

The Minimum Wage and Transparent Wages in the EU: Means to Address Multidimensional Inequalities

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Abstract: This paper explores the role of minimum wage policies and transparent wage practices in the European Union as instruments to mitigate multidimensional inequalities. It situates wage regulation within the broader framework of social justice and solidarity, emphasizing its potential to reduce disparities not only in income but also in gender, sectoral, and regional dimensions. By examining EU directives and national implementations, the study highlights how minimum wage standards contribute to safeguarding workers against in-work poverty, while transparency mechanisms foster accountability and narrow wage gaps. The analysis underscores the interplay between legal frameworks, institutional capacity, and cultural attitudes toward fairness, revealing both opportunities and limitations in current approaches. Ultimately, the paper argues that strengthening minimum and transparent wage policies is essential for advancing equitable labour markets and reinforcing the EU's commitment to social cohesion.

Keywords: multidimensional inequalities; income disparities; gender pay gap; in-work poverty; minimum wage; wage transparency.

I. Introduction

The concept of *social exclusion* has become a central theme in European social policy debates since the late 20th century. It refers not only to material deprivation but also to the denial of participation in civic, economic, and cultural life¹. In contrast, *social inclusion* is understood as the active creation of opportunities for individuals and groups to engage fully in society, thereby ensuring dignity and equality². Within this framework, the *minimum wage* has emerged as a crucial instrument of social protection. Initially conceived as a temporary economic measure to safeguard vulnerable workers, it has evolved into a cornerstone of European solidarity and a symbol of the Union's commitment to social justice³.

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¹ R LEVITAS, *The Inclusive Society? Social Exclusion and New Labour* (Palgrave Macmillan 1998).

² A SEN, *Development as Freedom* (Oxford University Press 1999).

³ A B ATKINSON, *Inequality: What Can Be Done?* (Harvard University Press 2015).

The European Union's recent reforms underscore this transformation. The *Directive on Adequate Minimum Wages (EU 2022/2041)* establishes a legal framework to ensure that wages across Member States provide workers with a decent standard of living⁴. Complementing this, the *Directive on Pay Transparency (EU 2023/970)* seeks to eliminate discriminatory practices mandating disclosure of wage structures and gender pay gaps⁵. Together, these instruments reflect a broader recognition that wage fairness is not merely an economic issue but a matter of *human rights and democratic participation*.

The introduction of these directives must be situated within the wider context of *multidimensional inequality* in Europe. Income disparities intersect with inequalities in education, health, housing, and access to labour markets⁶. Vulnerable groups, including women, young people, ethnic minorities, and persons with disabilities, are disproportionately affected. The minimum wage, therefore, functions not only as a mechanism of economic redistribution but also as a tool of *social cohesion*, designed to bridge divides and foster inclusion.

Moreover, the *historical evolution* of wage regulation illustrates the shifting priorities of European societies. From early debates on poverty and social Darwinism to contemporary concerns about globalization and technological change, the minimum wage has consistently been framed as a response to exclusionary dynamics⁷. Today, it is increasingly understood as a *pillar of social dignity*, ensuring that work translates into meaningful participation in civic life.

This essay will explore the role of adequate and transparent wages in addressing multidimensional inequalities within the EU. By examining theoretical perspectives, international frameworks, and comparative case studies (including Romania, Germany, France, Poland, and Sweden) it will argue that wage fairness is essential to building inclusive societies in the twenty-first century. The guiding principle is clear: “*Nobody is left behind*”.

The persistence of inequality within the European Union is multidimensional, extending beyond income disparities to encompass education, health, housing, and access to labour markets⁸. These inequalities are not evenly distributed; rather, they disproportionately affect vulnerable groups such as women, young people, ethnic minorities, and persons with disabilities. The European Commission has repeatedly emphasized that such disparities undermine the Union's commitment to social cohesion and solidarity.

Wage policies, particularly minimum wage legislation and collective bargaining, are therefore not merely economic instruments but mechanisms of *social integration*. By establishing a wage floor, governments seek to ensure that employment translates into a decent standard of living. Collective bargaining, meanwhile, empowers workers to negotiate fairer conditions, thereby

⁴ Directive (EU) 2022/2041 of 19 October 2022 on adequate minimum wages in the European Union [2022] OJ L275/33.

⁵ Directive (EU) 2023/970 of 10 May 2023 to strengthen the application of the principle of equal pay for equal work or work of equal value between men and women through pay transparency and enforcement mechanisms [2023] OJ L132/21.

⁶ Eurostat, *Key figures on European living conditions – 2025 edition* (Publications Office of the European Union 2025), <https://data.europa.eu/doi/10.2785/1105614>.

⁷ K POLANYI, *The Great Transformation: The Political and Economic Origins of Our Time* (Beacon Press 1944).

⁸ Commission, ‘European Pillar of Social Rights Action Plan’ (Communication) COM (2021) 102 final; Commission, *2022 Report on Gender Equality in the EU* (Publications Office of the European Union 2022), <https://data.europa.eu/doi/10.2838/94579>; R FREEMAN and J MEDOFF, *What Do Unions Do?* (Basic Books 1984).

reinforcing democratic participation in the workplace⁹. The significance of these policies becomes evident when viewed against the backdrop of *European social models*. In Nordic countries, collective bargaining predominates, while in Central and Eastern Europe statutory minimum wages play a more prominent role. Despite these differences, the underlying objective remains consistent: to reduce inequality and foster inclusion. The minimum wage thus functions as a bridge between economic policy and social justice, ensuring that the benefits of growth are more equitably shared.

