

## PROMOTING SUSTAINABLE DEVELOPMENT: FUTURE PROSPECTS FOR MINIMUM WAGE IN EUROPE BY 2024

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**Abstract:** *The long path of global development, largely driven by the desire to increase profits and minimize suffering, has had serious consequences for the environment, social structure and even spiritual well-being. The end of the 20th and the beginning of the 21st centuries were marked by various and persistent crises, including environmental degradation, global climate change, and social and gender inequalities, which forced the state, organizations and individuals to change their approaches. This conflict has triggered changes related to sustainable development. Therefore, as a measure, the European Union has proposed a directive aimed at establishing an adequate minimum wage in all 27 member states. However, the directive allows for flexibility, which means that the level and conditions of the minimum wage will not be standardized across the EU. Despite these initiatives, inflation, which rose sharply in 2022, has undermined the real value of the minimum wage in many EU countries. The Organisation for Economic Co-operation and Development (OECD) has called for regular reviews to protect low-income workers. The objectives of the EU directive include several ideas, including establishing a framework to ensure an adequate minimum wage, the role of collective bargaining in wage setting, and improving workers' access to the enforcement of their minimum wage rights. However, determining an adequate minimum wage is a complex task. The directive aims to allow Member States to use key international or national indicators when setting minimum wages, with the ratio of minimum wage to average wage providing as a principal indicator of the condition of minimum wage employees. According to the OECD, in 2022, the minimum wage was less than 50% of the average wage in ten EU countries. This article focuses on identifying these problems and proposing solutions to overcome them.*

**Key words:** *Minimum Wage, Sustainable, Progress, Development*

**JEL:** E24, J3, O11

### 1. Introduction

In recent years, there have been many discussions on sustainability. Much of the discussion on this topic has focused on conceptual frameworks, transition strategies, social models and other specific components, thus ignoring potential implementation problems. This paper aims to analyze the adequacy of the minimum wage, according to the guidelines of the Directive. Member States can adapt the international guidelines determined, as 60% of the average platforms or 50% of the average platforms, or they can stagnate national guidelines. One of them shows that in large European countries there is a minimum work plateau and with these guidelines almost nothing.

Wages are an important or rather basic element of working conditions and are also a point that helps to improve or avoid collective labor conflicts. The International Organization of Municipalities (IOM) is in charge of promoting political support that encourages the distribution of income, namely the beneficiaries of progress and wage increases that help all profit-making organizations to take care of protection. The IOM offers insurance services and basic proposals to address different aspects of the Wage Legislation, including minimum wages in the public sector, external wages, the gender pay gap, payments from the wage protection system, prevention and wage decisions.

## **2. Basic content.**

In 2020, the European Commission introduced a proposal addressing the adequacy of minimum wages across EU member states. The proposal was motivated by concerns over inadequate incomes and significant gaps in minimum wage coverage. The directive's primary goal is to ensure that minimum wages are sufficient, whether established through collective agreements or by law.

Directive (EU) 2022/2041 was adopted by the European Parliament and the Council in October 2022, with a deadline of autumn 2024 for all member countries. The main purpose of the directive is to establish standards that will ensure the adequacy of the minimum wage, regardless of whether it is determined by law or by collective bargaining (depending on each state). Implementation will take place according to two different types of approaches. The first, will apply in 21 states, where the minimum wage is set by law or mandatory provisions, which implies more complex obligations. Another approach, with fewer obligations, applies to states where wages are mainly determined by collective bargaining, such as: Austria, Cyprus, Denmark, Finland, Italy and Sweden.

The difference in obligations aims to respect the autonomy of the social partners in setting the minimum wage, if they have exclusive competences. Member States must therefore set clear and stable criteria to ensure that the minimum wage remains adequate and is regularly updated.

The Directive defines four key components that Member States must take into account: the purchasing power of the statutory minimum wage, the general distribution of wages, the rate of wage growth and national productivity levels in the long term. This allows Member States to adapt the mechanism to different specific circumstances and to act with decisions to implement the Directive. Regarding Article 5 of the Directive, Member States must use reference values to assess the adequacy of the minimum wage. These include 60% of the average gross wage and 50% of the average gross wage or specific national reference values. The Directive aims to ensure full coverage of minimum wage standards. Article 6 obliges Member States to ensure that any differentiated statutory minimum rates for certain groups of workers or deductions that reduce wages below the statutory minimum comply with the principles of non-discrimination and proportionality.

