International Journal of Multidisciplinary Research and Growth Evaluation.

Legal and Institutional Mechanisms for Setting Minimum Wages in the European Union

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Article Info

ISSN (Online): 2582-7138
Impact Factor (RSIF): 8.04
Volume: 07
Issue: 05
Received: 14-08-2026
Accepted: 16-09-2026
Published: 18-10-2026
Page No: 782-794

Abstract
This article examines the range of legal mechanisms for setting minimum wages in the European Union and the relationship between statutory procedures, collective bargaining and socioeconomic adequacy. It analyses the division of competences within the EU, Directive (EU) 2022/2041 and its partial annulment in Case C-19/23, as well as the development of Article 244 of the Bulgarian Labour Code through the amendments promulgated in September 2026. The study compares 27 national systems, including the five Member States without a statutory national minimum wage. It proposes a multidimensional framework distinguishing legal predictability, purchasing power, relative adequacy, institutional participation and macroeconomic sustainability. The analysis demonstrates why nominal wage levels alone cannot establish social effectiveness. Further regression-based testing requires the retrieval and harmonisation of complete machine-readable statistical series.

Keywords: Minimum Wage, Labour Law, European Union, Social Dialogue, Collective Bargaining, Bulgaria, Adequacy, Productivity

1. Introduction: The Minimum Wage as a Legal and Social Institution

The minimum wage is at once a mandatory legal safeguard, a reference point for wage bargaining and an instrument of income redistribution. It establishes a floor below which remuneration may not fall, but does not, in itself, establish whether an individual's income is sufficient to meet basic living needs. This distinction is particularly important when comparing countries with different price levels, tax arrangements, social protection systems and levels of productivity [1-2].

The legal question concerns the authority competent to set that floor, the criteria and procedures governing its determination, and the safeguards for judicial and public scrutiny. The economic question concerns the effects of the chosen mechanism on real incomes, employment, inequality and labour costs. The institutional question is whether the participation of employers and trade unions is substantive or merely formal, a distinction that shapes the wider set of social relations in this field.

The purpose of the study is to classify the legal regimes operating within the EU, assess the extent to which they can be compared and identify defensible criteria for Bulgaria's regulatory framework. The research addresses four questions: how competence is allocated among the legislature, executive authorities and social partners; how wage adequacy should be measured; what changes follow from the judgment in Case C-19/23; and what benefits and risks arise under the new Bulgarian mechanism.

The working hypothesis is that the most resilient arrangements combine publicly stated criteria, periodic independent assessment, effective social dialogue and safeguards against arbitrary changes.

1.1. The Minimum Wage as an Instrument of Social Policy

An instrument of social policy is a legally established and institutionally organised means of pursuing a public social objective. The minimum wage is more than the price of labour: it is a mandatory legal floor, an economic regulatory instrument and a means of limiting exceptionally low pay. These three functions overlap, but they are not identical [3-4].

As a legal institution, the minimum wage establishes a binding standard and an enforcement mechanism; as an economic instrument, it changes the relative price of labour; and as an instrument of social policy, it seeks to reduce the risk of inadequate earnings. The latter objective cannot be achieved in isolation from tax, family, housing and social insurance policies, which together may be understood as elements of a national social doctrine and its associated policy framework [1, 5-6].

2. Methodology, Scope and Limitations

The study employs doctrinal legal analysis, comparative legal analysis, institutional analysis and descriptive statistics. The unit of legal comparison is the national wage-setting mechanism rather than the nominal rate alone. All 27 EU Member States are covered. The principal statistical reference date is 1 July 2026, supplemented by data for 1 January 2026 where changes over the year are examined [7-8]. Sources are ranked according to their evidential authority: EU primary law and judicial decisions; national legislation; official statistics; studies by Eurofound and the International Labour Organization (ILO); and secondary academic literature. Binding legal requirements are distinguished from non-binding benchmarks and the author's own analytical proposals.

Statistical comparisons require consistent units: gross monthly amounts adjusted, where necessary, for differences in the number of annual payments; purchasing power standards (PPS); ratios to median and mean gross earnings; and real wage indices deflated by consumer prices. When using Eurostat data, it must be borne in mind that five Member States have no statutory national minimum wage and that Eurostat does not calculate a single EU-wide average minimum wage [7-9].

The existence of a national minimum wage does not reveal how many workers actually receive it; microdata on the earnings distribution are needed for that purpose. Likewise, correlations between minimum wages and employment cannot be interpreted as causal effects without an appropriate identification strategy [9-10].

The central research question is the extent to which legal predictability can be reconciled with the actual adequacy of earnings. An increase in the nominal rate is not, by itself, evidence of social progress unless price levels, median earnings and compliance with the law are also examined.

2.1. Research Design and Verifiability

The object of the study is the set of national systems for minimum wage protection in the EU-27. Its subject comprises the legal sources, competent institutions, procedures, economic criteria and observed social outcomes associated with those systems. The aim is to identify institutional features that promote predictability, adequacy and accountability, without presuming the superiority of any particular model.

The methods include doctrinal analysis of treaties, directives and national legal acts; comparative classification; institutional analysis of the social partners; a historical legal examination of Article 244 of the Bulgarian Labour Code; descriptive statistics; scenario analysis; and econometric specifications for subsequent empirical testing.

The unit of legal comparison is the mechanism, not merely the wage rate. Statistical units are identified explicitly as country, year, region, sector, or worker.

A comparable annual series covering 2015–2026 is required for longitudinal analysis; cross-country comparisons must use matching reference dates. Sources are assessed in descending order of evidential authority: primary and secondary legislation, case law, national legal instruments, official statistics and academic literature. Where harmonised data are unavailable, the analytical specification is presented without inventing numerical coefficients.

The research hypothesis is that mechanisms built around public criteria, periodic expert assessment, effective consultation and reasoned decisions are better suited to reconciling social adequacy with economic sustainability. A comparison of legal provisions alone cannot establish this hypothesis; testing it requires evidence on real wages, employment, productivity and collective bargaining coverage.

2.2. Limitations

This study is subject to methodological, legal, statistical and institutional limitations that must be acknowledged when interpreting its findings and determining the scope of its conclusions. They arise both from differences among national minimum wage-setting systems in the European Union and from the characteristics of the statistical indicators employed, gaps in time series and the complexity of causal relationships between remuneration and economic development.

First, comparative legal analysis is constrained by differences in the institutional organisation of national systems. In some Member States, minimum wages are set by a legal act adopted by a public authority; in others, minimum rates are established primarily through collective bargaining. These arrangements differ in legal nature, scope and enforceability. Comparisons cannot rest solely on nominal wage levels. They must also consider the legal basis of wage-setting, the coverage of the relevant provisions, enforcement arrangements and the actual protection afforded to workers [10-11].

