

Unions divided?

Trade union attitudes towards the European Union's Directive on Adequate Minimum Wages

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Unions Divided?

Trade Union Attitudes Towards the European Union's Directive on Adequate Minimum Wages

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Abstract

In October 2022, the European Union adopted a directive on adequate minimum wages in the European Union (AMWD). This directive has sparked considerable controversy. While employers uniformly oppose the AMWD, unions are divided. In many EU countries, unions support the AMWD, while in Denmark and Sweden, they oppose it. This paper aims to answer the question: *Why do unions in some member states support the AMWD, while unions in other countries oppose it?* Drawing on 27 semi-structured interviews with union representatives from 13 EU countries, we propose a typology of union positions towards AMWD consisting of three types: domestically-oriented opposition, *domestically-oriented support*, and *externally-oriented support*. The paper proposes an explanation for different unions' stances on the AMWD across countries considering two variables: bargaining coverage, and the role of state institutions in protecting it.

Keywords

Trade unions, statutory minimum wages, EU, Minimum Wage Directive, collective bargaining coverage

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Introduction

After over a decade of debate, the European Union adopted on October 4th, 2022, a Directive on adequate minimum wages and strengthening collective bargaining in the European Union (AMWD; Directive (EU) 2022/2041; Council of the European Union, 2022). Framed by the Commission as part of the European Pillar of Social Rights, it has two main aims: First, it aims to promote collective bargaining by requiring countries with a bargaining coverage of below 80 percent to take steps to raise it (Art. 4). Second, it aims to ensure the adequacy of statutory minimum wages (SMWs), where they exist (Art. 5). The directive recommends that SMWs be set at either 60 percent of the national median wage or 50 percent of the national average wage (European Commission, 2020; Council of the European Union, 2022). While these thresholds are not legally binding, supporters of the AMWD hope that they will become a de-facto normative frame of reference for wage-setting in the EU (ETUI and ETUC, 2021: 95; Müller and Schulten, 2022; Paster 2023: 81-85).

The policy-making process that led to the directive involved considerable controversy, within and between member states and among trade unions across the EU. While employers in most countries oppose the AMWD (Mallia, 2021; Guardiancich et al., 2023: 23), unions are divided. In most EU countries unions support the directive, while in the two Scandinavian EU members, Denmark, and Sweden, unions oppose it (see e.g. de la Porte, 2019: 9-10; Müller and Schulten, 2022: 343). Although these disagreements among unions in Europe are well documented, the reasons for these disagreements remain insufficiently understood. *Why do unions in some member states support the AMWD, while unions in other countries oppose it?*

This paper aims to answer this question through a two-step approach: The first one is descriptive; the second is explanatory. First, we classify the positions of national peak-level union federations (TUCs) in 13 EU countries towards the AMWD, drawing on 27 semi-structured interviews with union representatives as well as published documents by the included TUCs. As a conceptual innovation, we distinguish between positions that are domestically-oriented, that is, driven by expectations that the AMWD will affect their own country; and those that are externally-oriented, that is, driven by expectations that the AMWD will affect primarily other EU countries. We construct, and identify empirically through the interviews and documents, three types of positions: *domestically-oriented opposition*, *domestically-oriented support*, and *externally-oriented support*. A fourth type, externally-oriented opposition, is found to be empirically absent.

Second, we propose a causal explanation for the three types identified empirically. This explanation relies on two variables: national-level bargaining coverage and the role of state support in safeguarding bargaining coverage (see section “explaining..”). Using country-level quantitative data, we demonstrate a high degree of fit of our explanatory model with the three types of positions (see chart 2). The analysis thus employs two separate types of data, each for a different purpose: (a) qualitative interviews and documents for the purpose of classifying the cases according to our typology; and (b) quantitative secondary data on national-

level bargaining coverage and state support for the purpose of demonstrating the plausibility of our causal explanation.

Substantively, we show how differences in bargaining coverage and in the extent of state support for collective bargaining interact to result in different interest perceptions among unions regarding the AMWD, partly by inducing unions to focus either on domestic or on external effects, and partly due to state support shielding national bargaining systems from any potential negative impact of the AMWD on them. Where state support is weak, but collective bargaining strong despite weak state support, unions suspect AMWD to undermine their national bargaining model, whereas they do not if either state support is strong, or collective bargaining is weakly institutionalized. In these two latter scenarios, unions support the AMWD, albeit for very different reasons, resulting in the trifurcated outcome that our typology depicts.

After reviewing existing literature on union positions regarding the AMWD and EU legislation on SMWs in the next section, we present our typology of union positions towards the AMWD and hypotheses explaining them in the third and fourth sections. The fifth section outlines the research design and the interview process. The sixth section presents our findings and organizes countries based on the typology, while the final section discusses the theoretical implications and limitations of the study.

State of the art

The positions of European trade unions on the AMWD and on EU legislation on SMWs in general, have been thoroughly researched. Hyman noted the differences in the attitudes of national trade unions towards the social dimension of European integration already in 2005, albeit he did not focus on EU legislation on SMWs specifically (Hyman, 2005: 12).

Furåker and Lovén Seldén (2013) and Furåker and Larsson (2020: 75-103) have examined union positions towards SMW legislation at national and EU levels. Based on a web survey of union officials in 10 EU countries, conducted in 2010-2011, and interviews with union officials in five countries, they document a cleavage between Nordic unions on the one hand and most unions in the rest of Europe on the other. (Furåker and Lovén Seldén, 2013: Table 1). Attitudes towards EU legislation on SMWs correlate strongly with attitudes toward national SMWs (Furåker and Lovén Seldén, 2013: Table 2). Furåker's survey of sector-level unions in the Nordic countries indicates widespread disapproval of common EU-wide norms on minimum wages, with opposition strongest among Swedish unions (Furåker, 2020: Table 3).

A study by Seeliger, which draws on interviews with union officials in Poland, Hungary, and Sweden as well as ETUC documents, finds a similar pattern, with the Central and Eastern European unions supporting EU legislation on SMWs, and the Swedish ones opposing it. Examining ETUC's internal documents, Seeliger illustrates the intense debates within ETUC on this issue (Seeliger, 2019: 155-172; Seeliger, 2018: 37-46).

An earlier study from 2007 by Busemeyer et al. similarly found support for EU legislation on SMWs among unions in Southern and Central and Eastern Europe but opposition among Danish and Swedish unions (Busemeyer et al., 2007: 8). Consistent with these studies, de la Porte documents the Danish and Swedish unions' opposition to EU-mandated SMWs relying on five interviews with TUC representatives in both countries (de la Porte, 2019: 22). Lovén Selden analyses the reasons behind the Swedish unions' opposition to EU legislation on SMWs, focusing on institutional and contextual factors (Lovén Selden, 2020). Dingeldey and Nussbaum Bitran use a quantitative survey and eight qualitative interviews and confirm the divisions among ETUC members identified by earlier studies (Dingeldey and Nussbaum Bitran, 2023). Natili and Ronchi use media data and 14 elite interviews to document the territorial, ideological, and institutional conflicts that shaped the adoption of the AMWD (Natili and Ronchi, 2023). Similarly, a study of the adoption of the European Pillar of Social Rights by Vesan and Corti highlights the co-existence of multiple lines of conflict and the resulting potential for the emergence of new coalitions (Vesan and Corti, 2019). In short, existing studies largely agree on the descriptive characterization of the positions of unions in different countries regarding both EU legislation on SMWs in general and the AMWD specifically, although the causes of these disagreements among unions are attributed to multiple factors.

