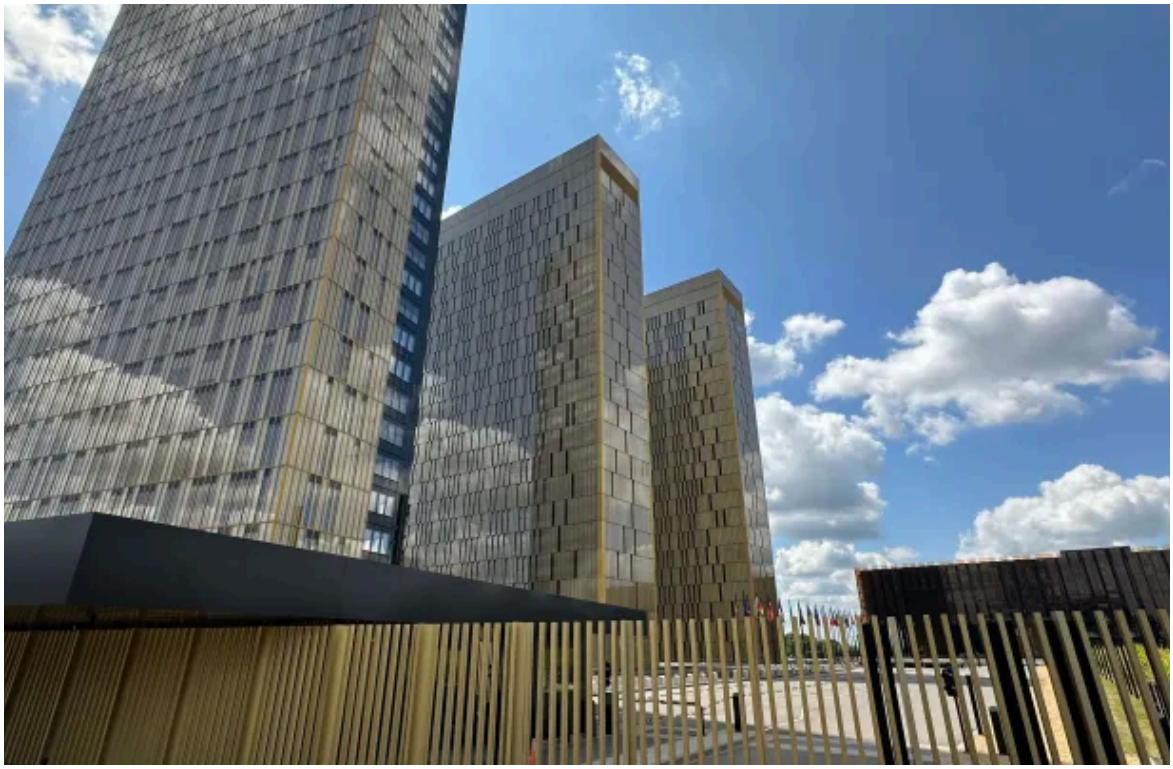
The Court of Justice's Interpretation of the Adequate Minimum Wages Directive: Competence, Collective Autonomy, and the Limits of EU Social Policy

Luca Ratti (University of Luxembourg)

December 18, 2025



With its judgment delivered on November 11th, 2025, the Court of Justice of the EU has finally revealed how the future of the EU Directive on Adequate Minimum Wages (AMWD) will look like.

It did so by refraining from intervening drastically on its annulment, while rather cautiously excising two provisions from its Article 5 concerning the procedure to establish adequate minimum wages.

In essence, as Mangan has noted on this blog, the Court held that Article 5(2)—which prescribes the criteria Member States must use when determining adequate minimum wages—and Article 5(3)—which requires the maintenance of indexed wage levels even in periods of negative inflation—exceed the limits of Union competence as set out in Article 153(5) TFEU. Consequently, the AMWD is annulled *in parte qua*, while its remaining provisions are preserved and will continue to shape national wage-setting frameworks.The structure and reasoning of the judgment raise several

noteworthy issues, which I will attempt to address within the scope of this brief comment.

