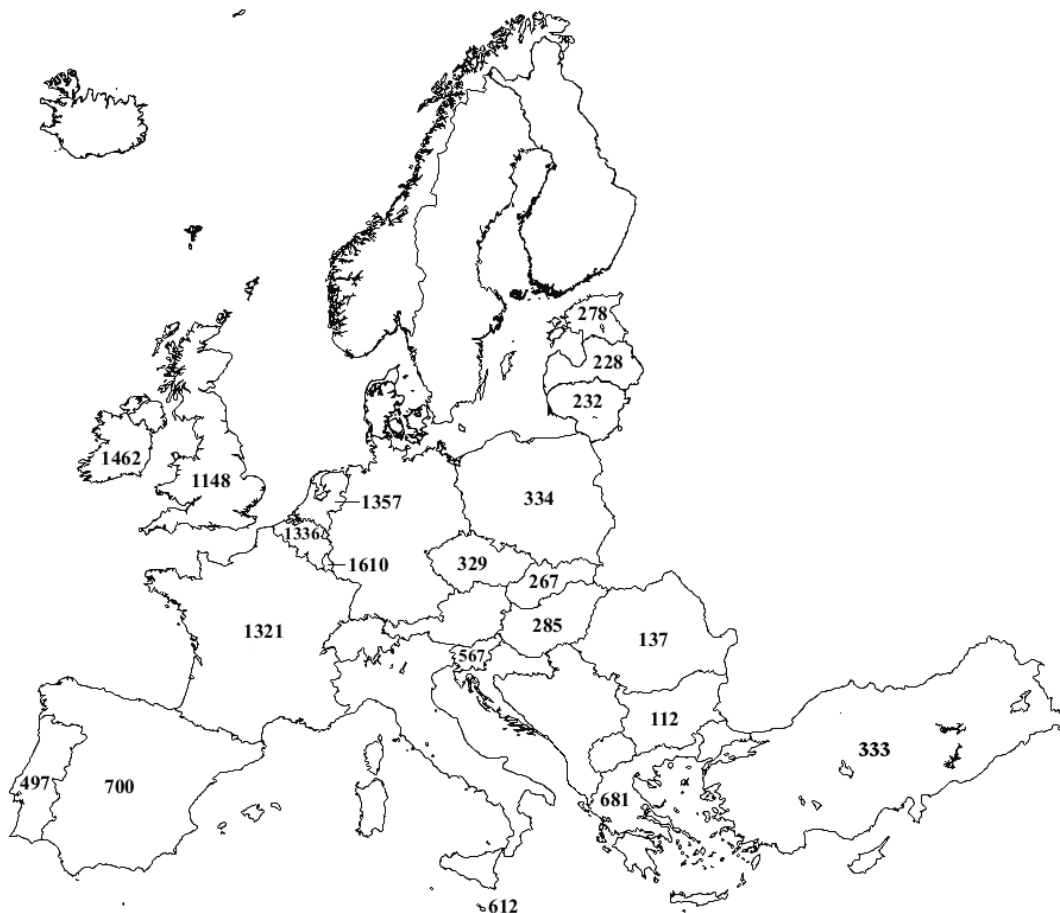


## Minimum Wages 2008

In July 2008, 20 of the 27 Member States of the EU (Belgium, Bulgaria, Spain, Estonia, Greece, France, Hungary, Ireland, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, the Czech Republic and the United Kingdom) and one candidate country (Turkey) had national legislation setting statutory minimum wages.

Minimum wages varied widely, from 112 euro (EUR) per month in Bulgaria to 1 610 EUR per month in Luxembourg. When adjusted to take into account differences in purchasing power, the disparities between the Member States are reduced from a range of one to fourteen (in EUR), to a range of one to seven (in Purchasing Power Standard - PPS) with Luxembourg (1 532 PPS per month) the highest and Romania (232 PPS) the lowest.

Figure 1: Minimum wages in EU Member States\* and Turkey, July 2008, in EUR



Source: Eurostat, database on minimum wages

\*: EU Member States which have a statutory minimum wage

**In July 2008, statutory minimum wages varied from 112 to 1 610 EUR gross per month**

Figure 2 shows the minimum wage levels in euro in the Member States (MS), Turkey and the USA in July 2008. Among the Member States, the gross minimum wage varied from 112 EUR (Bulgaria) to 1 610 EUR (Luxembourg).