II. Conceptual Foundations

The intellectual foundations of social exclusion and inclusion are deeply rooted in both philosophical and economic traditions. The notion that individuals may be marginalized from the mainstream of society has long been present in European thought. Shakespeare's reflections on human dignity in *King Lear* and *The Merchant of Venice* illustrate the moral consequences of exclusion, while Ferdinand de Saussure's structuralist insights highlight how language itself can reinforce social boundaries¹⁰. These cultural references underscore the idea that exclusion is not merely material but also symbolic, shaping identities and perceptions.

Economically, Joseph Schumpeter's theories of development and "creative destruction" provide a framework for understanding how capitalist systems generate both opportunities and inequalities¹¹. While innovation drives growth, it simultaneously displaces workers and communities, creating new forms of exclusion. This duality reflects the dynamic nature of social integration: inclusion is never permanent but must be continually renegotiated in response to structural change.

Historically, debates on poverty and exclusion have evolved significantly. In the nineteenth century, *social Darwinism* framed poverty as a natural consequence of individual weakness, legitimizing exclusionary practices¹². During the Cold War, propaganda often contrasted capitalist prosperity with socialist poverty, reinforcing ideological divisions¹³. More recently, the discourse has shifted toward recognizing poverty and exclusion as systemic failures rather than individual shortcomings. This evolution reflects a growing consensus that social justice requires collective responsibility.

The conceptual distinction between exclusion and poverty is particularly important. Poverty refers to a lack of material resources, while exclusion encompasses the denial of participation in civic, economic, and cultural life¹⁴. Thus, exclusion is multidimensional, involving not only income but also access to education, healthcare, housing, and political representation. Inclusion, conversely, requires proactive measures to dismantle barriers and create pathways for

⁹ R PLASMAN and F RYCX, 'Collective Bargaining and Poverty: A Cross-National Perspective' (2001) 7(2) *European Journal of Industrial Relations* 175-202; J VISSER, 'What happened to collective bargaining during the great recession?' (2016) 5(9) *IZA Journal of Labor Policy* 1-35; Eurostat, *Key figures on European living conditions* (n 6).

¹⁰ W SHAKESPEARE, *King Lear* (ed. RA FOAKES; Arden Shakespeare 1997); F DE SAUSSURE, *Course in General Linguistics* (trans. R HARRIS; Duckworth 1983).

¹¹ J A SCHUMPETER, *Capitalism, Socialism and Democracy* (Harper & Brothers 1942).

¹² R HOFSTADTER, *Social Darwinism in American Thought* (Beacon Press 1955).

¹³ DC ENGERMAN, *Know Your Enemy: The Rise and Fall of America's Soviet Experts* (Oxford University Press 2009).

¹⁴ R LEVITAS, *The Inclusive Society? Social Exclusion and New Labour* (n 1).

marginalized groups. In this sense, minimum wage policies are not simply economic tools but instruments of inclusion, ensuring that work translates into dignity and participation.

2.1. Defining Social Exclusion

The concept of social exclusion has become a defining lens through which European policy-makers and scholars analyse inequality. Unlike poverty, which is primarily understood as a lack of material resources, exclusion encompasses the broader denial of participation in civic, economic, and cultural life¹⁵. It is a multidimensional phenomenon that manifests in failures of integration into democratic institutions, labour markets, welfare systems, and community networks¹⁶.

This distinction is crucial. A person may not be poor in absolute terms yet still experience exclusion if they are denied access to education, healthcare, or political representation¹⁷. Conversely, poverty without exclusion may occur when individuals retain strong social ties and civic participation despite limited resources. The European Union's adoption of "social exclusion" as a policy category in the late 1980s reflected this broader understanding, moving beyond narrow economic definitions to embrace a more holistic view of inequality.

Exclusion is also relational: it is not simply the absence of resources, but the result of barriers erected by institutions and social attitudes¹⁸. These barriers can be legal, such as discriminatory hiring practices; structural, such as inadequate welfare systems; or cultural, such as stigmatization of minority groups. The cumulative effect is to prevent individuals from achieving full membership in society. Inclusion, by contrast, requires proactive measures to dismantle these barriers and create pathways for marginalized groups. This involves not only redistributive policies but also recognition of dignity and rights. Minimum wage legislation exemplifies such measures, ensuring that work provides not only income but also a foundation for civic participation. By guaranteeing a wage floor, states affirm the principle that labour must translate into social dignity.

The multidimensional nature of exclusion has led to the development of composite indicators that measure not only income but also access to services, participation in education, and health outcomes¹⁹. These indicators reveal that exclusion is often concentrated among specific groups - such as ethnic minorities, migrants, and persons with disabilities - highlighting the need for targeted interventions. Wage policies, when combined with broader social measures, can therefore serve as instruments of inclusion, bridging divides and fostering cohesion.