Second, the existence of a statutory minimum wage does not, in itself, establish the reach of the protection it provides. The stated rate does not show how many workers receive it, how employment is structured, how widespread part-time work is, or how often labour law is breached. Such an assessment requires microdata on individual earnings, hours worked and worker characteristics [9].

Third, the cross-country comparability of statistical indicators is limited. Nominal minimum wages do not capture differences in purchasing power, tax and social insurance systems, consumption patterns or living costs. Further difficulties arise from differences in the number of annual payments, national rules for calculating monthly pay and statistical reporting practices. Nominal euro amounts serve primarily descriptive purposes and are insufficient to establish workers' actual living standards [7, 9].

Fourth, indicators of relative minimum wage adequacy measure different economic relationships. The ratio of the minimum wage to mean earnings is not equivalent to its ratio to median earnings. The mean is affected by earnings at the

top of the distribution, whereas the median identifies the midpoint of the relevant population of workers. These measures cannot be used interchangeably, particularly when assessing European reference values for wage adequacy [12-13].

Fifth, the temporal scope of the study is limited by the availability of comparable statistical series. For 2015–2026, not all required indicators are available at the same frequency, under the same methodology or with the same degree of timeliness. Data on minimum wages, labour productivity, median earnings, collective bargaining and in-work poverty may refer to different reporting periods. They cannot simply be pooled into one econometric dataset without first establishing their comparability [7, 14].

Sixth, a statistical association between the minimum wage and an economic indicator does not establish causation. Employment, productivity, inflation and income distribution are shaped by multiple factors operating simultaneously, including economic growth, technological change, demographic composition, migration, investment, sectoral specialisation and changes in tax and social policy. Even a statistically significant correlation between a minimum wage increase and employment changes cannot be treated as evidence of causality without an appropriate econometric model and a defensible identification strategy [2, 15-16].

Seventh, the economic models employed are constrained by their theoretical assumptions. The competitive labour market model presupposes conditions relating to competition, labour mobility and access to information that are not always observed in practice. Conversely, models of monopsony and imperfect labour markets cannot be applied indiscriminately to every industry or country. The mathematical relationships used here are tools for formalising and testing economic hypotheses, not independent proof of particular socioeconomic outcomes [2, 17].

Eighth, substantial regional and sectoral differences within the Bulgarian economy limit the conclusions that can be drawn from national aggregates. A uniform minimum wage applies across regions with markedly different levels of labour productivity, earnings, investment and living costs. National averages may conceal significant territorial and structural disparities. Identifying those differences requires regional and sectoral statistics and attention to the contrasting circumstances of large enterprises and smaller businesses.

Ninth, the assessment of social dialogue is constrained by the distinction between the legally prescribed participation of social partners and their actual influence on final decisions. The existence of tripartite bodies, meetings and formally submitted opinions does not, by itself, demonstrate effective social dialogue. An adequate assessment must establish whether representative organisations' proposals were considered on their merits, whether they affected the content of regulatory decisions and whether the reasons for accepting or rejecting them were made public [11].

Tenth, changes in the legal framework during 2025–2026 limit the assessment of the long-term consequences of the new mechanisms. Amendments to EU and Bulgarian law can be analysed in terms of their content, institutional competences and procedures, but their actual economic and social effectiveness cannot be established immediately after adoption. A sufficiently long period of implementation is needed to examine developments in earnings, employment, productivity and social indicators.

Eleventh, the minimum wage cannot be regarded as a self-sufficient instrument for overcoming poverty and social inequality. In-work poverty depends not only on individual earnings but also on the number of earners in a household, the duration of employment, taxation, social transfers and the cost of essential needs. Raising the minimum wage may be an important component of social policy, but it does not automatically reduce poverty across all household groups [1, 18].

Comparative legal and economic analysis does not identify a single minimum wage-setting mechanism that would be equally applicable and effective in every EU Member State. National outcomes depend on the interaction of legal rules, institutional capacity, social dialogue, economic structure and enforcement arrangements.

These limitations do not invalidate the findings. Rather, they define the boundaries within which scientifically defensible conclusions may be drawn and guard against attributing causal significance to relationships that are merely descriptive or statistical. The central methodological requirement of this study is to distinguish consistently between legally established mechanisms, theoretically grounded economic relationships, statistically observed outcomes, and empirically demonstrated causal effects. That distinction provides the basis for an objective assessment of European practice and for legislative and institutional recommendations concerning Bulgaria's minimum wage-setting mechanism.

3. International Legal and European Foundations

3.1. International Labour Standards

ILO Minimum Wage Fixing Convention No. 131 (1970) and Recommendation No. 135 focus on the institutional arrangements for minimum wage fixing, the needs of workers and their families, the general level of wages, the cost of living, social security benefits, economic development, productivity and employment. Their relevance must be assessed in light of each country's ratification status and applicable obligations; binding international commitments should not be conflated with broader analytical standards [3-4].

3.2. The Competence of the European Union

Article 153 TFEU confers competence in certain matters concerning working conditions, while paragraph 5 excludes pay, the right of association, the right to strike and the right to impose lock-outs from its scope. This limitation does not render every measure with an indirect effect on remuneration unlawful. The distinction between regulating wage-setting procedures and directly prescribing wage levels is central to the relevant case law [19].

3.3. Directive (EU) 2022/2041 and the Judgment in Case C-19/23

The Directive promotes adequate statutory minimum wages, collective bargaining, effective access to protection, monitoring and data collection. It neither establishes a single EU-wide minimum wage nor requires Member States relying on collective bargaining to introduce a statutory minimum wage [11].

In its judgment of 11 November 2025 in Case C-19/23, the

Court of Justice annulled part of Article 5(1), Article 5(2) in its entirety, and part of Article 5(3), while leaving the remainder of the Directive in force. This distinction is consequential: the criteria set out in the annulled Article 5(2) can no longer be presented as obligations arising under that provision. National legislators remain free, subject to their domestic law and applicable EU law, to adopt comparable criteria on their own authority [20].

For Bulgaria, the amended Article 244 of the Labour Code must be examined as an autonomous national legislative choice. A mechanical reference to the annulled provisions of the Directive would not provide an adequate legal justification [21-22].

Cross-country comparisons are further complicated by systems of twelve, thirteen or fourteen annual payments, differences between gross and net pay, working-time arrangements and national coverage. Purchasing-power measures are not interchangeable with nominal euro amounts, and the median and mean wages capture different dimensions of adequacy. Correlation does not establish causation; conversely, statistical insignificance does not prove the absence of an economic effect [9].

3.4. International Rights and Social Standards

Article 23(3) of the Universal Declaration of Human Rights and Article 7 of the International Covenant on Economic, Social and Cultural Rights place fair remuneration within the wider requirement of a decent standard of living; neither prescribes a uniform numerical wage floor. ILO Convention No. 131 provides for minimum wage-setting arrangements and periodic review that take account of social needs and economic considerations. Recommendation No. 135 elaborates institutional methods and the participation of employers' and workers' representatives [3, 5-6].

