

EAPN Input in EC Open Consultation on Legislative Proposal “Adequate Minimum Wages”

EAPN complements its written input into the open consultation, submitted on 18 December 2020, with further evidence. The data are from [EAPN’s Position Paper “Adequate Income” \(Minimum Income & Minimum Wages\)](#) of June 2020. They focus on three aspects: “working poor/in-work poverty”, “wage inequalities” and “impact on youth employment from minimum wage increases”.

Selected data

A study published in 2014 by Eurofound¹ showed that the introduction of a minimum wage level of 60% of the national median wage would actually raise the earnings of a majority of the **working poor** in most EU member states. This result is still valid in 2020. The EC Consultation Document on Minimum Wages itself highlights that *“about one in six workers in the EU earns a low wage and this share has been on a rising trend. It rose on average in the EU from 16.7% to 17.2% between 2006 and 2014, with significant increases in some countries. In-work poverty has seen a similar trend, increasing, between 2005 and 2018, from 8.1% to 9.6%.”* (p. 2).

The increasing rate of **in-work poverty**, standing at 9.5% in 2018 compared to 8.5% in 2008², is a concerning development for EAPN. This percentage captures the share of persons in employment but having an equivalised disposable income – or “take-home pay” – below the risk-of-poverty threshold. This increase as a rule is also an indirect indicator of the low coverage of the workforce concerned by collective agreements and adequate, i.e. poverty-proof, minimum income arrangements³. Working poor often also are concentrated in sectors with a weak trade union density. Both factors negatively affect the coverage by collective agreements (including on minimum income) and the relative levels of minimum income

The [2020 Joint Employment Report](#) (JER) highlights that adequate minimum wages, be they statutory or collectively bargained, as they reduce **wage inequalities**, *“may help reduce in-work poverty and (...) support aggregate demand by increasing the income of low-wage earning families, which have a higher propensity to consume.”* (p. 40). Given the generally higher shares of younger workers, migrant workers and women in low-wage jobs and/or sectors, poverty-proofed minimum income would proportionally contribute to reducing the gender pay gap (and

¹ Eurofound (2014): Pay in Europe in the 21st century, p. 142

² The [2020 Joint Employment Report](#) (JER) acknowledges the persistence of in-work poverty, which remains “historically high” (p. 39) and well above pre-crisis levels (at 9.6% in 2016, 9.4% in 2017 and 9.5% in 2018 compared to 8.6% in 2008 and 8.3% in 2010) and states that the “in-work poverty risk is strongly associated with the type of contract” (p. 40), with a clearly higher incidence for employees with a temporary contract (16.2% in 2018) (p. 7) compared to those with a permanent contract (6.1%)

³ The EC [2019 Employment and Social Developments in Europe Report](#) states that from 2008 to 2017, in-work poverty increased in the majority (16 out of 28) of EU MS (p. 78, Chart 2.5), with below-average rates to be found in those EU MS with the highest trade union density. This finding clearly indicates that by means of wage negotiation, including on MW, as well as through their involvement in welfare and social security policies social partners can contribute to a reduction of in-work poverty and to social sustainability. (Chart 6.3; p. 214)



consequently also the gender pension gap) and contribute to the reduction of gender inequalities and the better achievement of principles 2 (Gender Equality) and 6 (Wages) of the EPSR⁴.

Many studies, including from the [ILO](#), show that the **impact on youth employment from minimum wage increases are either zero or very small**, and that **sub-minimum wages for young people are not effective tools for improving youth employment**. The Council of Europe has issued [numerous rulings to countries on subminimum wages for young people](#) which violate the ESC and are a form of age-based discrimination.

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⁴ Principle 2, clause b. stipulates: “Women and men have the right to equal pay for work of equal value.”. Principle 6 reads in clause a. “Workers have the right to fair wages that provide for a decent standard of living.” And in the first sentence of clause b. “Adequate minimum wages shall be ensured, in a way that provide for the satisfaction of the needs of the worker and his / her family in the light of national economic and social conditions, whilst safeguarding access to employment and incentives to seek work.”