Several studies attribute these divisions among unions to the heterogeneity of national labor market institutions. Country-specific institutional frameworks may lead to unions viewing proposals for EU legislation on wage policy differently. One dimension of the institutional framework highlighted in the literature is the reliance on collective bargaining, as opposed to legislation, for establishing nationwide or sectoral minimum wages.¹ Furåker and Larsson argue that in countries where national SMWs exist, unions are more supportive of EU legislation on SMWs (Furåker and Larsson, 2020). Fernandez-Macías and Vacas-Soriano argue that a coordinated EU minimum wage policy would have the greatest institutional impact in countries where minimum wages are collectively agreed, making the Nordic unions those most likely to oppose such a policy (Fernández-Macías and Vacas-Soriano, 2016: 101 and, 110). Seeliger, using an action-theoretical approach, investigates how the social construction of interests affects the formation of common positions among unions at the EU level (Seeliger, 2019: 101). Dingeldey and Nussbaum Bitran, applying Scharpf's distinction between negative and positive integration, demonstrate how the heterogeneity of collective bargaining systems turned the AMWD proposal into a source of disagreement among unions (Dingeldey and Nussbaum Bitran, 2023: 16-17).

Our explanatory model, presented in the two following sections, incorporates these insights on the impact of national institutions on union attitudes towards EU legislation. At the same time, our typology allows us to offer a new explanation for *why* TUCs in different countries view AMWD differently by relating the three

¹ Collective bargaining and legislation interact differently in setting minimum wages in different EU countries. Adam (2022) provides an overview of different minimum wage regimes in the EU.

types of positions to distinct combinations of bargaining coverage and state support and by spelling out the causal mechanisms underpinning this linkage.

A typology of union positions on the AMWD

In this section, we introduce a new typology of union positions: Unions differ not only in whether they support or oppose the AMWD but also in whether they see the AMWD as affecting their own country or other EU countries. Due to the free movement of labor and services in the single market, unions may reflect upon how increases in SMWs or bargaining coverage in other EU countries will affect their own interests. We thus divide supporters into two types: those who expect positive effects on wages and unions in their own country (domestically-oriented supporters), and those who expect positive effects on unions and wages in other countries (externally-oriented supporters). While one might apply this distinction also to opponents, we find empirically that all opponents rely on domestically-oriented arguments, thus we treat the opponents as one type. These considerations result in three types of positions: domestically-oriented opposition, domestically-oriented support, and externally-oriented support. This typology serves as a preliminary step in the construction of our explanatory model, which we will present in the following section. The remainder of this section presents the logic of reasoning characteristic of each type.

Domestically-oriented opposition: Unions taking this position oppose AMWD, seeing it as a threat to their national collective bargaining model, which they see as well-functioning and aim to protect. They suspect that SMWs may erode bargaining coverage. They see the AMWD as potentially paving the way for the adoption of SMWs, despite the absence of such a requirement in the Directive. Empirically, Danish and Swedish unions align with this position.

Domestically-oriented support: Unions adopting this position support AMWD because they believe either that the directive will raise the level of SMWs in their country, or that it will strengthen their bargaining power vis-à-vis employers, or that it will result in higher bargaining coverage. At the same time, these unions are not primarily concerned with the effects of AMWD on other countries. We find this position, inter alia, among unions in Central and Eastern Europe, in Portugal, and Germany.

Externally-oriented support: Unions taking this position anticipate no direct impact in their country but support it either because they believe the directive will help unions in other countries; or because they expect the AMWD to exert pressure on low-wage countries to increase their wages, thus reducing wage competition within the EU. What distinguishes it from the position of domestically-oriented support is the belief that the AMWD will affect primarily other countries and will not have any direct impact on the domestic bargaining power of unions or wage levels. Any potential impact on their own country will be mediated through the effect on other countries. We find this position among unions in Austria, Finland, Italy, and Spain.

In short, union support for the AMWD can be motivated either by an interest in strengthening bargaining power at home (domestically-oriented support) or by an interest in strengthening the bargaining power of unions or SMW levels in other countries (externally-oriented support).

It is important to note that all three types of positions are perceived as self-interested by the respective unions. Neither position is more (or less) rational than the others. Rather, they are based on different conceptions of self-interest, conceptions that, we argue, are rooted in the labor market institutions of each country.

Explaining types of union positions

In this section, we propose a causal explanation for the three types of TUC positions on the AMWD, drawing inspiration from institutionalist theorizing that highlights how institutions shape the policy preferences of political actors (Katznelson and Weingast, 2005; Hall, 2005: 131-134; Thelen and Steinmo, 1992: 8-10).

Our explanatory model relies on two variables: national-level collective bargaining coverage measured by the percentage of employees covered by collective agreements (X_1), and the level of state support for safeguarding collective bargaining coverage (X_2). We use bargaining coverage as a rough measure of the ability of unions to shape wages, and state support as a measure of the degree to which unions need to worry about an erosion of coverage (OECD and AIAS, 2023). State support can, for instance, take the form of the statutory extension of collective agreements, compulsory membership by firms in employers' associations, or labor law regulations requiring all firms to pay bargained wages. We define state support as "strong" if such institutions are present and frequently used and "weak" if institutions to shore up bargaining coverage are either absent or rarely utilized. For instance, in some countries the legal system allows extensions, but they are used rarely due to inability to meet legal requirements. We measure both variables using data from the September 2023 edition (version 1.1) of the ICTWSS database (OECD and AIAS, 2023). Empirically, the extent of state support for collective bargaining varies widely across the countries included in our study (cf. Table 1).

We expect that the presence of state support will affect how unions perceive SMWs, which in turn will affect how they view the AMWD. Whether SMWs strengthen (or weaken) union power will depend on the presence (or absence) of state support to safeguard bargaining coverage.

From the perspective of unions, SMWs may be a two-edged sword. Unions may see SMWs as shoring up their bargaining power vis-a-vis their domestic employers' associations by providing a wage floor that employers cannot undercut. In this way, the existence of SMWs, or increases in their level, may allow unions to bargain higher wages for their members.

Unions may however also see the existence of SMWs as challenging the role of collective bargaining. If the state guarantees a wage floor to every worker, workers may shift their political loyalty away from unions and towards the state. In sectors where bargained wages are low, SMWs may thus reduce incentives for workers to join a union, resulting in unions losing members and, consequently, an erosion of bargaining power. In addition, unions may also fear the presence of SMWs to cause firms to exit collective bargaining, if the level of SMWs is perceived as adequate.