¹⁵ A SEN, *Social Exclusion: Concept, Application, and Scrutiny* (Asian Development Bank 2000).

¹⁶ H SILVER, 'Social Exclusion and Social Solidarity: Three Paradigms' (1994) 133(5-6) *International Labour Review* 531-578.

¹⁷ A B ATKINSON and T PIKETTY, *Top Incomes. A Global Perspective* (Oxford University Press 2010); Resolution of the Council and of the Ministers for Social Affairs meeting within the Council of 29 September 1989 on Combating Social Exclusion [1989] OJ C277/1.

¹⁸ P BOURDIEU, *Distinction: A Social Critique of the Judgement of Taste* (trans. R. NICE; Harvard University Press 1984); N FRASER, *Justice Interruptus: Critical Reflections on the "Postsocialist" Condition* (Routledge 1997).

¹⁹ See, in this regard: Eurostat, *EU Statistics on Income and Living Conditions (EU-SILC)* (European Commission, updated 2025) <https://cros.ec.europa.eu/topic/eu-statistics-income-and-living-conditions-eu-silc-0>; Eurostat, *Income and Living Conditions Overview (EU-SILC)* (European Commission, updated 2025) <https://ec.europa.eu/eurostat/web/income-and-living-conditions>.

2.2. Intersectionality and Attitudes

The phenomenon of social exclusion cannot be understood in isolation from the intersecting identities and social positions that shape individual experiences. The concept of *intersectionality*, first articulated by Kimberlé Crenshaw, highlights how overlapping systems of discrimination – such as gender, race, class, and migration status – compound disadvantage²⁰. Within the European Union, intersectionality is particularly relevant in analysing labour market inequalities, where women, ethnic minorities, and migrants often face multiple barriers simultaneously.

For example, women are disproportionately represented in low-wage sectors such as care work, retail, and hospitality²¹. When combined with ethnic or migrant status, these disadvantages are magnified, leading to systemic exclusion from higher-paying and more secure employment. The persistence of the *gender pay gap* – which remains significant across Member States despite decades of policy interventions – illustrates how structural discrimination continues to shape wage outcomes. Social attitudes further reinforce exclusion. Negative stereotypes about ethnic minorities, migrants, or persons with disabilities contribute to discriminatory hiring practices and workplace cultures. These attitudes not only limit access to employment but also affect health, education, and overall, well-being. The stigmatization of Roma communities in Central and Eastern Europe, for instance, perpetuates cycles of exclusion that wage policies alone cannot resolve.

The EU's *Directive on Pay Transparency (2023/970)* directly addresses these challenges by mandating disclosure of wage structures and gender pay gaps²². By requiring employers to provide clear information on remuneration, the directive seeks to dismantle discriminatory practices and promote fairness. Transparency thus becomes a tool not only of accountability but also of cultural transformation, challenging entrenched attitudes and fostering inclusion.

Ultimately, intersectionality underscores the need for *integrated policy approaches*. Wage policies must be complemented by measures addressing education, healthcare, housing, and anti-discrimination enforcement. Only by tackling the overlapping dimensions of exclusion can the EU achieve meaningful inclusion and ensure that wage fairness translates into broader social justice.

2.3. Technological and Rural-Urban Divide

The advent of the *Fourth Industrial Revolution* has introduced new dimensions of social exclusion, particularly through disparities in digital literacy and technological access²³. As economies and societies become increasingly digitized, the ability to participate fully in civic and labour markets depends on access to technology and the skills to use it effectively. This shift has created a new form of inequality: the *digital divide*, which often overlaps with existing

²⁰ K CRENSHAW, 'Mapping the Margins: Intersectionality, Identity Politics, and Violence Against Women of Color' (1991) 43(6) *Stanford Law Review* 1241-1299; European Institute for Gender Equality, *Intersectional Gender Inequalities in the European Union* (2022).

²¹ J RUBERY and D GRIMSHAW, 'Gender and the Minimum Wage', in S LEE and D MCCANN (eds), *Regulating for Decent Work* (Palgrave Macmillan 2011), 226-254; European Commission, *Report on Equality Between Women and Men in the European Union* (n 20).

²² Directive (EU) 2023/970 (n 5).

²³ K SCHWAB, *The Fourth Industrial Revolution* (World Economic Forum 2016).

socioeconomic and geographic disparities²⁴. Rural communities across Europe are disproportionately affected by this divide. Limited infrastructure, slower internet connectivity, and fewer educational opportunities in digital skills contribute to a recognition gap between rural and urban populations²⁵. This gap is not merely technical but also symbolic, as rural communities are often perceived as “lagging behind” in modernization. Such perceptions reinforce exclusion, diminishing the political and social voice of rural populations.

The consequences of this divide extend beyond economics. Scholars have noted that technological exclusion contributes to *political polarization*, as marginalized groups may feel alienated from mainstream institutions and more susceptible to populist narratives²⁶. In Central and Eastern Europe, for instance, rural exclusion has been linked to the rise of populist movements that capitalize on grievances related to inequality and perceived neglect²⁷.

Adequate and transparent wage policies can play a role in mitigating these divides. By ensuring that rural workers receive fair compensation, governments can strengthen the economic foundations of communities that might otherwise be left behind. Moreover, wage fairness can support investment in education and infrastructure, enabling rural populations to participate more fully in the digital economy²⁸.

