

European Federation  
of Building  
and Woodworkers



## **EFBWW Study**

# **WAGES IN CONSTRUCTION**

**EFBWW**

European Federation of  
Building and Woodworkers

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European Federation  
of Building  
and Woodworkers



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# Foreword

In this report, I have recorded collective agreement wages as well as the collectively agreed supplementary wage benefits in the building industry of nine European countries, and calculated gross and net monthly earnings for various skilled worker profiles. This is an attempt to prepare a basis for collective bargaining politicians in the building industry in order to enable a European comparison of real incomes and to develop corresponding conclusions for a future wage strategy.

Ernst-Ludwig  
LAUX

As I am entering uncharted waters with this collection, calculation and documentation of collective-agreement and, in addition, of “real” wages in the building industry and as the subject of collective bargaining varies greatly from country to country, I have no doubt made some mistakes; however, these can be rectified at the **seminar on wage policy in Berlin at the end of June**. My final report with corrections was completed following the discussion with the collective bargaining politicians from the individual trade unions. My aim is to prepare an action manual which can be applied in the practical work of wage policy.

From my perspective, it can then serve as a basis for the coming years – all that is required is updating. I shall set out corresponding proposals in the report.

At this point, I wish to express my sincere thanks to all interview partners for their information and ideas, and hope that we will be able to continue our constructive cooperation. Particular thanks are due to the EFBWW and above all Werner Buelen who has made a fundamental contribution to this report, especially with his ideas. We would like to say a special word of thanks to Frank Leus and Jan Bohrke, who greatly assisted me with the practical arrangements.

Without the financial support of the EU Commission, this project would not have been possible and I therefore express my sincere thanks to the Commission for this support.

# Introduction and general information

The economic significance of the building industry in Europe can be demonstrated with some figures:

- Just under **11% of European gross domestic product** is generated in the building industry
- **16 million employees** are currently registered in this sector, however the real number of employees is considerably higher if one takes illicit work, illegal employment and bogus self-employment into account.
- The **effects of the building industry** on suppliers, providers of planning and marketing services is estimated with a factor of 1.5 so that, overall, approx. **26 million people** live and support their families through work in this sector.

If one looks at the statistical information of the OECD, Eurostat, the employers' associations and the trade unions, it quickly becomes clear that the demarcation of the building industry varies in almost every country. In this report, I have concentrated on **the collective agreements for construction, civil engineering and road building**; however, it can be stated that, in some of the countries examined, other trades are also covered by these collective agreements. A clear definition is needed for the future so that the comparability of working conditions is also ensured.

## Economic development

In the wake of German reunification, the opening up of borders and the constant enlargement of the European Union, the European building sector has experienced upward economic development over the past 15 years (albeit frequently with greatly differing regional concentration on individual states). Today, as a result of the **current financial and economic crisis**, the future development is not yet clearly foreseeable. Two routes are conceivable

- a. a recession due to insufficient demand and financing opportunities or
- b. an upward trend since, in the past, the building industry has very frequently shown itself to be an employment motor in times of crisis.

Naturally, these economic circumstances in the past and in the immediate future have had or will have a direct influence on the composition and level of the wages that are the focal point of this project.

During the period of preparation of this project between September 08 and July 09, the worst global financial and economic crisis since the 2<sup>nd</sup> world war has had very far-reaching effects, including above all in Europe and in the building sector. The **exchange rates of European currencies** against the euro and thus the comparability of national wages and incomes have fluctuated greatly. This necessitated intensive attention to these financial policy developments in the project, because exchange rate fluctuations of in part over 20% are very difficult to cope with for the purpose of a comparison of actual wages in the building industry. I have attempted to overcome this difficulty with the help of various tables, statistics and charts so as not to turn the positive wage development in some EU states upside down. As cross-border working as well as the posting of workers is almost a normal state of affairs in the building industry, direct consideration must be given to the

exchange rate developments as these will result, and indeed already have resulted, in new migration movements. All data in this report refers to the wages and exchange rates as at 31 March 2009. I will carry out a first update of the data on 1 October 2009.

Following the recent judgements of the European Court of Justice on Laval and others, there will no doubt be further discussions in the newly elected European Parliament (after 7 June 09) and the newly formed EU Commission concerning the **posting directive** and neo-liberal politicians will attempt to implement the ideas of the service directive.

For the building industry, this examination can serve as a basis for implementation of further ideas, either in practice or in the form of laws.

As a result of the current crisis, **protectionism and isolation** of employment markets as well as of national economies have again become subjects of the current debate although everybody had thought that these problems had been overcome. Consequently, new ideas must be developed for social relations, social policy and, in particular, for wage and income development. There is an increased need for this so that Europe can place not only economic interests but also social and, I add, democratic requirements on a firm basis.

### **My methodical approach to the project can be described as follows:**

I have chosen the method "Qualitative Interviews", "Active Involvement and Observation", and "Everything from a single source". This may be somewhat unusual but, as I know

- the wage policy and collective agreements in the building industry and
- have known the persons involved in the respective countries for years,
- have own experience of collective bargaining negotiations,
- know the questions to be dealt with ("this is regulated far more simply in country X and building workers in country Y are satisfied with lower wages") from direct negotiations, I consider this to be justified.

Normally, projects of this nature are handled with country delegates or national researchers; however, I deliberately wished to differ so as possibly to establish a new procedure.

Of course, my aim in this study was to make the report for each of the 9 countries equally long, but I did not stick rigorously to this principle because there are countries with long wage policy experience in the building industry, a large number of collective agreements or other rulings compared to states in which these systems are still in the development stages. I have therefore concentrated on what I consider to be the "most important" matters.

I have used footnotes sparingly in the report as there are almost always many sources that would require mention. The direct information stems from the current national collective agreements and from discussions in the EFBWW (European Federation of Building and Wood Workers). The enclosed bibliography provides interested readers with additional references for more in-depth information. Special contents and results of this report have been discussed with the interview partners, nevertheless overall responsibility lies with the author.

## Introduction

### Procedure in terms of content

In each of the 9 country studies, I initially provide a brief description of

- the employment legislation as well as
- the structure of the collective agreements and then deal with
- the definition and current situation of the collective bargaining parties,
- the wage structure and occupational groups as well as
- general applicability.

Key points of the examination based on the above are

- the implementation of collective agreements in companies and on construction sites,
- which additional wage components exist under the collective agreement and what is the situation as regards
- real wages at the place of work.

To make things more flexible and easier to understand, I have defined **4 typical skilled worker situations** for which I examine the direct wages together with the supplementary benefits on a gross/net basis and, where corresponding information is available, also describe the wage costs for employers. To enable even more precise presentation of the possibilities for comparison and to cushion the effects of the current exchange rate fluctuations somewhat; I have also calculated wages in relation to purchasing power standards.

Finally, I develop own **theses and benchmarks** concerning how we can proceed in future in terms of wage policy for the income of employees in the building industry.

**My observations concentrate on workers in the central building and construction trade;** machine operators, drivers, salaried employees and trainees are not taken into consideration in concrete calculations; nevertheless, these occupational groups have been integrated into the general description.

The collective agreement regulations of the individual countries describe numerous occupational groups and the corresponding wages. To enable comparability, I have concentrated on **5 wage groups** in this report which can be filtered out of all collective agreements with as similar requirements profiles as possible, and which also include the most important work tasks. In detail, these are:

WG 1 : non-skilled workers

WG 2 : non-skilled workers with experience (one or two years)

WG 3 : skilled workers (with vocational qualification)

WG 4 : specialist skilled building workers (with vocational qualification and approx. 2-5 years of experience)

WG 5 : foreman/group leader

### **A look at the current projects supported by the EU Commission**

For some years, the FIEC has been working on a project with the support of the EFBWW which makes the relevant working conditions of posted workers in the building industry available for call-up via a **website**. It may be necessary to include the results of this project in this **database**.

The same applies for the **ECMIN project** supported by the EU, in which overviews are to be included in order to make building working conditions in Western Europe transparent for Eastern European building workers and thus easier in the event of posting, and, if possible, to avoid wage dumping.

