Given the existence of union pluralism and competition in many cases, rules on trade union representativeness for collective bargaining purposes have been established to address

situations in which multiple unions operate at the level of bargaining. If unions fail to agree on the composition of their bargaining committee, an independent commission shall determine which unions have the right to represent all workers based on their share of unionised workers. The Representativeness Act stipulates that unions representing at least 20 per cent of unionised workers shall be eligible for collective bargaining. A union not involved in bargaining can initiate a new process to determine representativeness at any time. If the list of representative unions changes, the process of negotiating a new collective agreement must begin, which affects the predictability of a collective agreement's duration.

There is no unified system of collective bargaining in Croatia, and practices vary significantly depending on type of ownership, sector and employer characteristics. Four distinct patterns of collective bargaining practices can be identified:

(i) public sector multi-level bargaining:

Around 250,000 employees whose salaries are financed from the national budget are fully covered by collective agreements. Wage negotiations occur annually for the upcoming calendar year, while basic collective agreements are signed for four-year periods to regulate working conditions and other material rights. Basic rights and wages are negotiated jointly for all public service employees, with additional sectoral agreements addressing specific working conditions and allowances. This system is characterised by a two-tier bargaining structure, with multi-sectoral negotiations for wages, material rights and working conditions, alongside sectoral negotiations for specific issues.

(ii) Sectoral and enterprise bargaining in the private sector:

In certain sectors established practices of sectoral bargaining exist between representative unions and employers' associations, complemented by enterprise-level agreements in some cases. Typical examples include construction and tourism. Sectoral agreements set minimum wages at the level of job complexity groups, material rights and working conditions. Such practices are encountered in only five or six sectors. This pattern is significant for the overall coverage of workers by collective agreements in Croatia because it involves agreements whose application can be extended to all employers and employees within the sector. Currently, four sectoral agreements (construction, tourism, wood industry, and retail) have extended application, covering approximately 520,000 workers (about 34 per cent of the workforce).

(iii) Enterprise-level routine bargaining:

The third pattern involves regular and routine collective bargaining practices at the level of individual employers, which are present across various industries in the private sector, as well as in almost all public enterprises owned by central or local government. It is characterised by relatively regular bargaining cycles, with wages as the primary focus of collective bargaining.

(iv) Irregular enterprise-level bargaining:

In this pattern, bargaining cycles are irregular, and wages are often not central. Employers sometimes unilaterally increase wages, especially since 2022, when labor shortages and inflation became significant issues, even though collective bargaining exists.

As of December 2024, approximately 1,035,000 workers in Croatia were covered by collective agreements, representing 60.4 per cent of the total workforce of 1,723,000. This marks a significant increase from 2021, when coverage was estimated at 46.5 per cent. The rise is attributed primarily to the signing and extension of the collective agreement in retail, which added around 230,000 workers, raising the coverage rate by over 13 percentage points. A similar level of coverage (61 per cent) was observed in 2009, but it dropped to about 53 per cent after the termination of the retail sector agreement in 2013. Despite fluctuations in coverage over the past 15 years, coverage and bargaining practices remain stable overall, with coverage variations driven by extraordinary events.

Transposition of the European Directive on Adequate Minimum Wages in the EU

The European Directive on Adequate Minimum Wages in the EU was incorporated into Croatian law on 13 December 2024, when the Croatian Parliament unanimously approved amendments to the Minimum Wage Act. Because Croatia's existing minimum wage regulations were already largely aligned with the Directive, only two minor changes were introduced. The first amendment adds two new criteria to the existing list of factors considered when setting the minimum wage: productivity trends and changes in the purchasing power of the minimum wage. The second amendment is procedural, requiring that the Ministry of Labour submit a report to the European Commission every two years on the level of collective bargaining coverage, the level of the statutory minimum wage, and the percentage of workers covered by it.

Collective bargaining and minimum wage regime in the Republic of Cyprus

Horen Voskeritsian, Birkbeck College, University of London

Minimum wage regime in the Republic of Cyprus

Until recently, the Republic of Cyprus did not have a statutory national minimum wage (NMW) that applies across all sectors and occupations. In September 2022, the National Minimum Wage Act came into effect, eventually introducing a statutory national minimum wage for all full-time employees. The Act was updated in 2023 to take into account changes in the level of the national minimum wage.

Prior to the implementation of the National Minimum Wage Act 2022, minimum wages were determined by the Minimum Wage Act 2012 (Chapter 183). According to Article 3(1) of the latter, the Council of Ministers could issue a decree on an annual basis, effective from 1 April each year. This established a minimum wage for certain professions and occupational groups, such as clerks, salespersons, school assistants, childcare assistants, infant care assistants, nursing assistants, caregivers in institutions, and security guards. The minimum wage for occupational groups not covered by that decree was determined either by collective agreement (where applicable), or by individual negotiations between the employer and the employee (see also Giannakourou 2022).

As of September 2022, the National Minimum Wage Act established a national minimum wage for all full-time employees, set at 940 euro (€) from 1 January 2023 (Article 5(1)). In 2023, an amendment to the law took effect, setting the minimum wage at €1,000 from 1 January 2024. Employees who, either before or after 1 January 2024, have not completed six months of continuous employment with the same employer are entitled to a gross monthly wage of at least €900 for full-time employment until completing six months of continuous employment. Following the 2024 adjustment to the national minimum wage, any future adjustments will subsequently be applied every two years; hence, for 2025, the minimum wage remains at the 2024 levels.

Several exceptions and deviations from the minimum wage apply. For instance, Article 3 of the National Minimum Wage Act states that the provisions of the Act do not apply to domestic workers, agricultural and livestock workers, workers in the maritime industry, and to any employees whose wages are subject to more favourable arrangements under specialised legislation, a contract, practice or custom. Moreover, the provisions of the Act do not apply to individuals undergoing training or education as required by law, practice or custom for obtaining a diploma and/or practicing their profession.

According to Article 10 if, as part of an agreed employment contract, the employer provides the employee with meals and/or accommodation, the minimum monthly wage may be reduced, subject to an agreement between the employer and the employee, as follows:

(i) up to 15% when meals are provided, and/or
(ii) up to 10% when accommodation is provided.

Finally, Article 11 stipulates that for individuals under the age of 18, who are employed for occasional work not exceeding two consecutive months, the minimum wage in cash may be reduced by 25%.

Special provisions also exist for certain categories of employees in the hospitality industry who are covered by the Minimum Wages in the Hotel Industry Act of 2020. As of 1 January 2025, the Minimum Wages in the Hotel Industry Act of 2025 (K.D.P. 55/2025) has come into effect.

The Act establishes higher minimum wages for specific categories of employees, ranging from 3.7% to 18.7% on top of the national minimum (and 7.22% to 10.88% for those employees with less than six months' continuous employment).

Minimum wage adjustments are subject to the workings of the Minimum Wage Adjustment Committee. The Committee is appointed by the Council of Ministers and comprises three workers' representatives, three employers' representatives, and three independent academics or recognised experts in labour issues, one of whom is appointed Committee chair by the Council of Ministers.

The Committee prepares a report, which is submitted to the Minister of Labour and Social Security at least two months before each revision, taking the following into consideration:

(i) the purchasing power of the minimum wage, also regarding any changes in the cost of living;
(ii) trends in employment levels and unemployment rates;
(iii) changes in economic growth and productivity levels;
(iv) variations and trends in wage levels and their distribution;
(v) the impact of any changes in the minimum wage on employment levels, relative and absolute poverty indices, the cost of living, and economic competitiveness.

The Minister, after taking into account the views of the Labour Advisory Body on the Committee's report, submits a specific and justified recommendation on adjusting the minimum wage to the Council of Ministers, including the possibility of no adjustment. It is also at the Minister's discretion to seek and consider opinions from other bodies, individuals or authorities before submitting their recommendation to the Council of Ministers.

According to official statistics of the government of the Republic of Cyprus, the average monthly gross wage in Cyprus in 2023 stood at €2,063, and the median wage at €1,792. Thus, in 2023, the relative value of the minimum wage as a percentage of the average and the median wage was 46% and 52%, respectively.

Collective bargaining regime in the Republic of Cyprus

In Cypriot law, collective bargaining is one of the primary means provided to trade unions for promoting their members' economic and social interests. The right to collective bargaining is enshrined in the Constitution (Article 21(2) and Article 26(2)), and the right to conclude collective agreements is provided for in Article 4 of ILO Convention No. 98, which was ratified by Law 18/1966.

However, collective bargaining and collective agreements are not regulated by a specific law. Although the Constitution allows for the enactment of legislation to confer legal binding force on collective agreements, such a law has not yet been issued. Consequently, collective agreements in the Republic of Cyprus are considered to be non-legally binding 'gentlemen's agreements' between the contracting parties.

As a result, collective agreements do not have regulatory force and cannot give rise to enforceable individual rights for unionised employees against their employers. Hence, under the Cypriot legal system, collective agreements are regarded as trade union agreements rather than contracts in the sense of private law. Therefore, their implementation cannot be enforced by court decisions, nor do they generate legally enforceable individual rights in favour of employees (Giannakourou 2022: 66–67).

According to Cypriot common law, there is no obligation for an employer to recognise a trade union or to negotiate with it. Therefore, the resolution of collective disputes through collective bargaining is left to the free will of both parties.

The Trade Union Recognition Act 2012 establishes a binding trade union recognition process for employers, with the purpose of engaging in collective bargaining. According to Article 19

of the Act, if an employer, after the issuance of a recognition order, refuses either to enter into negotiations or to negotiate in good faith, or to meet with and consequently recognise the representatives of the employees, the trade union has the right to either: (a) file a complaint with the Registrar, or (b) apply to the labour relations department for mediation in the labour dispute. If the trade union chooses option (b), then for the duration of the mediation process, it cannot resort to option (a).

Furthermore, according to Article 21(b) of the same Act, any employer who refuses to enter into negotiations on concluding a collective agreement after the issuance of a trade union recognition order is guilty of an offense and, upon conviction, is subject to a fine not exceeding €5,000.

In the case of an expired collective agreement, its terms remain in effect only if they are expressly or implicitly incorporated (through custom or long-standing repeated practice) into the individual employment contract between the employee and the employer.

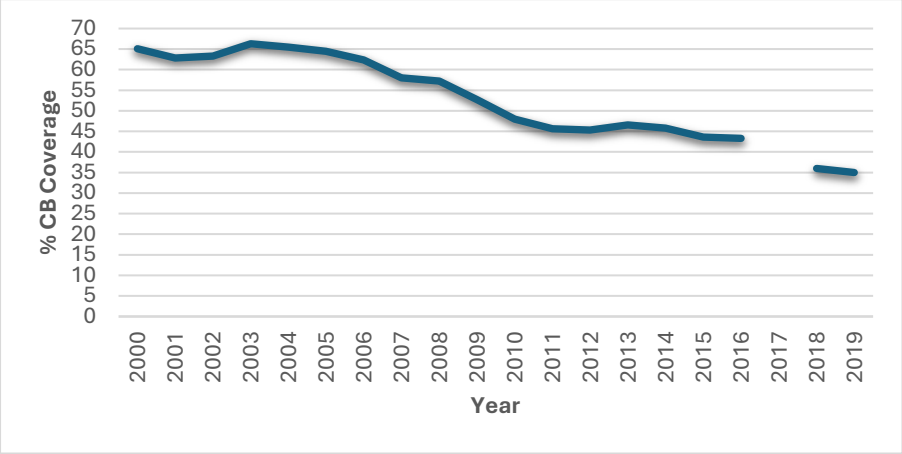
In such cases, even if a collective agreement expires without being renewed, its terms continue to apply unless they are modified by a new employment contract or through the renewal of the existing collective agreement. Consequently, if incorporation has taken place, the incorporated terms (for example, wages or working time) become part of the individual employment contract, thereby creating rights and obligations for both employees and employers.

For the terms of a collective agreement to be incorporated into an individual employment contract, there must either be an explicit reference to them or clear evidence from the specific employment relationship that the parties intended to integrate one or more terms of the collective agreement into the employment contract. This intention can be inferred from the conduct of the parties, demonstrating their willingness to adopt specific provisions of the collective agreement (see also Giannakourou 2022: 67–68).

Cypriot legislation does not contain specialised provisions for the protection of trade union officials but includes a general clause for the protection of trade union members. More specifically, according to Article 50(1b) of the Trade Unions Act 1965, it is unlawful to dismiss or otherwise discriminate against an employee because they are a trade union member or participate in trade union activities outside working hours, or during working hours with the employer's consent.

According to data from the OECD/ AIAS ICTWSS database and Eurofound, collective bargaining coverage in the Republic of Cyprus has experienced a steady decline over the past 20 years (from 2000 to 2019), as is evident from Figure 1:

Figure 1 Collective bargaining coverage, Republic of Cyprus, 2000–2019



Source: OECD ICTWSS AIAS database, Eurofound.

Cypriot law does not include any specific provisions regarding collective bargaining clauses in public procurement. Relevant demands have been raised by the Cypriot Trade Unions, but the matter has not been addressed in legislation thus far.

Transposition of the European Directive on Adequate Minimum Wages in the EU

The Republic of Cyprus is among the member states that have not (as of March 2025), transposed the European Minimum Wage Directive into their national legal framework.

Collective bargaining and minimum wage regime in Czechia

Monika Martišková, Central European Labour Studies Institute (CELSI)

Minimum wage regime Czechia

Czechia introduced the minimum wage as early as 1970 when it ratified ILO Convention No. 131 on minimum wages. During the period of post-socialist restructuring during the 1990s, the Czechoslovak government specified the minimum wage level for all workers in the country (Government Order No. 99/1991 coll.). Exceptions for younger workers and the disabled permitted pay below the statutory minimum. In 2006, the following exceptions applied with regard to lower minimum wage rates: 90 per cent of the statutory minimum for young workers between 18 and 21 years of age; 80 per cent for persons younger than 18 years of age; 75 per cent for partially disabled workers; and 50 per cent for fully disabled workers. These exceptions were cancelled in 2016 after pressure from NGOs representing disabled people. They argued that lower than minimum wages for these workers are against the Czech constitution.

A Government Order in 2006 (Order No. 567/2006 coll.) introduced minimum guaranteed wages (or wage floors), specifying the minimum wage for eight different categories of workers based on the difficulty and complexity of the job. The first level was the statutory minimum and the highest maximum was double that amount. These guaranteed minimums were important for some professions, such as cashiers, who were entitled to 1.3 times the statutory minimum. It also helped partially to moderate inequalities while recognising the difficulty of different kinds of work (see Table 1). In 2024 this regulation was cancelled for the private sector and reduced to four categories in the public sector, along with changes in the automatic mechanism of statutory minimum wage increases. In practice, this abolition of guaranteed wages might not affect wage levels immediately, but will reduce the possibilities for moderating wage inequalities for trade unions in the future and is expected to complicate remuneration practices in sectors such as retail and transport. Additionally, companies might still maintain wage levels in their internal remuneration mechanisms or based on collective agreements. Thus, employees not covered by a collective agreement, which is the majority of workers, are potentially exposed to the highest risk of relative wage reductions and increase in wage inequalities within the company.

In 2024, as a result of the implementation of the EU Directive on Adequate Minimum Wages, the government introduced the automatic adjustment mechanism for 2025 and 2026 through an amendment to the Labour Code and the introduction of new Government Order No. 285/2024 Coll. The basis for statutory minimum wage setting is the forecast of the average wage in the economy for the following year and coefficients set for the minimum wage. For 2025 the minimum wage was set at 42.2 per cent and for 2026 at 43.4 per cent. In subsequent years the intention is to reach 47 per cent, but this has not yet been enshrined in the legislation. The explanation of the mechanism is available here; see also an English translation in the annex. The Czech trade unions submitted a complaint against this way of implementing the Directive to the European Commission in September 2024. Moreover, this reform effectively means that changes in the statutory minimum wage are no longer the subject of tripartite negotiations, only the coefficient of the average wage can be negotiated, but there is no obligation for the government to do so.

Since the 1990s, minimum wage increases have been the subject of negotiations between trade unions and employers at the tripartite level, though the final decision has always rested with the government. As a result, minimum wage adjustments have been highly politicised; the centre-right government froze wages between 2007 and 2013. From 2014 onward, however, the minimum wage was increased annually. In 2024, a new adjustment mechanism was introduced, allowing for negotiations on the adjustment coefficient, but still the final decision remains in the hands of the government.

Table 1 Kaitz index for Czechia (2014–2025)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025*
Average wage	22 097	23 062	27764	29638	32051	34578	36176	38277	39932	43120	45136	49233
Minimum wage	9200	9200	9900	11000	12200	13350	14600	15200	16200	17300	18 900	20 800
Kaitz index	42%	40%	36%	37%	38%	39%	40%	40%	41%	40%	42%	42%

* Data used to compute minimum wage according to new mechanism (average wage).
Source: Ministry of Labour and ISPV data, author's compilation.

Collective bargaining regime in Czechia

The legal base for collective bargaining was established as one of the first legal acts in the democratic Czechoslovakia. In 1990, a Collective Bargaining Act (*Zákon o kolektivním vyjednávání*) and a Tripartite Consultations Act (*Zákon o třístranných konzultacích*) were adopted, creating a framework for social dialogue in the former Czechoslovakia, which was later adopted by Czechia and by Slovakia. According to the Collective Bargaining Act, there are two levels of collective bargaining, at the company/establishment level and higher-level bargaining, serving as sectoral bargaining. At the national level, there is a tripartite body, albeit with only a consultation and advisory role in relation to government decision-making.

The non-derogation principle is strictly applied across all levels, thus legislation fixes the legal minimum, while higher-level bargaining can improve on the legislation and company-level bargaining can improve on both (if there is no higher-level collective agreement). The strict application of the non-derogation principle and the absence of sectoral bargaining highlight the importance of company bargaining in improving working conditions. Nevertheless, this leads to decentralisation, and a lack of coordination at the higher levels. At the same time, in the non-covered workplaces, which are the majority, the guiding principle remains labour legislation.

Collective bargaining coverage is 34.7 per cent based on the **OECD dataset** (data for 2019) and 33 per cent based on the annual survey of the Czech-Moravian Confederation of Trade Unions (Českomoravská konfederace odborových svazů, ČMKOS) in 2023. There were 24 sectoral collective agreements in 2023, 17 of which were concluded by the biggest TU confederation ČMKOS, and one sectoral agreement was concluded by the members of the second largest peak-level trade union organisation, the Association of Independent Trade Unions (Asociace samostatných odborů České republiky, ASO ČR). The remaining six were concluded by independent trade unions.

At the company level, 3,524 company-level agreements were concluded in 2023, covering 1,381,000 employees in 4,168 companies. The number of companies in which trade unions operate remains stable, with 4,202 companies.

Current trade union membership is 11.4 per cent, falling only moderately since 2015 (11.9 per cent). The low figure can be associated with lack of awareness of the benefits of social dialogue,

unsettled trade union organising practices, but also a high-share of unstable and precarious work contracts and an increasing share of migrant workers, who are difficult to organise.

There is a universal right to be a trade union member, but there are limitations regarding strike action. This concerns specific occupations such as health care and social care if a strike would endanger people's life or health, employees operating nuclear power plants, judges, prosecutors, members of the armed forces and armed corps, and employees involved in air traffic control and safety (Act on Collective Bargaining no 2/1991 Coll.). In general, to launch a legal strike is procedurally complicated which further limits strike activity.

Company-level collective agreements apply to all workers. Trade unions therefore often mention the free-rider problem, that the erga omnes principle discourages higher rates of trade union membership at the company level. This usually oscillates between 10 and 30 per cent of the company workforce. At the sectoral level, the extension of collective agreements is possible if both parties submit the request to the Ministry of Labour and Social Affairs (Act on Collective Bargaining n. 2/1991 Coll, § 7 par. 1). There are currently four extended collective agreements. The validity of the collective agreement must be always defined; if it expires, an agreement is no longer valid.

Company-level organisations established at workplaces are the basic trade union units, which are also allowed to lead collective bargaining. Only three members are necessary to form a trade union organisation and even this organisation can initiate collective bargaining at the company level and the employer is obliged to engage in collective bargaining (but not necessarily to conclude an agreement). The low thresholds encourage trade union establishment, but undermine the representativeness criteria at company level. Moreover, with such a low threshold, it is easy to establish several trade union organisations. Trade union representatives are protected from dismissal and have a right to access the workplace if they are employees of the company. For other trade union representatives, access is not granted and requires employer approval.

Legislation has established new rules on the right to collective bargaining from 2025 in the case of multiple organisations at the workplace. While previously in the case of multiple organisations at the workplace they had to act unanimously, from 2025 the biggest trade union organisation is allowed to conclude the collective agreement . The measure entered the legislation as a part of the transposition of the European Minimum Wage Directive in 2024 and is aimed at improving collective bargaining coverage in the coming years.

In practice, 76 per cent of all workplaces report at least one trade union organisation, and there are two organisations at 11.6 per cent of them, a slight increase since 2021 when it was 10 per cent. Moreover, almost 5 per cent of workplaces have three trade union organisations, and 1.7 per cent have four. There are five trade union organisations at 5.5 per cent of companies, mainly big employers with several branches (Trexima 2023).

Current challenges for collective bargaining

- New technologies and decarbonisation and a right to reskilling, which at present is very rarely applied and specified in collective agreements.
- The diminishing real-life impact of sectoral bargaining, as at this level usually only very general provisions are agreed and company-level bargaining sets the actual working conditions.
- Employers avoiding collective bargaining.
- Low trade union membership and missing union organising practices.

Transposition of the European Directive on Adequate Minimum Wages in the EU

As a consequence of the implementation of the Directive there were important legal changes in the area of minimum wage setting and collective bargaining. As regards minimum wage setting key changes included (i) the introduction of a new mechanism of minimum wage setting based on coefficients with reference to the average gross wage and (ii) abolition of the previous system of guaranteed wages (see above for more details). As regards collective bargaining key changes include (a) new rules for company-level bargaining in the case of multiple trade union organisations, allowing the largest union in the company to conclude an agreement replacing the previous requirement that all unions act unanimously; (b) facilitating the extension of sectoral agreements that can now also be extended to companies with more than 10 employees, while previously it was only possible to extend an agreement to companies with a minimum of 20 employees. This should increase the coverage rates in sectors with many small companies, such as transportation or construction if the higher-level collective agreement is concluded and extended.

Preparation and implementation of the action plan to promote collective bargaining, which according to the Directive is required in all EU Member States with collective bargaining coverage below 80 per cent, is foreseen for the second half of 2025.

Annex 1 New mechanism for setting the minimum wage introduced in 2025

The Ministry of Finance issued a forecast of the average gross wage for the calendar year 2025 on 23 August 2024 (CZK 49,233).

By its Decree of 18 September 2024 (after prior consultation with the social partners and taking into account the adequacy analysis), the government set two coefficients for calculating the minimum wage for 2025 and 2026 (0.422 and 0.434 for 2025 and 2026, respectively), which are used to multiply the average gross wage forecast for that year.

Based on the abovementioned government decree and the communication from the Ministry of Finance, the Ministry of Labour and Social Affairs calculated and rounded up (to the nearest hundredth of a month and to the nearest tenth of an hour) the minimum wage for 2025 and announced it in its communication of 23 September 2024. It will do the same in 2025 for the calculation of the minimum wage for 2026.

In 2026, the government will, by the same procedure (regulation), fix the coefficients for the calculation of the minimum wage for 2027 and 2028.

In 2025 and 2026, the minimum and average wage ratios are set to reach approximately 42.2 and 43.4 per cent, respectively. In the following years, the minimum and average wage ratios are to be gradually increased to reach 47 per cent in 2029.

Source: MPSV (2024):

Annex 2 Categories of guaranteed wage (valid until 2024)

Wage degree	Profession	% of minimum wage	Rate in 2024 (abolished from 2025)
1 Unskilled work consisting of simple work and other unskilled jobs	Kitchen assistant, cleaner, courier	100%	18,900 CZK (756 euros)
2 Homogeneous work	Construction worker, storekeeper, refuse collector, sanitation worker, janitor, building security, car driver, maid, packaging line operator	103.2%	19,500 CZK (780 euros)
3 Professional work	Bricklayer, plumber, plumber, repairman of electrical or heating appliances, barber, hairdresser, saleswoman, cashier, waiter, barmaid, invoicer, car mechanic, subway train driver, dental technician	112.7%	21,300 CZK (852 euros)
4 Professional work with competencies to work independently	General nurse, midwife, plumber, tour guide, interpreter, accountant, maintenance worker of simpler equipment and structures, train driver on secondary lines	115.3%	21,800 CZK (872 euros)
5 Professional specialised work	Bus driver for more than 16 people, foreman, dispatcher, paramedic, personnel and payroll accountant, tax expert, IT administrator, kindergarten teacher, driving school instructor, building designer	127.5%	24,100 CZK (964 euros)
6 System work	Business officer, network administrator, independent designer of extensive and demanding constructions	140.7%	26,600 CZK (1064 euros)
7 Systemic specialised work	Financial expert, marketing expert, IT expert, developer of new programs and systems, doctor, dentist, pharmacist	155.6%	29,400 CZK (1176 euros)
8 Creative systemic work	Financial and commercial director, broker on the financial and capital markets, demanding creative system work	200%	37,800 CZK (1512 euros)

Source: Author's compilation based on Eurofound (2024), p. 9 and ČMKOS (2024).

Collective bargaining and minimum wage regime in Denmark

Christian Lyhne Ibsen, FAOS – University of Copenhagen

Minimum wage regime in Denmark

Denmark, along with a handful of other European countries, does not have a statutory minimum wage. It relies exclusively on collective agreements negotiated between trade unions and employer organisations to set and enforce minimum wages. The bargaining autonomy of the social partners is a cornerstone of the minimum wage regime in Denmark; statutory regulation of employment conditions is, in general, very limited. Only health and safety (Lov om arbejdsmiljølov) and general conditions for salaried workers (Funktionærloven) are regulated mainly by the state.

Collective bargaining coverage is stable in Denmark at 82 per cent of workers, with 100 per cent coverage in the public sector and approximately 73 per cent coverage in the private sector. Both trade unions and employers' organisations fiercely defend bargaining autonomy and have been staunch opponents of the European Minimum Wage Directive. Across political parties there is also an understanding that Danish minimum wages fall under the strict domain of the social partners. Nonetheless, governments have in the past interfered with bargaining autonomy, most notably in public sector wages in 2024 through a tripartite agreement between the government, local government and trade unions. Extraordinary wage increases were granted to certain occupational groups, such as social and care assistants, teachers, hospital staff and prison staff. However, this unprecedented agreement was presented as a one-time interference to address problems in the wage structure.

Minimum wages are stipulated in sectoral or occupational collective agreements but differ in their nature depending on the wage system. In the private sector, there are three wage systems: (i) minimum wage, (ii) normal wage and (iii) figureless. Minimal wage agreements define a minimum hourly or monthly wage for employees but explicitly refer actual wages to be negotiated at the workplace between management and the shop steward/employee representative. This two-tiered system for wage setting covers approximately 56 per cent of workers in the part of the private sector organised by the Confederation of Danish Employers (*Dansk Arbejdsgiverforening*, DA) and the Danish Trade Union Confederation (*Fagbevægelsens Hovedorganisation*, FH). The normal wage system stipulates the actual hourly wage for employees with no local bargaining. This system covers approximately 20 per cent of workers in the DA/FH part of the private sector. Finally, the figureless wage system does not stipulate any wage level and wages are to be negotiated individually or collectively at the workplace level. This system covers approximately 23 per cent of workers – mostly salaried – in the DA/FH part of the private sector. Public sector wages resemble the normal wage system, albeit with local pots allocated each year for workplace level bargaining based on function, performance or qualifications. Between 8–10 per cent of the wage sum (excluding overtime pay) is allocated for local wage bargaining in the public sector (Lønstrukturkomitéen).

The minimum wages in collective agreements not only differ in nature but also in their level. The normal wage in the cleaning agreement was 157.75 DKK (21.14 euros) as of March 2024. The minimum wage in the pattern-setting manufacturing agreement (see below) was 136.15 DKK (18.25 euros) as of March 2024. But because local wage bargaining in manufacturing typically exceeds this minimum wage, de facto wages are typically much higher in manufacturing than in the normal wage area. The average hourly wage for skilled workers in

manufacturing was 308.18 DKK (41.30 euros) in 2023. Apprentice wages (students who receive workplace training during their vocational education and training programme) and workers under 18 years of age are also regulated by collective agreements and regulated through the normal collective bargaining process. The minimum wages for these two groups vary according to seniority. In the manufacturing agreement an apprentice/young person was paid 79.75 DKK (10.69 euros) per hour (0–1 year of seniority) and 136.00 DKK (18.23 euros) per hour (over 4 years of seniority) as of March 2024.

Collective bargaining regime in Denmark

Given the absence of a statutory minimum wage, the legal basis for minimum wages are the collective agreements and their legal status according to collective and individual labour law (*kollektiv arbejdsret og ansættelsesretten*). The Basic Agreement (Hovedaftalen) between the FH trade union confederation and the DA employers confederation set out the general rules and procedures governing their relations (see more below). Basic Agreements also exist in the public sector. The Labour Court Law (Lov om Arbejdsretten og faglige voldgiftsretter) stipulates conflict resolution mechanisms in cases of breach of agreements or interpretation disputes. Representatives of trade unions and employer associations sit on the court together with ordinary judges.

Collective bargaining coverage is stable in Denmark despite the absence of extension mechanisms in the country. Collective agreements are multi-employer agreements that cover either whole industries or occupations. There are about 400 agreements in the DA/FH area of the private sector alone. In addition, individual companies that are not members of an employer association may have accession agreements that mimic the industry agreement closest to their business. Approximately 57 per cent of unorganised employers are covered by these individual agreements. Typically, unorganised employers sign these agreements under pressure from trade unions.

There are no published data breaking down collective bargaining coverage by key factors such as industry, company size, geography or occupation. However, a recent proxy for coverage was used in a study commissioned by FH, which showed below 33 per cent coverage rates in hotels and restaurants, cleaning and agriculture. Traditional strongholds such as manufacturing, construction and utilities still have higher coverage rates estimated to be above 66 per cent.

In the absence of statutory minimum wages and extension mechanisms, bargaining coverage depends on employers' willingness to accept coverage, either through membership of an employer association or through an accession agreement. This willingness may be under increasing pressure because of the decline in trade union density, especially in certain private sector industries such as hotels and restaurants, retail, agriculture and cleaning. According to recent figures, union density has declined from approximately 70 per cent of the workforce in 2000 to approximately 50 per cent. These figures exclude members of so-called 'yellow unions', which are not part of the collective bargaining regime. If these are included, union density stands at around 65 per cent.

Equally concerning for collective bargaining parties is the indication that the fastest-growing industries are the least likely to sign collective agreements. Platform and gig workers are usually not covered by collective agreements, although there are some exceptional examples of collective agreements between platforms such as Hilfr and Just Eat.

Danish employers' associations have – like their German counterparts – introduced agreement-free membership types that do not include collective bargaining coverage. The extent of this membership type is not known. In addition, it is unclear whether agreement-free membership is a stepping stone to a regular membership with collective bargaining coverage or a sign of decreasing support for the collective bargaining system.

– Validity of collective agreements after their expiry
Collective agreements at both sectoral and company level remain in force after their expiry until a new agreement is signed or until one or both parties terminate the agreement. Termination must be given with sufficient notice (typically three months). Once the agreement is terminated, either party may initiate industrial action against the other. During the agreement, industrial action is required to withdraw from the agreement. One party may, however, withdraw from the agreement if it can be proven that the other party has neglected the obligations of the agreement (however, the requirements for 'negligence' are strict).