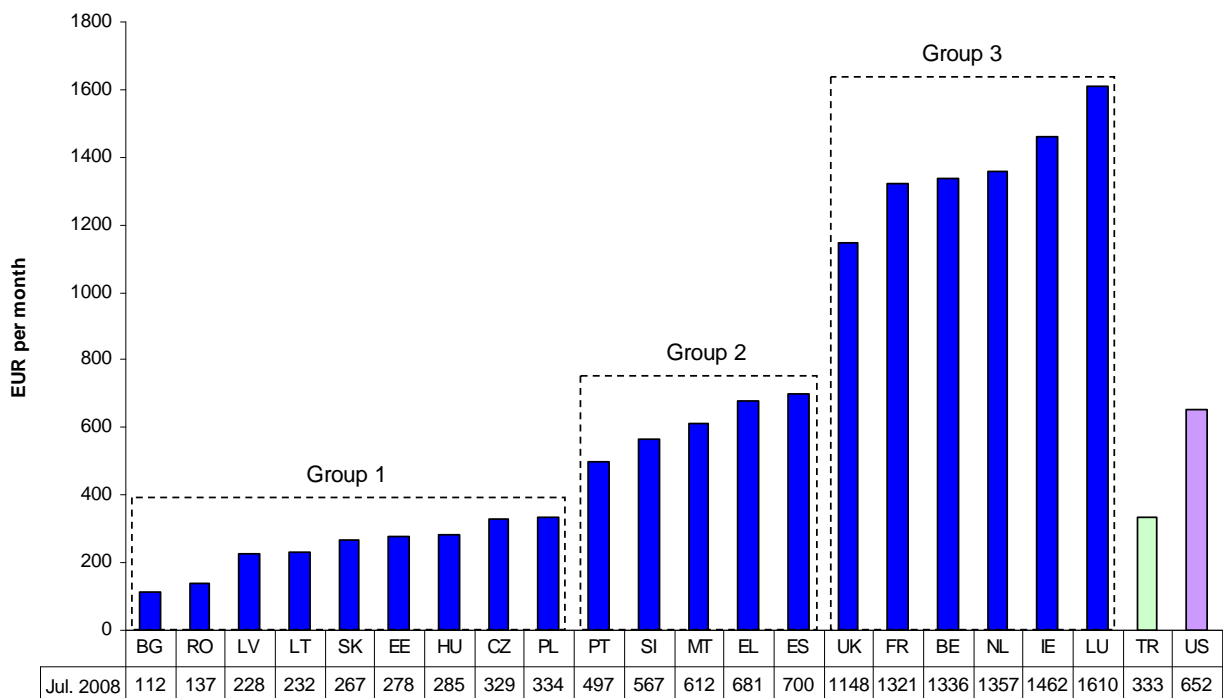
The 20 Member States concerned can be divided into three groups based on the level of minimum wage on 1 July 2008. The first group includes the 9 countries with the lowest minimum wages, between about 100 and 350 EUR: Bulgaria, Romania, Latvia, Lithuania, Slovakia, Estonia, Hungary, Czech Republic and Poland.

The second group comprises five Member States (Portugal, Slovenia, Malta, Greece and Spain) with an intermediate level of minimum wages, from nearly 500 EUR to 700 EUR.

The third group comprises 6 Member States (United Kingdom, France, Belgium, the Netherlands, Ireland and Luxembourg) in which the minimum wage was close to or above 1 150 EUR.

For Turkey, the minimum wage was 333 EUR and in the USA the Federal minimum wage was 652 EUR.