In Germany, a broad-based study is currently underway as part of a project by the Hans-Böckler Foundation supported by the EU Commission, in which **adherence to collective agreements in the German building industry** is being examined. I make reference to the results available thus far but not yet published.

A few years ago, an EU supported project on **“Undeclared labour in the building sector”** was carried out by Construction Labour Research (CLR) and I also wish to make reference to the results at this point.

The EU supported project **“Self-employment and bogus self-employment in the European building industry”** has just been completed. In my opinion, it is necessary to combine the results available from this project with those ascertained here, so as to develop a uniform strategy for the future collective bargaining and trade union policy for the European building industry.

An EU supported study is currently also being carried out by FIEC and EFBWW on **vocational training of bricklayers** in Europe and these results should naturally also be seen in the context of this project as bricklayers play an important role in the vocational group overview of this industry.

### **Social movement, trade union work and wage policy**

Wage policy and the negotiation of wages and income for the employees of an industry and their members is still the principal activity of trade unions.

If one considers the historical development of this work within the European Union, very different approaches can be seen which are based on differentiated legal, psychological, organisational-sociological and political experience:

- Complete autonomous collective bargaining and parity
- Tripartite discussions and negotiations
- Various statutory rulings as basis and
- A special role of the King/Queen
- Collective agreements as guidelines without a binding character.

**These completely different systems of wage determination** in the building industry still exist alongside one another and my impression is that they will not change or converge in the short or even medium term.

Even the **collective agreement levels** are very different; there are collective agreements at national level, for regions, industries, for amalgamations of branches of the economy, in companies and even on construction sites.

## Introduction

The composition and fundament of the employers' associations is very differentiated; their role and their negotiating mandate cover a broad spectrum and even employee associations, normally the trade unions, can represent individual companies, professions, industries, confessions, political directions or constitute a single national group.

I shall provide necessary brief descriptions on these subject areas so that wage determination for employees in the collective agreement as well as directly at the place of work is made clear, although I would like to refer to the bibliography for further study of these matters.

### **Future coordination of wage policy in the European building industry.**

Finally, I shall prepare a proposal for a future approach aimed at improving statistical recording and coordination of wage bargaining rounds. For this purpose, I have prepared attached model form for the updating process.

# Results in a nutshell

In this section I would like to sketch out in a few brief sentences, for each country surveyed, the results and key data for construction sector wages together with the corresponding bargaining policy. This is both with an eye to those wishing to read the results at a glance, but also to motivate the reader to seek more information in the detailed national reports.

The **Summary** further on in particular brings together the results of the nine national surveys in tables and worked up for the discussion.

## Belgium

Construction wages in Belgium are high and additional payments very good, there is a positive wage drift of about 10% in many conurbations, compliance with collective agreements is very good, mainly due to all wages being decreed to be generally binding, and there is a high trade union organisation rate of around 95% as well as a well-developed social funds system managed by both sides of industry. Wage levels are set in free collective bargaining, the inflation rate is incorporated in wages at given intervals, undeclared work and illegal employment are not very common. Non-wage costs for construction employers are very high, at approx. 110%.

## Denmark

The system of pay and collective agreements in Denmark is very different from other European countries as there is no standard list of occupational groups and almost all provisions governing pay and working conditions are laid down in a collective agreement negotiated between the employer and the local construction trade union at the construction site or in the plant. The unionisation rate stands at around 90%, strikes are possible at individual construction sites and the reported average wages, normally of the payment-by-results type related to a specific construction site, are the best in the survey, although taxes and social insurance deductions are also very high. There is no legal system of declaring provisions to be generally applicable, but as virtually 100% of employers and workers are organised, collective agreements are complied with. Undeclared work is at a low level, there is a positive wage drift in conurbations and non-wage costs are about 80%.

## Germany

Owing to the economic crisis in the construction industry, the substantial decrease in regular employment relationships and the use of eastern European workers and construction firms, partly under wage-dumping conditions, only small pay increases have been achieved in recent years. This not only concerns the construction sector, as the overall pay trend in real terms in Germany is in the bottom range of the European trend. Added to this, there is a negative wage drift of up to 20% in the construction industry as there are only two generally binding minimum wage rates in East and West Germany, respectively. Negotiated non-wage benefits, which are not arranged via the industry social fund, often do not reach the construction workers, and the supervisory network of works councils and the trade union is not as dense as in other EU countries, partly due to the sharp decline in membership. Furthermore, illegal employment and bogus self-employment is very prevalent, the employers'

## Results in a nutshell

organisations are constantly splitting off from one another and coverage by collective agreements is going down. Non-wage costs stand at 80 to 90%.

### **Finland**

Over the past few years some very good pay increases have been agreed in the Finnish construction industry. The nationwide pay agreements have been declared generally applicable and improved by around 10 to 20% by plant-level agreements. Very often, premia and performance bonuses are agreed so that the actual wages are significantly higher than the negotiated minimum wages. Undeclared work and illegal employment is at a low level, compliance with collective agreements is also very high owing to a unionisation rate among workers of 80%, and non-wage costs amount to around 45%.

### **Great Britain**

The deregulation of the labour market in Great Britain has ushered in significant changes in labour relations, particularly also in the construction sector, such that construction work is almost predominantly carried out by (bogus) self-employed workers who are not directly covered by collective agreements. Up until the current economic crisis, for some years there was a very marked upswing in the sector, leading to a major shortage of skilled workers which resulted in extremely high pay increases being negotiated. The unionisation rate is very low, there is also no binding requirement to comply with collective agreements, which often only serve as a guide, while wages in Greater London are about 20% higher than those in other parts of the country. Employers' organisations have undergone restructuring on several occasions in recent years, and non-wage costs come to only 12.8%. Owing to the substantial devaluation of the pound against the euro, a great many construction workers from continental Europe have left the country and some have been replaced by non-Europeans.

### **Netherlands**

The Dutch construction industry has a highly differentiated system of collective agreements encompassing almost all working conditions and based on the principle of being declared generally binding, which also applies to the whole wage table. Wage levels are high and pay increases in recent years have been very good, negotiated rates are minimum wages and very often supplements, that may also be performance-related, of 30 to 50% are paid. In conurbations there is a 10% positive wage drift. Undeclared work is not very common, although in recent years a move away from employment relationships to self-employment (bogus self-employment) has been observed. Negotiated working time in the Netherlands is 36 hours per week, but normally 40 hours are worked, meaning that 24 paid free days per year must be added to total leave. Compliance with collective agreements is very good, many benefits are provided via the industry social fund, while non-wage costs are very high, at around 120%.

### **Poland**

The Polish construction industry is facing fundamental changes as following accession to the EU the economic situation of this sector improved markedly. The level of wages actually paid has risen significantly, resulting in many skilled construction workers returning from other EU countries to work in their home country. There are no national collective agreements in the construction industry as there are no employers' organisations with the capacity to negotiate such agreements. However, company collective agreements are in force in a number of larger plants. What is more, the trade unions in the individual sectors have little capacity for exerting influence. As in the past, working conditions continue to be regulated by labour law which is why the trade unions primarily take action on the political front in the legislative process. Undeclared work and illegal employment are at extremely high levels and many wages are paid "under the table".

### **Spain**

The financial crisis in 2008 followed in the wake of around a decade-long construction boom in Spain which also led to significant pay increases. By contrast to other countries, in Spain wages and also to some extent other elements of income are agreed in more than 50 regional collective agreements which are in each case declared to be generally binding. While there are central agreements at national level, wages are regulated at regional level and in some cases vary considerably according to the financial strength and bargaining power of the bargaining parties. Another particular feature is the establishment of an annual wage and annual working time. Undeclared work and cash remuneration is very widespread.

### **Hungary**

The Hungarian construction union succeeded some two years ago in concluding a national framework agreement for the construction industry with the employers' organisations and this has also been declared generally binding. The substantial fluctuations in the exchange rate of the forint against the euro means that the negotiated wage rates converted into euro are not high, but as the wages paid at the construction site are approx. 30% higher and very often also partly paid "under the table", they provide a living wage. Undeclared work in the construction industry is very common and represents a major problem. Only a small number of Hungarian skilled construction workers are posted to on construction sites in other European countries.

