

Second phase consultation of the Social Partners under Article 154 TFEU on a possible action addressing the challenges related to fair minimum wages

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The European Confederation of the Woodworking Industries wishes to submit its reply to the second stage consultation of the social partners on a possible action addressing minimum wages, lunched by the European Commission on the 3 June 2020 via the consultation document C(2020)3570 final.

The EU and its Member States are now facing the deepest economic recession ever. The European Commission, in its 2020 Spring economic forecast, predicts a fall of the total GDP in the EU in 2020 by 7.5%. The impact varies between Member States: -4,2% in Poland, -9.7% in Greece. Unemployment is expected to rise to almost 20% in Greece, 19% in Spain, 12% in Italy and to almost 10% in Sweden.

All over Europe companies are fighting for their economic survival.

Recent statistics from Eurostat show that industrial production in Europe is down by almost 12% in June 2020 compared with June 2019. Worst hit are companies in the areas of capital goods and intermediate goods, with a drop, respectively, by more than 16% and 12%. Durable consumer goods fell by 7.5%

Within the Swedish wood and furniture industry, 70% of the companies predict a reduction of their orders during 2020. 30% report problems with liquidity. Almost one third of the companies count with dismissals. Of these, one out of four plan to reduce the workforce between 20% and 70%¹.

According to a survey by HDH (Hauptverband der Deutschen Holzindustrie), the final decline in turnover in the German woodworking industry could vary between 4 and 20 % in 2020.

In Portugal entrepreneurs estimate that the situation will progressively worsen compared to a reference time of February 2020. Overall, 70% of companies surveyed expect a decrease in turnover of 20% or more by the end of the year².

In Belgium, 85% and 90% (respectively in Wallonia and in Flanders) of the furniture and woodworking companies have applied to temporary unemployment schemes in 2020³.

¹ Survey by The Swedish Federation of Wood and Furniture Industry, April 2020

² Survey by AIMMP, the Portuguese Association of Woodworking and Furniture Industries, April 2020

³ Survey by Fedustria, the Belgian Federation of Woodworking, Furniture and Textile industries, April 2020.

Given this extraordinary situation implying increased costs on business, any initiative on minimum wages should be halted.

The immediate policy focus must be to enable a safe and rapid re-launch of economic activity, with a view to securing sustainable growth and competitiveness, safeguarding employment and creating new job opportunities.

Furthermore, CEI-Bois would like to make the following points on the content and on the specific questions asked by the Commission in the second stage consultation.

- **Question 1-2: on the specific objectives and on the possible avenues for EU action**

CEI-Bois has already in its response to the first stage consultation stated that it sees no need for EU action on minimum wages.

The Commission states as a policy objective that an initiative should ensure that minimum wages protect all workers.

CEI-Bois re-iterates that wage is contractual-based remuneration for work performed. The paradigm shift associated with the minimum wage debate, i.e. to connect wage policy no longer to productivity but to social need, must be rejected. It is not the task of wage policy to guarantee a minimum level of social security. The former is the task of the parties to collective agreements and social partners, the latter the task of the Member States.

For good reasons, minimum wages cannot replace living wages, which follow different concepts.

In Member States where the social partners are responsible for setting wage floors, the levels of the lowest wages are comparatively high. In Sweden for instance, 0% of all workers earn less than 60% of the national median wage.

Countries where wage floors are defined by sectoral collective bargaining are also among those with the highest rates of collective bargaining coverage.

The Commission estimates that the share of workers who are not formally covered by such agreements is 2% in Austria, around 10% in Sweden and Finland and around 20% in Denmark and Italy.

CEI-Bois would here like to remind that in these countries, a majority of those workers who are not formally covered by minimum wages, are either high paid white-collar workers, well above the collectively agreed wage-floors, or job-students or other young workers entering the labour market. Employers also often apply the sector-based minimum wages to workers who are not formally covered by minimum wages without being obliged to.

Furthermore, a European initiative on minimum wages or more political interference in this area, for instance by promoting directly or indirectly a system of the extension of collective agreements, would gravely weaken the incentives to organise both among employers' and workers' organisations and lead to negative side effects for fully functioning and healthy wage

setting systems and ultimately undermine the collective bargaining systems the Commission says it wants to promote.

- **Question 3: on the possible legal instrument**

As regards the possible legal instrument, CEI-Bois must again emphasise that the EU, according to article 153 (5) of the TFEU, explicitly and for good reasons lacks competence in the area of pay, especially as regards a legally binding instrument. From this follows that the EU social partners also lack mandate to enter negotiations on these topics. The Covid-19 crisis, as terrible as it may be for the workers and businesses of Europe, does not change this fact.

This limitation is valid also as regards an initiative limited to setting criteria for minimum wages at national level. Regulating this issue is exclusively a prerogative for Member States and national social partners, and not for the EU.

Fair minimum wages should be promoted by other means, for instance by support for collective bargaining, in terms of awareness raising, exchange of best practice, identifying opportunities and obstacles, support capacity building and creating incentives.

About CEI-Bois

CEI-Bois is the employers' organisation officially recognised as EU social partner for the woodworking sector. It represents 21 European and National organisations from 15 countries and is the body backing the interests of the whole industrial European wood sector: more than 180.000 companies generating an annual turnover of 142 billion euros and employing 1 million workers in the EU.