14 April 2015

CONTRIBUTION TO THE INFORMAL EPSCO COUNCIL

21-22 April 2015 | Riga, Latvia

(Part 2)

Towards the introduction of adequate minimum wages for all in every member state

Contribution to Workshop II: Social dialogue and wage setting – experience and recent developments (22 April)

KEY MESSAGES

I. Adequate minimum wages above adequate minimum income: *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.*

II. 60% of national median wage as minimum threshold: *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. Upholding the principle of non-discrimination in wage-setting: *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.*

PRELIMINARY NOTE

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

Social Platform fully supports social dialogue and advocates for meaningful and structured involvement of civil society next to and complementing the involvement of social partners. *We respect the different competences of social partners and civil society organisations, but want to ensure the creation of an appropriate space for both.*

We therefore thank the Latvian Presidency for its commitment to fully associating Social Platform in the informal EPSCO and their request to facilitate a broader view respecting the role of civil dialogue in improving policy decisions and outcomes.

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Contact person for this paper:

Valentina Caimi
Policy and Advocacy Advisor

T: +32 2 508 1636 · **E:** valentina.caimi@socialplatform.org

A: Square de Meeûs 18, B-1050 Brussels, Belgium · **W:** **www.socialplatform.org**

Introduction

When discussing wage setting, social partners and governments should at all times ensure the adequacy of wages in general and of minimum wages in particular to guarantee decent living standards to workers and employees.

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

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 poor** in the 28 EU member states, often due to insufficient wages.[1] On the other hand, we consider that the endeavour 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.

Many member states have introduced statutory minimum wages that are not adequate, and some have set the minimum wage in a discriminatory manner.

More information on Social Platform's position on adequate minimum wage can be found in our position paper.[2]

I. Adequate minimum wages above adequate minimum income

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.

Minimum wage must be in line with human rights obligations that set the principle of fair and adequate remuneration as a basic social right. [3] 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. 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 poverty.

We therefore call on:

1. **All member states to set up 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 wages.[4]
2. **The European Commission to call for 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 Commission should explicitly support the introduction of adequate minimum wages through the European Semester. For example, Country-Specific Recommendations (CSRs) should be addressed to member states where in-work poverty is increasing or unacceptably high and job quality is deteriorating, to reverse these trends as a priority.
3. **The EU, member states and social partners to draw from the specific expertise of social NGOs** with regards to the adequacy of different forms of income, including minimum wages and their relationship to minimum income.

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[1] EPSCO Council, Council Conclusions on inclusive labour markets, 9 March 2015.
[2] Social Platform's position paper "*Working towards the introduction of adequate minimum wages for all in every member state",* 26 February 2015.
[3] For example, article 4 of the European Social Charter of the Council of Europe.
[4] Social Platform's position paper "An EU directive on Adequate Minimum Income", 24 June 2014.

II. 60% of national median wage as minimum threshold

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.

The progressive introduction of adequate minimum wages in all EU countries towards at least 60% of national median wage (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. The 60% rate should be considered a benchmark that needs to be tested against real costs and disposable income to ensure it is adequate, as in countries with very low wages it cannot be considered adequate.

We therefore call on:

1. **The Commission to recommend that member states take action to raise the level of minimum wage progressively towards at least 60% NMW, as a general rule.** This progression should be realised through different steps and by recognising and supporting social partners and the role of collective bargaining in policy design and delivery:
   - As first step, in sectors where there is collective bargaining, social partners should take all appropriate action to progressively raise wages that are below 60% NMW towards this level.
   - As second step, 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% NMW. Social partners could, for example, extend the application of collective agreements regarding wages applied in other sectors.
   - If the first two steps do not apply, in sectors where social dialogue has not led to the establishment of adequate wages, the state should introduce a statutory adequate minimum wage. Where statutory minimum wages exist but are inadequate, the state should take appropriate measures to progressively increase the level towards 60% NMW.
2. **Eurostat to produce regular statistics on the share of wages in relation to Gross Domestic Product and on the adequacy of the levels set for minimum wages**, using 60% NMW as an important reference point.
3. **The Commission to report on the role played by setting minimum wage levels** in relation to ensuring decent wages as a central element of quality employment.
4. **Member states and social partners to use the appropriate reference budget methodologies to test the adequacy of the 60% NMW benchmark** and to involve social NGOs working on reference budgets related to minimum income and minimum wage.
5. **Member states to implement EU policy coordination of minimum wages, taking into account domestic structures and traditions.** Statutory and collectively agreed minimum wages should not be viewed as mutually exclusive.

III. Upholding the principle of non-discrimination in wage-setting

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 EU Treaty and several international and European conventions and agreements provide for the principle of equal pay for equal work, without discrimination[5]. However, in certain countries discrimination in wage setting exists, such as 'youth' or 'development' minimum wage put in place at a lower rate than that for the older population, irrespective of experience or any other factors.

Looking at the different sectors it becomes clear that most workers earning an inadequate wage work in personal service sectors, including retail, health and hospitality.

To remedy this situation, we call on member states and social partners to:

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

1. **Establish common criteria on coverage for minimum wages**, avoiding exceptions and backdoors.
2. **Apply minimum wages 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.
3. **Fully implement the 2009 Sanctions Directive** to prevent exploitation of migrant workers without a residence permit. [6] 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.
4. **Ensure minimum wage for workers with disabilities and disadvantaged workers on an equal basis as others.**[7] 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.
5. **Introduce adequate minimum wage as a priority in sectors that are notoriously low-paid**, such as hospitality, agriculture, arts and entertainment, retail, real estate, construction, education, health and social work. [8]

[6] 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.
[7] For a definition of disadvantaged worker, see the General Block Exemption Regulation 2014 (European Commission Regulation No. 651/2014 of 17 June 2014).
[8] 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.