# Country report BELGIUM

## Introduction and general information

Belgium has a population of 10.6 million. The country's construction industry comprises 52,000 businesses employing 204,000 people.

In political terms Belgium is a constitutional monarchy with a king as head of state. The country is composed of three political regions (Flanders, Wallonia and Brussels). The 1992/93 reform of the constitution established a highly complicated federal state structure.

There are three trade unions in the construction sector, where the trade union membership rate is around 95%. There are 2 employer organisations representing a very high proportion of employers.

The construction sector was hit by recession in the early 2000s but has been growing again since 2004 with year-on-year growth as high as 7.4% in 2006.

## Labour legislation and structure of collective agreements

Since the 1944 Social Security Act established a social security system in Belgium which remains unchallenged unto this day, consensus has been a key feature of Belgian society. As a result there is a close relationship between the social partners and a collective bargaining system for the different sectors of the economy, including the construction sector. There is intense interaction with the political authorities in general and the Employment, Social Affairs and Economics Ministries in particular - especially when the umbrella organisations are deliberating on wage guidelines. The system can therefore be described as a **tripartite system**.

In addition to this (and particularly in the construction sector) an important role is set aside for **joint social funds**, which administer the payment of several of the benefits provided by collective agreements.

## Legal basis

The legal basis for collective negotiations and collective agreements is less detailed in Belgium than in some other European states, but a number of fundamental requirements from the workers' point of view are very well regulated - particularly in the construction sector. The 1968 Collective Bargaining and Joint Committees Act provides that collective agreements can be made universally binding by means of a **"royal decree"** (in existence since 1944) which may be obtained either by the unions or the employers. This instrument is now being used increasingly frequently. Consequently the validity of collective agreements is very widespread and because they cover foreign companies too, conditions for posted construction workers are clearly defined and equality of pay and working conditions is assured.

Provisions for conflicts, strikes, lock-outs and arbitration are not set forth in law but remain the prerogative of the respective social partners. There are however a great many high court rulings which have to be observed, particularly with regard to strikes.

## Parties to collective agreements

There are three trade unions representing workers in the construction sector. These are the **Christian Trade Union**, the CSC-CCTB representing about 50% of the construction workers, the **Socialist Trade Union**, the FGTB-CG representing some 40% and the **Liberal Trade Union**, the ACLVB representing about 5%.

The two employer organisations are the **Confederation Nationale de la Construction**, to which some 15,000 companies are affiliated, and the **Bouw Unie**, which has around 8000 member companies. This means that the representativeness of the organisations on both sides of industry is very high.

## Structure of collective agreements

Generally speaking collective bargaining is conducted in quite a centralised fashion in Belgium at all three levels – the industry-wide (national and cross-sectoral) level, the sectoral level and the company level. In the construction sector the national collective agreement is the most important instrument regulating labour relations.

The body responsible for collective bargaining at the national level is the “**National Labour Council**”. Since 1968 this organ has been authorised to conclude cross-sectoral collective agreements which are then considered to be generally binding. These agreements cover subjects such as working time, the minimum wage, early retirement, part-time work, flexitime and new technologies.

Negotiations for the individual sectors take place in the joint committees where representatives of employers, the unions and the government sit around the table. The Labour Ministry is responsible for assignments to joint committees. The latter may also constitute special sub-committees.

## Wage structure and occupational groups

The Belgian collective agreement for the construction sector regulates a great many wage groups. To make comparisons easier I would like to depict 5 occupational groups (the same job profiles as in the other countries investigated) and cite the corresponding wage levels at **31.03.2009**. As negotiations on the next agreement are currently drawing to a close, these figures may require adjustment. It is important to note that these wages are **minimum wages** for the occupational groups concerned, including in the sense of the requirements of the Posted Workers Directive.

WG1: 12.14€	Inexperienced unskilled worker
WG2: 12.74€	Experienced unskilled worker
WG3: 13.76€	Skilled worker with vocational qualification
WG4: 14.61€	Specialised skilled worker
WG5: 15.13€	Assistant foreman/gang leader

There are no other regional level collective pay agreements in the construction industry.

The collectively agreed normal working hours are 38 hours a week, although

## Country report BELGIUM

employees usually work 40 hours and receive 12 days' leave a year in lieu.

One salient feature of the Belgian system relates to wage increases. A few years ago a law was passed specifying that wage increases could not outstrip the average increase across France, the Netherlands and Germany. Drawing on extensive economic research the social partners' umbrella organisations and the government fix a percentage – generally applicable for a two-year period- which serves as a cap for sectoral negotiations.

At the beginning of each quarter hourly wage rates in the construction sector are automatically **adjusted to compensate for inflation**. The adjustments are calculated on the basis of the officially established inflation rate and are paid out immediately.

### Universal application

At the request of either of the social partners the content of collective agreements may be extended to cover unaffiliated employers and workers. This may be done by means of a declaration or by royal decree. The extended agreements then cover all domestic and foreign firms and employees, particularly with regard to wages, working time and social fund obligations. The implementation of the Posted Workers Directive has been well organised to ensure employee protection.

### Implementation of collective agreements in companies and on building sites

It transpired from all interviews and other sources that these collectively agreed wage levels were being correctly observed on building sites in all regions. Undercutting is extremely rare, but remuneration in excess of collectively agreed rates is rare too, unless a job demands very specialised skills. Employees incomes are further supplemented in some respects through additional pay components – some regional, some company-based and some tied to economic conditions. These additional pay components are described in more detail below.

There is no doubt that adherence to collectively agreed rates owes a great deal to the high degree of organisation on both sides of industry. A further factor is the trade unions' role in paying out a large number of social benefits to their members, which makes it very easy for them to verify wage payments. A well-developed monitoring system that keeps illegal employment and wage dumping in check also reduces the pressure on statutory working conditions in the Belgian construction sector.

### Other pay components in collective agreements

Over many years a dense tissue of additional pay components has been woven around the hourly rates in the building industry. Some of the employee benefits are paid out by the **Social Fund for the Construction Industry**. The Fund draws its resources from construction companies, who contribute a percentage of gross wages.

- **An overtime bonus of between 20% and 50%** is payable for work performed in addition to normal working time or outside normal working hours.

- **Travel expenses** are reimbursed for travel to the place of work (public transport or own vehicle) and
- **car pool drivers** receive an extra allowance.
- **Allowances of 22.11€ per day** and **supplements of 10.87€ per overnight stay** are payable when employees are unable to commute on a daily basis.
- In certain situations where building sites are less remote, **meal vouchers** of a value of around **6€ a day** are provided.
- **Hardship bonuses** of between 10% and 100% are paid on an hourly basis for 30 different types of work performed under particularly difficult conditions.
- There are also **one-off payments** of **400€** and **600€** for **25 and 35 years of service**.

### Real wage at place of work

The high degree of organisation on both sides of industry ensures that collective agreements are usually implemented and observed. Both sides fiercely oppose any attempt to obtain a competitive advantage by undercutting wage rates. Another important factor is the existence of a very well-developed **Joint Social Fund** for the construction sector administering the payment of additional income components (employers pay in a given percentage of workers' gross wages and then either the fund itself or the trade unions pay out the benefits to individual workers). As this is a very complicated process I refer the reader to the appended table and shall mention only the **9% lump-sum Christmas bonus** and the **2% bad weather bonus**, both of which are calculated on the basis of normal annual income.

### Example: wages of a specialised worker

As I explained in the introduction (and as can be seen from the tables) I have attempted to make the wages of employees in all nine countries comparable by taking certain occupational groups and the case of a specialised skilled worker and reflecting the basic wage rate, two locational contexts and two family situations.

### Wage costs for employers

As a result of collective agreements and social legislation, many legal obligations have to be taken into account for the calculation of direct labour costs for employers. Taken together they add between 105% and 111% to the gross wage. More details can be found in the tables.

