



Brussels, 24 February 2020

## **ECEG's draft response to the first phase social partner consultation on a possible action addressing the challenges related to fair minimum wages**

### **Introduction**

The European Chemical Employers Group (hereafter: ECEG) and its member associations welcome the opportunity to contribute to the first phase consultation of social partners under Article 154 TFEU on a possible action addressing the challenges related to fair minimum wages.

The Commission, in its consultation document, goes beyond the concept of statutory minimum wages. Beside its ambition to reduce in-work poverty, it states as objectives with the initiative to

- Achieve upward convergence
- Ensure a level playing field on the Single Market
- Help increase purchasing power of low-wage earners.

All these objectives rely on the perceived fact that raised minimum wages will lead to higher wages in general. The Commission thereby broadens the scope for the initiative to wage, wage setting and wage levels in general.

ECEG would like from the outset to emphasize that this is the wrong way to proceed. Wages and wage formation are poorly suited as tools for politicians to achieve their political ambitions. Wage is remuneration for work and should be linked to the value of the work performed.

This is also a reason why the EU, according to Article 153 (5) of the Treaty does not have competency in the domain of pay. Furthermore, Article 153 (5) also excludes the EU from matters relating to the right of association, the right to strike or the right to impose lock-outs. These are interconnected in so far as they all relate to the social model in each Member State and the role of the national social partners. The above mentioned matters are exclusively national prerogatives of the Member States.

#### **Questions to Social Partners:**

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

We do not agree with the assessment of the European Commission on the challenges and issues mentioned in the consultation document. We consider that the rationale behind the identified issues and the purpose of the document are contradictory:

On the one hand, the consultation document rightly underlines that the minimum wages are set by law in 22 Member States or via collective agreement in 6 Member States. On the other hand, it underscores that "any possible EU action in the field of minimum wages would not seek to harmonise directly the level of minimum wages across the EU [...] therefore minimum wages would continue to be set either through collective agreements or legal provisions."

We agree with Commission's analysis that minimum wages are very much linked to the economic situation in the country, moreover that unsustainable wage increases can have a negative impact on employment and on companies' possibilities to remain competitive globally. The Commission brings up in-work poverty (an increase from 2005 to 2018 from 8,1% to 9,6%) as well as the number of low-wage workers as reasons for statutory minimum wages, but fails to more in detail address the underlying reasons and possible remedies.

Low hourly earnings is just one of several reasons for in-work poverty, where others are part time work, particularly involuntary part-time, low work-intensity in the household as well as high needs and number of dependents or being self-employed.

In its report on in-work poverty<sup>1</sup> in the EU, Eurofund states that instead of minimum wages, the "policy attention should rather be on minimum household income to reflect more accurately the situation of many of the working poor".

More policy evaluations are needed to better understand the effectiveness of indirect measures that can help to address in-work poverty.

The Commission also expands its objective from protection of low-wage workers to objectives like helping to increase purchase power, achieving upward convergence and ensuring a level playing field on the single market, through the raising of outgoing wages. Such objectives are highly politicised and should be addressed with other tools and processes – and that at national level. To politicise wages and wage formation is both ineffective and a dangerous way to take.

The ECEG does not share the Commission's analysis that EU legislation has a role in improving or changing the situation in different Members States on the issue of pay. It should in this context be borne in mind that pay is the remuneration for work. Regulating the process for setting wages, defining an adequate level of wages and what constitutes pay is a very complex issue. For that very reason, pay is excluded from the competences of the EU.

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<sup>1</sup> <https://www.eurofound.europa.eu/publications/report/2017/in-work-poverty-in-the-eu#tab-02>

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

We do not see any need for EU-action, certainly not in wage formation. The challenges and ambitions described in the consultation document should instead be addressed with other tools, i.e. at national level or via European Semester.

For example:

- a. **Capacity building of national social partners**, especially in those countries where their involvement in the minimum wage-setting processes appears to be ineffective. This can be done either via dedicated projects that aim at strengthening the social dialogue on the national level or best practices' exchange, moreover via country specific recommendations within the European Semester Framework.
- b. Access of low wage workers to **better functioning education and training systems** (especially the need to encourage and support VET and Lifelong Learning) and investment in research and development are but a few areas where EU can play a huge role to address the challenges underlined in the consultation document.
- c. Instead of an initiative on minimum wage, EU needs to ensure that Member States reform labour markets, so that they function effectively for all groups of workers.

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

No. ECEG does not see how a dialogue can be initiated on any of the identified issues when it clearly goes against the Article 153 (5) of the TFEU (please see above).

For more information, please contact:

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**About ECEG**

ECEG, the European Chemical Employers Group, founded in 2002, is a recognised European Sectoral Social Partner, representing the chemicals, pharmaceuticals, rubber and plastics industries in Europe. Our sector provides approximately 3.3 million direct jobs in more than 94.000 enterprises.