Article 4(1) of the European Social Charter safeguards the right to remuneration sufficient for a decent standard of living. Methodologically, the net-income benchmarks used by the European Committee of Social Rights cannot be equated with the gross median- and average-wage reference values employed in European debates on adequacy [23].

3.5. Limits of EU Competence

Article 153(1)(b) TFEU permits measures concerning working conditions, but Article 153(5) excludes pay from that competence. Principle 6 of the European Pillar of Social Rights has political and programmatic significance; it does not independently extend the powers conferred by the Treaties. Directive (EU) 2022/2041 supports adequate protection and collective bargaining without imposing either a common European wage floor or a statutory minimum wage on collective-bargaining systems [11-19].

4. A Typology of Minimum Wage-Setting Mechanisms in the EU

A comparative legal assessment calls for at least four frequently overlapping categories: (a) statutory wage fixing by governmental decision; (b) expert-led or tripartite consultation; (c) legally prescribed indexation or periodic adjustment; and (d) sectoral collective bargaining without a universal statutory rate. Since a country may combine several mechanisms, these categories are analytical rather than mutually exclusive (Table 1) [10-11].

Table 1: Comparative overview of legal and institutional minimum wage-setting mechanisms in the EU Member States

Member State	Predominant mechanism (summary)
Belgium	National statutory rate; strong collective bargaining and indexation
Bulgaria	Government determination under statutory criteria; consultations
Germany	Statutory rate; specialised Minimum Wage Commission
Estonia	Statutory rate following negotiations between social partners
Ireland	Statutory rate; recommendations from the Low Pay Commission
Spain	Government determination following consultation with social partners
Cyprus	National statutory rate; governmental procedure
Latvia	Statutory rate; government and tripartite deliberation
Lithuania	Statutory rate; tripartite social dialogue
Luxembourg	Statutory rate; periodic legislative amendments and indexation
Malta	Statutory rate and adjustment arrangements
Netherlands	Statutory rate; periodic indexation
Poland	Statutory rate; social dialogue and statutory procedure
Portugal	Statutory rate; government and social partners
Romania	Statutory rate; governmental decision and consultation
Slovakia	Statutory rate; social partners and statutory fallback mechanism
Slovenia	Statutory rate; cost-of-living criteria
Hungary	Statutory rate; negotiation with social partners
France	Statutory rate; automatic indexation and expert assessment
Croatia	Statutory rate; governmental procedure
Czechia	Statutory rate; legally defined predictable mechanism
Greece	Statutory rate; governmental procedure
Austria	No nationwide statutory rate; sectoral collective agreements
Denmark	No nationwide statutory rate; collective bargaining
Italy	No nationwide statutory rate; sectoral agreements and judicial protection
Finland	No nationwide statutory rate; sectoral agreements
Sweden	No nationwide statutory rate; collective bargaining

The table presents an institutional typology, not an exhaustive account of age-specific, occupational or sectoral exceptions. Before submission to a journal, each national procedure should be supported by the relevant domestic legal provision and a current publication of the competent authority [10].

The Court of Justice judgment of 11 November 2025 in Case C-19/23 partially annulled provisions of Article 5 concerning mandatory criteria and a particular restriction on indexation. The surviving framework illustrates the distinction between permissible procedural safeguards and direct interference with wage setting. National legislators may choose their own criteria, but must not portray them as unconditionally required by the annulled EU provisions [20].

4.1. Legal and Economic Criteria for Classification

The statutory model establishes a generally binding wage floor by legislation or secondary regulation. Its legal advantage is universal protection; its economic limitation is the application of a single rate across regions and sectors with different productivity levels. The tripartite model incorporates consultation between the state, trade unions and employers, thereby broadening the information base and procedural legitimacy. Consultation, however, does not amount to joint decision-making [2, 10].

Expert-led systems, found in different forms in Germany and Ireland, rely on specialised commissions and recommendations. They promote analytical consistency but require transparency regarding assumptions. Indexation links adjustments to predetermined indicators, improving predictability but potentially reducing flexibility in the face of asymmetric shocks. Collective bargaining systems, characteristic of Denmark, Sweden, Finland, Austria and Italy, place sectoral negotiation at the centre and require attention to actual bargaining coverage. [10].

4.2. Statutory Wage Setting

Under this model, the state sets a generally binding rate by statute or subordinate legislation. Its legal strengths are universal applicability and administrative enforceability; its economic effect is direct intervention in low wages and labour costs. Its drawbacks include the risk of political discretion and the uniform treatment of regions and industries with divergent productivity. Bulgaria, Romania, Spain and Portugal are examples of national statutory wage floors [10].

4.3. Tripartite Consultation

The government reaches the final decision after institutionalised consultation with trade unions and employers' organisations. A legal duty to consult is not a duty to secure consensus. The economic advantage lies in drawing upon evidence concerning living needs, productivity and firms' costs; the principal risk is that consultation becomes a formality with no discernible influence on the outcome [11].

4.4. Expert-Led Institutional Arrangements

Germany's Mindestlohnkommission and Ireland's Low Pay Commission illustrate the role of specialised bodies in preparing recommendations. Expert involvement supports consistent appraisal of evidence and publicly reasoned proposals, but cannot eliminate the normative choice between competing objectives. Independence, transparency and methodological scrutiny are essential to institutional legitimacy [10].

4.5. Indexation

France and Luxembourg employ different forms of automatic adjustment. Indexation reduces administrative uncertainty and may preserve purchasing power, yet mechanical linkage to inflation does not guarantee a higher real standard of living and may impede adjustment to economic shocks [10].

4.6. Collective Bargaining

Denmark, Sweden, Finland, Austria and Italy rely primarily on collectively agreed minimum rates rather than a nationwide statutory floor. Their legal foundation is the autonomy of social partners; their economic advantage is sectoral differentiation reflecting skills and productivity. Where collective bargaining is limited, however, incomplete worker coverage remains a significant risk [10-11].

4.7. Hybrid Arrangements and Comparative Assessment

In practice, statutory rates, expert review, tripartite consultation and sectoral bargaining often coexist. The classification is analytical, not exclusive. For Bulgaria, a promising combination would retain universal statutory protection while adding a transparent expert methodology and stronger sectoral bargaining.

5. Statistical Comparability and Empirical Indicators

Eurostat publishes biannual gross monthly minimum wages in euros, national currencies, and purchasing power standards (PPS) under dataset earn_mw_cur. In July 2026, the highest and lowest national rates in euros differed by approximately a factor of 4.5 (Luxembourg versus Bulgaria). This is a nominal comparison; adjustment for price levels changes both rankings and distances. According to Eurostat's July 2026 chart, Bulgaria, Latvia and Estonia were among the countries below 1,000 PPS per month [7-9].