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### Gross and net earnings of employees

Previous studies attempting to compare wage levels (none of which have focused specifically on wages in the construction sector) have compared collectively agreed rates or average gross earnings. In this study I would like to attempt to add net earnings and compare them using purchasing power parities, which I feel are necessary to provide an objective picture - particularly in view of the current exchange rate fluctuations.

**13.07%** of construction workers' gross income goes towards paying **individual social contributions** for health insurance, retirement, unemployment and occupational accident insurance. Another **30% are paid in taxes**, although the exact sum naturally varies in accordance with individual workers' family situation. The table shows some examples.

**Example of calculation for specialised skilled worker** with five years' experience a) single and b) married with two children, c) working close to home and d) working 100km from home and not commuting on a daily basis, doing five hours' overtime a week.

**Table: Monthly income Belgium - Situation at 31 March 2009**

Earnings components	Provisions of collective agreements	Skilled worker c) near to home	Skilled worker d) 100 km from home
Hourly wage	14.61 €	14.61 €	14.61 €
Working time (165)	38 Hours	38 Hours	43 Hours
Monthly wage	2410.65 €	2410.65 €	2410.65 €
Overtime allowance	20-50%		350.64 €
Hardship allowance	10-100%		
Travel expenses			Approx. 100.- €
Daily allowance	22.11 €		442.20 €
Per noctem	10.87 €		217.40 €
Meals allowance	6.- €	120.- €	120.- €
Loyalty/yrs service	400.-/600.- €		
Gross earnings		2530.65 €	3638.19 €
Taxes/social contributions a)	42.0%		
Taxes/social contributions b)	30.6%		
Net earnings a)		1467.78 €	2110.15 €
Net earnings b)		1756.27 €	2524.90 €

### Comparative purchasing power of earnings

For the purposes of this study I am using the purchasing power parities calculated on a monthly basis by EUROSTAT. I have used the data for March 2009. EUROSTAT calculates the parities for all the EU member states and sets the value of the average at 100 points. On this basis Belgium has a **PPP of 118**. Further details may be found in the addended table.

### Conclusion

In the Belgian construction sector a high degree of organisation on both sides of industry, a highly elaborated social dialogue and the existence of joint social funds have contributed to the development of a system which I feel rates very highly in the European context. The collectively-agreed wage and earnings levels are not the highest in Europe, but the high degree of adherence to collective agreements means that real, on-site earnings are very good. The large number of collective agreements made generally binding also resolves the issue of posted workers successfully.

# Country report DENMARK

## Introduction and general information

Denmark has a population of approx. 5.4 million, mostly living on islands that are well connected via bridges and ferries. Since 1849, the political system has been a constitutional hereditary monarchy accompanied by a single-chamber parliament as well as strong democratic institutions which are regulated by the constitution of 1953. The building industry employs around 160,000 workers with 22,000 self-employed. Following a crisis in the 1990's, the economic development of the building sector has recently shown signs of a slight upturn with the result that unemployment has not risen further.

## Employment legislation and structure of the collective agreements

Labour legislation is not very pronounced compared to other European countries. Traditionally – and for many decades – central issues of working life, above all for employees, have been regulated by collective agreements. There is no collective bargaining law, no general applicability, no Works Constitutional Act and no Dismissal Protection Act; these rulings result from the power of the social partners to influence matters and are laid down in collective agreements. Collective agreements can be negotiated autonomously, however there is no 100 percent autonomous collective bargaining as the state has powers of intervention which were also used on some occasions in the 1980's in cases in which, in the opinion of the respective government, collective agreements on wage increases were too high. During this period, the government also issued official recommendations to the effect that wage increases should not be above those agreed in other comparable EU countries so as not to endanger exports.

## Legal basis

Nevertheless, the principle of "Equal wages for equal-value work" has been anchored in the statute books since 1976 and is an important basis of the Danish collective bargaining system, as the high organisational level on both the employer and the employee side creates the basis for unconditional adherence to collective agreements, and violations of collective agreements can be fought more effectively.

## Definition of the collective bargaining parties

**All building companies in Denmark must be members of the responsible employers' association.** Approx. 90% of building employees are organised in the 5 responsible trade unions, for the central building and construction trade in the "3 F" in which all have amalgamated in the **BAT-Kartellet**. (In recent years, the individual trade unions with their very occupation-related structures, have merged to form larger associations and have come together in the **SID (trade union for non-skilled workers and workers with acquired skills)**). The high level of trade union

organisation can be explained by the fact that unemployment insurance and the payment of unemployment benefit as well as job mediation are handled via the trade unions. In recent years, there has also been a concentration process on the employer side with the result that speedy negotiations on guidelines and key values are possible at short notice on a central level and thereafter wages and wage increases can be laid down above all in the company collective bargaining negotiations.

The Danish collective agreement structure has developed into an independent wage system that cannot be compared with other European systems, above all if the system of "minimum wages" is supplemented by "normal wages" to form a system of "centralised decentralisation" which can be explained well using the example of the building industry.

### **Structure of the collective agreements and negotiating system**

Fundamentally, it can be stated with regard to the Danish collective bargaining system that almost all industries negotiate concurrently within a very narrow corridor of two to four months.

The term is normally two years. In recent times, differences have arisen here with the result that terms have been extended from 1 to 4 years. A separation of wage regulations and other working conditions into differentiated collective agreements is not normal; all working conditions are negotiated in every wage round.

Normally, Denmark is a uniform collective bargaining area and negotiations in the building industry are based on the so-called minimum wage system. This means that wage increases or improvements in other working conditions are laid down centrally following negotiations between the industry's collective bargaining parties; these then apply as minimum improvements and can be improved in companies through negotiations between employer and the company trade union. This gives the trade union members in the company – with the support of the local trade union organisation – as well as the individual employers room for manoeuvre to include regional, economic or work-related components (e.g. performance-based remuneration). Undercutting of the central results is not permitted from a legal point of view; all company collective agreements must also be signed by the central trade union management. In this context, there is often talk of the Danish way in collective bargaining or of "wage policy à la carte".

### **Wage structure and occupational groups**

There is **no classical wage structure** in the Danish building industry as in other European countries and likewise no defined occupational groups with specific training qualifications or work profiles. Far more decisive is the work performed directly on the construction site; wages are agreed for bricklayers, joiners, concrete builders or machine operators in a construction site collective agreement. The basis is the national wage agreement negotiated between the national trade unions and employers' associations which de facto applies as minimum wage. Normally, these wages are topped up by 10 to 20% through the construction site collective agreements

## Country report DENMARK

depending on the economic situation, the difficulty of the construction site and the region. This topping up is frequently coupled with performance agreements and performance-related wages, either per month or for the entire duration of a construction site.

**As of 31 March 2009, an average wage of 130 DKR per hour** can be assumed.

Converted into euro as of the same date (exchange rate: 1 € is equivalent to 7.447 DKR) the average wage is **17.46 €/hour**.

### **General applicability and generally applicable minimum wages**

In Denmark there is no ruling on general applicability as in many other European states and thus no statutory minimum wage. Nevertheless, collective agreements are directly applicable for all employers and employees who are members of the contracting association or of the responsible trade union. If the employer is bound by the collective agreement, the provisions also apply for those employees in the company who are not members of a trade union.

The legal and collective agreement provisions in Denmark are part of the Scandinavian structure without any general applicability; nevertheless, this has been called into question by the current case law of the European Court of Justice in Luxembourg concerning the "Laval" case in the Swedish building industry. Today, it is not possible to foresee how these legal conflicts can be solved; several proposals are being discussed, ranging through to amendment of the posting directive by the European and national legislatures.