We argue that which of these two interest perceptions unions adopt will depend on the level of bargaining coverage in a country and whether it is protected by state institutions. In countries where institutional safeguards protect bargaining coverage, such as statutory bargaining extensions or compulsory membership of firms in employers' organizations, unions do not need to worry that SMWs might erode bargaining coverage.

Based on these theoretical considerations, we formulate three hypotheses, whereby each one is intended to explain one of the three types of positions. The hypotheses are thus complementary. They specify the combinations of values for bargaining coverage and state support that we expect to result in the respective type of position. Table 1 summarizes the expected values of the two variables for each hypothesis. For each hypothesis, we offer a short justification that spells out how the interaction of these variables can be expected to induce unions to perceive their interests in the manner characteristic of that type.

H1 Hypothesis explaining domestically-oriented opposition:

In countries with high bargaining coverage (>70 percent) and where state support for collective bargaining is absent or weak, unions will **oppose** the AMWD.

Justification for H1: In countries where bargaining coverage is high while state support is absent or weak, unions depend entirely on a high level of membership (union density) to maintain their bargaining power and bargaining coverage. Unions will fear that the adoption of SMWs will erode membership as state-guaranteed minimum wages may reduce incentives for low-wage workers to join unions. As a result, unions might lose members. In addition, unions may fear firms to leave collective bargaining in response to the adoption of SMWs. We define a coverage level of at least 70 percent as high since at this level most employees are covered.

While the AMWD does not require the adoption of SMWs in countries that do not have them, unions may still suspect AMWD to lead to the adoption of mandates for SMWs in the future, possibly because of decisions by the European Court of Justice (ECJ), whose decisions have in the past often shown an expansionary character (Höpner and Schäfer, 2012: 442-444; Seikel, 2015). It should further be noted that econometric research so far has not found evidence that the adoption of SMWs erodes union density (Kozák et al., 2022). Yet, unions might nevertheless suspect such an erosion if they are not familiar with the state-of-the-art in academic research.

H2 Hypothesis explaining domestically-oriented support:

In countries where bargaining coverage is low (<70 percent), unions will **support** the AMWD, irrespective of the level of state support.

Justification for H2: Where bargaining coverage is low, unions will perceive the AMWD as a device to increase it. This is for two reasons: First, the AMWD requires countries with a bargaining coverage of below 80 percent to adopt national action plans (NAPs) to increase coverage. Second, where coverage is low, unions may perceive SMWs as a more effective method for increasing wages compared to collective bargaining. In these countries, unions will thus perceive AMWD either as a beneficial legal tool for raising the level of SMWs (where they exist) or as a political (not legal) backing for introducing SMWs (where they do not exist).

H3 Hypothesis explaining externally-oriented support:

In countries with high bargaining coverage (> 70 percent) and strong state support for it, unions will **support** the AMWD.

Justification for H3: If state institutions reliably protect bargaining coverage, unions will not worry that SMWs will undermine their bargaining power. In these countries, unions can thus afford to be indifferent to the directive. However, they may support the AMWD either as an expression of solidarity with unions in countries where they are weak and/or as a tool to reduce wage competition among EU countries by requiring EU countries with lower wages to raise their SMWs if existing. This type of union position may thus either have a solidaristic or a self-interested motivation, but in either case, it relies on the expectation that AMWD will affect wages in other EU countries primarily and will affect neither wage levels nor bargaining coverage domestically.

Table 1 Summary of the explanatory model

Hypothesis	Bargaining coverage (X ₁)	State support (X ₂)	Type of union position (Y)
H1	High	Absent or weak	Domestically-oriented opposition
H2	Low	Absent or weak	Domestically-oriented support
H3	High	Strong	Externally-oriented support

Source: own elaboration. Bargaining coverage is categorized as high if the employee density of collective bargaining is at least 70 percent. For the definition of state support, see the text.

A possible alternative explanation for the differences in union position on the AMWD might be the presence of SMWs in a country. In countries where SMWs exist, unions might be more supportive of EU legislation on SMWs. One implication of our theoretical model is that the presence of SMWs in a country

is *spurious*, that is, is not needed to explain union positions toward the AMWD. Furthermore, according to our model, unions will support the AMWD even in the absence of SMWs either if state support protects bargaining coverage (externally-oriented support) or if bargaining coverage is low (domestically-oriented support). Our findings support this theoretical prediction, as we observe union support for the AMWD in countries that do not have SMWs, specifically three of our four externally-oriented supporters (Austria, Finland, Italy, see Table 2).

Membership in the EMU might be another possible alternative explanation but does not align with our findings either. Despite Denmark and Sweden not being in the EMU, unions in Bulgaria and Hungary, also not in the EMU either, do support the directive.

Methods and research design

Our study employs two types of data, each one serving a different purpose: First, we utilize semi-structured interviews to identify TUC's positions on the AMWD and to classify them according to our typology. Second, we use secondary country-level quantitative data to test the plausibility of our causal explanation. These data are shown in Table 2 (appendix).

The empirical analysis of trade unions' positions towards the AMWD rests on 27 semi-structured interviews with representatives of TUCs in 13 EU member states, carried out between April 2021 and May 2022. We contacted all ETUC-affiliated national TUCs in all EU member states with interview requests. Due to non-responses by some TUCs, our study is limited to unions in 13 countries (see Table 3 in the appendix). The Swedish TUC LO did not accept our interview requests. To cover Swedish union positions, we conducted instead five interviews with LO-affiliated sector-level organizations (March-April 2022).

Interview questions covered positions on AMWD and EU legislation on minimum wages in principle, the degree of unity within the union confederation on these issues, the reasoning behind the positions, and the assessment of the impact on the national industrial relations system. Interviews have been transcribed and compared with union press releases and position papers.

For data on bargaining coverage and the use of extensions, we used the ICTWSS database (OECD and AIAS, 2023). Table two in the appendix presents the values for bargaining coverage and state support for all countries in our study.

