

Statistics

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Author  
*Anne Paternoster*

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# Minimum Wages

## EU Member States, Candidate Countries and the US

### 2004



This article presents data on national monthly minimum wages in the Member States of the European Union (MS), the Candidate Countries (CC) and the US. The minimum wage is fixed by the government, usually after consultation with the social partners, and this minimum wage is enforced by law. The minimum wage usually applies to all employees in the economy and all occupations. In the remaining text 'minimum wage' refers to the statutory national monthly figure.

There is a minimum wage in 18 of the 25 MS (Belgium, Czech Republic, Estonia, Greece, Spain, France, Ireland, Latvia, Lithuania, Luxembourg, Hungary, Malta, Netherlands, Poland, Portugal, Slovenia, Slovakia, and United Kingdom) and in three CC (Bulgaria, Romania and Turkey).

Background information on methods and definitions is presented in the Methodological Notes at the end of this paper.

#### Among the countries, minimum wages in January 2004 varied between 61 and 1 403 euro per month

Figure 1 shows the level of the minimum wage in each of the MS, the CC and the US on 1 January 2004. Across EU25 the minimum wage ranged from 121 euro (Latvia) to 1 403 euro (Luxembourg). In the CC the minimum wage was 61 euro in Bulgaria, 69 euro in Romania and 240 euro in Turkey.

In Figure 1 we distinguish three groups of countries with distinct levels of minimum wages. The first group includes the CC Bulgaria, Romania and Turkey and 7 of the 10 new MS (Latvia, Lithuania, Slovakia, Estonia, Poland, Hungary and Czech Republic). Minimum wages vary between 61 and 240 euro. The second group with minimum wages between 471 and 605 euro includes two new MS, Slovenia and Malta, as well as Portugal, Spain and Greece. The third group, with minimum wages in excess of 1 000 euro, includes Ireland, United Kingdom, France, Belgium, Netherlands and Luxembourg.

In the US, the Federal minimum wage is 727 euro, though a number of individual States have a higher minimum wage.