– Exclusion of groups of employees from collective bargaining
In principle, all employees have the right to be covered by a collective agreement except for those employees that do not meet the definition of an employee, such as particular civil servants (*tjenestemænd*), self-employed, and most managers.

– Collective bargaining clauses in public procurement
Denmark has introduced 'social clauses' (*arbejdsklausuler*) in public procurement for contracts involving construction, production or service provisions for the state, regions and municipalities. These clauses serve the purpose of protecting terms and conditions of employment for workers involved in public procurement contracts, but do not require the work to be covered by a particular collective agreement. Instead, the clauses require that the terms and conditions of the workers concerned not be inferior to the terms and conditions of workers doing the same kind of work as set out in the national collective agreement between the most representative social partners. As such, the clauses protect covered workers from social dumping. In addition, most municipalities – 90 per cent of all municipalities – use social clauses with chain-liability (*kædeansvar*) in construction projects, meaning that the main contractor is responsible for upholding the terms and conditions of sub-contractors. Some 70 per cent of municipalities have chain-liability for service provision projects.

– Right of access to workplace for trade unions
Basic agreements and collective labour law establish the right of trade unions to organise workers freely. Actions deemed 'organisation hostile' (*organisationsfjendtlige*), that is, which impede workers from organising, are illegal. Moreover, collective agreements establish the right to elect shop stewards who can access workplaces with the aim of organising. This right was refined in the manufacturing agreement in 2023 by stipulating that shop stewards be allowed to meet newly hired employees with the aim of organising them. This new provision merely codified existing practices but underlined this right of access for trade unions. Moreover, the 2023 agreement simplified the process of electing shop stewards or employee representatives.

– Protection of workers and trade union representatives against dismissal/discrimination
Protection against dismissal and discrimination is provided by collective labour law that affords special protection to shop stewards.

– Obligation for employers to engage in collective bargaining
No obligation exists and collective bargaining is voluntary. Industrial action – direct or sympathy strikes – can be used to force employers to the bargaining table.

Transposition of the European Directive on Adequate Minimum Wages in the EU

With coverage above 80 per cent, Denmark fulfils the European Minium Wage Directive and will not take further legal action regarding transposition of the directive. The Danish social partners and government strongly oppose the European Minimum Wage Directive, viewing it as a threat to the voluntary collective bargaining regime. In 2023, the Danish government filed

a case before the European Court of Justice seeking to annul the adopted EU Directive. At the time of writing, the Advocate General has recommended full annulment, thus siding with Denmark.

Collective bargaining and minimum wage regime in Estonia

Kaja Toomsalu, Estonian Trade Union Confederation (EAKL)

Minimum wage regime in Estonia

A statutory minimum wage was introduced in 1991 with the transition to a market economy. In the 1990s, when the basis was laid for the labour market and social policy of the regenerating country through tripartite social dialogue, raising the minimum wage was a key issue. Despite the relatively constant increase in the level of the state-regulated minimum wage, it remained at between 25 and 33 per cent of the average wage during those years. In 2001, tripartite negotiations took place on a general labour market policy agreement. The issue of how to raise the minimum wage to 40 per cent of the average wage was discussed. Finally, the minimum wage negotiation was separated and became a topic for bilateral negotiations between trade unions and employers. In 2001 the agreement was concluded on the minimum wage rate for 2002 and the principles for raising it. The relevant formula was fixed with the calculation procedure, and the goal was to reach 41 per cent of the average wage by 2008. Negotiations to increase the minimum wage took place every year, but the corresponding level was reached only in 2024. The statutory minimum wage still plays an important political role in Estonia in several respects. On one hand, collectively agreed wage protection is very weak because of the very low level of collective bargaining coverage (just under 19 per cent). The statutory minimum wage therefore has an important anchor function for overall wage developments. The share of those receiving the minimum wage has been stable at 3–4 per cent of employees over the years.

The legal basis for the minimum wage is laid down in the Collective Agreements Act. It stipulates that the minimum wage is to be negotiated by employers' and employees' central organisations and the minister must declare it generally binding. Based on the agreement and according to the Employment Contracts Act, the Government of the Republic establishes the minimum wage by a regulation corresponding to a specific unit of time. It is not permissible to pay wages below the statutory minimum wage established by the government. In 2025 the minimum wage is 886 euros (€) per month and €5.31 per hour.

The minimum wage applies without exceptions and deviations to all employees working under an employment contract.

The statutory minimum wage in Estonia is based on a cross-industry agreement between the largest trade union confederation Eesti Ametiühingute Keskliit (EAKL) and its counterpart on the employers' side, Eesti Tööandjate Keskliit (ETK). Changes to the minimum wage also take place through negotiations between unions and employers. In 2023, EAKL and ETK signed a goodwill agreement to increase the minimum wage to 50 per cent of the average wage by 2027 (42.5 per cent in 2024, 45 per cent in 2025, and 47.5 per cent in 2026).

The agreement also includes criteria for setting the minimum wage. The growth rates will be reviewed and may be changed if at least one of the following conditions is met: (i) the economy is suffering a downturn in the current or future calendar year, according to the latest economic forecasts; (ii) unemployment has increased significantly in the previous three quarters compared with the previous period; (iii) the number of companies likely to be incentivised to pay so-called 'envelope' wages has increased significantly, and this can be attributed to the rapid increase in the

minimum wage; and (iv) the prerequisites for a goodwill agreement, such as the definition of the unemployed, the level of benefits or the average wage structure, have changed significantly. If these conditions apply, this will affect only the agreement on the minimum rate of the particular year. The maximum increase per year is 16 per cent. Because of Estonia's negative economic growth in 2024, the parties to the agreement postponed implementation of the 50 per cent minimum wage target until 2028.

The level of the minimum wage has increased every year, with some exceptions. The minimum wage was €584 per month in 2020 and stood at €886 per month in 2025, an increase of 52 per cent in five years, with a growth rate of 3 to 9 per cent per year. Although since agreement was reached on the minimum wage in 2001 the goal has been to achieve a faster growth rate than the average wage, they have nevertheless risen at the same pace (except in 2021 when the minimum wage did not increase because of Covid-19). The ratio of the minimum wage and the average wage has increased from 40 per cent in 2020 to 42 per cent in 2025, and the ratio of the minimum wage and the median wage increased from 49 to 50 per cent in the 2024.

Collective bargaining regime in Estonia

The legal basis for collective bargaining is the Collective Agreements Act of 1993, which determines the legal basis for the conclusion and implementation of a collective agreement. It is stipulated that a collective agreement is a voluntary compact between employees or an association or a federation of employees and an employer or an association or a federation of employers, and state authorities or local governments, which regulates employment relationships between employers and employees. The law gives trade unions and employers' organisations free rein to initiate and conclude contractual negotiations. Should such negotiations fail, the parties have the option of turning to a national mediator, who works based on the Statute on the National Mediator. If no agreement is reached, the parties have the right to take industrial action.

The main level for concluding collective agreements is the company. This has been usual since the transition period when there were enterprise level agreements at all companies. The first sectoral agreements were concluded in sectors in which privatisation took place more quickly and the social partners were able to modernise their organisations. The number of sectoral agreements has decreased over time, however, and currently only two are in force, in road transport and health care. The creation of new extended agreements is difficult because the size of the trade unions and the employers' organisations in terms of the number of employees represented correspond to the changes made in the Collective Agreements Act in 2021. These amendments establish that the extension of terms of a collective agreement may be agreed when trade union members in this sector constitute 15 per cent of all employees in that sector or have at least 500 members, and the employer association members employ at least 40 per cent of employees in the sector to which the extended collective agreement applies.

Because of strong resistance from employers and the high degree of trade union fragmentation, bargaining coverage in Estonia has been declining steadily. While in 2019, 32.5 per cent of employees were covered by collective agreements, in 2021 it was already 19.1 per cent. The main reason coverage is low – and decreasing – is that in many areas there are no trade unions, or they are very weak. The overall unionisation rate is 5.6 per cent, the lowest in Europe. The constant decrease in the number of trade union members is making them weaker and weaker. The employers' organisations also have problems. Employers, especially small and medium-sized enterprises, are not members of employers' organisations. Furthermore, 95 per cent of companies are SMEs and 0.1 per cent of companies have more than 250 employees. Employers' organisations do not see themselves as social partners. Social dialogue has been replaced by lobbying.

Unfortunately, several state agencies also refuse to conclude collective agreements with trade unions, which illustrates the government's lack of support for collective bargaining.

Other structural features of the Estonian collective bargaining regime include the following:

- The validity of collective agreements after their expiry
  Upon expiry it is deemed that a collective agreement shall remain valid indefinitely unless either party to the agreement notifies the other in writing at least three months beforehand that it does not wish for the agreement to be extended. In the event the collective agreement becomes valid for an indefinite period, the parties are required to comply with its terms and conditions until a new agreement is signed or it is terminated by cancellation. A collective agreement that is valid for an indefinite period may be cancelled by either party to the agreement by notifying the other party thereof no less than six months in advance. The obligation arising from a collective agreement to refrain from calling a strike or a lock-out ends as of the submission of a notice concerning the cancellation of the collective agreement.
- Exclusion of certain groups of employees from bargaining
  Only active military personnel are excluded from bargaining. According to the Trade Union Act, they are prohibited from establishing or joining a trade union. Because only trade unions can conclude collective agreements, active military personnel cannot collectively negotiate their working conditions.
- Collective bargaining clauses in public procurement procedures
  According to the Public Procurement Act, the contracting authority can, but does not have to, exclude from the procurement procedure a tenderer who has violated applicable social or labour law obligations arising from legislation or a collective agreement. The condition has been used in bus transport procurements where there is a sectoral agreement.
- Right of access to workplaces for trade unions
  By law, the employer must permit trade union representatives to examine without hindrance organisation work and working conditions in the company or other organisation where members of the trade union are employed. The right of access to workplaces for organising is not regulated or guaranteed.
- Protection of workers and trade union reps from dismissal and discrimination
  Protection of workers and trade union representatives from dismissal and discrimination is regulated by the Collective Agreements Act and the Employment Contracts Act. An employer may not terminate an employment contract on the grounds that the employee represents other employees. Therefore, if the employer terminates the employment contract, the law assumes that the termination of the employment contract is unlawful. In that case, a court or a labour dispute committee obliges the employer to pay the employee compensation in the amount of the employee's average 12-month salary. The employer must prove that the employment contract has been terminated on a legal basis, for example due to a breach of work obligations. During negotiations, all participating employees are considered union representatives.
- Obligation for employers to engage in collective bargaining with trade unions (at different levels)
  The obligation for employers to engage in collective bargaining with trade unions is the same at all levels. The Collective Agreements Act stipulates that if the initiator of the negotiations has forwarded the draft agreement, the parties shall commence negotiations within seven days of receiving the relevant notice.

Transposition of the European Directive on Adequate Minimum Wages in the EU

As part of the transposition of the Directive, the Estonian Employers' Confederation, the Confederation of Estonian Trade Unions and the Ministry of Economic Affairs and Communications concluded a ‘goodwill agreement’ on 16 June 2023 on the level and adjustment method of the minimum wage for 2024–2027. The goal was to increase the minimum wage to 50 per cent of the average wage by 2027. However, because of Estonia’s negative economic growth, employers and unions postponed implementation by a year, and for 2025 a smaller minimum wage increase was agreed than the one initially agreed (42.5 per cent of the average wage instead of 45 per cent).

The Ministry's position is that Estonian law is in line with the Directive. The minimum wage is already negotiated by trade unions and employers, and the state has no role in this. According to the government, the only measure needed to fulfil the obligations of the Directive is the establishment of an action plan to promote collective bargaining because bargaining coverage in Estonia is far below 80 per cent. The Ministry intended to transpose the Directive at the tail end of the draft amendments to the Employment Contracts Act. Because of EAKL's opposition to these amendments and the court case on the Directive, the draft is on hold. There is no document on the transposition of the Directive as yet.

Tripartite meetings on the action plan have been held since the second half of 2022. The Ministry's position is that promoting collective bargaining is a matter between the social partners. After the tripartite meetings the first draft action plan was submitted by the government in April 2024. Trade unions assess that the measures included in the action plan do little to strengthen collective bargaining. In November, the government proposed a new plan, taking the analysis of the reasons for low collective bargaining coverage out of the initial action plan. The Ministry and employers are satisfied with the current situation, while trade unions would like more measures to strengthen the social partners. The plan has been proposed for 2025–2026. There have been no public or parliamentary discussions on the topic.

Collective bargaining and minimum wage regime in Finland

Markku Sippola, University of Helsinki

Minimum wage regime in Finland

In Finland, minimum wages are set exclusively by sectoral collective agreements. Wage determination has been left to collective bargaining. In the Employment Contracts Act, there is only a general mention of wages, which must be 'customary' and 'reasonable'. Collective agreements provide extensive coverage, standing at 89 per cent in 2021. If there is no collective agreement extended to the whole sector, wage recommendations set by labour market parties (trade unions and employers' associations) might be used as a basis for an appropriate wage in the sector. The Labour Inspectorate monitors the fulfilment of minimum wage standards, as well as other labour conditions. The industrial relations parties have maintained their bargaining autonomy and there is no indication that either of them will withdraw from the system of nationally collectively agreed wages.

In contrast to Denmark and Sweden, most sectoral wage agreements in Finland are extended to cover all employers in the sector. The term 'generally binding' (*yleissitova*) is used as a legal term in relation to this arrangement, in contrast to 'normally binding' collective agreements in Denmark and Sweden, where the agreements normally concern only the employers that are signatories.

Collective agreements that set the minimum level of wages are typically concluded at one to three year intervals. Negotiations on a new agreement are started before the expiry of the previous agreement. Although centralised, solidaristic wage bargaining (prevailing from the 1970s to the 2000s) is not in use any more, the current 'export' bargaining model, tightly coordinated by employers' associations, has ensured that the export sectors (technology, chemicals) set the norm for wage increases in other sectors. A new law that came into force at the beginning of 2025 stipulates that the national conciliator cannot make a wage proposal for non-export sectors that exceed the wage increase in the export sectors. Collective agreements do not include exceptions or deviations from the minimum wage. Because of the bargaining autonomy of the labour market parties, no criteria for adjustment and setting of minimum wages are set from above, that is, by the government.

Dissolution of centralised bargaining and cessation of solidaristic labour market policies have not triggered a race-to-the-bottom spiral for wages because the proportion of working poor in Finland is still remarkably low. The low-paid segment of the labour market has remained almost unchanged, with low-wage sectors being dominated by female and migrant labour. According to Statistics Finland's wage structure statistics, the lowest hourly wages in 2023 were in clothing and textiles (between €10 and €12.5), manufacturing of motor vehicle parts (around €11.5), fruit and vegetable processing (around €12), bars and restaurants (around €12) and mail delivery and couriers (around €12). These figures are in line with the reported lowest wages stipulated in collective agreements in the corresponding sectors. For example, in the 2024 report on Finnish government obligations imposed by the EMWD, the hourly wage in the shoe and leather industry was €9.44 (the corresponding monthly wage being €1642) and agricultural/horticultural wages were €9.72 (monthly wage €1691) in 2023. These wages were therefore around 50 per cent of the median monthly wage, which was approximately €3,200 euros that year.

Collective bargaining regime in Finland

The foundations of collective bargaining in Finland were laid in the Collective Agreement Act (Työehtosopimuslaki) in 1946. There have been several amendments to it, the latest in 2024. A collective agreement can be concluded between a single employer or employers' association and a registered employee organisation. At the local level, negotiations are carried out normally between the employer and a trade union shop steward, but in the absence of a shop steward an employee trustee (*luottamusvaltuutettu*) may represent the workforce.

Trade union density has declined since its peak in 1994, when it was 78 per cent, to 59 per cent in 2021. However, collective bargaining coverage has been relatively stable at over 80 per cent since the 1980s. The rare occupations not covered by collective agreements include private-sector professional groups such as accountants, fitness centre workers, beauticians/cosmetologists, commercial work and veterinary clinics. The main reason for the high coverage is the long legacy of the *legal extension* of sectoral collective agreements. This means that there is a legally binding procedure that enables an agreement concluded between an employers' federation and a trade union federation to be extended to cover all workers in the sector. A special body at the Ministry of Social and Health Affairs, the Extension Committee (yleissitovuuden vahvistamislautakunta), has the authority to proclaim the agreement universally binding. The criterion for proclamation of the agreement as universally binding is that around a half of the employees in the sector work for organised employers.

In Finland, there is a so-called 'after-effect' (*jälkivaikutus*) of the collective agreement, implying that the conditions of the agreement remain valid after expiry until a new agreement has come into force. Typically, 'non-agreement' periods have been short. During such a period, there is no obligation for industrial peace, which means that strikes can be conducted. Also, the collective agreement itself can include clauses on the status of the agreement concerning the 'non-agreement' time. There is no legislation in Finland concerning 'after-effect', which is based on a general norm.

All employee groups and sectors have the right to negotiate and be covered by collective agreements. In the case of food couriers, they had no right to negotiate a collective agreement until 2023, when the European Commission invested self-employed platform workers with collective negotiation rights.

There are no particular collective bargaining clauses for public procurement.

There is no special legislation that allows union officials access to workplaces. In practice such access is allowed for most employers because large and medium-sized firms are typically organised where cooperation between unions and employers functions normally.

In Finland, trade union shop stewards are subject to special protection against dismissal; their dismissal procedure is more difficult than for other workers, the criteria for dismissal are tighter, and the fine for inappropriate dismissal is higher.

There is no obligation on the side of employers to engage in collective bargaining. Nevertheless, unorganised employers also have to obey the clauses of a sectoral agreement if it has been extended to cover all employers in the sector. Nevertheless, employers might have a strong incentive to engage in local bargaining because in that way they are allowed exemptions from nationally concluded collective agreements.

Transposition of the European Directive on Adequate Minimum Wages in the EU

No changes to existing laws have been introduced because of the Directive as the current coverage of collective agreements exceeds the 80 per cent threshold included in the Directive. A tripartite working group was set up to evaluate the relationship between the Minimum Wage Directive and national legislation and practice. This working group published a report on the results of the evaluation on 29 November 2024. In line with Article 10 of the Directive, the

Finnish government will regularly collect data on collective agreement coverage rates, minimum levels of wages set by collective agreements and minimum wages paid to workers not covered by collective agreements.

Collective bargaining and minimum wage regime in France

Catherine Vincent, Institut de Recherches Économiques et Sociales (IRES)

Minimum wage regime in France

France has a long tradition of the state setting a lower wage limit. A general statutory minimum wage was first introduced in 1950. Following fundamental reform in 1970, the general minimum wage (*salaire minimum interprofessionnel de croissance*, SMIC) assumed the form still in effect today. The SMIC was designed to be a dynamic response that would enable all employees to benefit from economic growth and minor wage inequalities. Since 1970, according to Articles L3231-2 to L3231-11 of the French labour code (LégiFrance-Code du travail), the rate of the SMIC has been set by the government unilaterally every 1 January.

Its adjustments depend on two indicators:

(i) The annual rise in the consumer price index. If the inflation rate exceeds 2 per cent in a year, an exceptional adjustment takes place immediately; and
(ii) at least half the increase in the purchasing power of the gross hourly wage earned by blue-collar workers and employees (SHBOE, '*Salaire horaire de base des ouvriers et des employés'*).

Furthermore, the government may grant an additional 'boost', the so-called '*coup de pouce*', depending on the socio-economic and political context. However, the last 'boost' dates back to July 2012 (this does not include the 2 per cent increase in the minimum wage decided on 1 November 2024 in anticipation of the increase scheduled for January 2025). Before the French government adopts a decree to increase the minimum wage, it consults the national commission for collective bargaining, employments and vocational training (Commission nationale de la négociation collective, de l'emploi et de la formation professionnelle), which is made up of representatives of the representative trade unions and employers' organisations, as well as various ministries.

The statutory minimum wage in France is currently among the highest in Europe. At the time of writing (February 2025), the SMIC gross hourly rate is 11.88 euros (€) per hour, corresponding to a gross monthly wage of €1,801.80 for a 35-hour week. It applies to all employees over the age of 18 working in France (excluding Mayotte), regardless of how they are paid (by time, performance, task, piecework, commission or tip). An employee under the age of 18 who has not yet completed six months' employment in their sector of activity may receive a reduced minimum wage (80 per cent of the SMIC for under 17s, 90 per cent for workers between 17 and 18). The SMIC is the minimum legal compensation for all workers: if the sectoral agreed minimum wage is lower than the SMIC, the employer must pay a supplement to reach the SMIC amount.

In the past two decades, the French minimum wage has remained relatively constant at around 62 per cent of the median gross wage. The relationship between the minimum wage and the average wage shows a largely parallel development. After reaching its highest level so far in 2005 at 54 per cent, the French minimum wage is now just below 50 per cent of the average gross wage.

While hardly anyone in France questions the minimum wage as such, its level has always been the subject of great controversy. Employers' associations in particular complain that the minimum wage level is clearly too high. In the meantime, a consensus was forged among political and technocratic elites on the need to lower the cost of labour. While not questioning

the existence of the statutory minimum wage, its supposed effects on the cost of labour have been offset by increasingly extensive exemptions from employers' social contributions for low wages (up to 1.6 times the minimum wage), and then, from 2000, by tax rebates (*'prime pour l'emploi',* PPE), usually called a negative tax. As a result, the system leads to a minimum wage trap for many employees, as wage increases also lead to the elimination of wage subsidies, making it doubly expensive for companies. In January 2024, more than 2.7 million employees in the private sector benefited from the SMIC uprating, representing 14.6 per cent of all employees. Women are overrepresented among the beneficiaries of SMIC increases (57 per cent). Relatedly, the proportion of beneficiaries is higher among part-time employees (31.3 per cent compared with 10.6 per cent of full-time employees) and in very small companies (24.2 per cent in companies with fewer than 10 employees compared with 12.4 per cent in others) (Dares Résultats-novembre2024).

Criticism has increased in recent years and some commentators have even proposed radical reform. In response, in 2009, in order to offset the discretionary nature of the SMIC *coup de pouce*, an expert commission (*Groupe d'Experts sur le SMIC*) was set up, appointed by the government and composed mainly of senior officials or academics. It submits an annual report on the effects of the minimum wage and, on this basis, makes a non-binding recommendation for further adjustment. Every year since then, the committee has voted against an extra-legal uprating.

Collective bargaining regime in France

Despite having one of the lowest rates of union density, French bargaining coverage is one of the highest among the OECD countries. According to OECD data, it is 96 per cent in the private sector and 98 per cent including public enterprises. This paradox results from two factors. First, collective agreements apply to all employees of a company covered by them, regardless of whether they are trade union members. Second, and above all, bargaining coverage has been broadened by extending the contents of sectoral agreements to all the employers in a similar activity, with or without registered membership of an employers' association, as there is no system by which employers can opt out. As a matter of fact, the role of the state remains one of the most peculiar features of the French collective bargaining system, whose strength and spread have never relied on the existence of strong and encompassing bargaining parties, but on support from the state. Political intervention both reflects and, to a certain extent, maintains the relative weakness of the social partners.

It is worth noting, however, that there is no right to collective bargaining in the public service in France even though it accounts for almost 20 per cent of total employment. In France's long-standing administrative and legal culture, employment in the public service is characterised by a separate status, unilaterally granted by the state and detailing its civil servants' rights and duties. A 2010 law and the ordinance of 2021 (Ordonnance relative à la négociation collective dans la fonction publique) introduced collective bargaining, but only if the content of agreements is not at odds with the status of public service employees.

Although collective bargaining has developed in a threefold space in which agreements are signed – interprofessional national level, sectoral level and company level, in descending order of priority – sectoral level bargaining emerged as the main pillar of French industrial relations. Like many other continental European countries, in the past two decades there has been a development towards the decentralisation of collective bargaining at company level through a series of issues on which derogations were possible. In the meantime, successive legislation has introduced the obligation to negotiate at sectoral level on various topics. At present, in each bargaining sector, the employer and union negotiators are obliged to open discussions on a certain number of topics: pay, work–life balance, working conditions, strategic workforce planning, and exposure to occupational risks. Importantly, there is no obligation to reach an agreement between the social partners, only to open discussion. However, in practice, almost

all bargaining sectors regularly conclude agreements on these topics. At company level also, bargaining became mandatory on an increasing number of topics.

The 2017 ordinance (Ordonnance du 22 septembre 2017 relative au renforcement de la négociation collective) conferred more autonomy on company bargaining. In the new collective bargaining architecture, coordination between levels is no longer based on the favourability principle, but rather on the complementarity of bargained topics. Regarding competencies in standard setting, the division is as follows:

(i) Formally, the role of sectoral level agreements is reinforced because there are now 13 topics on which derogation is forbidden. This reinforcement has taken place at the expense of the law, however, and not at the expense of company agreements.
(ii) The sectoral level 'lock up' facility, unlimited under the 2004 Law, has now been reduced to four areas, which mainly concern issues of occupational safety and disabled workers. The weakening of sectoral level bargaining is evident here.
(iii) The primacy of company agreements concerns everything that does not fall into the two previous blocks, a considerable quantity. Regarding wages, for example, all remuneration rules are now governed solely by the company agreement, with the exception of agreed minimum wages, classifications and overtime premia.

Sectoral agreements remain important as a safety net mainly for terms and conditions of employment in SMEs, but more and more leeway has been given to company agreements for tailor-made regulations (Bilan de la négociation collective 2023).

Almost all collective agreements are concluded for an unlimited period. Therefore, their expiry is due mainly to their renunciation by signatories or, in the case of company agreements, to the merger or transfer of all or part of the enterprise. In such cases, after a survival period of one year and in the absence of a substitution agreement, the employees concerned are entitled to retain the existing level of remuneration.

Regarding public procurement, tenderers seeking to evade collective agreements and those who fail to comply with the obligation to negotiate with trade unions provided for by the Labour Code are to be excluded from the competition (Article L. 2141-4 code de la commande publique)

Representative unions have a monopoly on collective bargaining at sectoral level. At company level, since 1968 representative unions have been able to appoint union workplace delegates to serve as negotiators. Apart from this, trade unions do not have access to the company. Even though they benefit from protection – since 1946, there has been prior authorisation from the labour inspector for the dismissal of employee representatives and union delegates – employees who take the plunge and assume trade union responsibilities have tended to feel that their career development has been held back and that they have been paid less than their non-union counterparts (Baromètre discriminations syndicales 2019).

The 2008 law redefined the criteria for trade union representativeness: to take part in collective bargaining at sectoral level, a union must obtain a minimum of 8 per cent of the votes in elections for works councils; the threshold is 10 per cent at company level. Regarding the validity of agreements, a majority criterion was introduced, whatever the level at which they were agreed. Since the early 2000s, to offset the fact that non-unionised companies – mainly SMEs – were not able to bargain because of a lack of union delegates, successive legislation has extended the possibilities for non-union representatives to negotiate in non-unionised workplaces. The 2017 Ordinance drastically extended the scope of this device.

Wage-setting mechanisms are an illustrative example of how the French collective bargaining system works. The legal minimum wage represents the gravitational pull for wage bargaining at sectoral level and sets the pace for annual wage increases. In some ways, it has the same effect as centralised national wage agreements in other countries. At sectoral level, trade unions and employers' organisations bargain an increase in minimum wages for each professional grading, which corresponds to the wage floor for a given set of qualifications. Therefore, sectoral level actors are not the only stakeholders regarding wage policies because

room for manoeuvre is left for actual wage bargaining at company level. By the early 2000s, a trend emerged towards complexifying and diversifying remuneration, which has replaced across-the-board wage increases and brought about a form of wage management whose purpose is to adjust labour costs and offer incentives for higher performance (profit-sharing, employee savings and so on). These individualising devices may themselves be subject to negotiation in the enterprise, but significant differences may arise between agreements signed in leading companies and the content of the corresponding sectoral agreements. However, the sectoral collective agreement remains the venue for determining wage hierarchies, as it serves as a reference for extending increases throughout the wage scale. A recurring problem remains compliance of agreed wages for the lowest qualification levels with the legal minimum wage. In response, the law has constantly introduced new constraints on non-compliant sectors: the obligation introduced by the 2017 Labour Law to open (but not conclude) negotiations as soon as a minimum agreed wage falls below the SMIC; and the threat of automatic mergers for non-compliant sectors (Loi pouvoir d'achat 2022). What is most striking, however, is the declaratory nature of these provisions: the legislative apparatus is getting tougher, but enforcement and sanctions are still lacking. More recently, the government announced its willingness to make part of the exemption from social security contributions conditional on compliance with the minimum wage. This was one of the demands made by the trade unions.

Transposition of the European Directive on Adequate Minimum Wages in the EU

With a bargaining coverage rate of 98 per cent, France has long fulfilled the objective of the European Directive on Adequate Minimum Wages. Transposition of the directive has been delayed, not least because the government believes that French law already meets most of its requirements. For the moment, only a decree sets out that, at least every four years, the Labour Ministry needs to assess the adequacy of minimum wages based on the reference values of 60 per cent of the net median wage and 50 per cent of the net average wage (Décret n° 2024-1065 du 26 novembre 2024 transposant l'article 5 de la directive (UE)).

Collective bargaining and minimum wage regime in Germany

Torsten Müller, European Trade Union Institute (ETUI)

Minimum wage regime in Germany

A general statutory minimum wage was introduced in Germany only as recently as 1 January 2015. Previously, minimum wages were set exclusively by collective agreements. This was based on the notion of collective bargaining autonomy, in accordance with which wages are supposed to be determined in autonomous agreements between trade unions and employers' associations without state intervention. As until the 1990s the vast majority of employees were covered by a collective agreement this guaranteed extensive minimum wage protection. Since then, however, collective bargaining coverage in Germany has declined continuously, so that in 2024 less than half of all employees (49 per cent) were covered by collective agreements. Against this background, in the 2000s the German trade unions fundamentally changed their originally negative position with regard to minimum wages and conducted a comprehensive campaign to introduce a statutory minimum wage. After more than 10 years of political debate, a statutory minimum wage was introduced in 2015 for the first time in the history of Germany.

The legal basis of the German minimum wage regime is the Act on the Regulation of a General Minimum Wage (Mindestlohngesetz – MiLoG) of 11 August 2014. According to this law, all employees in Germany have the right to a minimum wage, which is defined as a certain rate of pay per hour. At the time of writing (January 2025) the hourly minimum wage was 12.82 euros (€). The monthly minimum wage calculated on the basis of a 38 hour week and 165 hours per month is €2,115.30. However, three groups of employees in particular are still explicitly excluded from the scope of the minimum wage. These include young people under 18 years of age without a vocational training qualification, the long-term unemployed in the first six months of their re-employment, and trainees as part of their training.

The minimum wage is adjusted every two years based on a recommendation from the so-called Minimum Wage Commission which is composed of three representatives each from employers and trade unions, as well as an independent chair. In addition, there are two experts in an advisory role but without voting rights. The government only has the choice of accepting the Minimum Wage Commission's recommendation and implementing it in a corresponding ordinance or rejecting it. In the latter case, however, it would have no legal competence to enforce an alternative proposal, so that de facto no adjustment would then take place. The Minimum Wage Act formulates a number of criteria and indicators for the adjustment of the minimum wage. It stipulates that the Minimum Wage Commission is to examine, within the framework of an overall assessment, which level of the minimum wage is suitable to contribute to an appropriate minimum level of protection for workers, to enable fair and functioning competitive conditions and not to endanger employment, and, finally, the development of collectively agreed wages over the past two years. In practice, the latter proved to be the most important criterion for the recommendations of the Minimum Wage Commission. On 21 January 2025, the Commission adopted new rules of procedure which introduced 60 per cent of the median gross wage as an additional criterion to be taken into consideration in its recommendation for the level of the statutory minimum wage.