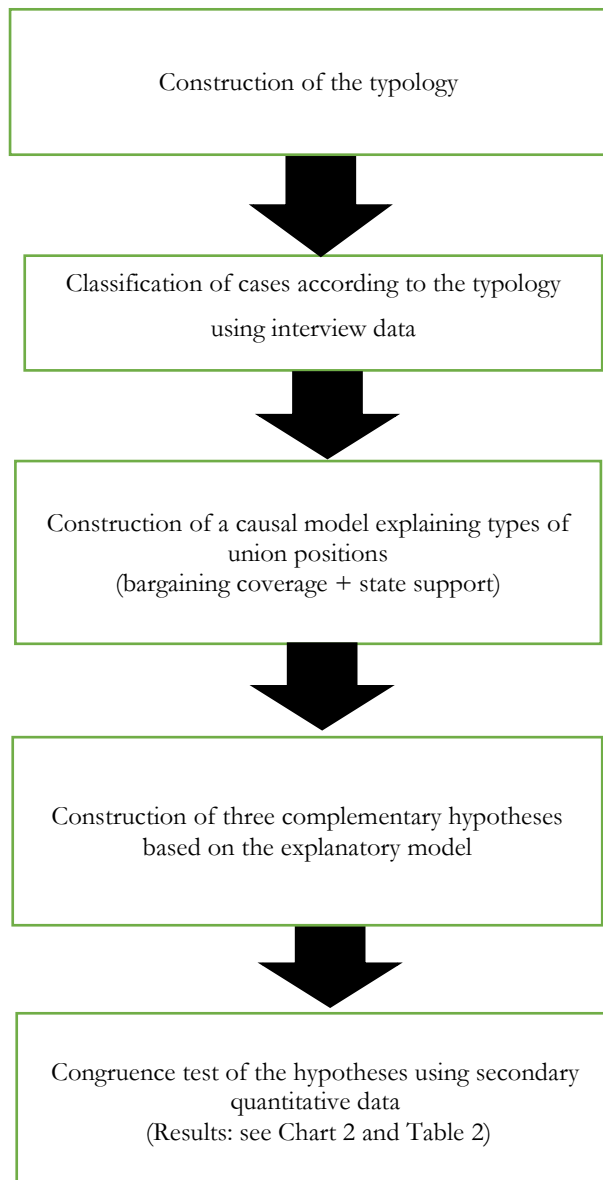
The testing of our three hypotheses follows the logic of a congruence analysis (Haverland, 2010), that is, the identification of congruence between empirical patterns and the explanatory model. We investigate the plausibility of our explanatory model by assessing the congruence of the three types with the values expected for bargaining coverage and state support (see Table 1). TUC positions not aligned with the expected values for bargaining coverage and state support, as specified in Table 1, would falsify our

explanation. For instance, if we were to find domestically-oriented opposition in countries with strong state support this would disconfirm H1. Similarly, the occurrence of externally-oriented supporters in countries with low bargaining coverage or with weak state support would disconfirm H3.

The results of our congruence test are shown in Chart 2. We find that except for one Portuguese TUC, the position types of all TUCs covered in our study are congruent with the expected pattern (see Table 2 for the values for each country).

CHART 1 *

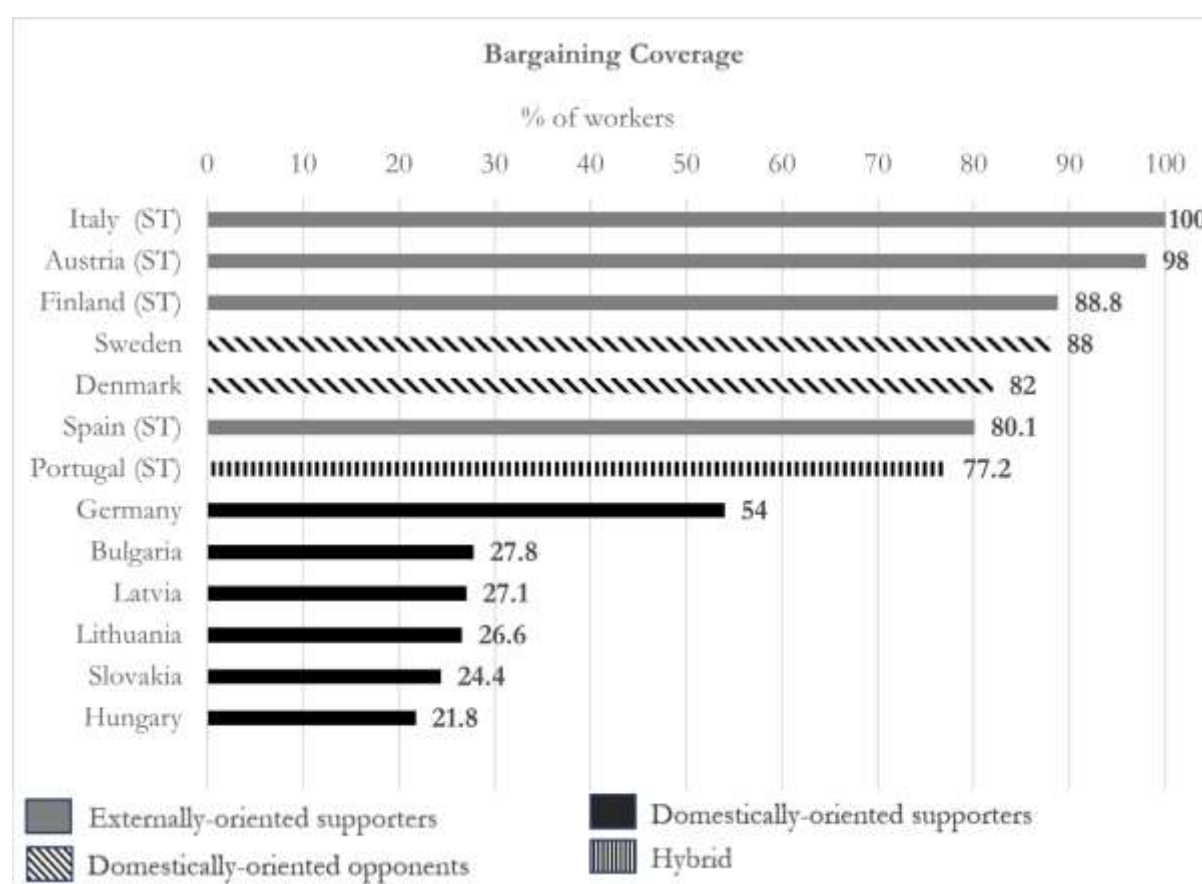
Overview of steps in the research process



Analysis

Our classification of union organizations into three types – domestically-oriented opponents, domestically-oriented supporters, and externally-oriented supporters, – is based on statements by interviewees as well as position papers. We classify TUCs from Germany, Bulgaria, Hungary, Lithuania, Latvia, and Slovakia as domestically-oriented supporters; and those in Austria, Finland, Italy, and Spain as externally-oriented supporters. The interviewed TUCs and sector-level unions in Denmark and Sweden are classified as domestically-oriented opponents. The two Portuguese TUCs took differing positions, one articulating domestically-oriented support, the other domestically-oriented opposition. Thus, Portuguese unions constitute a hybrid case and do not entirely fit our theoretical predictions.

Chart 2 Types of positions according to bargaining coverage and state support



Source for bargaining coverage and state support: ICTWSS Dataset v.1.1 (OECD and AIAS, 2023).

ST: State support is strong (see Table 2 in the appendix for values)

Bar patterns show the type of positions (for the classification of countries see section ‘analysis’).

Domestically-oriented Opponents

In two of the countries included in our sample TUCs are domestically-oriented opponents: Denmark and Sweden. Both countries have bargaining coverage above 80 percent (see Chart 2). Neither country has legal

provisions for mandatory extensions nor functional equivalents. The strength of the bargaining model builds on voluntary support by employees and employers.