### **Implementation of collective agreements in companies and on construction sites**

The strength of the Danish collective bargaining system in the building industry is the very good implementation of the collective-agreement provisions, above all as a result of the very high organisational level of employers and employees. In addition, the employers' associations can exclude individual employers in the event of violations of collective agreements, and the local trade union has a direct right to control and check wages and other working conditions. As the principle of "Equal wages for equal-value work" enjoys high status in Danish law, it is also monitored by the workers employed directly on the construction sites, and the local trade unions in part publish the collective agreements in the Internet so as to ensure greater transparency. Danish employment and collective bargaining law stipulates that a collective agreement must be concluded on a construction site within 30 days. If the employer refuses this, the trade unions on the construction site can organise strikes to exert pressure and trade union members from other construction sites can be called on to take boycotting measures on the construction site. As this is a frequent occurrence, the rules are adhered to meaning that wage and social dumping as well as illegal and illicit work are rare. Further provisions apply in addition for posted companies from low wage countries with the result that wage dumping is likewise very rare in this area.

Employers who undercut collective agreements are punished and required to pay fines to the responsible trade union.

### **Additional wage components as per collective agreement**

In Denmark, great importance is attached to wages per hour as the construction site collective agreements make it easy to include factors making work more difficult or particular aspects of the construction work into the wage levels, thus reducing the need for further allowances.

In addition, there are parity social security systems in the building industry via which many benefits are settled and paid to the employees, for example supplementary pensions, holiday, further training etc.

The additional income components in the Danish building sector are very difficult to calculate for the purpose of a European comparison as many of these benefits are agreed for individual construction sites. My further considerations are based on average values obtained in the interviews.

- The **normal working week is 37 hours** given the existence of a collective agreement for the construction site, otherwise the 48-hour week applies
- **overtime allowances** are between 50 and 100%; this also applies for night work as well as for work on Sundays and public holidays
- **hardship allowances** are agreed on the construction site as are
- **travelling expenses and daily allowances.** Normally, workers are required to bear the costs of the first 10 km themselves and thereafter the fiscal rates are frequently used as a basis. With construction sites away from home, the employer has to arrange overnight accommodation in the tourist category and provide free meals.
- The **holiday entitlement is 25 working days**; by law, the employer has to pay 12.5% of gross wages for the holiday; given the existence of a collective agreement 19.5% must be paid.

### **Real wages at the place of work**

Real income at the place of work is made up of the collective-agreement conditions as per the national wage agreement as well as of allowances on the construction site which are regulated by a collective agreement negotiated between the local trade union organisation – with the support of its construction site delegates – and the employer. These collective agreements can be very extensive if all working conditions are regulated better than under the law or as laid down in the national wage agreement. The employer must grant the agreed working conditions, including to those employees who are not members of the corresponding trade union.

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### Gross and net income of a skilled worker calculated on the basis of examples

Given the fact that Denmark has national wage agreements which apply as minimum working conditions but are frequently improved by up to 20% of income through construction site collective agreements, the preparation of a specimen calculation for a skilled worker is difficult.

I shall therefore base my comments on average statistics and the calculation bases can be improved in further interviews.

- **Example calculation for a specialised skilled worker**, 5 years experience, a) single and b) married with two children, employed c) close to his home and d) 100 km away without daily home travel and with 5 hours overtime per week.

**Table: Monthly income Denmark - Situation at 31 March 2009**

Earnings components	Provisions of collective agreements	Skilled worker c) near to home	Skilled worker d) 100 km from home
Hourly wage	130.- DKR / 17.46 €	130.- DKR / 17.46 €	130.- DKR / 17.46 €
Working time (161)	37 Hours	37 Hours	42 Hours
Monthly wage	20930.- DKR / 2811.06 €	20930.- DKR / 2811.06 €	20930.- DKR / 2811.06 €
Overtime allowance	50-100%		3900.- DKR / 523.70 €
Travel expenses			Appr. 800.- DKR / 107.43 €
Gross earnings		20930.- DKR / 2811.06 €	25630.- DKR / 3441.65 €
Taxes/social contributions a)	41.0%		
Taxes/social contributions b)	35.8%		
Net earnings a)		12348.70 DKR / 1658.12 €	15121.70 DKR / 2030.48 €
Net earnings b)		13437.06 DKR / 1804.35 €	16454.46 DKR / 2209.48 €

### Wage costs for employer

The Danish building industry also has collective agreements concerning supplementary pensions and additional benefits financed through contributions to social security systems by the employer.

**Ancillary wage costs of approx. 80%** must be assumed; however, these must be defined more precisely in further interviews with experts.

### Comparison of the purchasing power of income

The current purchasing power standard according to Eurostat is **120**.

### Conclusion

In Denmark, the wage system, the corresponding collective agreements, as well as the implementation of company collective agreements and the resolute adherence to the agreed wages on construction sites, are very special and can only be compared to other European countries to a limited extent. Working conditions for building employees are good, the posting problem has been solved very well and the organisational level is very high. All of these factors are benchmarks which should be taken into consideration in the further discussions.

# Country report GERMANY

## Introduction and general information

The Federal Republic of Germany is a parliamentary, federalist democracy in which the principle of the social state and autonomous wage bargaining are regulated by the Constitution.

The current population is approx. 82.2 million; roughly 720,000 people are dependently employed in the building and construction industry spread over around 70,000 building companies. On top of this are approx. 200,000 employees working as "one-man companies" (also referred to as "bogus self-employed") or working illegally. In Germany, the **central building and construction trade** is the most important part of the building industry; painters and sprayers, roofers, scaffolders and the demolition trade have own collective agreements.

Following German reunification, the economic development of the building industry was very good from 1990 to 1996; this was followed by approx. 10 years of crisis with a major reduction in the number of persons employed and large-scale structural changes. The past two years have seen a consolidation including, in particular, as regards the number of persons employed.

There are currently around 1.8 million employees in the entire building industry, including the building extension and ancillary building trade as well as the building materials industry.

The building trade under review here has one trade union (organisational level approx. 35%) and two employers' associations (organisational level approx. 65%).

## Employment legislation and structure of the collective agreements

Following its varied history, two devastating world wars, the prohibition of free trade unions in 1933 as well as the pursuit and murder of trade unionists by the fascists, the entire working and social relations in Germany have been placed on a new footing since 1949.

Following the collapse of the Berlin Wall on 9 November 1989 and **German reunification** on 3 October 1990, West German employment-relation structures were extended to East Germany, frequently with in part long transition periods. In the building industry in particular, the opening of the borders in Germany in 1989 and the free movement of labour in Europe since 1993 have had major effects on collective agreements and wages which must be assessed as predominantly negative for employees.

## Legal basis

The German Basic Law of 1949 guarantees freedom of association for employees of all vocations. In addition, **autonomous wage bargaining** was formulated which enables the collective bargaining parties to regulate working conditions in the industry or company autonomously, on a national or regional basis, or even for individual plants and companies.

There is also the Law on Collective Agreements which defines the requirements, framework conditions and further legal standards for the collective bargaining parties

as well as for the collective agreements. It stipulates that collective agreements are only applicable to those who are direct members of the collective bargaining parties (employers' association and trade union). In certain circumstances, general application can be applied for.

The company supplements in this system are regulated by the Works Constitutional Act.

Internal works agreements cannot regulate anything that is normally included in collective agreements; deteriorations for employees are likewise not possible unless the collective agreements contain an escape clause describing the circumstances in which undercutting of the collective agreement level is possible.

### Definition of the collective bargaining parties

Collective agreements in the German building sector are negotiated by the **General Association of the German Building Industry** (large companies), the **Central Association of the German Building Trade** (craftsman's companies) as well as by the **Industrial Trade Union Building Agriculture Environment** (IG BAU).

The following principle applies in Germany: one company – one trade union (**single trade union**). Consequently, IG BAU negotiates the collective agreements for all employees in the building industry - workers, salaried employees and trainees -, irrespective of whether they work directly on the building site as bricklayers, joiners, concrete builders, building machine operators, drivers or technical drawers, construction engineers, or as secretary in the office of a building company.

### Structure of the collective agreements

Fundamentally speaking, the collective agreement landscape is divided into framework, remuneration and special collective agreements, normally for the whole of Germany. The **framework collective agreements** lay down all working conditions, normally for three to five years, and are generally binding for the workers. The **special collective agreements** regulate matters such as the parity social security systems and their procedures, arbitration, collective-agreement supplementary pensions, vocational training and the encouragement of winter building. The **remuneration collective agreements** determine the wages, minimum wages, salaries as well as training remuneration, normally on an annual basis, sometimes, however, with a term of two years. Only the minimum wages West and East are generally binding.

