

## Adequate minimum wages

Impact assessment (SWD(2020) 245, SWD(2020) 246 (summary)) accompanying a Commission proposal for a directive of the European Parliament and of the Council on adequate minimum wages in the European Union, COM(2020) 682.

This briefing provides an initial analysis of the strengths and weaknesses of the European Commission's [impact assessment](#) (IA) accompanying the above-mentioned [proposal](#), submitted on 28 October 2020 and referred to the European Parliament's Committee on Employment and Social Affairs (EMPL). This proposal seeks to improve working conditions by ensuring that workers in the European Union (EU) have access to 'adequate statutory minimum wages, where they exist, or wages set by collective agreements, thus allowing for a decent living wherever they work' (IA, p. 2). This initiative, which is included in the [Commission's 2020 work programme](#), follows the Commission's [commitment](#) to fully implement the European Pillar of Social Rights. In line with Article 154 of the Treaty on the Functioning of the European Union (TFEU), the Commission carried out a two-stage process of consultation with social partners. However, the social partners decided not to negotiate an agreement on minimum wages.<sup>1</sup>

### Problem definition

The IA notes that in the EU, minimum wages are set by collective agreements in six Member States (Austria, Cyprus, Denmark, Finland, Italy, Sweden)<sup>2</sup> (EU-6), while the other 21 (EU-21) have statutory minimum wages which apply universally. It provides a more detailed description of the various national minimum wage setting systems and their recent reforms in separate annexes (IA, pp. 125-130, 172-176). The IA identifies two problems as regards minimum wages in the Member States:

**1) Insufficient adequacy.** The IA explains that two aspects are relevant in the assessment of adequacy of minimum wages, namely fairness of the wage in relation to other workers' wages in the same country, and sufficiency of the wage to provide a decent standard of living.<sup>3</sup> According to the IA, in almost all EU-21 Member States in 2019, the statutory minimum wage level was below 60 % of the [median wage](#) and below 50 % of the [average wage](#) level. On the basis of the data in 2019 and 2018, the IA notes that the statutory minimum wage was either below 50 % of the median wage or it was not sufficient to reach the [at-risk-of-poverty threshold](#) for a single minimum wage earner in 14 Member States. In relation to the adequacy of the minimum wages in the EU-6, the IA states that the wages are 'generally high' or 'comparatively high' compared to statutory minimum wages in the EU-21. On the other hand, the IA openly raises issues concerning data availability, which makes it more challenging to assess adequacy of minimum wages in collective agreements. The IA refers to the Eurostat [Structure of Earnings Survey \(SES\)](#), according to which the share of low-wage workers who earn less than 67 % of the median wage increased from 16.7 % in 2006 to 17.2 % in 2014. The IA also refers to the increase of in-work poverty from 8.3 % in 2007 to 9.4 % in 2018. Although wages, especially minimum wages, have been rising faster in low-wage countries than high-wage countries, there is still a big difference between the lowest and highest minimum wages in the EU, e.g. €286 in Bulgaria and €2 071 in Luxembourg in 2019 (IA, p. 6). Compared in purchasing power standard – given the different price levels between the Member States – the difference between the lowest and the highest statutory minimum wages was in the ratio of one to three in 2019 (IA, pp. 3-6, 18, 142-149).

**2) Gaps in coverage.** The IA explains that in the statutory minimum wages, gaps in coverage are due to provisions in the minimum wage legislation allowing for exemptions (for example young workers in education or training) or reduced minimum wage rates ('variations') for specific groups of workers (for example, as a means for labour market integration). Gaps may appear in the collective agreements if some groups of workers are not covered by these agreements, and variations may also exist, for example for apprentices and trainees. The coverage rates differ between countries in the EU-6, e.g. the share of workers not covered by collective agreements is 2 % in Austria and 55 % in Cyprus. The IA notes the difficulties to illustrate the scale of the coverage problem, as there are limitations to obtaining accurate data on the extent of the gaps in the statutory systems or the wage levels of the worker groups not covered by collective agreements (IA, pp. 6-7, 160-161). It can be noted that the description of the coverage problem is very limited, and the explanation of this problem area would have benefited from deriving more information from the annexes.

