

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

25 February 2020

The European Confederation of the Woodworking Industries wishes to submit its reply to the first stage consultation on initiatives addressing minimum wages, launched by the European Commission on the 14 January 2020 via the consultation document C(2020) 83 final.

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 document lacks both an economic analysis, as well as a legal one.

Economic research as well as practical experience shows that minimum wages can have positive, negative and even neutral impact on parameters such as wage level, employment, apprenticeship, productivity and competition. None of these parameters and consequences have been carefully analysed.

Existing intelligence (see for example the second evaluation report of the German Minimum Wage Committee, 2018) shows that minimum wages will only be able to reduce social welfare and income support for approximately 3% of employees (mainly full-time employed singles). At the same time, the impact of minimum wages on social security systems (in particular pension systems) needs to be carefully monitored, since the development of pensions usually follows the development of wages.

Moreover, regarding people working exclusively in marginal employment (Minijobs), a decrease in numbers has been detected, after the introduction of minimum wages in Germany 2015. Roughly half of those employees moved into an employment subject to social security contributions, the other half withdrew from the labour market or registered as unemployed. Also effects on the length of working time has been reported.

Finally, an increase of the wage cost and decrease of profit has been reported by companies affected by minimum wages. At the same time an increase of consumer prices in affected industries has taken place.

Neither does the consultation document make an honest effort to assess the legal validity of a possible binding instrument. We must here strongly emphasise that the EU, according article 153 (5) of the Treaty, explicitly, and for good reasons, lacks competence in the area of pay. The consultation document does not consider the reasons for this limitation, and instead follows a constructed line of argument to motivate its competence.

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.

The Commission states as objectives for an initiative in the area, the promotion of well-being among citizens in Europe; the fight against poverty (in-work); increase of purchasing power of low-wage earners; ensuring a level playing field on the Single Market and to counter “wage dumping”.

Even if these ambitions can be shared as valid ones, the choice of instrument is the wrong one. Wage is remuneration for work, and nothing else. It’s not a tool for politicians, certainly not at EU level, to use for their purposes to achieve their political ambitions. To politicise wages and wage formation is both ineffective and a dangerous way to take.

The challenges and ambitions described in the consultation document should instead be addressed with other tools and processes – and that at national level.

Although the Commission seems to exclude a one-size-fits-all approach, the foreseen initiative, would nevertheless undermine those labour models, where wages and wage floors are negotiated in collective agreements by autonomous social partners, models which the Commission has identified as the most effective in reducing wage dispersion and generating “a lower proportion of low paid workers”.

The Commission seems to believe that a European initiative on minimum wages would strengthen collective agreements. We disagree. Mandatory rules on the level of wages and coverage will rather weaken collective bargaining systems, not least since the incentives to organise will be weakened, both among employers and workers. An EU initiative on minimum wages will not cure bad working conditions and low wages in some member states. Instead, we fear that the proposed measures will lead to negative side effects for healthy wage setting systems.

As correctly set out by the Commission, nearly all EU Member States do have national legislation, instruments or other kind of institutions and committees already in place to deal with minimum wage setting. Annex I of the consultation document shows the variety of national procedures and proceedings in each and every Member State. Any shortcomings in these national instruments and regulations in place will not be cured by a common instrument. Thus, both for principal and practical reasons there is neither room nor necessity for further regulation at EU level.

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

No.