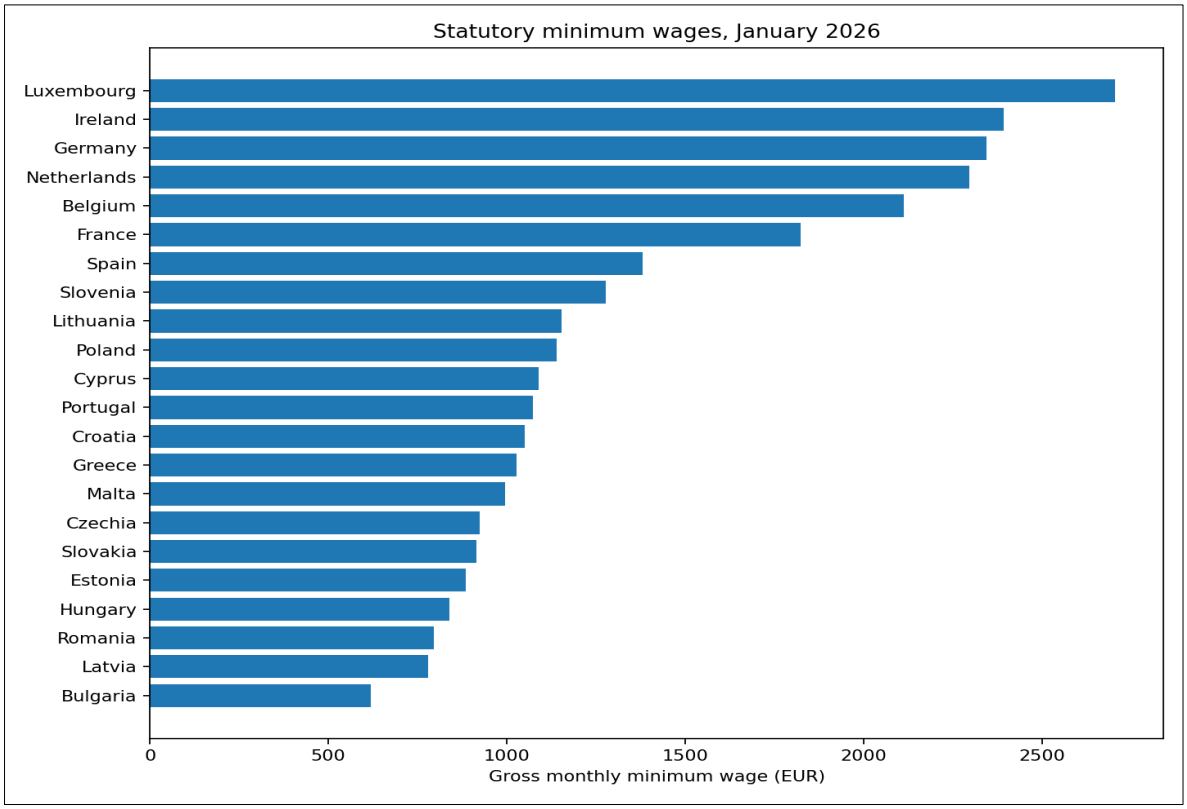
5.1. Baseline Observations as at 1 January 2026

The distribution and comparative levels of statutory minimum wages across EU Member States as of January 2026 are detailed in Table 2 [7-8] and graphically represented in Figure 1 [8].

Table 2: Comparative levels of gross monthly statutory minimum wages in EU Member States, January 2026 (EUR)

Member State	Gross monthly minimum wage, EUR (rounded)
Luxembourg	2704
Ireland	2391
Germany	2343
Netherlands	2295
Belgium	2112
France	1823
Spain	1381
Slovenia	1278
Lithuania	1153
Poland	1139
Cyprus	1088
Portugal	1073
Croatia	1050
Greece	1027
Malta	994
Czechia	924
Slovakia	915
Estonia	886
Hungary	838
Romania	795
Latvia	780
Bulgaria	620

Note: Table 2 is a preliminary comparison for January 2026 using rounded values. Before publication, the figures should be checked against an exported version of earn_mw_cur, including provisional-data flags and methodological notes. The initial publication used the rates applicable at the end of 2025 for Spain and Slovenia. The Bulgarian statutory rate is EUR 620.20, while the rounded statistical figure shown in the table is EUR 620 [7-8].



***Source*:** Eurostat; author's visualization [8].

Fig 1: Comparable gross monthly minimum wage rates (rounded)

5.2. Indicators of Adequacy

To evaluate whether a statutory minimum wage provides an adequate standard of living, empirical research relies on several primary relative, real, and institutional metrics. The principal indicators for assessing minimum wage adequacy, along with their measurement formulas and methodological caveats, are summarized in Table 3 [9, 12-13].

Table 3: Principal indicators for assessing minimum wage adequacy: economic meaning, measurement and analytical relevance

Indicator	Formula / interpretation	Methodological caveat
Relative adequacy: median wage	100 × minimum wage / gross median wage	Matching periods and worker coverage are required
Relative adequacy: mean wage	100 × minimum wage / gross mean wage	The mean is sensitive to high earners
Real minimum wage	Nominal minimum wage / price index × 100	Choice of base year and deflator
Minimum wage in PPS	Nominal rate / purchasing-power conversion factor	PPS is not net disposable income
Collective bargaining coverage	Workers covered / relevant employment	National definitions differ
In-work poverty risk	Share of workers below the relative poverty threshold	Depends on household composition and social transfers

Most national arrangements are hybrid. The legal source, decision-making body, binding force of consultations, frequency of adjustment, and enforcement mechanisms must be assessed separately. The typology is not a ranking: the same procedure may produce different outcomes under different institutional conditions.

6. Bulgaria's Model: Legislative Evolution and Legal Issues

6.1. The Period of Formula-Based Linkage

Following the 2023 amendments to the Labour Code, Article 244(2) linked the minimum wage to 50 per cent of the gross average wage under a prescribed statutory calculation method. Such a rule offers a degree of predictability. Its weaknesses lie in dependence on the selected statistical reference period, the absence of a direct assessment of living costs and the limited capacity to reflect divergent productivity trends [21-22].

6.2. The September 2026 Amendment

Article 244(2) was amended by State Gazette No. 89 of 29 September 2026. The rate for the following year is to be determined by 15 August of the current year, taking into account: (1) purchasing power and the cost of living; (2) the general level and distribution of wages; (3) the rate of wage growth; and (4) long-term labour productivity. The new paragraph 4 provides for a three-year assessment of adequacy, including a reference value of 60 per cent of the gross median wage and living costs. Paragraph 5 delegates the procedure and methodology to a Council of Ministers ordinance; paragraph 6 permits higher minimum rates in sectoral and branch-level collective agreements [21-22].