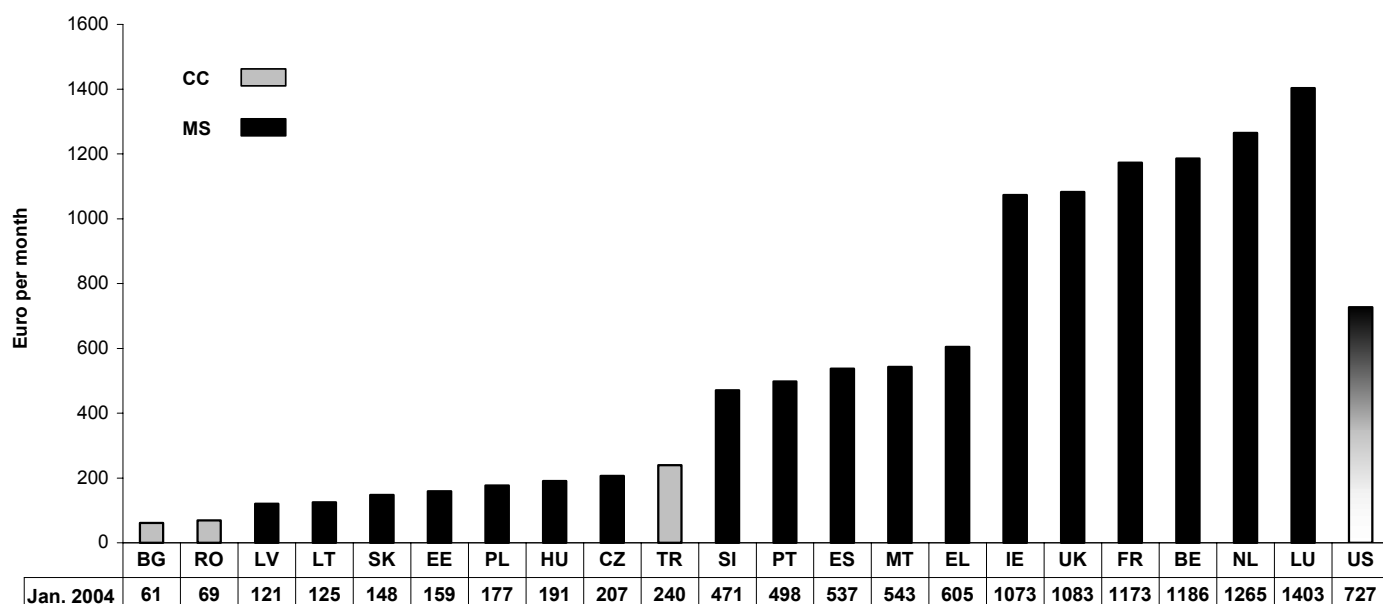


Figure 1: Minimum wages in EU Member States, Candidate Countries and the US, January 2004, euro

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

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

wage expressed in national currencies into an artificial common unit that is called Purchasing Power Standard (PPS).

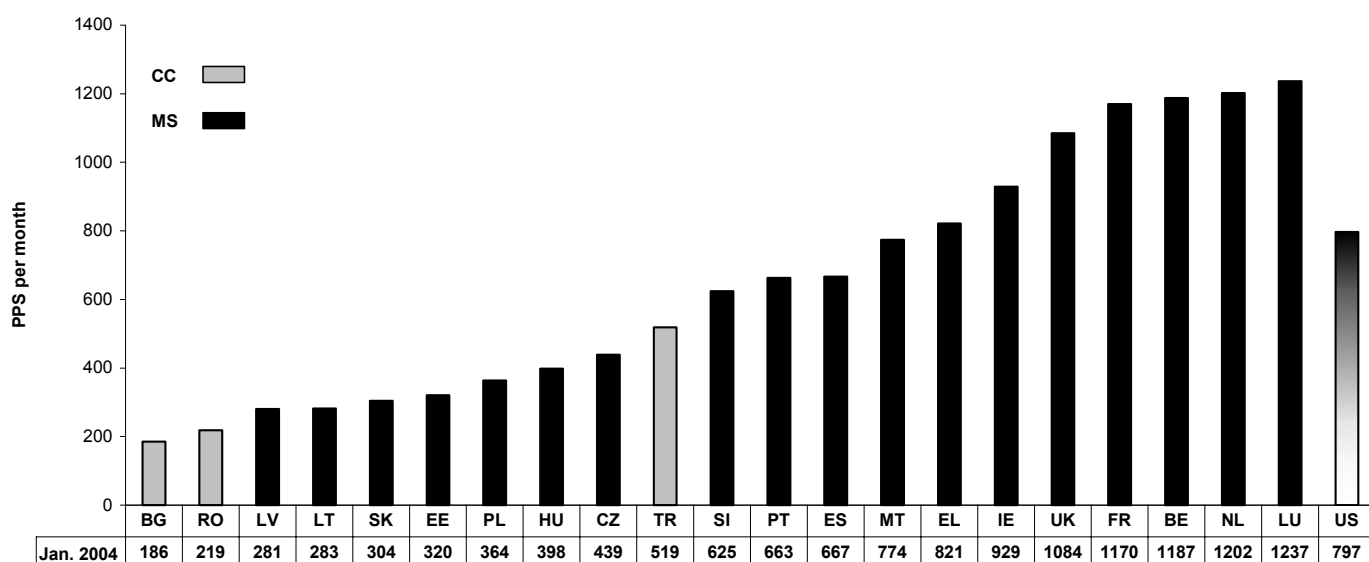


Figure 2: Minimum wages in EU Member States, Candidate Countries and the US, January 2004, PPS

Compared with the ranking of minimum wages in euro per month in Figure 1, the ranking of the countries is not affected when minimum wages are expressed in PPS. As in Figure 1, the minimum wages shown in Figure 2 for Malta and Slovenia are notably higher than in the other new MS and Malta is ranked higher than Portugal and Spain.