When the statutory minimum wage was introduced in 2015, it was set at a fairly low level of €8.50, which at the time amounted to 48 per cent of the median gross wage and 43 per cent of the average gross wage. In the following years until 2022, minimum wage growth was fairly modest with an average annual increase of 2.1 per cent. As a consequence, in 2022, the relative

value of the minimum wage as a percentage of the median and average wages was essentially the same as in 2015. In 2022, however, the government decided on an exceptional structural increase of the minimum wage of more then 22 per cent from €9.82 to €12. This was done with explicit reference to the indicative reference values mentioned in the European Minimum Wage Directive of 60 per cent of the gross median and 50 per cent of the gross average wage. This exceptional increase is reflected in the growth of the relative value of the minimum wage, which in 2023 was 52 per cent of the median and 45 per cent of the average wage. Since then, however, the Minimum Wage Commission has continued its practice of very cautious recommendations. As a consequence, in January 2024, the statutory minimum wage grew by only 3.4 per cent to €12.41 and there was another modest increase of 3.3 per cent to €12.82 on 1 January 2025.

Collective bargaining regime in Germany

In principle, collective bargaining in Germany is regulated by the Collective Bargaining Act of 1949 (TVG - Tarifvertragsgesetz). It stipulates that collective agreements have to be negotiated by trade unions and employers' associations or individual employers. This explicitly allows for company-level agreements. The dominant level at which collective bargaining predominantly takes place, however, is the sectoral level.

Since the mid-1990s, Germany has seen an almost continuous decline in collective bargaining coverage, from 75 per cent in 1996 to 49 per cent in 2023. Of the 49 per cent of employees covered by a collective agreement, 42 per cent are accounted for by sectoral agreements and the rest by company agreements. The main features that characterise the German collective bargaining system and explain the decline in bargaining coverage are as follows:

(i) Bargaining coverage in Germany has a strong sectoral bias. While it is still relatively high in the public sector, as well as in most of manufacturing industry, it is rather low in many of the private service sectors, as well as in some tech industries, such as information and communication.

(ii) Coverage is also much greater among large and older companies established before 1990 – by contrast, coverage is much lower in small and medium-sized establishments and more recently established companies.

(iii) There has also been a significant weakening of employers' associations as a result of the introduction of a special 'OT membership status' (OT = ohne Tarif/without collective agreement). This means that employers can be a member of the employers' association without having to apply the sectoral collective agreement signed by the respective employers' association. With the increasing spread of OT memberships, employers' associations have increasingly moved away from their original function as collective bargaining organisations and have evolved into general lobbying organisations for which collective agreements are only one form of regulating working conditions and by no means the privileged one. This is part of a more general trend of a decreasing acceptance of sectoral bargaining among employers, which can also be seen by the fact that a growing number of prominent multinational companies such as Amazon, Tesla or Biontech refuse to participate in collective bargaining with unions.

(iv) Finally , there is only weak support for higher bargaining coverage by the state, namely through instruments such as – in particular – the widespread extension of collective agreements. In 2022, only 0.8 per cent of all newly registered sectoral agreements were extended. This low number is due mainly to the restrictive attitude of the employers' organisations, which have a double veto option to block extensions. First of all, a collective agreement can be extended only if both employers and trade unions request it. Second, even when both bargaining parties request an extension it has to be approved by the so-called Collective Bargaining Committee, which is composed of representatives from the peak-level trade unions and employers' associations. In this process, it can

happen that the national peak employers' association votes against the extension of an agreement even though its own sectoral affiliate is in favour of an extension.

Other structural key features of the German collective bargaining regime include the following:

- Validity of collective agreements after their expiry
  The Collective Bargaining Act stipulates that if a collective agreement has been terminated or has expired, its provisions shall continue to apply until they are replaced by a new agreement. However, this provision has not prevented the employers' strategy of circumventing collective agreements in the case of organisational restructuring such as spin-offs or transfers of undertakings. The existing regulation protects the status quo only for existing employees, but are not binding for new employees. This has often created a two-tier system for employees in the outsourced areas. In order to minimise incentives to circumvent collective agreements through organisational restructuring, the unions are demanding stronger regulation to ensure continued validity of the existing collective agreement in such cases also for newly hired employees

- Exclusion of groups of employees from collective bargaining
  In principle, all employees have the right to be covered by a collective agreement, with the exception of those employees who do not meet the definition of an employee, such as (in particular) civil servants and employees of religious institutions.

- Collective bargaining clauses in public procurement
  Such clauses, which ensure that public contracts are awarded only to companies that apply the provisions of the collective agreement in the respective sector, currently exist only at the level of the federal states. The federal government, however, plans to introduce a federal law on Public Procurement and Collective Bargaining (Tariftreuegesetz - BMAS). Such a law would be based on similar regulations of existing laws at the level of the federal states. The objective of such a law would be to compensate for possible cost disadvantages of companies bound by collective agreements in the competition for public contracts.

- Right of access to workplace for trade unions
  By law, trade unions with members in the workplace have the right of access in relation to their cooperation with the works council. This includes its election, taking part in works council meetings and generally providing support to the works council. Beyond this, union access is case-specific and has been determined by case law. Federal courts have ruled that trade union officials (not employed within the firm) have the right to access the premises for the purpose of recruiting new members. This right needs to be exercised in a way that does not disturb the normal work organisation. The right to digital access is currently being discussed by the government. In particular in the chemical sector collective agreements have been concluded providing for digital access rights.

- Protection of workers and trade union representatives against dismissal/discrimination
  Protection against dismissal and discrimination is provided for by law.

- Obligation for employers to engage in collective bargaining
  Such an obligation does not exist in German law and is not currently under discussion.

Transposition of the European Directive on Adequate Minimum Wages in the EU

The European Minimum Wage Directive was transposed on 17 October 2024 with the official announcement in the legal gazette that the existing laws on the minimum wage and collective agreements (MiLoG and TVG) are in line with the Directive. As a consequence, no legal changes have been made to existing laws. However, on 22 January 2025 the Minimum Wage

Commission changed its rules of procedure to include the Directive's reference value for adequate minimum wages of 60 per cent of the gross median wage of full-time employees as an additional criterion to be taken into consideration when preparing its recommendation on the adjustment of the statutory minimum wage.

Collective bargaining and the minimum wage regime in Greece

Horen Voskeritsian, Birkbeck College, University of London

Minimum wage regime in Greece

Until 2012, the national minimum wage in Greece was determined through collective bargaining between the tertiary social partners (the General Confederation of Greek Workers [GSEE], the Hellenic Federation of Enterprises [SEV], the Hellenic Confederation of Professionals, Craftsmen, and Merchants [GSEVEE] and the Hellenic Confederation of Commerce and Entrepreneurship [ESEE]). The social partners signed a national collective agreement, usually biannually, which determined the national minimum salary and the national minimum wage for all workers in Greece.

As a result of the 2010 financial crisis and the resulting Memoranda of Understanding between Greece and its debtors, however, from 2012 the determination of the national minimum wage became a responsibility of the state, resulting in a statutory national minimum wage.

Law 4093/2012 (subparagraph 11) established the process for determining the statutory minimum wage. In 2013, Law 4172/2013 (as updated by Law 5178/2025) introduced the current format for the determination of the national minimum wage (Article 103). According to the law, the statutory minimum wage applies to all salaried employees and workers in the private sector, whose remuneration is not otherwise determined by collective agreements. It is illegal for individual employment contracts or collective agreements to determine salaries or wages below the level of the statutory national minimum wage.

The national minimum wage applies only to employees in the private sector. Public sector employees' wages are determined by central government.

The determination, and subsequent adjustment, of the national minimum wage is a result of consultation between the social partners and the government. Technical and scientific support is provided by specialised scientific, research and related institutions and experts in the fields of economics – particularly labour economics – social policy, and employment relations.

The consultation process is coordinated by a three-member committee, comprising the president of the Organisation of Mediation and Arbitration (OMED), who serves as chair, a representative appointed by the Minister of Finance, and a representative appointed by the Minister of Employment, Social Security and Welfare.

The various scientific, research, and related institutions produce reports that evaluate the current level of the statutory minimum wage, including assessments regarding its adjustment in line with prevailing economic conditions, and submit them to the committee. The committee then submits all these reports to the social partners for their views.

Once the social partners submit their proposals to the committee, the committee collects all the above documentation and submits it to the Centre for Planning and Economic Research (KEPE), which is responsible for drafting the Consultation Report, in collaboration with a committee of five independent experts specialising in economics (particularly labour economics), social policy and employment relations. Two of these experts are appointed by the Minister of Employment, Social Security and Welfare, two by the Minister of Finance, and one by the Minister of Development and Competitiveness. The Consultation Report is then submitted to the Minister of Employment, Social Security and Welfare and the Minister of Finance.

The Minister of Employment, Social Security and Welfare submits a proposal to the Cabinet regarding the statutory minimum wage, taking into account the Consultation Report as submitted and prepared through the aforementioned process. Following the approval of the Cabinet, the Minister of Employment, Social Security and Welfare issues a decision establishing the minimum wage.

According to Art. 3 Law 4172/2013, the determination (and adjustment) of the statutory minimum wage and the minimum daily wage should be based on a comprehensive assessment of the Greek economy's condition and its growth prospects, taking into consideration factors such as productivity, price levels, competitiveness, employment rates, unemployment levels, income and overall wage trends.

As of 1 April 2025, the national minimum wage in Greece is set at €880 per month (from €830 in 2024, an increase of 6.02%), whereas the national minimum daily salary is set at €39.30 (from €37.07 in 2024). According to the report of the individual experts committee, the ratio of the national minimum wage to the median wage in 2024 was 70.8%, and the ratio of the national minimum wage to the average wage stood at 56.2%.

It is worth noting that in Greece private sector salaried employees are entitled to 14 monthly wages per annum. Adjusting the national minimum wage levels to reflect this, the national minimum wage in a 12 month period for 2025 is €1,026.6.

Collective bargaining regime in Greece

Collective bargaining in Greece is regulated by Law 1876/1990. There are three different levels of collective bargaining: national, which leads to the signing of the national collective agreement between the tertiary social partners; industry and occupational, conducted either at national or local level between industry and occupational trade unions and the respective employers' associations or individual employers; and enterprise, conducted at the level of the enterprise between the enterprise trade union or the association of persons and the employer, or between a local industry union and the employer.

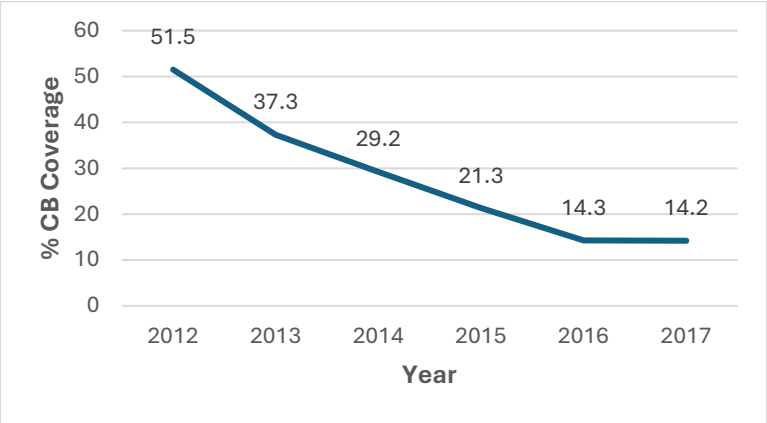
Collective agreements signed at the industry, occupational or enterprise levels cannot contain terms and conditions worse than those stipulated in the national collective agreement or agree wages below the level of the statutory national minimum wage.

Once a collective agreement is signed, its terms and conditions have immediate and mandatory effect for all parties who have signed the agreement. The terms of individual employment contracts that deviate from the regulatory terms of collective agreements take precedence over the collective agreement if they offer greater protection to the employees. In general, the terms of collective agreements that are more favourable to employees prevail over the law, unless they pertain to provisions of mandatory law with bilateral effect.

– Development of bargaining coverage

According to the latest data from the OECD/AIAS ICTWSS Database, in 2017 collective bargaining coverage in Greece stood at 14.2%, a steep decline of 37.3 pp since 2012.

Figure 1 Collective bargaining coverage in Greece (2012–2017)



Source: OECD/AIAS ICTWSS Database.

This trend is a consequence of the severe institutional, macroeconomic, social and labour market changes that Greece experienced during the financial crisis and in the wake of the subsequent Memoranda of Understanding.

A major factor that contributed to the decline in collective bargaining coverage was the abolition of the *erga omnes* principle and the stipulation in law that collective agreements shall apply only to the parties who signed it. As such, collective agreements could not be extended to all workers in a specific industry, but only to those whose employers were members of the employers' associations that negotiated the agreement. Furthermore, low union density in the private sector and particular labour market characteristics (such as high unemployment, the advent of precarious forms of employment that are notoriously difficult to organise, and the rise in (bogus) self-employment) significantly contributed to the phenomenon. Finally, the opportunity provided to employers either unilaterally, or through enterprise-level bargaining to determine the terms and conditions of employment further exacerbated the decline in bargaining coverage. Greece, an economy in which about 95% of businesses employ fewer than ten employees, and the formation of a trade union requires at least 21 initial signatories, suffered immensely from the deregulation and decentralisation policies introduced between 2010 and 2015. These changes still affect the nature and structure of collective bargaining.

– Validity of collective agreements after expiry

Collective agreements may be concluded for a fixed or indefinite period. Any collective agreement that specifies a duration of more than one year is considered to have indefinite duration.

The regulatory terms of a collective agreement that has expired or has been terminated continue to apply for six months after its expiry or termination, and are also applicable to employees hired during this period. After the expiry of the six-month period, the existing terms of employment remain in effect until the individual employment relationship is terminated or modified.

– Exclusion of certain groups of employees from bargaining

With the exception of public sector employees, whose terms and conditions of employment are determined by law, all persons working under an employment relationship governed by private law with any domestic or foreign employer, enterprise, establishment or service in the private or public sector of the economy, including workers in agriculture, livestock farming, and related activities, as well as home-based workers, have the potential to be covered by a collective agreement.

– Collective bargaining clauses in public procurement

While Greek legislation does not provide a general framework mandating the incorporation of collective bargaining clauses in public procurement contracts, a notable exception exists in the context of service agreements concluded between public authorities and cleaning or security service providers. Specifically, Article 68 of Law 3863/2010 establishes a binding requirement applicable when a contracting authority – such as the state, legal entities under public law, local government organisations, or other public sector bodies – directly awards or publicly procures cleaning and/or security services. Under this provision, contractors are obligated, under penalty of exclusion, to include in a clearly designated section of their tender offer detailed information concerning, among other things: (a) the number of employees assigned to the project; (b) scheduled working days and hours; and (c) the collective agreement governing their employment. They must annex to their offer a copy of the relevant collective agreement.

– Right of access to workplaces for trade unions

Trade unions' right of access to workplaces is governed by Law 1264/1982. According to Art. 16, trade unions at all levels have the right to distribute their announcements in areas of the workplace agreed upon with the employer, or in common areas, dining facilities, where available, or outdoor areas, provided this occurs outside working hours.

Moreover, every trade union within a business or enterprise is entitled to operate a website either on the internet or on the employer's internal electronic network (intranet). The employer shall bear any reasonable costs associated with the design, operation and maintenance of this website. The content of the website shall be determined exclusively by the union, in compliance with the applicable legal provisions. If the employer does not provide the means described in the preceding clauses, the enterprise trade unions shall be entitled to maintain bulletin boards at the workplace, in locations mutually agreed upon by the employer and the union's management.

For employers whose enterprises employ more than 100 workers there is the additional obligation to provide, upon request and in accordance with their operational capacity, appropriate office space at the workplace for the most representative enterprise trade union, to enable it to perform its trade union functions.

– Protection of workers and trade union representatives from dismissal and discrimination

Law 1264/1982 includes specific provisions for the protection of workers and trade union representatives from dismissal, discrimination and unfair treatment. More specifically, according to Art. 14, it is prohibited for employers, their representatives, or any third party to engage in any act or omission that hinders or obstructs the exercise of workers' trade union rights. It is also prohibited for employers or their representatives to treat employees favourably or unfavourably based on their membership of a particular trade union organisation. Terminating a worker's employment on the grounds of lawful trade union activity shall be deemed null and void.

Special provisions also apply to the protection of trade union representatives or the members of a trade union's interim administration. Thus, termination of the employment of members of the governing body of a trade union, or members of the interim governing body of a trade union, or members of the governing body who are temporarily elected during the establishment of a trade union, shall be deemed null and void. This prohibition applies during their term of office and for one year after its expiration, unless there is a case for the application of paragraph 10.

The first 21 founding members of the first trade union set up in the enterprise or establishment, or within the relevant professional sector, are also protected, provided that more than 80 workers are employed in the enterprise. This protection applies for one year from the date of signing the founding act.

– Obligation for employers to engage in collective bargaining with trade unions

According to Art. 4 of Law 1876/1990, trade unions and employers' associations, as well as individual employers, have both the right and the obligation to engage in collective bargaining for the conclusion of a collective agreement. The party exercising the right to engage in collective bargaining is required to notify the other party in writing of the location of the negotiations and the issues to be negotiated. This written notification must also be communicated to the competent labour inspectorate. The other party is then obliged to participate in the negotiations within 10 working days of notification of the issues and to appoint its representatives. This deadline is reduced to 24 hours in cases involving matters that, by their nature, require immediate attention.

Transposition of the European Directive on Adequate Minimum Wages in the EU

Law 5163/2024 transposed the European Minimum Wage Directive in the Greek legal framework as of 5 December 2024. The Law will come into effect on **1 June 2027**, and transposes almost verbatim most of the Directive's articles in the Greek legal context. However, there are instances in which the Greek legislator adjusted the Directive. One such instance is the process by which determination of the national minimum wage takes place, introducing a new hierarchy in the decision-making process and powers for the various committees involved in its determination. This further exemplifies the specific macroeconomic and labour market indices that need to be considered to justify an increase in the national minimum wage. An interesting point in the new Law is that the national minimum wage cannot be reduced, even if such a reduction is justified on macroeconomic grounds. The national minimum wage must either remain stable or be increased.

Collective bargaining and minimum wage regime in Hungary

András Pásztóy and Bence Havas, Hungarian Trade Union Federation (MASZSZ)

Minimum wage regime in Hungary

The general statutory minimum wage was introduced on 1 March 1989 during the change of regime and in the context of the dismantling of centralised state wage regulation. The introduction was accompanied by the creation of institutional reconciliation. The main motivating factor for the creation of the first tripartite council (National Council for the Reconciliation of Interests) was wage policy coordination, especially the definition of the minimum wage, which since then has been set in a tripartite framework. Since 2006, the minimum wage system has had two elements:

(i) minimum wage;
(ii) guaranteed wage minimum: compulsory for jobs requiring at least secondary education or a vocational training qualification – it is higher than the minimum wage.

The legal basis of the Hungarian minimum wage regime is Act I of 2012 on the Labour Code. According to this act the amount and scope of the minimum wage and guaranteed wage minimum shall be determined by the government following the consultations in the National Economic and Social Council and in the Standing Consultative Forum of the Private Sector and the Government. In practice, the latter is the real framework for minimum wage negotiations. The Standing Consultative Forum of the Private Sector and the government has a tripartite structure and it has been designated on the basis of the European Minimum Wage Directive. Detailed rules for consultations are determined by Government Decree No. 308/2024 (X. 24.).

The minimum wage is legally binding for all workers, but according to the Labor Code the government may set different minimum wages for different categories of workers. In practice, the government has never exercised this option. However, one group of employees is explicitly excluded from the scope of the minimum wage. The wage earned by workers employed in public work programmes is lower than the minimum wage and determined separately by the government alone, without any consultation with the social partners. In addition, a wage lower than the minimum wage is possible in the case of simplified employment (seasonal agricultural and tourist work or occasional work) and performance pay. In the latter case, the minimum wage is mandatory upon 100 per cent fulfilment of the normative performance requirement and upon completion of full working time. On the basis of an employment relationship established for the purpose of simplified employment, at least 85 per cent of the statutory minimum wage, or 87 per cent in the case of a guaranteed minimum wage, is paid as basic salary or performance-related salary.

According to Government Decree No. 308/2024 (X. 24.), the minimum wage is adjusted every year in the framework of the Standing Consultative Forum of the Private Sector and the Government. The Decree sets up a timeline for the consultations: the government is obliged to inform the social partners on facts and predictions concerning incomes, wages, GDP, employment rate, inflation rate and productivity. This information must be disseminated by 30 September every year together with the convocation of the forum. Consultations must start by 15 October every year. The Decree also declares the 'ambition' or 'aspiration' of social partners to deliver an agreement by 1 December. In case of a decision made upon a 'majority by sides' and with the approval of the government, consultations can also be conducted during the year to adjust the level of the minimum wage. The term 'majority by sides' means that of

the three employers' organisations represented in the Consultative Forum two need to vote in favour; by the same token two of the three trade unions represented on the Consultative Forum need to vote in favour.

The Labour Code and the abovementioned Decree formulate a number of criteria and indicators for the adjustment of the minimum wage. The following should be taken into account:

– the requirements for the job;
– the characteristics of the national labour market;
– the state of the national economy;
– the labour market specificities of each sector of the economy and of each geographical area;
– living costs;
– the overall level and distribution of wages;
– the growth rate of wages.

Despite the dynamic increase in recent years, the Hungarian minimum wage is the second lowest in the EU. Table 1 shows the evolution of the minimum wage over the last 15 years.

Table 1 Evolution of the minimum wage over the past 15 years, Hungary

Dates	Minimum wage (HUF)	Guaranteed wage minimum (HUF)	The minimum wage as a percentage of average monthly earnings	Average monthly earnings (HUF)	Monthly median earnings (HUF)
2010	73 500	89 500	36,3	202 525	
2011	78 000	94 000	36,6	213 094	
2012	93 000	108 000	41,7	223 060	
2013	98 000	114 000	42,5	230 714	
2014	101 500	118 000	42,7	237 695	
2015	105 000	122 000	42,4	247 924	
2016	111 000	129 000	42,2	263 171	
2017	127 500	161 000	42,9	297 017	
2018	138 000	180 500	41,8	329 943	
2019	149 000	195 000	40,5	356 286	280 000
2020	161 000	210 600	39,9	391 194	307 016
2021	167 400	219 000	38,1	425 915	335 000
2022	200 000	260 000	38,8	499 980	388 943
2023	232 000	296 400	40,6	571 182	450 000
2024	266 800	326 000			
2025	290 800	348 800			

Source: Central Statistical Office.

During the transposition process of the European minimum wage directive the government and the social partners agreed on 50 per cent of the average regular gross earnings as indicative reference value. In order to reach this value by 2027, following the annual wage consultations, the social partners concluded a three-year agreement which sets the increases for the next three years: 9 per cent for 2025, 13 per cent for 2026 and 14 per cent for 2027. It should be noted that the term 'average regular gross earnings' includes the gross average wage (basic wage + wage supplements, for example, for night shifts, overtime work and so on), but not 'occasional/non-regular earnings' (for example, premium, bonuses, 13th monthly salary).

Collective bargaining regime in Hungary

The general rules of collective bargaining are laid down by the **Labour Code**, with some additional provisions for the public sector in the Act on the status of civil service employees, and for sectoral agreements (for example, extension mechanism) in the Act on Sectoral Dialogue Committees. Despite the latter legal framework, collective agreements are concluded almost exclusively at the workplace level. Only one extended sectoral agreement is in force, which covers the energy industry. According to the Labour Code, a trade union with a 10 per cent density can conclude collective agreements. If multiple organisations reach the 10 per cent threshold, the agreement can be concluded only if they all agree. However, any of the concluding organisations can terminate the agreement. According to the Labour Code, a request to negotiate a collective agreement cannot be refused, although there are no specific rules on these negotiations. A trade union organisation reaching the 10 per cent threshold in a workplace where there is already an agreement in force has the right to request an amendment to the existing agreement and to take part in the negotiations on the amendment.

According to the Labour Code, collective agreements may be terminated by giving at least three months' notice. Neither of the parties shall be entitled to exercise the right of termination within six months of the conclusion of the collective agreement. Besides these limitations, fixed-term collective agreements shall cease to exist upon the expiry of the fixed term.

Collective bargaining coverage is in a decades-long decline. According to Meszmann and Szabo (2023), between 1993 and 2020, coverage dropped from 45 to 22 per cent. This can be attributed to at least three key factors. First, public sector bargaining is being systematically undermined by direct and indirect government abuses, for example, explicit prohibition of collective agreements in some areas (health care, public administration, defence and so on), and the setting of excessive minimum service levels in strike law (public education). A second factor is the weakness of the social partners. Trade union density in Hungary is one of the lowest in the EU. In the meantime, however, the representation of employers is also highly fragmented. Thirdly, employers' interest in starting negotiations with unions also remains questionable due to the extremely flexible individual labour provisions and the lack of public policy support (for example, lack of public procurement clauses or equivalent incentives).

According to the Labour Code access to workplaces must be guaranteed to trade unions that are represented in the respective workplace (for example, they have at least one declared member at the workplace). However, the Labour Code does not specifically sanction employers violating this right, which makes the rule inefficient. The example of the intense conflict in the company Dunaferr in 2020 showed how a management decision to deny the access of trade union representatives can leave the local unions without efficient remedies.

Trade union members and representatives have legal protection against abusive employer practices. On one hand, trade union members are entitled to equal treatment in various areas of employment. They are protected against direct and indirect discrimination, as well as harassment and other relevant abuses. The rights of law enforcement are the same as for gender or age discrimination. On the other hand, according to the Labour Code, trade union officials are entitled to a specific labour law protection against dismissal and posting. Before 2012, there was no limit on the number of trade union officials protected, but in the current Labour Code the number of protected persons depends on the number of employees (varying from two to six protected officials). The labour law protection means that the abovementioned measures (dismissal, posting) require preliminary agreement from the trade union. An eventual dispute on such measures can be turned into court cases, although disrespecting the protection automatically makes dismissals and postings illegal. Even though these legal channels seem stable on paper, direct union-busting remains a practice of employers that can afford the eventual costs of a lost court case in order to stop union organising. Examples of such employer behaviour are provided by Suzuki in 2019, where after the creation of a union the company instantly fired the protected union official, and in a similar vein the company HírTV in 2024.

Transposition of the European Directive on Adequate Minimum Wages in the EU

Wage-related issues covered by the Directive have been transposed in Government Decree 308/2024 (x.24.) by the end of October 2024. As a result of this legislation, the so-called VKF, former informal consultation body of private sector social partners and the government, has legally been given competences for minimum wage consultations without significantly changing its previous informal practices. The decree contains the wage-setting criteria set out in Article 5.2(a-d) of the Directive (without touching the existing criteria of the Labour Code), as well as an indicative reference value of '50% of the average regular gross earnings calculated by the Central Statistical Office on the basis of the data available for the previous year'. As for the consultation process, a legally formalised timeline is also laid down by the decree, which however partly replaces the former practice of unanimous agreements creating a new 'majority by sides' principle. In practice, this new rule means the following: the VKF is composed of three trade union and three employer organisations. According to the new principle, a simple majority on either side will fulfil the legal criteria of an 'agreement' on minimum wages. However, since the VKF only had and will only have a consultative role, the government is still entitled to determine minimum wages without any sort of agreement.

Collective bargaining and minimum wage regime in Ireland

Ger Gibbons, Irish Congress of Trade Unions (ICTU)

Minimum wage regime in Ireland

Ireland's statutory minimum wage, the national minimum wage (NMW) was introduced in April 2000, at 5.58 euros (€) per hour. It was increased regularly (almost annually) reaching €8.65 in 2007. Increases paused between 2008 and 2016 and it was in fact cut by €1 for a period in 2011. It was increased by 50c in 2016 and there were more modest increases over 2017–2022. Over recent years there have been more substantial increases, rising from €10.50 in 2022 (when it equalled 50 per cent of the median wage of all workers) to €13.50 in 2025.

Separate from the national minimum wage, a civil society-led Living Wage Technical Group has calculated a recommended 'living wage' since 2014, based on a basket of goods and services approach, to provide full-time workers (with no dependents) with a sufficient income to achieve an agreed acceptable minimum standard of living. Its September 2024 rate for 2024/2025 was €14.75.

The original legal basis of the national minimum wage is the National Minimum Wage Act 2000. This has been amended and complemented by the National Minimum Wage (Low Pay Commission) Act 2015, which established the Low Pay Commission (LPC), and the European Union (Adequate Minimum Wages) Regulations 2024 which are presented as transposing the Adequate Minimum Wages Directive.

An employee working for a close relative (for example, a spouse or civil partner, or a parent) or on a statutory apprenticeship is exempt from the national minimum wage. In addition, a prisoner working under supervision is not paid the national minimum wage. Employees under 18 are entitled to 70 per cent of the national minimum wage, 18 year olds to 80 per cent and 19 year olds to 90 per cent.

The Low Pay Commission is made up of a chairperson and eight members. Three represent employers and three represent workers and there are two experts. The Department of Enterprise, Trade and Employment provides the secretariat.

The Low Pay Commission's mandate since 2015 has been to issue (non-binding) recommendations to the government for a national minimum wage that is 'designed to assist as many low paid workers as is reasonably practicable, is set at a rate that is both fair and sustainable, where adjustment is appropriate, is adjusted incrementally, and over time, is progressively increased, without creating significant adverse consequences for employment or competitiveness'. Under the 2015 Act, it had to have regard to criteria covering changes (since its previous recommendation) in earnings, exchange rates and income distribution, unemployment, employment and productivity (generally and sectorally), international comparisons (particularly with the United Kingdom), the need for job creation, and the likely effects on employment and unemployment, the cost of living and 'national competitiveness'. The government has generally implemented its recommendations.

The 2020 Programme for Government committed to 'progress to a living wage over the lifetime of the Government.' The government announced in November 2022 that the national minimum wage would be set at 60 per cent of the hourly median wage (of all workers) by January 2026, and then be retitled 'the living wage'. This was to be achieved over four years

(unless otherwise agreed by the government on the Low Pay Commission's advice). Since then, the Commission has seen its role as making the 'appropriate recommendations required to ensure this decision is fulfilled'. The 2025 Programme for Government commits to '[r]ecognise the work of the independent Low Pay Commission, ensuring fair wages whilst also supporting the viability of small and medium-sized enterprises.'

Predating the national minimum wage by many decades, the Industrial Relations Act, 1946 allowed for the setting of binding minimum wages (and conditions) for specific industries and sectors traditionally characterised by low pay, low density and little or no collective bargaining. 'Joint labour committees' comprising employers' and workers' representatives and an independent chair appointed by the government could propose 'employment regulation orders' (EROs) that, if confirmed by the Labour Court (an employment tribunal comprising employers' and trade unions' representatives and chaired by a government nominee) set binding minimum wages and conditions.

This mechanism was challenged by employers on constitutional grounds in the early 2010s. In short, the Courts ruled that it amounted to an unconstitutional delegation of powers from the legislature. The rulings invalidated 17 EROs.

A more modest regime with stricter criteria for joint labour committees/employment regulation orders was reinstated by the Industrial Relations (Amendment) Act 2015.

The 2015 legislation also provides for 'sectoral employment orders' (SEOs) that can set universally applicable terms and conditions concerning pay, sick pay and pensions in a sector. A 'substantially representative' trade union (alone or with an employer organisation) can ask the Labour Court to examine these issues in a given sector which may submit a report to the government recommending that a sectoral employment order cover the issues set out in its report. If proposed by the government and approved by Parliament, the sectoral employment order becomes legally binding. Unions and employers may utilise this mechanism to recommend a sectoral employment order based on a pre-existing collective agreement.