Contextual background

The AMWD traces its political and conceptual origins to the European Pillar of Social Rights (EPSR). Although the EPSR has no binding legal force, it has played a significant agenda-setting role, shaping the Commission's initiatives in EU social policy since the Von Der Leyen I mandate. Principle 6 of the EPSR is particularly central: it articulates four core commitments that underpin the Directive. First, workers should enjoy fair wages ensuring a decent standard of living. This principle already gestures toward minimum-wage adequacy as a social right, not merely a market outcome. Second, the EPSR describes the benchmark for adequate minimum wages, namely the ability to "satisfy the needs of the worker and his/her family in the light of national economic and social conditions, whilst safeguarding access to employment and incentives to seek work." This formulation finds its origin in Article 4 of the Revised European Social Charter on the right to a fair remuneration, and acknowledges distributive concerns while simultaneously insisting that wage floors must remain compatible with labour market participation and macroeconomic sustainability. Third, the EPSR mandates the prevention of in-work poverty, thus not only elevating minimum wage design to an instrument of wage regulation but also eliciting a broader anti-poverty strategy. Fourth, the EPSR highlights that wage-setting should be transparent, predictable, and respectful of national practices, with explicit reference to the autonomy of the social partners, as later endorsed in the 2023 Commission Communication on social dialogue.

Taken together, these principles outline two main axes of EU action: on the one hand, ensuring the adequacy and effectiveness of minimum wages, and on the other hand, preserving and promoting collective autonomy, particularly in Member States where wage formation predominantly occurs through collective bargaining, as it is currently the case in five EU countries (Denmark, Sweden, Finland, Austria, and Italy).

The AMWD reflects this dual orientation. Article 5 operationalises the adequacy dimension by setting out criteria to assess and monitor minimum wages. Conversely, Article 4 aims to promote collective bargaining on wage setting and, read in conjunction with Article 1, safeguards collective bargaining systems and national prerogatives.

The Court's judgment by contrast with Advocate General's Opinion

In his Opinion of January 2025, the Advocate General had sought to justify the (full or partial) annulment of the AMWD by giving a maximalist reading of the competence exclusion in Article 153(5) TFEU, treating it as a broad prohibition preventing the Union from intervening in any measure that might indirectly

influence wage-setting. His main argument was that, otherwise, such exception would have been deprived of any effectiveness AG Opinion, para. 55).

The Court's Grand Chamber decisively followed another approach. Instead of construing Article 153(5) as a blocking clause, it interpreted the provision in light of its context, structure, and purpose within the Functioning Treaty, thereby confining the exclusion to its proper function and preventing it from neutralising the EU's social-policy competences altogether.

This method is constitutionally consistent with the Court's earlier jurisprudence, most notably the 2016 judgment in *Aget Iraklis*C-201/15 concerning collective redundancies in Greece. In that case, the Grand Chamber reaffirmed that the Union's objectives extend well beyond the completion of the internal market: they also encompass the full range of aims listed in Article 151(1) TFEU, including "the promotion of employment, improved living and working conditions [...] proper social protection, dialogue between management and labour, the development of human resources with a view to lasting high employment and the combating of exclusion." The approach in this judgment confirms a stable judicial orientation: EU social policy is not to be read restrictively where doing so would frustrate these foundational objectives, also echoed in other primary law provisions.

At the same time, the CJEU judgment avoids the opposite pitfall—an over-expansion of the Directive's substantive obligations. The Court is careful not to amplify certain provisions in a way that could, paradoxically, constrain Member States or undermine collective autonomy. Core to this argument is the Court's interpretation of the notion of "adequacy" in Article 5, which is left entirely in the discretion of the Member States. In fact, that of adequacy is "at most, an indicative value towards which Member States should aim when setting and updating statutory minimum wages" (para 89), since "the concept of 'adequacy' of statutory minimum wages cannot be regarded as an autonomous concept of EU law" (para. 90). Article 5 is procedural in nature and therefore does not confer upon workers either a right to an adequate statutory minimum wage or a right to the updating of such wages (para 91). By declining to define adequacy at the EU level, the Court preserves a wide margin of discretion for Member States in determining what constitutes an adequate minimum wage within their own socioeconomic context, and therefore to decide which criteria are to be used at national level.

Direct or indirect interference?

