



02 September 2020

**Reply of the CEMR Expert Group of Local and Regional Governments as Employers to the second phase consultation of Social Partners on possible EU action addressing the challenges related to fair minimum wages [SWD(2020) 105 final]**

***1. What are your views on the specific objectives of a possible EU action set out in section 5 [of the consultation document]?***

The CEMR deems wage setting as an essential measure to protect low-wage earners, prevent in-work poverty, reduce wage inequality, and secure decent standards of living. Given the existing differences across EU member states and their labour markets, any wage-setting mechanism to be effective and legitimate has to respect and take into account these peculiarities. Therefore, the national legislators and social partners remain the most accountable institutions or bodies to this purpose.

We acknowledge that the Commission states that minimum wages are set by the national legislator and/or social partners. Anyhow, the Commission does not fully recognise that the social partners are autonomous both in setting the frame and negotiating the conditions for wages setting: with this action, the EU may pave the way to undermine the social partners autonomy.

The Commission analytical document accompanying this second phase consultation fails in showing a clear link between a more harmonised European system of wage setting and the improvement of living and working conditions. On the contrary, it appears that the national labour markets would react in different fashions to such EU action. Moreover, the analytical document shows that countries with a higher collective bargaining coverage tend to have lower wage inequality and a lower proportion of low-paid workers. In many of the analysis that the consultation documents point to, we see no clear evidence that a minimum wage setting system at EU-level is the right instrument to tackle the gender pay gap, general inequality, in-work poverty, non-standard and precarious work, etc. Legally set minimum wages might even create a downwards convergence of wages around the minimum standards.

National wage transparency measures aimed at closing the gender pay-gap should be supported. However, no specific measures are here described by the Commission. Without additional measures to reduce the gender pay-gap, minimum wages alone are not sufficient

because the gender pay-gap would not be automatically reduced, nor the risk of poverty for women.

We worry that an EU binding minimum wage initiative could have negative impacts on the incentives for social dialogue and take away the elements of collective bargaining from their control. On the other hand, specific EU action should instead focus on improving remuneration in sectors with typically precarious and temporary employment relationships, such as harvest workers or the so-called "new self-employed", who are employed via platforms.

**2. *What are your views on the possible avenues for EU action set out in section 6.1 of this document?***

In line with the principles stated above, collective bargaining needs to be supported within the boundaries set by each national system, while recognising the role of the legislators and the social partners in every member state. Any EU action should not limit or hamper the autonomy of the social partners in those countries where they are fully responsible for wage setting at national or sectoral level. Other EU member states might benefit from a framework for collective bargaining, but this should anyway not interfere with their national established practices of wage setting and social dialogue.

**3. *What are your views on the possible legal instruments presented in section 6.2 of this document?***

The EU does explicitly not have the competency regarding the issue of wage setting, according to article 153.5. It has to be considered that a Directive, such as the one outlined in the consultation documents, would lack of proportionality between the proposed means and the set objectives, and would infringe the principle of subsidiarity. Thus, the CEMR does not support an EU Directive.

A Recommendation of the Council would be a less intrusive instrument. However, it exists a considerable risk that also this instrument might have a negative impact on national wage-setting systems. Member States should not be required to introduce a statutory minimum wage system where it does not exist, and extension mechanisms should only be introduced when they are proposed by the social partners at the national level.

We suggest that the European Commission focus on supporting capacity building regarding the social dialogue and involving the national social partners in the wage setting. We believe that the European Semester is the right instrument to focus on all aspects of decent work conditions. The benefit of the European Semester is that each member state can cooperate

both with the national social partners and the Commission to identify the tools and strategies that best fit their labour markets.

**4. Are the EU social partners willing to enter into negotiations with a view to concluding an agreement under Article 155 TFEU with regard to any of the elements set out in section 5 of this document?**

Any EU action must ensure that wages, as a general rule, are autonomously agreed by and/or with national social partners, and member states properly promote collective bargaining and collective bargaining coverage, in particular sectoral collective bargaining. The European Commission should increase its support to strengthen the role of national social partners in collective bargaining. However, wage setting represents an issue that is of exclusive competence of national legislators and social partners.

We thus invite the Commission to strengthen social dialogue by putting forward a Communication identifying the challenges of national social dialogue in member states and bringing forward new tools to meet these challenges. The following suggestions seek to contribute to this work by promoting capacity building and transparency, better implementation and enforcement, awareness raising, sharing of good practice, and incentives for collective bargaining, while respecting the division of competences between member states and the EU, and the autonomy of social partners.

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