Differences in the levels of the minimum wages are however markedly reduced when expressed in PPS,

rather than euro. In particular, removing differences in price levels between the countries has the effect of raising the purchasing power of the minimum wage in all new MS and Portugal, Spain and Greece. In the other six MS, the effect of applying PPPs is to reduce the purchasing power of their minimum wage. Among the MS, the minimum wage in euro (Figure 1) ranges from 121 to 1 403 euro, which represents a factor of about 1:12; in contrast, the minimum wage in PPS (Figure 2) extends between 281 and 1 237, a factor of about 1:4

### Among the MS minimum wages in euro have increased by 10% to 40% since 1999

Table 1 shows the minimum wages in euro and PPS valid in January of every year since 1999.

	EUR						PPS					
	1999	2000	2001	2002	2003	2004	1999	2000	2001	2002	2003	2004 (*)
BE	1074	1096	1118	1163	1163	1186	1050	1096	1136	1161	1164	1187
CZ	:	:	:	:	199	207	:	:	:	:	406	439
EE	:	:	:	118	138	159	:	:	:	226	265	304
EL	505	526	544	552	605	605	643	675	672	661	774	774
ES	416	425	433	516	526	537	502	514	527	605	612	625
FR	1036	1049	1083	1126	1154	1173	985	1031	1097	1122	1151	1170
IE	:	945	945	1009	1073	1073	:	880	839	856	929	929
LV	:	:	:	107	116	121	:	:	:	191	247	283
LT	:	:	120	120	125	125	:	:	254	252	281	281
LU	1162	1191	1259	1290	1369	1403	1191	1223	1254	1261	1207	1237
HU	:	:	:	202	212	189	:	:	:	384	364	364
MT	:	:	:	552	534	542	:	:	:	752	781	821
NL	1064	1092	1154	1207	1249	1265	1098	1099	1170	1183	1187	1202
PL	:	:	196	212	201	177	:	:	343	333	387	398
PT	357	371	390	406	416	498	490	513	527	530	554	663
SI	:	:	:	:	451	471	:	:	:	:	620	667
SK	:	:	:	114	133	148	:	:	:	265	294	320
UK	866	970	1130	1118	1106	1083	827	845	968	960	1012	1084
BG	:	:	51	51	51	61	:	:	133	127	155	186
RO	:	:	:	62	73	69	:	:	:	136	195	219
TR	:	:	:	:	189	240	:	:	:	:	375	519
US	762	883	995	1001	877	727	821	829	823	826	798	797

(\*) PPP 2003 applied

Table 1: Minimum wages in EU Member States, Candidate Countries and the US, 1999-2004, euro and PPS

For those countries for which a complete time series 1999-2004 is available, minimum wages have increased since 1999 by 10% to 40% in euro and by 4% to 35% in PPS. For Belgium, France, and UK the increase is higher in PPS than in euro. In France for example the minimum wage in euro increased by 13%, while in PPS

the increase was 19%. For Spain, Luxembourg, Netherlands and Portugal the increase in euro is higher. In Luxembourg for example the minimum wage in euro increased by 21% while in PPS the increase was 4%. In Greece the increase in PPS and euro is very similar.

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

As Figure 3 shows, the percentage of full-time employees with earnings at the minimum wage level is markedly different between countries. Data are available till the year 2002 and for the countries shown in the graph. In Spain, UK, Czech Republic, Ireland, Netherlands, Malta, Poland and Portugal, the percentage of employees on the minimum wage lies between 0.8 and 4.0%. In the US, the figure is 1.5%. In

contrast, the percentage in Romania is 8.9%, in Hungary 11.4%, in France 14%, in Luxembourg 15.1% and in Latvia 15.4%. In the case of Spain, France and Luxembourg, the percentages include part-time as well as full-time employees, though the inclusion of part-timers is not thought to have much impact on the overall figure.

