

Adequate minimum wages in the European Union

2020/0310(COD) - 28/10/2020 - Legislative proposal

PURPOSE: to establish a framework to improve the adequacy of minimum wages and to increase the access of workers to minimum wage protection.

PROPOSED ACT: Directive of the European Parliament and of the Council.

ROLE OF THE EUROPEAN PARLIAMENT: the European Parliament decides in accordance with the ordinary legislative procedure and on an equal footing with the Council.

BACKGROUND: adequate minimum wages are a fundamental component of the European model of social market economy. When set at adequate levels, minimum wages protect the income of disadvantaged

workers, help ensure a decent living, and limit the fall in income during bad times. During economic recessions, such as the COVID-19 crisis, the role of minimum wages in protecting low-wage workers is essential to support a sustainable and inclusive economic recovery.

Principle 6 of the Pillar on ‘Wages’ calls for adequate minimum wages as well as for transparent and predictable wage setting to be put in place, according to national practices and respecting the autonomy of the social partners.

Minimum wage protection can be provided by collective agreements (as is the case in six Member States) or by statutory minimum wages set by law (as is the case in 21 Member States).

However, many workers are currently not protected by adequate minimum wages in the EU. In the majority of Member States with national statutory minimum wages, minimum wages are too low vis-à-vis other wages or to provide a decent living, even if they have increased in recent years. National statutory minimum wages are lower than 60% of the gross median wage and/or 50% of the gross average wage in almost all Member States. In 2018, the statutory minimum wage did not provide sufficient income for a single minimum-wage earner to reach the at-risk-of-poverty threshold in nine Member States.

In this context, the proposed directive aims to ensure that EU workers are protected by adequate minimum wages allowing for a decent living wherever they work.

IMPACT ASSESSMENT: the quantitative analysis carried out on a scenario based on a hypothetical increase of minimum wages to 60% of the gross median wage shows that it would improve the adequacy of minimum wages in about half of the Member States. Between 10 and 20 million workers would benefit from these improvements. In several countries, improvements in minimum wage protection would result in a reduction of in-work poverty and wage inequality by over 10% and a reduction in the gender pay gap by about 5% or more.

CONTENT: the proposed directive establishes minimum requirements at EU level to ensure both that minimum wages are set at an adequate level and that workers can have access to the protection offered by minimum wages, either in the form of a statutory minimum wage or in the form of wages set by collective agreements.

The proposal respects Member States’ competence to set higher standards, without prejudice to the role that Member States may entrust to social partners, in accordance with national traditions and in full respect of social partners’ contractual freedom.

The proposed Directive:

- would apply to workers with an employment contract or employment relationship as defined by law, collective agreements or practice in each Member State, including workers in atypical forms of employment ;
- would oblige Member States to take measures to promote the capacity of the social partners to engage in collective bargaining on wages to encourage wage bargaining.

In the case of countries where there is a legal minimum wage, the proposal:

- requires Member States to provide for national criteria for setting and updating statutory minimum wages that are defined in a stable and clear manner, regular and timely updates and the establishment of consultative bodies;
- calls on the Member States, in consultation with the social partners to: (i) limit the use of variations in minimum wages and their application over time and their extent and (ii) provide for the protection of statutory minimum wages against unjustified or disproportionate deductions;
- requires effective and timely participation of the social partners in the setting and updating of statutory minimum wages, including through participation in consultative bodies;
- Requires Member States to take the necessary measures to ensure that workers have effective access to the protection offered by statutory minimum wages (e.g. strengthening the system of controls and field inspections, informing workers about applicable statutory minimum wages).

With a view to monitoring the implementation of this Directive, the Commission should report to the European Parliament and the Council its assessment of developments in the adequacy and coverage of minimum wages on the basis of the information provided by Member States.