

President Ursula von der Leyen

President David Maria Sassoli

President Charles Michel

Dear Presidents,

We have been closely following the recent discussion on the European Minimum Wage and we welcome the European Commission's work towards improving the working environment for all Europeans. Nevertheless, we are concerned that the European Minimum Wage Directive will be damaging for the workers, the labour market as well as the European economy. Moreover, as the Commission has opted for the use of a Directive, it should be wary of risks related to overstepping competences in the area of wages, as enshrined in the Treaties.

We agree that everyone should earn a decent living and that adequate wages benefit the economy as a whole. Nevertheless, minimum wages are complex matters that cannot be seen in isolation from other factors. For instance, raising minimum wages may have a negative impact on competitiveness, and hence the ability to retain and create employment.

Advancing such legislation at a time of rising unemployment, caused by a historic crisis generated by the COVID-19 pandemic, is unfortunate. On the one hand, the proposal ignores its' potential impact on labour-intensive industries and SMEs, which both were particularly hit by the ongoing crisis, and may lead to further marginalisation of most vulnerable workers as well as an increasing number of people employed informally. On the other hand, it disregards the fact that EU companies must be able to compete in global markets to rebuild after the crisis and create new workplaces.

The European Minimum Wage Directive may also distort well-functioning collective bargaining systems. Out of 27 Member States, only Austria, Cyprus, Denmark, Finland, Italy and Sweden do not have a statutory minimum wage. Nevertheless, thanks to a long tradition of collective bargaining, workers in these countries receive minimum wages securing not only decent but also a good standard of living. This calls into question the need for a Directive and whether such an EU action will respect the principles of proportionality and subsidiarity.

Another key concern relates to the lack of EU competence to act in the area of wages. Art. 5 of the proposed Directive affects the level of pay, while EU action in this area is explicitly excluded under Art. 153(5) TFEU and ECJ case C-268/06. Keeping this in mind, we find the choice of the directive as a suitable means for EU action on minimum wages highly problematic. Council Recommendation or semester process and country-specific recommendations is an appropriate instrument to encourage reforms in the Member States while respecting the EU law.

The proposal for a European Minimum Wage, set to fulfil political goals, will bring tangible consequences. It may deteriorate the situation of most vulnerable workers, hamper the EU's ability to recover from the ongoing crisis and distort well-functioning collective bargaining systems. More importantly, the EU should remain home for liberty and cooperation, where no Member State is being pressured to adopt other's practices.

Yours faithfully,



European Economic Senate
Economic competence for Europe

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