In both countries, the historical origins of collective bargaining can be traced to agreements that gave unions the right to negotiate wages and working conditions, while giving employers full autonomy in organizing work and production. These agreements prepared the ground for a model of labor market regulation characterized by relatively little state regulation of labor markets.

The interviewed union representatives presented the AMWD as a threat to their domestic bargaining model, expressing concerns about the legal safeguards included in the legislation and anticipated potential ECJ mandate requiring the adoption of SMWs in their countries, despite the current directive not requiring immediate adoption.

Denmark

Denmark is one of the countries with the highest bargaining coverage and union density in Europe, around 82 percent (2018) and 67 percent (2019), respectively. State intervention in wage bargaining is very limited (OECD and AIAS, 2023). The Danish labor law contains very few legislations as working standards are set in collective agreements reached through bipartite negotiations at the industry level between the two TUCs (Fagbevægelsens Hovedorganisation - FH and Akademikerne) and the leading employer organization DA (Dansk Arbejdsgiverforening) (ETUI, 2016c). Agreements cannot be extended, and unions and employers' associations oppose extensions (Arnholtz, 2019). The inclusiveness of the wage model rests entirely on high membership levels in unions and employers' associations. It is therefore potentially vulnerable to erosion in cases of dissociation by employers or employees. Since bargaining coverage is above 80 percent, the AMWD would, at least for the time being, not require any policy changes in Denmark. Yet, in case of any future decline of bargaining coverage to a level below the 80 percent threshold specified in the AMWD, the government would need to submit to the European Commission (EC) a national action plan containing measures to increase bargaining coverage.

The peak federations of unions and employers' associations in Denmark firmly oppose any EU legislation on SMWs. Consequently, they also oppose AMWD. Some internal variation exists, with the Federation of Professional Associations (Akademikerne) being less worried about EU interference in collective bargaining compared to the peak-level federation FH (DK-1; DK-3). Irrespective of partisan composition, Danish governments have consistently supported FH's position in EU-level negotiations, and in the Council of Ministers, Denmark voted against the AMWD. On January 18th, 2023, the Danish government filed an annulment suit with the ECJ, claiming the AMWD to lack a legal base in the EU primary law (Beskæftigelsesministeriet [Danish Ministry of Employment], 2023; Ahlberg, 2023).

How do Danish unions justify their opposition to EU legislation on SMWs? The Danish TUC FH is “opposed to this proposal for a minimum wage directive” and refuses to accept the EC interference in national collective bargaining autonomy for two main reasons (DK-1). First, according to FH, “*there is no legal basis*” for it. In a position paper, the chairperson argues that the EU violates the principle of non-involvement in the national wage setting laid out in Article 153.5 of TFEU (Risgaard, 2020). Second, it will undermine Denmark’s well-functioning collective bargaining model. According to the paper, granting the EU with power over wages would put the Danish union movement on a dangerous trajectory since interference with the social partners would lead to the deterioration of the voluntary wage bargaining system. Thus, the “directive would have direct and negative effects on collective bargaining and wage-setting, and ultimately on actual wage levels” (ibid). In essence, the confederation's representatives see the EU legislation as a threat resulting from the transfer of too much power from trade unions to EU supranational institutions, including the ECJ, whose judgments and interpretations have been geared toward protecting the EU's internal market at the expense of the unions as in the Laval case (DK-1; Risgaard, 2020).

If the bargaining coverage falls below 80 percent, the government, together with the social partners must establish action plans to promote collective agreements which are not compatible with Denmark, where the bargaining system is voluntaristic, bipartisan, “*based on trust*,” and with minimal external interference (DK-1). While FH supports fair wages in the EU, any solution to promote fair wages should not go against the Danish system (DK-1). Moreover, the metal workers union “Dansk Metal” representative highlights the negative consequences for all European trade unions: “Generally, we believe that [the Directive] might be good for some of our friends in the rest of Europe [...] We genuinely want to lift them. But nothing in this Directive lifts the wage levels for anyone. If the directive goes through, probably no one in the EU will get a higher wage. But if it were so, we would, of course, be happy for them. But as we see it, nothing in this Directive will help them” (DK-2).

Sweden

Like in Denmark, wage bargaining coverage in Sweden is among the highest in the EU, at 88 percent (2018), with similarly high union density, at 65,2 percent (2019). Wage bargaining in Sweden is voluntaristic, with almost no state intervention. The possibility of extending collective agreements does not exist, nor does the country have a statutory minimum wage. The inclusiveness of the Swedish wage model rests entirely on high rates of membership among unions and employers. It is potentially vulnerable to erosion in cases of dissociation by individual employers or employees. Since bargaining coverage is above 80 percent, the AMWD would, at least for the time being, not require any policy changes in Sweden. Yet, like Denmark, the country might need to submit national action plans in case coverage falls below the threshold of 80 percent.

The country has three TUCs – The Swedish Trade Union Confederation (LO), the Swedish Confederation of Professional Employees (TCO), and Sweden's Academics (SACO). None of them supports the directive. “There's no legislation at all concerning pay in Sweden ... the entire system is regulated through collective agreements from the levels of pay to the whole procedure to determining pay. So, that makes our system very sensitive to amendments coming from the outside” (SE-4). Swedish unions explain that “we cannot accept legislation, which will worsen the situation and the conditions for our members (..) [therefore we need to] respect each other's position, (..) national surroundings or legal framework” (SE-1). The directive “will be letting politicians” determine “how high the minimum wage should be” (SE-5). It would be the same as to “voluntarily surrender to EU” (SE-6), while “we are faster with our system” (SE-2). The directive presents “risks, to inflict severe damage to the Swedish labor market system. Even on the national level, if our government would impose amendments to the wage determining system, it will be a huge risk for us” (SE-4).

The main arguments against the AMWD focused on the asserted lack of a treaty base for the directive and the concern with preserving the Swedish bargaining model based on the “autonomy of social partners.” According to Swedish representatives, the EU does not consider the diverse labor market systems among the member states and tries to impose an unsustainable “one size fits all” solution for persisting social and economic problems. Moreover, Swedish interviewees referred to TFEU Article 153.5, which declares wage-setting to be a national matter. Although the directive might aid the low-paid workforce in other member states, it should not be at the expense of Swedish trade unions (SE-4). Interviewees acknowledged that there were “obvious reasons” for European trade unions to support AMWD (SE-3; SE-6). Despite this, “organizing” and “building capacity” were perceived as the right alternatives to the supranational intrusion of the directive (SE-3; SE-2).

The woodworkers' union GS Facket asserts a negative impact of the AMWD on other countries. It went as far as to propose that the Directive would produce harmful effects even on other European members as it would diminish trade unions' influence in wage settings. “This is the wrong way for trade unions around Europe. It will hurt not only our model,” but it might also lead to wage stagnation in other member states (SE-2). This implies that state-led wage formation would disincentivize union participation and cripple any possibility for capacity building (SE-2); SE-7). However, Byggnads and others would have been willing to compromise in exchange for an opt-out from the directive (SE-6; SE-5; SE-7).

