



SOC/632
Decent minimum wages across Europe

OPINION

European Economic and Social Committee

Decent minimum wages across Europe

[Exploratory opinion requested by the European Parliament/Council]

Rapporteurs: **Stefano MALLIA** and **Oliver RÖPKE**

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1. Conclusions and recommendations

- 1.1 The COVID-19 pandemic has hit Europe hard. The European Union and its Member States are facing an economic recession of historic proportions with dramatic consequences for people and businesses. Coordinated and decisive short and medium-term policies are needed to safeguard employment and income as well as to ensure a rapid and sustainable relaunch of economic activities, competitiveness and a well-functioning social and economic model. Quality jobs, with fair wages – including decent minimum wages across Europe – are needed as part of the solution. Economic factors, including productivity and the sustainability of enterprises, must also be taken into consideration. Effective civil dialogue is key to securing a successful outcome and maintaining citizens' trust. Strong and effective social dialogue and collective bargaining are also essential for dealing with economic and labour market challenges, and securing the recovery.
- 1.2 This exploratory opinion was requested by the European Parliament with a view to a forthcoming Commission initiative on fair minimum wages. The EESC Workers' Group and the Diversity Europe Group support the view that all workers in the EU should be protected by fair minimum wages which allow a decent standard of living wherever they work. This is a fundamental right. The Employers' Group is of the view that setting minimum wages is a matter for the national level, done in accordance with the specific features of respective national systems.
- 1.3 Important disparities remain in the statutory minimum wage levels in the Member States, reflecting different levels of economic and social development, and, in some, the level is significantly below the "at risk of poverty" wage threshold. The EESC has previously stated its belief that further efforts are needed regarding convergence of wages and establishing minimum wages in the Member States, whilst also stressing that the competence and autonomy of the national social partners regarding wage-setting processes must be fully respected in accordance with national practices¹. These efforts should also aim at strengthening collective bargaining, which would also contribute to fairer wages in general.
- 1.4 Wages, including minimum wages, are an important aspect of the European Union's social market economy model. Ensuring decent minimum wages in all the Member States would help in achieving a number of EU objectives including upward wage convergence, improving social and economic cohesion, eliminating the gender pay gap, improving living and working conditions in general and ensuring a level playing field in the Single Market. Wages represent payment for work done, and are one of the factors that ensure mutual benefits for companies and workers. They are linked to the economic situation in a country, region or sector. Changes may have an impact on employment, competitiveness and macro-economic demand.
- 1.5 Minimum wages should be fair in relation to the wage distribution in the different countries and their level should also be adequate in real price terms, so that they allow for a decent standard of living whilst at the same time safeguarding the sustainability of those companies that provide quality jobs.

¹ [OJ C 125, 21.4.2017, p. 10.](#)

- 1.6 The EESC remains concerned that poverty in general and in-work poverty are still a significant problem in many Member States. A comprehensive approach is needed at EU and Member State level to tackle these concerns, including support for effective active inclusion schemes, accompanied by essential and enabling social services. Well-functioning labour markets, public employment services, and active labour market policies are also required. The Committee has also proposed a gradual approach to common minimum standards in the field of unemployment insurance in the Member States². The EESC has previously called for the introduction of a binding European framework for a decent minimum income³. While the Workers' Group and the Diversity Europe Group supported the opinion, the Employers' Group did not share the opinion's vision of a binding instrument for a minimum income at European level.
- 1.7 The European Commission has stated its intention to propose a legal instrument to ensure that every worker in the European Union has a fair minimum wage. For the Workers' Group and the Diversity Europe Group this Commission initiative is a key aspect of the implementation of Principle 6 of the European Pillar of Social Rights. The Commission has clarified that the intention is not to establish a single "European minimum wage", directly harmonise the level of minimum wages across the EU, or introduce statutory minimum wages in Member States with high collective bargaining coverage and where wages are exclusively set through collective agreements. It has also underlined that it will fully respect national competences, national traditions and specificities of each country and social partners' contractual freedom and autonomy and that any action will not undermine well-functioning collective bargaining systems.
- 1.8 In its second-phase consultation document on a possible action addressing the challenges related to fair minimum wages addressed to the European social partners, the Commission has indicated that it believes that there is scope for legislative and non-legislative action at EU level under Article 153(1)(b) TFEU, within the boundaries of the principles of subsidiarity and proportionality, and the limits imposed by Article 153(5) TFEU. It refers to a Directive and a Recommendation as the legal instruments under consideration. There are, however, divergent views within the EESC on whether any EU legal initiative under Article 153, especially a directive, would be legitimate. The EESC also notes that the European social partners have the possibility to negotiate and reach agreements under Article 155 TFEU.
- 1.9 The EESC, therefore, recognises that there are concerns regarding possible EU action in this area. Among the key concerns are that the EU has no competence to act on "pay", including pay levels, and that such action could interfere with the social partners' autonomy and undermine collective bargaining systems, particularly in Member States where minimum wage floors are set through collective agreements. Furthermore, there are divergent views as to the added value of EU action, including within the Committee itself: while a majority of EESC constituents believe that such action could provide an added value, others disagree.

² [OJ C 97, 24.3.2020, p. 32.](#)

³ [OJ C 190, 5.6.2019, p. 1.](#)

- 1.10 The Workers' Group and Diversity Europe Group consider that action is needed as there are workers in the EU, notably vulnerable workers, who are excluded from statutory minimum wages and/or situations where the level of the minimum wage is not adequate to ensure a decent standard of living. Agreeing common EU thresholds to determine what amounts to "a decent standard of living" would therefore be beneficial. The Employers' Group considers that this issue of thresholds must not be addressed by means of EU action as the EU has no competence in the field of pay levels.
- 1.11 The EESC does not underestimate the complexities of the issues involved. It is important that any EU action is based on accurate analysis and understanding of the situation and sensitivities in the Member States and fully respects the social partners' role and autonomy, as well as the different industrial relations models. It is also essential that any EU initiative safeguards the models in those Member States where the social partners do not consider statutory minimum wages to be necessary.
- 1.12 According to the choice made at national level, social partners, in full respect of their autonomy and at the level of their choice, are the best placed actors when it comes to determining wages. As regards statutory minimum wage-setting systems, timely and appropriate consultation with the social partners is important to ensure that the needs of both sides of industry are taken into account. The EESC regrets that, in some Member States, the social partners are not adequately involved or consulted in statutory wage-setting systems or the adjustment mechanisms. The EESC welcomes the Commission's recognition that there is scope for EU action to promote the role of collective bargaining in supporting minimum wage adequacy and coverage. Measures to support collective bargaining could be included in the EU action on minimum wages whilst respecting different national industrial relations systems. This goes in the direction of previous EESC recommendations calling for the strengthening of collective bargaining and social dialogue and support for capacity-building of the social partners. Public procurement contracts could also be used as a complementary way of supporting collective bargaining across the EU.

2. Background and context

- 2.1 The European Parliament has requested this exploratory opinion in view of the forthcoming Commission legal initiative on fair minimum wages. The German Presidency, beginning in July 2020, has also indicated that minimum wages will be among its priorities. The EESC welcomes the opportunity to further contribute to the discussion on what action could be taken at European level, taking into account the different realities in Member States and division of competences between the EU and national level.
- 2.2 The COVID-19 pandemic represents the biggest health, social and economic emergency for a generation. In addition to the urgent action taken, large-scale, coordinated and decisive policy action is required in the short and medium term, to avoid long-lasting negative impacts on society, the economy and the world of work.
- 2.3 The EU and its Member States are facing an economic recession of historic proportions. According to the European Commission's Spring Economic Forecast, EU total GDP could fall by 7.5% in 2020 and grow by about 6% in 2021, although with large differences between

Member States⁴. Businesses, particularly SMEs and micro enterprises, are faced with unprecedented economic consequences and difficult decisions regarding their survival, including concerning retention or dismissal of staff. Many economic sectors have been hard hit by the lockdown measures and many companies fear looming bankruptcy, for example in the services, hotel, restaurant and catering, and cultural sectors.

- 2.4 Public services have been hard hit, notably health care and social protection systems which are under pressure to provide for people in need. Without strong public action and support, COVID-19 could also lead to increased unemployment, underemployment and poverty. More than a quarter of respondents to a Eurofound COVID-19 survey reported losing their job either temporarily (23%) or permanently (5%)⁵. The Commission forecasts⁶ that the EU unemployment rate could rise from 6.7% to 9% in 2020 before falling to around 8% in 2021, again with differences between the Member States.
- 2.5 The COVID-19 crisis has also starkly highlighted the particular vulnerability of self-employed, non-standard and precarious workers, who too often face exclusion from social protection safety nets that would cushion their loss of income or employment. Workers in essential services have been publicly praised for their contribution to society, often at great personal risk. Their jobs, for example in health care and social services, retail and delivery services, and cleaning have been important to the whole society but are often undervalued and need to be better esteemed.
- 2.6 Women, migrant workers and those from ethnic minorities – who are disproportionately represented in some of these essential sectors – need increased attention to guarantee that they receive the full range of labour rights and may also need better protection of social safety nets. Young people under 25 have been particularly hard hit by job losses (including apprenticeship schemes) and the disruption to their education and training. They now face even greater obstacles to entering the labour market, as do other vulnerable groups, such as people with disabilities and others suffering discrimination, who were already disadvantaged in accessing the labour market.
- 2.7 Europe cannot afford to lose another decade. The short-term focus must be on safeguarding businesses and protecting jobs. Lessons must be learnt from the responses to the economic and financial crisis of 2008, which had significant, long lasting consequences on the EU and its citizens. Measures must be taken to safeguard employment and income, as well as to enable a safe and rapid relaunch of economic activity, with a view to securing sustainable growth, a more stable recovery, competitiveness, and a fairer, productive and well-functioning social and economic model. Civil dialogue and the effective involvement of all stakeholders is essential in securing an effective response to COVID-19 and in maintaining citizens' trust.
- 2.8 Quality job creation, fair wages – including minimum wages – allowing every worker to enjoy a decent standard of living and which take account of economic factors, including productivity,

⁴ [Spring 2020 Economic Forecast: A deep and uneven recession, an uncertain recovery.](#)

⁵ [Eurofound \(2020\). Living, working and COVID-19: First findings – April 2020. Dublin.](#)

⁶ Idem.

must be part of the solution. Collective bargaining and social dialogue play an essential role in these endeavours, and must be strengthened and/or supported at all levels, according to national industrial relations systems.