The constitutionality of the 2015 regime was in turn challenged by employers but upheld by the Supreme Court in 2021. The new regime is cumbersome for the unions, however, and employers exercise a de facto veto over the establishment of joint labour committees. Proposed employment regulation orders and sectoral employment orders are often subject to legal challenges by employers, which stymie their implementation. 2022 recommendations from a tripartite High-Level Working Group to reform the current regime, including overcoming the employers' veto, have not been implemented by the government.

It should be noted that on the basis of information provided by government representatives to the European Commission at the 2023 Expert Group on the transposition of the Adequate Minimum Wages Directive, the Commission said that Ireland's system of sectoral regulation through proposals from 'joint labour committees or a labour court' is a minimum wage under Article 3(1) of the Directive, but not a statutory minimum wage under Article 3(2) nor a collective agreement in the sense of Article 3(4). Sectoral employment orders have also been described as a form of statutory regulation.

At the time of writing (February 2025), only three of the nine current joint labour committees have agreed employment regulation orders for the early learning and childcare sector (covering approximately 27,000 workers), contract cleaning (26,000), and the security sector (16,000), and there is one SEO, for the construction sector (46,000). In total, these sectoral regulations provide higher minimum wage rates than the national minimum wage (though now marginally in some cases) for approximately 4 per cent of all workers.

Collective bargaining regime in Ireland

At the outset, it is important to be aware that the 2022 High-Level Working Group report stated that it was 'not possible to describe *precisely* the constitutional position in terms of collective bargaining rights, or trade union recognition in Ireland' (emphasis in original).

Article 40.6.1 of the Constitution of Ireland (1937) confers the right of freedom of association to join a trade union. However, neither this provision nor other provisions of the Constitution have been interpreted so far as encompassing a right *to* collective bargaining. Unions have no legislative right to be recognised in the workplace for collective bargaining purposes and employees have no right to make representations through their union to their employer. This regime has co-existed with a *traditionally* widely-held view that state and legal intervention is not the best way to promote collective bargaining and that such intervention poses risks to the independence of trade unions and of employers.

That said, as outlined above, there has long been statutory regulation of industrial relations. Under the Industrial Relations Act, 1946 (sectoral) collective agreements between the main employers' organisation and trade unions could, if registered with the Labour Court as 'registered employment agreements' (REAs), have binding extension effects. However, this mechanism was also successfully challenged by employers in the early 2010s. The courts ruled that it also amounted to an unconstitutional delegation of power from the legislature. The ruling invalidated 70 registered employment agreements.

The Industrial Relations (Amendment) Act 2015 also re-instated a more modest form of REAs, with the significant change that sectoral REAs now apply only to parties to an agreement – they do not now have binding extension effects.

At the time of writing, three sectoral and one enterprise-level collective agreements have been registered as registered employment agreements with the Labour Court, including for the national and Dublin public bus transport companies, under the 2015 Act.

Given Ireland's 'voluntarist' regime, collective bargaining coverage is entirely dependent on union density. Trade union density fell from approximately 60 per cent in the early 1980s to approximately 22 per cent in 2024, including to less than 15 per cent in the private sector.

There are no national statistics on collective bargaining coverage. The OECD estimates coverage at 34 per cent in 2017, the second lowest in the EU14. Coverage was also estimated at 43 per cent in a 2021 survey of over 2,000 employees, though the authors said this was likely to be an overestimation.

The decline in density is the result of a complex set of institutional and structural factors. These include Ireland's voluntarist regime, a hardening of employers' preferences, structural changes in the economy, labour and product market changes and the emergence of new patterns of working.

- Validity of collective agreement after expiry

Aside from registered employment agreements, there are no statutory provisions concerning the validity of collective agreements after their expiry. The OECD classifies Ireland as a country in which collective agreements have 'unlimited ultra-activity' and with no rule on this.

- Exclusions of groups of employees from collective bargaining

There are no statutory provisions that explicitly exclude groups of employees from collective bargaining. The OECD notes that collective bargaining does not take place for a 'very few high-ranking officials'.

- Collective bargaining clauses in public procurement

There are no provisions in the 2016 Irish legislation transposing the three 2014 EU procurement directives that go beyond their 'horizontal social clause', including in respect of ensuring compliance with applicable obligations established by relevant collective agreements. Public authorities *may* exclude operators from contracts for violations but, as with other member states, there is no data on the implementation of this clause in Ireland. The 2022 High-Level Working Group did acknowledge that procurement was one of the aspects of the (then) draft Directive it had not addressed and recommended that it be addressed in a tripartite manner during transposition. Draft legislation was introduced in the upper house of Parliament in November 2024 to amend the 2016 legislation transposing the 2014 directives to provide for contract award criteria in public contracts that promote favourable weighting of operators who enter into collective bargaining and reach collective agreements. However, this Bill lapsed on the dissolution of parliament for the November 2024 general election.

- Trade unions' right of access to workplaces

Trade unions do not have a right of access to the workplace. The 2022 High-Level Working Group acknowledged that 'easing the access of trade union representatives to workers' was one of the aspects of the (then) draft Directive on Adequate Minimum Wages the group did not address, and also recommended that it be addressed in a tripartite manner during transposition.

- Protection of workers and trade union representatives against dismissal/discrimination

Victimisation is only partially considered under existing national legislation. Under the Unfair Dismissals Acts 1977–2016 a dismissal based on union membership or activity is unfair but does not prevent a dismissal from taking place and does not apply to victimisation in other forms. The 2015 statutory Code of Practice on Victimisation deals with actions such as targeting and surveillance of members but is less clear on actions such as the withdrawal of workplace benefits that are not legally protected (for example, remote or flexible work). The Industrial Relations (Miscellaneous Provisions) Act 2004 prohibits victimisation on account of union membership and activities, but complaints are only specific to conditions where it is not the practice of the employer to engage in collective bargaining and where an internal dispute resolution procedure (if any) has failed to resolve the matter.

- Obligation for employers to engage in collective bargaining

There are no statutory provisions obliging employers to engage in collective bargaining. The 2022 High-Level Working Group recommended a process to encourage and facilitate 'good faith engagement' (so not collective bargaining) but this has not been implemented by the government.

Transposition of the European Directive on Adequate Minimum Wages in the EU

Government commentary so far has focused on the provisions of the Directive that concern the Low Pay Commission and that require Ireland to establish an Action Plan by October 2025. It has repeatedly said that the Low Pay Commission was 'already largely in compliance' with

the Directive but that 'some minor amendments' would be needed to bring the 'framework completely into line'. As outlined above, on 15 November 2024 the European Union (Adequate Minimum Wages) Regulations 2024 was signed into law. This is presented as transposing provisions of the Directive concerning statutory minimum wages, particularly by requiring the Low Pay Commission to now formally also have regard to 'indicative reference values such as 60% of the gross median wage' and formalising the LPC's consultation of the social partners. ICTU was not consulted beforehand, as required by Article 7, and strongly disputes the claim that these regulations fulfil Ireland's transposition obligations.

In early 2024, the government established a tripartite 'technical working group' under the social dialogue Labour Employer Economic Forum to consider the collective bargaining aspects of the Directive. The government has repeatedly claimed, however, that no new legislation is required for transposition of the collective bargaining elements but that legislation 'may be separately considered' as part of the Action Plan, which it will 'publish' in 2025. In advance of this, it held a four week public consultation in April-May 2025.

Collective bargaining and minimum wage regime in Italy

Salvo Leonardi, Fondazione Giuseppe Di Vittorio

Minimum wage regime in Italy

Italy is one of the few EU Member States without a statutory minimum wage. Pay levels are set by national sectoral collective agreements (*Contratti Collettivi Nazionali di Lavoro* – CCNL), and vary according to a worker's level of professional qualifications as identified in the sector's job classification and pay scales. Pay scales usually contain an average of seven steps and the normal ratio between the lowest and the highest minimum wage, within each agreement, is approximately 100/250.

According to Article 36 of Italy's Constitution (1948) a worker's compensation must be 'proportionate' to the 'quantity' and 'quality' of the work performed, and in any case 'sufficient to guarantee workers and their families a free and dignified existence'. In the absence of a statutory minimum wage, the labour courts have interpreted Article 36 to mean that an employee's wage must be 'sufficient'. The amount is determined by the national agreement for the relevant sector, signed by the most representative associations of social partners, based on workers' qualifications. Collective agreements essentially become generally binding based on the individual enforceability of this right, without a separate extension mechanism.

Partial exceptions have been adopted by law for sectors considered at higher risk of social dumping, non-compliance with collectively-agreed wages or in-work poverty. Regulations for specific sectors, including cooperatives, public procurement, food delivery, dockworkers, air transport and non-profit organisations, explicitly reference the most representative national agreements to establish a clear minimum wage for employers. Examples of the variety of the lowest monthly wage levels (gross total) in force, according to sector, include the following: waste collection: 1,201.94 euros (€); local public transport: €1,238.15; HORECA: €1,293.15; metalworking: €1,559.11; construction: €1,696.20; chemicals and pharmaceuticals: €1,697.46; banking: €2,350.10.

Collective bargaining regime in Italy

Collective bargaining is an essential expression of the constitutional principle of trade union freedom and pluralism (Article 39.1). Nevertheless, all the other original provisions concerning the conditions under which unions may stipulate *erga omnes* binding industry-wide agreements, such as registration and the majority principle (Article 39, para 2, 3 and 4), have never been implemented by law.

Collective bargaining has developed into a voluntarist system in which the law tends not to interfere, based on collective autonomy, governed by civil law, through the free and mutual recognition of the most representative social partners, the sectoral trade unions and employers' associations. The signatory parties independently define the scope of the sectoral bargaining unit, specifically listing all the types of industries and jobs covered by the national agreement.

Several framework and cross-sectoral agreements have played a key role in the absence of laws. These include the miliar Tripartite Protocol of 23 July 1993, which has been repeatedly amended (2009 and 2018) and adapted in some other sectors (banks, SMEs, commerce). In this context, the main social partner confederations have established fundamental rules about issues such as: incomes policy; cost-of-living adjustments for wages; the levels, timing and functions of collective bargaining; coordination and degree of centralisation of bargaining; and employees' representation at the workplace.

In Italy, the collective bargaining system is two-tier: national industry-wide and decentralised, at company or alternatively territorial level. The two levels are centrally coordinated, according to specialisation and with no duplicating principles. Since 2011, exit or derogation clauses are usually admitted but delimited by national industry agreements.

The National Sectoral Agreement is usually a collection of more or less 100 articles and numerous annexes, and is updated every three to four years. Complementary to the law, it regulates both the individual employment relationship (hiring, classification, working time, pay scale and amounts, occupational welfare, in all their essential components), as well as the collective rights and duties of the signatory parties with regard to industrial relations (bargaining levels, coordination and procedures, information and consultation rights, peace and cool down clauses, bilateral bodies). Since 2009, the safeguarding of wages' purchasing power, through the National Sectoral Agreement, has been based on the harmonised index of the cost of living (IPCA), as annually calculated by the National Institute of Statistics (ISTAT), with the relevant exclusion of imported energy costs.

Decentralised bargaining is carried out mostly at company or at territorial level. The latter is widespread in sectors in which SMEs and/or discontinuous jobs prevail and workplace representatives absent (building, craft, HORECA, agriculture). The most important topic of decentralised bargaining is usually the 'variable', which may be productivity or profit-related pay, but the range of subjects covered is wide. Issues include: working time and shifts; workers' participation; work organisation; conciliation; well-being and social benefits; restructuring initiatives; and shock absorbers.

- Bargaining coverage

Italy is often cited by international sources as having the highest collective bargaining coverage in the EU, with a remarkable 100 per cent. This flattering figure does not take into consideration the high levels of non-compliance, however, especially in sectors and territories with a lot of informal work, paid below the collectively agreed minimum wage. However, also according to official and domestic sources (CNEL; INAPP), no less than 94 per cent of employees in Italy are covered by a collective agreement. This information is derived from the monthly reports submitted by employers to the National Institute of Social Protection (INPS), which covers all private employment sectors, with the notable exception of agricultural and domestic workers. Despite the very high national average, with all sectors well above the EU Directive's objective of 80 per cent, a few lag behind, such as construction (69 per cent) and 'other services' (28 per cent).

Besides the judicial exercise of the constitutional right to an equitable wage, the high union density, which is quite stable at over 30 per cent, plays an important role in achieving such a level of bargaining coverage. The CNEL has archived around a thousand collective agreements. Less than one-third of these agreements were signed by sectoral federations of the largest trade unions (CGIL, CISL, UIL). These agreements signed by major unions cover 96 per cent of all employees, and so they are called 'leader' agreements. In contrast with the so-called 'pirate' agreements signed by smaller or 'yellow unions' they represent more than two-thirds of the total archived agreements but cover a mere 3–4 per cent of employees.

Size of company is a key factor in determining the use of decentralised bargaining, which can boost productivity. A survey of 26,643 companies with two or more employees found that only 4 per cent of companies used two levels of collective bargaining, but these companies employed 29 per cent of the workforce.

The government has used tax concessions to encourage company-level bargaining since 2016. These tax reductions apply to wage increases, when related to collective agreements aiming to promote productivity, participation and welfare programmes. In November 2024, the Ministry of Labour collected and published 103,721 agreements, covering 5,027,970 employees.

Based on available statistics, there are no signals of a *quantitative* decline of bargaining coverage. Conversely, employee reporting showed an increase from 89 per cent in 2018 to 94 per cent in 2022. The same source (INAPP, 2025) indicates that when the entire workforce is considered, including

autonomous collaborators, the percentage decreases by five points over the same period, from 83 to 78 per cent. Of more concern is the possible decline from a *qualitative* perspective. All sources agree that Italian wages have recorded some of the worst wage dynamics among the OECD and EU Countries over the past 15 or 30 years. Compared with 2019, before the Covid-19 pandemic, real wages dropped by 6.9 per cent by 2024. The causes vary, but one is the aforementioned presence of 'pirate agreements' and their wage dumping. Additional factors are: the high number of workers in low skilled and low added-value sectors and jobs; the massive use of part-time and fixed-term contracts; the enormous delays in the renewal of collective agreements, expired, but continuing to operate under the principle of so-called 'ultra-activity' for an average of 24 months. All these factors exercise a particular influence on low-pay sectors.

- Exclusion of certain groups of employees from bargaining

In Italy, the scope of collective bargaining is large and inclusive. Not only are all private sector employees covered, but also the whole public sector (excluding public servant groups such as the armed forces, diplomats, the judiciary and academics). Even domestic workers have their own national collective agreement. The issue is, as in other sectors with a high risk of irregularities and lack of controls, widespread non-compliance with the rights and wages established in the industry-wide agreement. It is worth noting that collective agreements that cover economically dependent self-employed workers are rare, with a few exceptions in food delivery, personal shopping and NGOs.

- Collective clauses in public procurement

Italian law mandates that contracting companies participating in public procurement must adhere to national collective agreements established by the most representative associations. The guidelines for bargaining are found in the Code of Public Procurement, which has been amended several times, most recently in 2023. Legislative Decree No. 36/2023 establishes that 'to the staff employed in the works, services and supplies subject to public contracts and concessions, the national and territorial collective agreement is applied that is in force for the sector and for the area in which work services are carried out, stipulated by the employers' associations and comparatively more representative employees at the national level and whose scope of application is strictly connected with the activity covered by the contract or concession carried out by the company also in a prevalent manner' (Article 11.1).

- Trade union rights of access to workplaces

Since the Workers' Statute of 1970, Italian workers in both in the private and public sectors have had the right to elect their own representatives in companies with over 15 employees. The same statute recognises rights for trade unions to access and be active in the workplace, in terms of organising and the right to a representative's room; to call meetings and ballots; and to obtain permission for union activities, paid or unpaid. Unions are financed by the workers' dues and the statute authorises the unions to deduct union dues from employees' wages (check-off). Some key framework agreements, starting from the 1993 Tripartite Protocol, have further defined the methods for electing workers' representatives in the workplace. For instance, the number of elected representatives shall be linked to the total number of employees. Collective agreements regulate the election and duration of office of workers' representatives. Unitary union representatives (*Rappresentanze Sindacali Unitarie – RSU*) are a 'single channel', elected on the basis of competing lists by both union and non-union members, and have the right to firm-level bargaining, strike action, information and consultation. There are no reliable and updated statistics on RSU distribution, however estimates show that the density is unsatisfactory, in small but also in medium-sized enterprises. This is especially observed in the less unionised sectors and in the south of Italy. For public employees, rights and prerogatives are stronger than in the private sector, as they are legally mandatory and enforceable (Legislative Decree no. 165/2001). Elections are regular in all

public branches and duly certified by a public agency (ARAN), which manages both votes and members of all the different unions. The weighted averages of votes and members are used to select the representative organisations permitted to negotiate national agreements (>5%), and binding when and if backed by a majority of 50+1% of the union delegation.

- Protection of workers and trade union representatives against dismissal/discrimination

But the Workers' Statute provides workplace trade union leaders with special protection from relocation (Article 22). Judicial scrutiny is applied to employer actions that violate Article 28 of the statute, which protects employees from anti-union discrimination. From recent case law, a number of employers' actions have been deemed to be anti-union, and are therefore prohibited. Anti-union behaviour includes: dismissal or hiring of third parties to replace workers on strike; retaliation against workers that undertake strike action; failure to inform/consult the unions on issues regulated by collective agreements; infringement of union rights fixed by law; interfering with union organising; and more. An employer who does not comply with an order to cease anti-union behaviour shall be liable to penalties under Section 650 of the Penal Code

- Obligation for employers to engage in collective bargaining

There is no such obligation in Italian law.

Transposition of the European Directive on Adequate Minimum Wages in the EU

Italy had taken only minimal steps to implement the directive on adequate minimum wage by the 15 October 2024 deadline. This amounted to a declaration that the system is already in line with the Directive's aims and that no further action need to be taken. Although political, social and academic groups widely supported adopting a statutory minimum wage of €9.00/hour, the current right-wing government claims that it is unnecessary and that the system can already meet the objectives of the Directive. This includes not only bargaining coverage, which is certainly above the 80 per cent threshold, but also in relation to the Kaitz index, the ratio between the average of the collectively agreed minima and the national median (estimated at over 70 per cent), which is above the Directive's reference value of 60 per cent for countries with a statutory minimum wage.

After consulting the CNEL on 7 December 2023, the right-wing majority rejected the opposition's proposal of a statutory minimum wage, giving a mandate to the government to legislate by decree, within six months, on the subject. Since then, nothing has really happened. After the deadline for transposition, two of the three main trade unions, CGIL and UIL (not CISL), sent a letter to the European Commission, in which they complained about the inaction of the Italian government regarding the implementation of the directive. A particularly serious aspect, as they put it in the letter, is the 'lack of involvement of trade unions in the decision-making process in question. This exclusion conflicts not only with the fundamental principles of the Directive, but also with the consultation obligations established by Community law. We believe that not involving the social partners in a discussion of such importance constitutes a serious breach of European obligations and a denial of the value of social dialogue, which is one of the pillars on which the construction of the European Union is based.'

Widespread and continued dissatisfaction remains. Inflation has eroded wages, which have stagnated and statistical data on bargaining coverage is not always entirely reliable. Too many workers, affected by short part-time and fixed-term contracts, are at risk of poverty. Collective bargaining is threatened by unrepresentative actors and pirate agreements. Italian industrial relations, typically characterised by voluntarism, will face significant challenges without targeted legislation to support genuine participants and practices, also with regard to wage setting mechanisms.

Collective bargaining and minimum wage regime in Latvia

Natalja Preisa, Free Trade Union Confederation of Latvia (LBAS)

Minimum wage regime in Latvia

Historically, the minimum wage in Latvia is set by law and not through collective bargaining. Some existing collective agreements set minimum remuneration rates or contain indications and guidance on how to set wages and organise the wage system. However, minimum wage rates were set mainly by the regulations of the Cabinet of Ministers after consulting the social partners. Over time, minimum wage adjustment has generally been based on political decisions and not an analysis of changes in the economy or the adequacy of minimum wage with regard to the cost of living in Latvia.

The legal basis of the minimum wage is Article 107 of the 1922 Constitution of Latvia (Satversme) and Section 61 of the Labour Law adopted in June 2001, which guarantee that every employed person has the right to remuneration not lower than the minimum wage fixed by the state. The procedures for the determination and review of the minimum monthly and hourly wage are set by the Cabinet of Ministers. Formally, the method for calculating monthly and hourly minimum wage rates is outlined in Cabinet Regulation No. 656 'Regulations on the Amount of the Minimum Monthly Wage within Normal Working Hours and the Calculation of the Minimum Hourly Tariff Rate', adopted on 24 November 2015.

On 19 November 2024 the Cabinet of Ministers adopted Regulation No. 730 'Procedure for Determining and Revising the Minimum Monthly Wage', which transposes the European Minimum Wage Directive (EU) 2022/2041 into national law. According to Regulation No. 730, the setting of the minimum wage includes analysis of various criteria, including the reference value of 46 per cent of the average gross wage calculated by the Central Statistical Bureau for the last available 12 months.

In general, there are no exceptions or deviations from the minimum wage. Cabinet Regulation No. 730 provide for the setting of a single monthly minimum rate for all sectors and professions. The only exceptions are for convicted prisoners, for whom Section 56^{16} of the Sentence Execution Code of Latvia sets a minimum wage of 50 per cent of the normal minimum wage. Another deviation from the normal minimum wage is possible under the construction sector collective agreement, which was signed in November 2019 and was last amended in September 2024. This agreement allows employers to apply a coefficient of 0.7 to the minimum hourly rate provided by the agreement in relation to employees in vocational or higher education within six months of signing the employment contract.

Regulation No. 730 defines the procedure and criteria for the setting and adjustment of the minimum wage. According to this Regulation, the decision on minimum wage adjustment for the coming year has to be taken already in May of the current year. A first proposal is prepared by the Ministry of Welfare and submitted to the Social Security Sub-Council of the National Tripartite Cooperation Council (NTCC) for consideration by 15 April. After that, the proposal has to be submitted to the NTCC for consideration within two weeks after the proposal has been considered by the Social Security Sub-Council. After revision of the proposal with the social partners, within two weeks of consideration of the proposal by the NTCC, the Ministry of Welfare shall submit it to the Cabinet of Ministers for the final decision, taking into account the potential impact of the minimum wage adjustment on the state budget. Therefore, the decision on raising minimum wage lies with the Cabinet of Ministers and still involves political consideration.

Regulation No. 730 also sets out the criteria for adjusting and setting the minimum wage. These include the reference value of 46 per cent of the average gross wage calculated by the Central Statistical Bureau for the last available 12 months, as well as a whole range of macroeconomic indicators, such as the broader economic situation, the development of labour productivity, possible changes in the tax system for the next two years (personal income tax rates, the minimum not subject to personal income tax and relief for dependent persons), the minimum income level and poverty risk threshold calculated for the last available year. Also taken into account are calculated changes in the labour cost index compared with the corresponding period of the previous year; the average changes in consumer prices in 12 months compared with the previous 12 months; development of unemployment rates; and, last but not least, the development of minimum monthly gross wages in other EU Member States, including the ratio of the minimum monthly wage to the average wage in these countries.

Regulation No. 730 stipulates that the statutory minimum wage should be set at 46 per cent of the average gross wage. During legislative discussions on the draft regulation, the trade union confederation LBAS strongly urged a minimum wage reference value of 50 per cent of the average gross wage. At the same time the Cabinet of Ministers decided on the following medium-term minimum wage levels: in 2026, 780 euros (€) per month; in 2027, €820 per month, and in 2028 €860 per month. According to the impact assessment of Regulation No. 730, the average gross wage during the last 12 months under consideration (July 2023–June 2024) was €1613.37. Thus, 46 per cent of the average gross wage is €742.15. On 1 January 2025, the statutory minimum wage was set at €740 per month, which is based on a 40 hour working week.

Even though the minimum monthly wage is reviewed regularly, the Cabinet of Ministers can decide to maintain it at the same level, which means that in practice increases in the minimum monthly wage are not always regular and depend on political will. For instance, the minimum wage increases in 2023 and 2024 were based more on political decisions than empirical analyses. The new regulation might change the situation.

Collective bargaining regime in Latvia

Article 108 of the Latvian constitution (Satversme) guarantees employed persons the right to a collective agreement and the right to strike, It also provides that the state shall protect the freedom of trade unions. Labour law furthermore defines the process of collective bargaining and the rights and obligations of the parties involved. Latvian law provides for the extension of collective agreements. According to Section 18 paragraph 4 of the Labour Law if the signatory on the employers' side employs more than 50 per cent of the employees in a sector or the turnover of their goods or the amount of services is more than 50 per cent of the turnover of goods or amount of services in a sector, a general agreement shall be binding on all employers in that relevant sector and shall apply to all employees employed by such employers. The data provided by the Central Statistical Bureau is used for calculating the representativity criteria.

Previously, the representativity criteria for the extension of collective agreements were too restrictive considering the economic structure. In 2017 to improve the situation, on the initiative of the social partners, amendments to the Labour Law section 18 were adopted. The amendments lowered the representativity thresholds for the extension of collective agreements from 60 to 50 per cent. They also allowed employers that are not members of employers' organisations to co-sign the collective agreement to reach the threshold. In addition, the amendments provide for a mechanism to prove compliance with the representativity criteria. The amendments, furthermore, provided for a safety clause stating that in case of withdrawal of a member of the signatory organisation on the employers' side the collective agreements remains valid for the withdrawing member.

In the public sector, Section 3(4) of the Law on Remuneration of Officials and Employees of State and Local Government Authorities defines a limited list of issues and the permissible amount that may be regulated by collective agreement in the public sector. This list includes specific issues such as the length of a working day before public holidays, paid holiday on the first day of school and the number of paid holidays due to entering into marriage or graduation. Such a specific list of issues limits the possibilities for collective bargaining in the public sector.

Collective bargaining coverage in Latvia is very low. According to OECD data, collective bargaining coverage in 2018 was 27 per cent. Some existing collective agreements set minimum remuneration rates or contain indications and guidance on how to set wages and organise wage systems (see for instance the general collective agreement in the railway sector). However, minimum wage rates are mostly set by the Regulations of the Cabinet of Ministers.

At the time of writing at the beginning 2025, there are four sectoral collective agreements which establish minimum wages in the sector:

(i) construction sector (2019, renewed 2024);
(ii) glass fibre production sector (2019, renewed 2024);
(iii) social care sector (2019, renewed 2024, not *erga omnes*);
(iv) hospitality sector (signed 2020, not in force).

One important reason for the low bargaining coverage is the lack of sectoral collective bargaining, which in turn can be explained by the developed culture of regulating employment standards in detail through legal regulations. The main negotiations on labour-related issues therefore take place within the tripartite cooperation system and result in amendments to the Labour Law and other related legislative acts.

In addition, the current legislative framework does not provide for a sufficiently facilitating environment for those employers that conclude collective agreements, for example, stimulating factors such as tax reductions on benefits provided by collective agreements. Furthermore, challenges to sectoral bargaining can be explained by the lack of awareness and understanding of the benefits of collective bargaining among employers, as well as their low affiliation rates. This makes it more difficult to achieve the representativity thresholds for the extension of collective agreements.

– Validity of collective agreement after expiry

Section 19 (3) of the Labour Law ensures that upon termination of a collective agreement, its provisions remain in effect until a new agreement is signed, unless agreed otherwise by the parties.

– Exclusion of certain groups of employees from bargaining

Self-employed persons do not have the right to collective bargaining. Certain public service persons, such as officials of state security institutions (including the Constitutional Protection Office, Military Intelligence and Security Service and the Security Police) and persons performing military service as a soldier do not have the right to collective bargaining. As outlined above, Section 3(4) of the Law on Remuneration of Officials and Employees of State and Local Government Authorities furthermore limits the list of the issues and the permissible amount that may be regulated by collective agreement in the public sector.

– Collective bargaining clauses in public procurement

The Public Procurement Law does not provide any special incentives for collective agreements in public procurement procedures (for instance, being covered by a collective agreement is not an obligatory criterion for participating in public procurement), except for the right of the client to use a collective agreement as a decisive criterion in public procurement. The law requires, however, that companies participating in public procurement must respect the minimum wage set by a collective agreement (if there is one).

– Right of access to workplaces for trade unions

According to Section 11 (4) and (5) of the Labour Law, employee representatives, when fulfilling their duties, have the right to enter the premises of the undertaking, as well as workplaces and to hold meetings of employees there. Trade unions thus have right of access to workplaces, but there are challenges in enforcing this right.

– Protection of workers and trade union representatives from dismissal and discrimination

Section 8 (2) and 11 (6) of the Labour Law state that an employee's affiliation to a trade union, an employee's wish to join a union or the performance of the duties of an employee representative may not serve as a basis for a refusal to enter into an employment contract, notice of termination of employment contract or other restrictions on the rights of an employee. In addition, Section 110 Labour Law prohibits employers from giving notice of termination of an employment contract to an employee who is a trade union member without prior consent of the relevant trade union if the employee has been a union member for more than six months.

At the same time, the Latvian legal system does not provide for criminal liability for various acts of interference in trade union work, for example, requiring trade union members to sign statements and terminate union membership under the threat of suspension or dismissal, pressuring them to distance themselves from trade unions or calling for the trade union leadership to be changed. In 2023, LBAS submitted a proposal to the Ministry of Justice to introduce administrative and criminal liability for the abovementioned violations of trade union rights.

– Obligation for employers to engage in collective bargaining with trade unions

An obligation to engage and respond to trade union proposals is established by the Labour Law. Section 21 lays down that an employer, employers' organisation or federation of employers' organisations may not refuse to enter into collective bargaining. Furthermore, the law sets a procedure for negotiations. A party that has been asked to enter into negotiations has to reply in writing within 10 days. The collective bargaining parties shall organise negotiations and agree on the procedures for the development and discussion of the draft collective agreement and may invite experts to participate in such negotiations, establishing working groups made up of an equal number of representatives of both parties. An employer, at the request of the employee representatives, also has the obligation to provide them with the information necessary for entering into a collective agreement.

Finally, if negotiations do not result in an agreement because of the objections of one party, this party has the obligation to reply in writing to the proposals expressed by the other party not later than within 10 days. If a draft of the whole collective agreement is received, a written reply detailing the objections to the draft and proposals shall be provided within one month.

In addition, Section 160 of the Labour Law provides for administrative responsibility for refusals to engage in collective bargaining negotiations. An employer, an organisation of employers or a federation of such organisations that refuses to enter into negotiations to conclude a collective agreement shall be subject to a warning or a fine. For natural persons the fine shall be €50 to €350, while for legal persons the fine shall be €350 to €700.

Transposition of the European Directive on Adequate Minimum Wages in the EU

On 19 November 2024 the Cabinet of Ministers adopted Regulation No. 730 on the Procedure for Determining and Revising the Minimum Monthly Wage, transposing the Directive on Adequate Minimum Wages in the EU. As outlined above, Regulation No. 730 contains detailed provisions on the procedure and criteria for the setting and adjustment of the statutory minimum wage. It stipulates in particular that the statutory minimum wage should be at least 46 per cent of the average gross wage and take into account a range of macroeconomic

indicators, including labour productivity, changes in the tax system and average changes in consumer prices. In July 2024, the Ministry of Welfare sent the social partners the draft Action Plan to improve collective bargaining. The draft Action Plan is prepared in the form of a tripartite agreement among the national level social partners, confirmed by the Cabinet of Ministers to ensure a binding obligation on the government. The social partners provided their first feedback on the draft Action Plan in September and the first discussions at the expert level were conducted on 10 October 2024.