**Figure 2: Minimum wages in EU Member States, Turkey and the USA, July 2008, in EUR**



Source: Eurostat, database on minimum wages

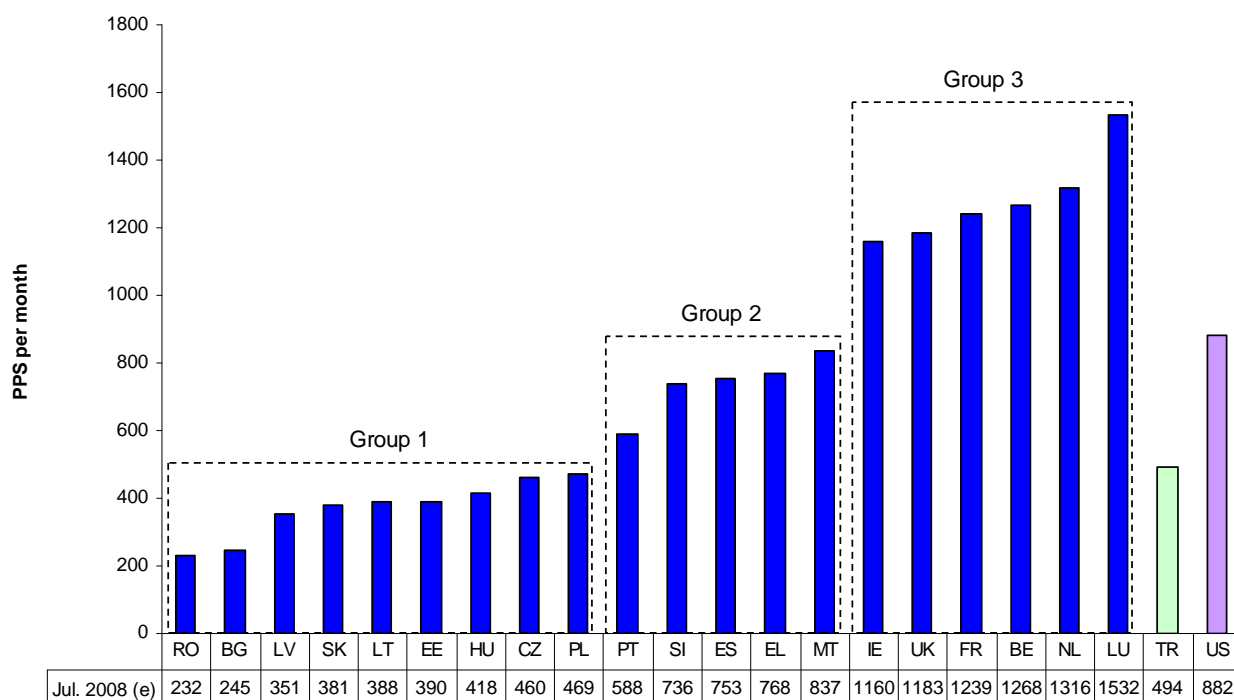
## The gap is considerably smaller when expressed in purchasing power parities

Figure 3 compares the minimum wages after removing the effect of price level differences by applying Purchasing Power Parities (PPPs) for household final consumption expenditure.

Adjusting for differences in purchasing power improves the position of all the Member States in groups 1 and 2. In group 3 (highest minimum wages), the situation is reversed (with the exception of the United Kingdom). Consequently, while in the Member States the minimum wage in euro (Figure 2) ranged from 112 to 1 610 EUR in July 2008 (a factor of about 1:14), the minimum wage in PPS (Figure 3) ranged from 232 to 1 532 (a factor of about 1:7).

While the spread is reduced, the ranking of the level of the minimum wages in the various countries as shown in Figure 2 (minimum wages expressed in euro per month) is virtually unchanged when the monthly minimum wages are expressed in PPS. In Turkey, the statutory minimum wage in PPS has a value (494) in between those of groups 1 and 2. For the USA, the figure in PPS (882) was between those of groups 2 and 3.

**Figure 3: Minimum wages in EU Member States, Turkey and the USA, July 2008, in PPS**



Source: Eurostat, database on minimum wages

The average annual nominal growth of the minimum wage in national currencies is between 2% and 28%

Table 1: Minimum wages in EU Member States, Turkey and the USA, 2000-2008, in national currencies and in EUR

	Levels				Average annual growth rate (NAC in %) 2000 to 2008	
	NAC		EUR		Nominal	Real
	2000 <sup>(1)</sup>	2008	2000 <sup>(1)</sup>	2008		
<b>BE</b>	1118	1336	1118	1336	2.3	-0.2
<b>BG</b>	75	220	38	112	14.4	6.7
<b>CZ</b>	4500	8000	125	329	7.5	4.6
<b>EE</b>	1850	4350	118	278	:	:
<b>IE</b>	945	1462	945	1462	5.6	2.2
<b>EL</b>	534	681	534	681	3.1	-0.5
<b>ES</b>	425	700	425	700	6.4	2.8
<b>FR</b>	1083	1321	1083	1321	2.5	0.3
<b>LV</b>	50	160	88	228	15.7	8.5
<b>LT</b>	430	800	113	232	8.1	4.8
<b>LU</b>	1221	1610	1221	1610	3.5	0.4
<b>HU</b>	25500	69000	98	285	13.3	6.8
<b>MT<sup>(2)</sup></b>	208	612	507	612	3.0	0.5
<b>NL</b>	1092	1357	1092	1357	2.8	0.3
<b>PL</b>	700	1126	168	334	6.1	3.3
<b>PT</b>	371	497	371	497	3.7	0.6
<b>RO</b>	70	500	35	137	27.9	12.2
<b>SI<sup>(3)</sup></b>	77010	567	373	567	7.3	2.0
<b>SK</b>	5570	8100	126	267	:	:
<b>UK</b>	625	909	993	1148	4.8	2.8
<b>TR</b>	119	639	204	333	23.4	1.9
<b>US</b>	893	1014	941	652	1.6	-1.4