The European Pillar of Social Rights and the renewed commitment to fair wages and collective bargaining in the EU

- 2.9 By proclaiming the European Pillar of Social Rights (the Social Pillar/EPSR), at the Gothenburg Summit in November 2017, the European Parliament, Council and Commission reaffirmed their commitment to work towards a fairer and more equal Europe. The Pillar should serve as a compass for renewed upward convergence towards improved working and living conditions and to guide reforms in labour markets and social policies.
- 2.10 The EESC has consistently emphasised the need for concrete action to turn the Pillar's principles into reality. In addition to increasing competitiveness and productivity, in line with Principle 6 of the Pillar, a key focus for convergence should be promoting adequate minimum wages which provide a decent standard of living for workers and their families, in light of the national economic and social conditions, and which are set in a transparent and predictable way according to national practices and respecting the autonomy of the social partners⁷.

3. General comments

3.1 General considerations

- 3.1.1 In her Political Guidelines for the European Commission 2019-2024⁸, President Ursula von der Leyen set out her intention "to propose a legal instrument to ensure that every worker in our Union has a fair minimum wage. On 14 January 2020, the European Commission launched the first phase consultation of social partners under Article 154 TFEU on possible action to address the challenges related to fair minimum wages. In the second phase consultation, published on 3 June, the EU Commission outlines the need for EU action and clarifies its objective to further work on a possible legal instrument, i.e. a Directive or a Recommendation.
- 3.1.2 The European Economic and Social Committee has previously stated its belief that further efforts are needed regarding convergence of wages and establishing minimum wages in the Member States, whilst also stressing that the competence and autonomy of the national social partners regarding wage-setting processes must be fully respected in accordance with national practices⁹. The objective should be to ensure that minimum wages in all EU Member States provide all workers with a decent standard of living while taking account of economic factors. This would contribute to the EU's objective of improving the living and working conditions of its citizens and the Commission's ambition of a "Union that strives for more".

⁷ Principle 6 – European Pillar of Social Rights.

⁸ *A Union that strives for more* [Political Guidelines for the next European Commission 2019-2024](#).

⁹ [OJ C 125, 21.4.2017, p. 10](#).

- 3.1.3 The EESC has also expressed its concern regarding the lack of effective coverage of social dialogue in some Member States and has therefore stated that it is necessary to promote social dialogue and collective bargaining at all appropriate levels, in line with national industrial relations systems.

3.2 The broader context

- 3.2.1 Broader important considerations, e.g. regarding how well labour markets work, the functioning of public employment services and active labour market policies, as well as the functioning of taxation, social security (including unemployment benefits), welfare, education and training systems, and of the single market have an impact on upward economic and social convergence and fighting poverty.
- 3.2.2 Wages are linked to the economic situation in a country, region or sector. Changes may have an impact on employment, competitiveness and macro-economic demand. Productivity is an important consideration for labour market functioning and employment prospects – in particular of low-skilled workers and labour market entrants, as well as opportunities for career progression for those on minimum wage. All workers should benefit from productivity developments and growth, including the lowest paid. At the same time, where overall costs for employing a worker rise, increasing productivity is also very important to ensure the competitiveness of the EU economy. Taxes and non-wage labour costs, including social security contributions by employers and workers can sometimes lead to large differences between gross and net wages and also have an impact on workers' take-home pay, as well as employers' costs.
- 3.2.3 Minimum wages also have a spill-over effect on the whole wage structure. The percentage of workers paid at the minimum wage level, trends in wage development, price levels and purchasing power, and the level of minimum wages in relation to the overall wage distribution in the country are additional important factors to be considered. Minimum wages should be fair in relation to the wage distribution in the different countries and their level should also be adequate in real price terms, so that they allow for a decent standard of living whilst at the same time safeguarding the sustainability of those companies that provide quality jobs. Since 2010, national gross minimum wages in Purchasing Power Standards in the EU saw a pattern of upward convergence as the central and eastern European countries, in particular, converged towards the EU average¹⁰. However, the differences are still very significant and the pattern of convergence has slowed in recent years¹¹.

¹⁰ [Eurofound: Minimum wages in 2019 – Annual review \(2019\)](#).

¹¹ B. Galgóczi and J. Drahokoupil, Galgóczi, *Condemned to be left behind? Can Central and Eastern Europe emerge from its low-wage model?*, ETUI, 2017.

3.3 The need for decent minimum wages in Europe

- 3.3.1 The right to fair and just working conditions and remuneration are fundamental rights enshrined in international and European human rights instruments. Wages, including minimum wages, are an important aspect of the European Union's social market economy model. They represent payment for work done, are one of the factors that ensure mutual benefits for companies and workers as part of well-functioning labour markets and are often a key element of collective bargaining.
- 3.3.2 Minimum wages have other functions as well, e.g. protecting workers against disproportionately low pay and in-work poverty¹². While quality employment continues to be the best route out of poverty, having a job is currently not an automatic guarantee against being poor, especially for those people not working full-time. In the EU, about one in ten workers earn "around" or below the national statutory minimum wage¹³. In 2018, one in ten employed people aged 18 years or over was found to be at risk of poverty and workers in eight Member States earned less in real terms than they did at the onset of the crisis in 2008. Moreover, over the past ten years, the share of employed people at risk of poverty has risen in a majority of Member States, although in some it has stayed the same or decreased. In some countries, the existing minimum wage floors are currently not adequate for workers to be lifted out of poverty by employment alone¹⁴.
- 3.3.3 There is a consensus that the European Union and Member States must do more to address poverty, including in-work poverty. In the consultation documents on fair minimum wages, the Commission recognises that decent minimum wages can play an important role in poverty reduction among the working poor. The EESC believes that the most effective way of reducing in-work poverty is by decent minimum wages and person-centred, integrated, active inclusion policies, which promote access to adequate minimum income, employment services and quality jobs, as well as to essential and enabling social services, in line with the 2008 Commission Recommendation.
- 3.3.4 There are multiple causes leading to in-work poverty and Eurofound¹⁵ has concluded that while an adequate minimum wage is a core pillar of any model of social protection for the working poor, the link between minimum wages and in-work poverty is complex. An important factor to be taken into account is the composition of the household: while in some countries receipt of the minimum wage may be enough to protect a single adult against the risk of poverty, it is often not enough to support more than one person if there is no other earner in the household.
- 3.3.5 The level of living costs can also be a key element that forces households into poverty and should be taken into consideration, where relevant at the national level, in determining whether

¹² Workers receiving minimum wages may, however, depending for example on household composition still need benefits from other social protection systems, in-work benefits and/or tax allowances or credits to reach an acceptable standard of living.

¹³ Eurofound (2019) Minimum wage in 2019 – Annual review.

¹⁴ [Statutory Minimum Wages in the EU: Institutional Settings and Macroeconomic Implications, IZA Policy Paper No. 124, February 2017.](#)

¹⁵ [Eurofound \(2017\), In work poverty in the EU.](#)

minimum wages are adequate. In-work benefits, welfare benefits, social transfers and family allocations can also play an important role in alleviating or preventing in-work poverty, depending on the household composition.

