



Minimum wage should not be set at the EU level as wage setting is Member States' competence



The European Commission has recently launched a proposal on adequate minimum wages in the European Union. Commission has stated that there is a need for an action and EU efforts to reduce rising wage inequalities and in-work poverty. The Commission considers that, although wages have risen in some Member States in recent decades, the actions taken by the Member states has not been sufficient and situation of low-wage workers has deteriorated, and the pay gap has widened. The Commission has further stated that there is need for minimum wage regulation as the number of atypical jobs has increased. According to the Commission, it is also a matter of gender equality as the majority of those working in low-wage sectors are women.

Finnish Industries agree with the overall objectives of achieving adequate wages across the EU, making work pay, fighting poverty, and strengthening the role of social partners and social dialogue, in line with national industrial relations systems. However, it is not necessary to add EU-level regulation in order to promote these objectives. Finnish Industries sees no need for EU-level minimum wage setting. The proposal on minimum wages is completely against the letter and spirit of the EU treaty on pay and collective bargaining, which are for good reasons the competence of Member States and social partners in line with the principle of subsidiarity. We believe that the Commission should respect the competences of national social partners, especially when it comes to questions related to wage setting.

The EU-level minimum wage regulation would strongly interfere with the Finnish labour market model

The proposal creates many binding obligations to Finland and gives the European Court of Justice a possibility to give legally binding interpretations and judgments on the content of the directive. EK strongly warned against an EU directive as the wrong instrument. A directive by definition hands over power to the legislator and to the courts, not to the social partners.

In the article 1 the Commission attempts to provide “safeguards” to the Member states where wage setting is exclusively done by collective agreements. According to article 1 the directive shall fully respect of the autonomy of social partners, as well as their right to negotiate and conclude collective agreements and it leaves the choice of whether a member state should provide minimum wages through law or collective agreement and it does not oblige member states where wage setting is exclusively done by collective agreements to introduce a statutory minimum wage nor to make the collective agreements universally applicable. The objective of the directive is to set adequate levels of minimum wages and to give all workers an access to minimum wage protection.

The provisions on respect of the social partners are of a declaratory nature without any substance and are often in conflict with the objective and the minimum requirements of the directive. There is no water-tight protection of the autonomy of the national social partners and national competences regarding wage setting and collective bargaining. The declaratory provisions would have an uncertain legal value in a court case. The mere existence of such a legally binding text means that Member States will need to transpose it and the European Court of Justice (ECJ) will acquire jurisdiction on purely national collective agreements and wage setting and on issues that are of national competence.

According to article 4 the Member states shall take specific measures in order to promote collective bargaining on wage setting. This concerns the obligation for all Member states, including those with no role for the legislator in collective bargaining, to strengthen the social partners and encourage meaningful negotiations. In many Member States, it is the fact that the social partners are responsible for their model and negotiations, that makes those negotiations meaningful, and social partners strong. Potential Member states actions and authority to promote and influence in collective bargaining on wage setting are unclear because they are not specified in the directive.

It is utmost important that EU-level regulation does not reduce the competences of social partners. In Finland the wage setting has traditionally been one of the most important matters falling within the scope of the social partners' freedom of contract. The wages jointly agreed by the social partners are based on a balanced agreement that takes into account the interests of both parties. The wage-setting ensures companies' productivity, pay opportunities and fair remuneration for employees. Minimum wage levels, wage systems, wage setting, and various wage supplements vary significantly from industry to industry. For this reason, it must continue to be possible to set wage levels differently at different industry sectors.