The IA also addresses **external drivers**, which affect the economy, labour market and wages. These are 'megatrends', such as globalisation, technological change and demographic changes. In addition, the IA refers to 'policy areas other than minimum wage setting', mentioning in particular income taxes and social benefits. However, these are addressed only very briefly. Although further information is available in the annexes, the analysis would have benefited from additional description and discussion of the interaction of minimum wages with other policies, especially concerning taxes and social benefits (IA pp. 8-9, 18-19, 142-152). The IA identifies and explains **five internal drivers**, which are linked to the problems of inadequacy and gaps in coverage of minimum wages: i) 'declining trend in collective bargaining coverage'; ii) 'insufficiently clear framework for setting statutory minimum wages (including criteria for adequacy, frequency and regularity of updates)'; iii) 'insufficient involvement of social partners in statutory minimum wages setting'; iv) 'exemptions of some groups in statutory systems; lower minima (variations) for other groups'; and v) 'issues in compliance, enforcement and monitoring'. The drivers affect both problems – coverage and adequacy of minimum wages – in a different way, depending on whether minimum wages are set by collective bargaining or legal provisions. For example, driver i) indirectly affects the adequacy of minimum wages in the statutory systems (e.g. wage updates are linked to general wage development, driven by collective agreements), but in the systems relying on collective bargaining it has direct effect on both adequacy and coverage (IA, pp. 9-18, 50, 124, 153).

According to the IA, the majority of minimum wage earners in all Member States are women. Among other typical features, minimum wage earners in most EU Member States are medium-skilled, and work in standard jobs, in particular in services sectors. There are differences in other sectors, e.g. in industry, the share of minimum wage workers is higher in Central and Eastern Member States (e.g. around 30 % in Bulgaria, Poland) than in some other countries (e.g. below 10 % in Belgium). According to the IA, inadequate minimum wages affect the gender pay gap, the socioeconomic situation of workers, and incentives to take up work, for example. The IA also considers that low wages may cause labour mobility flows between Member States, which could have been explained in more detail in terms of potential scale, and illustrated by past experience (IA, pp. 7-8, 18-20, 131-140).

The IA expects the external drivers to continue and notes that the Covid-19 crisis can negatively affect the situation further, as it has hit in particular the sectors with low-pay workers, especially in tourism, transport and hospitality. The IA notes that three million jobs were lost in wholesale and retail trade, transport, food services and accommodation in the second quarter of 2020 in the EU. The IA assumes the influence of most internal drivers will remain steady (without specifying to what 'most' refers), and mentions that 'the secular decline of collective bargaining is likely to reinforce the magnitude of the identified problem' (insufficient adequacy and/or coverage of minimum wages). (IA, pp. 20-21, 26) According to the IA, 'it is likely that the reform momentum in the minimum wage setting systems will not continue', in particular due to the Covid-19 crisis (IA, p. 21), but does not discuss whether this could affect the feasibility of this initiative.

