

The European Social Pillar – Towards An EU Minimum Wage Policy?

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On 26 April, the European Commission launched its proposal for a European Pillar of Social Rights (EPSR) as a flagship initiative to strengthen the EU's social dimension. The EPSR consists of [20 key principles](#), not legally enforceable, that are primarily addressed to the EU member states and European institutions and intended to serve as a “compass” guiding their future activities in various policy areas.

Commitment to “fair wages” and “adequate minimum wages”

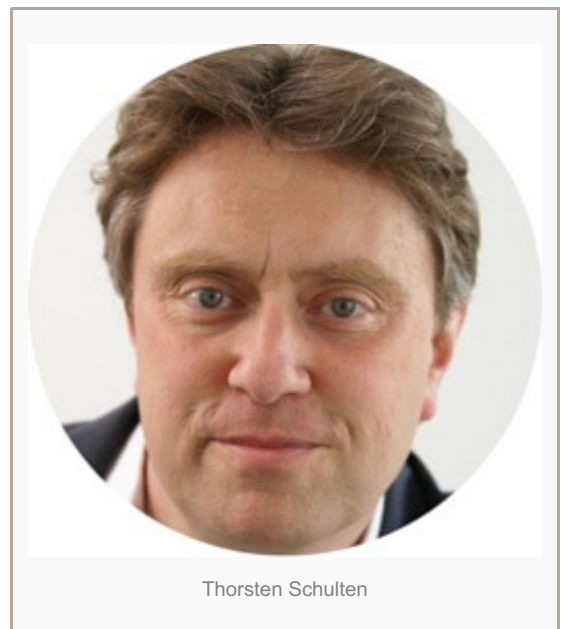
Under Key Principle number six, which deals with wages, the EPSR lays down the following three commitments: one, the right of workers “to fair wages that provide for a decent living standard”; two, the commitment to ensure “adequate minimum wages ... in a way that provide for the satisfaction of the needs of the worker and his / her family”; and three, the commitment to prevent “in-work poverty”.

Even though the EPSR has been [criticized](#) as being contradictory and merely mirroring the good intentions of the EU it might nonetheless provide further political support for an alternative approach towards wages and collective bargaining — an approach that finally moves away from the [narrow supply-side view](#) of wages as cost factors which has so far dominated the Commission's approach and moves towards a more demand-side-oriented approach which also recognizes the important role of wages in boosting internal demand and social cohesion.

The EPSR could support such a shift in two respects: it can contribute to a change in the narrative which shapes the Commission's approach towards wages, and it could also be used to drive forward the actual implementation of such an alternative approach, in particular, by strengthening minimum wages in Europe.



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Shift in the dominant discourse on wages at European level

Recently, some important shifts in the European institutions' public discourse about wages could be observed. For example, the Commission acknowledged in its Annual Growth Survey 2017 that if wage developments are too modest, this may lead to weaker aggregate demand and growth. Another example is the ECB's repeated call for higher wages to ensure price stability and to avoid deflationary tendencies. Just recently, Peter Praet, a member of the bank's executive board, [argued](#) in favour of higher wages in order to reach the ECB's inflation target of 2%. All this can be seen as pointing to greater awareness of the importance of a demand-side oriented approach to wages.

Against this backdrop, the explicit commitment in the EPSR to “fair wages” that ensure a decent living standard and to “adequate minimum wages” that satisfy the needs of workers and their families can be seen as another example of a more comprehensive view of the role of wages. With these commitments, the EPSR picks up on central aspects of the trade unions’ demands as formulated for instance in the resolution on low and minimum wages adopted by the European Trade Union Confederation (ETUC) in March 2017. Indeed, the EPSR implicitly even states that minimum wages should be *living wages* – i.e. wages that provide more than mere subsistence and that are based on the needs of workers and their families to lead a decent life. However, as usual, the proof of the pudding is in the eating. In the past we have unfortunately all too often experienced that promising words did not translate into a change in concrete EU policies. In the field of wages and collective bargaining in particular, the EU institutions’ concrete policies have still been dominated by the objectives of wage moderation and decentralization of collective bargaining.

EPSR as a tool supporting the implementation of an alternative approach to wages

As the Commission has recognised in its [accompanying document](#) the commitment to “fair wages” and “adequate minimum wages” is nothing new. Both the European Social Charter adopted in the framework of the European Council in 1961, and the Community Charter of the Fundamental Social Rights of Workers of 1989 already contain almost identical wording. A new feature of the EPSR is, however, its close link to follow-up and monitoring mechanisms – such as the European Semester and the European Social Scoreboard – which can be seen as an attempt to implement these rights more stringently.

The EPSR could support such a more stringent implementation in two different ways. First, once adopted by the member states, the EPSR provides a kind of shield against all measures taken by the Commission that endanger the implementation of the key principles by national governments. Second, the key principles of the EPSR themselves define important points of reference for the Commission’s future activities. Both elements apply in particular to the country-specific recommendations (CSRs) issued in the context of the European Semester.

Thus, the first real test of the Commission’s seriousness in promoting “fair wages” and “adequate minimum wages” with the EPSR was this years’ CSRs issued by the Commission on 22 May. The result is rather disappointing. On the positive side, Germany and the Netherlands were recommended to create the conditions for higher (real) wage growth. With regard to minimum wages, however, the recommendations still reflect a highly critical view of most recent minimum wage increases in many countries. In particular, those countries which meet or come close to the widely acknowledged threshold for adequate minimum wages at 60% of the national median wage (such as France and Portugal) were urged to ensure that minimum wages are consistent with the objectives of job creation and competitiveness and do not hamper the employment opportunities for low-skilled workers. By the same token, the recent increases in minimum wages in Bulgaria and Romania – both countries with very low absolute minimum wage levels – were viewed highly critically because they are seen as threatening the balance between the objectives of supporting employment and competitiveness and safeguarding labour income. Both countries therefore received the recommendation to establish more transparent mechanisms for setting the minimum wage – a criterion which in Commission-speak is often a euphemism for ensuring more modest increases.

All in all, this illustrates that despite the opportunities offered by the EPSR in terms of reversing the dominant approach to wages and collective bargaining, in practice we are still a long way off from realizing this objective. Trade unions and other progressive forces in society therefore have to keep up the pressure on the European institutions and national governments to ensure that the promising words in the EPSR are followed up by concrete action. One first step to strengthen the EPSR would be to revise the European Semester by making sure that the social dimension and social rights really have the same standing as economic objectives. For the same reason, it would also be essential to include a Social Progress Protocol in any future Treaty changes. Finally, if the EPSR’s commitment towards “fair wages” is ever to attain any real substance, it would require a [European minimum wage policy](#) which promotes the idea that all minimum wages should be set at a living wage level.