Article 10 establishes a monitoring mechanism to monitor the coverage and adequacy of the minimum wage. EU Member States are required to collect and report annually to the European Commission data on various aspects, including the statutory minimum wage, the coverage of collective bargaining and the wage levels for employees not covered by these mechanisms. The monitoring serves both as a self-assessment tool for the Member States and as a basis for the EU institutions to review and subsequently issue recommendations in the context of the European Semester.

Finally, Article 11 focuses on ensuring that individual rights are respected. Member States are required to provide access to all applicable effective dispute resolution mechanisms and to protect workers against harassment when they exercise their rights under the proposed Directive. In addition,

they are required to apply effective, proportionate and dissuasive penalties for breaches of national legislation relating to the Directive.

The suspension of regulation during recent economic crises has largely exposed the shortcomings of the current mechanism. The core aspects of the EU Directive therefore include:

1. Setting clear criteria for the minimum wage;
2. A clear link between the minimum wage and the level of poverty;
3. Continued promotion of state support for collective bargaining on wage-setting issues.

The Directive also stipulates that states that apply social protection policies, such as minimum incomes guaranteed by collective agreements, are not obliged to adopt the new European rules on minimum wages, on one condition. That their current standards are more favourable than those set in the new directive.

The minimum wage is a basic tool in the fight against poverty and plays a key role in promoting sustainable development. 2024 is expected to be a difficult year, which will take a turn for the better with clear efforts to improve living and working conditions in EU Member States, as the Brussels Minimum Wage Directive is due to enter into force by 15 November. Currently, the global development agenda has identified priority areas for the collective efforts of the international community. These areas were identified by 2015 and include the creation of a post-crisis financial framework, the formulation of new global goals – the Sustainable Development Goals (SDGs) – and the renewal of climate change commitments, such as those in the Paris Agreement. The COVID-19 pandemic has also required further adaptations, stimulating developments to address new challenges. In addition, the global economic landscape has changed, changing the conditions that affect and constrain the ability to achieve the goals.

Today's macro economy is very different from the favourable conditions of the early 21st century: despite low interest rates, global economic growth has slowed down, and the challenges related to global governance and the prioritization of resources for development assistance have become more pressing. Delays in addressing global challenges have further worsened the situation, increasing future resource needs, especially financial.

In response to the challenges arising from recent crises, the EU Directive was adopted as a solution to create a framework to ensure an adequate statutory minimum wage, improve workers' access to it and facilitate collective bargaining on wage setting. However, one of the challenges that the directive creates is that it significantly changes the rules for determining the income of millions of Europeans. The directive requires each EU member state to establish clear criteria for setting the minimum wage. Relevant indicators include national purchasing power, the cost of living, the level and distribution of wages, the rate of wage growth, labour productivity, the poverty threshold and the average nominal wage.

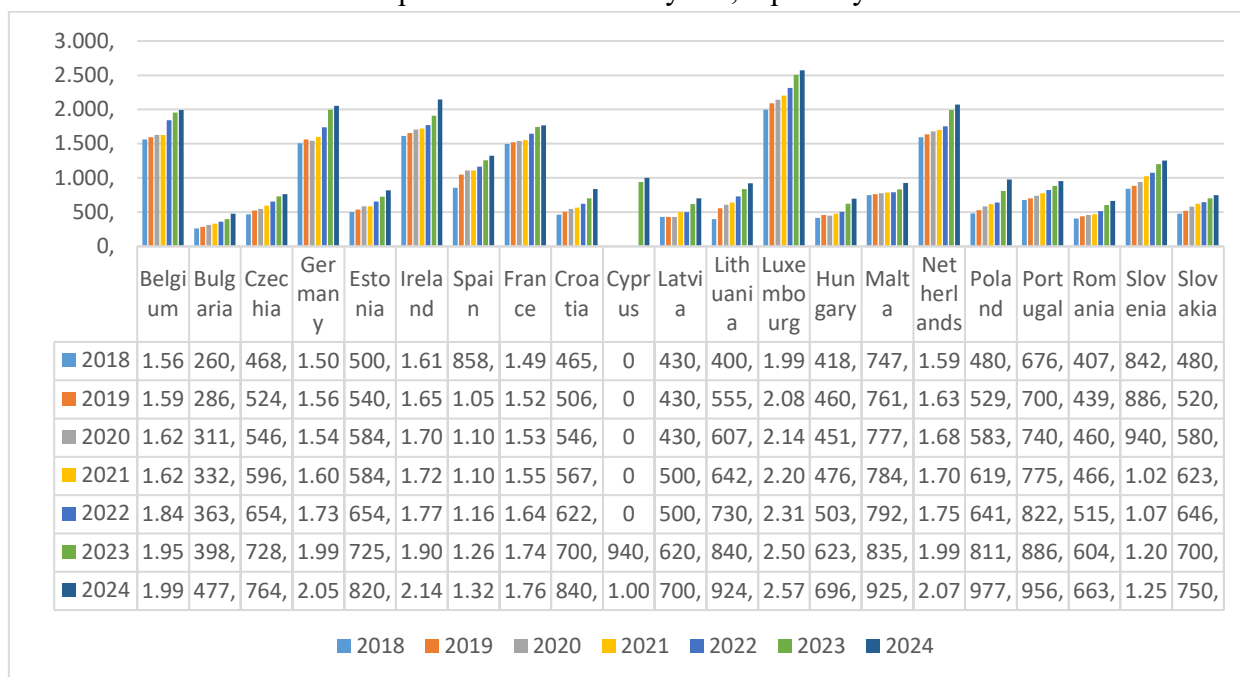
The minimum wage in the EU varies greatly, currently ranging from €477 per month in Bulgaria to €2,571 per month in Luxembourg. Countries such as Luxembourg, Ireland, the Netherlands and Germany have a minimum wage of over €2,000, while France has a minimum wage of around €1,767 and Spain has a minimum wage of around €1,323. It is particularly worrying that the real minimum wage has fallen in most EU Member States due to high inflation since 2022, thus particularly affecting countries where a large share of workers earn a basic minimum. The challenges facing each EU Member State following the implementation of the Directive will include creating a framework to