Collective bargaining and minimum wage regime in Lithuania

Inga Blažienė and Ramunė Guobaitė, Lithuanian Centre for Social Sciences (LCSS)

Minimum wage regime in Lithuania

A statutory minimum wage was introduced in the Republic of Lithuania in 1991, after the restoration of its independence in 1990. On 9 January 1991, the Law on Wages and Salaries No I-924 was adopted. Article 2 on the 'Minimum wage', stipulated that the state shall unilaterally determine the minimum hourly/monthly wage and that an employee's wage may not be less than the statutory minimum wage. After the establishment of the Tripartite Council of the Republic of Lithuania (Tripartite Council) on 5 May 1995 employers' organisations and trade unions gradually became involved in setting the minimum wage at national level. Following the renewal of the tripartite cooperation agreement between the government, trade unions and employers' organisations, the parties to the agreement undertook on 11 February 1999, among other things, to 'sign an annual tripartite agreement by 1 December each year on the minimum hourly wage, the tax-free minimum, and other topical labour, socio-economic issues'.

The involvement of the Tripartite Council in setting the minimum wage is defined by law only in the 2002 Labour Code (Art. 187), in which the government was entitled to set the minimum wage on the Tripartite Council's recommendation. Only in the absence of a decision by the government or a corresponding submission by the Tripartite Council by 1 June of the current year was the Parliament empowered to set and approve the minimum wage. With the entry into force of the new Labour Code in 2017, however, this ceased to be the case.

Moreover, although both Labour Codes (2002 and 2017) provide for the possibility to establish higher minimum wage levels in collective agreements (Art. 187(2) and 141(4) respectively), this autonomy has not been exercised in practice.

Thus, the setting of the minimum wage in Lithuania has gradually evolved from a centralised, state-regulated level to a process involving national trade union and employers' organisations, which together with the government, in the form of social pacts, not collective agreements, have gradually taken over minimum wage setting on the basis of tripartite agreements. At the same time, it is important to note that, although the social partners at national level are involved, the process of increasing the minimum wage can historically be characterised as rather politicised, the government itself playing a decisive role.

For a long time, there were no specific criteria for establishing the minimum wage level. However, in September 2017, the Tripartite Council decided that minimum wage increases should in future be based on the target of 45–50 per cent of the average wage. At its meeting on 21 September 2017 the Tripartite Council requested the assistance of the Bank of Lithuania in determining the minimum wage calculation methodology and agreed to use the Bank's recommendations and calculations in the future.

The adjustment of the minimum wage takes place every year and from 2025 (when the minimum wage for 2026 will be determined) will not only be based on a recommendation of the Tripartite Council, as before, but also take into account the economic development prognosis published by the Ministry of Finance and the indicators of the development of the national economy published by the State Data Agency, while assessing criteria such as purchasing power in relation to the cost of living, the general level of wages and their

distribution, the speed of growth of wages, and the long-term labour productivity levels and changes. All those criteria are named in the Labour Code 2017 (Art.141).

Article 141 (2) of the Labour Code 2017 provides that not less than the minimum wage is to be paid for unskilled work that does not require specific qualifications. The Labour Code 2002 allowed the government, on the recommendation of the Tripartite Council, to set different hourly and monthly minimum wages for individual sectors, regions or groups of workers. However, this provision has never been implemented in practice. No employees' groups are excluded from minimum wage rates at present. Before the Labour Code 2017 entered into force, those working for the minimum wage or less accounted for a relatively large share of the workforce.

The monthly minimum wage for a full-time job (40 hours or less per week) is €1038 and the hourly minimum wage was €6.35 in February 2025. Since 2017 the ratio between the monthly minimum wage and the average wage in Lithuania fluctuates around 45 per cent. Thus, it might be said that the Tripartite Council's decision in September 2017 to base future minimum wage increases on an average wage target of 45–50 per cent was important and has had a real impact on the actual minimum wage level in the country.

Collective bargaining regime in Lithuania

The main piece of legislation regulating collective bargaining in Lithuania is the Labour Code 2017, according to which, employers, employers' organisations, trade unions and trade union organisations have the right to initiate collective bargaining, to participate therein and to conclude collective agreements. Employees may be represented in collective bargaining only by trade unions.

According to the Labour Code, the following types of collective agreement may be concluded: (i) national (cross-sectoral) collective agreements; (ii) territorial collective agreements; (iii) sectoral (industry, services, professional) collective agreements; (iv) company/employer-level collective agreements; and (v) workplace-level collective agreements (the latter only in the cases established by collective agreements at the national, sectoral or company/employer level).

Compared with other EU Member States, Lithuania can be regarded as having one of the least developed industrial relations systems. Trade union membership in Lithuania is generally quite low and collective bargaining coverage has been among the lowest in recent decades. However, the situation started to change from around 2018–2020, when the number of trade union members and trade union density increased. This increase was associated with a substantial rise in collective bargaining coverage – it increased from around 7–8 per cent in 2010–2018 to 23 per cent in 2021–2023 (see also here). However, it should be noted that this increase was related mainly to developments in the public sector, where several national and sectoral collective agreements were signed, providing for better working conditions for union members only.

Meanwhile, collective bargaining coverage in the private sector in Lithuania remains below 10%. There is only one sectoral collective agreement in the private sector, signed in 2019, in the furniture production sub-sector. The almost absent sectoral collective (wage) bargaining in the private sector is determined by several factors. One of them is an incongruity between the respective structures of sectoral trade unions and sectoral employers' organisations (e.g., there are rather strong trade unions in public transportation, however, employers' organisations mainly organise freight transport companies) that has prevented the parties from engaging in collective bargaining. Another important reason is that employers' organisations have been reluctant to take up the role of sectoral social partners and/or sign collective agreements, claiming the absence of a mandate from their members to do so. Though in companies with active trade unions bargaining takes place and agreements favourable for employees are signed, collective bargaining activity is particularly weak or non-

existent in sectors and industries such as agriculture, construction, HORECA, and some others.

In order to change situation and to transpose the European Minium Wage Directive Minister of Social Security and Labour approved a Social Dialogue Development Plan for 2024-2028 (further - the Plan) on the 25th of October, 2024. The Plan pays major attention to activities aimed at improving the competences of the trade unions and employer organizations (their training and consultation), dissemination of information on social dialogue issues and research. The expected result will be positive changes in the field of social dialogue in enterprises, such as the establishment of a trade union, an increase in the number of trade union members, the signing of a collective agreement, improved collective agreements conditions and other positive developments.

Other structural key features of the Lithuania collective bargaining regime include:

- Validity of collective agreements after their expiry:
  According to the Art. 196 of the Labour Code, a collective agreement shall be valid for no more than four years, except for cases when the collective agreement establishes otherwise. According to an monitoring of collective agreements, out of 375 agreements valid in 2022, 92 (or 24,5%) were valid less than 4 years; 163 (or 43,5%) – were valid for 4 years and 120 (or 32%) – were valid more than 4 years.

- Exclusion of groups of employees from collective bargaining
  In principle, all employees have the right to be covered by collective agreement.

- Collective bargaining clauses in public procurement
  Currently there are no collective bargaining clauses in public procurement, although this issue has recently been discussed by social partners, especially – trade unions, in Lithuania.

- Right of access to workplace for trade unions
  National legislation foresees various guarantees for trade unions operating at company/employer level. According to Art. 188 of the Labour Code, if there is no trade union operating at the company/employer level, the general meeting of the employees of the company may authorise a sectoral trade union to negotiate a company/employer-level collective agreement. However, there is no specific regulation on the right of access to workplace for trade unions, not operating at the company/employer level in the national legislation.

- Protection of workers and trade union representatives against dismissal/discrimination
  Art. 168 of the Labour Code defines guarantees and protection from discrimination for persons carrying out employee representation functions at the company/employer level. They are released from work for at least 60 working hours per year for the performance of their duties, they must be granted at least five working days per year for their training and education. For the period they are elected and six months after the end of their term, persons carrying out employee representation may not be dismissed on the initiative of the employer or at the will of the employer, and their indispensable employment contract terms may not be made worse than their previous ones or those other employees of the same category, without the consent of the head of the territorial office of the State Labour Inspectorate responsible for the territory where the employer's workplace is located, as authorised by the Chief State Labour Inspector of the Republic of Lithuania. Also some other guarantees may be established by labour law provisions or agreements between the parties to the social partnership.

- Obligation for employers to engage in collective bargaining
  According to Art. 188 of the Labour Code neither party may refuse to participate in collective bargaining: 1) the party initiating the collective bargaining process must submit

a written introduction to the other party to the negotiations; 2) the party that has received the proposal must engage in collective bargaining within 14 days by conveying a written reply to the party initiating the collective bargaining process; 3) the commencement of collective bargaining shall be considered to be the day after the party initiating the collective bargaining process receives the other party's written reply. If the parties did not agree on the day of opening negotiations, negotiations must be convened within seven days of the first day of collective bargaining.

Transposition of the European Minium Wage Directive

The European MW Directive has been transposed on 17 October 2024 with the specification of the criteria for setting the MW level in the Labour Code itself, in Article 141(3), which entered into force on 25 October 2024. Those amendments provide that the Government, when approving the minimum wage, shall not only take into account the recommendation of the Tripartite Council and the development indicators and trends of the country's economy, but also – the economic development scenario published by the Ministry of Finance of the Republic of Lithuania and the indicators of the country's economic development as published by the State Data Agency, while taking into consideration criteria such as the purchasing power in terms of the cost of living, the overall level of wages and their distribution, the speed of growth in the rate of wage growth, and the long-term levels and developments in labour productivity. These amendments will apply to the negotiation and approval of the MW for 2026 and beyond.

Collective bargaining and minimum wage regime in Luxembourg

Adrien Thomas, Luxembourg Institute of Socio-Economic Research (LISER)

Minimum wage regime in Luxembourg

Luxembourg has one of the oldest minimum wage regimes in Europe, dating back to a decree of 30 December 1944. The legal basis of the current minimum wage system in Luxembourg is the Minimum Wage Act of 12 March 1973, whose provisions were incorporated into the general Labour Code (Code du Travail) in 2006. Luxembourg's 'social minimum wage' (*salaire social minimum*) is set by law and adjusted every two years. It applies to all workers aged 18 and older. Younger employees receive a reduced youth minimum wage: those aged 17 to 18 years earn 80 per cent of the adult minimum wage, while those under 17 receive 75 per cent. The law also provides for a specific higher minimum wage for skilled workers (120 per cent of the regular minimum wage).

The level of the minimum wage in Luxembourg is influenced by two mechanisms: the evolution of the average wage level and the automatic wage indexation mechanism. Every two years, the government must present a report to parliament on general wage trends in Luxembourg. Based on this report, the government is required to make a recommendation on whether the minimum wage should be raised. If average wages have increased more than the minimum wage, the latter may be adjusted to cover all or part of this gap. Given that Luxembourg is one of the few European countries that still has automatic wage indexation, the minimum wage is also adjusted in accordance with the evolution of inflation. Through the automatic wage indexation mechanism, all wages, including the minimum wage, are adapted whenever the consumer price index increases by more than 2.5 per cent.

While the regular minimum wage for unskilled employees is currently 2,637 euros (€) per month, it is €3,165 for skilled employees with recognised qualifications or experience. Based on a 40-hour week, this corresponds to a minimum wage of €15.24 per hour for unqualified workers and €18.30 for qualified workers. Despite having the highest minimum wage in Europe, Luxembourg continues to face a significant issue with 'in-work poverty' among households that depend on the minimum wage. In 2023, 14.8 per cent of employees in the country were at risk of poverty.

According to OECD data, in 2023 the minimum wage stood at 57 per cent of the median wage in Luxembourg and 45 per cent of the average. The minimum wage stands at 88 per cent of the reference budget calculated by the national statistical office Statec as sufficient to make a decent life possible. The statutory minimum wage is all the more important to ensure the functioning of the labour market and prevent wage dumping, given the relatively low collective bargaining coverage of 59 per cent in Luxembourg.

Collective bargaining regime in Luxembourg

Collective bargaining in Luxembourg has long been characterised by relative stability. The current provisions related to collective labour agreements stem mainly from the laws of 12 June 1965, 12 February 1999 and 30 June 2004. Since the enactment of the Labour Code in 2006, no major new

regulations have significantly impacted these provisions. Luxembourg's labour law governing collective bargaining borrows essential principles and characteristics from two very distinct legal systems, the German and the French. For instance, Luxembourg labour law has adopted the concept of social peace and the legality of lockouts from German law, and the obligation for employers to negotiate from French law. Luxembourg's collective labour law thus attempts to strike a balance between the German model of collective bargaining autonomy (*Tarifautonomie*) and the French model, which involves significant state intervention.

The trade unions categorised as representative have the sole right to conclude collective agreements at the different levels, including the company. State intervention in collective bargaining occurs through the validation of collective agreements and dispute settlement. Collective agreements negotiated between trade unions and employers have to respect a number of formalities, and must be filed with the Labour and Mines Inspectorate for approval by the Ministry of Labour.

Collective agreements can be concluded at different levels, primarily the sectoral and company levels. Legal provisions make it possible to extend collective agreements at sectoral level. Extension takes place through a declaration of 'general obligation' by the Ministry of Labour. If a collective agreement is extended by law it applies to all companies in a given sector, industry, occupation or type of activity. Currently, a significant number of agreements have been extended, such as for construction, banking, insurance and private security services, and for particular occupations, such as taxi drivers and electricians.

Collective bargaining coverage has decreased only slightly over recent decades. According to OECD estimates, the coverage rate of collective agreements in Luxembourg decreased from 60 per cent in 2000 to 58 per cent in 2010 and then 57 per cent in 2018 (59 per cent according to Statec). Significant sectoral disparities are notable with regard to collective agreement coverage. Coverage is high, or even very high, in public administration and education, health care and social work, transportation and construction. In contrast, coverage is low or very low in sectors such as retail, HORECA (hotels, restaurants and catering) or in professional and scientific activities, such as legal, accounting or research. Often, sectors with low coverage rates also have low unionisation rates, such as retail or the restaurant and hospitality sector. According to the national statistical office, the coverage rate has remained relatively stable across most sectors of Luxembourg's economy over the past decade.

The collective agreement coverage rate also varies according to company size. The larger the company, the more likely it is that its employees are covered by a collective agreement. The coverage rate ranged in 2010 from 30 per cent for companies with 10 to 49 employees to 79 per cent for companies with over 1,000 employees.

Other key structural features of the Luxembourg collective bargaining regime include:

- Validity of collective agreement after expiry
  A collective agreement, lasting between six months and three years, can be terminated in whole or in part with a notice period of three months. If not terminated before expiry, it is automatically extended indefinitely but can still be ended with proper notice. Negotiations for a new agreement must start at least six weeks before the current agreement expires, and the terminated agreement remains valid until a new one takes effect or up to 12 months after termination.

- Exclusion of certain groups of employees from bargaining
  High-ranking employees (*cadres supérieurs*) – defined by their higher pay, managerial authority and autonomy in work organisation – are not covered by collective agreements unless otherwise specified in the collective agreement. A specific collective agreement can be

negotiated for them, however. Trade unions frequently argue that companies in the financial sector designate too many of their workers as high-ranking employees, even when they do not meet all the legal criteria for this classification.

- Collective bargaining clauses in public procurement
  Public procurement regulations do not include provisions on collective bargaining clauses.
- Right of access to workplaces for trade unions
  The Labour Code takes a fairly restrictive approach to the presence of trade unions within companies. Their primary role at workplace level lies in their ability to field candidates in staff delegation elections. Nearly half of all employee representatives are elected from union lists. Trade unions can also act as advisors to staff delegations in companies with more than 50 workers. Additionally, unionised staff delegations are allowed to distribute leaflets or use noticeboards to distribute union-related messages. Trade unions are currently advocating for the right to digital access to companies; specifically, permission for staff delegations to send union-related emails to employees.
- Protection of workers and trade union representatives from dismissal and discrimination
  Legal provisions ensure protection against dismissal and discrimination.
- Obligation for employers to engage in collective bargaining with trade unions
  There is a duty to negotiate at the company level. Opinions are divided over whether such a right presently exists also at the sectoral level, as the text of the law is not entirely clear on this point (Art. L. 162-1 and Art. L. 162-2 of the Labour Code). Beyond the obligation to negotiate at the industry level, it is noteworthy that the law does not address the issue of the representativeness of the employer organisations. Clarifying the missions and roles of employer organisations in law might be a means of encouraging them to get involved in collective bargaining.

Transposition of the European Directive on Adequate Minimum Wages in the EU

On 30 August 2024, the Minister of Labour proposed a draft law to transpose the European Directive on Adequate Minimum Wages. It does not spell out any changes with regard to the level of the minimum wage. The government indeed considers that the current possibility of statutory adjustment every two years, as well as the automatic wage indexation mechanism, by which wages are adapted whenever the consumer price index increases by more than 2.5 per cent, are sufficient to guarantee compliance with the directive. The main innovation of the draft legislation is the creation of a body tasked with advising the government on the evolution of the minimum wage. At the time of writing (January 2025), a reform of the collective bargaining system is still under discussion between the Minister of Labour, on one hand, and trade unions and employers' organisations, on the other.

Collective bargaining and minimum wage regime in Malta

Luke Anthony Fiorini, Centre for Labour Studies, University of Malta

Minimum wage regime in Malta

National minimum wage legislation was first introduced in Malta in December 1974 in the form of the Conditions of Employment Act; the first minimum wage was set at 23.29 euros (€) per week. Currently, the statutory minimum wage in Malta is regulated by the National Minimum Wage National Standing Order (Subsidiary Legislation 452.71). The legislation specifies that the minimum wage shall be determined on a weekly basis, calculated pro rata for part-time workers. Until the introduction of the Cost of Living Adjustment (COLA) mechanism, described below, the minimum wage was increased on a discretionary basis.

There are a few exceptions to the minimum wage. The National Minimum Wage National Standard Order (Subsidiary Legislation 452.71) specifies a lower statutory minimum wage for workers who are (i) under the age of 17 and (ii) 17 years of age. Minimum wages may also vary by sector. Minimum remuneration and other work conditions specific to occupations within certain sectors can be found in Wage Regulation Orders (WROs): currently, there are 32 of these. Generally, these WROs specify a minimum wage that is equal to or higher than that specified in the National Minimum Wage National Standing Order.

Since 1990, Malta has had an indexation mechanism to tackle rising living costs. Known as the Cost of Living Adjustment (COLA), and implemented following a tripartite agreement, all employees receive an allowance based on the Retail Price Index (RPI) (the average price change of a basket of goods and services over time) and paid by their employer. Part-time workers receive an amount proportional to the hours worked, while those with collective agreements may have wage agreements that are either in addition to, or inclusive of, COLA. In the latter case, employees only receive the pre-agreed rise, but this must at least be equal to COLA.

In 2017, a social pact on the minimum wage was agreed upon between the government, opposition and social partners represented in the Malta Council for Economic and Social Development (MCESD). One provision in the pact was the establishment by 2020 of a Low Wage Commission (LWC) to advise the government on any additional increases in the minimum wage and to prepare recommendations by 2023. This commission was actually set up in 2023 via Legal Notice 66 of 2023 - Low Wage Commission Regulations, 2023. These regulations make no reference to the EU's Adequate Minimum Wage Directive, but an agreement reached through this Commission in October 2023 does acknowledge the Directive. Via this agreement, increases in the minimum wage were set for 2024, 2025, 2026 and 2027. The minimum wage in 2025 was laid down as €203.73 per week plus statutory COLA awards for 2024 and 2025, namely €12.81 and €5.24 per week, respectively. Thus the minimum wage for 2025 was €221.78 per week. This equates to a monthly national minimum salary of €961.05; or, based on a 40-hour working week, to an hourly minimum salary of €5.54. The minimum wage in 2025 for people 17 years of age is €215.00 per week and for those under 17 years of age €212.16.

Figures on mean and median gross income for 2025 are not yet available. In order to compare Malta's minimum income to the Directive's suggested benchmarks of 60 per cent of the gross median wage and 50 per cent of the gross average wage, the most recent set of figures for 2023 are used. They show that Malta had a median annual basic wage of €19,091 and an average annual wage of €21,978. In 2023, the minimum wage was €192.73 per week (€10,021.96 per

year), thus the minimum wage in 2023 represented 52 per cent of the median annual wage and 46 per cent of the average annual wage.

All workers, including the low-paid and those on a minimum wage, also receive additional income. This includes a statutory bonus and a weekly allowance, both payable by the employer every six months. In terms of the statutory bonus, employees are to be paid €135.10 by the end of June and during December. In terms of the Weekly Allowance, employees are to receive €121.16 at the end of March and September. The COLA mechanism has been subject to criticism, primarily that it does not do enough to protect economically vulnerable people. In response to this, the government introduced an additional cost of living benefit in 2023. This measure is financed by the state and targets vulnerable people, calculated as those who earn less than the median income; the benefit is adjusted depending on the number of people in the household. The benefit paid ranges between €100 and €1,500 per year for 2025.

Collective bargaining regime in Malta

Collective agreements are defined in Maltese law in the Employment and Industrial Relations Act (Chapter 452) as 'an agreement entered into between an employer, or one or more organisations of employers, and one or more organisations of employees regarding conditions of employment in accordance with the provisions of any law in force in Malta'. Despite the definition, collective bargaining in the private sector is carried out at enterprise level. Normally, one trade union negotiates with a single employer. There is no sectoral or multi-employer bargaining. Additionally, there is no legal mechanism for the extension of collective agreements to the whole sector. Employers' associations are not normally involved in collective bargaining, although members may consult them during the process. Collective bargaining within the public sector is more complex and coordinated by the Industrial Relations Unit (IRU). Public service employees are covered by a general collective agreement; the latest agreement (2025–2030) was signed by the government and ten trade unions. This is complemented by a number of lower-level industrial agreements. Other public sector entities sign enterprise-level agreements.

Prior to collective bargaining, a trade union must be recognised by the employer. Legal Notice 413 of 2016, Recognition of Trade Union Regulations (S.L. 452.112) regulate the award and revocation of recognition as the sole collective bargaining union at the place of work. Recognition depends on whether a trade union's membership exceeds 50 per cent of employees. The regulation provides for situations in which no trade unions are recognised but one (or more) seeks recognition, as well as situations in which a trade union is already recognised, but another trade union claims to represent 50 per cent of workers. In these cases, verification exercises are carried out by the Department for Industrial and Employment Relations (DIER). Where a requesting trade union is found to represent more than 50 per cent of the employees, the employer is to grant recognition unless a recognised trade union is already present. In the latter case, the recognised trade union is also asked to provide information about its members, and a ballot is carried out. Between 1 July 2022 and 30 June 2023 the DIER conducted 31 verification exercises (DIER, 2024).

Within fifteen days of signing a collective agreement, the employer is supposed to send a copy to the DIER (Employment and Industrial Relations Act (Chapter 452). Collective agreements remain active until a new agreement is concluded. Statistics from the DIER show that during a 12-month period (1 July 2022 to 30 June 2023), 21 new collective agreements were registered, along with 50 renewals/extensions and six side agreements. This total of 77 agreements exceeds the previously reported annual average of 45 registered agreements between 2001 and 2018. This suggests that the collective agreement regime in Malta is healthy and possibly increasing. Conversely, a parliamentary question in 2023 showed that 31 collective agreements for public sector workers had expired, some of which have been pending for three years.

The exact coverage of collective bargaining in Malta is unclear. Historically, Malta has not collected this data regularly, nor does it make it public. Therefore, indications of collective bargaining coverage emanate from sporadic scientific studies and reports. Trends suggest that coverage remains strong but is on the decline. Almost all workers in the public sector are covered by a collective agreement. The National Statistics Office [NSO] (2024) reported that, in July 2024, 52,392 full-time workers were employed in the public sector, representing 18.2 per cent of full-time employment. In terms of the private sector, Baldacchino and Gatt (2009) noted that collective bargaining coverage in the private sector had dropped from 32.6 per cent in 1995 to 26.7 per cent in 2008. Most of the fall was attributed to shifts in employment, including a loss of manufacturing jobs, whereas new jobs were created in the service sector. Within the private sector, trade unions have traditionally been strongest in manufacturing (45 per cent coverage in 1995, 37.5 per cent in 2008) and weaker in the service sector (22.7 per cent coverage in 1995 and 22.3 per cent in 2008). Overall, collective bargaining coverage has been estimated at 57 per cent in 2002 and 50 per cent in 2016. In view of the Adequate Minimum Wage directive, which requires that countries develop an action plan on how to boost collective bargaining coverage if it falls below 80 per cent, Malta would need to formally determine the level of collective bargaining coverage. This was reflected in Maltese law with the introduction of Legal Notice 332 of 2024, Minimum Wage and Collective Bargaining Regulations 2024, which transposed parts of the directive and states that 'the Director (of the DIER) shall take the appropriate measures to ensure that the necessary data to determine the rate of collective bargaining coverage shall be gathered at all times'. Prior to transposition of the Directive, an exercise was indeed carried out by the DIER in 2023 to determine the coverage of collective bargaining. However, the results of this exercise were never made public.

Using current full-time employment figures published by the NSO,[1] assuming that all public sector employees are covered by a collective agreement, and that the proportion of collective bargaining coverage in the secondary and tertiary sectors cited by Baldacchino and Gatt (2009) continues to apply, one can estimate the current percentage of workers covered by a collective agreement. This is probably an overestimate as trends suggest that the percentage coverage in some sectors decreases over time. Additionally, part-time employees, who are typically less likely to work in unionised settings, were not included in this calculation. Based on current assumptions, however, the percentage of workers covered by a collective agreement in 2024 is likely to have fallen to 37.7 per cent.

Figures produced by the Registrar of Trade Unions reveal that the number of trade union members is increasing annually. For example, while trade union membership stood at 91,576 in 2012/2013, it had grown to 109,259 by 2022/2023. While this is positive, employment has increased at a faster rate. Whereas total employment was recorded at 178,241 in 2013, it had grown to 305,218 by 2023. Indeed, trade union density does not appear to have kept up with increasing employment, much of which is fuelled by the private sector and immigration. Trade union density had reached 60 per cent in 2000, but this fell to 45 per cent in 2019. Taking the current figures into account, trade union density stood at 36 per cent in 2023 (most recent figures).

There are few restrictions in Malta regarding trade union membership. Freedom of association is protected by Article 42 of the Constitution of Malta, as well as by Legal Notice 413 of 2016, Recognition of Trade Union Regulations (S.L. 452.112). Restrictions on the right to join a trade union for members of the armed forces, the police, the department of Civil Defence and prison wardens were removed from Maltese law in 2015. The Employment and Industrial Relations Act does have some restrictions on membership, however, including for holders of an office in the public service that 'may be required to represent or advise the Government in industrial relations with the union or unions representing its employees', as well as for a limited number of employees in managerial or executive positions who are to 'represent or advise corporate employers in its relation with the union or unions representing its other employees'. A recent

[1] Full-time employment figures were used rather than entire employment as a breakdown of public versus private employment was available for the former but not the latter.

study found that some people were not trade union members because their workplace lacked a collective agreement. This underscores how Malta's system of enterprise-level bargaining in the private sector, which relies on trade unions securing more than half of the workforce (or a distinct sector) as members, can, in turn, limit both union membership and collective agreement coverage.

In view of falling trade union density and possibly empowered by the Adequate Minimum Wage Directive, trade unions have been pushing for mandatory trade union membership. The proposal is not novel and pre-dates the announcement of the Directive. Trade unions see this as a solution to the perennial free-rider problem. The government expressed some support for the proposal in 2018. As the deadline for the establishment of an action plan to boost collective bargaining draws nearer, however, public discussions on mandatory membership have intensified. The proposal appears to have garnered concrete government support. Malta's Junior Minister for Social Dialogue announced in 2024 that the government plans to implement some form of mandatory union membership 'well before' the end of its term in office. The minister stated that discussions with social partners were making progress and that the government was considering one of four models: 'a system in which every employee is a union member; mandatory union membership only for low-wage earners; obliging third-country nationals to be in a trade union; [and] a sectoral system where mandatory membership applies to just some industries.' Since then, however, employer associations have vocally opposed the measure, stating that they have never discussed it and will never discuss a measure that enforces mandatory membership. Indeed, in a joint statement, employer organisations stated that 'the narrative that mandatory union membership is necessary to meet the targets set by the minimum wage directive is manifestly false, as the directive addresses coverage of collective bargaining and not union membership'.

The employers' associations have also spoken against the introduction of any form of penalty that would exclude employers who do not have collective agreements from tendering for public contracts or EU funds. Rather, the employers have spoken in favour of measures that support the capacity building of trade unions and employer organisations. The topic of sectoral collective bargaining has not garnered any public discussion, as it seems that neither the trade unions nor the employer associations view it favourably. It should be noted, however, that discussions on this topic take place within the tripartite Employment Relations Board (ERB), and discussions are not public. A recent study of trade union members and non-members found that people in Malta would like trade unions to be more proactive, purge links with political parties, encourage capacity building, including in relation to communication and promotion, and demand that unions' internal democracy be enhanced.

Transposition of the European Directive on Adequate Minimum Wages in the EU

The introduction of Legal Notice 332 of 2024, Minimum Wage and Collective Bargaining Regulations 2024, which transposed parts of the Directive into law on 6 December 2024, is aimed at promoting collective bargaining. Among its related sections, it includes clauses to the effect that social partner capacity building will be promoted to enable them to engage in collective bargaining, particularly at sectoral or cross-industry level. Measures to protect the exercise of the right to collective bargaining, including protection of workers and trade union representatives from discrimination, also feature, among other things. In line with the Directive, the threshold of 80 per cent collective bargaining coverage features, as does the establishment of an action plan when the bargaining rate is below this level. The regulation also states that recognised trade unions are entitled to request negotiations with an employer with the purpose of entering into a collective agreement. Following a request for negotiations in writing, the employer has 30 days to accept it.

The publication of the Legal Notice did not result in public dialogue on the topic. The transposition was discussed between the social partners within the ERB in private. The Directive appears to have had quite an impact, however, even if this was not always

acknowledged. As discussed, a Low Wage Commission was set up and the minimum wage was revised. The Directive was acknowledged within the national agreement that emerged from this Commission. The government also conducted an exercise to determine the level of collective bargaining coverage in the country. Finally, discussions on boosting trade union membership (rather than collective bargaining coverage) have featured prominently. It is probable that the Directive has been a driving force in this.

Collective bargaining and minimum wage regime in the Netherlands

Paul de Beer, AIAS-HSI, University of Amsterdam

Minimum wage regime in the Netherlands

In 1946, immediately after the Second World War, trade unions and employers in the Netherlands agreed on a minimum wage sufficient for an unskilled worker and his family with two children living in a large city. In 1963 they agreed on a national minimum wage of 100 guilders per week (45 euros) for all male employees above 24 years of age. That amount was deemed sufficient for a decent life for a family with children. However, the social partners could not reach agreement about the indexation mechanism. The government therefore set new minimum wage levels in the following years. In 1965, the minimum wage was extended to female employees to comply with European Economic Community legislation on equal pay. In 1969, the Dutch government introduced a statutory minimum wage for all employees aged 24 and above (down to 23 years of age in 1970). Thus, the approximately 30 per cent of employees in the private sector who were not covered by a collective agreement were now also entitled to the minimum wage.

The legal basis for the statutory minimum wage is the Act on the minimum wage and minimum holiday allowances (Wet minimumloon en minimum vakantieuitkering, *WML*) of 1969, last amended in 2023. Until recently, the statutory minimum wage was defined as a monthly, weekly or daily amount, depending on the payment period of the relevant company. Part-time employees received a pro rata amount.