- 3.3.6 Many governments have also opted to reduce income tax and social security contributions, as a way of increasing the net incomes of statutory minimum and other low wage earners. However, this can have wider policy implications, including weakening public health and welfare systems, and public services in general. In addition to these direct measures, the Eurofound report also explores the deployment of indirect measures to combat in-work poverty¹⁶ but their impact has not been easy to assess and more specific evaluation is needed.
- 3.3.7 More broadly regarding tackling poverty, the EESC has previously called for the introduction of a binding European framework for a decent minimum income, enabling minimum income schemes in the Member States to be extended across the board, supported and made "decent" (adequate), as a significant initial European response to the serious and persistent problem of poverty in Europe¹⁷. While the Workers' Group and the Diversity Europe Group supported the opinion, the Employers' Group did not share the opinion's vision of a binding instrument for a minimum income at European level, preferring the Open Method of Coordination instead¹⁸. The Committee has also proposed a gradual approach to common minimum standards in the field of unemployment insurance in the Member States, to provide adequate safety nets for workers who lose their jobs and as protection against poverty¹⁹. This would also function as an automatic stabiliser and foster upward convergence in the EU.
- 3.3.8 A comprehensive approach, which also includes effective minimum income schemes among other things, appropriate reforms in social security and more investment in public services, is also required. Crucially, in order to take people out of poverty, it is useful to continue discussing how to meet the EU-level at risk of poverty threshold (EU-level AROP indicator²⁰), combined with national reference budgets calculating the cost of necessary goods and services (including the different methodologies used). They should take into account social redistribution, taxation and standard of living factors in each EU Member State²¹ and help contextualise the AROP threshold to the multi-dimensional reality of poverty.
- 3.3.9 In nearly all Member States, women are over-represented among minimum wage earners²². There is evidence to show that decent minimum wages can also have a positive impact on the

¹⁶ Five categories of indirect measures that can help address in-work poverty are identified: the provision of affordable childcare; flexible working time arrangements; measures that promote job advancement or improve people's skills; measures that help improve the living standards of low-income earners; measures that create inclusive work environments to improve opportunities for migrants, people with disabilities or other groups of disadvantaged workers (see page 41).

¹⁷ [OJ C 190, 5.6.2019, p. 1](#) (This opinion did not receive the support of the Employers' Group, see the counter opinion appended to the EESC opinion.)

¹⁸ See the counter opinion appended to the EESC SOC/584 opinion <https://www.eesc.europa.eu/en/our-work/opinions-information-reports/opinions/european-framework-directive-minimum-income-own-initiative-opinion>

¹⁹ [OJ C 97, 24.3.2020, p. 32](#).

²⁰ Set at 60% of the national median equivalised disposable income after social transfers.

²¹ This is in line with the 2019 EESC "Opinion on a "European Framework Directive on a Minimum Income". See footnote 13.

²² [Eurofound \(2019\). Minimum wages in 2019: Annual review](#).

gender pay gap at the lower end of wage distribution, if also accompanied by policy measures addressing structural gender inequalities in labour markets and society. Similarly, others who are disadvantaged such as migrant workers, people with disabilities, and ethnic minorities would also significantly benefit from decent minimum wages. Moreover, in order to improve employment levels of workers with a disability, wage subsidies or tax reliefs should be granted to employers by the competent public authorities, to cover additional costs linked to their employment.

3.3.10 Finally, in the context of decent wages in Europe, the EESC also stresses that well-functioning collective bargaining systems, particularly sectoral collective bargaining, play a crucial role in providing for fair and adequate wages across the whole wage structure, including statutory minimum wages, where they exist. They are also necessary to promote upward wage convergence amongst and within countries as well as ensuring a balanced approach between social and economic considerations.

3.4 The need for and feasibility of action at EU level

3.4.1 In its first phase consultation of the Social Partners, the Commission set out a number of ways in which EU action could bring added value: contributing to ensuring fair minimum wages, helping Member States to achieve upward convergence in working conditions, ensuring a level playing field in the Single Market and increasing purchasing power of low-wage earners.

3.4.2 In the second phase social partner consultation, the European Commission clarifies the goals of EU action and the policy objectives of a possible initiative²³. According to the Commission the general objectives of such an initiative would be to ensure: that all workers in the EU are protected by a fair minimum wage, allowing for a decent standard of living wherever they work and that minimum wages are set at adequate levels, whilst safeguarding access to employment and taking account of the effects on job creation and competitiveness. A majority of the EESC welcomes the objectives identified by the Commission and considers that they should be addressed through EU action on fair minimum wages. A minority, however, believes that EU action on some of those objectives would not be appropriate.

3.4.3 The Commission has stressed that its intention is not to establish a single "European minimum wage" or to harmonise directly the level of minimum wages across the EU and underlined that it will fully respect national competencies, national traditions and specificities of each country and social partners' contractual freedom.

3.4.4 While a majority of Member States have a statutory or national minimum wage, there are significant disparities between the statutory/national minimum wage levels between them, reflecting different levels of economic and social development. As of January 2020, statutory minimum wages in the Member States ranged from EUR 312 to EUR 2 142 per month. Monthly minimum wages are generally below EUR 600 in the east and above EUR 1 500 in the

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[Second phase consultation of Social Partners under Article 154 TFEU on a possible action addressing the challenges related to fair minimum wages.](#)

northwest of the EU²⁴. In the second phase consultation document, the Commission notes that minimum wage adequacy has improved in most Member States²⁵. However, disparities remain and, in a significant number of Member States, the statutory minimum wage is at or below 50% of the full-time gross median wage²⁶ and significantly below the "at-risk-of-poverty" wage threshold of 60% of the median wage, thus failing on its own to lift workers out of poverty.

- 3.4.5 Minimum wages should ensure a decent standard of living. The Workers' Group and Diversity Europe Group consider that in a number of Member States the minimum wage levels are still not adequate and that the "reference" net statutory minimum wage needs to be set significantly above the poverty threshold – set in the EU context by using the AROP indicator of 60% of the national median equivalised disposable household income after social transfers – and to be fair in relation to overall wages in the labour market. Such a benchmark would ensure adequate benefit levels and prevent pushing workers into precarious employment with negative conditionalities linked to minimum income schemes. Raising the lower-wage segment by moving towards poverty-proofed minimum wages would also broaden the tax basis for governments, aiding the financing of adequate social protection systems. However, the Employers' Group considers that this issue must not be addressed by means of EU action as the EU has no competence in the field of pay, and in particular on pay levels in line with ECJ rulings. According to the proponents of the latter view, what could be done, at most, is to discuss and exchange views through the Open Method of Coordination or European Semester process regarding how to ensure adequate benefit levels and adequate minimum income schemes and how, along with employment, this can support financing of adequate social protection systems.
- 3.4.6 The EESC acknowledges the various concerns raised regarding possible EU action in this area. In particular, there are strongly diverging views regarding the EU's competence. Some argue that, given that Article 153(5) of the Treaty of the Functioning of the European Union excludes "pay" from the EU's legislative competence, there is no scope for action at EU level. On the other hand, others, including the Commission, argue that there are possibilities for action at EU level and that Article 153(5) would not prevent this.
- 3.4.7 Equally, there are fears, particularly in Member States where wage floors are solely or predominantly defined by collective bargaining, that such action would interfere with the autonomy of the social partners. It is therefore essential that any EU initiative safeguards the models in those Member States where the social partners do not consider statutory minimum wages to be necessary. In the same way, measures promoting collective bargaining, in particular sectoral bargaining, should fully respect the different national industrial relations systems and not push for a "one-size fits all" approach.

²⁴ Disparities in minimum wages across Europe, Eurostat 03/02/2020 <https://ec.europa.eu/eurostat/web/products-eurostat-news/-/DDN-20200203-2>

²⁵ EC second stage social partner consultation document.

²⁶ Information obtained from the first phase consultation of the social partners – p. 2, which refers to the Eurostat Structure of Earnings Survey and the EU-SILC survey (footnotes 6 and 7).

3.4.8 Another source of concern is that a European statutory minimum wage policy could potentially have negative effects on employment, especially in the case of young people and low-skilled workers, and could aggravate non-compliance, which could also push a number of low-wage workers towards informality²⁷. This can, however, be countered if the level of the minimum wage is defined appropriately, i.e. it supports workers' earnings without undermining employment, depends on country-specific factors, including the behavioural response of employers, the degree of competition in product and labour markets and its interaction with other policies, in particular taxes and benefits²⁸. Indeed, there are concrete examples of Member States where the introduction of minimum wages has not negatively impacted job creation and where even substantial increases in the minimum wage have had positive macro-economic effects, including increased job growth²⁹.

3.4.9 The EESC fully appreciates the complexity of the issues involved in this debate and recognises that minimum wages are not the silver bullet that will solve all problems. However, a common EU approach with clear policy objectives for the Member States to achieve, through different means, and ensuring the involvement of the social partners, as part of well-functioning collective bargaining systems, could ensure that workers' rights to fair remuneration and to freedom of association and employers' needs in relation to productivity and competitiveness are safeguarded. If combined with broader measures, it could also contribute to upward convergence and social progress across the EU, by reducing income and wage differences among the Member States, reducing in-work poverty and achieving a level playing field in the Single Market.

3.4.10 Any European initiative in the area of fair minimum wages including aspects to promote and support well-functioning collective bargaining for wage-setting, must be shaped on the basis of the accurate analysis and understanding of the situation in the Member States, and fully respect the social partners' role and autonomy, as well as the different industrial relations models.

4. Towards a European legal initiative for statutory minimum wages, including support for and promotion of social partner involvement

4.1 The concept of minimum wages

4.1.1 Wages are affected by a number of different factors such as sector and industry and their exposure to global competition, cost of living, market supply and demand, productivity, wage distribution, collective wage levels, individual competence and performance, and taking account of the way it is done and valued. They compensate the work performed in accordance with applicable laws, collective agreements and practice. The overall wage can be considered as covering different elements, depending on how this is determined in Member States, regions or according to different collective agreements.