Domestically-oriented Supporters

The domestically-oriented supporters include the TUCs of six countries: Germany and five Central and Eastern European countries. These TUC representatives supported the AMWD expecting it to enhance their bargaining position domestically, rather than expecting any benefits for unions in other countries.

Bargaining coverage in this group of countries is below 70 percent, with Germany being the closest to this threshold with 54 percent and Hungary as the lowest with 21.8 percent. In all these countries, legal provisions for the mandatory extension of collective agreements exist but are rarely used, either due to employer veto power, low employer association rate, or high thresholds. Since the coverage in these countries lies below the threshold, the directive will directly affect them. The preparation and application of NAP will boost union bargaining position and ideally will make it increasingly difficult, if not impossible for employers to circumvent negotiations or dispense with union demands. In the remaining part of this sub-section, we present findings by country.

Bulgaria

In 2018, bargaining coverage was at 27.8 percent (OECD and AIAS, 2023). Bulgarian minimum wage is the lowest among the EU member states. Despite some trade union efforts, the levels of inequality, measured in the Gini coefficient, remain extremely high (BG-1; BG-2). Historically, the industrial relations in the country are characterized by weak unionization, employer unwillingness to participate in negotiations as well as outright employer militancy and “anti-union” attitudes (Tomev et al., 2008). As the mode of negotiation is tripartite with very strong state involvement, the two TUCs believe that the directive would have a positive impact on the Bulgarian collective bargaining system and would increase the already very low remunerations by incentivizing business associations to make concessions (BG-1; BG-2). Bulgarian unions firmly acknowledge “the need...for clearly defined European mechanism...to guide the promotion of collective bargaining.”. They “encounter more and more resistance from the employers to negotiate”, thus there is a violation of the right to engage in collective bargaining (BG-1).

Germany

The German model of collective bargaining builds on the notion of ‘Tarifautonomie’, meaning limited state interference in collective bargaining, which is considered the autonomous sphere of unions and employers. Legal provisions for statutory extension exist but are not used widely, with a few exceptions such as the construction sector (Müller and Schulten, 2018). Up to the 1980s, German unions were able to conclude collective agreements with encompassing coverage. Yet, bargaining coverage has eroded from 85 percent in 1990 to 54 percent in 2018 (OECD and AIAS, 2023), as a result of bargaining exits by firms enabled by employers’ associations (Hassel, 2023: 5; Paster et al., 2020: 543; Günther and Höpner, 2022: 7-8).

While German unions had previously opposed SMWs, they have since the adoption of a national statutory minimum wage come to support those (Marx and Starke, 2017; ILO, 2021). The two interviewed representatives of the German national TUC DGB supported the AMWD because it would strengthen German unions in negotiations with employers: “It makes a lot of sense for Germany because we would have to seek ways and means to get to a decent level of coverage (..) We bargain for exactly the reason of

this social partnership prerogative over legal regulations.” (DE-1) The second interviewee from the hotel and restaurant union NGG argued: “I think, it is right to set the minimum coverage rate of collective agreements required in the [AMWD] Directive very ambitiously. This would indirectly help us to spark a discussion in Germany. We could keep telling the employers the European level demands 70 percent and now we have to see how we can manage it. I am very curious how we could achieve 70 percent.” (DE-2). In short, the German union representatives see the AMWD as supporting their domestic agenda of boosting bargaining coverage.

Hungary

The Hungarian coverage rate fluctuates around 21,8 percent (OECD and AIAS, 2023). The only TUC SZEK (Forum for Trade Union Cooperation) describes the national social dialogue as non-existent and “Orban-supportive” as the members of it are “yellow” unions (HU-1). They are supportive of the directive and more regulated wages that would not neglect workers. However, the explicit dissatisfaction with the current government implies that the most pre-eminent solution for developing stable social dialogue would have been the change of the government (ibid).

Latvia

State power and a highly legalistic institutional framework play a major role in Latvian wage determination. The coverage rate in Latvia is around 27.1% as of 2018 (OECD and AIAS, 2023). The bargaining outcomes result mostly in alterations in the labor code (LV-1). We interviewed a legal expert from the only confederation LBAS (Free Trade Union Confederation). This directive, according to them, will contribute to the development of union capacity in the future. Rather than a threat, the EU is perceived as a tool for resolving persisting socio-economic challenges (ibid).

LBAS argues that a binding directive is the most beneficial solution for Baltic states, as the governments can often ignore recommendations. Without the binding wage thresholds, the wage levels would be kept “status quo” (LV-1). By recognizing that “we are several fishes that place red on social indicators, (..) we need intervention by European Commission” (ibid). Latvian TUC came as the most supportive “because AMWD already has the points we need”, including the wage thresholds and purchasing power calculations. Even though they see the current Latvian bargaining coverage rate as low, they support the 70 percent threshold, as Latvia has no work councils or competing unions outside of the confederation that could undercut agreements. However, LBAS “could also agree on a lower number. Because we understand that jumping from 20 to 70, is not possible even in a couple of years” (ibid).

Lithuania

The bargaining coverage rate in Lithuania is 26,6 percent and there are no extended agreements (Ministry of Social Security and Labour [Lithuania], 2020). The relatively low density points out the persistent decentralization with predominant company-level bargaining practices (OECD and AIAS, 2023). The interview was conducted with the second (of three) largest confederation's LPS "Solidarumas" chairperson. The TUC stresses the importance of raising the bargaining coverage since it is the lowest in the EU. From the "Solidarumas" perspective, the rise of the collective bargaining rate would also help to solve the "shadow economy" issue (LT-1). However, the Lithuanian TUC representative admitted that their internal discussions about the threshold had raised considerations that the risk of such a high threshold can have the opposite effect by reaching low-paid and low-standard collective agreements. Therefore, they have reviewed to recommend a lower bargaining coverage threshold to 50 or 60 percent. "We are afraid that some agreements would be signed just because... there would be no quality, and no true dialogue" (LT-1).

Slovakia

Slovakian bargaining coverage is very similar to Hungary, Bulgaria, and Latvia, with 24.4 percent (OECD and AIAS, 2023). Slovakian KOZ SR (Trade Union Confederation of the Slovak Republic) states that their social dialogue has already been stable, and they did not have a position on the first draft of the proposal as they saw it as irrelevant (KOZ-1). However, the initiative to support it only came after the 2020 parliamentary elections, as the new government "*was against trade unions, even for the minimum wage*" (ibid). They describe the new government as conservative and labor-unfriendly (SK-1). For KOZ SR, the most important feature is supporting bargaining coverage. Though difficult to reach, Slovakian TUC concludes that the AMWD would strengthen union power (ibid). KOZ SR exemplifies the case of 2020 SMW negotiations with the government and employers in which the demand of raising the SMWs to 66 percent of the median wage has been unsuccessful, keeping it only up to 57 percent.