At the heart of the Court's reasoning is the proposition that Articles 153(5) and 151 TFEU form an interdependent normative framework: the contours of the former cannot be understood without reference to the general social objectives articulated in the latter, so that the exception of pay as per Article 153(5) cannot be construed in a way which prevents the objectives set out by the social policy title of the Functioning Treaty to be fulfilled. The contrary would seriously compromise the "concrete expression of the social dimension of integration within the EU" (para. 71).

Such interdependence is examined through the lens of the "direct interference" test, already applied in detail in *Impact* (C-268/06, paras 124–125). The exclusion of competence under Article 153(5) TFEU is triggered only where the contested measure would entail "direct interference by Union law in the determination of remuneration" (para. 68). The scope of the direct interference test is demarcated by the Court in its outer normative boundaries: on the one hand, Article 153(5) cannot be understood as encompassing any matter bearing any connection to remuneration, for such a reading would risk depriving the competence fields enumerated in Article 153(1) TFEU "of much of their substance" (para 68). In the other hand, the notion of "pay" cannot be analytically disentangled from the broader concept of "working conditions" referred to in Article 153(1)(b), which forms the legal basis of the Directive.

The conclusion is, in essence, that Article 5(1) involves only indirect interference with Member States' prerogatives, particularly in light of the Court's restrictive reading of Article 31(1) of the Charter. No right to an "adequate" or "fair" wage can be inferred from the combined reading of the AMWD and the Charter (para 93).

Consistent with a narrow interpretation of the competence limits set in Article 153(5), the Grand Chamber also upholds the legality of Article 4 AMWD, emphasising the importance of collective autonomy. The Court highlights that the provision accords social partners a "wide margin of discretion … in the negotiation and conclusion of collective agreements" (para 83), an approach expressly endorsed in Article 1(2) AMWD. It further confirms both the supportive and facilitative function of Article 4(1) and the compatibility of the obligation imposed on Member States with collective bargaining coverage below 80% to adopt an action plan aimed at increasing such coverage. Crucially, the Court underscores that a Member State's failure to reach the 80% benchmark "does not in itself constitute a breach of an obligation" (para 80).

What is left on adequacy and collective autonomy

This brings us to assess whether the partial annulment of the AMWD in its Article 5(2) has had the effect of diluting so much the adequacy of minimum wages to leave the final text largely undetermined. I would argue that despite the partial annulment, the Directive does not imply the absence of legal constraints. Member States remain bound by criteria which can be derived from at least two distinct sources. First, the obligation to use adequacy criteria is expressly laid down in Article 5(1). The provision directs Member States to pursue the specific goals of "achieving a decent standard of living, reducing in-work poverty, promoting social cohesion and upward social convergence, and reducing the gender pay gap." These four objectives mirror—almost verbatim—the broader social-policy aims found in Articles 151, 175, and 9 TFEU. In effect, Article 5(1) translates general constitutional objectives into operational criteria for national minimum-wage policies. Second, Article 5(3) refers to adequacy by suggesting the use of indicative reference values, notably 60% of the median wage or 50% of the average wage. While the provision

uses the permissive verb "may," the reality is that most Member States already rely on these benchmarks in practice. Their inclusion signals a soft convergence tool: non-binding but normatively influential, pointing to an emerging common frame of reference for assessing adequacy.

On the legal significance of Article 4, the Court recognises the importance of collective autonomy through an alternative reading.

On the one hand, Article 4 can be viewed as functional to improving "working conditions" under Article 153(1)(b). The Court emphasises that Article 1(1), read in conjunction with recitals 16 and 22, establishes a clear link between promoting collective bargaining on wage setting and the Directive's principal objective: the improvement of living and working conditions in the Union. Under this interpretation, strengthening collective bargaining is not an autonomous aim but an instrument for achieving better working conditions.

On the other hand, the Court acknowledges a possible alternative characterisation: Article 4 could also be seen as relating to the field of the representation and collective defence of workers and employers' interests (Article 153(1)(d)). However, in paragraph 136 the Court firmly limits the consequences of this reading. Even if Article 4 serves such a purpose, it is "at most, a distinct purpose or component [...] which is merely ancillary" to the Directive's main objective in the field of working conditions.

This move is strategic. Denmark had argued that the Directive required a dual legal basis because Article 4 concerned representation and collective defence. By classifying this dimension as merely ancillary, the CJEU forecloses the need for a separate legal basis and thus neutralises a potential ground for annulment. In doing so, the Court not only settles the competence dispute for this Directive but also sends a clear signal for future social policy legislation: as long as the primary objective of a measure lies within working conditions, the presence of secondary components touching upon other Article 153 areas will not require multiple legal bases.

