

Fact sheet

Proposal for a Directive on Minimum Wages in the EU

European minimum wages: Correct diagnosis, wrong treatment

Many European workers are insufficiently compensated for their labour. The EU needs to mitigate and reverse rising inequality, and eradicate in-work poverty. It is imperative that workers are provided with wages that allow for a decent living. Adequate wages are however best achieved through collective bargaining by strong trade

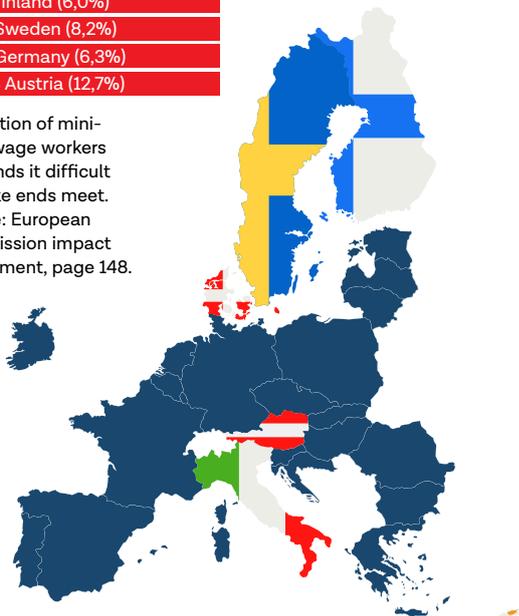
unions. Strong trade unions rely on a high degree of unionisation. This is not promoted through statutory minimum wages or extension mechanisms. The proposed directive on European minimum wages is therefore not the answer, and will not rectify the challenges of poor working people.

Collective bargaining models work

Most EU Member States, have statutory minimum wages. However Austria, Cyprus, Denmark, Finland, Italy and Sweden do not have statutory minimum wages, as wages are set within collective bargaining systems. As the table shows, collective bargaining models are highly efficient towards securing adequate minimum wages, where ends meet.

2%	Denmark (6,0%)
3%	Finland (6,0%)
4%	Sweden (8,2%)
4%	Germany (6,3%)
8%	Austria (12,7%)

Proportion of minimum wage workers who finds it difficult to make ends meet. Source: European Commission impact assessment, page 148.



Not an effective instrument

The current proposal does not ensure adequate wages for those who need it the most in Europe. In addition, minimum wages may risk becoming a de facto maximum wage in sectors that today have higher wage levels. In the long run they can have a negative effect on the wage level for skilled and unskilled labour.

No legal basis

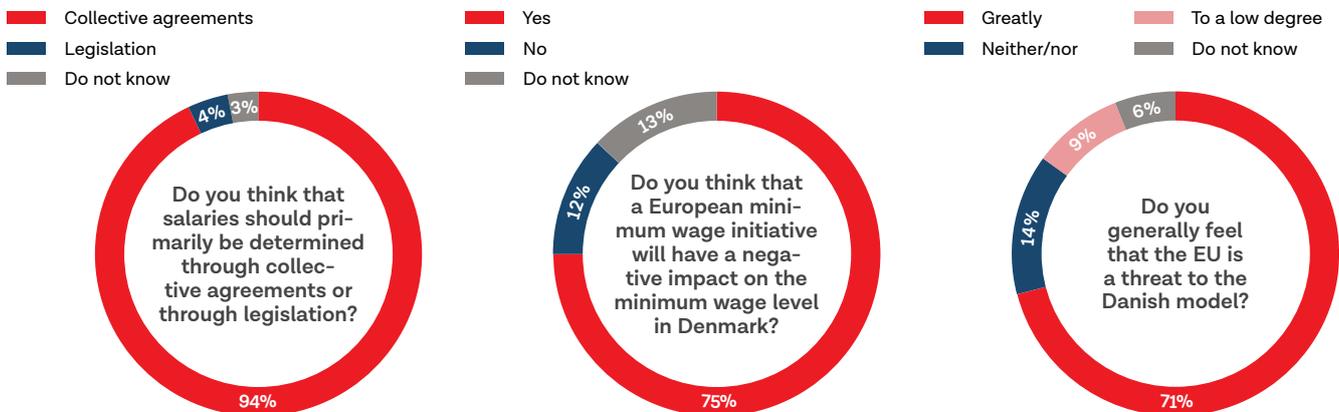
The European Commission bases the proposal for a Directive on minimum wages on Article 153(1) (b) and Article 153(2) of TFEU.

However Article 153(5) TEUF clearly states that basic wage setting is a Member State competence: "The provisions of this Article shall not apply to pay, the right of association, the right to strike or the

right to impose lock-outs."

There is a reason for this exemption in the Treaty: not only wages, but also the right to strike, association etc. are best secured on national level. This must be respected in order not to erode the entire article and the Treaty upon which the competences and the workings of the Union is decided.

Worried skilled and unskilled workers



Source: Survey with 3F trade union representatives. October 2020.

Alternatives towards fair work in the EU

We support a range of proposals that will not risk undermining collective bargaining models in Europe. Here are some:

Fair representation

- Invest in long-term capacity building for national and sectoral social partners via EU funds, projects and programmes.
- Include social dialogue impact in the Commission's impact assessments.

A fair free movement

- Introduce a European Social Security Number, including a personal labour card, as an effective regulation for social security enforcement, securing tax payments, labour rights and fair mobility.
- Speed up the implementation process of the European Labour Authority to make it fully operational as soon as possible.
- Prevent market exploitation of skilled and unskilled third-country nationals by requiring and enforcing sufficient and validated work and residence permits.

A fair changing labour market

- Strengthen social clauses in public procurements and establish a European exclusion mechanism to exclude primary contractors and subcontractors who repeatedly engage in social dumping and other types of non-compliance.
- Improve protection of people employed on short-term and atypical contracts, self-employed and workers with insecure forms of employment, to ensure that there is no deterioration of living conditions and rights.
- Introduce an ambitious initiative to improve the working conditions of platform workers and prevent false self-employment.

Statutory minimum wages may be forced through by the CJEU

Despite an exemption clause in the proposed directive, it risks creating a legal basis of which the European Court of Justice can set out individual rights for workers. This may be a strength in some countries but can have detrimental impact in countries with labour market models where wages are decided entirely on collective bargaining between social partners. Thus, with this proposed directive, the European Court of Justice could impose statutory minimum wages through the back door in countries that today rely on collective bargaining.

 **Contact:**
3F's EU-Office
in Brussels

Head of secretariat
Simon Redder Momsen
simon.redder@3f.dk
+32 (0)474 981 578