(1) 2002 data for EE and SK

(2) NAC : 2000 in Maltese Lira, 2008 in EUR  
Growth rate: 2008 converted back in Maltese Lira (1 € = 0.4293 MTL)

(3) NAC : 2000 in Slovenian Tolar, 2008 in EUR  
Growth rate: 2008 converted back in Slovenian Tolar (1 € = 239.66 SIT)

Source: Eurostat, database on minimum wages

": not available

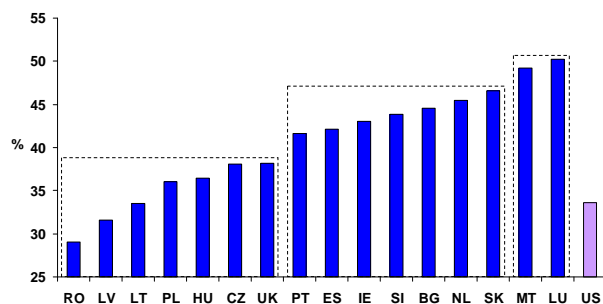
Table 1 shows the minimum wages in national currencies (NAC) and in EUR, as well as their evolution between 2000 and 2008 based on the NAC.

The average annual nominal growth from 2000 to 2008 in the minimum wage ranges from 2.3% in Belgium to 27.9% in Romania.

In real terms, i.e. after deflating the nominal figures using the Harmonised Index of Consumer Prices (see methodological notes), the average annual evolution in the EU-15 Member States having a statutory minimum wage plus Malta and Slovenia is less than 3%. For the other Member States, there is an increase higher than 3% with a maximum of 12.2% for Romania.

The minimum wage level is between 29% and 50% of average gross monthly earnings in industry and services

Figure 4: Minimum wages as percentage of average gross monthly earnings in industry and services in EU Member States



Source: Eurostat, database on minimum wages

In most countries the gross monthly minimum wage is less than 50% of average gross earnings. The Member States can be divided into three groups.

In Latvia, Lithuania, Poland, Hungary, Romania, the Czech Republic and the United Kingdom, the monthly minimum wage is less than 40% of average gross monthly earnings.

At the other end of the scale, in Malta and in Luxembourg the minimum wage is close to 50% of the average gross monthly earnings.

There is an intermediate group composed of Portugal, Spain, Ireland, Slovenia, Bulgaria, the Netherlands and Slovakia where the minimum wage is between 41% and 47% of the average gross monthly earnings.

Synthesis table of statutory minimum wages in the EU Member States, Turkey and in the USA (Situation as at 1 July 2008)

	BE	BG	CZ	EE	IE	EL	ES	FR
<b>Year of introduction</b>	1975	1990	1991	1991	2000	1991	1980	1970
<b>Coverage</b>	Private sector employees aged 21 or over	All employees	All employees	All employees	Experienced adult employees <sup>2</sup>	All employees aged 19 or over (for non-manual workers) 18 or over (for manual workers)	All employees irrespective of age	All employees aged 18 or over
<b>Method of fixing</b>	Negotiation by social partners	Set by government following recommendations of social partners and taking into account the state budget restrictions	Set by government following negotiations by social partners	Set by government	Set by government following recommendations of social partners or Labour court	Annual negotiation by social partners	Set by government	Set by government
<b>Method of updating</b>	Automatic indexation + periodic review	Set by government following recommendations of social partners and taking into account the state budget restrictions	Set by government usually once a year	Set by government following the agreement between social partners	Set by government following recommendations of social partners or Labour court	Annually according to government forecasts of inflation	Set by government usually once a year	Automatic indexation + annual review
<b>Type of rate</b>	Monthly	Monthly and hourly	Monthly and hourly	Monthly and hourly	Hourly	Monthly for non-manual workers; daily for manual workers	Monthly and daily	Hourly
<b>Statutory level in national currency<sup>1</sup></b>	1 335.78 EUR per month	220.00 BGN per month	8 000.00 CZK per month 48.10 CZK per hour	4 350.00 EEK per month 27.00 EEK per hour	8.65 EUR per hour	583.36 EUR per month 30.40 EUR per day	600.00 EUR per month 20.00 EUR per day	1 321.02 <sup>2</sup> EUR per month 8.71 EUR per hour
<b>In force since</b>	01.05.2008	01.01.2008	01.07.2007	01.01.2008	01.07.2007	01.01.2008	01.01.2008	01.07.2008

