

# European Minimum Wage Directive: Which opportunities for trade unions in Romania?

25 April 2023, Bucharest



## European Directive on Adequate Minimum Wages: Opportunities (and challenges)

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# ▶ The European 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”**



# The European Minimum Wage Directive: What's new...

etui.

## New view of wages and CB in EMWD:

### Social goals...

- allow for a decent living
- reduce in-work poverty
- reduce inequality

### Economic goals...

- provide for fair competition
- allow for more stable and inclusive economic development

### Political goals...

- stabilize society in particular in times of crisis
- strengthen support for European integration project



# ▶ Principal objectives of EMW Directive



- Promotion of **Adequate Minimum Wage Levels**
- Promotion of **Collective Bargaining**



**What the directive does not want to do:**  
(... and is legally not allowed to do!)

- **Substantial harmonisation:** Establishing a uniform minimum wage amount across the EU
- **Institutional harmonisation:** introducing statutory minimum wages across the whole EU

# ▶ Setting out procedures to achieve objective of adequate MW



Criteria to be taken into account when setting or updating minimum wages:

- (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

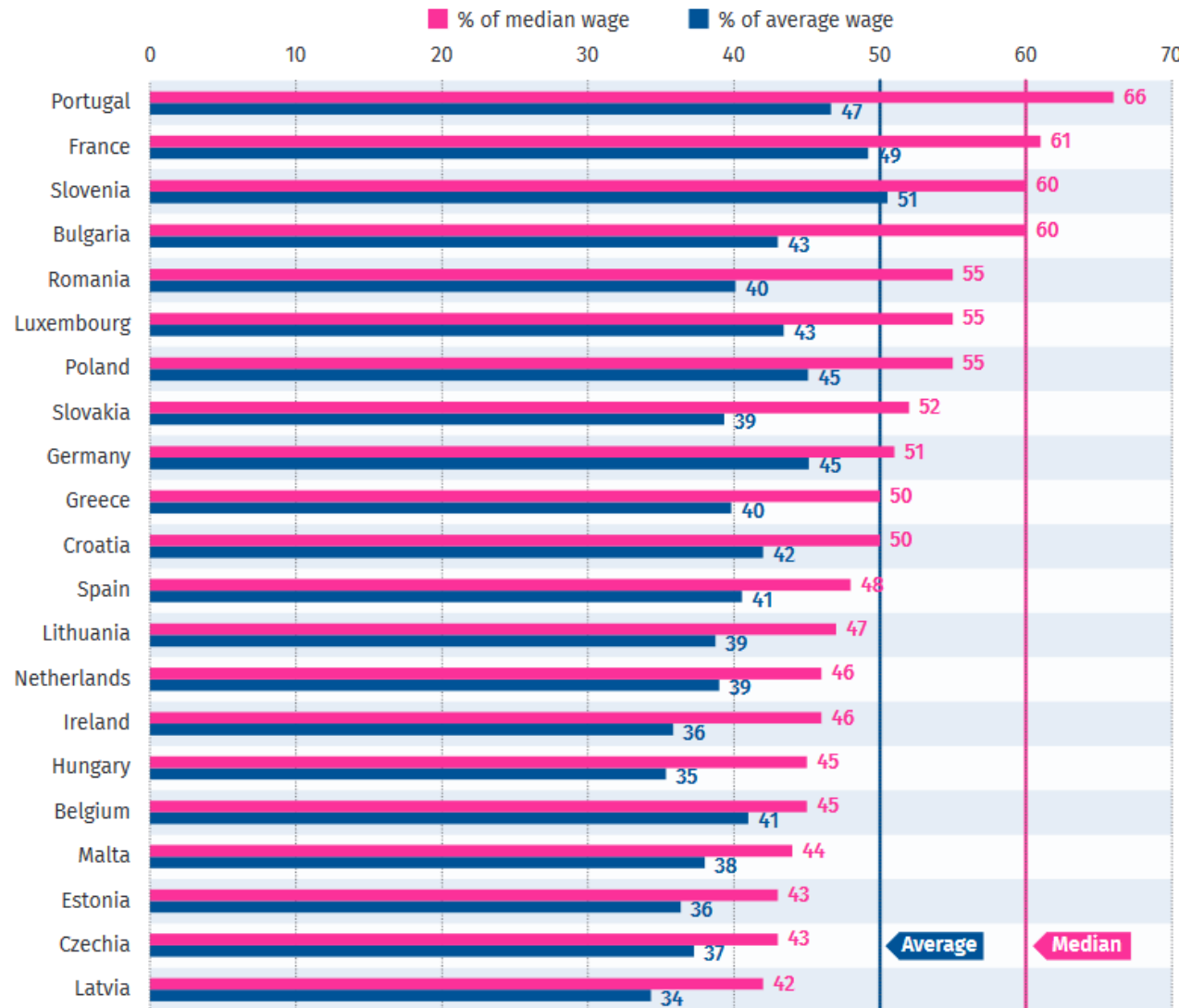


Criteria to guide the assessment of adequacy:

**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 (2021)



**Adequacy criteria:** 60% of the national median and 50% of the national average wage:

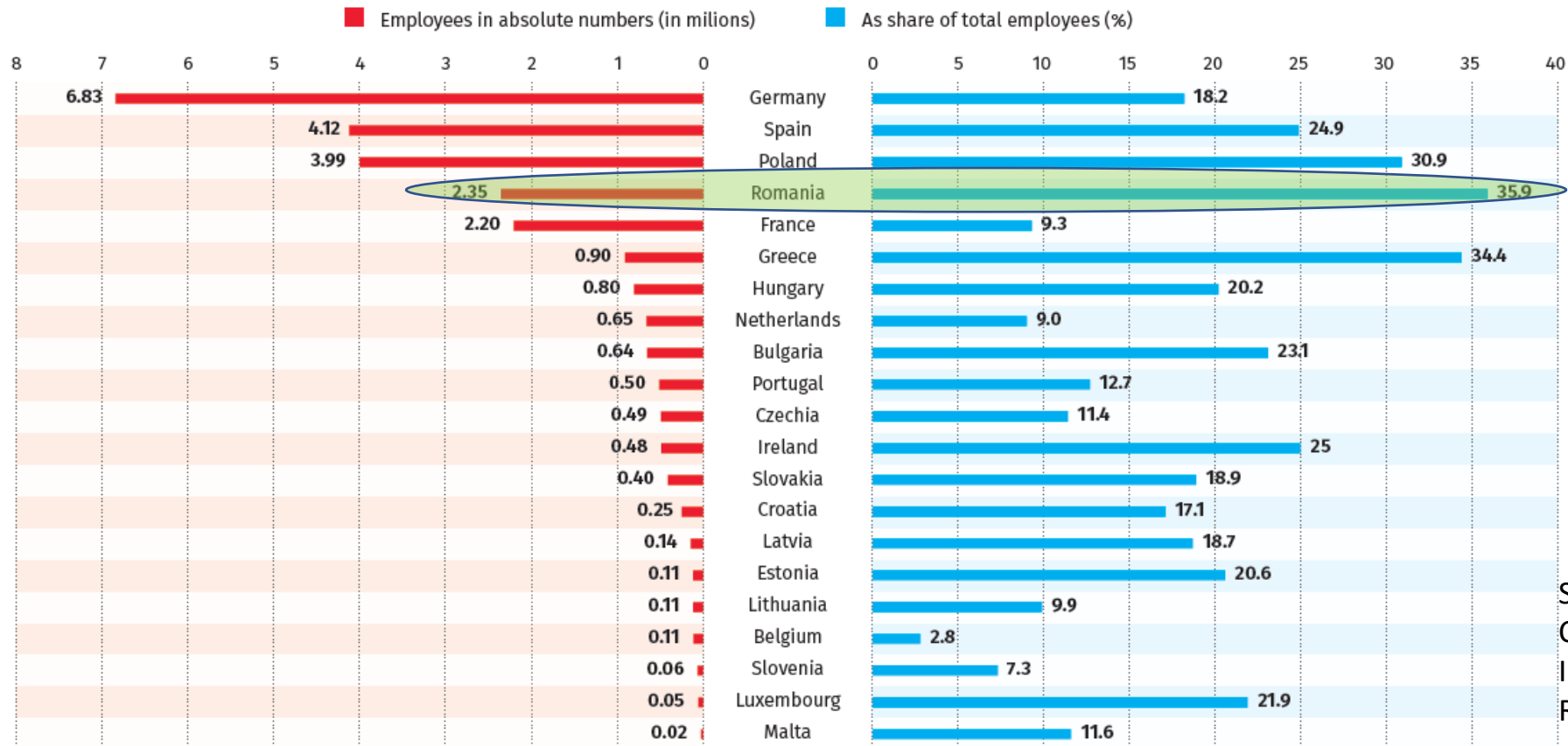
- Only Slovenia fulfilled the adequacy criteria in 2021!!!
- In 20 countries with a statutory MW more or less substantial increases are needed to meet the adequacy criteria!

