



Report on Adequacy of Statutory Minimum Wages and Decent Standard of Living

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The Adequate Minimum Wages Directive (AMWD) marked a qualitative step forward in EU social policy by explicitly linking minimum wage protection to the objective of ensuring a **decent standard of living**. The judgment of the Court of Justice in case C-19/23 did not reverse this ambition. Rather, it clarified the legal limits of EU action on pay while confirming the Union's competence to pursue social objectives related to working and living conditions.

1. Adequacy and the decent standard of living in the AMW Directive

1.1 Adequacy as a substantive social objective

Directive (EU) 2022/2041 establishes adequacy as a core principle of minimum wage protection and explicitly links it to the objective of ensuring a **decent standard of living**. Article 5(1) makes clear that statutory minimum wages shall be set and updated with the aim of achieving a decent standard of living, reducing in-work poverty, promoting social cohesion and upward social convergence, and contributing to the reduction of the gender pay gap.

Adequacy is therefore not conceived as a purely relative or technical concept. It is a **substantive social objective**, embedded in the broader framework of the European Pillar of Social Rights and closely aligned with international labour standards and human rights instruments. The Directive combines two dimensions of adequacy. First, statutory minimum wages must be fair in relation to the wage distribution in the Member State. Second, they must be sufficient to ensure a decent standard of living for workers.

These two dimensions are complementary. Relative fairness within the wage structure provides an important benchmark of social inclusion and prevents minimum wages from lagging too far behind general wage developments. At the same time, a decent standard of living gives adequacy its concrete social meaning and anchors it in workers' real living conditions, at national level.

1.2 Wage distribution and the Kaitz index

A central tool for assessing the relative adequacy of minimum wages is the comparison between minimum wage levels and the overall wage distribution, often expressed through the so-called **Kaitz index**. The Kaitz index measures the ratio between the statutory minimum wage and either the median or the average wage in a given country.

Using the wage distribution approach has several advantages. It is relatively easy to calculate, allows for cross-country comparisons, and takes account of differences in overall wage levels across Member States. International experience shows that minimum wages set too far below the median or average wage are unlikely to provide adequate income protection and tend to lose relevance over time.