Several important questions follow. Are the statutory criteria sufficiently precise? How are they weighted when indicators point in different directions? How is timely publication of the data secured? What is the legal significance of consultation? Must the chosen rate be expressly justified? How is the consistency of subordinate methodology with the statute reviewed?

6.3. Transitional Issues and Legal Predictability

The statute provides for determination by 15 August, whereas the amendment was promulgated on 29 September 2026. This raises questions concerning the first year of practical application and the need for transitional provisions. Examination of the first implementing instrument and its explanatory memorandum should establish whether a coherent procedure was secured for the next budget cycle. Unlawfulness should not be presumed without examining entry into force and transitional rules [21-22].

6.4. Comparison of the Previous and Revised Models

The transition from the previous framework to the revised statutory model involves structural adjustments in criteria, methodology, and institutional discretion. A detailed comparative assessment of the previous and revised legal-institutional models of minimum wage setting in Bulgaria is presented in Table 4 [21-22].

Table 4: Comparative assessment of the previous and revised legal-institutional models of minimum wage setting in Bulgaria

Criterion	2023–2026 model	Model following State Gazette 89/2026
Core approach	Quantitative linkage to the average wage	Multiple substantive criteria
Purchasing power	Considered indirectly	Expressly considered
Productivity	No separate direct criterion	Explicit long-term criterion
Median wage	Not the principal statutory benchmark	60% as a reference for assessment
Cost of living	Not a direct component of the formula	Criterion and assessment benchmark
Methodology	More closely prescribed by statute	Substantial role for a Council of Ministers ordinance
Main risk	Mechanical application and statistical lag	Discretion and opaque weighting

7. Social Dialogue, Representativeness and Legitimacy

Consultation cannot be reduced to formally circulating a draft for comments. Meaningful social dialogue requires access to underlying data, adequate time for scrutiny, a public record of disagreements and reasoned responses to material objections. Where the government sets the final rate, executive accountability is particularly important [11].

Collective-bargaining models in Denmark, Sweden, Finland, Austria and Italy are not systems without minimum wage protection. Protection is provided through sectoral agreements and different enforcement arrangements. Nor should these models be idealised: their effectiveness depends on actual coverage, institutional capacity and vulnerable workers' access to agreed standards [10].

Bulgaria may develop sectoral minimum rates above the national floor, but this presupposes effective representation and enforceable collective agreements. Differences in sectoral productivity should not be invoked to dispense with universal statutory protection.

7.1. Bulgarian Institutional Practice

Constitutional freedom of trade union and employers' association, together with Articles 3–3e of the Labour Code, provides the foundation for tripartite cooperation. The National Council for Tripartite Cooperation considers regulatory proposals, but the Council of Ministers retains final competence over the nationwide minimum rate. The

duty to consult does not entail a duty to reach consensus [21, 24].

Representativeness has legal, organisational and social dimensions. Compliance with formal national criteria does not automatically demonstrate that every group of low-paid workers or small employers is effectively represented. Assessment requires evidence on union membership, collective bargaining coverage, regional and sectoral composition, and access to information [10, 21-22].

Bulgarian practice reveals tension between predictability through a formula and substantive social dialogue. Automatic linkage to average wages narrows the scope for negotiating the rate; a multi-criteria system broadens that scope, but also increases the risk of opaque administrative discretion. Final decisions should be accompanied by public impact assessments and reasoned responses to the principal objections.

7.2. European Comparison

The European experience demonstrates that consultation, expert advice, indexation and collective bargaining can reinforce one another. Their institutional design matters more than the mere existence of a consultative body. Germany and Ireland place particular emphasis on specialised commissions; France combines statutory adjustment rules with consultation; and the Nordic collective-bargaining systems rely on organised social partners and effective agreement coverage [10].

7.3. Representativeness and Social Legitimacy in Bulgaria

Article 49 of the Bulgarian Constitution protects trade unions and employers' associations. Articles 3–3e of the Labour Code govern tripartite cooperation, while Articles 34–36 lay down the criteria for national representativeness. The National Council for Tripartite Cooperation is the principal consultative body; participation in it does not transfer the Council of Ministers' authority to set the nationwide wage floor [21, 24].

Three forms of representativeness should be distinguished: legal (meeting statutory criteria), organisational (actual membership and territorial reach), and social (capacity to protect all affected interests, including those of non-members). Formal recognition of representative status does not in itself establish extensive collective bargaining coverage.

7.4. Consultation Practice and the 2026 Amendments

In minimum wage debates, trade unions tend to emphasise purchasing power and in-work poverty, while employers' organisations emphasise productivity, competitiveness and regional disparities. The formula linking the rate to 50 per cent of the gross average wage restricted bargaining over the final amount. The multi-criteria approach introduced in September 2026 places greater weight on reasoned administrative judgment and a publicly accessible methodology [21].

Consensus on principles, consensus on methodology and consensus on the actual rate are distinct. Agreement on broad criteria does not establish agreement on their weights or on the resulting amount. Social legitimacy requires timely disclosure of data, a genuine opportunity to object and a reasoned examination of proposals.

7.5. A Brief European Comparison

In Germany, social partner representatives participate in a specialised commission; in Ireland, an expert commission issues recommendations; in France, consultation operates alongside statutory indexation; and in Denmark and Sweden, social partners directly determine sectoral minimum rates through collective agreements. Bulgaria's system remains consultative with respect to the national statutory rate [10].

7.6. Indicators of Legitimacy

Four verifiable indicators are proposed: publication of the underlying statistical data before consultations; sufficient time for written opinions; a public matrix of accepted and rejected proposals; and ex post impact assessment covering low-paid workers, enterprises and regions.

8. Economic Effects and the Limits of Statistical Inference

The employment effect of minimum wages is an empirical question, not an outcome that follows unambiguously from theory. In a competitive labour market, a higher price of labour may reduce demand for low-skilled labour; under monopsony power or other market imperfections, the outcome may differ. The business cycle, compliance, sectoral structure and access to training also matter [2, 15-16, 25].

For Bulgaria, low-paid services, manufacturing, agriculture and publicly funded activities should be examined separately. National averages may conceal pronounced regional differences. Net income after taxes and social contributions, as well as interactions with benefits and social transfers, must also be considered.

A subsequent quantitative stage could use panel data for the 22 Member States with nationwide statutory minimum wages. An illustrative specification is $Y_{it} = \alpha_i + \lambda_t + \beta MW_{it} + \gamma' X_{it} + \varepsilon_{it}$, where Y may denote in-work poverty and X includes productivity, unemployment, inflation, and bargaining coverage. Without addressing endogeneity, omitted variables, and simultaneity, such a regression remains descriptive [16, 25].

Recommended robustness checks include excluding extreme observations, introducing one- and two-year lags, testing alternative deflators, separating periods before and after 2022, investigating structural breaks and conducting a separate analysis of Bulgaria. No hypothetical regression coefficients or p-values are reported as findings.