Externally-oriented Supporters

The TUCs in four countries take a stance of externally-oriented support for the AMWD: Austria, Finland, Italy, and Spain. Despite their diversity, these TUCs share the presence of state support for bargaining coverage, including mandatory extensions (Finland, Spain), compulsory membership of private firms in a chamber organization (Austria), or mandatory coverage due to labor court decisions (Italy). Bargaining coverage in all four countries exceeds 80 percent (cf. Chart 2).

The interviewed TUC representatives in these countries endorse the AMWD but, unlike the domestically-oriented supporters, did not justify their backing with expectations of greater bargaining power. Instead, they refer to solidarity with workers and unions in other countries or interest in limiting the scope for wage

under-cutting (wage dumping) by EU countries with lower wages. Those union representatives expect the AMWD to generate pressures for higher wages in other EU countries while perceiving no direct effect on their domestic bargaining model.

Austria

Austria achieves near-universal bargaining coverage through compulsory membership by private firms in a nationwide employer association, the Chamber of the Economy (WKO). Thus, even though Austria does not have a SMW, bargained wages serve as effective minimum wages for almost the entire economy.

The ÖGB, the only TUC in Austria, supports the AMWD with the justification that it will positively affect wages in neighboring countries in Central and Eastern Europe. The president of the ÖGB, Wolfgang Katzian, stated in a press release in February 2022 “Due to its geographic location, Austria would benefit from higher minimum wages in the EU. Austria is a hot spot for labor mobility, with many commuters from neighboring EU countries.” (OEGB, 2022: , own translation). Our interview with a staff member of the bargaining department of the ÖGB shows the same line of argumentation: “We support the general approach of the Directive [...] the Directive does not affect Austria directly, but indirectly it does. Of course, it also affects us if the minimum wage is very low in other countries. It is in our interest that wages in other countries are high. The main reason why we support the Directive is that we believe it makes sense in the overall European structure. But we would not need it [in Austria]” (AT-1).

In short, the ÖGB does not expect the AMWD to require any changes in the Austrian bargaining system but supports the AMWD because it expects an attenuation of wage competition within the EU due to the AMWD demanding higher wages in other EU countries, where wages are lower than in Austria. At the same time, compulsory membership of firms in the WKO means that the ÖGB, unlike Swedish and Danish unions, does not have to worry about an erosion of collective bargaining.

Finland

The collective bargaining coverage in Finland was around 88.8 percent in 2017 (OECD and AIAS, 2023). Bargaining today occurs at the sector level, and the government frequently extends agreements to non-organized firms. SMWs do not exist (ETUI, 2016a).

All three TUCs (Finnish Confederation of Professionals - STTK, Central Organization of Finnish Unions - SAK, and Confederation of Professional and Managerial Staff - AKAVA) expressed support for the AMWD in the interviews. The interviewed organizations do not perceive it as a threat to their bargaining

model. The TUC AKAVA describes the directive as “more like a political declaration which is aiming at promoting collective bargaining towards minimum wages, without imposing any minimum wages. (..) This directive is not obliging legislation in traditional terms. It is more like a political declaration with the title ‘Directive’” (FI-1).

Additionally, one interviewee related the split of Nordic unions in support of AMWD to “the membership in the euro is a clear structural difference” (FI-4). Also, the position next to Russia demands full integration into the EU (ibid). The interviewee from SAK, the largest TUC in Finland, pointed out that “means to influence EU decision-making are limited” (FI-3). The representative of STTK argued that “this is like a starting point that will make our analysis a little bit different from our Nordic colleagues, who will often have a stronger belief in their capability of changing things” (FI-2). The AKAVA representative argued that “this directive will not make any harm here in Finland, but it might help our colleagues (..) Why should we be against something that could help other people somewhere else and will not at all harm us?” (FI-1). In the academic literature, Lillie observed that Finnish unions do not anticipate the directive to lead to any changes in their country, referring to a news article (Lillie, 2023: 1).

Italy

As of 2019, the bargaining coverage in Italy is almost universal, at nearly 100 percent (see Chart 1). The collective agreements in the private sector are bipartite and concluded primarily at the industry level with a limited part of the company level. This means that the negotiations between employers’ associations and trade union confederations are predominant. The near-universal coverage is due to the practice of Italian labor courts to require, in effect, all employers to comply with bargained wages, thus serving as an equivalent to statutory extensions. Like Finland, SMWs are absent in Italy (ETUI, 2016b). Generally, wage negotiations occur without government interference unless the participating parties request so.

Three Italian TUCs are members of ETUC: The Italian General Confederation of Labor (CGIL), the Italian Confederation of Workers’ Trade Unions (CISL), and the Italian Union of Labor (UIL). All three endorse the directive (CISL, 2022). We interviewed representatives of two of them (CGIL and UIL) and both firmly believe that Italy won’t be affected by the Directive. The third one (CISL) also supports the AMWD, according to a press release (CISL, 2022). The representative of CGIL argued that they, similarly to “the Finnish trade unions ... have safeguards that will prevent [any] interference” (IT-1). According to the UIL representative, the directive might “reduce inequalities and wage dumping” (ibid) and increase general “social contribution” in Eastern and Southern Europe (IT-2). However, the issue of wage dumping concerns also “unfair competition between ... Eastern European and Italian small enterprises” (ibid). Therefore, wage increases in CEEC ensure a reduction in wage competition, which might indirectly benefit

Italian firms and, thus, also unions. In short, the two interviewees anticipate the Directive will not affect wage bargaining in Italy but will limit wage dumping by CEECs. Their support is thus externally motivated.

Spain

Bargaining coverage in Spain is around 80.1 percent (see Chart 1). State support in the form of statutory extensions to non-organized firms and non-member workers safeguards against any potential for deterioration of coverage caused by external interference (SP-1). Believing that the legislation would not have any adverse effect, the Spanish representatives expressed “solidarity with countries such as Romania, Bulgaria, Hungary, and the rest of the Eastern countries [...]. In all those cases where you don’t have this right of collective bargaining, the idea of providing them an adequate minimum wage is a matter of solidarity” (ibid). Their position is “based on the understanding that there must be a reinforcement toward a proper collective bargaining system” (ibid).

Hybrid case: Portugal

Following our theoretical model, Portuguese unions with high collective bargaining coverage rates due to extensions would apply as externally-oriented supporters. Despite this, both TUC's stance is conflicting.

The Portuguese labor law is rather detailed, and the government is heavily involved in determining remuneration (PT-1). Collective bargaining is dominated by sectoral agreements (Addison et al., 2017). Bargaining coverage is high at around 77.2 percent (Molina, 2014; OECD and AIAS, 2023).

The Portuguese response to the AMWD is characterized by disagreement between the two main confederations, UGT (General Union of Workers) and CGTP (General Confederation of Portuguese Workers)². While UGT expresses open support (Noticias ao minuto, 2021; Noticias ao minuto, 2020), CGTP is “not in favor” of the proposal. Its attitude is influenced by the belief that the directive “might affect the framework in which decisions are taken in Portugal” (PT-1). This framework includes, among other things, strong government involvement in minimum wage setting, which, according to the constitution, must ensure “fair distribution of wealth.” In CGTP’s view, the EU proposal goes against the latter because it will stimulate bipartite dialogue and diminish state intervention, which CGTP favors (ibid).