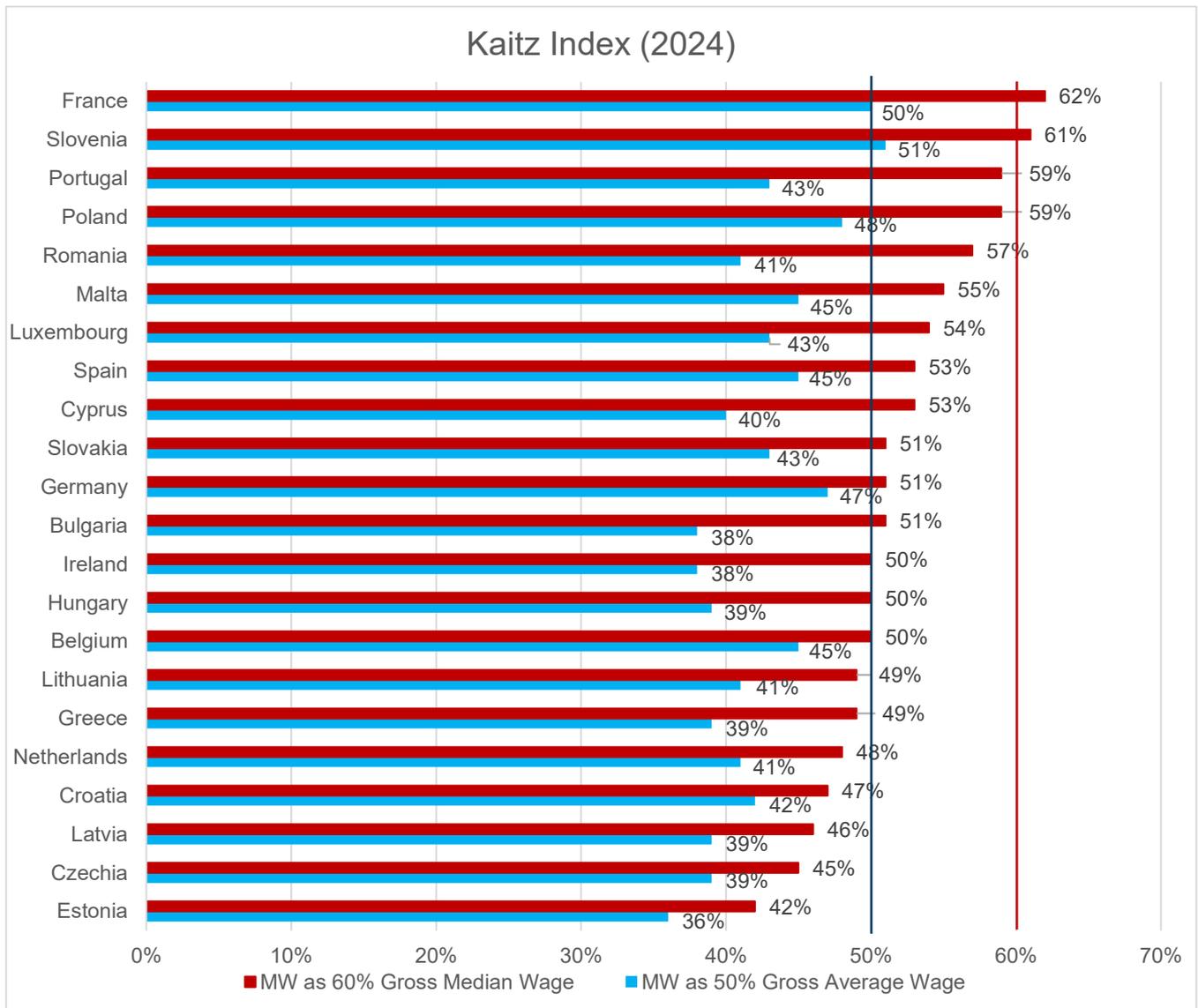
For these reasons, the AMW Directive refers to indicative reference values commonly used at international level, notably minimum wages set at 60% of the gross median wage and/or 50% of the gross average wage. These benchmarks are often described as a “double decency threshold”, reflecting their close link to widely used at-risk-of-poverty thresholds and their role in preventing in-work poverty.

However, the Directive does not equate adequacy with mechanical compliance with these thresholds. Wage distribution indicators are necessary but not sufficient. In countries where the overall wage structure is low, a relatively high Kaitz index may coexist with low absolute



wage levels, raising questions about workers' ability to afford a decent standard of living. This limitation of purely relative indicators is explicitly acknowledged in the broader debate on adequacy and underlines the need to complement distributional benchmarks with an assessment of living costs.

Graph 1: Minimum wages as a percentage of median and average wages across Member States.



Source: OECD 2024

Another issue concerns whether reference values play any role in setting or adjusting statutory minimum wages. Table 1 illustrates that of the 22 Member States with a statutory minimum wage, only in five is minimum wage setting not guided by some kind of reference value (Cyprus, Greece, Luxembourg, Malta and Portugal). The remaining 17 countries, in which minimum wage setting is guided by reference values, made full use of the flexibility offered by the Directive as regards the type and level of the reference value. The vast majority of 14 countries refer to the Kaitz Index which defines the relative level of the minimum wage as a percentage of the gross average and/or median wage. However, as regards the level of the reference value,



the countries vary considerably. Seven countries actually use the reference values recommended in the Directive. Slovakia and Poland go beyond the level recommended in the Directive with a reference value of 60% and 55% of the gross average wage respectively. Five countries chose a level below the one recommended in the Directive – but in Czechia, Latvia, Lithuania and Romania this still represents a considerable improvement to the current state of play. The only exception is the Netherlands where the 50% of the gross median wage proposed by the government would preserve the status quo. Only three countries diverge from the Directive’s proposal by referring to other types of reference values. France and Spain opted to refer to a percentage of the net wage and Slovenia took an entirely different approach by linking the adjustment of the statutory minimum wage to living costs. In Slovenia, the net minimum wage has to be set between 120-140% of the minimum living costs which are calculated every six years.