	LV	LT	LU	HU	MT	NL	PL	PT
<b>Year of introduction</b>	1991	1991	1973	1988	1974	1969	1990	1974
<b>Coverage</b>	All employees	All employees	All employees aged 18 or over	All employees	All employees	All employees aged 23 or over	All employees	All employees irrespective of age
<b>Method of fixing</b>	Set by government following recommendations of social partners	Set by government	Set by government	Set by government following recommendations of social partners	Set by government	Set by government	Set by government following negotiations by social partners	Set by government
<b>Method of updating</b>	Set by government following recommendations of social partners	Set by government following recommendations of responsible institutions	Automatic indexation + periodic review	Set by government following recommendations of social partners	Automatic indexation	Twice a year	Annually or twice a year according to government forecasts of inflation	Annually according to government forecasts of inflation
<b>Type of rate</b>	Monthly and hourly	Monthly and hourly	Monthly	Monthly	Weekly	Monthly	Monthly	Monthly
<b>Statutory level in national currency<sup>1</sup></b>	160.00 LVL per month 0.962 / 1.100 <sup>4</sup> LVL per hour	800.00 LTL per month 4.85 LTL per hour	1 609.53 EUR per month <sup>5</sup>	69 000.00 HUF per month	612.29 EUR per month	1 357.00 EUR per month	1 126.00 PLN per month	426.00 EUR per month
<b>In force since</b>	01.01.2008	01.01.2008	01.03.2008	01.01.2008	01.01.2008	01.07.2008	01.01.2008	01.01.2008

	RO	SI	SK	UK	TR	US
<b>Year of introduction</b>	1990	1995	1991	1999	1936	1938
<b>Coverage</b>	All employees irrespective of age	All employees	All employees	All employees aged 16 or over	All employees aged 16 or over	Employees of private enterprises with business > \$500,000 a year, or in smaller firms engaged in interstate commerce, or in federal, state or local government
<b>Method of fixing</b>	Set by government after consultations with social partners	Set by government (Ministry of Labour, Family and Social Affairs) by Minimum wage Act	Set by government following recommendations of social partners	Set by government following recommendations of social partners	Set by the Minimum Wage Fixing Committee consisting of government, employee and employer's representatives	Set by government
<b>Method of updating</b>	Set by government after consultations with social partners	Minimum wage is set annually (in August) on the basis of government forecasts of inflation and following consultation with social partners. In 2008 an amendment was adopted by Parliament to allow Minimum Wage to be adjusted in March 2008 due to high inflation	Set by government following recommendations of social partners - annual update	Set by government following recommendations of social partners	Usually every year (at least every 2 years)	Periodic review
<b>Type of rate</b>	Monthly	Monthly	Monthly and hourly	Hourly <sup>6</sup>	Monthly	Hourly <sup>7</sup>
<b>Statutory level in national currency<sup>1</sup></b>	500.00 RON per month	566.53 EUR per month	8 100.00 SKK per month	5.52 GBP per hour	638.70 TRL per month	5.85 US \$ per hour
<b>In force since</b>	01.01.2008	01.03.2008	01.10.2007	01.10.2007	01.07.2008	24.07.2007

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

<sup>2</sup> **IE** Employees who are aged under 18, or first-time job entrants, or undergoing structured training can be paid specified rates below the national minimum wage.

<sup>3</sup> **FR** Monthly guaranteed wage for the employees who have been working 35 hours per week since 01.07.2002.

<sup>4</sup> **LV** For employees aged under 18 and for those working in risky or dangerous circumstances.

<sup>5</sup> **LU** The social minimum wage rate depends on the worker's age and on his qualification.

<sup>6</sup> **UK** Rate for employees aged 22 and over is 5.05 GBP, rate for employees aged 18 - 21 is 4.25 GBP and for employees aged 16 - 17 rate is 3.00 GBP.

<sup>7</sup> **US** Employees under 20 years of age can be paid a sub-minimum wage of \$4.25 an hour during their first 90 consecutive calendar days of employment with an employer.

