

EFFAT Webinar:

**Minimum Wage Directive on the eve of
its transposition in the agri-food sector**

16 September 2024



**The European Minimum Wage Directive:
Setting the scene and key provisions**

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The Minimum Wage Directive: Where we come from...



DG ECFIN's famous list of
„Employment friendly reforms“

Freezes or Cuts of Minimum Wages:

Decentralisation of Collective Bargaining

- Strengthening company derogations/
Removing favourability principle
- Limiting/abolishing extensions
Decline of bargaining coverage

“Overall reduction of wage-setting power of trade unions”



▶ Principal objectives of Minimum Wage Directive



Promotion of **adequate minimum wage** levels and **strong collective bargaining**:

Social goals:

ensuring a decent living; reducing in-work poverty and inequality

Economic goals:

providing fair competition and ensuring a more stable and inclusive economic development

Political goals:

stabilising the society particularly in times of crisis and strengthening support for European integration



▶ Setting out procedures to achieve objective of adequate MW

Criteria to be taken into account when setting or updating minimum wages (Art. 5.2):

- (a) **the purchasing power** of statutory minimum wages, taking into account the cost of living;
- (b) the **general level of wages** and their **distribution**;
- (c) the **growth rate of wages**;
- (d) **long-term national productivity** levels and developments

