



Advancing the EU social market economy: adequate minimum wages for workers across Member States

Brussels, 28 October 2020

The Commission today proposes an [EU Directive](#) to ensure that the workers in the Union are protected by adequate minimum wages allowing for a decent living wherever they work. When set at adequate levels, minimum wages do not only have a positive social impact but also bring wider economic benefits as they reduce wage inequality, help sustain domestic demand and strengthen incentives to work. Adequate minimum wages can also help reduce the gender pay gap, since more women than men earn a minimum wage. The proposal also helps protect employers that pay decent wages to workers by ensuring fair competition.

The current crisis has particularly hit sectors with a higher share of low-wage workers such as cleaning, retail, health and long-term care and residential care. Ensuring a decent living for workers and reducing in-work poverty is not only important during the crisis but also essential for a sustainable and inclusive economic recovery.

President of the European Commission Ursula **von der Leyen** said: *"Today's proposal for adequate minimum wages is an important signal that also in crisis times, the dignity of work must be sacred. We have seen that for too many people, work no longer pays. Workers should have access to adequate minimum wages and a decent standard of living. What we propose today is a framework for minimum wages, in full respect of national traditions and the freedom of social partners. Improving working and living conditions will not only protect our workers, but also employers that pay decent wages, and create the basis for a fair, inclusive and resilient recovery."*

Executive Vice-President for an Economy that Works for People, Valdis **Dombrovskis**, said: *"It is important to ensure that also low wage workers benefit from the economic recovery. With this proposal we want to make sure that workers in the EU earn a decent living wherever they work. Social partners have a crucial role to play in negotiating wages nationally and locally. We support their freedom to negotiate wages autonomously, and where this is not possible, we give a framework to guide Member states in setting minimum wages."*

Nicolas **Schmit**, Commissioner for Jobs and Social Rights, said: *"Almost 10% of workers in the EU are living in poverty: this has to change. People who have a job should not be struggling to make ends meet. Minimum wages have to play catch up with other wages which have seen growth in recent decades, leaving minimum wages lagging behind. Collective bargaining should be the gold standard across all Member States. Ensuring adequate minimum wages is written in black and white in Principle 6 of the European Pillar of Social Rights, which all Member States have endorsed, so we are counting on their continued commitment."*

A framework for minimum wages in full respect of national competences and traditions

Minimum wages exist in all EU Member States. 21 countries have statutory minimum wages and in 6 Member States (Denmark, Italy, Cyprus, Austria, Finland and Sweden) minimum wage protection is provided exclusively by collective agreements. Yet, in the majority of Member States, workers are affected by insufficient adequacy and/or gaps in the coverage of minimum wage protection. In light of this, the proposed Directive creates a framework to improve the adequacy of minimum wages and for access of workers to minimum wage protection in the EU. The Commission's proposal fully respects the subsidiary principle: it sets a framework for minimum standards, respecting and reflecting Member States' competences and social partners' autonomy and contractual freedom in the field of wages. It does not oblige Member States to introduce statutory minimum wages, nor does it set a common minimum wage level.

Countries with high collective bargaining coverage tend to have a lower share of low-wage workers, lower wage inequality and higher minimum wages. Therefore, the Commission proposal aims at promoting collective bargaining on wages in all Member States.

Countries with statutory minimum wages should put in place the conditions for minimum wages to be set at adequate levels. These conditions include clear and stable criteria for minimum wage

setting, indicative reference values to guide the assessment of adequacy and regular and timely updates of minimum wages. These Member States are also asked to ensure the proportionate and justified use of minimum wage variations and deductions and the effective involvement of social partners in statutory minimum wage setting and updating.

Finally, the proposal provides for improved enforcement and monitoring of the minimum wage protection established in each country. Compliance and effective enforcement is essential for workers to benefit from actual access to minimum wage protection, and for businesses to be protected against unfair competition. The proposed Directive introduces annual reporting by Member States on its minimum wage protection data to the Commission.

Background

President von der Leyen promised to present a legal instrument to ensure that the workers in our Union have a fair minimum wage at the start of her mandate and repeated her pledge in her first [State of the Union address on 16 September 2020](#).

The right to adequate minimum wages is in Principle 6 of the [European Pillar of Social Rights](#), which was jointly proclaimed by the European Parliament, the Council on behalf of all Member States, and the European Commission in Gothenburg in November 2017.

Today's proposal for a Directive is based on Article 153 (1) (b) of the Treaty on the Functioning of the EU (TFEU) on working conditions. It follows a two-stage consultation of social partners carried out in accordance with Article 154 TFEU. The Commission's proposal will now go to the European Parliament and the Council for approval. Once adopted, Member States will have two years to transpose the Directive into national law.

For More Information

[Commission proposal for an EU Directive on adequate minimum wages in the EU](#)

[Staff Working Document](#) and [Impact Assessment](#) accompanying the Commission proposal

[Questions and Answers: Adequate minimum wages](#)

[Factsheet: Adequate minimum wages](#)

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