## METHODOLOGICAL NOTES

### Statutory monthly minimum wages

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

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

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

- France: 35 hours x 52 weeks divided by 12;
- Ireland: 39 hours x 52 weeks divided by 12;
- United Kingdom: 37.9 hours x 52 weeks divided by 12;
- United States: 40 hours x 52 weeks divided by 12.

In addition, when the minimum wage is paid for more than 12 months per year (as in Greece, Spain and Portugal, 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 July 2008 are given in Euros. For the non-euro area countries, the minimum wages in their national currencies were converted into Euros by applying the monthly average exchange rate in June 2008.

### 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. The year used for these PPPs is the last one currently available, i.e. 2006. PPPs for household final consumption expenditure in each country were used to convert the minimum monthly wages expressed in national currencies to an artificial common unit called the Purchasing Power Standard (PPS). The resulting minimum wages show the purchasing power of the minimum wages.

### The Harmonised Indices of Consumer Prices (HICPs)

The HICPs are economic indicators constructed to measure the changes over time in the prices of consumer goods and services acquired by households. The HICPs give comparable measures of inflation in the euro area, the EU, the European Economic Area and for other countries including accession and candidate countries. They are calculated according to a harmonised approach and a single set of definitions. They provide the official measure of consumer price inflation in the euro-zone. June 2000 and June 2008 figures of the index for all items of the COICOP (Classification of individual consumption by purpose) were used for calculations. Data source for US consumer prices figures: Experimental HICP (source: US Bureau of Labour Statistics).

### Minimum wages as percentage of average gross monthly earnings in industry and services

- BG** Private and public enterprises with 1+ employees in sections C to K of NACE rev 1.1 (B to N of NACE rev 2) are covered. Gross monthly earnings are calculated as average figure from annual gross earnings divided by 12 and relate to full-time equivalents. Gross earnings are total remunerations in cash received by employees including overtime earnings, regular and irregular bonuses and payments for time not worked.
- CZ** Average monthly wage of full-time equivalents as the minimum monthly wage is valid only for full-time employees.
- EE** Monthly earnings calculated using the average monthly earnings of full-time employees in October.
- IE** Average Industrial Earnings data used in calculation is from the new survey which now includes irregular earnings. Average Industrial Earnings for Q1 and Q2 are used for the calculation. Average earnings in industry used in calculation, figure for earnings in industry and services not available.
- ES** Average monthly earnings are calculated using the annual average from quarterly data on average monthly wages from the Quarterly Labour Cost Survey. Earnings comprise cash remuneration and remuneration in kind. They include base salaries, bonuses, payments for overtime, extraordinary payments and cost-of-living and other adjustments. The wages are considered in gross terms, before tax and social security deductions. All employees are included (full-time, part-time). Sales representatives and other persons, who are wholly remunerated by way of fees or commission, are not on the payroll, or who are self-employed, owners, directors or managers whose remuneration wholly takes the form of a share in profits and family workers who are not employees of the local unit are excluded. All divisions from C to K of NACE rev 1.1 (B to N of NACE rev 2) are included.
- LV** National minimum wage in percentage of average monthly gross wages for employees in full-time equivalent in all enterprises and institutions, C to K of NACE rev 1.1 (B to N of NACE rev 2).
- LT** Gross monthly earnings are the amount of cash payments paid to all employees who have direct employment contracts. This includes gross amounts, before deduction of taxes and social security contributions payable by employee. Individual enterprises are excluded.
- LU** Gross monthly earnings of all persons occupied in the sectors C to K of NACE rev 1.1 (B to N of NACE rev 2) on March 31 of each year.
- HU** Monthly earnings calculated using the average monthly earnings of full time employees in each year from January to December. Data concern enterprises employing more than 4 employees, all public and social security institutions. A to O of NACE rev 1.1 (A to S of NACE rev 2).
- MT** Means within classes were used for imputation methods based on occupational category, type of employment and gender.
- PL** Data concern economic entities employing more than 9 persons.
- RO** Data sources: Labour cost survey and the national legislation.
- SK** For profit organisations with 20 and more employees (in financial intermediation irrespective of the number of employees) and all non-profit organizations
- UK** Monthly wage calculated using average weekly earnings excluding overtime for a reference week in April of each year.
- US** For total private industries. Data relate to production workers in natural resources and mining and manufacturing, construction workers in construction, and nonsupervisory workers in the service-providing industries.

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