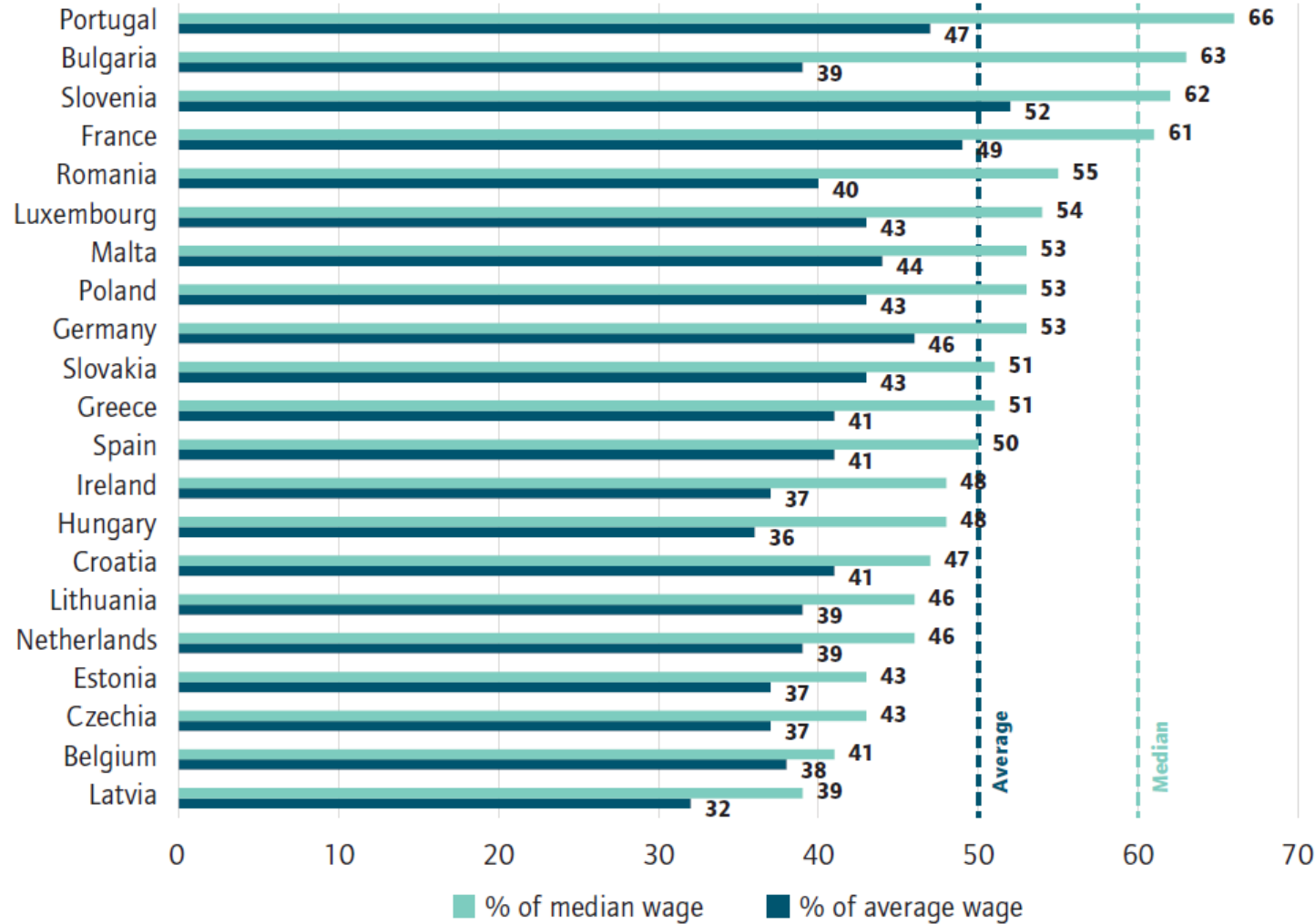


Criteria to guide the assessment of adequacy (Art. 5.4):

indicative reference values commonly used at international level such as **60%** of the **gross median wage** and **50%** of the **gross average wage**



MW as % of median and average wage (2022)



In 2022, only **Slovenia** met the double decency threshold for adequate minimum wages.

Source: OECD Earnings Database; for Malta and for Bulgaria the data were taken from Eurostat. For Bulgaria the most recent figure available at Eurostat for the percentage of the median wage comes from 2018.

▶ Impact of double decency threshold on MW Setting



Different ways and degrees of impact:

- Putting elements into **national law**: **Bulgaria** (50% of average)
- Serving as **political guideline**: **Croatia** (increases with reference to DD threshold); **Cyprus** (New statutory MW set at 60% of median); **Ireland** (government commitment to increase MW to 60% of median by 2026); **Estonia** (tripartite 'goodwill agreement' to set MW at 50% of average by 2027).
- Boosting **debate about adequacy**: **Germany**, **Latvia**, **Poland** and **Spain**
- Part of **trade union strategy**: **Netherlands** (Union campaign for MW at 60% of median); **Hungary** and **Romania** (part of union argument for MW increases)



▶ From reference values to living wage



Reference to “**decent living standard**” in national legislation:

Slovenia: The net minimum wage is set at **120% - 140% of the minimum cost of living**, considering inflation, wage growth, economic conditions or growth and employment trends.

Romania: Law of 2020 stipulates that “**decent living**” should be main criterion for setting the MW – however, the law was never applied. Friedrich-Ebert-Stiftung in cooperation with Syndex calculates “living wage” necessary for “decent living”



▶ Provisions aimed at strengthening of CB and TU rights

- Confirmation that CB is **prerogative of trade unions** (Art.3.3);
- **Promoting** the capacity of bargaining agents to bargain at (cross-) **sectoral level** (Art.4.1a);
- **Protecting the right to collective bargaining**, including protection against discrimination of trade union reps who (wish to) exercise this right (Art.4.1c);
- Clarification of the rules on **public procurement** (Art. 9)



▶ Setting out procedures to strengthen CB



Criteria to ensure stronger collective bargaining: Art.4(2)

“Member States shall, where the collective bargaining coverage rate is **less than a threshold of 80%**, provide for a **framework of enabling conditions** for collective bargaining, either by law after consultation of the social partners or by agreement with them. These Member States shall also establish an **action plan to promote collective bargaining.**”



The **action plan** shall

- set out a **clear timeline and concrete measures**
- be **reviewed regularly and updated** at least every 5 years
- be **made public** and notified to the European Commission

▶ Strengthening Collective Bargaining



Threshold of 80% coverage- what does it mean?

