



FAIR WAGES!
Collective bargaining **FOR ALL**
and fair minimum wages

CONFEDERATION
**SYNDICAT
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TRADE UNION**

Debunking the myths on the Directive on Adequate minimum wages in the EU

This document will be updated depending on new myths on the Directive which should be debunked.

This document should be used in conjunction with the document “*The ETUC demands for improvements to the Directive to achieve fair minimum wages and collective bargaining*”.

Myth: Higher statutory minimum wages and stronger collective bargaining hamper the economic recovery and impact negatively employment levels.

Reality: Higher statutory minimum wages and stronger collective bargaining would boost – not hamper – economic recovery.

Research on the effects of minimum wage increases has shown no adverse effects on employment or competitiveness. Not only the implementation of fair statutory minimum wages would not harm competitiveness and economic growth, in fact it would boost economic growth. Higher statutory minimum wages would create a level playing field without adverse effects for international competitiveness. Most of the minimum wage workers are in service sectors that are not exposed to international competition and whose services are performed within local markets. Since the EU economy is demand- and wage-led, fair minimum wages would boost internal demand because of the low-wage workers' greater propensity to spend additional income. Through so-called 'ripple effects' fair minimum wages would also influence the general wage development which reinforces their positive impact on internal demand and economic growth. Measures to promote collective bargaining are also necessary because fair minimum wages will only be created in labour markets with vibrant collective bargaining that raises the whole wage structure. Wage increases through higher minimum wages and stronger collective bargaining, in particular at sectoral level, would boost internal demand and thus economic growth.

Myth: There is no need for a Directive, the situation for minimum wage workers is already improving.

Reality: Without EU intervention the situation is getting worse, and the number of working poor is increasing.

For wages, and poverty wages in particular, the situation is getting worse. Income inequality continues to rise. Almost one worker in ten in the EU27 is at risk of poverty! And their share went up in the last decade (from 8.3%). Overall, 7 out of 10 minimum wage workers report at least some difficulty in making ends meet. At the same time, the number of workers covered by a collective agreement is down in 22 of the EU's 27 member states.

The EU has an obligation to act in order to achieve the objective of continuous improvement of living and working conditions. Taking no action means that the objectives and obligations of the Treaty would be denied, and Member States would be allowed to compete on a race to the bottom on poverty wages and non-respect of collective bargaining rights.

Myth: The Directive would not support wage convergence.

Reality: A strong Directive is urgently needed to ensure upward wage convergence.

As repeatedly pointed out by the European Central Bank and the European Commission 'upward wage convergence' is urgently needed for the correct functioning of the internal market and for the economies of Central and Eastern Europe. The East-West wage gap narrowed in the period up to 2008 but the trend has slowed in recent years. To narrow the gap, sectoral collective bargaining must be strengthened and promoted, ensuring a general increase of wages, including minimum wages. Higher wages are also necessary to retain a skilled and educated workforce in Central and Eastern Europe and to stop the "brain drain". This is why the provisions in the Directive supporting collective bargaining are of paramount importance.

Myth: The Directive would not really improve the situation for EU workers.

Reality: More than 24 million workers would receive a much-needed pay rise if trade union proposals for the Directive are accepted.

More than 24 million workers on low wages in the EU would receive a much-needed pay rise if trade union proposals for the Directive are accepted. The European Trade Union Confederation is pushing for a 'threshold of decency' to be included in the legislation that would ensure statutory minimum wages could never be paid at less than 60% of the median wage and 50% of the average wage in the Member State. Establishing the 'threshold of decency' would result in a pay rise for at least a quarter of the workforce in six EU countries, an analysis by the Commission has found. The ETUC is also calling for amendments to ensure that the 'adequacy' requirement in the Directive means that statutory minimum wages are always enough to ensure a decent standard of living.

Myth: The Directive would not contribute to fight gender pay gap and to support vulnerable workers.

Reality: A strong Directive is needed to protect vulnerable workers and to fight the gender pay gap.

Many COVID-19 essential workers such as carers, cleaners, health workers and agricultural workers earn only the minimum wage. According to the Commission analysis, "women, young and low-skilled workers, single parents, as well as workers with non-standard contracts are more likely to be affected by inadequate minimum wages".

"Women represent the majority of minimum wage earners in all Member States" and "being a woman doubles the likelihood of being a minimum wage earner in Czechia, Germany, France, Croatia, the Netherlands, and Slovakia". The Commission Impact Assessment also states that "the pay gap in average wages between men and women declines in all EU countries as the minimum wage increases".

The Directive on Adequate Minimum wages does not replace but complements the need to advance and reinforce the proposed Directive on Gender Pay Transparency.

Myth: Specific groups of workers should be excluded from the Directive (e.g. seafarers).
Reality: The Directive must cover all categories of workers – without exclusions.

The Directive should apply to all workers irrespective of their employment status/contract, the sector and the size of the undertaking they are employed in (Article 2). However, certain member states are calling for the exclusion of specific categories of workers from the Directive, in particular seafarers on the sole ground that they are covered by a specific international instrument, i.e. the ILO Maritime Labour Convention. The Commission proposed not to exclude any particular group of workers (e.g. seafarers) and Article 2 has been included to avoid the exclusion from the scope of non-standard workers in particular. Excluding certain groups of workers would not allow to reach the objectives of the Directive to improve the adequacy of minimum wages and the access of workers to minimum wage protection. The Directive must cover all categories of workers.

With regard to seafarers, see also the specific lobbying document prepared by ETF.

Myth: Article 6 of the Directive on exclusions and variations goes beyond the EU competences and should be amended or deleted.
Reality: The Directive must include an obligation on Member States to end exclusions from statutory minimum wages, sub-minimum rates and deductions.

To promote adequacy of minimum wages for all groups of workers, the Directive (Article 6) requires Member States, in consultation with the social partners, to (i) limit the use of statutory minimum wage variations and (ii) protect against unjustified or disproportionate variations or deductions. The Council Legal Service suggests in its legal opinion to either amend this provision to limit its effectiveness or to delete it altogether. This is legally unnecessary and politically unacceptable. **Article 6 must be amended: no exclusions, sub-minimum rates and deductions should be allowed.** It must be noted that 14 Member States and candidate countries that allow for variations in (minimum) wages for young workers have been found to be in violation of the Council of Europe European Social Charter as the wages paid to those workers are unfair and inadequate.

Myth: The Article on public procurement is merely declaratory and can be deleted.
Reality: The Article on public procurement should be kept and strengthened.

The Council Legal Service considers that Article 9 on public procurement does not intend to create new obligations beyond the scope of those contained in existing EU acquis and that it is merely “declaratory”. For ETUC, it is clear however that Article 9 authoritatively states the meaning of the existing provisions (in particular the public procurement directive 2014/24/EU) and (can) add new requirements. **By clarifying and explicitly referring to those Directive the intention is to support and strengthen their implementation in the field of minimum wages and collective bargaining.** Article 9 should thus not only be kept but also further strengthened by including concrete references to the right to collective bargaining and to organize.