

POSITION ON

“FAIR MINIMUM WAGES” REGULATION IN THE EUROPEAN UNION

In light of the European Commission’s second stage of consultations

The European Commission has launched a second stage of consultations with trade unions and employers’ organisations on 4 June 2020 on fair minimum wages; a priority of the European Commission. It holds as a premise, a fair minimum wage for all workers in the European Union. The aim of the second consultation is to ask trade unions and employers’ organisations what type of policy instrument they would see as most appropriate and to what end. Hereby, as the European Enterprise Alliance, and on behalf of our membership, we would like to highlight the following concerns with regard to the European Commission’s intentions:

The European Pillar of Social Rights are non-binding. Therefore, any relevant initiative should be non-binding.

1

The Commission has decided the possibility of adopting various policy instruments such as a Directive, or non-legislative measures such as a Council Recommendation using the European Pillar of Social Rights (hereafter “EPSR”) as the legal basis. The EPSR is a non-binding political declaration which therefore, does not allow the possibility for a legislative instrument:

- Section 18 of the EPSR Preamble: “at Union level, the European Pillar of Social Rights does not entail an extension of the Union’s powers and tasks as conferred by the Treaties. It should be implemented within the limits of those powers”.

Social rights are primarily within the competence of Member States.

The principle of subsidiarity in the EPSR is clearly defined:

- Section 19 of the EPSR Preamble: “the establishment of the European Pillar of Social Rights does not affect the right of Member States to define the fundamental principles

of their social security systems and manage their public finances, and must not significantly affect the financial equilibrium thereof”.

Furthermore, with regard to a legal basis, the European Commission bases its intentions to introduce minimum wage policy on Art. 153 sec. 1 of the Treaty of the Functioning of the European Union which provides that:

- “the Union shall support and complement the activities of the Member States”.

The differences between Member States make a top-down approach to social policy, especially with regard to minimum wages a difficult reality.

Considering the vast discrepancies in regulations between individual Member States, highlighted, for example, in the Commission’s distinction between statutory minimum wages and a collective bargaining system, make it an extraordinary difficult context to find even basic EU-wide minimum standards. What makes the prospect of an EU-wide minimum wage policy an even more complex aim is the fact that Member States adapt their minimum wage approach in accordance to their local economic and social realities.

2

Introducing an EU-wide minimum wage policy will have repercussions which contradict the strengthening of social standards.

The EEA fully understands and appreciates the positive intentions of the Commission to contribute to the improvement of working conditions as well as the standard of living of workers. The Commission also seeks to keep jobs and maintain competitiveness. We don’t believe that one has to come at the price of the other, but we understand that introducing an EU-wide minimum wage policy would undermine the job market, which in turn would weaken the standard of living of workers and their working conditions.

To illustrate, with a view of avoiding rising labour costs due to the introduction of an EU minimum wage policy, employers would seek other options such as part-time work, or

indefinite employment contracts, which will effectively reduce remuneration. We believe that especially the SME sector will be hit the hardest to this end, strongly reducing their capacity to be competitive.

The Commission's options to ensure a fair minimum wage include establishing an efficient collective bargaining system, a step in the right direction but without any concrete ideas

The EEA welcomes the collective bargaining system approach as it is based more closely to labour market and economic realities from sector to sector and from Member State to Member State, rather than a statutory minimum wage. Nonetheless, the Commission does not make any specific proposals with regard to an efficient collective bargaining system apart from a non-exhaustive list of possible actions to provide support to this end.

In conclusion, it is important to iterate that the EU is primarily bound by the principle of subsidiarity. Furthermore, trying to regulate the minimum wage in a top-down manner seems an unrealisable task. Therefore, as the EEA and on behalf of its membership, it is difficult to assess the Commission's ambitions in a positive light, no matter how good the intentions are.

3