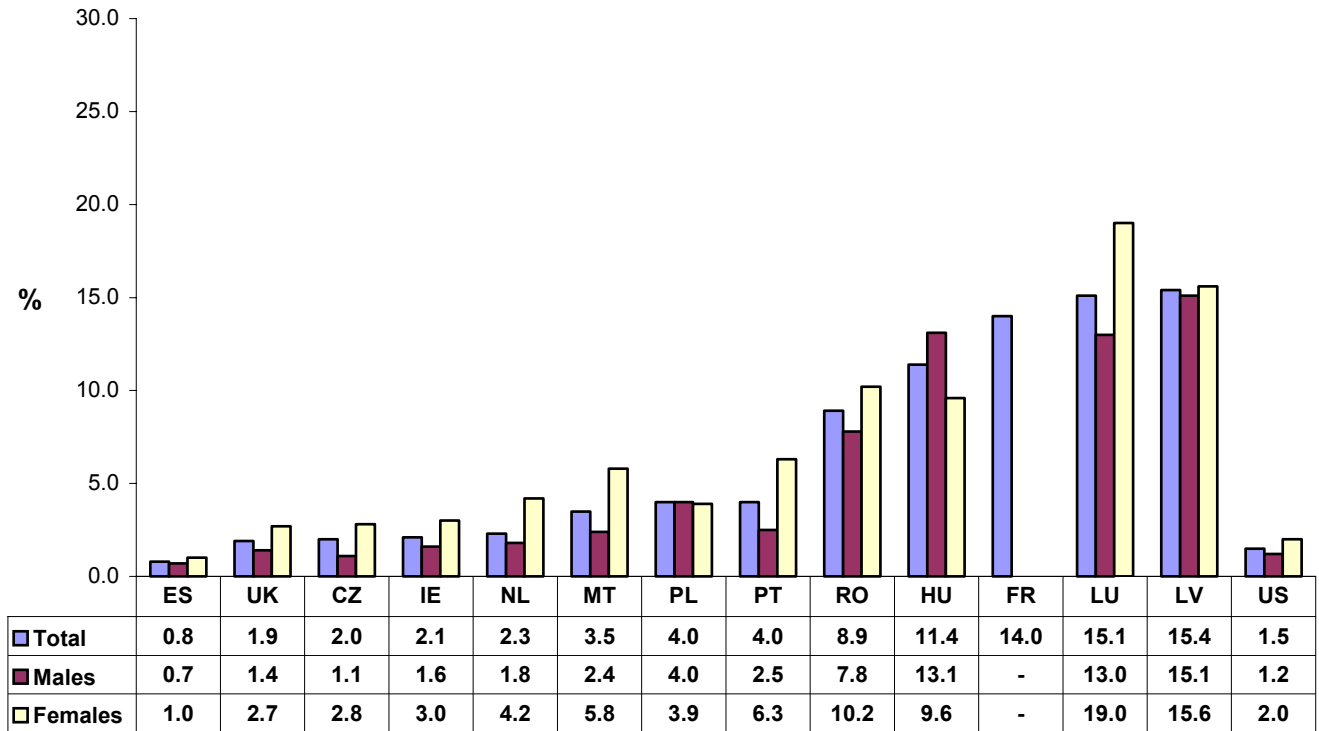


Figure 3: Proportion of full-time employees on the minimum wage, EU Member States, Candidate Countries and the US, 2002

The percentage of females on the minimum wage is usually higher than the corresponding percentage for males, except in Hungary and Poland where the male percentage is higher and Latvia where percentages are almost equal. In UK, Netherlands, Malta, Portugal and

Czech Republic the female percentage is twice or more that of males. In Romania, Luxembourg and Ireland female percentages are from 30% to 90% higher than those of men.

## The level of the minimum wage is situated between 30% and 54% of the average monthly gross earnings in industry and services

Figure 4 presents the minimum wage as a proportion of average monthly gross earnings in Industry and Services. Data are available till the year 2002 and for the countries shown in the graph.