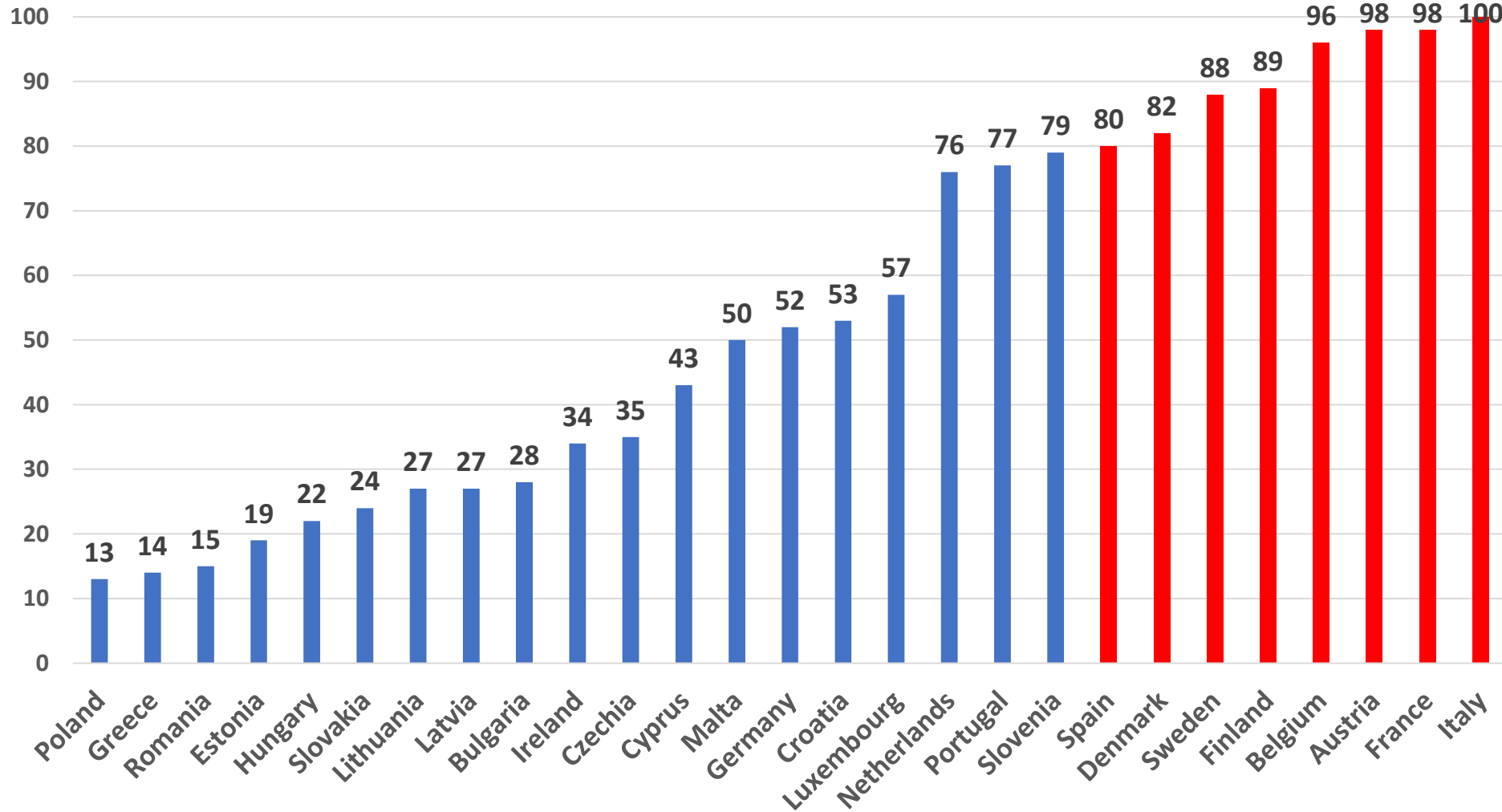
- Indicator for **adequate** bargaining coverage
- **Trigger for political action** in countries with less than 80% coverage to progressively increase coverage
- Implicit call to introduce / strengthen **sectoral system** of collective bargaining





Collective Bargaining Coverage

(2021 or most recent year available)



Only **8 countries** fulfil the 80% threshold!!!