## Subsidiarity/proportionality

According to the IA, the legal basis would be Article 153(1)(b) of the Treaty on the Functioning of the European Union (TFEU) concerning working conditions. The IA refers also to Article 153(2) which provides laying down minimum requirements. Article 153(5) limits the EU competence in Article 153 by providing that this article 'shall not apply to pay'. This would mean that it 'does not allow the EU to intervene directly on the level of pay' (IA, p. 73). The IA explains that, as this initiative takes account of the case law of the European Court of Justice (Case C-268/06, *Impact*; Case C-307/05, *Del Cerro Alonso*), and would not seek to harmonise the level of minimum wages or establish a uniform mechanism for setting minimum wages – thus respecting the competence of the Member States and autonomy of social partners – it would be in line with the Treaty (IA, pp. 21-22, 73-74). The IA notes that, although reforms have been carried out in many Member States, national measures have not been effective enough to address the problems. The IA finds that, in the context of the European Semester, the country-specific recommendations would not be sufficient instruments to address the shortcomings in national minimum wage systems, something which could have been further explained. When describing the need for EU action, it would have been useful if e.g. the gender pay gap and the single market aspects, level playing field and competitiveness, had been explained in more detail (IA, pp. 22-25). Proportionality is referred to without really explaining how it has been taken into account in the analysis, and it has not been a key criterion in the comparison of options, as would have been required by the [Better Regulation Guidelines](#) (see also Better Regulation Toolbox, [Tool#5](#)). The deadline for the [subsidiarity check](#) for national parliaments is 21 January 2021. At the time of writing, the [Swedish Parliament](#) and the [Danish Parliament](#) have submitted reasoned opinions. The Swedish Parliament notes that the EU lacks competence to regulate in the field of wage conditions, there is 'no clear transnational dimension to the issues that are intended for regulation' and considers it problematic that the Court of Justice of the EU can examine wages in Sweden and the Swedish collective agreement model. The Danish Parliament finds that the Commission's proposal is beyond the scope of the EU's supervisory powers and does not respect the social partners' contractual freedom, pointing out that the 'enhancement of collective bargaining agreements when these cover less than 70 % of the workforce and enforcement are not compatible with the subsidiarity principle'. It can be noted that some legal experts have presented critical [views](#) and that the [Legal Service of the EU Council](#) is examining the legal basis at the request of certain Member States.

## Objectives of the initiative

The **general objective** of the initiative is to aim at 'improving working conditions by ensuring that all workers in the Union have access to adequate minimum wage protection either in the form of statutory minimum wages or wages set in collective agreements'. The IA sets **two specific objectives**, which are: i) 'to improve the adequacy of minimum wages' and ii) 'to increase the coverage of minimum wages'. The IA considers that the initiative would be successful if the statutory minimum wage would be set and maintained at an adequate level, 'as guided by reference values commonly used at the international level' (the IA mentions 40 %/45 %/50 % of the average wage, and 50 %/55 %/60 % of the median wage); and if the collective bargaining coverage rate would be at least 70 %. The IA explains that the initiative would concern all workers in all sectors having an employment contract or an employment relationship (IA, pp. 25, 35). According to the [Better Regulation Guidelines](#), the IA should present operational objectives, which are defined in terms of the deliverables of specific policy actions, after the selection of the preferred option (See also Better Regulation Toolbox, [Tool#16](#)). Nevertheless, in the monitoring and evaluation section, the operational objectives are not presented, as the indicators are linked to general 'monitoring areas'. The defined objectives should be specific, measurable, achievable, relevant and time-bound (S.M.A.R.T.). It appears that the objectives are not time-bound and the specific objectives could have been more specific. As regards measurability, the specific objectives are formulated in a rather general manner, although they appear measurable if considered together with the success factors.

## Range of options considered

At first, the IA explains various policy measures and the reasons for retaining or discarding them. In addition to the baseline, two sets of three alternative policy packages have been developed out of the retained measures, of which the first set is adapted to the EU-6 with collective agreements, and the second set is adapted to the EU-21 with statutory minimum wages. The measures in the policy packages for the EU-6 address the drivers of a declining trend in collective bargaining coverage (the first driver), and of issues in compliance, enforcement and monitoring (the fifth driver). Other drivers concern statutory systems. The policy packages for the EU-21 cover all five internal drivers (IA, pp. 25-43).

**Baseline:** The IA assumes the drivers and problems continue to persist. Furthermore, the IA refers to reforms in the national minimum wages in the recent past and does not expect Member States to make further changes (IA, p. 26).