ensure an adequate legal minimum wage, facilitating collective bargaining on wage setting and increasing workers' access to their minimum wage rights.

The main research method used on this topic was an in-depth analysis of official documents, regulations and directives issued by the European Parliament, the European Commission and the Council, as well as other relevant official publications in the field. In addition, the study included a review and identification of previous studies, reports and scientific articles that examined issues related to the minimum wage, collective bargaining and the consequences of wage policies. An important element of the study was the use of official statistical data, which became the basis for an efficient assessment of the level of the minimum wage in each EU Member State and for the analysis of their trends over time.

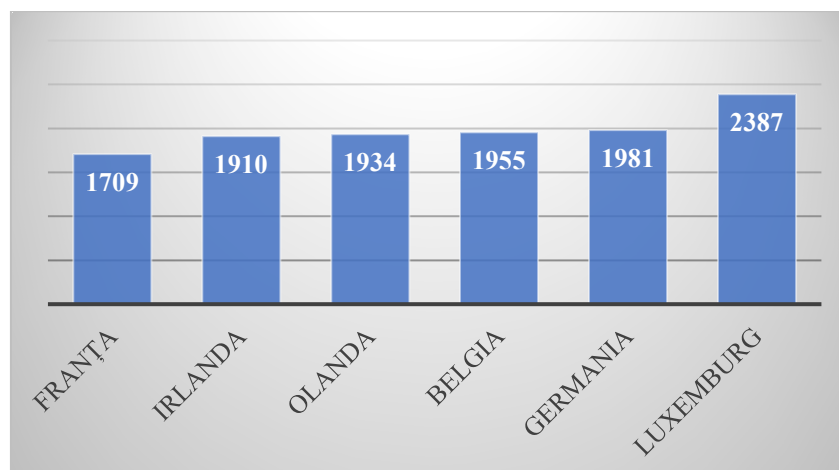
The minimum wage values in Europe each year between 2018 and 2024 fluctuated as follows:

- **Belgium:** The minimum wage increased moderately between 2018 and 2021, with significant accelerations in 2022 and 2023, followed by a more moderate increase in 2024.
- **Bulgaria:** The minimum wage increases steadily each year, but at different rates. The increase accelerated in recent years, especially in 2023 and 2024.
- **Germany:** The minimum wage increased steadily over the period under review, but with small fluctuations over the years.
- **Estonia:** The minimum wage increased steadily until 2023 and then increased significantly in 2024.
- **Spain:** The minimum wage increased steadily in the first three years, but remained the same in 2021 and 2022, followed by moderate increases in 2023 and 2024.
- **Romania:** The minimum wage continues to increase every year, but with different growth rates. The fluctuations have been more pronounced in recent years, especially in 2023 and 2024.