### Wage structure and occupational groups

Particularly in industries with a craftsman's structure such as the building industry, the vocational qualification obtained is the key element for classification into a wage group in Germany.

"Authoritative for the group classification of an employee are his qualifications, skills and knowledge as well as the work to be performed by him", according to §5

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paragraph 2.2 Wages of the German framework collective agreement. To enable a better comparison in Europe, I have chosen 5 wage groups which can be defined as follows in simplified form: **Situation as of 31 March 2009**. The collective bargaining parties are currently negotiating concerning wage increases with effect from 1 April 2009, however, no result is yet in sight.

	<b>West / East in €</b>	<b>Occupation</b>	<b>Duties</b>
WG 1:	10.70 / 9.00	Worker	Unskilled work
WG 2:	12.85 / 9.80	Semi-skilled worker	Acquired skills
WG 3:	14.18 / 12.65	Skilled worker	Skilled work (1st year following qualification)
WG 4:	15.48 / 13.80	Specialist skilled worker	Independent work (as from 2nd year following qualification)
WG 5:	16.27 / 14.52	Foreman	Leadership of a small group.

The normal working week is **40 hours**, flexibility is possible subject to conditions regulated in the collective agreement.

The structure shown here covers only workers and duties on the construction site. Machinists, drivers and building machine operators must be classified accordingly (this is regulated precisely in the collective agreement). In addition, there is further leadership personnel such as the foreman, the general foreman or the master craftsman. They are classified as salaried employees as is the case with other technical and commercial personnel on the construction site.

This study covers and compares only workers' wages; the income of salaried employees is not taken into consideration.

### General application

As company structures in the building industry are dominated by small companies, **parity social security systems** regulated by collective agreements have developed in this industry in several EU countries in recent decades which cover holiday procedures, supplementary pensions, vocational training as well as rulings on the risk of bad weather. These procedures can only function if all building companies and building employees are included; consequently, at the request of the collective bargaining parties in the building sector, above all the framework and procedural collective agreements have been declared as generally applicable for several decades now. Up until 1996, wage and income collective agreements were never generally applicable. Up until that time, only members of IG BAU had a legal entitlement in this respect. Following the introduction of the posting directive and the national posting laws in Europe in 1996, a minimum wage for the building sector was announced - initially separately for West and East Germany - and, as from 2002 and following an industrial dispute, two wages respectively were declared as generally binding.

The **generally applicable minimum wages** (status as per 31.3.2009) per hour are: **10.70€** in West and **9.00€** in East Germany – for unskilled work not requiring training and **12.85€** in West and **9.80€** in East Germany – for skilled or qualified work to be performed following instruction. A special minimum wage applies for Berlin.

In addition, the **holiday regulations** as per the German framework collective agreement are also applicable for all employees and posted workers, meaning that the holiday entitlement is 30 working days plus an additional 25% holiday money. The collective agreement social security system SOKA-BAU carries out the holiday procedure, so that all regular building employees as well as posted workers are registered in SOKA BAU. Together with the CUSTOMS AUTHORITIES (on the construction sites) it carries out checks on the generally applicable working conditions.

### **Implementation of the collective agreements in companies and on construction sites**

Seen from a historical perspective, it can be noted that periods of strong economic development when a large number of building contracts have to be worked off, are accompanied by a positive wage drift. In recent decades, this was approx. 10 to 20 percent respectively. Following the collapse of the Berlin Wall, the free movement of labour in Europe and the opening of borders with eastern and southern Europe, there has been a reversal of the positive wage drift. Wage dumping, illegal employment, undercutting competition, violation of the principle of "construction site wage", the status of "bogus self-employed" and the practice of contracts for work and services as well as subcontractors, which borders on the illegal, have created a situation in which the collective agreements are no longer respected, thus resulting in a **negative wage drift**.

Over the past 10 years, the pressure on adherence to tariff agreements on construction sites has increased constantly, the room for manoeuvre of the building trade union has been considerably reduced and implementation of the autonomous wage bargaining anchored in the Basic Law has been barely possible.

Following pressure from the employers' associations, the building trade union has been forced to accept **escape clauses** in collective agreements permitting deviation from the collective agreement wages by up to **8%**.

### **Current national and European case law**

Since the implementation in 1996 of a ruling on the posting of employees in the building industry in Europe, several national and European judgements have confirmed the procedures on minimum wages and holiday in Germany, even if, in some cases, this was preceded by fierce disputes. Nevertheless, it can be noted that, according to the results of several surveys, illegal employment and illicit work in the building sector now account for roughly 15% of the overall volume.

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### Additional wage components as per collective agreement

In addition to the hourly wage, the collective agreements for the building industry regulate further income components which apply subject to certain preconditions or defined contributions of the employee.

These are essentially:

- **hardship allowances**, approx. 0.50 € to 2.00 €
- **travelling expenses allowance**, 0.30€ per km as from 10 km, max. 15.00€ per working day
- **meals allowance**, 4.09€/day if more than 10 hours spent travelling
- **and daily allowance**, 34.50€ minus 6.50€ for accommodation if paid for by the employer.
- On top of this is **holiday payment** for 30 working days (14.25%)
- **additional holiday money** totalling 25% of the holiday payment,
- **capital formation benefits** of 0.13€ per hour,
- **supplementary pension** (solidarity contribution by employer to SOKA-Bau)
- subsidy towards **collective agreement supplementary pension** of 30.68€ per month
- as well as **part of the 13<sup>th</sup> monthly salary** at the end of the year totalling 93 times the hourly wage, at least, however, 780.00 €.

The facts set out here are described only briefly; in practice, they are more complex to deal with but the enclosed model calculations make them easier to understand.

### Real wages at the place of work

The previous comments describe the collective-agreement and the statutory rulings respectively. Based on own experience, interviews with experts and evaluation of statistics for the German building industry, it can be seen that, in recent years, collective agreements have very frequently not been respected. In the period up until the end of 1990, there was a positive wage drift in the former West Germany; wages paid to employees were 5 to 20% above the collective agreements, depending on the economic situation and region.

The situation on the employment market (shortage of skilled workers) played a major role in this respect; above all in the conurbations and on many construction sites subject to deadlines it was possible to agree payments to employees that were above the collective agreements or these were paid voluntarily by employers.

Since the collapse of the wall in Germany and Europe in 1989, this situation has changed considerably because, ever since then, the wage drift has been downwards or, put another way, there has been **wage dumping**.

Although the collective agreements stipulate that the construction site wage is to be paid, numerous illegal practices are employed in an attempt to pay lower wages. In Germany, this is possible due to the existence of **West and East wages** which differ by approx. 12% (see table).

Based on the monitoring activities of works councils and the customs authorities, it is known that many and varied practices exist for circumventing the entitlement of employees as per the collective agreements. A few cases are mentioned here in keyword form:

- supplementary wage benefits are not paid
- lower and thus incorrect group classification for wage purposes
- 10 hours are worked but only 8 paid etc.

The differing average wages per region can be seen from the statistical information of SOKA-BAU, meaning that these facts can be documented.

Concurrently with this project on wages in Europe, a major study is being carried out by the Institute for Work and Qualification at the University of Duisburg/Essen in which 3000 building workers who are members of trade unions are being questioned on adherence to collective agreements.

Initial, thus far unpublished results show a regionally varying but overall clear circumventing of collective wage agreements, even of the generally applicable minimum wages and other supplementary wage payments such as Christmas bonuses, capital formation benefits, daily allowances, reimbursement of travelling expenses etc. In several joint agreements, the collective bargaining parties have given an undertaking to take action against wage dumping on construction sites; nevertheless, there are no signs of decisive success thus far.