In Germany, social partners participate in a specialised commission; Ireland relies on recommendations from the Low Pay Commission; France combines its statutory rate with indexation rules; and Denmark and Sweden rely chiefly on collective agreements. The lesson for Bulgaria is not to copy a single model, but to institutionalise substantive participation, public expertise and reviewable reasons.

8.1. Microeconomic Mechanisms

In a competitive model, labour-market equilibrium is expressed as $L^D(w^*) = L^s(w^*)$. Where a binding minimum wage exceeds w^*, the standard model predicts lower labour demand, other things being equal. Under monopsony, a moderate increase may, over a certain range, raise both wages and employment. The direction and magnitude of the effect require empirical investigation; they cannot be inferred from the existence of a legal rule alone [2, 17].

The elasticity of labour demand is defined as $\varepsilon(L,w) =$

$(\partial L^D/\partial w) \times (w/L^D)$. This parameter is not identical to the causal effect of a particular reform, which may also alter hours worked, labour turnover, productivity and prices. Unit labour costs, ULC = LC/Q, must be assessed against real output or real value added in comparable units [2].

8.2. Distribution, Purchasing Power and Consumption

P_{50}/P_{10} and P_{90}/P_{10} describe the lower part and dispersion of the wage distribution. Relative adequacy is assessed using minimum-to-median and minimum-to-mean gross wage ratios for matching periods and worker populations. The exact real growth rate is $[(1 + gMW)/(1 + \pi) - 1] \times 100$, with growth rates expressed as decimal fractions. Nominal increases do not establish real gains when inflation is high [9, 26].

In a simplified Keynesian model, $C = C_0 + cY^d$, higher earnings among low-paid workers may support consumption if their marginal propensity to consume is high. The net macroeconomic effect also depends on changes in profits, prices, employment, investment and public revenue. A universally positive multiplier should not be assumed [1].

8.3. Econometric Strategy and Limits of Causal Identification

A panel specification is $Y_{it} = \alpha_i + \lambda_t + \beta MW_{it} + \gamma' X_{it} + \varepsilon_{it}$, where Y denotes employment, in-work poverty or another outcome; α_i captures country fixed effects, λ_t common year effects, and X control variables. Lagged minimum wages and heterogeneous sectoral effects may be introduced. Estimates should be accompanied by confidence intervals and tests of serial correlation, robustness, and sensitivity [16, 25].

Causal interpretation requires an appropriate quasi-experimental design and defensible identifying assumptions, including parallel trends in difference-in-differences analysis. Endogeneity, simultaneous tax and contribution changes, differences in worker coverage, and statistical revisions constrain the validity of conclusions. This article does not present unestimated coefficients as empirical findings [16].

8.4. Four Separate Comparative Analyses

Analysis I: Real minimum wage dynamics in Bulgaria, 2015–2026. The necessary observations are the annual national gross minimum wage and a consumer price index expressed on a common base. The real index $RMW_t = (MW_t/CPI_t) \times 100$ and cumulative real growth should then be calculated; as the source manuscript does not contain a complete synchronised series, a numerical trajectory is not reconstructed from assumptions. At this stage, the finding is methodological: nominal growth does not measure purchasing power [7, 14].

Analysis II: Relative adequacy across the EU. For each country and year, gross minimum wages should be compared with gross median wages for the same coverage and period. $Kaitz_{it} = MW_{it}/MedianW_{it} \times 100$ measures the position of the wage floor within the earnings distribution, not whether it covers living costs. The nominal euro rates for 2026 in this manuscript permit comparison of statutory levels, but not calculation of median-wage ratios without additional series [8, 12].

Analysis III: Minimum wages and productivity. For Bulgaria, the analysis requires real value added per hour worked and a comparable wage index. The difference gMW − gProd is an initial measure of potential pressure, but it is not equivalent to a change in unit labour costs because the minimum wage directly affects only part of the workforce. Sectoral weights and the wage structure must also be taken into account [14].

Analysis IV: Regional incidence of the national rate. The indicator $K_{r,t} = MW_t/MedianW_{r,t} \times 100$ allows comparisons across regions. If reliable regional medians are unavailable, a separate, explicitly labelled ratio of the minimum wage to the regional mean wage may be used; it is not a substitute for the median-based measure. A high K_r signals a greater relative incidence but does not itself establish adverse employment effects [9].

8.5. Formal Microeconomic Framework

Competitive labour-market equilibrium: $L^D(w^*) = L^s(w^*)$. If the statutory floor w_{min} exceeds w^*, standard perfect-competition assumptions imply that labour demand may fall. Under monopsony, the sign of the effect may differ [2, 17].

Labour-demand elasticity: $\varepsilon(L,w) = (\partial L^D/\partial w) \times (w/L^D)$. With $\varepsilon = -0.2$ and a hypothetical 10% wage increase, the linear approximation implies a 2% reduction in labour demand, other things being equal. This is an illustration, not an estimate for Bulgaria [2].

Unit labour costs: ULC = LC/Q, where LC denotes total labour costs and Q real output. In growth rates, $\Delta\ln(ULC) \approx \Delta\ln(\text{labour compensation}) - \Delta\ln(\text{real productivity})$ [14].

8.6. Wage Distribution, Real Pay and Macroeconomic Transmission

Decile ratios are $D_{90/10} = W_{90}/W_{10}$ and $D_{50/10} = W_{50}/W_{10}$. They measure inequality in wages and must not be confused with inequality in household disposable income [26].

Real minimum wage: $RMW_t = (MW_t/CPI_t) \times 100$ when CPI has a base of 100. Real growth is $g^R_t = [(1 + g^N_t)/(1 + \pi_t) - 1] \times 100$. A hypothetical nominal increase of 12% combined with 8% inflation yields real growth of 3.7037%, not 4%.

Marginal propensity to consume: $C = C_0 + cY^d$. The aggregate-demand effect of higher earnings among low-paid workers must be assessed net of possible changes in profits, prices, employment and tax revenue.

8.7. Econometric Identification and Statistical Limitations

Fixed-effects panel model: $Y_{it} = \alpha_i + \lambda_t + \beta MW_{it} + \gamma' X_{it} + \varepsilon_{it}$, where Y is an outcome (employment, poverty or inequality), MW measures the minimum wage, X comprises controls, α_i denotes time-invariant country characteristics and λ_t common temporal shocks [25].

Distributed-lag model: $Y_{it} = \alpha_i + \lambda_t + \Sigma_{k=0}^{K} \beta_k MW_{i,t-k} + \gamma' X_{it} + \varepsilon_{it}$. Lags distinguish contemporaneous from delayed associations, but do not by themselves resolve reverse causality.

Difference-in-differences: $Y_{it} = \alpha + \beta(Treat_i \times Post_t) + \delta Treat_i + \theta Post_t + \gamma' X_{it} + \varepsilon_{it}$. A causal interpretation of β requires a credible parallel-trends assumption, no material confounding interventions, and appropriate standard errors [16].