Since 1 January 2024, the minimum wage has been defined on an hourly basis. The introduction of a minimum hourly wage implies that the weekly or monthly amount to which a full-time employee is entitled shall vary in accordance with the 'usual' working hours in a company or sector. The Act also stipulates that employees are entitled to a holiday allowance of 8 per cent of their wage.

- Exceptions and deviations from the minimum wage

In the past, the statutory minimum wage did not apply to employees who worked less than one-third of the full-time working week. Consequently, many female workers who worked fewer than 13 hours a week were excluded from the minimum wage. This minimum number of working hours was abolished in 1993.

Although young people aged 15 or above are entitled to the statutory minimum, there is a very long tail of youth minimum wages, introduced in 1974. For young people from 15 to 22 years of age there is a separate minimum wage, defined as a fixed percentage of the adult minimum wage. In 2017, the age at which an employee is entitled to the adult minimum wage was lowered from 23 to 22 years, and in 2019 to 21 years as a result of collective action by the trade union FNV and youth organisations.

The minimum wage excludes overtime pay and other bonuses. Formally, the statutory minimum wage also applies to self-employed workers who are hired by a company to perform work, but not to self-employed entrepreneurs.

- Mechanism of and criteria for minimum wage adjustment and setting

The indexation mechanism of the minimum wage was last changed in 1992 when the Act on indexation with the possibility of deviation (*Wet koppeling met afwijkingsmogelijkheid*, *WKA*) came into force. This act stipulates that each year, on 1 January and 1 July, the level of the minimum wage is adjusted in accordance with the average percentage change in the preceding year of collectively negotiated gross wages. However, the minister can decide to deviate from this rule if 'there is excessive wage development such that it can be expected to cause damage to employment or there is such a development of the volume of social security benefits that a significant increase in social contributions or taxation is necessary.'

Every four years, the Minister of Social Affairs and Employment decides 'whether there are circumstances that justify a special change of the amounts' of the minimum wage.

The minimum wage is also of crucial importance for the level of social benefits. Because the adult minimum wage is supposed to provide sufficient income for a family, the government decided in 1974 that all minimum benefit levels should be raised to the same level on a net-net basis and be linked to the minimum wage. Consequently, a change of collectively negotiated wages not only affects the statutory minimum wage but all minimum social benefits. Evidently, increasing the minimum wage thus has a great impact on government expenditures.

- Level of minimum wage

In 2023 the monthly statutory wage was 1,934.40 euros (€). In 2024, an hourly minimum wage of €13.27 was introduced. As of 1 January 2025, the amount is €14.06 for employees aged 21 or above. Youth minimum wages are much lower, starting from €4.22 at age 15 up to €11.25 at age 20.

The indexation mechanism is supposed to keep the ratio between the level of the minimum wage and the average wage level at a fixed percentage. For two reasons, however, this ratio has fluctuated over time. The first reason is that the government has repeatedly used its authority to deviate from the automatic indexation mechanism. In the mid-1970s, the minimum wage was raised more than the negotiated wages to compensate for the extra increases in the lowest wages agreed in many collective agreements. During most of the 1980s the indexation mechanism was disabled because of the unfavourable economic situation and the high unemployment rate. In 1984, the minimum wage – together with public sector wages and all social benefits – was even lowered by 3 per cent to reduce the towering government deficit. Again, the minimum wage was not fully adjusted to the negotiated wage growth in 1992 and frozen from July 1993 until January 1996 and in 2004 and 2005. Since then, the indexation has been applied in accordance with the law. In 2022, after a successful campaign by the FNV union to raise the minimum hourly wage to €14 ('For 14'), the government decided to raise the minimum wage by 10 per cent as of 1 January 2023.

The second reason why the indexation mechanism does not result in a fixed ratio between the minimum wage and the average wage is that actually earned wages deviate from collectively agreed wages. Usually, negotiated wages lag around 0.5 per cent behind actual wages due to wage increases that are not part of the negotiated pay rise, for example, as a result of a promotion or a bonus.

In 1969, the minimum wage amounted to 59 per cent of the mean wage level and 65 per cent of the median wage. This relative level remained more or less constant during the 1970s. In the 1980s the relative level declined because of the cut in 1984 and the subsequent freeze of the minimum wage. In 1990, the relative level of the minimum wage fell to 51 per cent of the mean and 56 per cent of the median wage. During the 1990s and early 2000s, it declined further to 42 per cent of the mean and 49 per cent of the median in 2007, mainly because negotiated wages were lagging actual wages. Since 2005, the relative level of the minimum wage has remained roughly stable. In 2023, it stood at 41 per cent of the mean and 49 per cent of the median.

In real terms, taking inflation into account (using constant 2024 euros), the annual amount of the minimum wage increased from €19,800 in 1964 to €31,900 in 1979 and then declined again to a lowest level of €24,400 in 1997. Since then, it has increased only slightly to €26,200 in 2023. Thus, in real terms, employees who earn the minimum wage nowadays earn 23 per cent more than in 1969, when the statutory minimum wage was introduced, and 18 per cent less than in 1979, when it reached its peak level.

Collective bargaining regime in the Netherlands

The legal basis for collective bargaining in the Netherlands is fairly limited. The most important legislation was enacted in the first half of the 20th century and has not changed fundamentally since then. It includes the Act on collective bargaining agreements (*Wet cao*) of 1927 and the Act on mandatory extension of the regulations of collective bargaining agreements (*Wet avv*) of 1937. The first act states that an employer or employers' association can conclude a collective agreement with any trade union, irrespective of the number of its members and its independence, which then basically applies to all employees of the (organised) employer(s). The Act on mandatory extension allows the Minister of Social Affairs and Employment to impose a sectoral (multi-employer) collective agreement on all companies in the sector if at least 55 per cent of the employees in the sector are already covered because they are employed by an organised employer. Although there are some additional conditions, in practice, mandatory extension is semi-automatic if the required threshold of 55 per cent is reached.

For a long time, around 80 per cent of all employees in the Netherlands were covered by a collective agreement. But since the beginning of this century, bargaining coverage has declined. In 2022 it stood at 72 per cent. There is substantial variation in bargaining coverage between sectors. There is nearly full coverage (90–100 per cent) in the public sector, such as health care, education, state government and local government. Agriculture, manufacturing, construction, accommodation and food service activities also have high bargaining coverage (around 70–80 per cent). But bargaining coverage is below 20 per cent in mining, information and communication and in professional, scientific and technical activities. It lies between 40 and 50 per cent in financial and insurance activities, real estate activities, and arts, entertainment and recreation. Although the number of company agreements (489 in 2023) is much larger than the number of sectoral agreements (178 in 2022), the latter are much wider in scope. Hence, nine out of ten employees to which a collective agreement applies are covered by a sectoral agreement. This ratio has not changed much in recent decades.

According to a recent study, the main cause of the decline of bargaining coverage from 75.8 per cent in 2010 to 71.8 per cent in 2022 is probably a decline in membership among employers. Although there are no exact figures on 'employer density' – the share of people employed by an employer that is a member of an employers' organisation – this density is estimated to have declined from 67 per cent in 2010 (and probably even higher in earlier years) to 54 per cent in 2021. In particular in rapidly growing sectors with a large share of start-ups, such as information and communication, an increasing share of employees are employed by a non-organised company. This may be because new companies often do not join an employers' organisation or because non-organised companies grow faster than organised ones. Simultaneously, in sectors in which bargaining coverage is high and relatively stable, such as manufacturing, transport and construction, employment is stagnating. The exception to this are public services, such as education, health care and public administration, which combine high and stable bargaining coverage with steady employment growth.

- Validity of collective agreement after expiry

In general, collective agreements still apply after expiry, although this is not a legal requirement. This is because in most companies and sectors the collective agreement is explicitly included in the individual employment contract (so-called incorporation). Because

the individual contract does not change as the collective agreement expires, the old agreement remains still valid. However, contractual wages are 'frozen' until a new collective agreement comes into force.

- Exclusion of certain groups of employees from bargaining

Basically, all employees are included in collective bargaining, but in many collective agreements top management executives are explicitly excluded. Moreover, temporary agency workers are formally not covered by the collective agreement of the hiring firm but by a special collective agreement for the temporary work agency sector. Nevertheless, this agreement stipulates that agency workers are entitled to the same wage as similar permanent staff of the hiring firm (but not to other terms of employment).

Self-employed or own-contract workers – an increasing proportion of the labour force – are usually not covered by collective agreements, although there are some exceptions (for example, independent architects).

- Collective bargaining clauses in public procurement

To date, public procurement does not include clauses on collective bargaining. The reason is that collective bargaining is considered to be purely voluntary and therefore should not be required by the government.

- Right of access to workplaces for trade unions

There is no legal right for unions to access the workplace. This is because, in general, unions do not have a position within companies, which is the domain of works councils. Nevertheless, many collective agreements include facilities for trade union activities at the workplace, such as meeting rooms and means of communication.

- Protection of workers and trade union representatives from dismissal and discrimination

There is no legal protection of union members and/or union representatives from dismissal and discrimination. However, for a slight majority of employees who are covered by a collective agreement, the agreement includes a clause on protection of union members against dismissal and detrimental treatment.

- Obligation for employers to engage in collective bargaining with trade unions

Because the Dutch industrial relations system has a strong voluntary character, there is no obligation for employers to engage in collective bargaining with trade unions. If a company that is not covered by a mandatorily extended sectoral agreement refuses to negotiate with a union, the union can try to force the employer to start negotiating only by means of industrial action, such as a strike. However, this seldom happens because, on one hand, most employers are willing to engage in collective bargaining, and, on the other, unions are often too weak to force an employer to sit down at the bargaining table.

Transposition of the European Directive on Adequate Minimum Wages in the EU

On 23 April 2024, the government submitted a law to Parliament to adapt the Act on minimum wages to the European Directive. The government proposed a minimal adjustment by adding four criteria to the law that will be used in assessing the level of the minimum wage every four years: the purchasing power of the minimum wage, the general level and distribution of wages, the percentage wage growth, and the level and evolution of productivity. The law passed the Second Chamber of Parliament on 8 October 2024, but the First Chamber decided to postpone the vote until there is more clarity on the competence of the European Union.

In the spring of 2025, the government had not taken any concrete measures to implement the requirements of the Directive regarding collective bargaining. On 19 November 2024, the Minister of Social Affairs and Employment informed Parliament that he had started an 'exploration' of the current state of the collective bargaining system by consulting representatives of trade unions and employers' associations and a number of experts. He intends to inform Parliament further in the middle of 2025.

Collective bargaining and minimum wage regime in Poland

Sławomir Adamczyk, NSZZ Solidarność

Minimum wage regime in Poland

The minimum wage has a long tradition in Poland, dating back to the mid-1950s. However, it only gained particular political significance in the course of the political and economic changes in the early 1990s and later. The statutory minimum wage was first introduced in Poland in 1956, under communist rule, and its setting was the responsibility of the Council of Ministers. Minimum wage setting was part of a complex wage grid system, affecting the wage dynamics of better-paid workers. In 1990, at the outset of the political and economic transition and the departure from the authoritarian system, a new principle of minimum wages was adopted., It became a separate amount not linked to any wage grid. In 1997, the new Constitution was adopted, which guaranteed the existence of the statutory minimum wage in the new socio-political reality. Article 65 of the Constitution states that 'a minimum level of remuneration for work, or the manner of determining its level, shall be established by law'. The minimum wage is uniform throughout the country and is independent of a worker's age. It is not differentiated by region, industry, economic sector, occupational group or qualifications.

The legal basis of the Polish minimum wage system is the Act on the minimum wage for work of 10 October 2002 (*Ustawa o minimalnym wynagrodzeniu za pracę*). It stipulates that the minimum wage shall be set once a year. By 15 June each year, the government must submit to the Social Dialogue Council (*Rada Dialogu Społecznego,* RDS) a proposal for an adjustment of the minimum wage based on general economic data, such as economic growth, inflation or the development of the average monthly wage. The Social Dialogue Council then has one month to agree on an increase in the minimum wage. If the trade unions and employers' organisations represented in the Social Dialogue Council cannot reach agreement, the government shall decide unilaterally to adjust the minimum wage, which shall be the rule rather than the exception. In the absence of an agreement between trade unions and employers' organisations the government cannot raise the minimum wage less than the proposal sent to the RDS. However, it can raise it higher than that, for example, for political reasons (proximity to elections) or in response to trade union arguments. This has happened relatively often in recent years. It should be noted that the Act refers to the setting of two types of minimum wage. A monthly minimum wage is set for employees. On the other hand, a minimum hourly rate was introduced in 2017 for work performed under certain civil law contracts (mandate contracts, applied to natural persons who do not perform an economic activity) and for the solo self-employed.

The minimum wage includes not only the basic salary, but also other pay components, such as bonuses and awards. It is therefore the total remuneration of an employee for the nominal working time in a given month. The following categories of employees are exempted from the minimum wage. First, persons performing simple agricultural work, so-called 'harvest helpers' (harvest assistance contracts). The legislation does not indicate any reference point for determining their remuneration. Second, young workers (persons under 18 years of age) combining study with occupational training. The remuneration of young workers is set by regulation. In the first year of apprenticeship no less than 8 per cent of the average wage, in the second year no less than 9 per cent and in the third year no less than 10 per cent. Third, people employed within the framework of active state policy measures against unemployment (traineeships for the registered unemployed). Their remuneration during the internship period is 120 per cent of unemployment benefit.

If the minimum wage is lower than 50 per cent of the average wage in the national economy, a special algorithm is applied, specifying that the minimum wage in a given year shall be increased at least in line with projected inflation and additionally increased by two-thirds of the projected GDP growth. If the price index forecasted for the following year (that is, the average annual price index of total consumer goods and services adopted for drafting the budget law) is at least 105 per cent, the minimum wage and the minimum hourly rate will be increased twice a year on 1 January and on 1 July.

The criteria taken into account when setting an increase in the minimum wage include: the level of inflation from the previous year, the inflation forecast, the amount of the average wages in the first quarter of the year in which negotiations take place, information on household spending in the previous year, information on national economic conditions (for example, the size of the budget), and the rate of real projected GDP growth.

On 1 January 2024, the gross minimum wage was increased to PLN 4242 per month and to PLN 4300 on 1 July 2024. The increase in the minimum wage in July followed earlier inflation, as described above. The minimum hourly rate was PLN 27.70 and PLN 28.10, respectively. On 1 January 2025, the minimum wage was increased by 7.6 per cent to PLN 4,626 and the minimum hourly rate by 7.5 per cent to PLN 30.2. The level of the minimum wage in relation to the average wage has been quite high in recent years. According to the OECD, in 2023 the minimum wage was 54.71 per cent of the average wage of a full-time employee. Until 2023, it was difficult to establish the real relationship of the minimum wage to the median, as the latter was reported by the Central Statistical Office (GUS) only once every two years for a selected month (October). As of October 2023, the GUS began to publish monthly data on median wages for the first time. Only when the averaged index for 2024 is officially published will it be possible to establish the ratio of the minimum wage to the median. However, data published for the following months of 2024 suggest that it could be as high as 66 per cent. Thus, the reference values of 60 per cent of the median wage and 50 per cent of the average wage specified in the Adequate Minimum Wage Directive are both met. According to the latest estimates, the number of people earning the minimum wage has risen to 3.6 million, which is more than 21 per cent of the almost 16.9 million employed in the national economy. This trend is leading to a progressive flattening of the wage structure.

Collective bargaining regime in Poland

The first law on collective bargaining was adopted in Poland in 1937. Despite the introduction of an authoritarian political system based, among other things, on a centrally managed economy after the Second World War, it formally remained in force until 1974, when labour law was codified. Throughout the period of the authoritarian system, collective agreements existed in name only, as they were intended de facto only to organise the working conditions of particular industries or occupations and were under the full control of the communist authorities. After the political breakthrough of 1989 and the adoption of the Trade Union Act and the Employers Organisations Act, the Labour Code (*Kodeks Pracy*) was thoroughly amended. In 1994, Section 11 was introduced into the Labour Code, regulating the conclusion of collective agreements at two levels: company and supra-company. At the same time, collective agreements became a source of law in their own right. Collective agreements are negotiated on the employee side exclusively by trade unions and their associations, and on the other side, by individual employers and their organisations. In the case of a sector financed directly from the state or local government budget, the relevant minister or local government, respectively, can be a party to a supra-company agreement. Collective bargaining has *erga omnes* effect; in other words, a negotiated and signed collective agreement covers the entire workforce, regardless of whether individual employees belong to a particular trade union. Poland is characterised by highly decentralised collective bargaining conducted mainly at the level of individual companies. Over the past 20 years, the number of sector-specific, supra-company collective agreements has declined dramatically.

Collective bargaining coverage has never been very high in Poland. This is because the majority of employees (around 70 per cent) are employed in SMEs, and almost half of them in micro-enterprises. This means that the lack of established effective sectoral bargaining also results in low coverage of collective bargaining in general. The vast majority of the more than a dozen national sectoral agreements that emerged immediately after the system transformation were transformed agreements from the communist era. They have been gradually terminated by the newly established sectoral employers' organisations. As a result, the number of such agreements has shrunk to a minimum, leading to a decline in collective bargaining coverage from around 30 per cent in the 1990s to 13 per cent today. The declining number of company agreements has also contributed to this decline, with fewer than 8,000 of the approximately 14,000 or so ever concluded still in force.

There are many reasons for the collapse of the collective bargaining system in Poland. The influx of FDI means that transnational corporations have become serious players in many sectors of the Polish economy. Acting in employers' organisations (sometimes several at the same time) they try to block sectoral bargaining initiatives. This approach is welcomed by domestic businesses, which generally do not take collective bargaining very seriously. On the other hand, for years no ruling political leaders, regardless of their ideological inclinations, have tried to promote the benefits of collective bargaining and, moreover, the state shows no interest in being a party to such sectoral agreements for the so-called budgetary (public) sphere, even though it is itself the employer there. This has been described by researchers as 'hostile state neutrality'. The situation is not helped by the excessive bureaucratisation of the whole process of negotiating and concluding collective agreements. This is one of the reasons why a draft of a new law on collective bargaining has emerged, which is partly intended to help remedy the situation, while also contributing to the implementation of Article 4 of the Adequate Minimum Wage Directive. It should be noted that the Labour Code contains extensive and fairly comprehensive regulation of working conditions (in many cases dating back to communist times), which limits the interest of trade unions in developing collective agreements.

– Validity of collective agreements after expiry
  The vast majority of collective agreements are concluded for an indefinite period. According to the trade unions, this is intended to ensure their permanence. However, this does not prevent the termination of such agreements and the expiry of their provisions. Until 2002, the Labour Code provided that, once a collective agreement is terminated, its provisions shall remain in force until a new collective agreement is concluded, unless the parties decide otherwise. This provision was challenged by one of the employers' organisations before the Constitutional Court, which ruled that the provision was incompatible with the Constitution and ILO Convention No. 98, as it constituted a restriction on the principle of voluntary bargaining and violated the equality of the parties in negotiating changes to the content of the collective agreement. This jurisprudence was upheld by the Supreme Court. This means that the provisions of the collective agreement expire three months after its termination (unless the parties agree otherwise).

– Exclusion of certain groups of employees from bargaining
  Collective agreements can cover all employees with the exclusion of certain groups of people, such as state and local government employees who are appointed, judges, prosecutors and members of the civil service corps. In the case of the latter group, NSZZ Solidarność tried (unsuccessfully) to challenge the exclusion before the Constitutional Court. The ruling was that there is a stronger right of association and a weaker right to collective bargaining in the legal system, and the latter may be subject to restrictions because a trade union is also a political organisation, and collective bargaining for the civil service would be contrary to the principle of being apolitical.

  Moreover, collective agreements may also cover the solo self-employed and those employed under civil law contracts, as these categories of persons were granted the right of association following the amendment of the Trade Union Act in 2018. In practice, however, these are isolated cases.

- Collective bargaining clauses in public procurement
  There are no clauses on collective agreements in the Public Procurement Act. The trade unions intend to take up this issue in discussions with the employers on the Action Plan to promote collective bargaining as referred to in Article 4 of the Adequate Minimum Wages Directive
- Right of access to workplaces for trade unions
  The Trade Union Act only guarantees employers' obligation to make available the premises necessary for union activities. The details (size, location, equipment) should be agreed through negotiations. An obvious problem at the moment is company trade unions' lack of online access to employees, which is crucial in large workplaces, for example, when a strike ballot is needed. Employers tend to refer to the GDPR as a pretext for denying access. Trade unions consider that the lack of regulation in this regard is a violation of Article 2(1) of ILO Convention No. 135. The access of external trade union representatives and experts (for example, during the negotiation of a collective agreement) to the workplace is also a serious problem. According to the trade unions , this is a violation of ILO Recommendation No. 143 indicating that trade union representatives who are not employed by the company but whose union has members therein should be granted access to such a company.
- Protection of workers and trade union representatives from dismissal and discrimination
  Protection against discrimination based on trade union membership or trade union activities is enshrined in Article 11.3 of the Labour Code, which states that any discrimination in employment, including on the grounds of trade union membership, is unacceptable. The Trade Union Act introduces employment protection (against dismissal) for a certain number of trade union activists, which depends on the size of the respective company-level union structure. In the case of employees who are union members (as well as non-unionised persons who have asked a company-level union structure to defend their rights) there is an obligation on the employer to consult the trade union before dismissing them.
- Obligation for employers to engage in collective bargaining with trade unions
  Such an obligation exists in the Labour Code. It applies both to the negotiation of a new collective agreement in a particular company/industry and to the re-negotiation of an existing one. None of the parties that are legally entitled to conclude an agreement can refuse the other party's request to enter into negotiations. This does not imply a requirement to conclude a collective agreement and, in practice, many negotiations fail, discouraging trade unions from making such attempts. Trade unions with a small number of members do not demand negotiations leading to a collective agreement at all, on the assumption that they are not in a position to exert effective pressure, so the employer will not agree to anything 'attractive' anyway, apart from replicating the Labour Code.

Transposition of the European Directive on Adequate Minimum Wages in the EU

In summer 2024, the Polish government presented two draft laws to transpose the Directive into law. The first was a revision of the Minimum Wage Act, as here it was considered that only minor additions were needed. With regard to Article 4 of the Directive and in connection with the general need to revitalise the collective bargaining system, a draft of a completely new the Collective Agreements Act was presented. Following consultations in the Social Dialogue Council, both drafts are still awaiting approval by the government and submission to Parliament (as at 30 April 2025). As a result, it is difficult to assess what the key changes will be, although with regard to collective agreements the trade unions consider the government proposals to be far from sufficient.

Collective bargaining and minimum wage regime in Portugal

Maria da Paz Campos Lima, ISCTE - University Institute of Lisbon

Minimum wage regime in Portugal

Portugal's statutory minimum wage was introduced following the Carnation Revolution, which marked the end of nearly 50 years of dictatorship. It was established through Decree-Law No. 217/74, published on 27 May 1974. The 1976 Portuguese Constitution (Constituição da República Portuguesa) formalised its institutionalisation; Article 59 assigned the state responsibility for determining and regularly updating the national minimum wage. The trade unions have strongly supported the statutory minimum wage from the outset, recognising its role in preventing in-work poverty, reducing inequality and ensuring decent living conditions. The trade union confederations CGTP and UGT have consistently advocated statutory minimum wage increases, viewing them as complementary to collective bargaining.

The current framework is based on Article 59 of the Portuguese Constitution and regulated by the 2009 Labour Code (Law 7/2009, 12 February, Articles 273-275). Under Article 273, the government sets the minimum wage through a Decree-Law after consulting the tripartite Permanent Commission of Social Concertation (CPCS). This tripartite body includes the government, the four employer confederations, the CIP (Confederation of Portuguese Business), the CCP (Portuguese Confederation of Commerce and Services), the CAP (Portuguese Confederation of Farmers) and the CTP (Confederation of Portuguese Tourism); and the two trade union confederations, the CGTP (General Confederation of Portuguese Workers) and the UGT (General Union of Workers).

During the period of Troika intervention in the economy (2011–2014), the government unilaterally froze the minimum wage and blocked the extension of collective agreements, limiting both wage adjustments and collective bargaining coverage. After this period, social partner consultation and annual updates to the minimum wage were re-established. Over the past decade, consultations within the CPCS have resulted in tripartite agreements, some focused specifically on mandatory minimum wage increases (CES, 2014, 2016) and other broader agreements, including minimum wage updates (CES, 2017, 2022, 2023, 2024). While the UGT signed all these agreements, the CGTP opposed them, arguing that the proposed increases were insufficient to protect workers' purchasing power. The CGTP also criticised the fiscal and other incentives granted to employers to encourage compliance with these agreements.

The monthly minimum wage rate is revised annually. By law, it corresponds to 14 payments, as all employees are entitled to both a Christmas bonus (13th monthly payment) and a holiday bonus (14th monthly payment), granted on top of their regular holiday pay. The most recent update set by Decree-Law no. 112/2024 of 19 December fixed the monthly minimum wage at 870 euros (€) from January 2025, which corresponds to an average monthly minimum wage of €1,015.

Under Article 275 of the Labour Code, the mandatory minimum wage is subject to reductions for specific groups. Apprentices and trainees enrolled in certified training programmes receive a reduced minimum wage (20 per cent reduction) for a maximum of one year; workers with reduced work capacity due to disability may have a reduction proportional to the difference between full work capacity and their effective capacity for the job, provided this difference exceeds 10 per cent, up to a maximum reduction of 50 per cent.

Article 59 of Portuguese Constitution stipulates that the determination and adjustment of the statutory minimum wage must consider workers' needs, the cost of living, productivity, economic stability and economic development. Additionally, Article 273 of the Labour Code includes criteria related to income and price policies. The 2016 tripartite agreement and subsequent wage updates also considered competitiveness, economic growth, employment, poverty reduction and wage inequality. Since 2022, tripartite concertation agreements have focused not only on updating the minimum wage but also on establishing a reference for average wage increases to guide collective bargaining.

Indicative reference criteria used at international level, such as 60 per cent of the gross median wage and 50 per cent of the gross average wage, have never been used as benchmarks in Portugal when determining the level of the minimum wage. When it was created, the minimum wage was set at a relatively high level, equivalent to 65 per cent of the median wage, but its relative value has declined over the following decades, reaching its lowest level – below 45 per cent – in 1998. Since the early 2000s, minimum wage growth has generally outpaced overall wage growth, except between 2011 and 2014, when it was frozen. This trend resulted in a continuous increase in its relative value, reaching 66 per cent of the median wage and 47 per cent of the average wage in 2022 (Müller and Schulten, 2024). However, the use of this double threshold as a criterion for adequate minimum wages can be a problem in countries in which median and average wage levels are already low, as has been the case in Portugal over the years.

In recent years, statutory minimum wage increases have outpaced wage growth in collective agreements, underscoring its importance in raising average wages (Martins, 2019) and in reducing inequality (Campos Lima et al, 2021; Oliveira, 2023). However, this also highlights the sluggishness of collective bargaining – despite the high coverage of collective agreements in force – in securing better wages, particularly for mid- and high-skilled workers (Cantante and Estevão, 2022).

Collective bargaining regime in Portugal

Collective bargaining coverage in Portugal has remained high, driven by the predominance of sectoral collective agreements, combined with the possibility of extending collective agreements to workers and companies not affiliated to the signatory organisations. Portugal has among the highest collective bargaining coverage in the EU. In 2021, adjusted bargaining coverage was 77.2 per cent (OECD/AIAS/ICTWSS, 2021). The adjusted bargaining coverage rate measures the number of employees covered by collective (wage) agreements in force as a proportion of all employees with the right to bargain, defined as the proportion of employees who are not excluded from collective bargaining. According to the administrative survey Quadros de Pessoal (Estatisticas em Sintese-Quadros de Pessoal 2024), the coverage of collective agreements corresponded to 76.7 per cent in 2023. However, the coverage of updated and new wage agreements has been much lower, at 18.5 per cent in 2021 and 24.1 per cent in 2022 (Relatório Annual sobre a Evolução da Negociação Coletiva em 2023).

A number of recent measures have been implemented in an attempt to improve collective bargaining coverage and dynamics. The 2022 tripartite agreement (CES, 2022) introduced tax incentives for employers to comply with wage increase benchmarks set for 2023. Employers were entitled to corporate tax deductions (IRC) when meeting at least one of the following conditions: signing or renewing collective agreements within the past three years; increasing annual wages aligned with the benchmarks set out in the tripartite agreement; and reducing the wage gap between the highest-paid and the lowest-paid deciles. The 2023 tripartite agreement (CES, 2023) expanded eligibility for this measure to companies covered by the extension of collective agreements.

Additionally, the amendment to the Labour Code introduced under the *Decent Work Agenda* (Law 13/2023 of 3 April) included a new provision on incentives to enhance collective bargaining for companies signing or renewing collective agreements within the past three years: preferential access to public funding, European funds (where applicable), public procurement opportunities and tax benefits (Article 485).

– Exclusion of groups of employees from collective bargaining/collective agreements
  In Portugal all employees have the right to collective bargaining. However, there is a significant difference between employees in the private sector (and in state-owned companies), and employees of the public administration. In public administration, employees have the right to collective bargaining, but the law limits the range of topics collective agreements can include, excluding core provisions of wage setting, such as the basic structure of careers, the system of career progression and promotions, and wage levels, which are subject to statutory regulation (General Law of Public Functions).
  The 2023 amendment to the Labour Code, introduced under the Decent Work Agenda, extended the provisions of collective agreements to outsourced workers (Article 498-A). It established that the collective agreement binding the beneficiary of the service applies to the service provider if it is more favourable. Additionally, this amendment extended bargaining rights to economically dependent self-employed workers (Article 10-A), granting them: the right to benefit from collective agreements in force within the same sector, profession and region; the right to be represented by a trade union or works council; the right to negotiate specific collective agreements for the self-employed through trade unions; and the right to benefit from existing collective agreements, as well as from administrative extension of collective agreements or arbitration decisions and consequent minimum working conditions. However, implementation of these rights will require additional specific regulations (Article 10-A, paragraph 2), which to date have not been published.

– Collective bargaining clauses in public procurement
  Portuguese legislation does not explicitly mandate the inclusion of collective agreement clauses in public procurement. Public contracting entities, however, must ensure that contracts comply with applicable labour laws, including provisions in collective agreements. This guarantees that workers' rights are supported and that the conditions laid down in collective agreements are observed in public contracts. Additionally, the amendment under the Decent Work Agenda gives preferential public procurement opportunities to companies signing or renewing collective agreements within the past three years (Law 13/2023 of 3 April, Article 485).

– Validity of collective agreements after expiry
  The 2023 amendment to the Labour Code also introduced key changes to the rules on terminating collective agreements, which limit to a certain extent the possibility of unilateral expiry of collective agreements (Articles 500, 500-A and 501-A), a critical problem for trade unions and collective bargaining in Portugal. A termination notice (*denúncia*) will be invalid if it lacks economic justification, structural reasons or evidence of maladjustments, in which case the collective agreement shall remain in force. It introduces a new type of arbitration 'to assess the notice for termination of a collective agreement', allowing one of the signatory parties of the agreement to request an independent review of termination grounds from the President of the Economic and Social Council (CES). If the arbitration court finds the grounds to be invalid, termination is void. Furthermore, either party (trade unions or employers' associations) can request 'necessary arbitration' under certain conditions, the agreement remaining valid until the arbitration decision is issued (Campos Lima and Carrilho, 2024).

