



socialplatform

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POSITION PAPER ON MINIMUM WAGE

*Working towards the introduction of
adequate minimum wages for all in
every member state*

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Social Platform is the largest civil society alliance fighting for social justice and participatory democracy in Europe. Consisting of 48 pan-European networks of NGOs, Social Platform campaigns to ensure that EU policies are developed in partnership with the people they affect, respecting fundamental rights, promoting solidarity and improving lives.

KEY MESSAGES

- I.** *An adequate minimum wage should guarantee decent living standards to workers and employees. The first pre-condition for an adequate minimum wage is that minimum wage should be higher than what is considered an adequate minimum income.*
- II.** *The second pre-condition for establishing adequate minimum wages is that, as a general rule, at least 60% of national median wage should be the minimum threshold.*
- III.** *Minimum wage should be set in a non-discriminatory way and irrespective of contract type, to ensure equal pay for equal work. Adequate minimum wages should be present in all sectors of the economy.*

The aim of this paper is to advocate for the introduction of adequate minimum wages in the member states where they do not exist, or for their adjustment where the minimum wages set - both in a statutory way and through collective bargaining - are inadequate. The paper also highlights the role the EU can play in coordinating member states' minimum wage policies towards common adequacy criteria and to stem the phenomenon of in-work poverty. Furthermore, it clarifies the need for a positive hierarchy between adequate minimum wage and adequate minimum income, as two elements of a broader upcoming Social Platform position on common social standards in the EU. This paper should be read in conjunction with the Social Platform Position paper on Adequate Minimum Income¹.

INTRODUCTION

The aim of adequate minimum wage is to contribute to minimum labour standards below which no employment relationship is considered socially acceptable.

In recent years, EU policies have focused mainly on reaching full employment, with little consideration for the quality of jobs²; even if job quality does not depend only on wage³, it is an essential element of it.

There are two main reasons why we consider that there should be an adequate minimum wage in all EU member states.

On the one hand, Social Platform is concerned about the continuous increase of working poor⁴ in the 28 EU member states that in 2013 was estimated to amount to 8.9%⁵. On the other hand, we consider that the endeavor to ensure decent wages should not undermine the need for adequate Minimum Income Schemes which are essential to ensure a dignified life and the means to participate in society for those who cannot work or access decent jobs.

¹ See Social Platform's [position paper](#) on An EU Directive on Adequate Minimum Income, in which we are calling for an EU framework directive that includes the obligation for all member states to put in place adequate minimum income protection schemes.

² Quality work and employment implies that workers need a job which gives them enough salary to allow them and their families to lead a dignified life, which gives them stability, personal safety, holidays and decent working hours, which is conducive to their mental and physical health, in which people can join a union to represent their rights, and in which they are protected by individual and collective labour law. See [SOLIDAR \(2010\): Social dialogue: a tool to promote and defend decent work and quality jobs in Europe](#) p. 4, [EAPN's 10 Principles on Quality Work](#) and [European Youth Forum \(2013\): Quality jobs for young people](#).

³ The International Labour Organization defines 'wage' as the total remuneration in cash or kind received by employees for a given period, which includes payments for time not worked (such as for annual vacations) and regular bonuses. Wages refer to gross earnings and from employers' total labour costs (which can include employers' contributions to social security, pension schemes or the costs of vocational training). Wages are only linked to so-called 'paid employment', which excludes all self-employed people such as employers, own-account workers, contributing family workers and workers in producers' cooperatives.

⁴ In-work poverty is generally understood as a state of poverty experienced by a person despite their status of being active on the labour market in paid employment.

⁵ According to Eurostat ([data of 16 February 2015](#)), in 2013 the share of persons at work and with an equivalised disposable income below the risk-of-poverty threshold - which is set at 60 % of the national median equivalised disposable income (after social transfers) - was 8.9%.

Many member states have introduced statutory minimum wage, but it is not adequate. In the majority of EU countries statutory minimum wages are below the poverty wage level, which is commonly considered to be a wage that lies below 50% of the median wage. According to the Organisation for Economic Co-operation and Development, in 2012 minimum wages – measured in terms of the median wages of full-time employees – registered a value above 50% in seven countries, between 40% and 49% in ten countries, and around 36% in Estonia and the Czech Republic⁶.

Adequate minimum wages should help lower wage earners to move up the income ladder. A recent study from Eurofound argues that the introduction of a minimum wage level of 60% of the national median wage⁷ (hereafter 60% MNW) would indeed raise the earnings of a majority of the working poor in most EU member states⁸.

In certain member states minimum wage has been introduced in a discriminatory manner. For example, in some countries a 'youth' or 'development' minimum wage has been put in place at a lower rate than that for the older population, irrespective of experience or any other factors.

Although wage-setting is technically excluded from EU competencies in the Treaty, the European Commission and the European Central Bank have enjoyed a greater influence on wages since 2011. For example, countries under Troika supervision had to sign agreements that often included reduction of minimum wage levels and public servants' pay levels⁹.