Table 1: Use of reference values in minimum wage setting.

Percentage of gross average and/or median wage (Kaitz Index)			Other reference value	
Level of the Directive	Higher than in Directive	Lower than in Directive	% of net average / median wage	Living Costs
50% average: Belgium, Bulgaria, Estonia (by 2028), Hungary (by 2029) 60% median: Germany, Ireland (by 2029) Both: Croatia	55% of average: Poland (draft law) 60% of average: Slovakia	46% average: Latvia 47% of average: Czechia (by 2029) 45-50% of average: Lithuania 47-52% of average: Romania 50% of median: Netherlands /draft law)	60% of net average and 50% of net median: France 60% of net average: Spain	Net MW to be set at 120-140% of the minimum living costs: Slovenia
7 countries	2 countries	5 countries	2 countries	1 country

Source: Müller 2025¹

2. The CJEU judgment in case C-19/23: legal clarification and continuity of objectives

2.1 What the Court confirmed

In its judgment, the Court confirmed that Article 153(1)(b) TFEU on working conditions is the appropriate legal basis for the Directive. It reaffirmed that the exclusion of pay from EU competence under Article 153(5) TFEU must be interpreted narrowly and does not prevent the EU from adopting measures that improve working and living conditions, even if they have indirect effects on pay.

¹ Müller, T. (2025). I'm Still Standing: Transposition and political impact of the Directive on Adequate Minimum Wages in the EU. *Italian Labour Law E-Journal*, 18(2), 21–36. <https://doi.org/10.6092/issn.1561-8048/23601>



The Court upheld the Directive's core provisions, including its objectives, the promotion of collective bargaining, the obligation to assess adequacy, the use of indicative reference values, and the involvement of social partners.

2.2 What the Court limited

Article 5(2) of the AMWD defined a set of four criteria to be taken into account when setting and updating statutory minimum wages: (a) the purchasing power of statutory minimum wages, taking into account the cost of living; (b) the general level of wages and their distribution; (c) the growth rate of wages; (d) long-term national productivity levels and developments.

The partial annulment of Article 5(2) and related wording concerned the level of detail with which the Directive prescribed the elements to be taken into account when setting statutory minimum wages. The Court considered that this degree of harmonisation went beyond what is permissible under EU competences.

Importantly, the Court did not question the objective of ensuring a decent standard of living, nor the legitimacy of using reference values as benchmarks. The judgment therefore does not weaken the concept of adequacy, but reshapes its governance: adequacy must be defined and operationalised at national level, within a framework of EU-defined objectives and procedures.

3. Implications after C-19/23: from EU criteria to national responsibility

The CJEU judgment reshapes the governance of adequacy without altering its substance. Member States remain fully bound by the objective of ensuring adequate minimum wages that contribute to a decent standard of living. What changes is the degree of prescriptiveness at EU level and the corresponding emphasis on national responsibility, social dialogue and collective bargaining.

Indicative reference values based on the wage distribution remain an essential starting point for assessing adequacy. They provide transparency, comparability and a clear signal of what constitutes a socially acceptable minimum level of pay. At the same time, experience across Member States demonstrates that relative benchmarks alone may not always guarantee a decent standard of living, particularly in contexts characterised by low wage levels, high housing costs or high inflation.

Inflationary pressures in recent years have further highlighted the gap that can emerge between nominal or relative adequacy and real purchasing power. Statutory minimum wages that appear adequate when measured against median or average wages may nevertheless fail to keep pace with rising living costs. This underlines the need for adequacy assessments to be dynamic and responsive to changes in the cost of living.

In this context, the mechanisms used to update minimum wages are crucial. Some Member States provide useful examples of automatic or semi-automatic adjustment systems that help preserve real purchasing power. In Belgium, for instance, statutory and collectively agreed wages are subject to automatic indexation linked to consumer price developments, ensuring that wages adjust regularly to changes in the cost of living. Other countries have relied on flat-rate increases in minimum wages, which can disproportionately benefit low-paid workers and compress wage inequality at the bottom of the distribution. Such mechanisms can play an



important role in safeguarding adequacy over time, particularly in periods of high inflation, provided they are embedded in transparent and participatory wage-setting frameworks

3.1 The basket of goods and services approach

A complementary way of assessing adequacy focuses on the **cost of a basket of goods and services** required to ensure a decent standard of living. This approach seeks to translate the abstract notion of a decent life into concrete expenditure needs and provides a reality check for distributional benchmarks.