It should also be noted at this point that the general wage development, the improvement in real wages in Germany, over the past 10 years occupies last place in Europe and has thus greatly increased the competitiveness of the export sector. Although oriented towards the domestic economy, the building sector has been unable to free itself from this trend, above all as a result of the migration of labour from low wage countries.

### **Wages of a skilled worker calculated on the basis of examples**

If one takes for example a skilled worker with several years of professional experience, his **basic income** is as follows: **2678.04 €** (construction site in West Germany).

However, in the event of **violation** of the collective agreement in the form of skilled workers from East Germany being classified too low in ML 2 although working in West Germany, the income is for example **1695.40 €** and wage dumping is clearly given.

### **Gross and net income of employees**

Thus far, only gross wages and supplementary benefits have been mentioned. In this section I would like to calculate gross remuneration down to net income so as to enable improved comparison between the individual EU countries. As only little building-specific data is available for these calculations, generally accessible information has to be used. The fiscal directives as well as the rulings concerning social security contributions are constantly being altered by national legislation. As a result, the enclosed overviews can only illustrate the situation at the present moment in time.

– **Example – calculation for specialist skilled building worker**, 5 years experience, a) single and b) married with two children, employed c) close to his home and d) 100 km away without daily home travel and with 5 hours overtime per week.

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**Table: Monthly income Germany - Situation at 31 March 2009**

Earnings components	Provisions of collective agreements	Skilled worker c) near to home	Skilled worker d) 100 km from home
Hourly wage	15.48 €	15.48 €	15.48 €
Working time (173)	40 hours	40 hours	45 hours
Monthly wage	2678.04 €	2678.04 €	2678.04 €
Overtime allowance	25%		387.- €
Bank holiday allowance	75%		
Travel expenses	0.30€/km – 15.- €		120.- €
Daily allowance	34.50 €/day		690.- €
Meals allowance	4.09 €	81.80 €	
Annual special payment	Min. 780.- €	65.- €	65.- €
Additional holiday payment	25%	95.60 €	95.60 €
Supplementary pension	30.68 €	30.68 €	30.68 €
Capital formation	0.13 €/hour	22.49 €	25.09 €
Gross income		2973.67 €	4091.41 €
Tax/Social security a)	42.8%		
Tax/Social security b)	23.9%		
Net income a)		1700.94 €	2340.29 €
Net income b)		2262.96 €	3113.56 €

### Wage costs for employer

Thus far, we have considered and described income from the employee's perspective. To enable a better comparison of labour costs in the European building industry, we now wish to define wage costs for the employer. This brings us to the calculation of gross wage costs for the employer which form the basis of any calculation for obtaining contracts in cross-border work.

In addition to the direct wage costs, ancillary wage costs and further components have to be taken into consideration.

These currently total approx. **86.5%** which must be added to the wage.

### Comparison of the purchasing power of income

The net monthly and annual wages calculated are now related to the purchasing power indexes calculated by the various economic research institutes as well as by Eurostat, so as to enable conclusions concerning the standard of living of the building employees and a comparison on a European level. Studying the data in this manner illustrates the situation and the standard of living of building employees in the medium term.

Of course, these are average values, but all other examples can be calculated using the same structure. The **PPS** (purchasing power standard) as per Eurostat **for March 2009 is 115**; in the summarising table, the net monthly wages have been multiplied by the PPS.

### Conclusion

In Germany, the development of wages in general and also in the building industry occupies last place in Europe which means a fall from a leading position in the ranking to a position in the middle. The reasons for this are in particular the inner-German wage dumping in the building industry, the strong competition from low wage countries following the introduction of free movement of labour in Europe, the non-adherence to the posting directive as well as illegal employment. This is compounded by the economic crisis in the building industry with a major reduction in the number of regular employees over the past 12 years.

The lack of control and the non-adherence to collectively agreed and even generally binding collective agreement rulings is resulting in lower wages on the construction site.

# Country report FINLAND

## Introduction and general information

Finland is a Republic based on the 1917 Declaration of Sovereignty and the 1919 Constitution, with a single-chamber parliament and a Head of State elected directly by the people. The country has a current population of approx. 5.2 million, including approx. 6% Swedes, with the result that Swedish is the second official language. The Finnish building industry employs around 140,000 workers in approx. 30,000 companies. These figures have remained very stable in recent years; since 2004, the development of the building industry has been characterised by constant growth of between 3 and 6% following stagnation at the beginning of the new millennium.

## Employment legislation and structure of the collective agreements

Although Finland must be counted as part of Scandinavia, many rulings concerning employment relations in general and the building industry in particular bear closer resemblance to Central Europe, e.g. the Netherlands or Germany, than to the neighbouring countries Sweden or Denmark. The importance of the trade unions and employers' associations in shaping working life is very high; however, this ability to influence is very closely linked to the government and the ministries taking the decisions, thus very frequently resulting in mutual, national recommendations which are then implemented in the respective industries and companies through collective agreements.

## Legal basis

There have been numerous changes of direction in employment legislation since the end of the civil war in 1918, depending on political majorities and ranging from communist orientation through to liberal developments, and depending on the balance of power between the competing trade unions with their differentiated strategies. The legal basis in Finland allows a great deal of room for manoeuvre as regards collective and individual agreements, and only important key points are regulated for these. The **Cooperation Law** has been in force since 1978 laying down an obligation on the part of the employer to inform regarding important economic developments in the company; at the same time, however, there is also an obligation to negotiate so that both sides can agree local and company-related solutions in conjunction with the trade unions.

## Definition of the collective bargaining parties

The first trade unions in the Finnish building sector were formed as early as 1888 and these subsequently merged at national level to form politically-oriented and competing trade unions precisely as in other sectors. It was not until the trade unions united in 1969 to form a common umbrella association, SAK, that employment relations were placed on a new fundament. Ever since this time and almost without interruption, it has been possible in Finland to negotiate central, national agreements

between the government, the employers' associations and the trade unions concerning the basis of employment relations and in particular income. From a legal point of view, these are not collective agreements because these framework agreements must first of all be implemented by the collective bargaining parties of the various industries through legally binding contracts; nevertheless, a negotiating framework is laid down at central level. This somewhat social-partner-like approach has thus replaced the more conflict-oriented earlier conduct of the trade unions; however, the traditionally very high organisational level of approx. 80% of employees also leaves the industry trade unions further room for manoeuvre to take action. There is only one trade union in the building industry in which approx. 85% of the workers are organised, namely **Rakennusliitto**. The employers' association **Rakennusteollisuus** is made up above all of representatives of the large industrial companies; the small and medium-sized companies have somewhat weaker representation.

### Structure of the collective agreements

Once the central organs have concluded the framework agreement at national level, generally for one or two years, the collective bargaining parties start negotiations at industry level within a very tight time scale. The content can be specific or very extensive; in addition to improvements in wages and income, unemployment benefit, social security and pension contributions, training remuneration, the protection of shop stewards and the rules on joint action can also be discussed.

These regional collective agreements, made all over the country for the building industry, agree wages for several building sectors which differ slightly. Local collective agreements can also be negotiated in companies and for construction sites given the need to solve special problems, performance-linked wages or local wage allowances agreed.

In good economic times, the national wages are improved by approx. 10% through this type of local agreement.

Finland has a general arbitration procedure in the event of the collective bargaining parties being unable to reach an agreement.

### Wage structure and occupational groups

In order to enable good comparability of wages in this project, I have used the wage table for "house construction" and reduced the normal 6 wage groups as in other countries by the highest wage group, as the management personnel on the construction site is very frequently made up of salaried employees and not workers.

On 1 March 2009, a general wage increase of 6.2% was agreed for the Finnish building industry which has already had an effect on my observations **as of 31 March 2009**.

## Country report FINLAND

<b>WG 1 :</b>	<b>8.95 €/hour</b>	Building assistant with no vocational experience
<b>WG 2 :</b>	<b>10.20 €/hour</b>	Building worker with three years experience/1st stage of training
<b>WG 3 :</b>	<b>11.25 €/hour</b>	Experienced building worker, works to instructions
<b>WG 4 :</b>	<b>12.50 €/hour</b>	Skilled building worker with exam qualification
<b>WG 5 :</b>	<b>13.67 €/hour</b>	Specialist skilled building worker and foreman

The working week is **40 hours**. 7.7% is paid on top of the respective hourly wage for work on public holidays.