²⁷ [Eurofound \(2019\) Upward convergence in employment and socioeconomic factors.](#)

²⁸ [Good Jobs for All in a Changing World of Work, The OECD Jobs Strategy.](#)

²⁹ Dube, The impact of minimum wages – review of the international evidence, 2019, London: HM Treasury: <https://www.gov.uk/government/publications/impacts-of-minimum-wages-review-of-the-international-evidence>; A. Godøy, M. Reich, Minimum Wage Effects in Low-Wage Areas, IRLE Working Paper 106-19, June 2019.

- 4.1.2 Minimum wages are defined by the ILO as "the minimum amount of remuneration that an employer is required to pay wage earners for the work performed during a given period, which cannot be reduced by collective agreement or an individual contract"³⁰. According to ILO Convention No. 131 on Minimum Wage Fixing³¹, determining fair minimum wages means taking into consideration the needs of workers and their families, including the general level of wages in the country and the cost of living, as well as economic factors, including productivity and employment. It also provides that full consultation of social partners in minimum wage setting should be ensured. The ten EU Member States³² that have ratified the Convention all have a statutory minimum wage system.
- 4.1.3 The effectiveness of statutory minimum wages depends on many factors, which apply to different degrees depending on the national context, such as the coverage of workers; whether they are set and adjusted at an adequate level, that covers the needs of workers and their families, while taking into account economic factors, such as productivity, and whether employers comply with minimum wage regulations³³. It also depends on whether social partners' involvement is supported and there is an effective collective bargaining system that complements the statutory minimum wage setting. The EU action should support the necessary improvements in these areas, amongst others.
- 4.1.4 In Member States where the social partners are responsible for setting wage floors, the share of workers who are not formally covered by such agreements varies from 2% in Austria, to around 10% in Sweden, Finland and Italy, and around 20% in Denmark. In Sweden and Denmark, it should be borne in mind that the majority of those workers not formally covered by minimum wages are either highly paid white-collar workers, earning well above the collectively agreed wage-floors, or job-students or other young workers entering the labour market. Employers also often, in reality, apply the sector-based minimum wages to workers who are not formally covered by minimum wages, without being obliged to. In Italy, however, those who are not covered are either informal workers or autonomous workers who work under individually set conditions for occasional work, especially young workers.
- 4.1.5 The European Commission, Council and the European social partners have all emphasised the importance of promoting social dialogue and respecting the autonomy of social partners, and also called on Member States to support the improvement and functioning of the national social dialogue³⁴. It is important that a possible minimum wage initiative does not weaken collective bargaining systems in any Member State, for example by reducing the social partners' control over wages.

30 ILO Committee of Experts on the Application of Conventions and Recommendations (2014): General Survey on Minimum Wage Systems, paragraph 68.

31 Minimum Wage Fixing Convention, 1970 (No. 131)
https://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO::P12100_ILO_CODE:C131.

32 Bulgaria, France, Latvia, Lithuania, Malta, the Netherlands, Portugal, Romania, Slovenia and Spain.

33 [ILO Minimum Wage Policy Guide](#).

34 See: Council Conclusions: *A new start for a strong Social Dialogue* <http://data.consilium.europa.eu/doc/document/ST-10449-2016-INIT/en/pdf>; Quadripartite statement by the Council presidency, the Commission and the social partners: <https://ec.europa.eu/social/main.jsp?langId=en&catId=89&newsId=2562>

4.2 National wage setting systems/institutions in the European Union

- 4.2.1 Minimum wage setting systems and the role and capacity of the social partners differ considerably between the Member States due to differences in their national traditions, as well as different economic and social factors, and the political and constitutional framework of the country.
- 4.2.2 Some Member States have opted for a statutory minimum wage where wages have to at least correspond to a minimum level determined by law. In these countries, there may also be (higher) sectoral and cross-sectoral minimum wages set by the social partners. In other countries without a statutory minimum, wages are exclusively or predominantly defined by social partners as part of collective agreements at national, sectoral and/or company level.
- 4.2.3 In Member States with statutory minimum wages, most workers tend to be covered, however exclusions for specific categories may be allowed, meaning that these workers earn below the statutory minimum. Furthermore, special rates for certain groups of workers are applied in 11 Member States³⁵. These rates mainly apply to younger or less experienced people and/or apprentices, but can also apply to unskilled workers and those with a disability, among other examples. Some countries also specify higher rates based on the employees' skills³⁶. As stated by the Commission, gaps in coverage may have negative consequences for those workers and for the economy as a whole. The implications of these exceptions and also of broader coverage of workers, must be assessed to understand the different national approaches and the possible reasons for exclusions as well as the implications.
- 4.2.4 In countries without statutory minimum wages, minimum wages apply only to workers covered by collective agreements. Although most of these countries have very high levels of collective bargaining coverage (above 80%), in some cases some workers are left uncovered³⁷.
- 4.2.5 Adequacy is a crucial element when considering if statutory minimum wages are "fair" and if they are to provide a decent standard of living for workers and their families. Their level in relation to the overall wage distribution in the country should also be considered. The Workers' Group and Diversity Europe Group take the view that common EU criteria for the minimum thresholds required for a "decent standard of living" would be beneficial. There are various possibilities for establishing such thresholds, such as using a reference basket of goods that provide more than mere subsistence and/or setting these thresholds in relation to a percentage of full-time median or full-time gross average wage. Further discussion is warranted on what these thresholds could be and how they could be progressively reached. The Employers' Group considers that the issue of thresholds must not be addressed by means of EU action as the EU has no competence in the field of pay levels in line with ECJ rulings³⁸. It is important to ensure

³⁵ Belgium, France, Hungary, Ireland, Lithuania, Luxembourg, Malta, the Netherlands, Portugal, Romania and Spain.

³⁶ [Eurofound Minimum wages in 2019: Annual review](#).

³⁷ [Eurofound Minimum wages in 2019: Annual review](#).

³⁸ ECJ case C-268/06, Impact.

that when reviewing statutory minimum wages, their adequacy and the regularity of reviews are considered, and that there is a clear procedure which fully involves the social partners.

4.2.6 According to the Council of Europe European Committee of Social Rights (ECSR) "the concept of "decent standard of living" goes beyond merely material basic necessities such as food, clothing and housing, and includes resources necessary to participate in cultural, educational and social activities". In its recent Conclusions³⁹, the Committee found that the levels of minimum wages in different Member States did not ensure a decent standard of living for workers and their families.

4.2.7 Several Member States currently allow for deductions by employers to the statutory minimum wage (e.g. for breakages or the purchase of equipment) or including extra payments (e.g. overtime, bonuses) in the calculation of the wage. The ECSR as well as monitoring bodies at UN and ILO level have ruled that in some Member States this did not allow for workers' right to a fair remuneration.

4.3 Role of social partners in statutory minimum wage setting systems

4.3.1 There are large differences in social partner involvement in statutory minimum wage setting systems. In some countries, unfortunately governments have taken unilateral decisions regarding minimum wages, without adequate involvement or consultation of social partners.

4.3.2 Mechanisms which allow for timely and appropriate consultation of social partners help to ensure that different economic and labour market situations are taken into account. They can also help to find agreements between relevant national authorities and social partners and a balanced outcome taking account of employers and workers' needs.

4.3.3 Having transparent, clear and stable criteria for making adjustments to statutory minimum wages to ensure their adequacy while taking account of economic factors help to improve the understanding and predictability for employers, workers and their representatives. Unfortunately, these are lacking in some Member States.

4.3.4 The social partners should be involved in an appropriate way, according to the needs of the two sides of industry, in consultations on statutory minimum wages, including identifying the appropriate criteria for defining the adequate level and in the evaluation of any possible adaptations. In addition, support from the EU and Member States for capacity-building of national social partners can help them to engage in collective bargaining, including where appropriate for determining wages, as well as in discussions on statutory minimum wages.

³⁹ <https://www.coe.int/en/web/european-social-charter/-/protection-of-workers-rights-in-europe-shortcomings-found-but-also-positive-developments-in-certain-areas>.

4.4 Role of collective bargaining in setting minimum wages

- 4.4.1 Wages negotiated by social partners are based on a balanced agreement between them, which is important in making sure that wages are fair for both sides of industry. Five of the six countries where wage floors are defined by sectoral collective bargaining are among those with the highest rates of collective bargaining coverage.
- 4.4.2 The EESC welcomes the indication that any Commission initiative "would not seek to introduce statutory minimum wages in countries with high coverage of collective bargaining and where wage setting is exclusively organised through it"⁴⁰. This notion reflects the fact that according to the choice made at national level, social partners, in full respect of their autonomy and at the level of their choice, are the best-placed actors in shaping and conducting wage setting policies and mechanisms.
- 4.4.3 Collective bargaining is also of paramount importance in the definition of wage levels in many of the countries that have a statutory minimum wage and the agreements negotiated there often improve upon the rates set by the government.