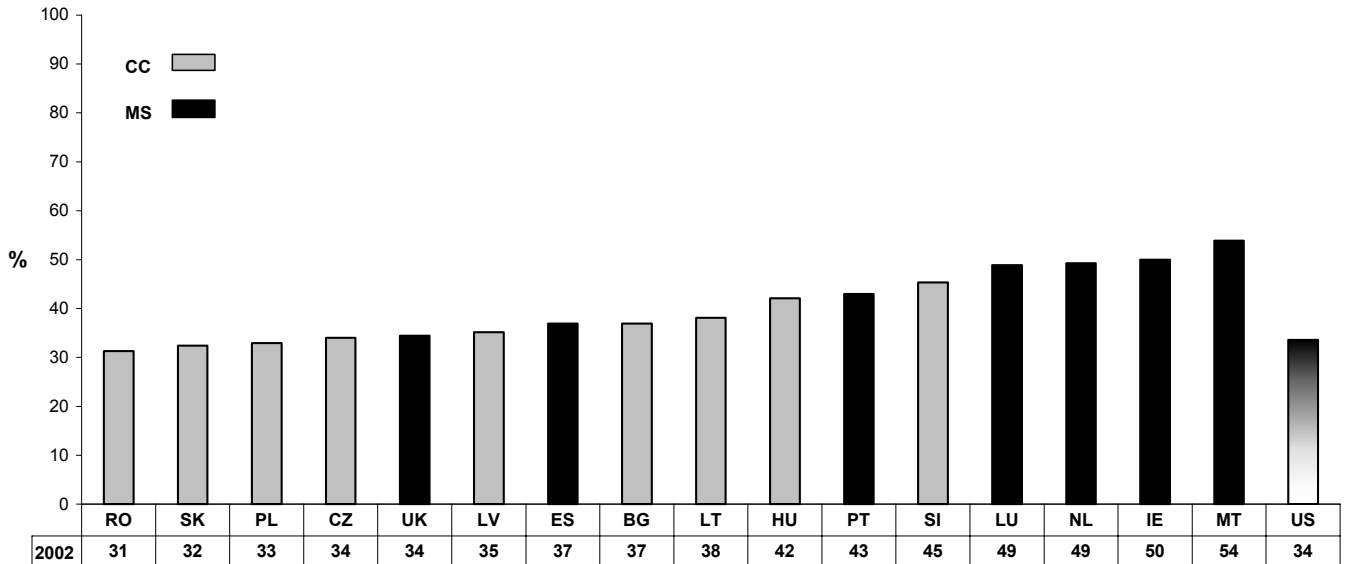
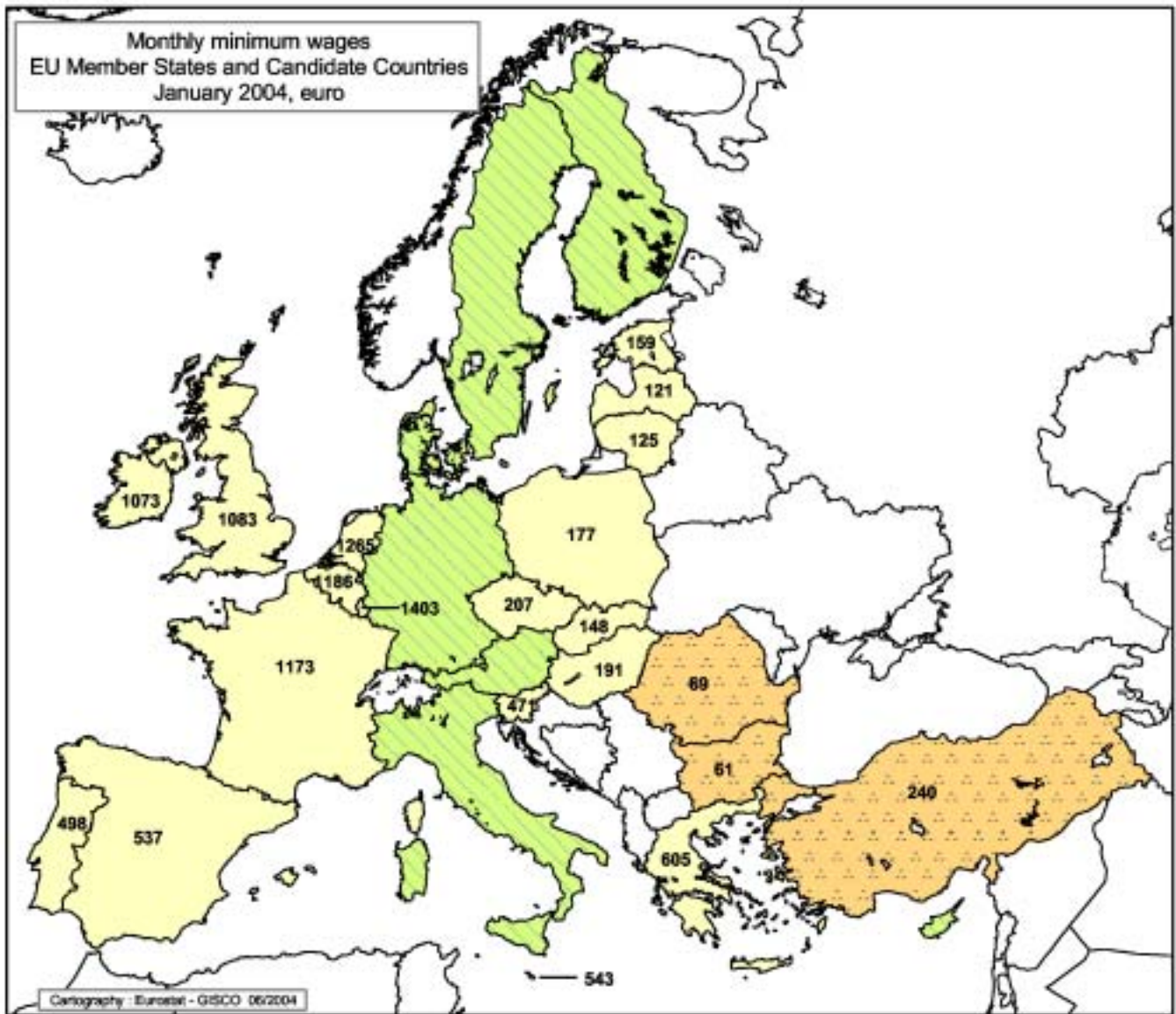