**Member States with collective agreements (EU-6): Package A** comprises measures to promote capacity-building activities for social partners, such as financial and technical support, qualified training and counselling, and exchange of good practices. Member States would encourage wage negotiations (measure 1.1). Member States could introduce extensions to collective agreements in order to also apply their terms to workers or companies that are 'not represented by signatory social partners', when agreed with social partners (measure 1.2). The latter measure could have been clarified, as it is formulated in two ways, either that the Member States 'could' introduce extensions or that 'it requires Member States to extend' (IA, pp. 30, 40). As regards enforcement and monitoring, Member States would ensure that workers have access to dispute resolution mechanisms and a right to redress in cases of non-respect of their rights provided by collective agreements (measure 5.1). This package would also ensure public procurement compliance with wages set by collective agreements (measure 5.2). Member States would develop monitoring and data collection tools on wages provided by collective agreements (measure 5.3). **Package B (preferred option)** includes measure 1.1 (as in Package A) and measure 1.3, according to which Member States would provide for a regulatory framework or enabling conditions if collective bargaining coverage is below 70 %. Possible measures could be e.g. specific clauses in collective agreements or representativeness criteria for social partners, and Member States would agree with social partners to establish an action plan to promote collective bargaining. The IA does not explain how these measures are intended to work. This package includes the enforcement and monitoring measures as in Option A. **Package C** is identical to Package B, and it is not clear from the IA why this package exists as a 'third alternative' for the EU-6 (IA, pp. 29-32, 40-41, 48, 179).

**Member States with statutory minimum wages (EU-21): In Package A**, Member States would assess the minimum wage adequacy against a national benchmark for decent living standards (reference income), which would be defined at a national level and developed in consultation with social partners. In minimum wage setting other aspects, such as impacts on employment, would also be taken into account (measure 2.4). Member States would set up a bipartite or tripartite body for consultation of social partners with decision-making power on setting and updating of statutory minimum wages (measure 3.2). Furthermore, Member States would eliminate exemptions, variations and deductions (measure 4.2). The description of this measure is somewhat unclear, as it also formulates that the Member States 'should refrain' from exemptions and variations and 'should ban' deductions (pp. 36, 42). This package includes the same measures for collective bargaining as in Package A for the EU-6. The enforcement and monitoring measures would be similar to the measures for the EU-6, but with the difference that they concern both the statutory minimum wages and wages set by collective agreements. In **Package B (preferred option)** criteria would be defined in national legislation to guide the setting and updating of the minimum wage setting. The criteria 'should include' the purchasing power of minimum wages, living costs, the contribution of taxes and social benefits and wage growth, for example. The Member States would ensure regular wage updates, and establish consultative bodies to advise authorities (measure 2.1). This package



includes the use of indicators and reference values to guide the assessment of statutory minimum wage adequacy in relation to general levels of gross wages. In particular, two indicators are mentioned, namely 'the minimum wage as a ratio to the median wage' and 'the minimum wage as a ratio to the average wage'. Member States would have to compare the minimum wage level to the 'chosen reference value' (40 %/45 %/50 % of the average wage; 50 %/55 %/60 % of the median wage). These reference values can be used in wage setting, also considering impacts on employment and competitiveness (measure 2.3). Member States would ensure the involvement of social partners in minimum wage setting and updating in a timely and effective way (measure 3.1). The use of variations and deductions from statutory minimum wages should be objectively justified and proportionate (measure 4.1). For collective bargaining this package comprises the same measures as Package B for the EU-6, and for enforcement and monitoring, the measures are the same as in Package A for the EU-21. **Package C** is similar to Package B, except that, instead of measure 2.1, it provides automatic indexation mechanisms for statutory minimum wage updates. Adjustments in minimum wages would be based on a formula defined in the national legislation, but the minimum wage level 'should' follow the increases in consumer prices. Member States could suspend automatic indexation (measure 2.2) under exceptional economic circumstances (IA, pp. 34-38, 41-43).

The IA presents a sufficiently broad range of options, as required in the Better Regulation Guidelines. The views of social partners are indicated on measures, but not on policy packages. Given the different views of stakeholders on the EU's competence in this field, it would have been useful if the measures concerning collective bargaining and adequacy of minimum wages had also been explained specifically in relation to the chosen legal basis, in particular measures 1.3, 2.1, 2.2, and 2.3.