4.5 The need to support and promote collective bargaining in the Member States

- 4.5.1 The effects and the magnitude of statutory minimum wages depend on how they interact with other policies and labour market institutions. One such interaction is between minimum wages and collective bargaining. The relative strength of collective bargaining in the different countries is one of the main determinants of the existence and scale of ripple effects⁴¹.
- 4.5.2 Where collective bargaining systems function well, they support higher employment and lower unemployment for all workers. Coordination across bargaining units helps the social partners to account for the business-cycle situation and the macroeconomic effects of wage agreements on competitiveness⁴².
- 4.5.3 The right to freedom of association, to organise and to bargain collectively are fundamental rights enshrined in international and European human rights instruments. All Member States have ratified ILO C087 Freedom of Association and Protection of the Right to Organise Convention and ILO C098 Right to Organise and Collective Bargaining Convention. The level and coverage of collective bargaining coverage varies significantly among the Member States from only 7% in Lithuania to 98% in Austria. Since 2000, collective bargaining coverage has fallen in 22 Member States and it is estimated that at least 3.3 million fewer workers are now covered by a collective bargaining agreement.
- 4.5.4 According to an OECD report, collective bargaining faces old challenges (such as declining collective bargaining coverage and falling union density) as well as new ones, such as the

⁴⁰ https://ec.europa.eu/commission/presscorner/detail/en/fs_20_51

⁴¹ Grimshaw, D., Bosch, G. and Rubery, J. (2013), "Minimum wages and collective bargaining: what types of pay bargaining can foster positive pay equity outcomes?" British Journal of Industrial Relations, DOI 10.1111 / bji r.12021.

⁴² [OECD: Negotiating our way up: Collective bargaining in a changing world of work.](#)

increasing prevalence of workers in non-standard employment (i.e. temporary part-time and self-employment) who might not have access to collective bargaining⁴³. Almost all Member States have seen a drop in collective bargaining coverage since the start of the economic and social crisis⁴⁴ as it triggered changes in wage-bargaining regimes in a number of countries and further extended the existing trajectory towards decentralisation in others. This was due to different national conditions and on some occasions EU actions as a condition of economic bailouts.

4.5.5 The EESC has frequently highlighted the challenges posed by new and flexible forms of work, notably that many workers could be placed outside collective bargaining structures and trade union representation. It has also emphasised that the need to strengthen the role social dialogue and collective bargaining, including through EU support for capacity-building, enabling and supportive national frameworks, ensuring organisational strength of both sides of industry, as well as safeguarding well-functioning collective bargaining systems⁴⁵.

4.5.6 Freedom of association and the right to organise must also be respected and promoted. It is important that discussions take place at national and EU level on how to ensure workers can have access to trade union representation, and exercise rights to collectively organise and take collective action.

4.5.7 The EESC welcomes the Commission's recognition that there is scope for EU action to promote the role of collective bargaining in supporting minimum wage adequacy and coverage. Measures to support collective bargaining could be included in the EU action on minimum wages whilst respecting different national industrial relations systems. This goes in the direction of previous EESC recommendations calling for the strengthening of collective bargaining and social dialogue.

5. Input from stakeholders: virtual country visits and public hearing

5.1 Overview/background to the visits

5.1.1 In the preparation of the opinion, it was important for the EESC to obtain the views of relevant stakeholders at national and European level. To achieve this, a number of country visits were planned, as well as a public hearing with EU-level actors. For the country visits, five Member States (Germany, Poland, Romania, Spain and Sweden) were selected based on the criteria on minimum-wage setting institutions in EU Member States which the European Commission identified in the first phase social partners consultation. Discussions were planned with representatives from the government, national wage-setting bodies, the national social partners and anti-poverty organisations. Due to the outbreak of the COVID-19 pandemic, the visits could not take place and were replaced with a semi-structured questionnaire, as well as follow-up video conferences with the relevant stakeholders.

⁴³ Idem.

⁴⁴ Eurofound: *Developments in collectively agreed pay 2000–2017* – Annex 1.
https://www.eurofound.europa.eu/sites/default/files/ef_publication/field_ef_document/ef18049en.pdf

⁴⁵ [OJ C 303, 19.8.2016, p. 54](#), [OJ C 434, 15.12.2017, p. 30](#), [OJ C 13, 15.1.2016, p. 161](#), [OJ C 125, 21.4.2017, p. 10](#).

5.2 **Summary of the video conferences** (more detailed summaries are included in an Annex to this opinion)

5.2.1 The greatest concerns and opposition to an EU legal initiative on minimum wages were expressed by the Swedish representatives, where there was a general consensus that the EU does not have competence to take action on wages. The common fear among the Swedish social partners is that an EU initiative would interfere with national wage bargaining traditions amongst others and infringe on the autonomy of the social partners. They instead proposed non-binding initiatives to promote social dialogue and collective bargaining, while highlighting that national systems are results of decades of development and cannot be transplanted from one country to another. In Sweden, the collective bargaining coverage is 90% and less than 1% of workers earn less than 60% of the median wage⁴⁶. The Swedish Government representative supported the social partners' positions and stated that the EU has an important role to play in contributing to increasing employment and improving social developments. Addressing the social challenges is important for the cohesion of the Union and for the internal market. However, they did not see a legally binding initiative, including a directive, as the right way forward and said that an EU initiative must not lead to a requirement that Member States introduce universally applicable collective agreements or statutory minimum wages.

5.2.2 Trade unions and civil society organisations in the other four countries were in favour of action at EU level and some even mentioned that it could take the form of a Framework Directive. The arguments in support of such an initiative include the potential to coordinate international wage policies, fight social dumping, promote wage convergence, reduce in-work poverty, offer protection for workers not covered by collective agreements, avoid the exploitation of vulnerable groups of workers, such as migrants, and contribute to reducing the gender pay gap. Some representatives also referred to the possibility of common EU criteria on minimum thresholds for adequacy of minimum wages, for example by using a reference basket of goods and key services that everyone needs. Several representatives also mentioned that other measures should accompany an EU initiative on minimum wages, notably a Directive on adequate minimum income and an initiative to reinforce the role of social dialogue and the representation of the trade unions.

5.2.3 The employers' organisations in three countries⁴⁷ expressed concerns about or opposition to binding measures. Some explicitly stated that, according to Article 153 TFEU, the EU had no competence on wages and that the discussion should focus on how to enhance the European Semester process. Employers' organisations were opposed to a legal initiative, on the basis that this would interfere with national wage-setting systems, and adversely impact the competitiveness of the Member States and employment, as well as the labour market integration of the unemployed. They also pointed out that discussions on minimum wage could not be isolated from broader issues which affect the labour market, including social security systems.

⁴⁶ According to the written contribution by the anti-poverty civil society organisation EAPN SE, it was important for the EU to work towards the establishment of a system for regulating minimum wages in every Member State, but it was equally important to respect those countries that have a collective bargaining system for regulating minimum wages.

⁴⁷ The Spanish employers' organisation CEOE could not attend the country call, but expressed the same views in their written contribution.

In some countries employers' representatives expressed concerns about statutory minimum wage raises based on political decisions by government to raise minimum wages without economic factors being taken into account. In one country it was also mentioned that country-specific recommendations had pointed out the negative impact of minimum wage raises on competitiveness. In one country a non-binding recommendation was mentioned as a possible instrument and it was noted that reinforcing collective bargaining is a matter for national level and that EU support is needed for that, especially as regards capacity building of the social partners.

- 5.2.4 The government representatives did not express as direct a position as the social partners and civil society organisations did. While some welcomed the promotion of a framework initiative without qualifying it (Germany), others supported a Framework Directive (Spain). As regards the next steps, the German representatives confirmed that the German Presidency was keen to support the ongoing process during the second half of 2020.

5.3 Public Hearing

- 5.3.1 An online public hearing was held on 25 June, with the participation of the European Commissioner for Jobs and Social Rights Nicolas Schmit, the European Parliament rapporteur on Reducing inequalities with a special focus on in-work poverty and the Employment and Social Affairs Coordinators for the EPP and S&D Groups, the ETUC and BusinessEurope, and the Social Platform. The Commission reiterated the Commission's intention to bring forward a legal instrument on fair minimum wages in Europe, which would respect the autonomy of the social partners, respect national systems of collective bargaining and not interfere with well-functioning collective bargaining systems. He also recognised that the topic of fair minimum wages is a difficult and controversial one. There was a political consensus among the three MEPs, that EU action is needed to work towards ensuring that workers in Europe have a decent standard of living and addressing in-work poverty. The European social partners were in the process of responding to the Commission's second phase consultation, but it is apparent that they hold divergent views on the need for, feasibility of and legal basis for EU action. The Social Platform stressed the importance of having both adequate minimum incomes and minimum wages and that the minimum wage must be higher than the minimum income.

6. Scope for action at EU level

6.1 The EU acquis

- 6.1.1 The EESC notes that there is a large body of EU and international instruments that enshrine and support the concept of "fair" remuneration that provides workers and their families with "a decent standard of living"⁴⁸. The EESC notes that an EU legal initiative on "fair minimum

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1989 Community Charter of the Fundamental Social Rights of Workers <http://aei.pitt.edu/4629/1/4629.pdf>; Article 23(3) Universal Declaration of Human Rights https://www.ohchr.org/EN/UDHR/Documents/UDHR_Translations/eng.pdf; Article 7 International Covenant on Economic, Social and Cultural Rights, <https://www.ohchr.org/en/professionalinterest/pages/cescr.aspx>; Article 4(1) of the Council of Europe's European Social Charter (ESC) of 1961; UN Sustainable Goals, notably SDG1, SDG8, SDG 10; ILO Convention Protection of Wages Convention, 1949 (No. 95); Article 4(5) ESC; ILO's Protection of Workers' Claims (Employer's Insolvency) Convention, 1992 (No. 173); Article 25 of the Revised European Social Charter (RESC 1996) <https://www.coe.int/en/web/conventions/full-list/-/conventions/rms/090000168007cf93>

wages" is suggested to be proposed under the Social Policy Title of the TFEU. This should be linked to the Union's aims recognised in Article 3 of the Treaty: to promote a highly competitive social market economy, aiming at full employment, social progress, the well-being of its peoples and the sustainable development of Europe.