**Figure 1. The Dynamics of Monthly Minimum Wage in Euros Across Member States**

*Source: Own processing based on Eurostat data*

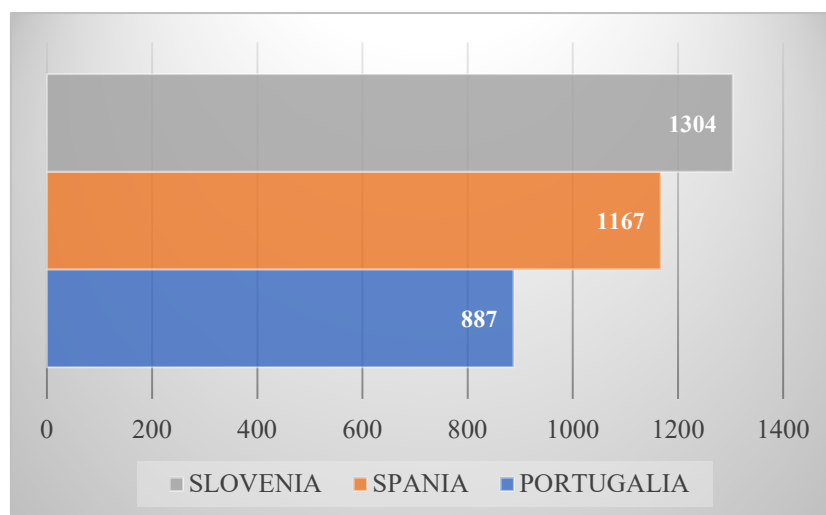


**Figure 2. Minimum wage (euro) group – I**

*Source: Own processing based on Eurostat data*

The latest EU statistics, published in 2023, illustrate how national minimum wages in the EU range from €399 (around \$440) per month in Bulgaria to €2,387 in Luxembourg, and how member states can be classified into three categories: □

- Group 1 - (Luxembourg, Germany, Belgium, the Netherlands, Ireland and France) with a national MINIMUM wage exceeding €1,500 per month.
- Group 2 (Slovenia and Spain) with national minimum wages above €1,000 but below €1,500 per month.
- Group 3 - below €1,000 per month. This group includes Cyprus, Portugal, Malta, Lithuania, Greece, Poland, Estonia, the Czech Republic, Slovakia, Croatia, Latvia, Romania, Venice and Bulgaria.



**Figure 3. Minimum wage (euro) group – I**

*Source: Own processing based on Eurostat data*

Even though Romania has had the highest average annual growth rate in the EU over the past 10 years (14.4%), its national minimum wage of €606 remains one of the lowest in the EU. According to an analysis by the European Trade Union Confederation (ETUC), based on Eurostat data, the lowest paid workers in Europe have seen their wages fall by up to 19% this year, marking the biggest

drop in real minimum wages this century. Although the statutory minimum wage rose by an average of 7.6% last year in all 21 EU countries with a minimum wage, inflation in the same countries rose by an average of 12.4%. This has led to an average fall in the real value of the statutory minimum wage of 4.8%, leaving millions of workers struggling to cover basic costs such as food, rent and energy.

This is only the second time since 2000 that real minimum wage growth has fallen below zero, and the current cut is much larger - at the height of austerity in 2012, real minimum wage growth was -0.7%. The most drastic decreases in real minimum wages were recorded last summer in Latvia (-19%), the Czech Republic and Estonia (-10%) and Slovakia (-8%). These changes have significantly worsened working conditions for minimum wage earners in Europe, many of whom were already struggling to make ends meet. Even before the cost of living crisis began, almost one in ten workers in the EU27 was at risk of poverty, and 7 in 10 minimum wage earners reported difficulties in meeting basic needs.

### **3. Conclusions.**

The Minimum Wage Directive is a significant step forward, first and foremost, in promoting EU policy on public disclosure of EU policies. The Minimum Wage Guidelines are an important step towards the European triple pillar of social rights, in particular in terms of strengthening the understanding. While this is fine, it establishes important governance frameworks, strengthens the role of social partners and, more generally, defines the essential role that social entities should play in a fair and functioning European social economy. of the market.

From a policy point of view, the amendments to the Directive are based on strong empirical evidence, which previously recognised the adjustment of minimum wages to economic factors as a key issue in the labour market. In addition, the Directive emphasises the importance of timely and regular reductions in the minimum wage and adds a positive influence on the importance of spouses in the wage setting process. In addition to regulating minimum wages, the Directive is also notable for its broad wage targeting, as it affects social units, placing them at the heart of the wage economy, and the reform of low wages in Europe.

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