The basket of goods and services typically includes essential categories such as food, housing, energy, transport, healthcare, education, clothing, communication, and participation in social and cultural life. The precise composition of the basket must reflect national circumstances, consumption patterns and social norms, and should be defined through transparent and participatory processes.

Crucially, the development and updating of the basket should involve trade unions and employers' organisations. This ensures democratic legitimacy, reflects lived experience, and strengthens the role of social dialogue in wage-setting. By comparing minimum wage levels to the cost of the basket, policymakers and social partners can assess whether statutory minimum wages are sufficient to guarantee a decent standard of living in practice.

4. Living standards and the role of living wages

4.1 Living wage in international labour standards

The concept of a **living wage** has a long-standing foundation in international labour standards. It is rooted in the ILO Constitution, the Declaration of Philadelphia, and international human rights instruments recognising the right of workers to remuneration that ensures a decent living for themselves and their families.

The ILO Meeting of Experts on Wage Policies, including living wages, held in February 2024, clarified that a living wage refers to the wage level necessary to afford a decent standard of living for workers and their families, calculated for normal hours of work and taking into account national circumstances. The Expert Group emphasised that living wages should be achieved through established wage-setting processes, notably collective bargaining and tripartite social dialogue, and not through unilateral or purely voluntary initiatives.

The Expert Group also underlined that living wage estimates should be based on robust, transparent and evidence-based methodologies. These include the identification of workers' and families' needs, the use of reliable statistical data, regular adjustments to changes in the cost of living, and strong involvement of social partners throughout the process.

4.2 From adequate minimum wages to living wages

Within the EU context, the living wage concept should not be seen as a replacement for statutory minimum wages or as a challenge to national wage-setting autonomy. Rather, it offers a coherent framework to operationalise the objective of a decent standard of living already embedded in the AMW Directive.

A pragmatic approach consists of a **three-step progression**. First, statutory minimum wages should be set at least at widely accepted decency thresholds based on the wage distribution,



notably 60% of the median and 50% of the average wage. Second, the cost of a basket of goods and services necessary for a decent standard of living should be estimated. Third, this estimate should be used as a reality check to assess whether distributional benchmarks are sufficient in practice and, where necessary, to inform upward adjustments.

This progression reflects the conclusions of the ILO Expert Group, which stressed the importance of incremental pathways from minimum wages to living wages, taking into account economic factors, productivity developments and employment considerations. It also reinforces the central role of collective bargaining as the key mechanism to translate living wage benchmarks into sustainable wage outcomes.

5. Collective bargaining, governance and future perspectives

Collective bargaining plays a central role in ensuring that adequacy evolves with economic and social conditions. The CJEU judgment explicitly confirmed that promoting collective bargaining falls within EU competence and does not infringe national autonomy. Strong bargaining systems are therefore a key instrument to translate adequacy and living standards into sustainable wage outcomes.

From a forward-looking perspective, the increasing use of living wage benchmarks can support social dialogue, inform public policy, and guide future revisions or complementary initiatives at EU level. While the current legal framework limits direct EU intervention in wage-setting, it leaves ample room for political coordination, guidance and monitoring.

6. Policy implications and ETUC priorities

In this context, the ETUC calls for:

- EU-level guidance, including a Commission Recommendation, on assessing adequacy in line with the objective of a decent standard of living;
- systematic integration of adequacy and living standards into EU economic governance;
- transparent national adequacy criteria developed with the full involvement of social partners;
- strengthened collective bargaining systems as the primary means to achieve fair and adequate wages.

Adequacy is not an abstract benchmark. It is a commitment to ensure that work provides a dignified life. Re-centering wage policy on living standards is both the logical continuation of the AMW Directive and a necessary response to current social and economic challenges.



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