6.1.2 The Committee also recognises that the legal situation regarding an EU initiative on minimum wages is highly complex. The EU can adopt legal instruments on working conditions on the basis of Articles 151 and 153(1)(b) TFEU. The Treaty provides that the provisions of Article 153 shall not apply to "pay". On the other hand, there is EU case law and existing directives that have treated the issue of pay as a key working condition. There are clearly divergent opinions on this matter and the EESC acknowledges that a balanced and cautious approach will have to be adopted by the Commission.

6.1.3 The European social partners also have competence to reach agreements in the Social Policy Title of the TFEU under Article 155.

6.2 Possible EU legal initiative on fair minimum wages: Directive or Council Recommendation

6.2.1 As regards minimum wages, the responsibility to deliver on the EPSR's commitments falls primarily upon the individual Member States. The Commission has identified a need for and possible avenues for EU action on fair minimum wages. While a majority of EESC constituents believe that such action could provide an added value, others disagree. Any action taken at EU level must fully respect the autonomy of the social partners and the division of competences between the EU and national level.

6.2.2 In its second phase social partner consultation document, the Commission indicates that the EU instruments under consideration are a directive and Council recommendation. There are divergent views within the EESC on whether any EU legal initiative under Article 153, especially a directive, would be legitimate, as according to Article 153(5) TFEU, provisions of that Article do not apply to pay. Following the social partners' consultation, and in the absence of a negotiation between the social partners, whatever instrument the Commission might consider using for an initiative on fair minimum wages, the aim should be to ensure that statutory minimum wages – where they exist – are fair vis-à-vis the wage distribution in the country and ensure the respect of workers' right to a fair remuneration, thus providing for at least a decent standard of living for workers and their families. It should also take into account important economic aspects, such as productivity.

6.2.3 According to the Commission, both legislative and non-legislative instruments are possible. It indicates that a Directive in the area of "working conditions" would leave it to the Member States to decide on how to implement minimum requirements and procedural obligations to be complied with. The Commission also indicates that if a Council Recommendation were proposed, the monitoring of its implementation could be done through a dedicated benchmarking framework integrated in the European Semester. Within this, principles regarding mechanisms for effective statutory wage-setting systems, social partner involvement and adequacy, among others, could be discussed and monitored.

6.3 The use of public procurement

6.3.1 Public procurement represents a means through which public institutions, at EU and national level, can promote decent wages, fair working conditions, and collective bargaining, while pursuing economic, quality service delivery and public interest objectives. This is possible in accordance with ILO C094 Labour Clauses (Public Contracts) Convention, through better use of social criteria in existing EU public procurement legislation.

6.3.2 Introducing collective bargaining clauses in EU rules on public procurement, which require that respect for the right to collective bargaining and collective agreements is a condition for the awarding of all public contracts, could be an effective complementary way to support collective bargaining across the EU.

6.4 Improved data collection

6.4.1 There are a number of areas in which the EU could assist the Member States by collecting data and assisting with developing, in consultation with the social partners, indicators and enforcement tools regarding the evolution of statutory minimum wages.

Brussels, 18 September 2020

Luca Jahier

The president of the European Economic and Social Committee

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NB: appendix overleaf

APPENDIX
to the
OPINION
of the European Economic and Social Committee

Summaries of video conference calls with selected countries on the minimum
wage

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1) SWEDEN – 12 June

Participants from Sweden included representatives from the trade union confederation LO-Sweden, the trade union confederation TCO, the confederation of professional associations SACO, the employers' organisations belonging to the Confederation of Swedish Enterprise (Swedish Enterprise), the Swedish Construction Federation (Byggföretagen), the Federation of Swedish Farmers (LRF) and the Swedish Ministry of Employment.

The participants were asked to outline the situation of the minimum wage in their country and their position on a possible EU initiative on minimum wages at European level.

All parties expressed strong concerns about the possibility of binding EU regulation on minimum wages. Firstly, the EU does not have competence regarding pay, and all parties stressed the importance of the autonomy of the social partners. It was their firm conviction that a binding legal instrument would be a disincentive for social partners to negotiate, and would hamper social dialogue.

According to Swedish Enterprise, the Scandinavian social model has worked well for over 100 years, with high rates of membership on both sides and 90 percent coverage of collective bargaining agreements. The remaining 10 percent of the workforce that were not covered was made up mostly of high-earning professionals, such as lawyers, tech experts etc., or of young people entering the labour market.

The **LRF** emphasised that the agricultural and horticultural sectors did not have direct collective agreements of their own, but were linked to collective agreements through third party certification. **Byggföretagen** explained that in the construction sector salaries were relatively high. The group of low wage earners in Sweden in general was very small: less than one percent of workers earned less than 60 percent of the median wage, either because they worked very little or because they were young. As a result, the minimum wage was not a problem in Sweden. Moreover, it was important not to confuse the minimum income with the minimum wage.

According to **Swedish Enterprise**, minimum wage regulations in collective agreements had a normative effect on those undertakings that did not have collective agreements. If employers in such undertakings paid wages that were too low and where there was no collective agreement, the unions could start industrial action, something which employers wanted to avoid. The right to collective bargaining was a legal right, recognised in Swedish and international law. It was a collective right.

Wage-setting, including that of minimum wages, was linked to international competitiveness and also productivity. As a result, the Swedish system was working well, with real wages rising for 20 years consecutively and minimum wages increasing at the same pace as normal wages. Some employers considered that minimum wages were too high, but this was a subject for national discussion.

The **TCO, LO and SACO** representatives agreed with the employers' representatives. They emphasised that Sweden had a high level of minimum wages, and that they thought it was at national level that minimum wages should be agreed.

When asked whether they agreed that a higher minimum wage at EU level might prevent social dumping and relocations, **Swedish Enterprise** responded that Sweden had also had waves of relocations – e.g. to Italy – but that they had found that the answer was not to have lower wages, but to create jobs and growth. The Baltic countries, for instance, had seen wage increases along with growth, and most companies did not move on the grounds of wage levels alone, although this did sometimes happen. However, the employers found that Sweden sought to combat relocation not by dumping in terms of wages, but by being more creative and gaining market shares. **TCO, LO and SACO** found that social dumping was a problem in some countries and some sectors, and that there was a need to raise the minimum wage in low-wage countries, but not through methods that could damage other systems, such as the Swedish one. Instead there was a need to build social partner capacity and create incentives to increase wages in those countries.

All participants proposed instead to promote social dialogue. The question of low incomes needed to be addressed by means of different measures. The **Ministry of Employment** said that the government was happy to discuss non-binding instruments respecting the autonomy of social partners, but they were against a binding instrument at EU level. The governments of Denmark and Sweden had made a joint proposal urging the Commission instead to issue a communication identifying the challenges facing collective bargaining, and to address shortcomings in Member States in order to advance social dialogue at national level.

The social partners also supported promoting social dialogue and collective bargaining in other countries – although they recognised that the Swedish system could not be transferred directly, as it would take time to develop such a system. The Swedish social partners stood ready to share the benefits and drawbacks of their system, to enable others to develop a system fitting their needs. They also felt it was important to emphasise that regulation can be counterproductive to collective bargaining, as it was not possible to foster bargaining by decree.

2) GERMANY – 15 June 2020

Participants from Germany included representatives from the German Confederation of Skilled Crafts (Zentralverband des Deutschen Handwerks (ZDH) employers' organisation, the Federal Ministry of Labour and Social Affairs, European Anti-Poverty Network Germany (EAPN-DE) and the Deutscher Gewerkschaftsbund (DGB) trade union confederation.

The participants were asked to outline the situation regarding the minimum wage in their country and their position on a possible EU initiative on minimum wages at European level.

Germany was one of the countries that had a strong system of collective bargaining and social dialogue, but Germany had also introduced a statutory minimum wage in 2015.

According to the **German Confederation of Skilled Crafts (Zentralverband des Deutschen Handwerks (ZDH))**, Germany had a long tradition of collective bargaining. For decades, a statutory minimum wage was not an issue for Germany, as the country always relied on the freedom of collective bargaining. In 2013-2014 there was a debate about the need to introduce statutory minimum

wages in Germany to complement the collective agreements. The ZDH was the biggest SME employers' organisation in Germany and was strongly involved in the debate on minimum wages.

The *Mindestlohngesetz* was introduced in 2014, bringing into force a statutory minimum wage of EUR 8.50 as of 1 January 2015. Since then it had gradually increased and now (2020) stood at EUR 9.35. Germany now had a two-fold system with regard to minimum wages: a statutory minimum wage set by the State, and minimum wages set in certain branches by the collective bargaining partners and declared generally applicable by the ministry.