Source: OECD earnings database (OECD 2022b). For Bulgaria, Croatia and Malta: data from 2018 (European Commission 2020).

# More than 25 million employees will benefit from adequate minimum wages



Figure 3.10 Number of employees who would benefit from an increase in the statutory minimum wage to 60% of the median and 50% of the average wage (highest value in each case; in millions and %)



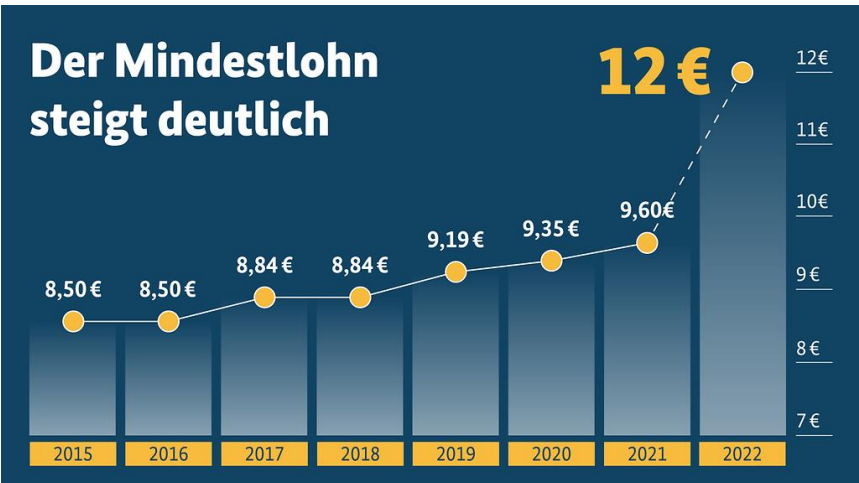
Source: European Commission 2020: Impact Assessment Report



# ▶ Impact on statutory minimum wages



**Germany:** increase to €12 = 60% of median



**Ireland:** plans to increase MW to 60% of median

Politics

## Minimum wage to be phased out by 2026 for new living wage

Living wage will be 60% of median wage in any given year, under proposals



Source: Irish Times, 14 June 2022

**Austria:** Unions demand €2000 per month = more than 60% of median

**Belgium:** calls for MW increase to €12 to reach 60% of median

## The Brussels Times

Belgian minimum wage does not meet new European standards

Friday, 10 June 2022  
By Dylan Carter

Dr. Torsten Müller, ETUI, 25 April 2023

**Bulgaria:** Legislation sets MW at 50% of the national average wage



NATIONAL ASSEMBLY OF THE REPUBLIC OF BULGARIA

Parliament decided: The minimum wage will be 50% of the national average



Löhne und Inflation

## ÖGB fordert 2000 Euro Mindestlohn



ÖGB-Chief Wolfgang Katzian. APA/EVA MANHART



# ▶ Provisions aimed at strengthening of CB



- 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 achieve objective strengthening 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** (...).
- be **made public** and notified to the Commission.