The EU has recognized the importance of addressing technological exclusion through initiatives such as the *Digital Education Action Plan (2021-2027)*, which seeks to promote digital literacy and bridge rural-urban divides²⁹. However, wage policies remain a critical complement to these efforts. Without adequate remuneration, rural workers may lack the resources to access technology or invest in skills development. Thus, the intersection of wage fairness and digital inclusion highlights the multidimensional nature of contemporary inequality.

2.4. International Frameworks

The discourse on social exclusion and wage fairness in the European Union cannot be separated from the broader *international frameworks* that shape policy and practice. Global institutions such as the United Nations (UN), the Organisation for Economic Co-operation and Development (OECD), and the World Bank have long emphasized the importance of human rights, non-discrimination, and poverty reduction as essential components of sustainable development³⁰. These frameworks provide both normative guidance and empirical benchmarks for Member States, reinforcing the idea that wage adequacy and transparency are not merely national concerns but part of a global agenda for social justice.

The UN’s Universal Declaration of Human Rights (1948) established the principle that

²⁴ J VAN DIJK, *The Digital Divide* (Polity Press 2020).

²⁵ European Commission, Directorate-General for Communications Networks, Content and Technology, OMDIA and Point Topic, *Broadband Coverage in Europe 2023 – Mapping Progress Towards the Coverage Objectives of the Digital Decade – Final Report* (Publications Office of the European Union 2024) <https://data.europa.eu/doi/10.2759/094495>.

²⁶ P NORRIS and R INGLEHART, *Cultural Backlash: Trump, Brexit, and Authoritarian Populism* (Cambridge University Press 2019).

²⁷ C MUDDE and C ROVIRA KALTWASSER, *Populism: A Very Short Introduction* (Oxford University Press 2017).

²⁸ A B ATKINSON, *Inequality: What Can Be Done?* (n 3).

²⁹ Commission, *Digital Education Action Plan 2021–2027 — Resetting Education and Training for the Digital Age* (Communication), COM (2020) 264 final, <https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX:52020DC0624>.

³⁰ OECD, *Employment Outlook 2023: Artificial Intelligence and the Labour Market* (OECD Publishing 2023), <https://doi.org/10.1787/08785bba-en>.

“everyone who works has the right to just and favourable remuneration ensuring for himself and his family an existence worthy of human dignity”³¹. This foundational statement continues to inform international labour standards, including those promoted by the International Labour Organization (ILO), which has consistently advocated for minimum wage policies as instruments of fairness and inclusion³².

The OECD has contributed to this discourse by developing comparative indicators on income distribution, wage levels, and labour market participation. Its reports highlight the persistence of inequality even in advanced economies, underscoring the need for coordinated policy responses³³. Similarly, a World Bank discussion paper has emphasized the multidimensional nature of poverty and exclusion, advocating for wage policies that are integrated with education, healthcare, and social protection systems³⁴.

Within the EU, the concept of “social exclusion” gained prominence in the late 1980s, replacing narrower notions of poverty³⁵. This shift reflected a recognition that inequality is not solely about income but also about access to opportunities and participation in society. The Laeken European Council (2001) formalized this approach by adopting a set of indicators to measure social inclusion, including income distribution, poverty persistence, unemployment, and educational attainment³⁶. These indicators provided a framework for monitoring progress and informed subsequent policy initiatives, including the European Pillar of Social Rights.

By situating wage adequacy and transparency within these international frameworks, the EU underscores its commitment to aligning national policies with global standards. This alignment strengthens the legitimacy of wage reforms and ensures that they contribute to broader objectives of human dignity, equality, and sustainable development.

III. Adequate Minimum and Transparent Wages

The concept of an *adequate minimum wage* has become central to European debates on social justice and labour market regulation. A minimum wage is not merely a statutory floor for remuneration; it is a mechanism designed to ensure that workers can achieve a *decent standard of living*³⁷. Adequacy, therefore, implies more than subsistence—it requires wages sufficient to cover essential needs such as food, housing, healthcare, and education, while also enabling participation in cultural and civic life³⁸.

The Directive on Adequate Minimum Wages (EU 2022/2041) represents a landmark in EU social policy. It establishes criteria for assessing adequacy, including purchasing power, productivity

³¹ Universal Declaration of Human Rights (adopted 10 December 1948 UNGA Res 217 A(III) (UDHR) art 23.

³² International Labour Organization, *How to Define a Minimum Wage*, <https://www.ilo.org/topics/wages/minimum-wages/how-define-minimum-wage>.

³³ OECD, *Income Distribution Database*, <https://data-explorer.oecd.org/s/fx>.

³⁴ M MARZI, A MARINI, L CHERCHI and F CENEDESE, *Minimum Income and Social Inclusion Pathways – A review of selected European Union programs*, Social Protection Discussion Paper no. 2408 (The World Bank 2024).

³⁵ Resolution on Combating Social Exclusion (n 17).

³⁶ European Council, *Laeken European Council Conclusions* (2001).

³⁷ ILO, *Minimum Wage Policy Guide* (n 32).

