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EU: Proposal on adequate minimum wages published

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2 Nov 2020

A proposed European Union (EU) directive on minimum wages aims to improve the adequacy and protection of minimum wages in all member states, but would not establish a harmonized minimum wage level or a uniform wage setting mechanism. Published on 28 Oct 2020, the proposal aims to protect vulnerable workers, reduce in-work poverty and wage inequality, and boost incentives to work. The European Commission (commission) states the directive would enhance the business environment by creating more predictable minimum wage increases for employers and a level playing field between firms. The proposal now advances for discussions in the European Parliament and Council of the European Union; the EU's social partners declined to negotiate the terms of the directive.

Highlights of the proposed directive

- Member states would have to provide a framework to enable collective bargaining, especially in countries with less than 70% of workers covered by collective bargaining. They would have to create an action plan to promote collective bargaining, support social partners in wage bargaining, and encourage wage negotiations. The commission says that countries with high collective bargaining coverage tend to have high minimum wages and fewer low-wage workers.
- Member states would have to enforce and monitor minimum wage provisions, and in particular, ensure compliance with collective agreements or statutory minimum wages included in public procurement or concession contracts.
- Member states would have to collect data on minimum wage coverage and adequacy, and report annually to the commission.
- Workers must have access to effective and impartial dispute resolution mechanisms, including the right to redress (such as, adequate compensation). Effective, proportionate and dissuasive penalties must apply to breaches of the law.

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- Member states would have to issue clear criteria for assessing the adequacy of minimum wage rates compared to other wages paid in the same country. The criteria should include at least the purchasing power of minimum wages, the general level of gross wage and their workforce distribution, the growth rate of gross wages, and labor productivity developments. According to the commission, the international indicators commonly used to assess minimum wage adequacy are 60% of the gross median wage and 50% of the gross average wage.
- Member states that already have a statutory minimum wage would have to apply certain governance measures, including steps to ensure the “effective involvement” of social partners in setting minimum wage rates and the effective access by workers to statutory minimum wage protection.

Related resources

Non-Mercer resources

- [Advancing the EU social market economy: Adequate minimum wages for workers across Member States](#) (European Commission, 28 Oct 2020)
- [Q and A](#) (European Commission, 28 Oct 2020)

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- [European Commission highlights employment, social priorities](#) (16 Jan 2020)

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