² We were able to conduct interviews only with the CGTP representative. To document the UGT’s position we rely on interview and position paper data available online.

It would weaken the union's bargaining position and boost the power of the employers within the national structure. The EU takes “the side of big capital” (PT-1). Furthermore, CGTP argues that adequacy measurement in countries like Portugal, where relatively low wages are predominant, would fundamentally hamper the rise in remuneration and act as a wage ceiling (PT-1). In sum, CGTP sees the AMWD as detrimental to the national sovereignty, trade union influence, and, most notably, the power of the government to set wages in unison with the constitution (Costa, 2006; Addison et al., 2017; Lima et al., 2021).

Conclusions

We have presented in this paper a new typology of TUC positions towards AMWD and proposed a causal explanation for the three types. Our distinction between domestically-oriented and externally-oriented support allows us to demonstrate the role of state support in shaping union positions on AMWD by way of relating the two positions to distinct configurations of coverage and state support. The presence (or absence) of state support, we argue, explains whether unions in countries with high coverage support or oppose AMWD. In short, our three-part typology enables us to formulate a new causal explanation of union positions, one that would elude a dichotomic classification of positions (pro or contra).

Yet, our study has faced some limits in its ability to test our explanatory model. We have relied on convenience sampling which does not cover all unions in the EU. Further research is needed to test the validity of our explanation for those EU countries that are not in the sample, particularly in Western European countries like France and the Netherlands that were excluded due to non-responses. Our explanatory model would predict that unions there will be externally-oriented supporters since state support and coverage are both high in these countries. Additionally, research on potential sectoral differences is warranted given variations in coverage and state support across sectors.

Our explanatory model allows us to formulate predictions also for hypothetical future scenarios. One such scenario concerns a possible erosion of coverage in Denmark and Sweden. If coverage in these countries were to fall below our benchmark level of 70 percent, our model would predict unions there to convert from opponents to supporters of the AMWD. Similarly, if a change in government policy in these two countries should result in strong state support, our model would also predict unions to become supporters. In short, we suggest that the support for our model presented in this paper should be seen as tentative.

Appendix

Table 2 Overview of countries

Country	Bargaining coverage (% of employees covered)	Net union density (% of employees)	Use of extensions (or equivalent) in 2020	SMW per hour in Eur, in PPT, per 1.1.2022	SMW in % of median wage (Kaitz Index), 2020	EMU	Type
Denmark	82 (2018)	67 (2019)	0	No SMW	NA	N	Domestically-oriented opposition
Sweden	88 (2018)	65,2 (2019)	0	No SMW	NA	N	Domestically-oriented opposition
Bulgaria	27,8 (2018)	15,3 (2016)	1	2.0	65.9	N	Domestically-oriented support
Germany	54 (2018)	16,3 (2019)	1	8.6	50.7	Y	Domestically-oriented support
Hungary	21,8 (2019)	8,3 (2018)	1	3.21	45.6	N	Domestically-oriented support
Latvia	27,1 (2018)	11,6 (2018)	1	2.96	44.3	Y	Domestically-oriented support
Lithuania	26,6(2021)	10 (2021)	1	4.47	48.8	Y	Domestically-oriented support

Slovakia	24,4 (2015)	11,3 (2018)	1	3.71	51.8	Y	Domestically-oriented support
Austria	98 (2019)	26,3 (2019)	3	No SMW	NA	Y	Externally-oriented support
Finland	88,8 (2017)	58,8 (2019)	3	No SMW	NA	Y	Externally-oriented support
Italy	100 (2019)	32,5 (2019)	3	No SMW	NA	Y	Externally-oriented support
Spain	80,1 (2018)	12,5 (2019)	3	6.01	54.7	Y	Externally-oriented support
Portugal	77,2 (2021)	15,3 (2016)	3	4.25	65.1	Y	Hybrid

Sources: Data on bargaining coverage (AdjCov), union density (UD), and use of extensions (Ext) from the ICTWSS Database (OECD and AIAS, 2023). Data for the most recent year available (stated in brackets).

Data on SMWs: Lübker and Schulten (2022: Fig. 2 and 3), based on data from the WSI minimum wage database and the OECD Earnings Database

EMU: members of the Euro area

Use of extensions (Variable name: Ext)

0 = neither legal provisions for mandatory extensions nor equivalent;

1 = extensions rather exceptional, in some industries only, because of employer veto/or very high thresholds; 2=extensions used in many industries, but there are thresholds and ministers can (and sometimes do) not extend collective agreements;

3=extensions are (quasi-) automatic and universal or close to universal.

Table 3 List of interviews

Interview code	Country	Organization that the interviewee represents or works for	Function of the interviewee	Date of interview
AT-1	Austria	ÖGB	Head of Collective Agreements	05-05-2022
BG-1	Bulgaria	CITUB	Director at ISTUR	06-04-2021
BG-2	Bulgaria	PODKREPA	International Policy Senior Expert	09-04-2021
DK-1	Denmark	FH	Head of International Affairs	14-04-2021
DK-2	Denmark	Dansk Metal	Head of International Affairs	05-05-2022
DK-3	Denmark	Akademikerne	Chief negotiator	01-12-2021
FI-1	Finland	AKAVA	Head of International Affairs	13-04-2021
FI-2	Finland	SAK	Head of International Affairs	15-04-2021
FI-3	Finland	STTK	Head of International Affairs	22-04-2021
FI-4	Finland	SAK	Head of International Affairs	05-05-2022
DE-1	Germany	DGB	Director of European and International Affairs, Advisor to the President	27-04-2021
DE-2	Germany	NGG	Head of Collective Bargaining	05-05-2022
HU-1	Hungary	SZEF	Vice President	23-04-2021
IT-1	Italy	CGIL	Head of International Affairs	13-04-2021
IT-2	Italy	UIL	Head of International Department	26-04-2021
LV-1	Latvia	LBAS	EU Law and Policy Expert	23-04-2021
LT-1	Lithuania	LPS Solidarumas	Chairperson	08-04-2021
PT-1	Portugal	CGTP-IN	Member of International Affairs	19-04-2021
SK-1	Slovakia	KOZ SR	Head of EU Affairs	22-04-2021
ES-1	Spain	CCOO	International Secretary	05-04-2022
SE-1	Sweden	Musikerförbundet	Negotiator	04-04-2022
SE-2	Sweden	GS Facket	Ombudsman, Ombudsman (2 representatives)	05-04-2022
SE-3	Sweden	Kommunal	Statistician	07-04-2022
SE-4	Sweden	TCO	International Secretary, Lawyer	19-04-2022
SE-5	Sweden	Pappers	Negotiation and Contract Manager, General Counsel	20-04-2022
SE-6	Sweden	IF Metall	International Secretary	27-04-2022
SE-7	Sweden	Byggnads	Lawyer, Information and Data Protection Coordinator	12-05-2022

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