The representatives of the **Federal Ministry of Labour and Social Affairs** welcomed the Commission consultation. They welcomed the promotion of a framework without already laying down the final shape of the framework. The role of the German Presidency here would be of an honest broker and to build bridges in this area between the different Member States. The Ministry representatives were in favour of an approach that would strengthen social partnership. They underlined that there were pros and cons for both a directive and a recommendation. Some aspects of the consultation might fit better in a recommendation. The debate on possible avenues for EU action would start during the German Presidency and the discussion would be ongoing for a long time. Due to some restraints already mentioned by Member States, such as the question of EU competence and the question of how to ensure adequate participation by the social partners, no results were to be expected in early 2021.

The **EAPN-DE** representative underlined the high level of in-work poverty in Germany (especially for migrants, refugees and low-skilled workers). According to the EAPN-DE, a higher minimum wage was necessary and would also help reduce the gender pay gap. The problem of enforcement was also an issue as the minimum wage was sometimes circumvented legally and illegally. At German level, the minimum wage should be increased and a European initiative for minimum wage would also be needed.

According to the **DGB**, the introduction of the statutory minimum wage in Germany was due to a decrease in collective bargaining coverage, together with an increase in precarious employment. The DGB supported the idea of a European initiative on minimum wages, which would fit in with the discussions in Germany. The trade unions would like to increase the minimum wage through the Minimum Wage Commission. According to DGB, the minimum wage had increased by nearly 2% per year since it was established, but it had been established at too low a level.

According to the **ZDH**, in the context of the current crisis that Europe was facing, the situation on the labour market differed from what it has been. In this context it was very likely that too high an increase in the national minimum wage would have a negative impact on employment.

The **ZDH** considered that making collective agreement coverage compulsory would have an adverse effect on employment and would endanger jobs. It was important to respect national traditions on social partnerships. The **DGB** would prefer everyone to be covered by collective agreements but as this was not the case, the statutory minimum wage is needed.

Representatives of the **Federal Ministry of Labour and Social Affairs** noted that compulsory collective bargaining coverage across the board would be against the German constitution. Freedom of

association had two sides: it entailed the right to join a union/organisation or not. In their view, there was no one size fits all approach when it came to wage-setting approaches.

There was also discussion of why the numbers in different statistics concerning collective bargaining coverage in Germany differed widely. According to the **ZDH**, and as confirmed by the representatives of the **Federal Ministry of Labour and Social Affairs**, it depended on whether (a) only direct coverage of collective bargaining (which had been decreasing (to about 50%) was taken into account or whether (b) the application of collective bargaining agreements without being bound by membership (i.e. employers who follow indirectly (minimum) wages set in collective bargaining agreements (about 30%) was also counted. As regards the question of whether there had been any negative impact on collective bargaining and employment due to the introduction of minimum wages, the **ZDH** argued that the negative impact of minimum wages on employment was not strong and underlined that the positive impact on employment was due to a booming economy. According to the **DGB** no negative effects on employment had been observed so far. There had been a slight decrease in marginal employment but that was the intention of the law when it was passed.

As regards the question of the adequacy of the minimum wage, the representatives of the **Federal Ministry of Labour and Social Affairs** raised the question of the EU competence to set a specific standard in relation to a certain wage level and referred to the ECJ ruling. Reflecting the views expressed in the second-phase consultation document, they also assumed that the Commission possibly saw some room for a framework but only very little in relation to adequacy.

The Ministry representatives referred to the limits set by Article 153(5) as regards what was legally possible at the EU level. They were not in favour of a provision which would set out a certain level for each Member State, as there were limits to what can be done at EU level. As regards strengthening collective bargaining, representatives of the Federal Ministry of Labour and Social Affairs would appreciate proposals at European level to strengthen collective bargaining.

According to the **EAPN-DE**, the minimum wage in Germany had a positive impact on poverty but the minimum wage was not high enough; it could not ensure a decent standard of living and should be increased to EUR 12. It should also be noted that the minimum wage was only one instrument to combat poverty. A directive for a minimum income scheme was also needed.

According to the **ZDH**, the legal limits of setting minimum wages at EU level were clear: it was crucial to respect national systems in place and the role of the social partners in the Member States. The European level should refrain from actions going too much into too much detail at Member State level. This would have an adverse effect. It was important to look at social protection systems.

From the **DGB** side, the current discussion at EU level about decent work and the minimum wage was very welcome. On the issue of strengthening collective bargaining, the EU could decide to only give money to companies with collective agreements and to introduce a transparency register on which companies having collective agreements could be entered.

3) ROMANIA – 15 June 2020

Participants from Romania included representatives from the employer confederation Concordia and the trade union confederation Cartel ALFA.

The participants were asked to outline the situation of the minimum wage in their country and their position on a possible EU initiative on minimum wages at European level.

Concordia informed the EESC that, unfortunately, Romania is rather on the opposite side of best practices and this has been highlighted many times by the European Commission, in several reports and country specific recommendations. The minimum wage is set by the government and it has to consult the social partners. In reality, these consultations are a formality and the positions of the social partners are not taken into account. Setting the minimum wage is a purely political decision without any foundation or study. It is not based on economic or social factors. There are no impact assessments and the social partners do not have the capacity to conduct these assessments. The social partners were invited to a tripartite council, but basically they were just informed about the decision.

A slight improvement has been that last year the new government organised a public consultation on three scenarios. Social partners provided their answers in writing and a couple of meetings took place. However, there was no impact analysis on the proposed increase. The Romanian minimum wage has more than doubled in the last eight years. Such an increase was necessary for convergence purposes, yet we have now reached a point where, as the latest Country Report of the EC highlights, competitiveness is at risk.

Discussing a national mechanism for improving this situation: a bi-partite body of the social partners, supported by a body of experts, to negotiate an increase and propose it to the government for approval (similar to the German model). This mechanism would support both employers and employees.

Very recently, differentiation based on the level of education was introduced in the parliament. This year, there is a lot of political pressure, as it is an election year in Romania.

Cartel ALFA said that all five big national level trade unions in Romania support the EU proposal for decent minimum wages. This is very important to fight social dumping in Europe and the mechanism proposed by the Commission could be an effective instrument. They agreed with most of what the employers had said. However, one remark was that bi-partite negotiations are only wanted by a couple of bigger companies.

There is no branch collective agreement negotiated between union federations and employers' federations in Romania. One reason for that is the change in law in 2010, which created very strict conditions for collective bargaining. Having the same criteria for setting minimum wage in Europe could be an effective tool to fight social dumping. The only change that the Romanian trade unions would suggest is to use 60% of average wage as the basis for the minimum wage instead of 60% of median wage. This would make a significant difference for Romania (2% increase vs. 20% increase).

The respondents were asked whether the minimum wage system in Romania effectively deals with poverty. They were also asked what the main obstacles for collective bargaining coverage are, as

Romania's level is one of the lowest in Europe (around 20%) and whether an EU initiative for encouraging collective bargaining could help reduce the brain drain from Romania and keep young and skilled workers in the country.

As regards fighting poverty, **Concordia** mentioned that poverty is quite high in Romania. There is a large development gap between regions. Many people are stuck in poor regions, the possibilities to leave the region for better jobs are very limited and businesses and industry do not go there because the infrastructure is missing. Therefore, internal convergence is needed, infrastructure needs to be built to create job opportunities.

One reason why collective bargaining is not functioning in Romania is that only 30 sectors are regulated, compared to 200-300 sectors in some European countries. Therefore, it is very hard to find common ground in negotiations as there are quite big differences within one such broad sector. The sectors should be re-defined and that would make collective bargaining easier.

As for the EC initiative, there is a difference between encouraging collective bargaining and setting binding rules.

Concordia mentioned that the percentage of workers who work for minimum wage is around 30%. There is a very high skills deficit in Romania, e.g. digital skills. If the skills were to improve, the wage would also improve. Imposing a too high minimum wage with no other measures to tackle the other problems (skills, infrastructure, etc.) would not support good employers and could encourage the black market.

Minimum wage convergence would not necessarily reduce brain drain. Because of the huge skills deficit, skilled and highly skilled workers are paid quite well and they do not leave so much. There are other aspects besides wage that encourage brain drain, such as healthcare, childcare and infrastructure.

According to **Cartel ALFA** 1.4 million workers out of 5 million receive a minimum wage and another 1 million receive a wage around 10-15% over the minimum wage. That means that almost half of Romanian workers have a very low wage. Brain drain is a huge problem, skilled and highly skilled workers (doctors, engineers etc.) leave because of low wages. The minimum wage allows people to cover the costs of a very small flat, nothing more. This is not enough to keep people out of poverty. Collective bargaining is also impeded by a legal requirement that business federations and trade unions should cover 50% of the branch workers. This is not the case.

Asked what factors could help boost collective bargaining in Romania, **Concordia** thought that building social partners' capacity would be very important. Members have lost trust in the functioning of these mechanisms. More in-depth analysis is needed (e.g. impact analysis of minimum wage increase). The way the current legal framework is structured also needs to be considered. Labour regulations are very detailed in Romania and there is very little space for social partners to negotiate.

It was discussed whether the use of public procurement could be a supportive measure, i.e. to link public procurement to decent working conditions and the minimum wage.

Concordia noted that this is not currently used for collective bargaining in Romania. Together with other social partners they were exploring the incentives that would bring social partners together without forcing them and encourage collective bargaining. Among those initiatives, public procurement was also considered, but no conclusion has been reached yet.