³⁸ A SEN, *Development as Freedom* (n 2).

levels, and wage distribution across Member States³⁹. Importantly, the directive emphasizes the role of *collective bargaining*, urging governments to strengthen social dialogue and ensure that wage setting reflects the realities of diverse labour markets⁴⁰. This approach acknowledges that statutory minimum wages alone cannot guarantee fairness; they must be embedded within broader institutional frameworks that promote worker participation and employer accountability.

Complementing this, the Directive on Pay Transparency (EU 2023/970) addresses the structural inequalities that undermine wage adequacy. By mandating disclosure of wage structures, gender pay gaps, and prohibiting confidentiality clauses, the directive seeks to dismantle discriminatory practices and promote equality⁴¹. Transparency is thus not only a matter of information but also a tool of empowerment, enabling workers to challenge unfair practices and demand accountability.

The adequacy of minimum wages must also be understood in relation to social consumption baskets (SCBs), which measure the cost of living in specific national contexts⁴². In Romania, for example, the SCB highlights the gap between statutory minimum wages and the resources required for a decent life. By linking wage adequacy to consumption baskets, policymakers can ensure that minimum wages reflect real economic conditions rather than abstract benchmarks.

Critics argue that raising minimum wages may lead to job losses or reduced competitiveness. However, empirical evidence from countries such as Germany and France suggests that well-designed wage policies can reduce in-work poverty without significant negative effects on employment⁴³. Moreover, adequate wages can stimulate demand, enhance productivity, and foster social cohesion, thereby contributing to long-term economic stability.

Ultimately, adequate minimum wages and transparent wage structures are not merely economic instruments but *pillars of social dignity*. They affirm the principle that labour must translate into meaningful participation in society, ensuring that workers are not excluded from the benefits of growth and modernization.

3.1. Theoretical Perspectives

The debate over minimum wages and wage transparency is deeply informed by economic theory. Scholars have long sought to explain how wage regulation affects employment, productivity, and inequality. Three major theoretical perspectives – *efficiency wage theory* (A), the *monopsony model* (B), and *social conflict theory* (C) – provide valuable insights into the role of wage policies in shaping labour markets.

(A) *Efficiency wage theory* posits that higher wages can increase worker productivity by

³⁹ Directive (EU) 2022/2041 (n 4).

⁴⁰ European Commission, *Strengthening Social Dialogue in the European Union* (2021), ec.europa.eu.

⁴¹ Directive (EU) 2023/970 (n 5).

⁴² Eurostat, *Household Budget Survey - statistics on consumption expenditure*, https://ec.europa.eu/eurostat/statistics-explained/index.php/Household_budget_survey_-_statistics_on_consumption_expenditure.

⁴³ A DUBE, 'Minimum Wages and the Distribution of Family Incomes' (2019) 11(4) *American Economic Journal: Applied Economics* 268-304.

reducing turnover, improving morale, and attracting higher-quality applicants⁴⁴. Employers may therefore pay above-market wages not out of altruism but as a rational strategy to enhance efficiency. This theory challenges the classical assumption that wages are determined solely by supply and demand, suggesting instead that wage adequacy can generate positive externalities for firms and society.

- (B) The *monopsony model* offers another perspective. In labour markets where employers hold disproportionate power - such as rural areas or sectors with limited mobility - workers may accept wages below their marginal productivity⁴⁵. Minimum wage legislation can correct this imbalance by setting a floor that compels employers to share more equitably in the value created by labour. Alan Manning's work on monopsony demonstrates that wage regulation in such contexts can increase both fairness and efficiency, contradicting claims that minimum wages necessarily reduce employment.
- (C) *Social conflict theory* situates wage debates within broader structures of inequality. From a Marxian perspective, low wages perpetuate stratification by maintaining a reserve army of labour and reinforcing class hierarchies⁴⁶. Wage adequacy and transparency are therefore not merely economic adjustments but instruments of social justice, challenging entrenched power relations. This perspective underscores the political dimension of wage policy, highlighting its role in redistributing resources and reshaping social structures.

Empirical evidence supports elements of each theory. In Romania, for instance, increases in the statutory minimum wage have reduced in-work poverty without significant job losses, lending credence to efficiency wage and monopsony arguments. At the same time, persistent gender and regional disparities illustrate the relevance of social conflict theory, as wage policies alone cannot dismantle structural inequalities.

Together, these perspectives reveal that wage adequacy and transparency are multifaceted instruments. They operate not only at the level of economic efficiency but also as mechanisms of fairness, empowerment, and social cohesion. By integrating insights from diverse theoretical traditions, policymakers can design wage systems that balance competitiveness with dignity.

3.2. Multidimensional Inequality

Inequality in the European Union is not confined to income disparities; it is *multidimensional*, encompassing gender, regional differences, educational attainment, and ethnic identity⁴⁷. This multidimensionality reflects the complex ways in which exclusion operates, often reinforcing itself across different domains of life. For instance, low income may limit access to education,

⁴⁴ L F KATZ, 'Efficiency Wage Theories: A Partial Evaluation' (1986) 1 *NBER Macroeconomics Annual* 235-290; E SCHLICHT, *Efficiency Wages: Models of Unemployment, Layoffs, and Wage Dispersion* (Princeton University Press 1990).