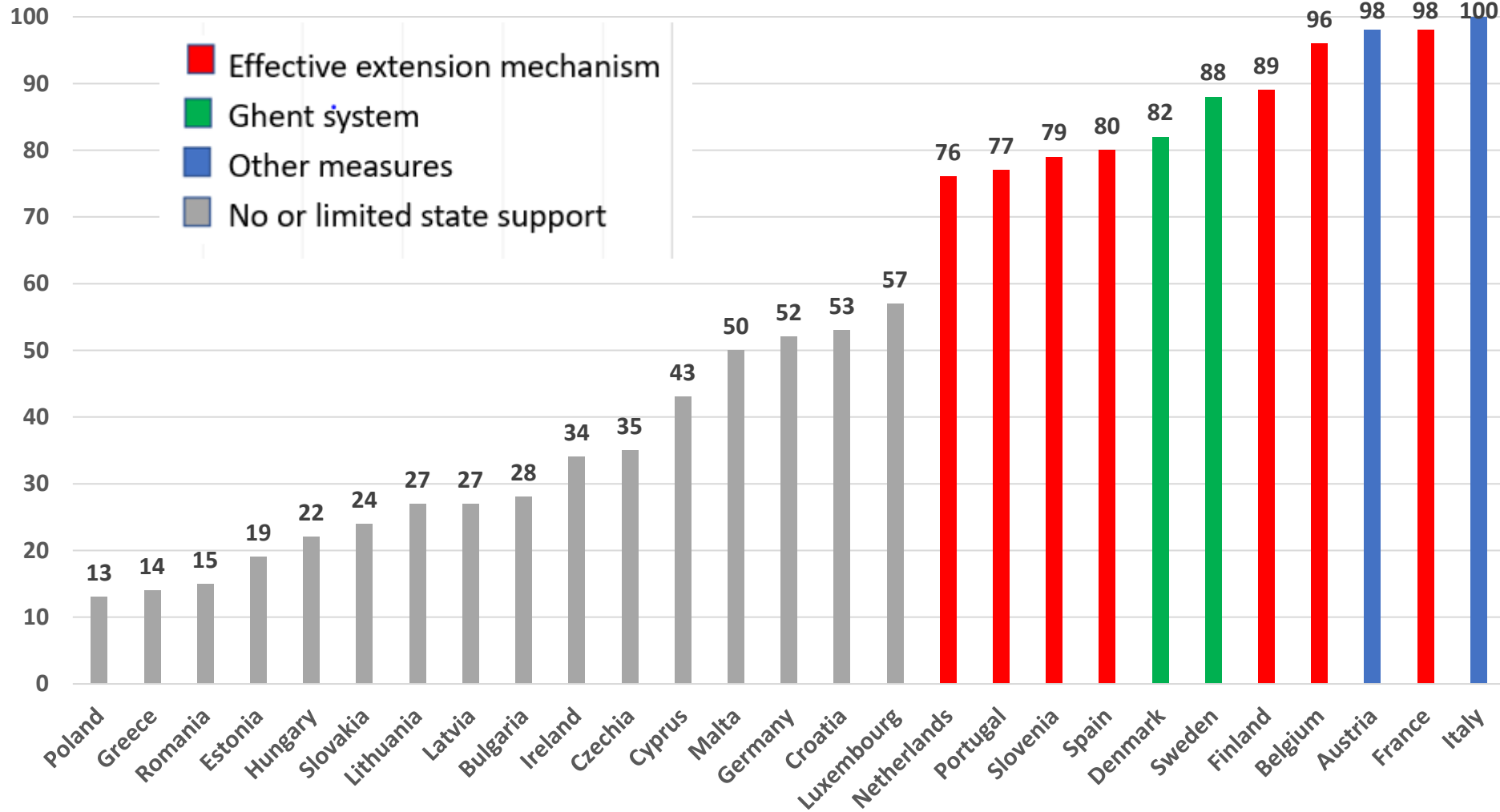
This means in **19 countries** government needs to establish action plan to improve CB coverage!!!

Source: OECD-AIAS Database

Collective Bargaining and state support



(2021 or most recent year available)



Preconditions for high CB coverage:

- Sectoral CB
- State support through extension or other mechanisms



Soft law character of Directive



In pursuit of its objectives the EMWD relies **less on setting binding standards** than on **defining procedural rules and recommendations**:



- **Frame of reference** for national policy initiatives
- Importance of **ambitious national implementation**
- **However: obligation to establish action plan**

▶ Measures to strengthen Collective Bargaining: Romania

New law on Social Dialogue (December 2022)



- **Cross-sectoral negotiations** if negotiating employers' association covers 20% of the workforce;
- Less restrictive **extension criteria**: signatory employers' association needs to represent 35% of employees (no longer 50%);
- **Company-level bargaining is mandatory** in companies with at least 10 employees (no longer 21);
- Less restrictive **representativeness criteria** for trade unions for bargaining purposes: 35% at company-level and 5% at sectoral level;
- **Less restrictive criteria establishing a union**: from at least 15 members to 10 members