8.8. Four Empirical Checks and Reproducibility

(1) Bulgaria, 2015–2026: the real index is $I_t = 100 \times (MW_t/CPI_t)/(MW_{2015}/CPI_{2015})$. Without synchronised annual CPI and minimum-wage observations, missing annual values must not be filled by interpolation [7, 14].

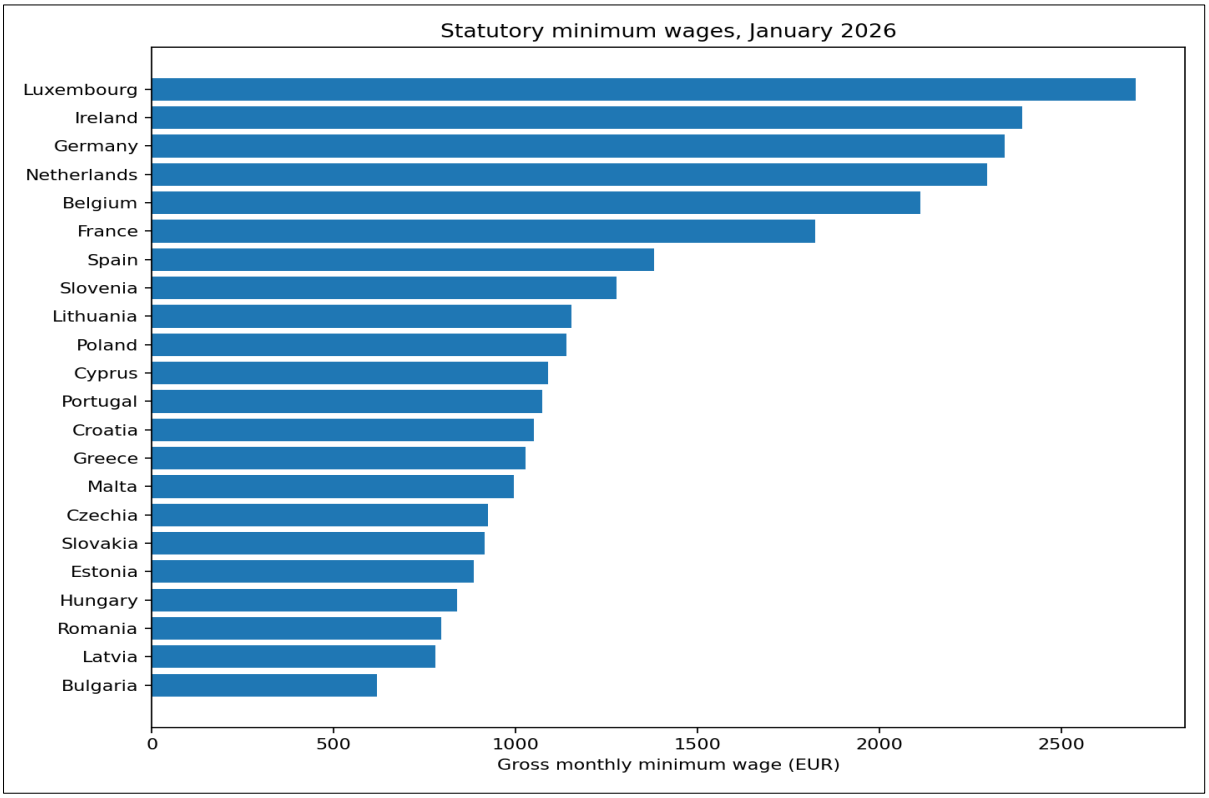
(2) EU, January 2026: Across the 22 national statutory rates presented in Table 2 and visualized in Figure 2 [8], the minimum is EUR 620, the maximum EUR 2,704, the range

EUR 2,084, and the maximum/minimum ratio 4.3613. This is a nominal comparison, not one adjusted for purchasing power [8].

(3) Relative adequacy: $Kaitz_t = MW_t/MedianWage_t$; alternatively, $MW_t/AverageWage_t$. Medians and means are not interchangeable. The two published Bulgarian estimates for 2024, 50.0% and 40.2%, use different statistical definitions. Their 9.8 percentage-point difference does not represent a change over time [13].

(4) Productivity and regions: $K_{rt} = MW_t/W_{rt}$ and $g_{rt} = \Delta\ln(RMW_t) - \Delta\ln(Productivity_t)$. Causal conclusions require harmonised sectoral and regional time series, not nominal values from a single year [14].

Limits of inference: statistical correlation does not establish causation; a statistically insignificant estimate does not prove a zero effect. Confidence intervals, variable definitions, sensitivity checks, and the versions of the datasets used should be published.



Source: Eurostat; author's visualization [8]

Fig 2: National statutory minimum wages in 22 EU Member States, January 2026

9. A Proposed Multi-Factor Framework for Bulgaria

A five-dimensional assessment matrix is proposed: (1) material adequacy, measured by the ratio to median earnings and by living costs; (2) purchasing power, measured by the real minimum wage and PPS; (3) economic sustainability, assessed through productivity, employment and unit labour costs; (4) distributional effects, including wage dispersion and in-work poverty; and (5) institutional quality, measured by the transparency of the procedure, consultation and enforceability. Each dimension should be evaluated separately before a reasoned decision is reached. The proposed multi-factor framework, including its core dimensions, principal indicators, and corresponding data sources, is summarized in Table 5.

Table 5: Proposed multi-factor framework for minimum wage setting in Bulgaria: criteria, indicators and adequacy assessment

Dimension	Principal indicators	Sources / institutions
Adequacy	Minimum wage / median wage; cost of living	NSI; Eurostat
Purchasing power	PPS; real minimum wage	Eurostat
Economic sustainability	Productivity per hour worked; employment	Eurostat; NSI
Predictability	Published timetable, methodology and reasons	Council of Ministers; State Gazette
Social dialogue	Published opinions and minutes	National Council for Tripartite Cooperation; Ministry of Labour and Social Policy
Enforcement	Violations, inspections and wage arrears paid	General Labour Inspectorate

10. Legislative and Institutional Recommendations

1. The ordinance under Article 244(5) of the Labour Code should provide an exhaustive list of the statistical series, definitions, reference periods and calculation rules employed. It should also specify the treatment of revised data, missing observations and divergent signals from the criteria [21-22].
2. An annual adequacy report should present nominal, real and PPS-adjusted minimum wages together with their ratios to median and mean earnings, using explicitly identified data sources and periods [9, 13].
3. A public impact assessment should examine small enterprises, low-wage sectors and regions without weakening the universal statutory floor.
4. Social partners should receive the same underlying dataset in advance. The reasons accompanying the final decision should explain which substantial proposals were accepted or rejected, and why.
5. Sectoral collective bargaining should be strengthened to permit rates above the national minimum, with systematic monitoring of actual coverage and enforcement [11, 21-22].
6. A public archive should preserve all annual decisions, calculations, versions of the statistics used and subsequent assessments of outcomes.