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One size does not fit all



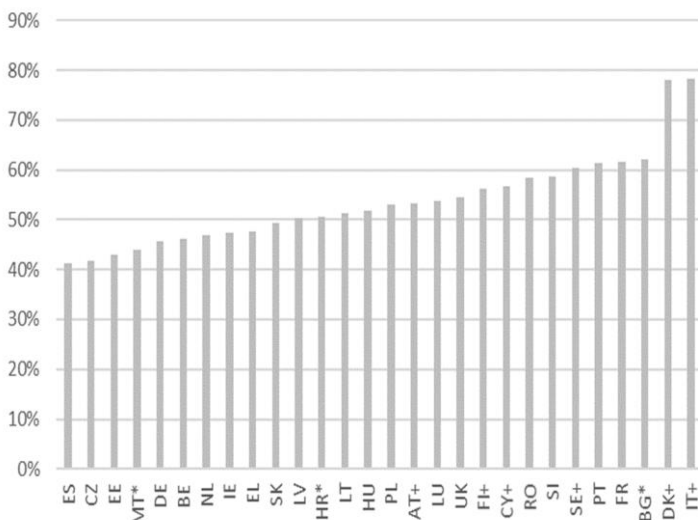
Aiming to agree on one wage-setting system involves several risks. It threatens to run counter to the Commission's goal of deepening the wage convergence between the Member States as it could eventually increase the pay gap. If a minimum wage would be set at for example 50% of the national average wages or 60 % of the national median wages, this would inevitably increase salaries in Member States where salaries are already higher but keep the salaries put or increase them only a little in others.

There is also a threat that the level of the minimum wage exceeds productivity. This, in turn, would put pressure on companies not to hire the low-paid workers the Commission aims to protect with the minimum-wage regulation proposal. Too high minimum-wage level would also adversely affect the ability and willingness of companies to make investments. It could also hinder the employer's possibility to offer employees trainings and provide them other benefits such as sickness or supplementary pensions, voluntary insurance and health care or additional leave based on the collective agreements.

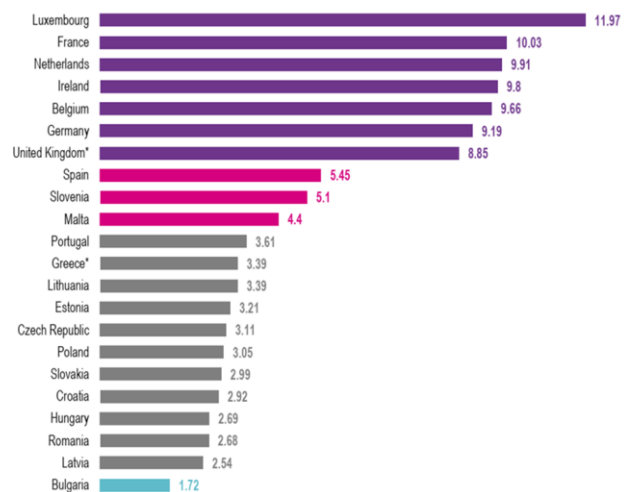
The differences between Member States' practice must be realized

There are big differences in wages, social security, taxation and labour costs between Member States. "Adequate minimum wage level" can only be defined at the national level where it is possible to take all national characteristics into account. Minimum wages are strongly linked to the economic situation of Member States and an unbalanced rise in wages can have a negative effect on the national economies, the international competitiveness of companies and the job creation and employment. Instead of trying to define wage-setting at the EU level, the European Semester would be a viable tool at the EU level to guide Member States to make necessary improvements taking into account the national systems and labour market models in a meaningful way.

Minimum wages, expressed as a percentage of the gross median wage of full-time workers, 2018 (OECD)



Statutory minimum wages, as at 1 January 2019
In Euro per hour



Finnish Industries' key messages:

- National systems and social partners' competences must be respected. EU-level regulation should not reduce the competences of social partners. It is important that wages continue to be set at the right level at different industry sectors agreed by the social partners.
- The opportunities for companies to hire workforce must be secured. If companies' productivity is jeopardized, so is job retention.
- One common minimum-wage model does not sufficiently take into account the differences between Member States' labour market models and wage-levels. There is indeed a risk that the pay gap between Member States will only widen further.

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