Cyprus and Italy are currently considering the introduction of a universal minimum wage floor by law. With this move, they would be joining 22 other EU Member States that already have one in place. In the remaining Member States – Austria, Denmark, Finland and Sweden – and in Norway, too, minimum wage rates are stipulated in sectoral collective agreements. This article reviews some examples of how EU countries set their minimum wages, why they opted for one or the other approach, and what impact their decision has had.

Spoiler alert: There is no one best-practice blueprint. Wage setting is deeply embedded in each country's economy and its institutional and industrial relations landscape, and outcomes do not – necessarily or exclusively – depend on what system is chosen.

Different strokes for different folks

Statutory minimum wages play different roles for the countries in the EU. For some – mainly the eastern European countries – they are essentially the only instrument for central social actors to influence wage setting in an otherwise fragmented company-level wage-setting environment. For other Member States, such as Belgium or Spain, they serve as an additional tool and establish a lowest floor, but they have relatively limited practical relevance given the higher levels of pay fixed within an extended set of sectoral collective agreements…

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