This judicial and legislative balancing act reinforces a central point: the Directive's core ambition is not to impose a uniform minimum wage level, but to strengthen collective bargaining systems and reinforce the autonomy of social partners. The text itself reveals this orientation. Throughout the CJEU judgment, the expression "autonomy of the social partners" appears with striking frequency, while the Directive as a whole refers to collective bargaining almost everywhere in its text, compared with more sporadic references to adequacy. This asymmetry is not accidental; it reflects the Directive's underlying philosophy. Adequate minimum wages are a goal, while collective bargaining is the preferred method to achieve them.

In continuity with the major established case law

This case reaches the Court by way of an action for annulment, a procedural avenue with its own specificities and one that typically results in a single, definitive judgment rather than an evolving line of case law. A useful comparison can be drawn with the Court's earlier engagement with competence questions in the field of social policy, most notably in *Poland and Hungary v Parliament and Council* (C-620/18 and C-626/18), where the applicants challenged the revised Posted Workers Directive on the ground that it relied on an incorrect legal basis. In that 2020 judgment, the Grand Chamber took the opportunity to articulate important principles, including a substantive reading of the horizontal social clause in Article 9 TFEU. In doing so, the Court endorsed an understanding of the EU legal order consistent with the model of a "social market economy", a notion embedded in the Union's constitutional framework and increasingly invoked to characterise the balance between market freedoms and social protection.

By contrast, in the present judgment the Grand Chamber had no need to revisit that equilibrium. The issue before the Court concerned not a clash between economic freedoms and social rights, but rather the scope of the Union's social competences under Article 153 TFEU, specifically whether improving living and working conditions across the Union may legitimately be pursued through legislation on adequate minimum wages. The analytical focus therefore shifted from balancing competing Treaty objectives to determining whether the Directive fits within the architecture of EU competences respecting the limits established in Article 153(5).

For this reason, the judgment significantly confronts the scope of Article 153(1)(b) ("working conditions") and 153(1)(d) ("representation and collective defence") with the exclusions for "pay" and "the right of association" in Article 153(5). The Grand Chamber adopts a broad reading of the competence items listed in Article 153(1), consistent with preceding case law (notably in the jurisprudence concerning atypical work such as *Del Cerro Alonso* C-307/05 and *Impact* C-268/06). This purposive reading allows the Court to conclude that "Article 153(1)(b) TFEU, which refers to 'working conditions', is capable of covering measures to improve the adequacy of minimum wages and, thereby, to improve living and working conditions in the Union" (para. 134). This formulation entrenches the idea that EU competence can extend to aspects of wage-setting, provided the measure's primary aim is to enhance working conditions rather than to harmonise pay in a strict sense.

Conclusion

The broader significance of this judgment for the Union's social dimension cannot be overstated. From the outset, the AMWD attracted considerable political weight, signalling a shift in the EU's approach to positive integration in the social field. After years during which the Union legislator relied sparingly on Article 153 TFEU, the AMWD – together with Directive 2024/2831 on platform work – marks a notable reactivation of legislative ambition in EU social policy. The judgment upholding the Directive consolidates this trend. It demonstrates that EU social legislation is no longer confined to facilitating the mobility of cross-border workers but can

legitimately address the living and working conditions of “stayers”, i.e., workers whose employment is purely internal to their Member State.

While this is not the first EU measure aimed at domestic labour markets, the centrality of minimum wages – economically, socially, and symbolically – means that the potential impact of this case is particularly far-reaching. Minimum wages touch upon microeconomic decisions, macroeconomic stability, and distributive justice. They are also deeply connected to broader concerns about social inequality and the inclusiveness of contemporary labour markets. The Court’s endorsement of the AMWD therefore resonates well beyond the technicalities of wage-setting: it confirms the Union’s capacity to intervene meaningfully in structural determinants of social cohesion. The judgment thus reinforces the constitutional basis for EU action in the social domain, articulating a coherent and purposive understanding of the Union’s social objectives.

Tags: CJEU reveals future of Adequate Minimum Wages Directive.