



Response of the CEMR expert group of LRGs as employers to the first phase consultation of Social Partners under Article 154 TFEU on a possible action addressing the challenges related to fair minimum wages.

Introduction

CEMR welcomes the intention of the European Commission to reinforce the social dimension of the European Union. As employers and service providers, European local and regional government is committed to provide attractive employment. A number of key issues being faced by Europe's local and regional governments and European citizens, such as unemployment (in particular youth), demographic change and diverse challenges for public services, depend on mutually complementing economic and social policies.

The Commission initiative is presented as a way to implement the European Pillar of Social Rights on in the field of minimum wages. CEMR consider the Social Pillar a policy framework containing measures proposed in the field of its 20 key principles. It is CEMR's opinion that, the 20 principles should not be legally binding or be implemented by legally binding instruments. It is essential that the Commission respects national competences. The Pillar should constitute a frame of reference, based on benchmarks to use for inspiration and development of national reforms, similarly to the UN Sustainable Development Goals. This would allow Member States, and where appropriate, local and regional governments, and national social partners to take ownership, ensure successful implementation and upward convergence.

In general, CEMR believe that the consultation document does not insist sufficiently on supporting national social partners being structurally involved in minimum wage systems, in countries where this is not yet the case. CEMR considers that it is necessary to increase the involvement of social partners at European and national level, and to take measures to strengthen the social dialogue. On employment and social policy, there is a need to find an appropriate balance of what needs to be dealt with at EU level and what should be dealt with by Member States. Respect of the principles of subsidiarity and proportionality should be ensured, and the diversity of Europe considered, e.g. different social and labour market models. Because of the differences in national structures as well as diverse historic and cultural contexts, **CEMR does not support additional minimum legal standards at European level nor a one-size fits all approach.**

CEMR advocates the recognition of diversity in Europe and sees the added value of European action in developing reference benchmarks, in respecting already existing minimum standards, and in raising awareness of the Pillar's principles. CEMR believes that the Pillar of Social Rights should aim at supporting the development of local and regional policies in the field of CEMR wishes to emphasise that all policy areas that do not fall within EU competences, such as minimum wages, should not be covered by measures proposed in the framework of the Social Pillar.

1. Do you consider that the Commission has correctly and sufficiently identified the issues and the possible areas for EU action?

CEMR underline that “*minimum wages should be set according to national traditions, through collective agreements or legal provisions*”. President Von der Leyen said “*I am a firm believer in the value of social dialogue between employers and unions, the people who know their sector and their region the best*” and we just agree. **CEMR strongly believe that collective bargaining is an essential element of the social market economy promoted by the EU and a strong foundation for good wage setting.** The respect for national traditions and for social partners’ autonomy is also underlined by the Commission and the European Parliament.

CEMR recognize that minimum wage level can have an impact on reducing in-work-poverty and poverty risks as the Commission pointed out in the consultation document. However, CEMR believe that the Commission have not clearly documented the proportionality in a potential EU action on minimum wages and the issue of poverty development in Europe. Minimum wage is one tool amongst many and is not the panacea when it comes to addressing the multifaceted issue of poverty in Europe.

Likewise, the Commission has insufficiently listed the possible negative effects on minimum wages on employment and competitiveness.

CEMR argue that non-binding instruments on fair minimum wages are more relevant to monitor a good evolution of wages setting. It is important to take into account the diversity of national contexts and institutional settings across Member States.

Collective bargaining is central to wage-setting as it defines the terms of employment and working conditions of a large share of workers and tends to reduce wage dispersion. Countries with a higher collective bargaining coverage tend to have a lower proportion of low paid workers. As sectoral social partners CEMR strongly expect to be fully consulted and involved in any initiatives that relate to collective bargaining and the regulation of the labour market.

CEMR is worried that, in the recent past, the Commission did not provide adequate support to the initiative “A new start for social dialogue” nor consistently followed it up with the sectoral social partners. It still is much needed to involve more substantially the sectoral social partners in the European Semester and to have a stronger emphasis on the capacity building of national social partners. Also, the Commission should guarantee a strengthened collaboration with sectoral social partners in EU policy and law-making, and a clearer relation between social partners’ agreements and the better regulation agenda. **The Commission do not need regulate new policy areas.** Today we need to reinforce the good system that already exists in Europe together with the social partners and in the context of the European Semester.

2. Do you consider that EU action is needed to address the identified issues? If so, what should be the scope of that action?

CEMR considers that wages are best set through collective agreements via strong autonomous social partners. Because of the differences in national structures as well as diverse historic and cultural contexts, **CEMR does not support additional minimum standards at European level nor a one-size fits all approach.** CEMR advocates the recognition of diversity in Europe and sees the **added value of European action in developing reference benchmarks, in respecting already existing minimum standards, and in raising awareness of the Pillar’s principles.**

Many Member States have a strong national labour market models, with well-recognised autonomous social partners that are responsible for wage formation and other general labour

conditions: we must safeguard it. We do not want to affect established models of effective industrial relations.

The importance of the social partners and social dialogue on the one hand, and of local and regional government on the other hand should be recognised and respected.

Municipalities and regions as employers, service providers and clients of welfare services are essential for social cohesion and employment in Europe. Meaningful participation of municipalities, and regions, as well as of the social partners at national level, in both the development and implementation of a European Pillar of Social Rights, is crucial for the Pillar to have real effect. On EU-level CEMR believe that there is also benefit in improving and reinforcing the EU skills agenda and focus on upskilling and reskilling within the European Semester, because skills is one of the main keys to get a job, be employable and earn a decent living.

3. Would you consider initiating a dialogue under Article 155 TFEU on any of the issues identified in this consultation?

At this stage, CEMR cannot support any negotiations between social partners (cross-sectoral or sectoral) at European level, under article 155 TFEU.

CEMR underline that Article 153.5 TFEU states that wages are a national competence and must be respected. In our opinion, the Commission should therefore not propose an EU-directive on minimum wages or binding measures having a direct impact on pay. If the European Commission decide to propose an instrument on minimum wages it is crucial that it is a non-legislative instrument, which can be complemented with a Council Recommendation.

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Contact details

██████████
Policy officer – Employment and public services
Conseil des Communes et Régions d'Europe
Council of European Municipalities and Regions

████████████████████████████████████████████████████████████████████████████████
██████████
square de Meeûs 1, 1000 Brussels
www.ccre.org