⁴⁵ J ROBINSON, *The Economics of Imperfect Competition* (Macmillan 1933); A MANNING, *Monopsony in Motion: Imperfect Competition in Labor Markets* (Princeton University Press 2003).

⁴⁶ E O WRIGHT, *Class Counts: Comparative Studies in Class Analysis* (Cambridge University Press 1997); Eurostat, *Minimum Wage Statistics in Romania* (Publications Office of the European Union 2024).

⁴⁷ A B ATKINSON and T PIKETTY, *Top Incomes. A Global Perspective* (n 17); A. SEN, *Development as Freedom* (n 2); European Institute for Gender Equality, *Gender Equality Index 2023* (EIGE 2023).

which in turn restricts employment opportunities, perpetuating cycles of disadvantage.

Gender inequality remains a persistent challenge. Despite decades of policy interventions, women continue to earn less than men on average, are overrepresented in precarious employment, and face barriers to career advancement⁴⁸. The gender pay gap, which varies across Member States, illustrates how structural discrimination intersects with wage adequacy. Transparency measures, such as those mandated by Directive 2023/970, are designed to address these disparities by exposing discriminatory practices and empowering women to demand fairness.

Regional inequality is another dimension. In Central and Eastern Europe, wages remain significantly lower than in Western Member States, reflecting differences in productivity, investment, and institutional capacity⁴⁹. Rural areas, in particular, face compounded disadvantages due to limited infrastructure, weaker labour markets, and reduced access to education and healthcare. These disparities contribute to migration flows, with workers seeking better opportunities in more prosperous regions, often at the cost of social cohesion in their home communities.

Educational inequality further reinforces exclusion. Individuals with lower levels of education are more likely to be employed in low-wage sectors, face higher unemployment rates, and experience limited upward mobility⁵⁰. Minimum wage policies can mitigate some of these effects by ensuring that even low-skilled work provides a decent standard of living. However, without complementary investments in education and training, wage policies alone cannot dismantle structural barriers.

Finally, *ethnic inequality* remains a pressing issue, particularly for Roma communities and migrant populations⁵¹. Discrimination in hiring, housing, and access to services perpetuates exclusion, creating systemic barriers that wage policies cannot fully resolve. Addressing these inequalities requires integrated strategies that combine wage adequacy with anti-discrimination enforcement, social protection, and community development.

By recognizing the multidimensional nature of inequality, policymakers can design interventions that are both comprehensive and intersectional. Adequate and transparent wages are necessary but not sufficient; they must be embedded within broader frameworks that address education, healthcare, housing, and anti-discrimination. Only through such integrated approaches can the EU achieve meaningful inclusion and ensure that wage fairness translates into social justice.

3.3. EU Wage Policies

The European Union has progressively developed a framework for wage regulation that

⁴⁸ Directive (EU) 2023/970 (n 5).

⁴⁹ European Commission, *Labour Market and Wage Developments in Europe 2023* (Publications Office of the European Union, 2023), <https://data.europa.eu/doi/10.2767/1277>.

⁵⁰ European Commission, *Education and training monitor 2025 – Comparative report* (Publications Office of the European Union, 2025), <https://data.europa.eu/doi/10.2766/2221794>.

⁵¹ European Union Agency for Fundamental Rights, *Roma and Travelers in Six Countries – Roma and Travellers survey* (Publications Office of the European Union, 2020), <https://data.europa.eu/doi/10.2811/30472>.

balances respect for national sovereignty with the pursuit of common social objectives. While competence in wage setting formally rests with Member States, the EU has sought to harmonize principles of *adequacy* and *transparency* across its diverse labour markets⁵².

The Directive on Adequate Minimum Wages (EU 2022/2041) establishes clear criteria for assessing wage adequacy. These include purchasing power, productivity levels, and wage distribution within Member States⁵³. The directive also emphasizes the importance of *collective bargaining*, urging governments to strengthen social dialogue and ensure that wage setting reflects the realities of different sectors and regions. This reflects the EU's recognition that statutory minimum wages alone cannot guarantee fairness; they must be embedded within broader institutional frameworks that empower workers and employers alike.

Complementing this, the Directive on Pay Transparency (EU 2023/970) addresses structural inequalities by mandating disclosure of wage structures and gender pay gaps⁵⁴. Employers are required to provide clear information on remuneration, and confidentiality clauses that prevent workers from discussing pay are prohibited. These measures aim to dismantle discriminatory practices and promote equality, particularly in addressing the persistent gender pay gap across Member States.

Case law further illustrates the EU's evolving role in wage regulation. While the Court of Justice of the European Union (CJEU) has consistently affirmed that wage setting is primarily a national competence, it has also upheld principles of equal treatment and non-discrimination in employment⁵⁵. This jurisprudence reinforces the idea that wage fairness is not merely an economic matter, but a fundamental right protected under EU law. The EU's wage policies must also be understood within the broader framework of the European Pillar of Social Rights, which enshrines the principle that workers have the right to fair wages that provide a decent standard of living. By linking directives to this pillar, the EU situates wage adequacy and transparency within its overarching commitment to social justice and cohesion.