10.1. Legislative Amendments and Their Rationale

First recommendation: establish a complete and public procedure for assessing adequacy in secondary legislation, with clear definitions of indicators, periods, data sources and calculation methods. A multi-criteria statute without a transparent implementing methodology creates a risk of discretion. Public reproducibility of the calculations is a condition of both legal certainty and economic credibility [21-22].

Second recommendation: require an ex-ante impact assessment of the proposed rate under at least three scenarios-baseline, lower, and higher adjustments. Each should consider purchasing power, employment, productivity and labour costs, with separate attention to vulnerable sectors and regions. Scenario analysis would make trade-offs visible without claiming to predict them with certainty.

Third recommendation: require a reasoned decision in which the government publishes the opinions of representative organisations, the principal objections, the evidence considered and the justification for the final rate. Such a duty would strengthen accountability while preserving the legally assigned decision-making competence.

10.2. Institutional Mechanisms

Fourth recommendation: establish a permanent expert unit or advisory council within the tripartite cooperation system, with a clearly defined mandate, transparent membership and publicly available analytical reports. Its role should be to evaluate evidence, not to displace the Council of Ministers or the social partners.

Fifth recommendation: institute annual monitoring of real purchasing power, the number of workers paid at or near the minimum, employment, regional disparities and the extent of collective bargaining. The monitoring system should distinguish descriptive indicators from causal estimates and report data revisions openly.

Sixth recommendation: develop sectoral collective bargaining and the legal opportunities to agree rates above the national floor, while improving information on bargaining coverage and effective compliance. The national minimum should remain a universal lower boundary rather than a substitute for wage negotiations.

10.3. Legal Compatibility and the Sequencing of Reform

The proposed measures should be tested against Article 153 TFEU, Directive (EU) 2022/2041 as it stands following Case C-19/23, and the Bulgarian constitutional and statutory allocation of powers. Implementation should proceed in a sequence: transparent methodology and data publication; structured consultation; reasoned annual decisions; and independent periodic evaluation. Procedural reform cannot replace economic assessment, but it can make that assessment accountable and verifiable [11, 19-20].

11. Discussion

The principal risk for the Bulgarian model is not necessarily the abandonment of a single percentage rule, but the possibility that a multi-criteria regime may produce discretionary outcomes that cannot be independently reconstructed. Conversely, a mechanical formula may provide predictability while overlooking living costs, productivity and distributional changes. The policy choice is not between objectivity and discretion in the abstract, but between institutions with different capacities to justify their decisions.

The Court of Justice judgment in Case C-19/23 also limits the claim that EU law can prescribe national wage-setting criteria without regard to the division of competences under the Treaties. The surviving elements of the Directive provide an important framework for collective bargaining, procedural safeguards and monitoring [20].

Any proposed reform must be assessed against Article 153 TFEU, the version of Directive (EU) 2022/2041 in force after Case C-19/23, and Bulgarian constitutional and labour law. A nationally adopted multi-factor methodology is defensible only if it is sufficiently clear, supported by evidence and applied through a transparent procedure [19, 21-22, 27].

12. Conclusion

The European Union does not have a uniform mechanism for determining minimum wages. The coexistence of statutory, expert-led, indexation-based and collectively negotiated arrangements reflects different legal traditions, labour-market institutions and distributions of responsibility between public authorities and social partners. Institutional diversity does not prevent comparison, but it makes the choice of comparable criteria essential.

The analysis shows that the minimum wage cannot be adequately understood solely as an imperative legal rule or as a market price. It is simultaneously a legally enforceable floor, an economic instrument and a component of social protection. These functions overlap without being identical. The level of the statutory rate does not, by itself, establish whether a worker or household can maintain a decent standard of living.

International standards situate fair remuneration within human dignity and social rights. EU law provides a framework for improving protection and collective bargaining, but the Treaty limits on competence over pay remain decisive. Following the judgment in Case C-19/23, national legislators must take responsibility for the substantive criteria they choose rather than attributing them

automatically to provisions of the Directive that have been annulled [5-6, 11, 20].

The comparison of statutory, expert-led, indexation and collective bargaining models reveals no universally superior formula. Institutional performance depends on coverage, enforcement, the quality of social dialogue, access to reliable statistics and the capacity to respond to economic change. The legal mechanism and its practical operation must be evaluated together.

Bulgaria has an important advantage in its generally binding national wage floor. The transition from a single percentage-based rule to a multi-criteria mechanism creates opportunities to consider living costs, wage distribution and productivity more explicitly. It also increases the responsibility of public authorities to explain how competing criteria are weighted and why a particular rate is chosen.

The economic analysis does not support an unconditional conclusion that higher minimum wages always reduce employment or invariably improve welfare. Competitive and monopsonistic labour-market models imply different possible outcomes, while empirical identification depends on the data, period, institutional setting and research design. Nominal comparisons, correlations and hypothetical elasticity calculations should not be presented as causal evidence [15-17].

The four proposed analytical strands-real wage dynamics, adequacy relative to median earnings, the relationship with productivity, and regional incidence-offer a coherent research programme for Bulgaria. Their full implementation requires synchronised and verifiable statistical series, transparent definitions, and reproducible calculations. The absence of such data must be acknowledged rather than concealed behind artificial precision.

The direction of legislative reform should be a durable decision-making procedure rather than a one-off political choice. A publicly documented methodology, advance disclosure of data, substantive participation by social partners, reasoned government decisions and periodic independent evaluation would strengthen both legal predictability and social legitimacy. The adequacy of the minimum wage must be judged not by the simplicity of the rule that produces it, but by the defensibility of the procedure and the social and economic outcomes it achieves.

13. Declaration on the Use of Artificial Intelligence Tools

During the preparation of this study, artificial intelligence (AI)-based tools were used solely for technical support related to the visualization, graphic design, editing, and structuring of selected figures, tables, and other visual elements presented in the manuscript.

All scientific ideas, concepts, methodological approaches, analyses, interpretations, discussions, conclusions, and recommendations were developed, critically evaluated, verified, and approved by the authors. The authors assume full responsibility for the content, accuracy, and scientific integrity of the publication.

Artificial intelligence tools were not used to generate scientific results, conduct data analysis or interpretation, formulate scientific conclusions, or create original scholarly contributions. Their use was strictly limited to technical and editorial assistance during the preparation of the manuscript.

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How to Cite This Article
Terziev V, Dzhumalieva A, Yonkova N, Georgiev M. Legal and institutional mechanisms for setting minimum wages in the European Union. Int J Multidiscip Res Growth Eval. 2026;7(5):782-794.

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