ADEQUATE MINIMUM WAGES

Social Platform recommendations to guarantee adequate minimum wages in the European Union

Adopted and published: 30 March 2021

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Social Platform is the leading alliance uniting networks of civil society organisations advocating for social justice and participatory democracy in Europe. With a membership of 45 pan-European networks, 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.

socialplatform *EU Transparency Register ID: 85083981189-35*

Social Platform acknowledges the financial support of the European Commission's Europe for Citizens programme, managed by the Education, Audiovisual and Culture Executive Agency (EACEA). This publication reflects the author's views. The Commission is not liable for any use that may be made of the information contained in this publication.

KEY MESSAGES

1. Adequate minimum wages must guarantee a decent standard of living and ensure people's full participation and inclusion in society.

2. Adequate minimum wages must be anchored in human rights obligations and be considered a basic social right for all people in employment.

3. Adequate minimum wages must be set and applied in a non-discriminatory way to ensure equal pay for equal work. No variations or deductions on any grounds should be applied.

4. Adequate minimum wages must be applied and enforced in all sectors of the economy, irrespective of contract type.

5. The adequacy of minimum wage levels in Member States must be regularly monitored and assessed in existing EU processes, including the European Semester process.

6. Adequate minimum wages must ensure a positive hierarchy with adequate minimum income (and other social benefits) to preserve incentives to work for those who can, while guaranteeing a decent standard of living for all.

7. Member States must protect and promote social dialogue and strengthen collective bargaining, in particular sectoral and cross-sectoral collective bargaining. Member States must promote and strengthen civil dialogue.

8. Any increase in wages for staff in not-for-profit services must come with respective increases in public support for the delivery of such services.

9. Avenues to access remedies must be strengthened, and trade unions, civil society organisations and other representation organisations must be permitted to lodge complaints on behalf of workers in cases of labour violations.

10. Overall awareness of minimum wages must be increased.

Introduction

Europe is one of the most prosperous regions in the world. People living in the European Union enjoy some of the best living and working conditions and the most comprehensive social protection systems. However, outside of the global context, the situation looks different. For many people, work no longer pays enough to provide viable protection against poverty. In fact, in 2019, 9% of all workers in the EU (17.5 million people) were living at risk of poverty despite being in employment.[1]

The percentage is significantly higher in certain Member States, in specific sectors of the economy and especially for people in vulnerable situations.[2] Moreover, in-work poverty is expected to have increased significantly due to the socio-economic consequences of the COVID-19 pandemic, which continues to have a devastating impact on people's lives and incomes.

Social Platform welcomes the initiative of the European Commission to propose a Directive on Adequate Minimum Wages.[3] However, the Directive must define criteria to guarantee that minimum wages are adequate and ensure a decent standard of living. It must also be as inclusive of all workers as possible. Only if this is achieved does the Directive have the potential to contribute to improving the living and working conditions of millions of people, while fostering upward social convergence across Member States and building inclusive and resilient societies.

There are many benefits to adequate minimum wages: they help to guarantee and realise social rights, tackle in-work poverty and precarious employment, fight unfair competition, prevent race-to-the-bottom wage-setting, stabilise bottom-line wages (particularly in low-wage economic sectors), improve the attractiveness of sectors that experience increasing staff shortages, and contribute to tackling the gender and ethnic pay gaps, thereby also reducing the risk of old-age poverty and social exclusion.

Adequate minimum wages are needed now more than ever to ensure a strong COVID-19 recovery.

Background

Minimum wages exist in all Member States. While in 21 Member States they are set by law and collective agreements, in 6 Member States they are provided for by collective agreements only.[4] Across the EU, minimum wages share one common denominator: they often fail to ensure that workers can lead a life free of poverty.

In November 2017, the Council of the EU, the European Parliament, and the European Commission jointly proclaimed the European Pillar of Social Rights (Social Pillar),[5] which established 20 principles and rights and is described as "the compass of Europe's recovery and best tool to ensure no one is left behind".[6] Principle 6 of the Social Pillar lays the foundation for "the right to fair wages that provide for a decent standard of living". The

1 Eurostat (2019): In-work at-risk-of-poverty-rate.
2 Eurofound (2020): Minimum Wages in 2020 – Annual Review.
3 European Commission (2020/0310 (COD)): Proposal for a Directive of the European Parliament and of the Council on adequate minimum wages in the European Union.
4 Denmark, Italy, Cyprus, Austria, Finland and Sweden.
5 European Commission (2021): The European Pillar of Social Rights in 20 principles.
6 European Commission (2021): Commission Work Programme 2021.

principle of adequate minimum wages is also anchored in numerous guiding documents, such as the EU Social Charter, the 2019 International Labor Organization (ILO) Centenary Declaration for the Future of Work, the preamble of the 1919 ILO Constitution, the ILO Convention No. 131 on fixing minimum wages, and the United Nations Sustainable Development Goals.