## Assessment of impacts

The IA assesses the main social and economic impacts of the policy packages, as well as those on fundamental rights. The IA notes that no environmental impacts have been identified. The assessment is divided in relation to the two systems of setting minimum wages in the EU, although in the comparison of options the assessment has combined all measures for both the EU-6 and EU-21. The IA underlines that 'the exact impact depends on the action taken by Member States' (IA, pp. 55, 44). The IA also stresses that the EU-6 countries are not obliged to introduce a statutory minimum wage (IA, pp. 22, 44). The assessment is to a great extent qualitative, but provides also quantification, within the limits of the availability of data (IA, p. 43). The policy packages were compared against the Better Regulation criteria of effectiveness, efficiency and coherence, but not against proportionality ([Tool#5](#)). The IA finds Packages B and C more **effective** than Package A, providing highest social benefits for workers by guiding the national frameworks in statutory minimum wage setting. The reference values would not be binding, but the IA expects the Member States to 'attain them overtime' (IA, p. 50). Collective bargaining and enforcement measures would enhance the effectiveness in terms of adequacy and coverage in both EU-6 and EU-21. Between B and C, the IA prefers B, as it provides more flexibility and discretion for the EU-21 to take economic conditions into account, compared to C, which would be less flexible due to the measure of automatic indexation. For the EU-6 and EU-21, there is no difference between B and C regarding the collective bargaining and enforcement measures. In Package A, although it ensures better coverage through extensions (EU-6 and EU-21) compared to the other packages, its bi- or tripartite setting might involve risks of inefficiency in decision-making for the EU-21 countries. In addition, in terms of national industrial relations, the IA finds that Package B would respect the existing systems (measures for the EU-6 and EU-21), while the extension mechanism for the EU-6 and EU-21 in Package A could decrease interest in joining unions, and the automatic indexation for the EU-21 in Package C might reduce social partners' influence. In terms of **efficiency**, the IA only discusses the impacts for the EU-21, because 'the packages are similar in terms of their efficiency' in the EU-6 (IA, p. 68). Packages A and B are deemed similarly efficient, as economic and social costs would be 'broadly proportional' to social benefits (increased wages mean increased costs for firms). For

businesses, Packages A and B would cause less uncertainty, due to a clear and stable framework for setting statutory minimum wages. The IA provides quantified estimates on the impacts of reference values on the Member States, firms and consumers. For example with the highest reference values (60 % of the median wage, or 50 % of the average wage), wages would increase for 22-24 million workers and the increase in the overall wage level would be around 1 % in the EU, with €51-53 billion of total economic costs to firms and consumers (increased labour costs would be reflected in higher prices). The measures of all packages relating to enforcement and monitoring, and collective bargaining would entail costs (not quantified) for the administrations of the Member States. The IA mentions costs (not quantified) in relation to recurrent costs for consultation activities, one-off costs for developing a benchmark (Package A), and costs of assessment of adequacy (Packages B and C). Based on the Euromod microsimulation model, small positive effects would be expected on public budgets from increased income taxes and reduced social security contributions. As for the **coherence** criterion (includes fundamental rights and gender equality), the IA only states that the packages 'are coherent with the social goals of the EU'. Nevertheless, Package A scores less than other packages in the comparison table. This is not specifically explained, but this most likely results from the estimate that Packages B and C would more strongly impact the wage level, also benefiting gender pay equality (IA, pp. 66-71). **The preferred option is Package B.** The text would have been clearer if the IA had provided the comparative analysis and selection of the preferred option separately for both minimum wage setting systems (IA, pp. 73-76, 220).

