TAE Clearly Opposes the Minimum Wage Initiative by the EU

Under the guise of wanting to ensure socially fair wages in the member states, the President of the EU Commission, von der Leyen, is seeking the EU-wide implementation of “adequate minimum wages”.

Even if at first glance the goal seems enticing, at its core it is only an unnecessary demand by the EU, because 21 of the EU 27 already have a minimum wage regulated by law.

Comparison Minimum Wages in the European Union

Country	Minimum Wage per Hour 2017	2019	2020	2021
Luxemburg	11.27 Euro	11.97 Euro	12.38 Euro	**12.73 Euro**
France	9.76 Euro	10.03 Euro	10.15 Euro	**10.25 Euro**
Netherlands	9.52 Euro	9.91 Euro	10.14 Euro	**10.34 Euro**
Ireland	9.25 Euro	9.80 Euro	9.80 Euro	**10.20 Euro**
Belgium	9.28 Euro	9.66 Euro	9.66 Euro	**9.85 Euro**
Germany	8.84 Euro	9.19 Euro	9.35 Euro	**9.50 Euro**
Great Britain	8.79 Euro	8.85 Euro	9.35 Euro Left the union on 01/31/2020	
Spain	4.29 Euro	5.45 Euro	5.76 Euro	**5.76 Euro**
Slovenia	4.65 Euro	5.10 Euro	5.44 Euro	**5.92 Euro**
Malta	4.25 Euro	4.40 Euro	4.48 Euro	**4.53 Euro**
Portugal	3.36 Euro	3.61 Euro	3.83 Euro	**4.01 Euro**
Greece	3.35 Euro	3.39 Euro	3.76 Euro	**3.76 Euro**
Lithuania	2.32 Euro	3.39 Euro	3.72 Euro	**3.93 Euro**
Estonia	2.78 Euro	3.21 Euro	3.48 Euro	**3.48 Euro**
Czech Republic	2.44 Euro	3.11 Euro	3.40 Euro	**3.42 Euro**
Poland	2.65 Euro	3.05 Euro	3.50 Euro	**3.64 Euro**
Slovakia	2.50 Euro	2.99 Euro	3.33 Euro	**3.58 Euro**
Croatia	2.51 Euro	2.92 Euro	3.17 Euro	**3.26 Euro**
Hungary	2.35 Euro	2.69 Euro	2.85 Euro	**2.74 Euro**
Rumania	1.65 Euro	2.68 Euro	2.81 Euro	**2.84 Euro**
Latvia	2.25 Euro	2.54 Euro	2.54 Euro	**2.96 Euro**
Bulgaria	1.42 Euro	1.72 Euro	1.84 Euro	**2.00 Euro**

Sources: European Rate Report by the Institute of Economic and Social Research (WSI) 2017/ 2019; Statista January 2019/ February 2021; TAE, own depiction
21 of the 27 EU member states already have a legally binding minimum wage (22 before, then exit GB)
Only 6 countries do not have a legally binding minimum wage. They are: Denmark, Sweden, Finland, Austria, Italy, Cypress

To make it very clear: Of course, the European taxpayers’ association, TAE, is for fairness in the labour market, which includes the equality of women and men, a prohibition of discrimination, wage transparency, access to education and offers of additional training. We therefore welcome measures by the EU which lead to more growth and more employment (it only works in this order), and therefore to more prosperity for the people in Europe.

But: Growth cannot be dictated by law! In order to have long-term success, one must be able to generate wage increases on the market. Already today, wages are nationally set by collective bargaining and agreements between employees and employers. In times of vacant positions, and thus high labour demand, workers have a good bargaining position: So far, good workers are still a scarce commodity in most countries.

It is to be strongly doubted if such interferences in the labour market like setting uniform minimum wages in Europe are appropriate.

Also, it is the very own responsibility of the individual countries to ensure an adequate wage level, which also includes the introduction of national minimum wage.

The planned interference by the EU constitutes an intrusion into the autonomy of the member states. National decision-making powers are to be forcefully moved to Brussels. This abrogates the principle of subsidiarity and leads to a loss of location advantage by countries with low wage levels.

A reminder: According to the plans by von der Leyen, the EU wants minimum wages in the amount of 60% of the median wage or 50% of the average wage in all member states. For Germany this would result in a minimum wage of € 13.00, which is more than one-third higher than the current minimum wage of € 9.50.

But not all economic sectors can afford such a minimum wage. It would inevitably lead to higher consumer prices, and the pressure of rationalization in the affected enterprises would increase. This would in turn directly threaten jobs. One wants to do good, but it might actually bring harm. So, what is the implementation of EU minimum wages really good for?

For this reason, we are calling for an extensive regulatory impact assessment.

Countries like Sweden, Denmark and Finland, which thus far do not have minimum wages, but a far above average wage level, are worried that a formula dictated by the EU of how to calculate such a minimum wage would actually lead to lower wages in their countries! And if you take the “tail” of the EU countries with a minimum wage, Bulgaria, where the average monthly gross income is at € 655 (€ 617 in 2018 according to statistics plus an assumed increase of 3%), it turns out that the minimum wage sought by the EU would actually be below the current minimum wage of € 2.00 per hour, namely € 1.88.

This again raises the question about the social fairness Mrs von der Leyen is intending to create.

Everyone in favour of EU minimum wages should be aware that an increase of the already existing minimum wage by a few percentage points will not necessarily lead to significantly higher wages in countries with a relatively low average income. But for such countries, the forced wage increases will lead to a loss of location advantages and therefore to the economic disadvantages mentioned above. Those damages would then most likely have to be compensated for by the EU via transfer payments.

For this reason, we at the taxpayers’ association are so vehemently against the elimination of the principle of unanimity, so that demands – like the introduction of an EU minimum wage – cannot simply be enforced against the votes and interests of the affected countries.

Though, to be fair, the countries could by all means do more than what is currently being done! It is essentially part of the national responsibility to remove obstacles and improve things, for example by reducing bureaucracy, ensuring the adherence to existing regulations in labour laws, as well as the creation of focused tax advantages and incentives for businesses and workers. More must be done within the respective countries so that more can be invested in human capital.

For example, only thanks to our model lawsuit we achieved a constitutional court ruling in Germany stating that expenses for a second degree can be tax deducted, which was previously refused by the tax authorities. The same applies for enterprises which cannot tax deduct all cost for training measures in all countries.

In our view, the EU and its member states should work more strongly at improving the possibilities and framework conditions for training and further education, for workers as well as employers, creating incentives and less rules and prohibitions.

It can be worth it for the countries to look across borders, to simply apply best practice, and to try out successful models. Such a model is the so-called “dual education” in Germany and Austria. It opens up the possibility of a “second chance education” for people. To make this obligatory EU-wide would still be the wrong approach.

For us, there is an important point missing from the concept of the EU: It is lacking the motivation to promote the venture and chance of entrepreneurship to people. We need more founder’s mentality, the courage and joy to establish a business, and to not just primarily seek out the path of employment.

Wanting to regulate everything centrally from “Brussels” only gives further boost to extreme parties. An EU social policy on the basis of “one size fits all” will hardly be successful, for it does not consider the different cultures and mentalities, possibilities, different interests and structures, and the administrative abilities of administrations.

Brussels, Munich, April 22, 2021
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