



A Joint Open Letter on the Posting of Workers

2 October 2017

To:

The Committee for Employment and Social Affairs

The Committee for Economic and Monetary Affairs

The Committee for Internal Market and Consumer Protection

Jean-Claude Juncker, President of the European Commission

Marianne Thyssen, EU-Commissioner for Employment, Social Affairs, Skills and Labour Mobility

Directorate General for Employment, Social Affairs and Inclusion

Directorate General for Economic and Financial Affairs

Directorate General for Internal Market, Industry, Entrepreneurship and SMEs

Directorate General for Competition

The EPP Group in the European Parliament

The ALDE Group in the European Parliament

National parliaments of the EU Member States

Posting of workers plays an essential role in the Internal Market and the cross-border provision of services. Simply put, posting of workers allows a worker from a sending country to work in a recipient country while observing regulations of the former¹.

The current system of posting of workers is strongly criticized by some old Member States. They accuse new Member States of social dumping and call for the introduction of the “equal pay for equal work in the same place” principle. This principle disregards the Single Market and ignores the facts that the pay rate differences constitute a legitimate element of competition. Moreover, a discussion on differences in labour market flexibility and minimum wage regulation remain on the periphery of the debates.

A comparison of labour regulation in new Member States and old Member States suffices to challenge the argument of social dumping. As reported by OECD and the World Bank Doing Business Index, new Member States have stricter labour regulation than the old ones. Labour codes in new Member States stipulate less working hours and higher extra pay for overtime, night

¹ Directive 96/71/EC provides three options of posting: a direct provision of services between two companies under a service contract, posting in the context of an establishment or a company belonging to the same group (intra-group posting), and posting by hiring out a worker to a temporary work agency established in another Member State.

time and work on rest days, etc. Therefore, allowing posted workers from new Member States to observe regulations of their sending countries while working in old Member States does not exacerbate their situation in any way.

A mere statement of the fact that minimum wages in new Member States are considerably lower than in old Member States disregards a couple of key aspects. Lower minimum wages are neither a consequence of different mentality or social policy nor a deliberate attempt by new Member States to gain an unfair competitive advantage. In fact, the nominal minimum wage across Member States varies due to differences in economic development, and related policy choices should be compared in terms of the ratio between the minimum wage and the average wage. According to Eurostat, in 2014 the ratio was 41.5% in new Member States and 43.1% in old Member States, implying no significant difference between the two. Therefore, punishing new Member States for having lower nominal minimum wages would go against fundamental principles of the Single Market where price competition is explicitly allowed and encouraged.

Finally, applying the principle of “equal pay for equal work in the same place” would be arbitrary and unfair, given that it does not even exist at the level of Member States. In any given Member State, workers with similar jobs or with similar qualifications receive different pay. According to Eurostat, earnings of workers with identical occupation may differ by more than 100 percent, depending on the size of a company. For example, the pay for workers engaged in non-manual labour varies by 100 percent in Germany and Spain. Similarly, differences in earnings may depend on different conditions of collective bargaining agreements.

To conclude, a selective application of the principle of “equal pay for equal work in the same place” has much more to do with restricting access to labour markets rather than achieving the equality of pay. As such, this type of protectionism goes against the fundamental principle of free movement of labour in the Single Market.

We, the 15 undersigned think tanks in 12 Member States, members of 4Liberty.eu Network and EPICENTER Network, call on the European Parliament, the European Council, the European Commission and national parliaments of the EU Member States to refrain from introducing the “equal pay for equal work in the same place” and to uphold the principle of free movement of workers in defense of the very foundations of the Single Market.

Undersigned by:

Centre for Economic and Market Analyses, the Czech Republic

Civil Development Forum, Poland

Civismo, Spain

F. A. Hayek Foundation, Slovakia

Istituto Bruno Leoni, Italy

Institut économique Molinari, France

Institute for Market Economics, Bulgaria

Institute of Economic Affairs, United Kingdom
Institute of Economic and Social Studies, Slovakia
Liberální institute, the Czech Republic
Liberté!, Poland
Lithuanian Free Market Institute, Lithuania
New Economic School – Georgia, Georgia
Timbro, Sweden
Visio Institut, Slovenia

4liberty.eu is a network of 15 liberal think tanks from Central and Eastern Europe, including Poland, Hungary, Slovakia, Slovenia, the Czech Republic, Bulgaria, Ukraine, Estonia, Lithuania, and Germany. The goals of the Network are to make the Central European perspective accessible to international audience and to be a reliable source of information on regional issues.

EPICENTER, the European Policy Information Center, is an independent initiative of eight leading think tanks from across the European Union. It seeks to inform the EU policy debate and promote the principles of a free society by bringing together the economic expertise of its members.