Together, these policies represent a significant step toward harmonizing wage fairness across the Union. They demonstrate the EU's capacity to shape labour markets through normative guidance, even in areas where formal competence is limited. In doing so, the Union affirms its role as a guarantor of dignity and inclusion for all workers.

3.4. Case Studies

Examining the implementation of minimum wage and transparency policies across different Member States reveals the diversity of approaches within the European Union. These case studies illustrate how national contexts shape wage regulation and highlight both the opportunities and challenges of harmonization.

- (A) Romania presents one of the most striking examples of reliance on statutory minimum wages. One-third of Romanian employees reportedly earn the minimum wage, reflecting

⁵² European Commission, *EPSR Action Plan* (n 8).

⁵³ Directive (EU) 2022/2041 (n 4); European Commission, *Strengthening Social Dialogue in EU* (n 40).

⁵⁴ Directive (EU) 2023/970 (n 5); EIGE, *Gender Equality Index 2023*.

⁵⁵ Case C-43/75, *Defrenne v. Sabena* [1976] ECR 455; European Commission, *The European Pillar of Social Rights* (2017), ec.europa.eu.

both structural inequalities and limited collective bargaining coverage. While wage increases in recent years have reduced in-work poverty, they have also generated tensions between social protection and competitiveness⁵⁶. Employers, particularly small and medium-sized enterprises (SMEs), often struggle to absorb higher labour costs, raising concerns about sustainability. Nevertheless, Romania's experience demonstrates that minimum wage policies can serve as powerful instruments of redistribution in contexts of high inequality.

- (B) Germany introduced a statutory minimum wage relatively late, in 2015, after decades of reliance on collective bargaining⁵⁷. The current rate of €12.41 per hour is reviewed biennially by a commission composed of representatives from employers, trade unions, and academia. This tripartite model ensures that wage setting reflects both economic realities and social considerations. Evidence suggests that the German minimum wage has reduced wage inequality without significant negative effects on employment, lending support to efficiency wage and monopsony theories.
- (C) France's *Salaire Minimum Interprofessionnel de Croissance* (SMIC) is one of the oldest statutory minimum wages in Europe, indexed to inflation and adjusted annually⁵⁸. While the SMIC has contributed to reducing poverty, it is accompanied by high employer contributions, which critics argue increase labour costs and discourage hiring. Nevertheless, France's model illustrates the importance of linking wage adequacy to inflation, ensuring that minimum wages maintain purchasing power over time.
- (D) Poland has pursued rapid increases in its minimum wage, reflecting political commitments to social protection⁵⁹. While these increases have improved living standards, they have also placed significant burdens on SMEs, particularly in sectors with low productivity. The Polish experience highlights the trade-off between wage adequacy and competitiveness, underscoring the need for complementary policies such as tax relief and investment in productivity.
- (E) Sweden represents a contrasting model, relying exclusively on collective bargaining without a statutory minimum wage⁶⁰. Wage levels are negotiated between employers and trade unions, resulting in relatively high coverage and wage adequacy. This model reflects the strength of Swedish institutions and the tradition of social dialogue. However, it also illustrates the limits of EU harmonization, as Nordic countries have resisted directives that might undermine their collective bargaining systems.

⁵⁶ For more details, see: OECD, *OECD Reviews of Labour Market and Social Policies: Romania 2025* (OECD Publishing 2025) https://www.oecd.org/en/publications/oecd-reviews-of-labour-market-and-social-policies-romania-2025_f0532908-en.pdf.

⁵⁷ T MÜLLER, 'Collective bargaining and minimum wage regime in Germany' in T MÜLLER (ed.), *Collective bargaining and minimum wage regimes in the European Union – The transposition of the EU Directive on Adequate Minimum Wages in the EU27* (European Trade Union Institute 2025) 47-50.

⁵⁸ Ministère du Travail, *Le salaire minimum de croissance (SMIC)* (République française) <https://travail-emploi.gouv.fr/droit-du-travail/la-remuneration/article/le-salaire-minimum-de-croissance-smic>.

⁵⁹ S ADAMCZYK, 'Collective bargaining and minimum wage regime in Poland' in T MÜLLER (ed.), *Collective bargaining and minimum wage regimes in the European Union* (n 57) 91-94.

⁶⁰ A FRANSSON and A KJELLBERG, 'Collective bargaining and minimum wage regime in Sweden' in T MÜLLER (ed.), *Collective bargaining and minimum wage regimes in the European Union* (n 57) 118-122.

Together, these case studies demonstrate the diversity of wage regulation within the EU. While statutory minimum wages dominate in Central and Eastern Europe, collective bargaining remains central in Nordic countries. The challenge for the EU lies in balancing respect for national traditions with the pursuit of common principles of adequacy and transparency.

3.5. Comparative Analysis

A comparative analysis of minimum wage policies across the European Union reveals both convergence and divergence in approaches to wage adequacy and transparency. While statutory minimum wages dominate in Central and Eastern Europe, collective bargaining remains central in Nordic countries. These differences reflect historical traditions, institutional capacities, and economic structures, yet they also highlight the challenges of harmonizing wage fairness across the Union.

