



EU Introduces New Standards Governing Remuneration

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In the near future, EU Member States will have to implement the provisions of two directives regulating pay. They will improve the bargaining position of workers on wages and enforce better compliance with existing standards in this area. Contrary to the fears of some countries, they will not equalise the minimum wage across the Union, but only make the criteria for setting it more objective. Thanks to the new directives, Poland may become a more attractive place to work and, as a consequence, a more frequent destination for labour migration.

Social policy is a shared competence between the European Union and the Member States. The Union aims to coordinate it towards the European Social Model. Although the 2008 financial crisis curtailed its efforts, the EU resumed them after 2015 with the improvement of the economic situation. Two recently adopted directives are part of this trend: the 2022 Adequate Minimum Wages Directive (it should be implemented by the members by mid-November this year) and the 2023 Equal Pay for Equal Work through Pay Transparency Mechanisms Directive (deadline for transposition is June 2026).

Impact on the Minimum Wage. The first piece of legislation does not directly set the level of the minimum wage in the Member States, but only introduces common criteria when setting it, such as the purchasing power of such wages, the general level of wages in the economy, or their growth rate. However, it leaves a lot of discretion to the states to decide which of these parameters are to be key (a weighting system for each criterion is allowed). In addition, the directive introduces indicative reference values for determining such remuneration—60% of the gross median wage or 50% of the gross average wage, but national benchmarks may also be used.

An additional objective of the directive is to promote collective bargaining coverage, that is, in agreements between employers and trade unions in which working conditions (including wages) are jointly agreed. This is intended to influence the adequacy of the value of the work

performed and greater acceptance of wages by employees. If the agreements cover less than 80% of the workforce in a given country, a plan must be drawn up to promote increasing that figure. Such a document must include a timeline and the means by which the country will increase the rate of collective bargaining coverage.

The introduction of common minimum wage criteria has been problematic for countries where such a mechanism is not in place (e.g., Austria, Denmark, Finland, Sweden, and Italy) and wages are mostly set through collective agreements. These countries feared that the adoption of the directive would result in an obligation to introduce a minimum wage of a certain value into their legal orders. In that situation, it would *de facto* lead to a worsening of the wage situation for workers, as the agreements in force are overwhelmingly more favourable than a minimum wage introduced according to the methodology of the directive. In order to assuage these concerns, the act explicitly states that in countries where wages are set through collective agreements, a minimum wage is not compulsory. Despite this reassurance, Denmark decided to challenge the act before the Court of Justice of the European Union, arguing that the attempt to set wages in the EU and interference with the right of association goes beyond the competence of the Union and therefore violates the treaties. However, the chances of the entire directive being repealed are slim.

Greater Pay Transparency. The directive on reinforcing the application of the principle of equal pay for men and women

aims to put in place mechanisms that will ensure equal pay for people doing work of equal value. The main instrument to make this possible is pay transparency. Already at the recruitment stage, the employer (this applies to both the private and the public sector) is obliged to state the salary range envisaged for the position and should not imply gender in the job title. The hired employee will, in turn, have the right to be informed about the average salary for the position that person holds and gender differences, if any. The employee will not be prevented from disclosing the salary. Once a year, the employer will have to report on the rights granted to employees by the directive.

Member States will have to introduce sanctions (including fines) for breaches of the directive, and a person whose right to equal pay is violated will be able to claim compensation. Entities employing more than 100 people will additionally be obliged to report periodically on the wage gap among their employees. This means that if the pay gap between women and men performing comparable tasks exceeds 5% and is not justified by objective circumstances, the employer will have to introduce a remedial plan to close the gap.

Importance for the EU Labour Market. The biggest changes will be brought about by the Wage Transparency Directive, which is modelled, among others, on the solutions of the Nordic countries. Wage transparency standards will improve the bargaining positions of employees, who in the past could only benefit from unofficial information, such as websites that aggregate data on salaries at a given entity provided anonymously by current and former employees. Although research on the impact of disclosure on salary increases is inconclusive, there are examples showing that the introduction of such a measure can lead to an increase in employees' salaries (especially among the lowest paid) and a narrowing of the pay gap between men and women performing comparable tasks. The latter is an important objective of the adopted directive—in 2022, according to Eurostat, the gap was 12.7% for the EU (7.8% for Poland). While the information obligation itself will have a positive impact on bridging it, the attempt to solve this problem systemically by imposing an obligation on employers to publish remediation plans is unlikely to improve it. The directive does not entail any specific sanctions, only provided for in individual cases. A positive effect of the

directive may be that it raises awareness of the benefits of EU membership, which are not limited to monetary transfers but also the introduction of standards that are beneficial to citizens.

The Minimum Wage Directive will harmonise the methods set by the countries of the Union, and the process will be more transparent and based on objective criteria. This is important in the context of the differences in labour costs between the members, through which they compete with each other to attract investment. However, the act leaves much discretion to the states in the application of the solutions it provides, so its effects will depend on the extent to which they actually apply the solutions it recommends. The directive also contains mechanisms that can increase the number of collective agreements concluded.

Conclusions and Outlook. The new legislation will improve the situation of workers in the EU. However, what will be important is the extent to which employees are made aware of their right to information about salaries (the annual information obligation imposed on the employer may not be sufficient) and whether they request it and actively use such information. In order to strengthen awareness of the rights under the directive, Member States should organise promotional campaigns and increase the frequency of the employer's obligation to inform about the possibility to obtain a pay statement (the directive only sets minimum requirements in this respect).

In the case of Poland, the introduction of the directives may have a positive impact on increasing participation in collective agreements—currently 10-15% of employees are covered by them, while the EU average is 60%. As a result of the implementation of the Minimum Wage Directive, the lowest wage in Poland, which has been rising, may increase further (according to Eurostat data for July this year, the wage is the 10th lowest in the EU). The introduction of a transparent and permanent mechanism for determining such remuneration will also affect the sense of economic stability of those earning the least. These changes, bringing the remuneration of Polish workers closer to the EU average, may additionally influence the perception of Poland as an attractive migration destination, especially compared to other countries in the region.