In this position paper, Social Platform outlines its 10 key recommendations to guarantee adequate minimum wages for all workers in the EU, notwithstanding whether they are set by law or collective agreements.

1. Adequate minimum wages must guarantee a decent standard of living and ensure people's full participation and inclusion in society

Minimum wages should never fall below 60% of the national median wage and 50% of the national average wage. In most Member States, minimum wage levels are much lower, thereby trapping people in poverty.[7] This benchmark must be regularly tested for its adequacy by checking the actual purchasing power against the cost of goods and services in each Member State (including for work-related expenditure) and should be updated periodically. Although its preamble includes some guidance, the proposed Directive does not provide clear binding benchmarks for the calculation of adequate national minimum wage levels. As a result, this carries the risk of having to rely fully upon the political commitment of governments to make work pay.

2. Adequate minimum wages must be anchored in human rights obligations and be considered a basic social right for all people in employment

Minimum wage levels across the EU are most often not designed to guarantee and/or uphold a decent standard of living. While their levels have been rising in recent years,[8] so too has the overall cost of living – and at an even faster pace, leading to an overall increase of the number of people experiencing in-work poverty.[9] Until minimum wages reach an adequate level in all Member States, they should not be seen as stand-alone policies but rather be supplemented by government transfers (e.g. child allowances, disability or housing benefits), where needed, to uphold people's dignity and rights at all times.

3. Adequate minimum wages must be set and applied in a non-discriminatory way to ensure equal pay for equal work. No variations or deductions on any grounds should be applied

7 European Commission (2020): Joint Employment Report 2020.
8 Ibid.
9 Eurostat (2018): In-work poverty in the EU.

Certain groups – including women, young people, ethnic minorities including Roma, migrants, and people with disabilities – are more likely to work for low or (sub-)minimum wages and in exploitative forms of employment. It is crucial that minimum wages are applied in a non-discriminatory manner and without exceptions to support tackling persistent societal challenges, including closing the gender and ethnic pay gap and breaking down existing/structural barriers and stereotypes/stigma. Certain welfare benefits should not be reduced upon entering the labour market. Disability benefits, for example, must be considered an entitlement to offset the increased cost of living with a disability, as losing or reducing the entitlements while working on low or minimum wages can easily become a poverty and benefit trap. Furthermore, youth minimum wages should be banned as they disregard people's right to equal pay for equal work and are ineffective for boosting youth employment rates.

4. Adequate minimum wages must be applied and enforced in all sectors of the economy, irrespective of contract type

Minimum wage workers are more prevalent in certain sectors of the economy, including the hospitality, cleaning, retail trade and food industries, and industry for agriculture, forestry and fishery.[10] In these industries, people are also more likely to be in non-standard forms of employment and at greater risk of falling victim to exploitation. Particularly vulnerable groups include platform, on-demand, intermittent, seasonal, domestic, and voucher-based workers; trainees and apprentices; and those registered as self- employed, but who are actually in employment. Minimum wages need to be applied across all sectors, all categories of worker and all forms of employment to prevent an increase in labour exploitation and wage inequality.

5. The adequacy of minimum wage levels in Member States must be regularly monitored and assessed in existing EU processes, including the European Semester process

Existing EU policy and monitoring frameworks, including the European Semester process, should be used more systematically to examine the performance of Member States over time, especially in relation to the adequacy of minimum wages, the reduction of in-work poverty (overall and disaggregated across different groups), and with a view to phase-out and eventually remove sub-minimum rates (e.g. for the long-term unemployed and people with disabilities) and lower minimum wages (e.g. for young people and those impacted by the gender and ethnic pay gap). Member States must be held accountable for failing to comply with the provisions of the Directive. Furthermore, interlinked policies (e.g. binding pay-transparency and anti-discrimination measures) need to be better included in, and implemented through, the European Semester process.