Specific proposals:

I. An adequate minimum wage should guarantee decent living standards to workers and employees. The first pre-condition for an adequate minimum wage is that it should be higher than what is considered an adequate minimum income.

Why?

- Minimum wage must be in line with human rights obligations that set the principle of fair and adequate remuneration as a basic social right¹⁰.
- Minimum wages should be of a higher level than adequate minimum income and other benefits such as statutory minimum unemployment benefits, in order to preserve incentives to work.
- In some countries there are workers earning less than the level that Social Platform considers necessary to live a life in dignity¹¹.
- Adequate minimum wages can play a positive role in reversing the destructive trend of rising numbers of working poor in Europe. If wage is insufficient, often below the poverty line, people continue to live in poverty despite having a job or, at best, are not able to satisfy the requirements for a dignified life and fully participate in society.

⁶ Thorsten Schulten, *Contours of a European Minimum Wage Policy*, Friedrich Ebert Stiftung, October 2014, p. 8-9.

⁷ The median wage is the wage between half of all employees who earn more and half of employees who earn less. It is to be distinguished from the average wage, which is calculated as the arithmetical mean of all wages.

⁸ Eurofound, *Pay in Europe in the 21st century*, 2014, p. 142.

⁹ Eurofound, *ibid*, p. 91.

¹⁰ For example, article 4 of the European Social Charter of the Council of Europe provides for the right to a fair remuneration; article 23 of the Universal Declaration of Human Rights; article 7 of the International Covenant on Economic, Social and Cultural Rights; article 31 and 33 of the Charter of fundamental rights of the EU.

¹¹ For example, in Lithuania the average wage in the national economy in the third quarter of 2014 was 696.7 EUR (gross), 541.1 EUR (net) and the minimum monthly wage was 300 EUR.

In addition, low wages mean low social security contributions, causing important repercussions for future unemployment benefits and pensions and therefore reinforcing the vicious circle of being at risk of poverty¹².

How?

- Member states should put in place adequate minimum income schemes that are accessible for all that need them. Such schemes should enable people to live a life in dignity, support their full participation in society and ensure their independence across the life cycle. They form the basis on which high quality social protection schemes should be built and should ensure a positive hierarchy with other social benefits and minimum wages¹³.
- The European Commission should aim to ensure high level wages in all member states, which allow recipients and their families to live in dignity and fully participate in society. To this end, the European Commission should explicitly support the introduction of adequate minimum wages through the European Semester, starting from the Annual Growth Survey (AGS). It should issue Country Specific Recommendations (CSRs) when wages, including minimum wages, are below minimum income and especially when they are below the poverty line. However, currently a considerable number of CSRs call for reforming wage setting mechanisms or aligning wages with productivity, which very often actually imply decreasing wages¹⁴. The European Commission should also use the Semester process to keep track of the development of wage levels.
- Social NGOs can bring their own expertise and experience on the adequacy of different forms of income, including minimum wages and their relationship to minimum income, and should therefore be consulted.

II. The second pre-condition for establishing adequate minimum wages is that, as a general rule, at least 60% of national median wage should be the minimum threshold.

Why?

- A study from Eurofound concludes that in the EU in 2010 16% of all employees (more than 28 million workers) would have benefited from the introduction of a hypothetical minimum wage level of 60% NMW¹⁵. The progressive introduction of adequate minimum wages in all EU countries towards at least 60% NMW represents a policy that supports decent standards of living, well-being of people and more equal and cohesive societies. It could help to combat in-work poverty and child poverty. In countries where wages are very low, 60% NMW cannot be considered as adequate; so the 60% rate should be considered a benchmark that needs to be tested against real costs and disposable income.
- Raising the lower wage segment broadens the tax base for governments and can boost internal consumption and demand, to re-launch economies.

¹² EAPN, *Quality of work and employment in the EU*, Explainer no. 5, 2014, pp. 38-9.

¹³ See Social Platform's position paper on minimum income.

¹⁴ From the analysis of the 2012 CSRs carried out by EAPN, it emerges that CSRs contained contradictory messages. On the one hand, Italy and Poland received recommendations about tackling labour market segmentation and in-work poverty. On the other hand, countries like Spain, Belgium, Luxembourg and Sweden were urged to implement more labour market flexibilisation, to reduce wage bargaining and indexation, and to introduce wage moderations or cuts. Source: EAPN, *Working and Poor. EAPN position paper on in-work poverty*, November 2013, p. 28.

¹⁵ Eurofound, *ibid*.

How?