Figure 4: Minimum wages as a percentage of average monthly gross earnings in Industry and Services, EU Member States, Candidate Countries and the US, 2002

In the majority of the countries for which data is available, the minimum wage is less than 50% of the average monthly gross earnings. Only in Ireland and Malta the percentage is higher with respectively 50% and 54%.



## ➤ ESSENTIAL INFORMATION – METHODOLOGICAL NOTES

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### **Statutory National Monthly Minimum Wages**

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

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

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

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

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

The minimum wages as at 1 January 2004 are given in euro. For the non-euro zone countries (UK, the new MS, the CC and US) the minimum wages in their national currencies were converted into euro by applying the monthly average exchange rate in December 2003.

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

To remove the effect of differences in price levels between the countries special conversion rates called Purchasing Power Parities (PPPs) have been used. In particular, PPPs for household final consumption expenditure in each country in 2003 were used to convert the minimum wages expressed in national currencies to an artificial common unit called Purchasing Power Standard (PPS). The resulting minimum wages effectively show the purchasing power of the minimum wages.

# Further information:

## ➤ Reference publications

Title Minimum Wages - EU Member States and Candidate Countries, January 2003  
Catalogue No KS-NK-03-010-EN-C

## ➤ Databases

NewCronos, Theme 3, Domain: minwages

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