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## Minimum wages across the European Union

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### Paper to be adopted by the CESI trade council 'Central Administrations and Finances' and the Presidium

#### Summary

Not all member states have statutory minimum wage and CESI supports the introduction of one in each member of the European Union. The setting of such minimum wage should represent at least 60% of the median wage in each country and be further alienated with the inflation rate of the country. An evaluation of the minimum salary should be done on a systematic basis by independent bodies. Moreover, every workers and employees having new types of contact, including atypical ones, should be included and benefiting from this setting.

#### Introduction

While 22 out of the 28 Member States have a generally applicable statutory minimum wage, the legislations across the EU regarding statutory minimum wage varies greatly. In the majority of EU Member States where no statutory minimum wages are set in laws, the minimum wage level is de facto set in sectoral collective agreements.

CESI believes that the real issues is twofold: the **amount** these minimum wages represent in real terms, often not enough to live on, and the reluctance of governments to **increase** this amount in parrallel to the country economic growth.

Across the EU member states, the lowest minimum wage is found in Bulgaria with 206.8 euro monthly, followed by Lithuania with 400 euro. On the other end of the spectrum, the UK, Germany, France, Belgium, the Netherlands, Ireland and Luxembourg have the highest level of statutory minimum wages, ranging between 1462.6 and 1998.6 euro per month.

In 2017 there was a general acceleration in growth in minimum wage compared to 2016. Between January 2017 and January 2018, 18 countries experienced a growth in the statutory minimum wage in nominal terms. However, in other countries including Greece, Germany, Luxembourg, France, Malta, the Netherlands and Belgium, the minimum wages either remained unchanged or rose only by less than 2%. In real changes, however, the rates are considerably lower, in fact this means that there is decrease of minimum wages in real changes in Germany, Belgium and Greece.

It is important to note that the EU has basically no competences in the matter of wages. Article 153 states that “the Union shall support and complement the activities of the Member States in the field of working conditions”, but the paragraph 5 of the same article provides that “provisions adopted pursuant to this article shall not affect the right of Member States to define the fundamental principle of their social security system.”

However, CESI believes that a true political will may bring the key actors of both national and EU levels to agree on guidelines and a framework to set the minimum wages applicable in all EU countries.

The reasons behind the necessity to establish such frame are (1) the fight against (in work) poverty, (2) closing the gender pay gap, (3) growing social cohesion and convergence, (4) the fight against social dumping and not least (5) a country’s competitiveness.

### **Minimum wage across the EU is crucial to tackle;**

- 1. In-work poverty** in private as well as in the public sector is a problematic present all across the European Union. The ‘working poor’ are a substantial group in the overall poverty statistics: the latest Eurostat figures put 10% of European workers at risk of poverty, up from 8% in 2007.<sup>1</sup> Facing in-work poverty, minimum wage has been seen as one of the potential solution. One of the headline targets of the Europe 2020 strategy was to have 20 million fewer people at risk of poverty by 2020. In the EU, it must be ensured that work pays sufficiently well to provide a decent living and to avoid poverty. The European Charter of Fundamental Rights ensure human dignity and the European Union must lead by example. The chapter II of the European Pillar of Social Rights, which was adopted in 2017, states that “workers have the right to fair wages that provide for a decent standard of living”, more particularly requires that wages be set “in a way that provide for the satisfaction of the needs of the workers and their family in the light of national economic and social conditions.”
- 2.** Furthermore, from a **gender pay gap** issue point of view, it is clearly visible that, women in general are suffering the most from poverty while working. This discrimination can be explained by the fact that single parent family are being affected at a bigger scale than other families. And among single parents there are mostly women. A minimum wage could help to reduce this effect and counter-balance this in-work poverty inequality based on gender.<sup>2</sup>
- 3.** Growing **social convergence** is the de facto aim of the European Union. Its member States should focus on bringing social systems and policies closer to each other, in order to lift up the ones that are seen as less strict or less regulated. However, the EU needs to be careful in avoiding a race to the bottom amongst social systems and instead, ensure that greater standards are kept in place.
- 4.** From a **fair competition or economical** point of view, it is also clear that a common minimum wage standard would be valuable as it would considerably reduce the possibilities for social dumping and help prevent excessive wage competition. Social dumping in the broad sense has been harming certain member states economies. In fact, without a legal minimum wage in the EU, the Member States get into a race to the bottom to attract businesses and capital.<sup>3</sup> Harming both the economies

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<sup>1</sup> [https://www.eurofound.europa.eu/sites/default/files/ef\\_publication/field\\_ef\\_document/ef1725en.pdf](https://www.eurofound.europa.eu/sites/default/files/ef_publication/field_ef_document/ef1725en.pdf)

<sup>2</sup> <https://assets.kpmg.com/content/dam/kpmg/ro/pdf/minimum-wage-survey-2017.pdf>

<sup>3</sup> <https://www.euractiv.com/section/social-europe-jobs/news/building-momentum-for-a-european-minimum-wage/>

of certain member states and the EU as a whole, but more importantly is a non-respect of social rights across the EU.

5. Moreover, and in more general terms, it is increasingly demonstrated that either the absence of minimum wages, or lowering or maintaining them at very low levels has a surprising negative effects on the country's competitiveness – in addition to the list of disastrous consequences of poverty and equality – it has been seen that in certain countries that once the minimum wage was raised, a strong equalising effect was noticed, further reinforced by the fact that the costs of the increase were borne by better off consumer, who faced higher prices.<sup>4</sup>

#### Those are the reasons why CESI reaffirms that:

- It is more than crucial for all member states to set minimum wages, either by laws or collective agreements. Ideally, the setting of the minimum wage should be the result of a negotiation process between the social partners and should then be institutionalized by the governments. In the absence of such agreements, CESI clearly calls upon the national legislators to establish legally binding minimum wages.
- Despite the national competence in the matter, it is the duty of the EU to act against in-work poverty, gender inequality, unfair competition and social convergence.
- CESI believes that, given the strong economic and wage disparities, the definition of nominal wages at EU level is obsolete. The promotion of a minimum wage **scales** based on each MS economies' would already be a great set forward. A common goal should be established across the EU, to increase the minimum wage to at **least 60% of the median** or average wage in each country.
- When minimum wages de facto lead to in work poverty, CESI urges for a better alignment of wages on productivity or on inflation.
- Stagnation of wages must hence be understood as a fall in average real wages and rejected. An adjustment of statutory minimum wage should be done annually.
- As labour market transformations will lead to an increase in non-standard work and self-employment, all workers, including non-standard workers (all atypical forms of work including part-time, temporary work/fixed-term, part-time, on call, zero hour, etc.) should benefit from/be covered by minimum wages.

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<sup>4</sup> 2016 European Trade Union Institute; "What role can minimum wages play in overcoming the low-wage model in central and eastern Europe?"