4) SPAIN – 16 June 2020

Participants from Spain included representatives from the **Comisiones Obreras** trade union, the **UGT** trade union, **European Anti-Poverty Network Spain (EAPN-ES)**, the **Ministry of Labour and Social Economy** and the **CEOE** employers' organisation. Due to a sudden and unforeseen impediment, the **CEOE** was not able to participate in the country call and therefore sent a written contribution after the meeting.

The participants were asked to outline the situation regarding the minimum wage in their country and their position on a possible EU initiative on minimum wages at European level.

From the point of view of **Comisiones Obreras**, an initiative at EU level could be very useful, because there was no harmonisation on labour matters across the European Union. The hope was that it would take the form of a directive and that it would include some binding recommendations, so that Member States could implement them with some degree of flexibility. In Spain, the system was two-fold: a government-led minimum wage, and minimum wages resulting from collective bargaining. In Spain, the double system of collective bargaining and legal minimum wage was working correctly and the legal minimum wage was helping to increase salaries through collective bargaining.

The **UGT** was also in favour of EU action, specifically a directive. Currently in Spain the system was quite flexible: the government studied the economic indicators and then decided on the minimum wage. The **UGT** representative argued in favour of enhancing information on decision-making when setting the minimum wage. From the trade union perspective, it was important to agree on the indicators to be taken into account.

According to the **EAPN-ES**, minimum wages were key to setting minimum standards to protect workers and to prevent in-work poverty. The **EAPN** was in favour of a directive, setting definitions, objectives, and methods. The directive should be based on clear criteria, and should regularly refer to a basket of key services that everyone needed. An inclusive approach was crucial. There could be scope for a second directive on minimum income. This would be especially valuable in order to protect the most vulnerable.

According to the representatives from the **Ministry of Labour and Social Economy**, the position of the government was in favour of EU action, preferably a directive. The Spanish job market was the best "laboratory" as regards the impact that minimum wage had on jobs. The consequences on macro-economic indicators were very positive. Minimum wages were therefore a key tool to promote well-being and a dynamic economy, and a driver of economic and of job growths.

On the question of the relationship between collective bargaining and the minimum wage, according to the **UGT**, after the 2012 labour market reform and after the crisis, the number of people covered by collective agreements had dropped. The UGT emphasised the need for a recommendation from the European Commission. The European Commission should assume responsibility when contrary measures were taken.

As regards the link between the job market and minimum income, according to representatives from the **Ministry of Labour and Social Economy**, the main problems in Spain were job precarity and long-term unemployment. A minimum income was a solution for some workers, for example older people who find it difficult to find a job. The aim of a national minimum income was to bring coherence to the general system.

On the question of whether, at the time that the minimum wages rose, incentives were also given to SMEs and enterprises to employ people, according to representatives from the **Ministry of Labour and Social Economy** there were no tax reforms to support SMEs in 2017-2018 in order to create jobs. The government wanted to bring in measures that had a broad consensus in order to modernise the Spanish labour market.

According to the **EAPN-ES**, most minimum income systems are below what the minimum wage can offer them. A Minimum Income Directive was needed, that complemented a Minimum Wage Directive. The EAPN had been fighting for a Minimum Income Directive for 25 years. It was particularly crucial to help severe cases of poverty.

The **UGT** concluded by stating that an EU-wide instrument on a minimum wage would be very beneficial for Spain and for the EU in general, in order to have decent remuneration for workers and more harmonisation throughout the EU. Such measures should be binding and go hand-in-hand with boosting collective bargaining.

Representatives from the **Ministry of Labour and Social Economy** concluded that an EU-wide instrument would be very beneficial especially to fight social dumping. They also emphasized that most people in precarious situations were women (e.g. domestic workers or in other precarious areas of work).

From the point of view of the **CEOE**⁴⁹, there was no doubt about the role minimum wages play at national level, particularly in those cases where they were subject to a social dialogue process. Minimum wage setting should be based on clear and stable criteria and these should be established in agreement with the social partners, so that wages could be updated regularly and in a way that was consistent with the economic context and the evolution of the labour market. The role of the social partners should be not only promoted but prioritised in Member States. This was a key aspect to be considered, since there were significant differences between economic structures, sectors and even within companies, depending on their size, among other issues. In this respect, collective bargaining was of outmost importance.

⁴⁹ Due to a sudden and unforeseen impediment, the CEOE was not able to participate in the country call and therefore sent a written contribution after the meeting.

When it came to the European level, two main elements should be borne in mind. First, the EU had no competence on wages (Article 153 of the Treaty on the Functioning of the European Union). Second, that discussions on minimum wages could be isolated from broader issues which affected the labour market as well as social security systems. As a result, the CEOE considered that the European debate should not be focused on new legislative instruments, but rather on how to enhance the European Semester process.

5) POLAND – 16 June 2020

Participants from Poland included representatives from the trade union OPZZ, the European Anti-Poverty Network (EAPN-PL), the trade union NSZZ Solidarność and the employer confederation, Konfederacja Lewiatan.

Participants were asked to outline the situation of the minimum wage in their country and their position on a possible EU initiative on minimum wages at European level. They were asked to give their view on the effect of minimum wage on employment and the areas that this proposal should regulate. They were asked to give their views on the situation of collective bargaining.

Konfederacja Lewiatan mentioned that the minimum wage is negotiated every year, but that this is not a success story since for many years the decision has been taken by the government. The organisation takes the position that there is no need for a binding EU initiative in the field of minimum wages (such as a directive) and that from their side they would prefer instruments such as recommendations rather than legislation. There is a risk that an increase in minimum wages, apart from economic factors for a given country, would lead to an increase in unemployment but also in the black economy. Minimum wage is not an issue that can be set at EU level. Discussions should rather be at Member State level as there are some special features and characteristics that must be taken into account. For example, the social and taxation systems of all Member States are different. Konfederacja Lewiatan would therefore prefer that the subsidiarity principle is respected in this regard. Concerning collective agreements, these should be reinforced at national level, and EU support is needed for this, especially with regard to capacity building.

The **OPZZ** representative mentioned that he participates in the Social Dialogue Council (SDC). The minimum wage is negotiated annually therein. For OPZZ, minimum wage has both economic and social relevance. In Poland, there is a legal category of "decent wages", but it does not include the amount of money. As a result, the minimum wage is only slightly higher than the minimum subsistence level. Currently there is no talk on decent wages in Poland. OPZZ is in favour of a framework directive on minimum wages. There is no scientific data in Poland showing that an increase in minimum wages will result in an increase in unemployment. This is constantly repeated in negotiations since employers raise this issue often. OPZZ believes that soft instruments for minimum wages will not work either in Poland or in the EU. There is a need for a policy of upward convergence. Statistics show that the low minimum wage in Poland favours economic migration, since people are looking for opportunities abroad. OPZZ expects that the share of wages in GDP in Poland will increase, and to this end, wage levels, including minimum wage, must reflect the GDP growth rate and labour productivity. Discussions about wages as well as work on dialogue at sectoral level are direly needed. There is a lack of trust between employers, trade unions and the government. In Poland the tax

system is still less favourable for lower incomes than higher incomes. Fictitious self-employment exists because taxes are lower. He mentioned the need for an increase in financing for innovation and research development, since this is the means through which productivity can be raised.

EAPN-PL explained that in Poland, minimum wage has never been considered a main tool to fight against poverty. Since Polish NGOs are not included in the SDC, they are not involved in the deliberations on the minimum wage. They would like this to be changed, however, given that at the same time NGOs are also employers. A raise in minimum wage from the side of the government should translate into a raise in the supplementary payments that NGOs receive. EAPN-PL believes that minimum wage is not the only solution to combat poverty, but that a broader perspective needs to be adopted. In-work poverty is high in Poland not only due to the low level of wages, but also because of other important factors like inactive or unemployed members of households, mainly women with children and people with disabilities, but also a low level of minimum income protection. EAPN-PL feels that an EU directive on minimum wages would have a positive impact, but it should be complemented by a framework directive on minimum income.

NSZZ Solidarność mentioned that regulation in this area is crucial. A framework directive on minimum wages would be positive, as recommendations are considered too soft for this area. This legal instrument should be accompanied by support for collective bargaining. There needs to be European fair minimum wages, and a European framework needs to be established. This does not mean that there should be one minimum wage for all the EU, but a common definition for this. The directive should not interfere in the industrial relations of the country. Minimum wage should be bound by collective agreement. This can be achieved by the directive. The directive should foresee the provision that anyone who is a worker is covered by the minimum wage. At the moment, persons who are sent to an internship financed by the Labour Fund receive a salary lower than the minimum wage. Persons who perform work under a contract on aid for harvesting also do not have a minimum wage guarantee. In Poland there are workers whose labour contracts are not covered by the Polish regulation on the minimum wage, and receive pay which is lower than the minimum wage. The directive should also give impetus for implementing the European Pillar of Social Rights.

NSZZ Solidarność does not foresee that the directive will translate into a dramatic increase in collective agreements, but checks are needed to surmount the obstacles. In Poland there are limitations on the right to strike and no legal possibility for collective agreements for the civil service. This directive can serve as a check-list. There should be incentives to have collective agreements. In Poland multinational companies are very important, but double standards are present, since the situation concerning wages in the multinational's country and where they operate from is totally different. A directive can force Member States to find solutions to the present obstacles.