- The European Commission should address CSRs to member states where in-work poverty is increasing or unacceptably high and job quality is deteriorating, to reverse this trend as a priority.
- Eurostat should produce regular statistics on the share of wages in relation to Gross Domestic Product in order to ensure a reversal in the destructive trend of a decreasing share of wealth that is distributed through paid employment and on the adequacy of the levels set for minimum wages, using 60% NMW as an important reference point. The European Commission should report on the share of wealth going to wages and the role played by setting minimum wage levels in relation to ensuring decent wages as a central element of quality employment and reducing the level of working poor in Europe.
- The European Commission, through the European Semester and CSRs, should recommend member states to take action to raise the level of minimum wage, as a general rule, progressively towards at least 60% NMW. The 60% rate should be considered a benchmark that needs to be tested against real costs and disposable income. This progression should be realised in different steps and by recognising and supporting social partners and the role of collective bargaining in policy design and delivery. Social NGOs can bring their own expertise and experience, brought by the people most affected, on the adequacy of different forms of income, including adequate minimum wages and their relationship to adequate minimum income, and should therefore be consulted.
 - In sectors where there is collective bargaining, trade unions and employers should take all appropriate action to progressively raise wages that are below 60% NMW towards this level.
 - In sectors where there is no collective bargaining or unionisation is low, the state should support development of social dialogue in view of setting wages progressively towards at least 60% NMW¹⁶. Social partners could, for example, extend the application of collective agreements regarding wages applied in other sectors.
 - In sectors where social dialogue has not led to the establishment of adequate wages, the state should introduce a statutory adequate minimum wage. In countries where statutory minimum wages exist but are inadequate, the state should take appropriate measures to progressively increase the level towards 60% NMW.
- While 60% NMW is an important benchmark for establishing the minimum level for wages, it needs to be tested for its adequacy in real price terms by the use of appropriate reference budget methodologies¹⁷. Social NGOs working on reference budgets related to minimum income, as well as minimum wage, should be involved in this process.
- The implementation of EU policy coordination of minimum wages should take into account domestic structures and traditions. Statutory and collectively agreed minimum wages should not be viewed as mutually exclusive. For example, the state could provide support in improving the coverage of sectorial agreements, by means of extension of sectorial collective agreements¹⁸.

¹⁶ For example, in January 2015 with the Jobs Act, Italy introduced minimum wage in the sectors not covered by collective agreements, both concerning regular contracts and a form of atypical contracts (page 6, letter g).

¹⁷ Reference budgets are 'priced baskets of goods and services that represent a targeted living standard for a specific target population'. Definition used in the EU Reference Budget Project 20014-2015.

¹⁸ Thorsten Schulten and Torsten Müller, ETUI Policy Brief, n° 8/2014, *Back on the agenda: a European minimum wage standard*, p. 5.

III. Minimum wage should be set in a non-discriminatory way and irrespective of contract type, to ensure equal pay for equal work. Adequate minimum wages should be present in all sectors of the economy.

Why?

- The EU Treaty (article 157 TFEU) and several international and European conventions and agreements provide for the principle of equal pay for equal work, without discrimination¹⁹.
- In certain countries a 'youth' or 'development' minimum wage has been put in place at a lower rate than that for the older population, irrespective of experience or any other factors.
- Introducing adequate minimum wages would be beneficial to the fight against gender and ethnic pay and pension gaps. Nearly two-thirds of the workers potentially benefitting from such a policy are women and young people²⁰.
- Most workers earning an inadequate wage work in small companies, mostly in personal service sectors (around 20% in retail, 13% in health, 10% in other services and 8% in hotels and restaurants).

How?

- Member states should establish common criteria on coverage, avoiding exceptions and backdoors.
- As 25% of the EU's working poor are in part-time employment²¹, minimum wage should be applicable to part-time work, as well as to temporary and atypical contracts. Minimum wages for part-time workers should be set in proportion to their full-time equivalent.
- To prevent exploitation of migrant workers without a residence permit, member states should fully implement the 2009 Sanctions Directive²². Employers that have employed these workers should be held liable to pay the difference to the worker between the remuneration received and the minimum wage foreseen by law.
- Workers with disabilities and disadvantaged workers²³ should receive minimum wage on an equal basis as others, and should not be discriminated against. Where appropriate, aid for the employment of workers with disabilities and disadvantaged workers in the form of wage subsidies, and to cover additional costs, should be granted to employers by public authorities.
- The introduction of an adequate minimum wage is a priority in sectors that are notoriously low-paid such as hotels and restaurants, agriculture, arts and entertainment, retail, real estate, construction, education, health and social work²⁴.

¹⁹ For example, article 23.2 of the Universal Declaration of Human Rights, article 7 of the International Covenant on Economic, Social and Cultural Rights.

²⁰ For numbers about young people, see for example Eurofound, *ibid*, p. 121.

²¹ European Commission, *Employment and social situation in Europe – Report 2013*, p. 145.

²² Directive 2009/52 of the European Parliament and European Council of 18 June 2009 providing for minimum standards on sanctions and measures against employers of illegally staying third-country nationals.

²³ For a definition of disadvantaged worker, see the General Block Exemption Regulation 2014 (European Commission Regulation No. 651/2014 of 17 June 2014).

²⁴ For example, according to Eurofound, low-paid sectors include hotels and restaurants, agriculture, arts and entertainment, retail, real estate, construction, education, health and social work (Eurofound, *ibid*, pp. 122-3). Care workers should also benefit from the introduction of adequate minimum wage.

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