# ▶ Strengthening Collective Bargaining



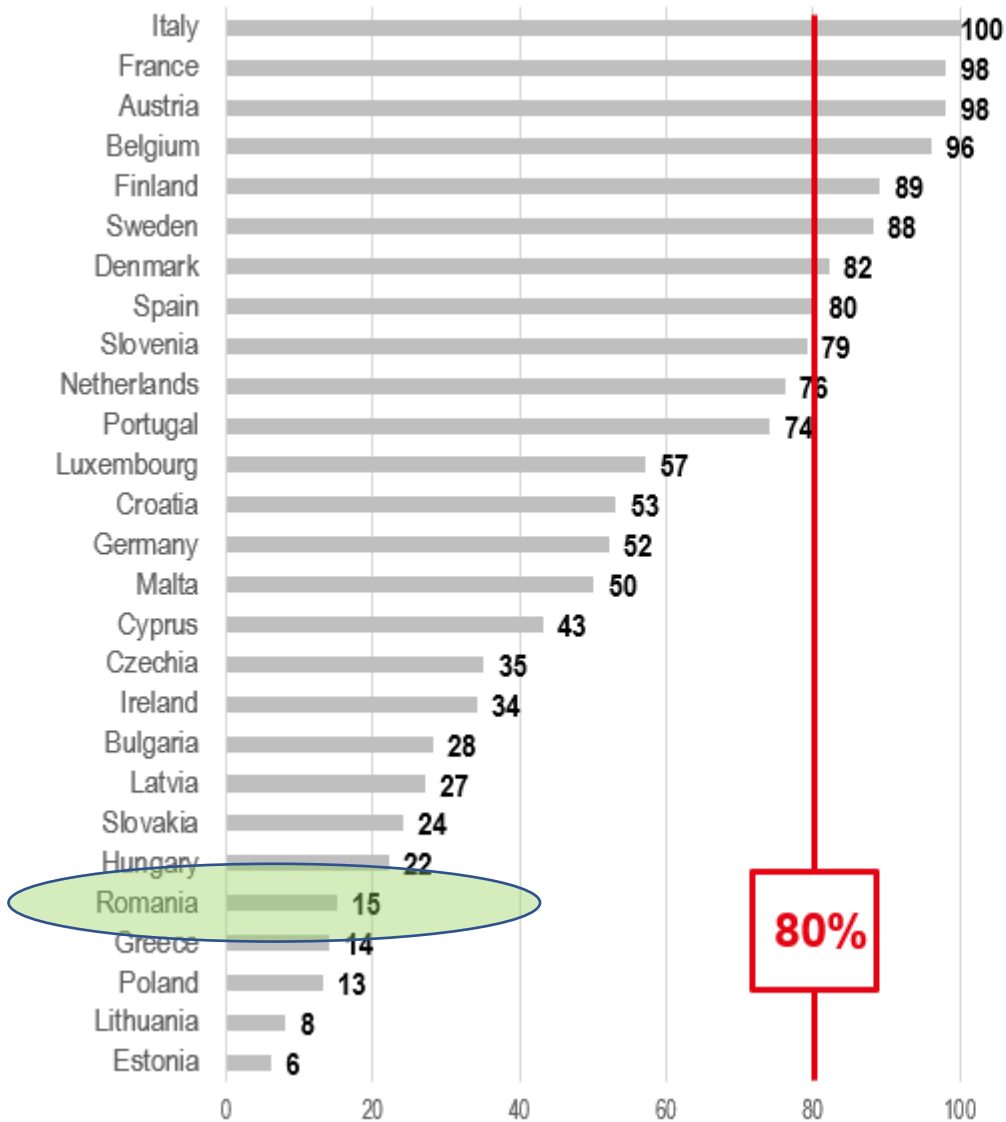
## Threshold of 80% coverage- what does it mean?