### SMEs/Competitiveness

Small and medium-sized enterprises (SMEs) employ around 90 % of EU minimum wage earners, of which micro- and small firms employ about two-thirds. The SME Test ([Tool#22](#)) has been carried out (IA, pp. 218-221). As many SMEs operate in sectors which are sensitive to domestic demand, the IA explains that the increased labour costs may be passed on to higher prices, given that a better wage level is likely to increase the domestic demand for services. According to the IA, 75 % of the costs would be borne by consumers and 25 % by firms. However, there may be sectoral differences in this respect, for example the agriculture and industry sectors might bear negative impacts on external competitiveness (IA, p. 58). The IA estimates that SMEs would benefit from more stable and transparent statutory wage-setting mechanisms, which would also provide flexibility for a gradual approach or mitigating measures (e.g. taxes). The SMEs have stated that minimum wages could help against unfair competition and social dumping, but would not support a binding legal instrument (IA, pp. 19, 88-89). The IA provides estimates of annual costs for SMEs in relation to various reference values. With the highest reference values (60 % of the median wage or 50 % of the average wage), the costs would be €11-12 billion. The IA also differentiates the cost estimates by firm size (IA, pp. 64-65, 218-221).

### Simplification and other regulatory implications

The IA notes that this initiative is in line with the European Union's social policy goals and existing EU legislation. It refers to many political documents which have recognised the right of workers to fair working conditions, e.g. the Charter of Fundamental Rights of the European Union, the European Pillar of Social Rights, and the European Gender Equality Strategy.

### Monitoring and evaluation

The IA presents the monitoring indicators and the data sources (Eurostat, Organisation for Economic Co-operation and Development (OECD), national data sources) in a separate annex. The indicators, which appear to be relevant, have been linked to rather general monitoring areas, such as 'minimum wage levels', 'workers covered by minimum wages', 'collective bargaining coverage' and 'adequacy and coverage' (IA, p. 233). The IA mentions that data collection also 'builds on' the minimum wage benchmarking framework by the European Commission and Member States. The Commission would carry out an evaluation five years after the entry into force of this initiative (IA, pp. 76, 216, 233).

## Stakeholder consultation

The IA provides a description of the extensive stakeholder consultations in a separate annex as required in the Better Regulation Guidelines (IA, pp. 86-105). A **two-stage consultation of social partners** was conducted according to Article 154 of the TFEU. In the [first stage consultation](#) concerning the need and scope for EU action (between 14 January and 25 February 2020), 23 replies were received from European social partners (5 trade unions and 18 employers' organisations) and two joint social partner organisations. The [second stage consultation](#) on possible EU action (between 3 June and 4 September 2020), received 19 responses from European social partners (3 trade unions and 16 employers' organisations). Among **trade unions** there was support for a binding legal instrument and adequacy thresholds. Trade unions called for regular updates of the minimum wage, clear and predictable procedures for statutory minimum wage setting, and action to increase the collective bargaining coverage rate when it is below 70 %. No support was indicated for extension mechanisms or the use of deductions and exemptions in statutory minimum wages. It may be noted that views diverged among trade unions, as for example the Nordic trade unions (Denmark, Sweden) found that there is no legal basis for EU legislation and that a directive would pose a serious threat to the Nordic labour market models. None of the **employers' organisations** supported a binding EU initiative, considering that there is no EU competence to introduce a legal instrument in this field. They were not willing to limit or eliminate variations and exemptions. A majority of employers' organisations, including SMEs, considered that the European Semester would be the 'most appropriate tool' in this field. In the assessment of adequacy, some employers' organisations, including SMEs, were of the view that factors such as economic and labour market impacts, and national tax and social benefit systems, should also be taken into account. Due to a lack of agreement, social partners decided not to enter into negotiations to conclude an agreement according to Article 155 (TFEU). Furthermore, **targeted consultations** of the Member States were undertaken through the Council Advisory Committees (Employment, Social Protection and Economic Policy Committees). In all three committees, a majority of committee members were in favour of a non-binding instrument, such as a Council recommendation. A majority of the European Social and Economic Committee (EESC) considered that the objectives defined by the Commission should be addressed by EU action. While trade unions were among the supporters of EU action, the employers' representatives found that EU level action could mean, at most, an exchange of views through the Open Method of Coordination or the European Semester. In an open public consultation launched by the Commission on 14 January 2020, views were gathered more broadly on the implementation of the European Pillar of Social Rights, but no open public consultation specifically dealt with the minimum wages initiative (IA, pp. 95-105).