Measures to strengthen Collective Bargaining: Ireland

Report of High-level working Group



Key problem: employers' reluctance to engage in negotiations with unions

Recommendations: creating **incentives** and **soft pressure** for employers



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- At **sectoral level**: ending the de-facto veto power of employers to negotiate “Employment Regulation Orders”
- At **company-level**: requirement for employers **to engage in a process of “good faith”** if requested to do so by union with “meaningful” membership



Measures to strengthen Collective Bargaining: Germany



Ministry of Labour: **Federal public procurement law** (drafting stage)



- Ensuring that **public contracts** at national level are only awarded to companies that **apply provisions of collective agreements**

DGB: **Campaign** “Turn the tide of collective bargaining”

- “Tarifwende”: increasing CB coverage through concrete political demands put to the government





Significance of MW Directive for Collective Bargaining



- EU made a **clear statement** in favor of a high bargaining coverage of at least 80%
- In many EU countries this would require a **regime change** towards a system of **sectoral bargaining** with strong state support
- EU Directive supports **political actors at national level** in favor of stronger collective bargaining by establishing a **permanent political procedure** (action plan, implementation, surveillance etc.)

► Impact of EMW Directive



- There is **no "one size fits all"** – need for country-specific solutions
- Depends on **ambitious implementation** which needs to be fought for at **national level!!!**



Legislative Train Schedule

Official deadline for transposition in national law:
15 November 2024



Current state of play:

- Government assessment of need to change existing legislation: Most cases minimalistic approach by governments
- Draft laws: Belgium, Estonia, Latvia, Lithuania, Luxembourg, Poland, Slovakia
- Transposition concluded: Hungary

▶ Thank you very much for your attention!



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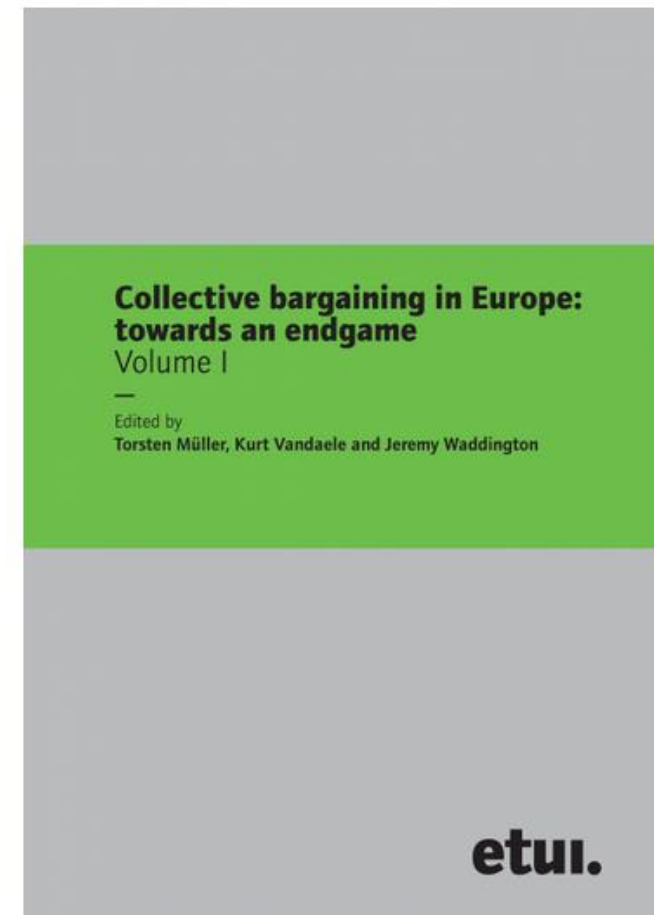
The Collective Bargaining Directive in Disguise – How the European Minimum Wage Directive Aims to Strengthen Collective Bargaining

TORSTEN MÜLLER AND THORSTEN SCHULTEN

In: Ratti L., Brameshuber E. and Pietrogiovanni V. (eds.) The EU Directive on Adequate Minimum Wages. Context, Commentary and Trajectories, Bloomsbury Publishing
<https://www.bloomsbury.com/uk/eu-directive-on-adequate-minimum-wages-9781509968725/>



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<https://www.etui.org/publications/books/collective-bargaining-in-europe-towards-an-endgame-volume-i-ii-iii-and-iv>