Romania illustrates the tension between social protection and competitiveness. With a standard consumption basket (SCB) estimated at €2,300–€2,400, the statutory minimum wage remains insufficient to guarantee a decent standard of living⁶¹. High inequality and limited collective bargaining coverage exacerbate these challenges. Projections suggest that Romania may converge with Poland by 2030 in terms of wage adequacy, but it will continue to lag behind Germany and France. *Germany and Sweden* demonstrate more balanced wage distribution. In Germany, the statutory minimum wage of €12.41 per hour, combined with strong collective bargaining institutions, ensures that wages align more closely with productivity and living costs. Sweden, despite lacking a statutory minimum wage, achieves similar outcomes through collective agreements that cover the vast majority of workers⁶². These models illustrate how institutional strength can compensate for differences in regulatory frameworks.

France provides an example of indexing minimum wages to inflation, ensuring that purchasing power is maintained over time⁶³. While employer contributions remain high, the French model underscores the importance of linking wage adequacy to real economic conditions. *Poland* highlights the risks of rapid wage increases. While these policies have improved living standards, they have also placed significant burdens on SMEs, raising concerns about competitiveness⁶⁴. Nevertheless, Poland's trajectory demonstrates the political salience of wage adequacy, reflecting broader commitments to social protection.

Comparative analysis reveals that while Member States differ in their approaches, common principles of adequacy and transparency are increasingly shaping wage policy. The EU's directives provide a framework for convergence, but national contexts continue to determine outcomes. The challenge lies in balancing harmonization with respect for diversity, ensuring that wage fairness is achieved without undermining institutional traditions or economic competitiveness.

⁶¹ Romania among countries with the lowest gross minimum wages in the EU, *ACT Media* (17 December 2024) <https://www.actmedia.eu/daily/romania-among-countries-with-the-lowest-gross-minimum-wages-in-the-eu/111813>.

⁶² T MÜLLER, 'Collective bargaining and minimum wage regime in Germany' (n 57).

⁶³ Ministère du Travail, *Le salaire minimum de croissance* (n 58).

⁶⁴ S ADAMCZYK, 'Collective bargaining and minimum wage regime in Poland' (n 59).

3.6. Challenges and Limitations

Despite the progress achieved through EU directives and national reforms, significant *challenges and limitations* remain in the pursuit of wage adequacy and transparency. These challenges are both structural and political, reflecting the complexity of harmonizing wage policies across diverse Member States.

One major challenge is *resistance to transparency*. Employers in several Member States have expressed concerns that mandatory disclosure of wage structures could undermine competitiveness or create administrative burdens⁶⁵. In practice, transparency requires robust institutional capacity to collect, monitor, and enforce wage data. Weak institutions, particularly in Central and Eastern Europe, often struggle to implement these requirements effectively.

Economic risks further complicate wage policy. Critics warn of *wage compression*, where increases in minimum wages reduce wage differentials between low- and medium-skilled workers, potentially discouraging skill acquisition⁶⁶. Others highlight concerns about competitiveness, particularly for SMEs in low-productivity sectors. These risks underscore the need for complementary policies, such as tax relief for employers and investment in productivity, to ensure that wage adequacy does not undermine economic sustainability.

Finally, the broader challenge lies in ensuring that wage policies are integrated with other dimensions of social inclusion. Adequate and transparent wages are necessary but not sufficient; they must be complemented by measures addressing education, healthcare, housing, and anti-discrimination. Without such integration, wage reforms risk being isolated interventions that fail to dismantle structural inequalities. In sum, while EU wage policies represent significant progress, their effectiveness depends on overcoming institutional weaknesses, addressing inflationary pressures, respecting national traditions, and integrating wage adequacy into broader frameworks of social justice.

IV. Conclusions

The analysis of wage adequacy and transparency within the EU demonstrates that these policies are not merely economic instruments but *pillars of social justice and inclusion*. Adequate minimum wages ensure that work translates into dignity, while transparency dismantles discriminatory practices and empowers workers to demand fairness. Together, they embody the EU's commitment to solidarity and the principle that "*nobody is left behind*".

The comparative case studies reveal both diversity and convergence. Romania and Poland illustrate the redistributive potential of statutory minimum wages in contexts of high inequality, while Germany and France highlight the importance of institutional strength and inflation indexing. Sweden demonstrates the effectiveness of collective bargaining, underscoring the need to respect national traditions while pursuing common principles. These examples confirm that wage adequacy must be tailored to national contexts yet guided by shared European

⁶⁵ European Commission, *Commission Staff Working Document, Executive Summary of the Impact Assessment on Pay Transparency Directive* SWD(2021) 42 final (4 March 2021) <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex:52021SC0042>; World Bank, *Institutional Capacity in Central and Eastern Europe* (2022).

⁶⁶ R FREEMAN, 'The Minimum Wage as a Redistributive Tool' (1996) 106(436) *The Economic Journal* 639-649.

values.

Challenges remain. Inflationary pressures, employer resistance to transparency, and institutional weaknesses in certain Member States threaten the effectiveness of wage reforms. Nordic resistance to EU directives highlights the political sensitivities of harmonization, while concerns about competitiveness and wage compression underscore the need for complementary policies. Addressing these challenges requires integrated strategies that combine wage adequacy with investments in education, healthcare, housing, and anti-discrimination enforcement.

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