– Right of access to workplaces for trade unions

The right of access to workplaces for trade unions is protected by the Labour Code. The 2023 Labour Code amendment under the Decent Work Agenda clearly states that this right shall also apply to trade union activities in companies in which trade unions have no affiliated members (Article 460, paragraph 2). This involves the right to hold workplace meetings (Article 461), access to a meeting space supplied by the employer (Article 464), and the right to post and distribute trade union information (Article 465). Furthermore, unjustified obstruction of union activities by an employer, regardless of the presence of union affiliated members, is considered a very serious offense (Article 460, paragraph 3).

– Protection of workers and trade union representatives against dismissal/discrimination
The Portuguese Constitution and the Labour Code protect workers against any kind of discrimination. Employers are forbidden to discriminate based on factors such as gender, race, age, nationality, disability, sexual orientation, religion, political beliefs or union affiliation. Additionally, workers' representatives (Comissões de Trabalhadores) and trade union representatives are protected against discrimination and dismissal (Labour Code, Articles 406 and 410).

– Obligation for employers to engage in collective bargaining
Article 56 of the Constitution states that trade unions have the right to conduct collective bargaining. The Labour Code outlines the procedures and obligations of trade unions and employers' associations including the employer's duty to negotiate with trade unions in good faith (Articles 487 and 489). Non-compliance with this duty may constitute a serious offense. The obligation to negotiate does not entail an obligation to reach an agreement, however.

Transposition of the European Directive on Adequate Minimum Wages in the EU

On 28 November 2024, the government presented to the parliament Bill 43/XVI/1 (Proposta de Lei 43/XVI/1 - Procede à transposição da Diretiva (UE) 2022/2041, relativa a salários mínimos adequados na UE) concerning the transposition of the Directive into national legislation, amending the Labour Code and the General Law of Public Functions. The bill was voted, in general terms, in the parliamentary plenary on 29 January 2025. A detailed discussion was set to continue before final approval. However, this process was halted when the President of the Republic dissolved the Parliament on 19 March 2025 and called for new elections. This decision followed the resignation of Portugal's minority government after losing a vote of confidence in Parliament. The parliamentary elections are scheduled for 18 May 2025. After the elections, a new proposal for the official transposition of the Directive must be presented, extending the delay in its implementation. Nevertheless, the legal adjustments envisaged by the transposition will not substantially change the legal framework concerning the minimum wage and the collective bargaining regime in Portugal.

Collective bargaining and minimum wage regime in Romania

Ștefan Guga, Syndex Romania

Minimum wage regime in Romania

Romania has had a statutory minimum wage, applying to all employees, since before the regime change in 1989. The importance of the minimum wage has grown significantly over the past 15 years, however, and today it is one of the most consequential public policy interventions for both employees and the Romanian labour market. This growing significance can be explained in terms of three main factors:

(i) Employers' general opposition to wage increases – this has made public policy intervention increasingly necessary over the years to bring wages into line with labour market realities. This was exacerbated by the pursuit of low wages as the country's main competitive advantage in recovering from the Great Recession.
(ii) The decentralisation of collective bargaining and the elimination of sectoral and national collective bargaining at the beginning of the 2010s, which made the statutory minimum wage the only large-scale measure with a collective impact on wages (apart from public sector wage setting).
(iii) The significant increases of the statutory minimum wage (from 160 euros (€) gross in 2012 to €815 gross in 2025[1]) and the accompanying increases in the number of employees earning the minimum wage (from 500,000 in 2012 to over 1.4 million in 2023). This means that minimum wage policy today has a much broader direct and immediate impact than it had a decade and a half ago.

The minimum wage is regulated by the Labour Code (Art. 164). The law defines the statutory minimum wage as 'the country-wide guaranteed minimum gross basic wage' (*salariul de bază minim brut pe țară garantat în plată*). The minimum wage is guaranteed for all full-time employees (8 hours per day, 40 hours per week), while part-time employees are paid a pro rata minimum wage. For 2025, the gross minimum wage was set at RON 4050 (€815) per month. Note that this corresponds to a RON 2574 (€517) net wage, after the payment of social contributions (health care and pension) and income tax. The minimum wage for part-time employees is calculated by multiplying the number of hours by the gross hourly minimum wage of RON 24.496 (€4.93). The minimum wage does not include any bonuses or benefits, it is a basic wage.

Legally, no employee may be paid less than the minimum wage; Romanian legislation does not allow for any exceptions. Conversely, the law forces employers to pay *higher* minimum wages in some situations:

– For all employees whose individual labour contracts run for more than two years, employers are obliged to pay more than the minimum wage. The law does not stipulate how much more. This provision was introduced in 2022 and was intended to address the fact that, as the minimum wage was raised, more and more employees were paid at that level. At the time, approximately one-third of the total number of full-time individual labour contracts stipulated a basic wage equal to the minimum.
– Employees in the construction sector have a higher gross minimum wage, RON 4582 (€921). This measure was introduced in 2018, allegedly to address labour shortages and

[1] Note that important fiscal changes were made in 2018 (employers' social contributions were eliminated almost entirely and employees' social contributions were increased significantly). The gross minimum wage was raised by 20 per cent to compensate for these measures, without any impact on net after-tax income or total labour costs. However, this has made wage growth in Romania seem much stronger than in reality.

the widespread use of informal labour in construction. Employees in the construction sector also benefitted from certain fiscal exemptions (lower pension contributions, no income tax), which were eliminated as of January 2025.
– Employees in agriculture and the food industry also had a higher minimum wage (and tax exemptions, similar to the construction sector) between 2022 and 2024. This measure was intended to address labour shortages in sectors considered increasingly important ('key') during and after the Covid-19 pandemic. Starting from January 2025, this measure no longer applies.

These exceptions show that the minimum wage is a key labour market policy for the Romanian government. In this way, the government has tried to compensate for the lack of sectoral and national collective bargaining and various 'dysfunctionalities' of the labour market (wages lagging behind despite growing labour shortages).

Legally, the minimum wage is set by Government Decision, after consultations with nationally representative trade unions and employers' confederations in the National Tripartite Council for Social Dialogue. De facto, the government has firm control over minimum wage policy and the social partners have limited legal leverage apart from formal consultation. This has meant that the evolution of the minimum wage over time has been somewhat haphazard, with periods of both strong growth and relative stagnation. Over the past 15 years, the strongest growth was registered in 2015–2017, when the minimum wage grew each year by over 15 per cent above the inflation rate. Since then, the minimum wage has largely kept pace with overall wage growth in Romania.

Law 174/2020 stipulates – although it has never been enforced – that minimum wage policy must prioritise the value of 'the consumption basket for minimal decent living', which effectively means that the minimum wage should be equal to the living wage. To date the Romanian government has ignored this provision.

Transposition of the European Directive on Adequate Minimum Wages at the end of 2024 brought some significant legal changes to minimum wage policy in Romania:

– The minimum wage is set once a year, starting with 1 January.
– The government is supposed to use a specific procedure to set the minimum wage. The procedure should include an assessment of certain economic and social indicators, as well as an impact assessment of minimum wage policy. At the end of January 2025 (the time of writing), the procedure had not yet been adopted. A preliminary proposal presented in 2024 was to increase the minimum wage annually by a rate equal to the sum of inflation and labour productivity growth. Note that this was exactly the formula used by the government in 2019 but subsequently abandoned.
– The minimum wage is supposed to be set at a level between 47 and 52 per cent of the average wage. The Labour Code stipulates that this interval is approximate ('*orientativ*'). The minimum wage for 2025 was set at 47 per cent of the average wage estimated by the National Commission for Strategy and Prognosis for 2025. However, the real average wage was significantly higher at the end of 2024 than the Commission's projections for 2025 – the 2025 minimum wage was in fact 46 per cent of the November average wage. The ratio between the minimum wage and the average wage will continue to decline throughout 2025.

Collective bargaining regime in Romania

Since January 2023, collective bargaining in Romania has been regulated by Law 367/2022, replacing Law 62/2011. The same piece of legislation regulates the functioning of trade unions and employers' organisations, as well as social dialogue broadly speaking. The main purpose of Law 62/2011 was to decentralise collective bargaining, which since then has taken place almost exclusively at the company level. Law 367/2022 ostensibly attempts to reverse the situation, notably by fostering sectoral bargaining. More than two years after the new law's

entry into force, the situation has not changed in any meaningful way and collective bargaining is almost always confined to the company level.

There is no official data source on collective bargaining coverage. The latest ICTWSS/OECD database mentions a 15 per cent coverage rate, which is a realistic estimate. The majority of employees covered by collective agreements are in the public sector (education, health care, public administration). By contrast, most private sector employees are not covered by any collective agreement. The impact of Law 62/2011 on collective bargaining coverage was massive because it removed the possibility of having a national collective agreement. The previous agreement expired in 2010 and was not renewed. This means that, technically speaking, before 2011 collective bargaining coverage was 100 per cent.

Law 62/2011 was certainly the most important immediate cause of the decline in collective bargaining coverage, but it was not the only one. The presence of trade unions at company level has become increasingly weaker over time, as the economy has shifted from one dominated by large state-owned enterprises to one dependent on foreign capital and the proliferation of small- and medium-sized enterprises. In the private sector, stronger trade unions can generally be found in older state-owned companies that were privatised and still exist today (primarily in industry, but also in services, such as banking), but important breakthroughs have been made in the IT sector and in food retail. Such positive examples nonetheless remain isolated. Sectoral federations tend to be quite weak across the private sector, but can be quite strong in the public sector.

Employers are generally opposed to the very idea of collective bargaining and tend to refrain from joining sectoral organisations. The weakness of sectoral organisations on both the trade union and employer sides makes sectoral collective bargaining particularly difficult, which is why it is still not happening despite a legal obligation introduced in 2023. The banking sector is an exception; they have had a sectoral agreement since April 2024.

Law 367/2022 is clearly aimed at increasing collective bargaining coverage, probably in part in anticipation of the implementation of the European Directive on Adequate Minimum Wages, which sets a target of 80 per cent coverage. It does so by removing many of the restrictions on sectoral bargaining from Law 62/2011 and, at least formally, making sectoral bargaining (but not the signing of agreements) mandatory.

Key structural features of the Romanian collective bargaining regime include:

- Validity of collective agreements after their expiry
  The provisions of a collective agreement no longer apply after it expires. Trade unions sometimes manage to include in their agreements a clause ensuring that they still apply after they expire and until new ones are negotiated, but this is very rare.
- Exclusion of groups of employees from collective bargaining
  Legally, all employees have the right to collective bargaining. The law stipulates a specific kind of agreement for public servants, but the difference is mostly formal. The law does, however, exclude certain employees (magistrates, military personnel) from joining trade unions.
- Collective bargaining clauses in public procurement
  No such clauses are currently in force in Romania, nor have there ever been serious discussions to introduce them.
- Right of access to workplaces for trade unions
  One of the significant changes introduced by Law 367/2022 was the granting of access to companies where trade unions have members (the previous law did not stipulate any such rights). No minimum number of members is mentioned, which in theory means that it applies to all companies in which trade unions have members. The law states that while trade union officials are on a company's premises, they have to abide by its internal regulations. The implications of this still relatively new legal provision are unclear. Normally, it should contribute significantly to unionisation efforts.

– Protection of workers and trade union representatives against dismissal/discrimination
The Labour Code (Art. 220) stipulates that trade union leaders shall be legally protected 'against any form of conditions, constraints or limitations in exercising their mandate'. It also mentions that during the period of their trade union mandate they cannot be dismissed for reasons related to it. Law 367/2022 (Art. 10) also stipulates that employers cannot discriminate against trade union members (based on this membership) when it comes to dismissals, refusals to hire, targeting for transfer or demotion, refusal of training opportunities, or any other prejudicial action.

– Obligation for employers to engage in collective bargaining
Legally, collective bargaining is mandatory in all companies with at least 10 employees (Law 367/2022 lowered this threshold from the 21 employees stipulated in Law 62/2011). According to the new law, sectoral collective bargaining is also mandatory. In practice, however, it is unclear how effective these provisions are. The law says that bargaining per se is mandatory, but not the signing of an agreement, which is partly why collective bargaining coverage remains very low in the private sector. At sectoral level, the weakness of trade unions and especially employers' organisations makes this legal provision largely inconsequential.

Transposition of the European Directive on Adequate Minimum Wages in the EU

The European Minimum Wage Directive was transposed on 13 November 2024 with the coming into force of Law 283/2024. This law introduced changes to the articles in the Labour Code regulating the minimum wage, changes to Law 108/1999 that regulates the functioning of the Labour Inspectorate, as well as several other pieces of existing legislation.

Regarding minimum wage setting, Law 283/2024 stipulates that the minimum wage should be set at 'approximately 47–52% of the average wage'. It also sets a fixed calendar for changing the minimum wage, namely annually, on 1 January. Transposition does not change the main features of the procedure for setting the minimum wage: this remains in the hands of the government and requires consultation with nationally representative trade unions and employers' organisations. Law 283/2024 does mention that a more precise mechanism for setting the minimum wage will be defined at a later date and will be based on the use of data and impact assessments provided by a specialised research entity. At the time of writing, this procedure has not yet been finalised. An initial draft currently under consultation stipulates that the minimum wage will be increased each year based on the sum of inflation and labour productivity growth. Law 283/2024 also explicitly empowers the Labour Inspectorate to check whether employers are in compliance with the minimum wage legislation. It also stipulates that the number of labour inspectors will be increased within 90 days of the coming into force of the law.

At the time of writing, the action plan for increasing collective bargaining coverage has not been published.

Collective bargaining and minimum wage regime in Slovakia

Adam Šumichrast, Central European Labour Studies Institute (CELSI)

Minimum wage regime in Slovakia

The statutory minimum wage was introduced in 1991 under Act No. 99/1991 Coll., during the period of the Czech and Slovak Federative Republic. After the dissolution of the federation on 1 January 1993, the law remained in force in Slovakia. The current version of the minimum wage law was adopted in 1996 and has since undergone several reforms, however.

In the period 2002–2006, under the right-wing government led by Mikuláš Dzurinda, liberal economic policies reduced the influence of trade unions and pushed deregulation. From 2006 to 2020, however, government was dominated by the self-proclaimed social democratic party SMER or coalition governments led by SMER. During this period, some social democratic policies were aimed at prioritising wage growth and stronger labour market protections to address socio-economic disparities.

During SMER's tenure, the minimum wage became a crucial tool for promoting wage fairness and embedding social policies in the labour framework. In 2009, amidst the financial and economic crisis, the government and trade unions signed a memorandum committing to enhance real wages through collective bargaining while sustaining employment during turbulent times. A key milestone came in 2020, when the third Fico government implemented a substantial increase in the minimum wage from 520 euros (€) to €580 and established that, starting in 2021, the minimum wage would be set at 60 per cent of the national average wage. However, the right-wing populist government of Igor Matovič later reduced this threshold to 57 per cent and fixed additional payments for weekend and night work, effectively decoupling them from the minimum wage.

The most recent reforms to Slovakia's minimum wage framework occurred in 2024 to align with the European Minimum Wage Directive. Governed by Act No. 663/2007 on the Minimum Wage, the current system emphasises fair wage assessment (Article 5 of the Directive) and the role of social partners in the wage-setting process (Article 7). Adjustments are negotiated through a tripartite process involving the government, employers and trade unions. If consensus cannot be reached, an automatic adjustment mechanism ensures predictable and consistent wage growth. The current government led by SMER has reversed the changes introduced by the Matovič administration, restoring the automatic minimum wage increase to 60 per cent of the national average and re-establishing the link between wage supplements and the minimum wage. As of January 2025, the minimum wage is €816 per month, and from January 2026 this will be increased to 60 per cent of the national average wage, in line with the Directive's recommendations (the option remains in effect that the social partners can agree on a higher minimum wage; if no agreement is reached, the automatic mechanism shall apply).

Table 1 Kaitz index of the minimum wage as a percentage of the average gross wage (2015–2024)

Year	Minimum wage (€)	Average wage (€)	Kaitz index (%)
2015	380	883	43.05
2016	405	912	44.41
2017	435	954	45.65
2018	480	1013	47.38
2019	520	1092	47.62
2020	580	1133	51.19
2021	623	1211	51.45
2022	646	1304	49.54
2023	700	1430	48.95
2024	750	1484*	50.54

Note: * Calculation of the average wage is based on the first three quarters of 2024.

In Slovakia, the minimum wage system includes guaranteed minimum wages, which reflect the complexity of the work being performed. Jobs are categorised into six levels of difficulty, each level having a set minimum wage based on the basic minimum wage. As of 1 January 2025, Slovakia's minimum wage was increased to €816 a month (from €750 in 2024) and €4.69 per hour. The second level is €932 and the highest, sixth, level is €1,396. These figures represent the minimum wages for full-time employees working a 40-hour week.

Historically, Slovakia's minimum wage increases have generally been modest. Alignment with the European directive has accelerated wage growth, however, particularly as the country aims to achieve the Directive's benchmarks of 60 per cent of the median wage and 50 per cent of the average wage, despite continuous minimum wage growth over the past decade. These reforms have significantly enhanced wage fairness.

Key challenges and debates

Employers' organisations have expressed concerns not so much about the rising minimum wage itself, but about the impact of the automatic adjustment mechanism on supplementary payments (for example, for weekend, night and holiday work) and guaranteed wages, which are calculated as a percentage of the minimum wage. Despite these objections, the provisions remain in place, reflecting trade union influence.

When it comes to regional disparities, economically weaker regions, particularly in the east of the country, are struggling to adapt to rising wage costs, raising fears of job losses in smaller enterprises, according to some analysts.

Looking at sectoral competitiveness, industries such as hospitality argue that higher minimum wages could undermine their ability to compete with larger, more profitable sectors.

Collective bargaining regime in Slovakia

The Labour Code states that employees have the right to collective bargaining. Slovakia's collective bargaining system is governed by Act No. 2/1991 on Collective Bargaining, which was adopted under the Czech and Slovak Federative Republic, making it one of the first laws enacted at the outset of the political and economic transition. The law regulates agreements at both company and sectoral levels. However, the system remains highly fragmented, most agreements being concluded at the company level. This has resulted in significant wage disparities across industries, particularly between the public sector and manufacturing (which enjoy higher coverage) and private sectors such as services and retail (which lag behind). There are approximately 18 valid sectoral collective agreements in Slovakia, covering various sectors. The most significant ones in the public sector include agreements for state and public service

employees. In the manufacturing sector, excluding automotive industry, important agreements cover industries such as engineering, electrical engineering and metallurgy.

Collective bargaining coverage in Slovakia is estimated at about 25 per cent of employees, far below the 80 per cent threshold envisioned by the European Minimum Wage Directive. In the 1990s and early 2000s, coverage was higher but subsequently declined gradually, in line with the continuous and rapid decrease in trade union density, which had started at nearly 100 per cent as a legacy of the previous state socialist regime. This decline in coverage was also influenced by deindustrialisation and privatisation processes, which reshaped the labour market. Additionally, the decentralisation of bargaining to the company level, along with the limited number of sectoral agreements, and structural imbalances across industries further contributed to the low coverage. Reforms in the early 2000s under a right-wing government further weakened collective bargaining by liberalising the Labour Code and restricting the extension of collective agreements.

The formation of the first SMER-led government in 2006 marked an effort to revitalise social dialogue. The establishment of the Economic and Social Council in 2007 by Act No. 103/2007 on Tripartite Consultations at the National Level provided a platform for consultations between trade unions, employers and the government (a tripartite body that existed prior to this but was reformed and legally restructured). Through this platform, trade unions advocated for enhanced labour protections and a more functional collective bargaining system. However, the Slovak collective bargaining system is, to a certain extent, caught in a cycle of frequent changes, with alternating right-wing and left-wing governments. This has led to continuous shifts in the system, with collective agreements being either strengthened or weakened, for example, through the abolition and reintroduction of agreement extension or support for sectoral agreements. As a result, the system lacks stability. Despite these developments, structural challenges persist and employers often restructure their organisations or change legal status to avoid being bound by agreements.

Employers have long preferred company-level collective bargaining, while trade unions, especially at the confederation level and within certain federations, have sought to strengthen sectoral agreements. In some sectors, however, there is scepticism toward sectoral collective bargaining even within trade unions. Regarding trade unions' right of access to workplaces, the Labour Code and the Collective Bargaining Act ensure that unions are able to inform and consult employees. The protection of workers and trade union representatives from dismissal and discrimination is also guaranteed by these laws. They also protect union members from unfair dismissal or discrimination related to union activities, requiring strict legal justification for such actions. However, cases of union busting occur, and subsequent court proceedings on unlawful dismissal can last for several years. This is common in the Slovak judicial system, allowing employers to factor this into their decision-making when attempting to remove union members.

In Slovakia, no specific employee groups are excluded from collective bargaining, and all workers can organise in trade unions. However, the law restricts the right to strike for certain groups of employees during disputes over collective agreements or their implementation. These include workers in health care, emergency services, the armed forces, and similar sectors in which the public interest is critical. Regarding the expiry of collective agreements, the law states that the agreement ends once the set period expires, unless specific provisions establish that the agreement should continue beyond that period. In Slovakia, the practice of requiring a collective agreement in public procurement has not been established or legally mandated.

Key characteristics and challenges

Low coverage and fragmentation: Slovakia's bargaining coverage remains one of the lowest in the EU; the majority of agreements are confined to the company level.

Employer avoidance: some employers restructure their organisations to evade collective bargaining obligations. Recent legislative amendments have addressed this by clarifying that even interest associations of legal entities shall be recognised as employers' organisations under the law.

Sectoral imbalances: public sector and manufacturing industries enjoy relatively higher bargaining coverage, while some private economy sectors suffer from critically low representation.

Transposition of the European Directive on Adequate Minimum Wages in the EU

Slovakia successfully transposed the European Minimum Wage Directive in November 2024, marking a significant milestone in aligning its labour policies with EU standards. The process involved amendments to both the Minimum Wage Act and the Collective Bargaining Act, aimed at strengthening the role of social partners in wage-setting and fostering greater wage fairness. Social partners actively participated in the interdepartmental review, contributing through the Economic and Social Council of the Slovak Republic.

The directive introduced a framework for extending sectoral agreements, with the ambitious goal of increasing collective bargaining coverage to the EU recommended threshold of 80 per cent. This measure is intended to increase Slovakia's current collective bargaining coverage. While employers expressed disagreement and short-term political obstacles arose among coalition parties, the Minister of Labour, Social Affairs, and Family successfully secured approval for the legislative package and its transposition.

The interest of the Confederation of Trade Unions of the Slovak Republic is for the action plan to be developed with the participation of social partners. Various options are on the table. Within the framework of the action plan, the trade unions will strive to further advocate for measures against union busting and the removal of various legislative barriers and ambiguities in collective bargaining (for example, the activities of arbitrators).

Key legislative changes

- Clarification of collective bargaining participants.
  The law was amended to explicitly define that collective agreements can be concluded by trade union bodies and employers or their organisations. This includes interest associations of legal entities and civil associations, provided they are part of an employers' federation under specific regulations. These changes aim to prevent certain employers' associations from altering their legal status to avoid participating in sector-level collective bargaining.
- Monitoring and transparency
  The government outsourced the task of measuring collective bargaining coverage to private firms. This move, while addressing capacity issues, has raised concerns about methodology and the adequacy of state oversight.
- Extension of collective agreements
  A reinstated framework allows for the extension of sectoral agreements to a broader range of employers. While this aims to boost bargaining coverage, it faces significant resistance from employer organisations, who argue that the diverse needs of companies within sectors make such extensions impractical.

Future developments

In response to the European Minimum Wage Directive, Slovakia has committed to preparing an action plan by 31 December 2025 to strengthen collective bargaining. This includes additional legislative proposals aimed at enhancing coverage. While these measures aim to reduce fragmentation and improve wage standards, Slovakia is currently experiencing political turmoil, raising uncertainty about whether the government, which has been supportive of such reforms, will remain in power or face early elections before 2025. Such a development could complicate progress in this area.

The Covid-19 pandemic further exposed vulnerabilities in Slovakia's social dialogue framework, as trade unions faced significant challenges in organising protests and maintaining influence during the state of emergency. In response, they shifted towards 'bread-and-butter unionism', focusing on public campaigns, petitions and company-level actions to protect workers' rights, emphasising direct engagement over political affiliations.

Looking ahead, Slovakia's reforms offer a critical opportunity to strengthen social dialogue and enhance wage fairness nationwide. The planned adoption of an action plan for collective bargaining by the end of 2025 aims to address fragmentation and expand coverage, provided political instability does not hinder these efforts.

Collective bargaining and minimum wage regime in Slovenia

Andreja Poje Rožič, Independent Senior Researcher

Minimum wage regime in Slovenia

Slovenia has a nearly 90-year tradition of regulating wages for the most vulnerable groups of workers. The minimum wage (*minimalna mezda*) was first introduced in 1937. After the Second World War, this was replaced by the guaranteed personal income. Following Slovenia's independence, the minimum wage was reintroduced in 1995 based on an agreement within the framework of the tripartite social dialogue. The purpose of the minimum wage has evolved over time, adapting to changing social and economic conditions. Today, the minimum wage ensures basic social and economic security for all employees, regardless of sector and occupation, with no exceptions or reductions, eliminating potential discrimination and preventing social exclusion. It remains one of the key tools for reducing in-work poverty among employees.

The minimum wage in Slovenia is regulated by the Minimum Wage Act (ZMinP - Zakon o minimalni plači, 2010), which defines the right to a minimum wage and the method of its determination, publication, adjustment and enforcement. Slovenia has a universal minimum wage system, so the minimum wage applies to all employees in full-time work with a formal employment contract. Part-time employees are entitled to a proportional share. This means that no workers are exempted, and there are also no sub-minimum rates.

The minimum wage is typically adjusted annually and is determined by the minister responsible for labour after consulting with social partners in the Economic and Social Council (ESS). The minister is not legally bound by the proposals of trade unions and employers' associations, however, and may choose not to heed them. The new minimum wage is published in the Official Gazette no later than 31 January of the current year and applies retroactively to work performed from 1 January onwards.

The minimum wage legislation has undergone numerous changes since its introduction in 1995, with significant amendments occurring in 2010, 2015 and 2018. The main changes included a 23 per cent increase in the minimum wage in 2010, excluding extra payments for night work, work on Sundays and holidays from the minimum wage in 2016, and removing all extra payments, performance pay and business performance payments in 2020. All these payments are now made on top of the minimum wage. Another important change made in 2021 was the introduction of a new formula for calculating the minimum wage.

This new formula takes into account the minimum living costs, which are currently calculated every six years in line with the Social Assistance Payments Act (ZSVarPre - Zakon o socialno varstvenih prejemkih, 2010). The Minimum Wage Act defines the net minimum wage as between 120 and 140 per cent of minimum living costs. The minimum wage should also be adjusted yearly, at least for the previous year's inflation. Therefore, in addition to the annual adjustment in relation to consumer prices, the minimum wage is increased every six years to adhere to the minimum living costs criterion. This is done concurrently with the adjustment to consumer prices. In line with the Minimum Wage Act, besides the growth of consumer prices, factors such as wage trends, economic conditions, economic growth and employment trends may be considered when determining the minimum wage (Article 3(2)). However, these are not mandatory, and the law provides no details on their application.

In January 2025, following deliberations with social partners, the Minister for Labour adhered to the recommendations of employers' organisations and considered only inflation when adjusting the minimum wage, increasing it by 1.9 per cent to 1,277.72 euros (€).

According to OECD data (OECD Data Explorer, 2025), since the substantial 23 per cent increase in the minimum wage in 2010, the ratio of the minimum wage to the average wage has remained at around 50 per cent, while the ratio to the median wage has been approximately 60 per cent. In 2020, the minimum-to-average wage ratio stood at 49.17 per cent and increased slightly to 52.64 per cent by 2023. Similarly, the minimum-to-median wage ratio was 58.81 per cent in 2020 and rose to 62.95 per cent in 2023. Slovenia is, therefore, the only country that has consistently met the reference values of 60 per cent of the gross median wage and 50 per cent of the average wage set out in the European Minimum Wage Directive.

Collective bargaining regime in Slovenia

The legal framework for collective bargaining in Slovenia is based primarily on the Employment Relationships Act (ZDR-1 - Zakon o delovnih razmerjih, 2013) and the Collective Agreements Act (ZKolP - Zakon o kolektivnih pogodbah, 2006). The Employment Relationships Act (ZDR-1, 2013) is the central labour law regulating individual employment relationships and setting the minimum level of rights guaranteed to workers. The Collective Agreements Act (ZKolP, 2006) defines the parties to a collective agreement, the process of its conclusion, and the rights, obligations and duties of workers and employers. It regulates collective agreements' content, form, duration, termination and extension. Additionally, it distinguishes between interest and legal disputes, providing options for mediation and arbitration in cases of interest disputes.

Based on this legal framework, additional legislation applicable to public sector employees was adopted alongside the Employment Relationship Act (ZDR-1, 2013), including the Public Employees Act (ZJU - Zakon o javnih uslužbencih, 2007) and the Public Sector Salary System Act (ZSPJS - Zakon o sistemu plač v javnem sektorju, 2009). The Collective Agreement for the Public Sector (KPJS - Kolektivna pogodba za javni sektor, 2008) remained in effect until its revision in 2024, applicable from 2025 (Kolektivna pogodba za javni sektor, 2024). This collective agreement, applicable to all public employees and negotiated by all occupational groups in the public sector, establishes fundamental rights uniformly. In addition, specific occupations and sectors negotiate collective agreements at lower levels, allowing for adaptations based on particular work requirements.

Collective bargaining has remained deeply embedded in Slovenia's employment relations system, mainly because of the legacy of socialism. After independence in 1991, the bargaining system remained characterised by a high degree of centralisation, with the national and industry levels being the two most important levels of negotiation. National general collective agreements were applied to the private and public sectors (the General Collective Agreement for the Economy, 1990, and the General Collective Agreement for Non-Economic Activities, 1991). These agreements ensured that bargaining coverage was almost 100 per cent.

This system existed until EU accession in 2004 but began changing afterwards. After 2006, key developments in collective bargaining were marked by diverging trends in the private and public sectors, leading to increasing divergence. While collective bargaining in the public sector remained centralised with a unified wage system, in the private sector, following the expiration of the last general collective agreement (Splošna kolektivna pogodba za gospodarske dejavnosti, 1997) at the end of June 2006, collective bargaining and wage-setting become increasingly decentralised and shifted to the sectoral level. Thus, Slovenia is characterised by a strong duality, with a centralised bargaining system and nearly 100 per cent collective agreement coverage in the public sector, while the private sector operates under a decentralised system based on the sectoral level, with steadily declining coverage.

Currently, there are no reliable estimates for the overall coverage of employees by collective agreements. The most recent available data are from 2019, when Stanojević and Poje estimated coverage at 79 per cent, a finding also cited by the OECD. Since 2019, no further assessments have been conducted. However, preparations are underway to assess compliance with the European Minimum Wage Directive's requirement of 80 per cent coverage through regular

monitoring of collective bargaining coverage by the tax administration, the statistical office and the Ministry of Labour.

The decline in collective bargaining coverage is driven primarily by decreasing coverage in the private sector. One of the factors contributing to this decline after 2006 was the restructuring of the Chamber of Commerce and Industry (GZS) and the introduction of voluntary membership, leading to a fall in its membership. Its bargaining position, furthermore, was radicalised to retain and attract members, focusing primarily on cost-cutting that affected the quality and content of collective agreements. This sometimes resulted in the signing of 'extra lean collective agreements' or terminating collective agreements. As a result, collective agreements in the private sector are gradually losing their purpose, despite attempts to sustain positive practices in new negotiations.