## Supporting data and analytical methods used

The European Commission commissioned three studies from external experts to support the IA (referenced, but no links provided). In addition, Commission internal studies, Eurofound studies and expert reports were fed into the preparation of the IA. Various data sources and models have been used, of which the IA provides a description and openly explains limitations, such as the EU-Statistics on Income and Living Conditions (EU-SILC), the Structure of Earnings Surveys (SES), the OECD TaxBen model, the QUEST model, the Euromod model and the 'elasticity method' (employment). Information on the structure, quality and transparency of these models is available in the Commission's new public Modelling Inventory ([MIDAS](#)), but their contribution to this IA is not documented therein at the time of writing (IA, pp. 85, 113-122).

## Follow-up to the opinion of the Commission Regulatory Scrutiny Board

The Regulatory Scrutiny Board (RSB) gave a [negative opinion](#) on the draft IA report on 2 October 2020, due to several significant shortcomings. The second opinion of 14 October 2020 was [positive with reservations](#), and still pointed out a number of significant weaknesses relating to the composition of the option packages and the comparison of options; the justification of the preferred option; absence of a separate analysis of the preferred option for countries relying on

collective bargaining of minimum wages; the need to better explain the link between the declining trend in collective bargaining and inadequate minimum wages; the incomplete impact analysis. The IA provides a specific annex to explain how these points have been addressed. The RSB's concerns appear to have been taken into account to a great extent, although for all issues in option packages this is difficult to consider, as the previous draft IA is not available. However, the IA presents only one comparison of options and one preferred option, instead of one for each wage setting system and the IA notes that it is not possible to provide quantified estimates on the administrative costs.

## Coherence between the Commission's legislative proposal and IA

The legislative proposal appears to follow the recommendation of the IA.

The IA is based on sound data which are recent and referenced, and the use of data sources and modelling has been transparently explained. The assessment is mostly qualitative, but also provides quantitative estimates, and openly notes data limitations. The IA presents a sufficiently broad range of options, as required in the Better Regulation Guidelines. However, given in particular the different views of stakeholders on the EU's competence in this field, it would have been useful if the measures concerning collective bargaining and adequacy of minimum wages had been explained more thoroughly in relation to the chosen legal basis. The problem description would have benefited from the use of more information from the extensive annexes. Finally, the text would have been clearer if the IA had provided the comparative analysis and selection of the preferred option separately for both minimum wage setting systems.

## ENDNOTES

- <sup>1</sup> See also M. Lecerf, [Minimum wage in the EU](#), EPRS, European Parliament, October 2020; M. Lecerf and Y.-S. Rittelmeyer with C. Morichon, [Fair minimum wages in the EU](#), EPRS, European Parliament, October 2020; S. Kraatz, [Fair minimum wages for Europe](#), Directorate-General for Internal Policies, European Parliament, September 2020.
- <sup>2</sup> Cyprus also provides statutory minimum wages for some occupations (IA, p. 2).
- <sup>3</sup> The adequacy indicators in terms of fairness: 'the ratio of the gross minimum wage to the gross median wage', and 'the ratio of the gross minimum wage to the gross average wage'. The adequacy indicators to assess a decent living standard: 'the ratio of the net income of minimum wage earners to the poverty threshold', and 'the ratio of the net income of minimum wage earners to the net average wage' (IA, p. 3).

This briefing, prepared for the Employment and Social Affairs Committee (EMPL), analyses whether the principal criteria laid down in the Commission's own Better Regulation Guidelines, as well as additional factors identified by the Parliament in its Impact Assessment Handbook, appear to be met by the IA. It does not attempt to deal with the substance of the proposal.

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