10 Eurofound (2020): Minimum Wages in 2020 – Annual Review.

6. Adequate minimum wages must ensure a positive hierarchy with adequate minimum income (and other social benefits) to preserve incentives to work for those who can, while guaranteeing a decent standard of living for all

All people have the right to adequate resources needed to guarantee a decent standard of living, enabling their full inclusion and participation in society. While adequate minimum wages are key to make work pay and preserve the incentives to work, people outside the labour market also have the right to receive an adequate minimum income enabling a life free of poverty, with no sanctions or penalties. To achieve this, there must be a positive hierarchy between minimum wages and minimum income. Indeed, minimum income should always lift people above the national poverty threshold. It is in this spirit that we are calling for an EU Framework Directive on Adequate Minimum Income.[11]

7. Member States must protect and promote social dialogue and strengthen collective bargaining, in particular sectoral and cross-sectoral collective bargaining. Member States must promote and strengthen civil dialogue

Member States with a high level of collective bargaining coverage tend to have better working conditions and a higher standard of living. While adequate statutory minimum wages can make a difference where the collective bargaining tradition is low, the aim of the Directive must always be to increase the overall collective bargaining tradition and coverage, and to ensure respect of the right to collective bargaining in itself.[12] Member States with working collective bargaining traditions should not be obliged to also have statutory agreements, neither instead nor additionally. In recent years, the number of people covered by collective agreements has decreased significantly, with workers belonging to vulnerable groups being particularly underrepresented. Moreover, trade unions have often been prevented from carrying out their work.[13] In addition to social partners, civil society has an important role to play as they work closely with people underrepresented by traditional social partners. EU action on minimum wages must therefore be accompanied by broader civil dialogue in all Member States.

8. Any increase in wages for staff in not-for-profit services must come with respective increases in public support for the delivery of such services

While minimum wages must be increased in line with the actual cost of living, it is crucial that public support for the delivery of services by not-for-profit service providers and work

11 Social Platform (2020): An EU Framework Directive on Adequate Minimum Income.
12 Inter alia, the Directive must ban trade union busting practices and guarantee that the national action plans deliver higher collective bargaining coverage.
13 European Trade Union Confederation (2020): Reply of the European Trade Union Confederation (ETUC) to the Second Phase Consultation of Social Partners under Article 154 TFEU on a possible action addressing the challenges related to fair minimum wages.

integration social enterprises increases accordingly. Where this is not the case, cuts must be enacted elsewhere to cover the increased wages, or the service risks becoming financially unsustainable. This leads to a negative circle, which not only has a detrimental impact on the quality of services and employment support provided, but also reduces the job creation potential of both sectors, eventually impacting the quality of social services and employment opportunities that can be provided. Adequately compensating the increased costs for not-for-profit service providers and social enterprises (through, for example, public procurement and state aid contracts) would strengthen the continuity of these sectors, while at the same time improving the standard of living of workers through increased wages. By ensuring that wages are adequate in public service contracts, a better standard of living is guaranteed.

9. Avenues to access remedies must be strengthened, and trade unions, civil society organisations and other representation organisations must be permitted to lodge complaints on behalf of workers in cases of labour violations

Labour complaint mechanisms and accompanying protective measures must be strengthened, so that mechanisms are impartial, confidential and effective in providing access to redress – including compensation – for all workers, without risk of adverse consequences. Trade unions, civil society organisations and other representation organisations must be permitted to lodge complaints on behalf of workers whose rights have been violated; for example, to prevent retaliation from the employer. Moreover, enforcement authorities must have the power to directly impose fines on employers in cases of non-compliance with national minimum wages, with procedures to ensure victims actually receive the compensation they are entitled to. Furthermore, increased checks should be carried out to ensure employers adhere to national minimum wage levels and other labour standards.

10. Overall awareness of minimum wages must be increased

Information on national minimum wage levels, including on the procedure to lodge complaints in cases of non-compliance, must be available and easy for people to access, including in different languages and national minority languages of workers, and easy-to-read formats. Provisions also need to be put in place for workers who are unable to read or write. The obligation to tackle work-based discrimination must be mainstreamed as a key prerequisite to fight wage inequality. This should include anti-bias and anti-discrimination training for social partners and public authorities.

Conclusion

Overall, Social Platform welcomes the European Commission's proposal for a Directive on Adequate Minimum Wages in the EU. We now call on the full political support of Member States, the European Parliament and EU-level social partners to make this instrument a reality. In order to realise positive change in the living and working conditions of people in the EU, and to reduce in-work poverty and precarious employment conditions, ambitious targets and indicators need to define common minimum standards in setting adequate minimum wage levels across the EU.