- 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



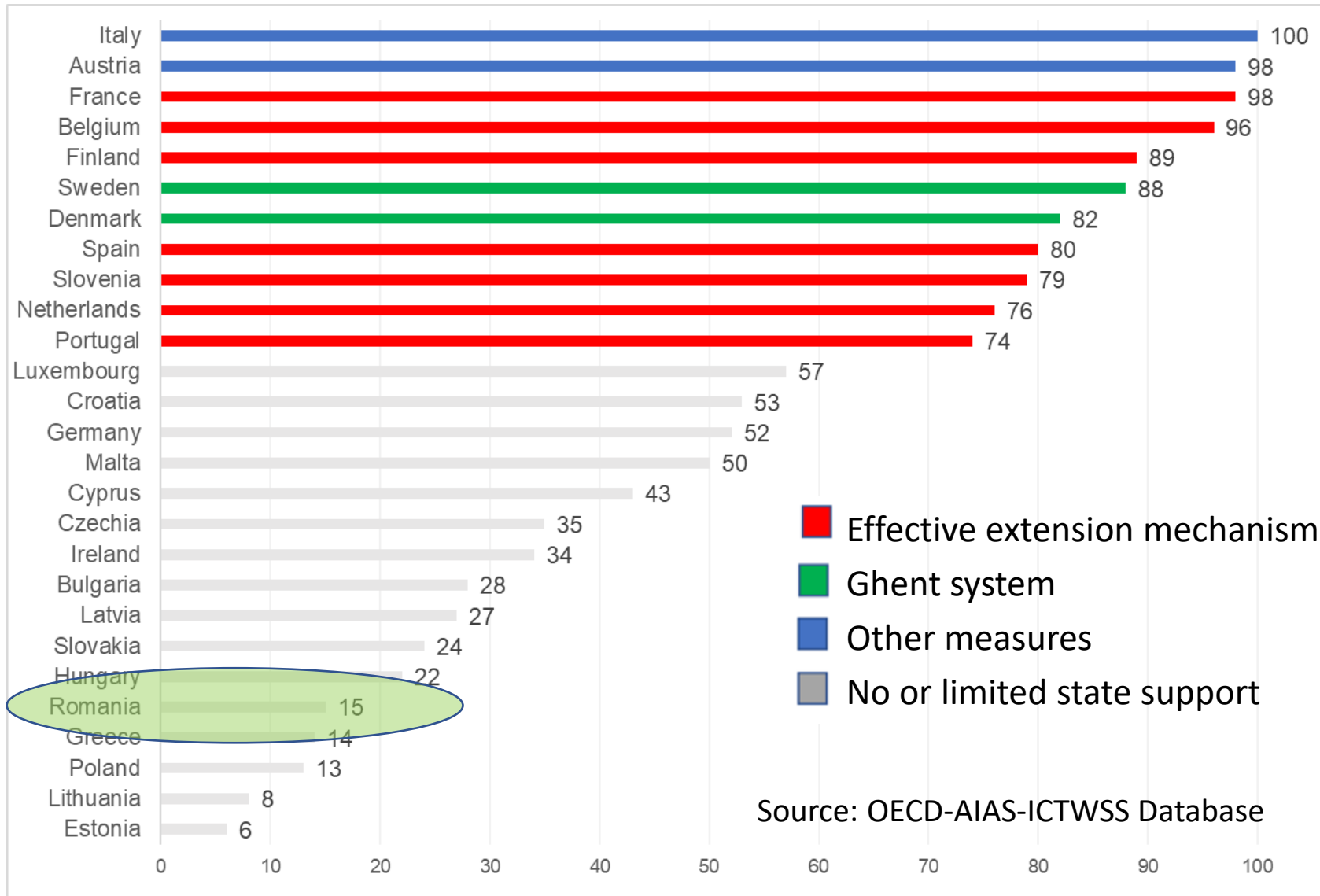
**8 EU Member States**  
with a  
**Collective Bargaining Coverage > 80%**

**19 EU Member States**  
with a  
**Collective Bargaining Coverage < 80%**

80%

Quelle: OECD

# Collective Bargaining and state support



Preconditions for high CB coverage:

- Sectoral CB
- State support through extension or other mechanisms

Source: OECD-AIAS-ICTWSS Database

# ▶ Action Plan to promote Collective Bargaining



Measures improving **unions' capacity to act and organize**:

- **Right of access** to companies (also digitally)
- **Anti-union busting** measures to protect unionists and other democratically legitimized employee reps from discrimination, dismissal and blacklisting
- Providing union reps with **sufficient time and facilities**
- Preventing wage dumping through agreements concluded by **“yellow” unions**” (representativeness criteria)
- Right to **collective redress** in case of violation of agreement



# ▶ Action Plan to promote Collective Bargaining



Measures promoting the **establishment of sectoral bargaining** arrangements:

- Promoting the establishment of **employers' federations** and their willingness to assume a negotiation role
- Promotion of **multi-employer bargaining** as a stepping stone to sectoral negotiations
- Funding for **capacity building and training** for unions and employers' federations
- Public procurement: **labour clauses in public contracts** to exclude those companies from receiving public funding which refuse to bargain or implement collective agreements



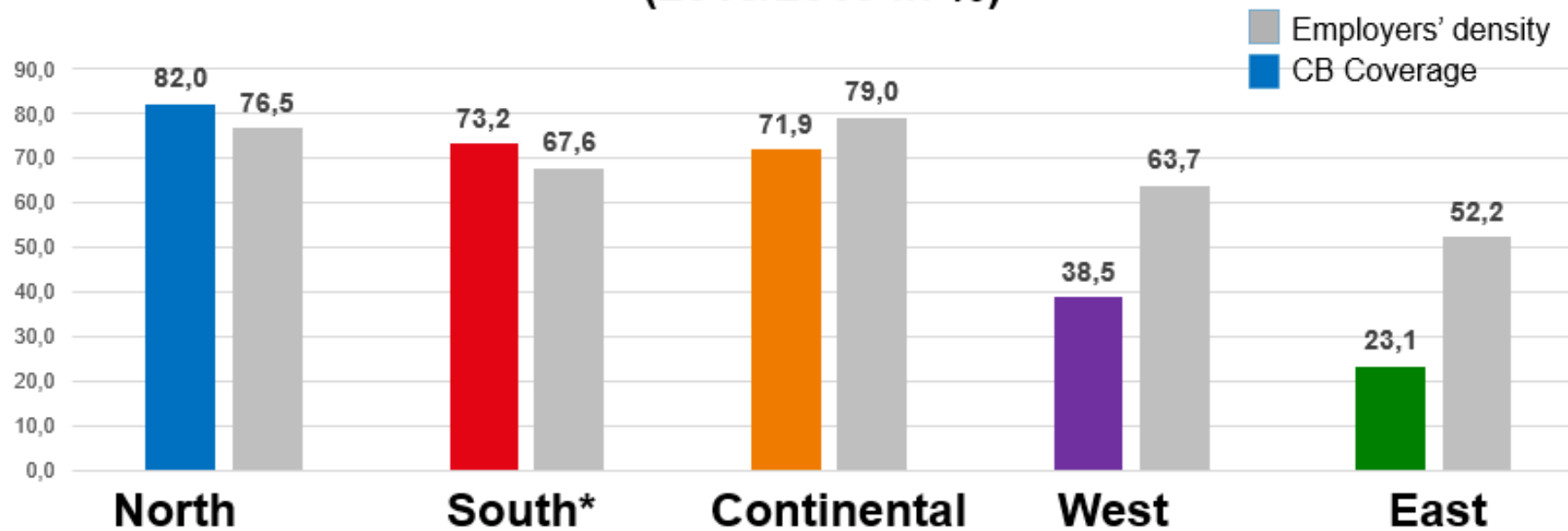


# Employers' density and CB coverage



	North	South	Continental	West	East
Countries	Denmark, Finland, Norway, Sweden	France, Greece, Italy, Portugal, Spanien	Austria, Belgium; Germany, Luxembourg, Netherlands, Switzerland, Slovenia	United Kingdom, Ireland, Malta, Cyprus	Bulgaria, Croatia, Czechia, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia

