

# Adequate minimum wages in the European Union

2020/0310(COD) - 14/09/2022 - Text adopted by Parliament, 1st reading/single reading

The European Parliament adopted by 505 votes to 92, with 44 abstentions, a legislative resolution on the proposal for a directive of the European Parliament and of the Council on adequate minimum wages in the European Union.

The proposal for a directive establishes a framework for making minimum wages more adequate and improving workers' access to minimum wage protection.

The European Parliament's first reading position under the ordinary legislative procedure amends the proposal as follows:

## ***Framework established by the Directive***

The Directive aims to improve living and working conditions in the Union with the objective of contributing to upward social convergence and reducing wage inequalities.

To this end, the Directive establishes a framework for:

- the **adequacy of statutory minimum wages** with a view to achieving decent living and working conditions;
- the **promotion of collective bargaining** for wage-setting;
- **enhancing effective access of workers to rights to minimum wage protection** where provided for in national law and/or collective agreements.

It is clarified that the Directive is without prejudice to the full respect of the autonomy of the social partners and their right to negotiate and conclude collective agreements. The new directive will apply to all workers in the EU who have a contract of employment or an employment relationship. Member States where the minimum wage is already protected by collective agreements will not be obliged to apply these rules or to make these agreements generally applicable.

## ***Promotion of collective bargaining for wage-setting***

To increase the coverage of collective bargaining and to facilitate the exercise of the right to collective bargaining for wage-setting, Member States, with the participation of the social partners and in accordance with national law and practice, should:

- **encourage constructive negotiations** on wages between the social partners on an equal footing, in which both parties have access to appropriate information to exercise their functions regarding collective bargaining for wage-setting;
- take measures, where appropriate, to **protect the exercise of the right to collective bargaining** and to promote collective bargaining for wage-setting.

In countries where **less than 80% of workers** are covered by collective bargaining, Member States, in collaboration with the social partners, should draw up an action plan to promote collective bargaining.

## **Procedure for setting adequate statutory minimum wages**

Member States with statutory minimum wages should establish the necessary procedures for the setting and updating of statutory minimum wages. These procedures should be guided by criteria set to contribute to their adequacy, with the aim of achieving a decent standard of living, reducing in-work poverty, as well as promoting social cohesion and upward social convergence, and reducing the gender pay gap.

The national criteria should include at least the following elements: (a) the purchasing power of statutory minimum wages, taking into account the cost of living; (b) the general level of wages and their distribution; (c) the growth rate of wages; (d) long-term national productivity levels and developments.

Member States should use **indicative reference values** to guide their assessment of adequacy of statutory minimum wages. To that end, they may use indicative reference values commonly used at international level such as **60 % of the gross median wage and 50 % of the gross average wage**, and/or indicative reference values used at national level.

Regular and timely updates of statutory minimum wages should take place at least every two years.

## ***Enforcement system***

The amended text introduces an obligation for Member States to put in place an effective enforcement system, including reliable monitoring as well as controls and field inspections, in order to ensure compliance with these rules and to combat abusive sub-contracting, bogus self-employment, undeclared overtime or health and safety risks linked to increased work intensity.

Member States will also need to take measures to (i) ensure that, in awarding and performing **public contracts**, economic operators and their subcontractors respect the applicable obligations concerning wages and the right to collective bargaining on wage setting; and (ii) ensure that effective **data collection tools** are in place to monitor minimum wage protection.

## ***Information on minimum wage protection***

Information on statutory minimum wages and minimum wage protection provided by generally applicable collective agreements, including information on **redress mechanisms**, should be made available to the public, where necessary in the most relevant language, as determined by the Member State, in a comprehensive and easily accessible way, including to persons with disabilities.