Trade unions also face challenges, including difficulties recruiting young and precarious workers and criticism from members that hard-won rights also apply to non-union members, reducing union participation and funding incentives. Trade unions are experiencing a decline in membership, and union density has fallen from 40 per cent in the 1990s to 21 per cent in 2019. However, the extension of collective agreements has softened the impact of falling union density on bargaining coverage. Nonetheless, the interplay of high coverage and declining union density has gradually altered the dynamics and quality of collective bargaining.

– Validity of collective agreement after expiry
  In line with the Collective Agreements Act (ZkolP, 2006), a collective agreement may be concluded for a fixed or undefined period and ceases to be valid upon expiry of the agreed period, by mutual agreement of both parties on termination, or by termination notice. The parties determine the conditions and notice period for termination of a collective agreement. If the collective agreement does not specify a notice period, it may be terminated with notice of six months. However, a fixed-term collective agreement cannot be terminated prematurely. After expiry of a collective agreement, the provisions of its normative part, which regulate the rights and obligations of employees and employers concerning employment contracts, the duration of employment and termination of employment contracts, as well as remuneration for work, other payments and reimbursements related to work, not to mention occupational safety and health, continue to apply until a new collective agreement is concluded, but for no longer than one year unless otherwise agreed by the bargaining parties. If a collective agreement at the industry level is terminated, the agreements at the company level remain valid.

– Exclusion from bargaining of certain groups of employees
  In Slovenia, the Employment Relationships Act (ZDR-1, 2013) does not explicitly exclude any specific groups of employees from collective bargaining. In practice, however, it is common for the rights of managerial and executive employees to be regulated outside collective agreements through individual employment contracts, while still adhering to the minimum standards set by law. Similarly, self-employed individuals and other atypical forms of employment are often excluded from collective bargaining as they are not formally considered employees, which means they do not have the same protection afforded by collective agreements.

– Collective bargaining clauses in public procurement
  Provisions promoting social responsibility in public procurement are regulated by the Public Procurement Act (ZJN-3 - Zakon o javnem naročanju, 2015). The Act stipulates that economic entities must comply with applicable obligations in environmental, social and labour law, as defined by EU law, national law, collective agreements or international regulations (article 3(2)). Compliance with environmental, social and labour law is particularly emphasised, as ZJN-3 sets out specific sanctions for violations of these obligations and establishes mandatory exclusion in case of non-compliance with regulations, which may prevent participation in public procurement processes (Article 75(6)).

– Right of access to workplaces for trade unions
The right of trade unions to access workplaces is regulated primarily through collective agreements. Sectoral collective agreements set out the general framework, while more detailed rules are often defined at the company level. There are generally no significant issues in exercising this right in companies where a well-organised trade union engages proactively through reasoned communication. Access-related difficulties are more common in companies where only individual workers are unionised, and the union lacks strong influence. In such cases, unions often face restrictions in carrying out their activities and accessing the information they need for effective worker representation.

– Protection of workers and trade union representatives from dismissal and discrimination
Since 2002, the Employment Relationships Act (ZDR - Zakon o delovnih razmerjih, 2002) has prohibited discrimination, ensuring that employers cannot discriminate against workers or trade union representatives based on their union membership, participation or activities.

  The Amendment to the Employment Relationships Act adopted in 2023 and in effect since the end of 2024 (ZDR-1D) introduced additional protections against the dismissal of trade union representatives. The amendment extends the suspension of the effects of employment termination if a worker representative challenges its legality in court, ensuring that dismissal does not take effect until a first-instance court ruling or for a maximum of six months.

  During this period, if the employer prohibits the worker representatives from performing their duties, they are entitled to 80 per cent of their average monthly wage for full-time work over the past three months (an increase from the previous 50 per cent). Additionally, the amendment reinforces legal protection against written warnings that precede dismissal. It also allows for the establishment of a special fund aimed at reimbursing wage compensation paid to employees during the period in which they were prohibited from working while the effects of their employment termination were suspended, provided that the first-instance court determines that the termination was lawful.

– Obligation for employers to engage in collective bargaining with trade unions
In Slovenia, collective bargaining is voluntary, which means there is no legal obligation for employers to negotiate with trade unions. The Collective Agreements Act (ZKolP, 2006) and the Employment Relationships Act (ZDR-1, 2013) provide the legal framework for collective bargaining. In practice, however, its success depends largely on a trade union's persistence, strength and ability to mobilise and present its arguments effectively. Where employers lack interest or unions lack sufficient strength, collective bargaining may be limited or fail to occur. Therefore, trade union power and organisation are crucial to the effectiveness of collective bargaining.

Transposition of the European Directive on Adequate Minimum Wages in the EU

The Ministry of Labour took the view that Slovenia's minimum wage system, as defined by the Minimum Wage Act (ZMinP, 2010), the Employment Relationships Act (ZDR-1, 2013) and the Collective Agreements Act (ZKolP, 2006), meets the Directive's minimum requirements and that therefore there is no need for legal amendments. Accordingly, no changes have been made to existing laws.

The Ministry identified the need for a consultative body to advise on statutory minimum wage issues and collective agreement coverage.

The Economic and Social Council (ESS) was designated as an advisory body at its session in September 2024. However, no document was adopted to define its role, competencies, duties or obligations in connection with this designation, nor was such a document presented for discussion. The decision made in the ESS was in accordance with the Rules on the Functioning of the Economic and Social Council (2017).

The Ministry is preparing an action plan to promote collective bargaining. In early spring, it will be shared with ESS members for discussion and amendments, after which the final measures will be developed collaboratively. Again, no legislative changes are required for adoption, as the plan is strategic and aligns with the Directive and the Economic and Social Council rules.

The Ministry has decided on a methodology for measuring collective agreement coverage in collaboration with the Statistical Office and the Tax Office. However, accurate reporting, proper controls and thorough data processing are required, and the Statistical Office estimates that this data will be available by autumn 2025.

Collective bargaining and minimum wage regime in Spain

Jorge Uxó, Complutense University of Madrid

Minimum wage regime in Spain

A general statutory minimum wage has existed in Spain since 1963, although its current regulation dates from the Estatuto de los Trabajadores (Workers' Statute). The Statute was provided for in the democratic Constitution of 1978 and approved in 1980 to regulate the rights and obligations of employees (the most recent version is the revised text approved by Royal Legislative Decree 2/2015). According to Article 27, the government shall set the minimum wage every year by Royal Decree. In 2025, this wage, 'for all activities in agriculture, industry, and services, without distinction of sex or age of the workers', was set at 1,184 euros/month. Because the minimum wage in Spain is usually paid 14 times a year, for a full-time worker this amounts to 16,576 euros (€) per year. If for reasons of comparability, this figure is calculated for 12 payments the monthly minimum wage is €1,381.33. The minimum wage has grown considerably in recent years and is more than 60 per cent higher in 2025 than it was in 2018. The law also establishes how to apply the minimum wage to temporary and seasonal workers and the minimum wage per effective hour for domestic workers (€9.26). Minimum wage increases directly affect about 2.5 million people (14 per cent of employees), primarily women and young people.

The minimum wage is revised annually, taking the following criteria into consideration: the consumer price index, national average productivity, the labour share in national income, and the general economic situation. A mid-year review may occur if the price index forecasts are not met.

In 2020, the government decided that the net minimum wage should converge to 60 per cent of the average net wage in 2023, following the recommendations of Article 4 of the European Social Charter, ratified by Spain in 2021 in its revised version, and of the European Committee of Social Rights. To this end, in 2021 the Ministry of Labour and Social Economy created an Advisory Commission for the Analysis of the Minimum Wage. Its main task was to propose the most appropriate development of the minimum wage to achieve this objective. This Commission comprises government representatives, academics and trade union representatives (employers' organisations were invited to participate but declined the offer). The Commission's proposal is not binding. The government has the final power to set the minimum wage after consulting the social partners.

The minimum wage has seen a very substantial rise since 2019. It rose by 22 per cent that year, and after more moderate increases during the pandemic period, it rose again by 3.6 per cent in 2022, by 8 per cent in 2023, by 5 per cent in 2024 and by 4.4 per cent in 2025. This has made it possible not only to protect the purchasing power of minimum wage earners from the effects of the recent inflationary shock but also to meet the government's target set at the time. Indeed, in terms of the Kaitz index, which compares the minimum and average wage in gross terms, Spain has moved from one of the lowest positions in the EU to the top in 2023. While in 2018, according to OECD data, the Kaitz index was 34.3 per cent it rose to 43.7 per cent in 2023. However, given that the objective of the minimum wage is to guarantee a living wage sufficient to cover workers' personal and social needs, the relevant figure is the net wage available for purchasing goods and services. Because of the progressive nature of income tax, which means that most minimum wage earners do not have to pay tax on the minimum wage, this difference is significant in Spain. The update for 2025 would thus make it possible to reach the target of a minimum net wage of 60 per cent of the average net wage.

Collective bargaining regime in Spain

The right to collective bargaining is guaranteed by the Spanish Constitution. Article 37 states that 'the law shall guarantee the right to collective bargaining between workers' and employers' representatives, as well as the binding force of agreements'. The Workers' Statute further develops this general precept. In principle, all employees have the right to be covered by a collective agreement except certain groups such as civil servants (although those with an ordinary employment contract do participate in collective bargaining), senior officials and members of boards of directors, employees of religious institutions, convicted persons engaging in work activities, members of cooperatives, training programmes or Members of Parliament in the Spanish, European and Autonomous Community Courts. Companies are obliged to participate in collective bargaining when workers' representatives who are entitled to do so request it.

Another important feature of the Spanish collective bargaining system is the 'erga omnes' principle, according to which collective agreements are binding for all employers and employees within the sectoral or regional scope of the agreement, regardless of their participation in the bargaining process or their membership of one of the contracting parties. However, in case of proven economic, technical, organisational or production causes, some working conditions set out in the applicable collective agreement may be waived in the company after consultation and by agreement between the company and the workers' representatives.

The collective bargaining coverage rate is high: in 2023, 91.8 per cent of employees were covered by collective agreements, equivalent to more than 14 million contracts, according to data from the Ministry of Labour and Social Economy. This figure is significantly higher than the 80 per cent coverage cited by institutions such as the OECD. The difference is due to new information. Since the approval in 2015 of a Royal Decree on the affiliation of workers to Social Security, it has been compulsory for employers to communicate the collective agreement code applicable to their workers. In this way, precise information is available, also (from the same source) on the registration of workers covered by an agreement (numerator of the coverage rate) and those entitled to coverage (denominator). The coverage provided by other sources is the ratio between the estimate of workers with collective agreements collected from their registration with the Ministry of Labour and Social Economy and the estimate of private sector employees from the Labour Force Survey. The coverage rate is highest in construction and industry (around 98 per cent) and lowest in services (90 per cent), and there exists a significant gender gap, as the rate is 7 percentage points higher for men than for women (95 vs 88 per cent). The only sector in which there is virtually no collective bargaining is that of domestic workers. Therefore, the Spanish coverage rate is far above the 80 per cent benchmark set by the Directive on adequate minimum wages, which would require an action plan to encourage collective bargaining.

The predominant scope of collective bargaining in Spain is sectoral, and it can take place at different geographical levels (national, regional, or provincial). In 2024, 93 per cent of the workers covered by collective bargaining had an agreement at a higher level than the company, and only 7 per cent had company-specific agreements.

This is a constant feature of the collective bargaining system in Spain, even though the labour reforms of 2011 and 2012 sought to promote company agreements, arguing that this would favour the adaptation of wages to labour market conditions and to the evolution of productivity and company results. Thus, company agreements came to take preference over sectoral agreements in wage matters, and it was permitted to negotiate company agreements before the sectoral agreement expired. These legal amendments were not agreed on with the social partners and, indeed, had a limited impact on the spread of company agreements. There may be two reasons for this. The first is the predominance of small and medium-sized enterprises, which makes it very costly for employers to negotiate agreements on a company-by-company basis. The second is that these reforms also made it easier for companies to

derogate temporarily from sectoral agreements through a procedure negotiated with the workers' representatives, or unilaterally to modify working conditions, if justified, provided they were above the minimum standards of the applicable collective agreement. According to the Annual Labour Survey conducted by the Ministry of Labour and Social Economy, 27 per cent of enterprises, especially the larger ones, used some of these internal flexibility avenues in 2013 concerning wages, geographical or functional mobility, or working time. In particular, 7 per cent introduced measures modifying the remuneration system or the amount of pay. In other words, the fact that the relative importance of company-level agreements did not increase does not mean that these reforms did not reinforce employers' decision-making power or that they did not contribute to the wage devaluation strategy.

The December 2021 labour reform strengthened collective bargaining and re-established the priority of sectoral agreements over company-level agreements. This means that company-level agreements can no longer deviate downwards from higher-order collective agreements in terms of pay and working hours, leaving more organisational aspects to company-level bargaining. As already mentioned, however, the relative importance of these agreements is not very significant, and there remain ways of establishing exceptions to sectoral agreements, such as their temporary uncoupling and the modification of working conditions. At the same time, this reform promotes the use of other internal flexibility measures, particularly temporary working time adjustments, as an alternative to dismissals.

Two other issues of relevance to collective bargaining addressed in the 2021 reform are the situation of subcontracted workers and the effects of agreements after they have expired. As regards the former, the aim is to prevent the outsourcing of services through subcontracting from being used to deteriorate the working conditions of these workers, which would also violate the principle of non-discrimination. Compliance with this principle is ensured by guaranteeing that the collective agreement applicable to subcontractors is that of the relevant sector (that is, the same as that applicable to the employees of the contracting company). The 2021 reform, furthermore, restored the validity of a collective agreement once it has expired until a new one has been negotiated. This rule had been suspended by the 2012 reform.

In 2024, 35 per cent of workers covered by collective agreements were subject to an indexation clause or wage guarantee, usually linked to the general inflation rate. Most indexation clauses include caps, which limit the extent to which inflation directly translates into wage increases. Despite these clauses, increases in collectively agreed wages remained below the inflation rate in 2021 and 2022 and around this rate in 2023 and 2024.

Alongside the predominance of sectoral bargaining, another feature of the collective bargaining system in Spain is the signing of bipartite agreements at the national level between the most representative employers and trade union organisations (Agreement for Employment and Collective Bargaining, AENC in Spanish). These agreements, which usually have a duration of three years, contain multi-annual guidelines for the different bargaining units. More specifically, these agreements deal with all aspects of working conditions, recommendations for wage increases and also contain revision clauses for times of particularly high inflation.

Other structural features of the Spanish collective bargaining regime include:

– Right of access to workplace for trade unions
  Article 64 of the Workers' Statute recognises the right of trade union representatives to obtain necessary information, and Article 9 of the Organic Law on Trade Union Freedom establishes their right to enter workplaces to carry out the activities proper to their function. This allows them to maintain direct contact with workers, inform and advise them on their rights and working conditions, monitor compliance with labour regulations and collective agreements, and participate in collective bargaining and in the resolution of labour disputes.

– Protection of workers and trade union representatives against dismissal/discrimination
Trade union representatives enjoy special protection against dismissal and other forms of discrimination. Its most important elements are the following: they cannot be dismissed or sanctioned for actions related to their representation function, and for any dismissal or sanction on other grounds there is a procedure with special guarantees; protection against unfair dismissal – if the dismissal of a trade union representative is declared unfair, this worker has the right to opt for reinstatement instead of receiving compensation; non-discrimination – they must be treated equally in terms of working conditions and remuneration; time credits – they are entitled to some paid hours per month to devote to their representative functions, without affecting their salary and working conditions; and in case of collective dismissals, trade union representatives have priority in keeping their jobs.

– Collective bargaining clauses in public procurement
Law 9/2017 on Public Sector Contracts establishes that public administrations must respect environmental, social, labour and equality standards. These standards can also be improved and extended when they are linked to the contract object. The social and labour aspects of public procurement can be established in three ways.

  First, there are some mandatory issues, such as the prohibition on contracting companies sanctioned for a severe labour law or social security infringement, such as not being up to date with their social security obligations or not complying with the requirements on hiring a minimum quota of people with disabilities or implementing a Gender Equality Plan. Furthermore, public administration bodies should reject abnormally low bids if this may entail non-compliance by the bidding company – they need to consider the wage costs entailed by any applicable collective agreement. Tender specifications must include the labour conditions that will apply in relation to the services provided during the lifetime of the contract, and the contractor must comply with all conditions set out in the pertinent collective agreement. The contract may also include social and labour provisions exceeding the legal minimum. Finally, the law allows the inclusion of additional 'social clauses'. These may be used as an allocation criterion (conferring more points on tenders that undertake to comply with them) or as a special condition (a mandatory requirement related, for example, to the percentage of permanent contracts in the workforce).

Transposition of the European Directive on Adequate Minimum Wages in the EU

The decision to raise the minimum wage by 22 per cent in 2019 and to continue raising it until it reaches 60 per cent of the average (net) wage generated heated debate at the time. Some institutions, such as the Bank of Spain, claimed that this might have adverse effects on employment. Employers' organisations supported this position, while trade unions favoured the government's minimum wage hike strategy. However, the evolution of employment in these years and the positive assessments of the effects of minimum wage increases made by various international organisations gave rise to widespread support for maintaining this minimum wage target. This, and the fact that the Directive will not require significant changes in Spanish legislation, explain why there has been little resistance to its transposition so far.

At the time of writing (February 2025), however, the Ministry of Labour and Social Economy is still working on it. The three central issues on which it could focus are as follows. First, as regards the criteria for minimum wage setting, those currently laid down in the Workers' Statute are consistent with the provisions of the Directive. Nevertheless, the new regulation could include other criteria related to the evolution of poverty and inequality to reinforce its effectiveness as a tool to strengthen social cohesion. A legal principle could also be established to ensure that the (net) minimum wage is not set below 60 per cent of the estimated average net wage. Second, regarding the procedure for setting the annual minimum wage level, the current rules require only that the government have 'prior consultation' with the social

partners (although the custom of developing more formal negotiations has been established in recent years). This should be strengthened, and the current Advisory Commission should be formalised to make it permanent and ensure the legal status granted to it by the Directive. Finally, Article 64 of the Workers' Statute establishes works councils' rights to information and consultation within the framework of negotiations on collective agreements. However, transposition of the Directive could also specify the sources, procedures and responsibilities needed to ensure sufficient information is available for the development of bargaining units above enterprise level.

Collective bargaining and minimum wage regime in Sweden

Anna Fransson (Swedish National Mediation Office) and Anders Kjellberg (Lund University)

Minimum wage regime in Sweden

Unlike many other countries, Sweden does not have statutory minimum wages or any possibility of declaring collective agreements universally valid. The Swedish labour market model is characterised by limited government intervention in wage formation.

Wage regulation is found only in collective agreements and in individual employment contracts. Some legislation can be said to concern wage conditions indirectly. For example, there is protection against wage discrimination. However, there is no legislation at all on how wages should be set in Sweden. The closest equivalent to minimum wages in Sweden are the provisions on the lowest wages (*lägstalöner*), starting wages or guaranteed wages in collective agreements. To these can also be added lowest wage levels in collective agreements with pay scales. In some cases, the lowest wages in agreements are called 'minimum wages', but as an overall term, these kinds of provisions are usually labelled 'the lowest wages'. To simplify things for the reader, however, we shall use the term 'minimum wages'.

The minimum wage protection provided by Sweden's labour market model, however, is not limited to specific minimum wages in collective agreements. The Swedish wage formation model is essentially collective in nature and it can be said that the overall objective of the European Minimum Wage Directive is achieved by means of the Swedish Model for wage formation and the outcomes resulting from that model. (SOU 2023: 36).

In the Swedish wage bargaining system, there is a strict division between blue-collar and white-collar occupations, with different agreements for blue-collar and white-collar workers. With some exceptions, such as call-centre workers, who are classed as white-collar, minimum wages in collective agreements in practice are used almost entirely to blue-collar workers. Out of the 620 sectoral collective agreements in Sweden, approximately 300 contain specific minimum wage levels. The agreements without these provisions are for employees with a higher education and other agreements for salaried employees.

A prerequisite for the model is a high rate of collective bargaining coverage. The coverage rate is higher among blue-collar workers (92 per cent in 2023) than among white-collar workers (84 per cent in 2023). In addition to the fact that most workers are covered by collective agreements, the wage levels in such agreements seem also to be used quite often in workplaces that are not covered (Medlingsinstitutet). According to law, third-country labour migrants may not be paid under the minimum wage or the normal wage in the sector in which they are employed. Since 2023, in order to obtain a work permit, labour migrants (excepting EU citizens and seasonal workers) have to show that they will have a 'good livelihood'. This is defined as a monthly wage equivalent to 80 per cent of the median wage. For some groups of workers this 'wage floor' (*lönegolv*) may be higher than the minimum wage in the collective agreement, which has caused criticism. In berry-picking, forest planting, construction and some other sectors, however, it sometimes occurs that employers pay workers staying temporarily in Sweden below the minimum wage. This generally constitutes a labour law violation and is often related to other forms of work-related crime.(Kjellberg 2023).

Minimum wage levels play an important role in certain areas, in which trade unions have prioritised them in negotiations. In these cases, the minimum wage may be relevant for a fairly large part of the employees. This applies, for example, to retail and hospitality. For other occupational groups, such as manufacturing, the minimum wage is not particularly important and is rarely used, even among new entrants to the labour market.

There is a great deal of variation in how wage clauses in collective agreements are designed. Generally speaking, traditional pay scales without connection to individual performance are quite uncommon. Where minimum wages are included in agreements, they are often separate from the wage clauses that apply to the majority of employees. What characterises minimum wages in Swedish collective agreements is their application to specific groups, such as newly recruited or young employees.

In white-collar agreements, the minimum wage is usually determined by age and sometimes by length of employment. Blue-collar agreements have greater design variation; positions or occupational groups are used as additional criteria on top of age and length of employment. Different minimum wages for employees with or without completed vocational training also occur.

As far as we know, there have been no disputes over the introduction of a minimum level in agreements that previously lacked one. Minimum wages thus appear to be present in the agreements where there is a need for them (Eurofound).

There is no official registry that covers all minimum wage levels, but the Swedish National Mediation Office publishes a sample. In 2023, all levels in the sample of workers 20 years of age and older corresponded to or were above 60 per cent of the median full-time equivalent basic wage. In 2022, the proportion of employees with a wage below 60 per cent of the median was only 1.2 per cent. Among these, half (0.6 percentage points) were under 20 years of age (Medlingsinstitutet).

Collective bargaining regime in Sweden

The Swedish collective bargaining system is based on self-regulation by the labour market parties themselves (Kjellberg 2017). Trade unions and employers' associations are responsible for wage formation and also have a key role in establishing other employment conditions, including occupational pensions, insurances and transition. There is no Labour Inspectorate and no government authority that is responsible for monitoring compliance with collective agreements. Monitoring and supervision are, with some minor exceptions, entirely a matter for the trade unions.

Sweden has very few restrictions on the right to take industrial action. This right is guaranteed in the Swedish constitution. In principle, all employees have the right to undertake industrial action. The right can be limited by law or collective agreement. Since 1928 there has been a statutory peace obligation during the period in which a collective agreement is in force. Sympathy actions, however, are allowed also during the contract period and, like other industrial actions, not restricted by any proportionality rule. The Swedish alternative to an extension mechanism is the permissibility of strikes (including sympathy strikes) against non-organised employers who refuse to conclude a collective agreement. Political strikes by a trade union bound by a collective agreement are permitted only if they are of short duration and have only marginal effects on the employer's business or activities. With regard to the government sector there are a few further limitations stipulated by law, besides the above-mentioned statutory peace obligation, for example with regard to sympathy action and political strikes. Furthermore, the social partners in this sector have agreed that civil servants in charge of certain functions and at certain agencies cannot take part in industrial action. After a collective agreement has expired there is no peace obligation, but industrial action requires seven working days' notice to the Swedish National Mediation Office. While the parties are negotiating a new collective agreement the terms of the old agreement with regard to the employment conditions shall continue to apply until a new agreement is signed. In theory, if negotiations end without an agreement, a state of total non-agreement occurs. However, this is not something that happens in practice among the established labour market parties.

The Swedish National Mediation Office is a government agency under the Ministry of Employment tasked with promoting an efficient wage formation process and mediating in

labour disputes. The agency appoints mediators if there is a risk of industrial action on the labour market or if social partners request this. The authority may, if necessary, take certain coercive measures, such as appoint mediators without the consent of the parties or decide that a party must postpone notified industrial action by up to 14 days. However, these strong instruments are rarely used and the parties decide for themselves whether they will accept any settlement that the mediators propose. The parties can, if they wish, sign separate negotiation procedure agreements, which means that they can arrange for mediation on their own. Manufacturing industry has had this kind of agreement since 1997, but apart from that, the number of such agreements is quite small nowadays (Medlingsinstitutet).

Trade unions are not registered by the state. Nor is there any state regulation of their internal affairs, such as decision-making procedures (balloting and so on), for example on approving or rejecting the results of collective bargaining or taking industrial action. Many labour law provisions can be replaced by collective agreements, which makes regulation flexible and adaptable to each industry and to local circumstances.

- The right and obligation to negotiate

The legal framework for collective bargaining is found in the Codetermination Act (*Medbestämmandelagen*, MBL). Since the 1936 Act on Rights of Association and Negotiation (*Lagen om förenings- och förhandlingsrättt*), today incorporated in the Codetermination Act (MBL), trade unions are entitled by law to negotiate collective agreements. On the employers' side both individual employers and employers' organisations have bargaining rights. The right to negotiate corresponds to an obligation on the other party to participate in the negotiations. However, the right and obligation to negotiate exist only if the negotiation issue concerns one or several employees, who are or have been employed by the employer and who are members of a trade union (SOU 2023: 36). Because blue-collar workers already had this right through collective agreements, the 1936 law was aimed primarily at private sector white-collar workers as in the early 1930s they had still not entered into negotiations with employers in manufacturing, commerce and banking (Kjellberg 2017: 365–366). Employers are obliged to negotiate but not to compromise or conclude an agreement. Before any important changes are made in the operations of a company or public agency the employer must initiate codetermination negotiations. On completion, the employer retains the right to decide unilaterally. According to the Employment Protection Act (*Anställningsskyddslagen*, Las) in case of redundancies the employer has a duty to negotiate before deciding to dismiss workers by this reason.

- Trade union's right to information

According to §19 of the Codetermination Act (MBL), the employer must continuously keep trade unions with whom they have signed collective agreements informed about the development of the enterprise. Employers who are not bound by a collective agreement must provide the corresponding information to all trade unions that have members in the workplace. There is a strong link between the right to information and the right to negotiate. Employers often initiate decision-making processes that later lead to negotiations with the union by providing information in accordance with §19 of the Codetermination Act (Larsson in Wennemo and Fransson 2024).

- Coverage of collective agreements

Collective bargaining coverage has remained almost unchanged for many decades at about 87–90 per cent of all employees registered as resident in Sweden. Posted workers and seasonal

labour migrants are thus not included (Ljunglöf, Fransson and Kjellberg 2024). In 2023 the coverage rate among employees aged 18–66 was 88 per cent (92 per cent of blue-collar workers, 84 per cent of white-collar workers). In the private sector, 83 per cent were covered, but in the public sector the coverage rate was 100 per cent. About 550,000 private sector employees are not covered by a collective agreement. The coverage rate among blue-collar workers in the private sector was 90 per cent and among white-collar workers 75 per cent. There are major differences in coverage depending on firm size. In companies with 1–9 employees, 44 per cent were covered (57 per cent of blue-collar workers, 30 per cent of white-collar workers). Already in companies with 10–19 employees 71 per cent were covered (83 per cent of blue-collar workers, 55 per cent of white-collar workers). In companies with 500 employees or more almost 100 per cent were covered. In the private sector the lowest coverage is found in agricultural occupations and among employees with a long academic education.

According to a previous study containing private sector data by industry in 2021, the coverage rate in manufacturing was 95 per cent, in construction and transport 87 per cent, and in trade (retail and warehouses) and care 77 per cent (Kjellberg 2023). The lowest coverage was found in industries dominated by white-collar workers, with information and communication at the bottom (52 per cent). When dividing collective agreements into regular agreements (companies affiliated to employers' associations) and substitute agreements (*hängavtal*) between national unions and unorganised employers, 71 per cent of the employees were covered by regular agreements, while 6.3 per cent had a substitute agreement. All 2021 data refer to the private sector, but excluding companies owned by central and local government. The average private sector coverage was 77.4 per cent, but due to different calculation methods this figure is not comparable with the 2023 data presented above. The 2021 study also contains information on the share of *employers* covered by collective agreements. About 30 per cent of all private-owned companies with employees had a collective agreement. It should be remembered that most companies are very small. About 87 per cent of all employees (83 per cent of private sector employees) in 2021 worked in enterprises or public authorities affiliated to an employers' association.

The continuing very high density of employers' associations is the main explanation of the high bargaining coverage over time. Union density is high also from an international perspective (68 per cent in 2023), but it is considerably lower among blue-collar workers (58 per cent) than among white-collar workers (73 per cent). In 2006 union density was 77 per cent for both categories of workers.

- Trade union access to workplaces

According to the Act on Trade Union Representatives' Status at the Workplace *(Lag om facklig förtroendemans ställning på arbetsplatsen),* a trade union is entitled to appoint a workplace-level union representative to represent the employees vis-à-vis an employer with whom the trade union has a collective agreement. An 'ombudsman' employed by the trade union can also be a union representative within the meaning of the law. There is no formal requirement that the union must have any members at the workplace. The purpose of the rules is to enable the representative to engage in union activities such as negotiations, information and representation. Purely internal union matters such as recruitment, however, are not 'union activities' within the meaning of the law.

Employers must provide union representatives with the same pay and other conditions for the time necessary for the performance of their duties as they would have received if they were working with their regular duties. This of course applies only to union representatives employed by the employers. There is also enhanced employment protection for trade union representatives. Among other things, they can in some cases be exempt from work redundancy dismissals. Employers are not allowed to offer union representatives less favourable working conditions or terms of employment because of their role. In addition to this, employers must also facilitate trade union activities by, for example, providing premises.

- Requirements on public procurements

Since 2017 the Public Procurement Act (LOU) states that companies that win procurements must 'if necessary' offer wages, working hours and holidays that do not fall below the minimum levels of the collective agreement (Kjellberg 2023). The aim is to avoid social dumping and unfair competition, but it is not possible to demand that there must be a collective agreement or that the employees must be covered by occupational pension or insurance. After years of pressure from the Building Workers' Union, the city of Gothenburg in 2024 demanded collective agreements when a school was renovated. Following a complaint from the association of small enterprises, however, the Swedish Competition Authority blocked Gothenburg's demands (Arbetet 12 February 2025).

Smaller procurement tenders fall outside the scope of the law; in practice this accounts for two-thirds of all public procurements. For the remaining one-third of public procurements, the law's requirements may be imposed when it is considered necessary to avoid unfair working conditions and unfair competition. The risk of unfair working conditions is considered particularly high in occupations with low educational and qualification requirements, and where there are often foreign workers, low coverage of collective agreements and long subcontracting chains. There are no consequences for authorities that accept bids that are clearly unsustainable.

Transposition of the European Directive on Adequate Minimum Wages in the EU

The European Minimum Wage Directive was transposed on 15 November 2024, when the Swedish National Mediation Office was tasked with reporting data in accordance with Article 10 of the Minimum Wage Directive. This was announced by the government through an amendment to the ordinance concerning instructions for the Mediation Office 5 a §. No other legal changes have been made.

European
Trade Union Institute
Bd du Jardin Botanique, 20
1000 Brussels
Belgium
etui@etui.org
www.etui.org

etui.