**Average CB coverage and employers' organisation density per model (2018/2019 in %)**



Source: OECD/AIAS ICTWSS Database

# ▶ Action Plan to promote Collective Bargaining



Measures strengthening the **regulatory capacity** of collective agreements:

- Effective **extension** of collective agreements
- **Continuation of CAs** in case of spin-offs
- Continuation of **validity after expiry**
- Strengthening the **favourability principle**
- **Extending the scope** to previously excluded groups of employees



# ▶ Action Plan to promote Collective Bargaining



- There is **no “one size fits all”** – need for country-specific solutions
- Let’s not wait two years for the Directive to be implemented: **Act now!!!**

▶ Thank you very much for your attention!



### 3. Wages and collective bargaining: fighting the cost-of-living crisis

Torsten Müller

Kurt Vandaele

Wouter Zwysen

[https://www.etui.org/sites/default/files/2023-03/Benchmarking\\_3.%20Wages%20and%20collective%20bargaining%20fighting%20the%20cost-of-living%20crisis\\_2023.pdf](https://www.etui.org/sites/default/files/2023-03/Benchmarking_3.%20Wages%20and%20collective%20bargaining%20fighting%20the%20cost-of-living%20crisis_2023.pdf)

**ETUI Policy Brief**  
European Economic, Employment and Social Policy  
2023.02

### Minimum wage developments in 2022 - fighting the cost-of-living crisis

Torsten Müller

#### Key points and policy recommendations

Despite substantial minimum wage increases, in almost half of the Member States with a statutory minimum wage, these were not sufficient to safeguard the purchasing power of minimum-wage earners in the current cost-of-living crisis. In order to better mitigate the negative effects of high inflation on the lives of workers and their families, Member States should take the following measures:

- Timely transposition of the European Minimum Wage Directive into national law to promote adequate minimum wages and adequate collective bargaining coverage as two important tools to deal with the cost-of-living crisis.
- Of the Directive's four criteria which Member States shall take into account when setting statutory minimum wages, the criterion "purchasing power taking into account the cost of living" should be given clear priority in times of high inflation - this would also help to adjust statutory minimum wages more regularly and timely in order to protect the most vulnerable workers from rising prices.
- Following the example of a range of countries, Member States should anticipate the effect of the Minimum Wage Directive by already applying its double decency threshold for adequate minimum wages of 60% of the median and 50% of the average wage as the benchmark for setting statutory minimum wages.
- Because high collective bargaining coverage ensures higher wage levels, Member States should also go early by taking the Directive's 80% threshold for adequate collective bargaining coverage as the benchmark for establishing action plans to gradually increase collective bargaining coverage.



<https://www.etui.org/publications/minimum-wage-developments-2022>

## EMW Directive: Scope & Definition

### Scope:

- The Directive applies to workers:
- As defined in national law, collective agreements or practice
- Taking into account the case-law of the Court of Justice of the EU
- Both private & public sectors including civil servants

### Definitions:

- CB: negotiations between employers & TU (TU not defined – up to MS – right to freedom of association)
- CBA: any applicable CBA including those without wage clauses (pensions ...)
- Coverage: EU Commission using the OECD database
- Agreements concluded with non TU organisations will not be part of the calculation





## EMW Directive: Promotion of CB (article 4)

- **Art. 4(1):** Take measures to facilitate the exercise of the right to collectively bargain on wages and to increase the collective bargaining coverage – protect workers from TU discrimination
- Reference to sector level bargaining
- **Article 4(1)(b):** encourage constructive, meaningful and informed negotiations with access to appropriate information
  - Negotiations on equal footing
  - Access to information without interfering with social partners' autonomy
- **Art. 4(2):** Where collective bargaining coverage is below 80%, take additional measures (framework of enabling conditions and action plan)
  - Design is up to MS after consulting the SP or design by SP
  - 80% a threshold not a target, no sanction if 80% not reached but plan has to be revised every 5 years