### General applicability and generally binding collective agreements

The Finnish law on employment contracts includes a **general applicability provision** for collective agreements which covers not only wages but also all other collective-agreement solutions. This provision is of major significance in Finland and a **favourable treatment principle** is also laid down which prevents the agreement of individual employment contracts with conditions that are less favourable for the employee than in the collective agreement. There is no national minimum wage laid down by law.

### Implementation of collective agreements in companies and on construction sites

Given the very high organisational level of the building trade union and the general applicability, adherence to the collective agreements in the Finnish building sector must be described as very high. In addition, violations of the collective agreement by the employer can result in the imposition of penalties by the courts.

### Additional wage components as per collective agreement

The regional collective agreements regulate several benefits in addition to wages which are frequently improved by local or company rulings. However, as hardly any summarising information is available in this respect, I have concentrated on the content of the national collective agreements.

- The **overtime allowance** is 25%, an allowance of 1.02 € is paid for evening shift work and 1.92€ for night shift work.
- an amount of 35 € is paid as **additional holiday money**
- the **daily allowance** is 60.00 €/day and the **overnight accommodation allowance** 10.00 €/day.
- the **travel expenses allowance** is regulated on a scale depending on the distance travelled
- and a **meals allowance** of 8.75 €/day is paid.
- The collective agreement also regulates **sickness benefit** as well as **holiday payment**.

### Real wages at the place of work

There is an upward wage drift of approx. 10% in the Greater Helsinki area.

### Gross and net income of employees

As in the other countries, I would like to ascertain monthly income on the basis of several examples and also to show this as net income.

**Example – calculation for specialist skilled building worker, 5 years experience,** a) single and b) married with two children, employed c) close to his home and d) 100 km away without daily home travel and with 5 hours overtime per week.

**Table: Monthly income Finland - Situation at 31 March 2009**

Earnings components	Provisions of collective agreements	Skilled worker c) near to home	Skilled worker d) 100 km from home
Hourly wage	12.50 €	12.50 €	12.50 €
Working time (173)	40 hours	40 hours	45 hours
Monthly wage	2162.50 €	2162.50 €	2162.50 €
Overtime allowance	25%		312.50 €
Meals allowance	8.75 €/day	175.- €	
Daily allowance	60.- €/day		1200.- €
Overnight allowance	10.- €/day		200.- €
Travel expenses	Table		176.80 €
Gross earnings		2337.50 €	4051.80 €
Taxes/social contributions a)	30.1%		
Taxes/social contributions b)	30.1%		
Net earnings a)		1633.91 €	2832.21 €
Net earnings b)		1633.91 €	2832.21 €

### Wage costs for employer

Wage costs for the employer are approx. 45%.

### Comparison of the purchasing power of income

The current purchasing power standard ascertained by Eurostat is 116.

## Country report FINLAND

### Conclusion

In Finland, adherence to collective agreements is very high; generally speaking, it can be said that the regional collective agreements, negotiated all over the country, are improved by approx. 10% through local and company agreements and that work without daily home travel is better paid than in other European countries.

# Country report GREAT BRITAIN

## Introduction and general information

The United Kingdom of Great Britain and Northern Ireland has a current population of 59.3 million and is a parliamentary, democratic hereditary monarchy (House of Windsor). To this day, Great Britain has no written constitution; the constitutional order is based on unwritten law and on all previous laws right back to the Magna Charta.

The country is divided into 4 relatively autonomous regions, namely England, Scotland, Wales and Northern Ireland.

There are three authoritative trade unions in the building industry: UCATT organises building industry employees only; the others also represent employees of other sectors; the employer side is organised through two associations.

This sector currently has around 1.2 million employees and approx. 770,000 self-employed persons, many of whom are involved in the building process as one-man companies. British statistics and interviews conducted show that the number of employees fluctuates between 1.6 and 2.4 million. A figure of 400,000 to 600,000 bogus self-employed is assumed; these work under almost the same conditions as dependent employees, although they are registered as self-employed and enjoy less protection rights on the construction sites than employees.

The **development of the building industry** over the past 10 years has been very positive, particularly in the conurbations and above all in the Greater London area. Major efforts are underway throughout the country to improve infrastructure as well as in preparation for the 2012 Olympics, with the result that there has been a serious shortage of skilled workers in the industry for some time – the figure is currently estimated at 40,000 to 60,000. What effect the current financial crisis will have on the building industry is difficult to assess at present; nevertheless, signs of a crisis have been visible since the summer of last year, above all in the private sector and in housing construction.

As GB is a large European economy outside of the EURO zone, risks in terms of wage development resulting from impending exchange rate tensions cannot be excluded as a devaluation of the pound against the euro would again make worker migration from GB to continental Europe probable.

## Employment legislation and structure of the collective agreements

The so-called “Anglo-Irish” system of collective agreements applies in Great Britain; this is derived from the tradition of unwritten law. As there are no basic rights anchored in a constitution, the system is based predominantly on voluntary conduct and case law in relations between the direct participants employers and trade unions or even individual employees. These negotiate collective agreements and employment contracts jointly on the basis of self-determined rules e.g. in the industry or company. The organisational level of the trade unions and the willingness of employees to strike was previously very high, with the result that working conditions were regulated in this manner as from the beginning of the labour and trade union movement in the middle of the 19<sup>th</sup> century.

Following the **“neo-liberal turnaround”** under Prime Minister Thatcher, many aspects of employment relations have changed massively to the detriment of

## Country report GREAT BRITAIN

employees.

- The trade unions have been considerably weakened,
- the rights of company representatives of interests
- as well as the right to strike have been restricted,
- individual employment contracts have frequently been modified to the detriment of employees and,
- above all in the building industry, the “one-man company” (a form of bogus self-employment) has replaced collective agreements.

It was not until the advent of the “**New Labour**” policy under Tony Blair that a certain easing of tensions occurred in employment relations; in 1999, a nationwide minimum wage was introduced and collective agreements, including in particular in the building industry, have again been concluded in recent years. Nevertheless, relations between the trade unions and the governing Labour Party are strained; the close, joint measures that successfully helped employees over decades and which typified the Anglo-Irish system have been watered down by neo-liberal developments.

### Legal basis

In contrast to many other European states, there are only a few labour laws which have essentially developed since the end of the 1960's. A large number of regulations have become part of the party-political dispute between Labour and the Conservatives, with the result that the contents have been changed from government to government and this has frequently led to major confusion as regards the legal situation.

British labour laws are dominated by the historically developed principle of voluntary conduct. Based on the theory of this principle, this means that workers require no or only a few labour laws because they are in a position to negotiate wages, working hours or holiday themselves in free negotiations. This has frequently been to the detriment of employees; working conditions have deteriorated noticeably with the result that the trade unions are now demanding laws, in particular on improved work health and safety standards. Over the past 10 years, positive political conditions have developed – above all as a result of EU legislation as well as of problems in industrial development or from the serious shortage of skilled workers -, so that the building unions have again been able to improve the collective agreements and labour laws somewhat.

### Definition of the collective bargaining parties

In Great Britain there is one umbrella trade union organisation, the **Trade Union Congress** (TUC), to which over 90% of trade union members from the professional, industrial and general trade unions belong. In the building industry approx. 10% of employees are organised in the 3 trade unions **UCATT** (Union of Construction Allied Trades and Technicians) - 75%, **GMB** - 5% and **T&G** (Transport and General Workers Union) - 20%. T&G is merging with the **Amicus** trade union, the process should be completed by May 09. UCATT organises only building industry employees and plays a

leading role in the collective bargaining negotiations.

The employers' associations are divided into overground and underground construction, and are the **Construction Confederation**, the **National Federation of Roofing Contractors** and the **National Federation of Shop fitters**; their level of representation is very high. The building employers' associations will be restructured by the end of 2009 as a new umbrella organisation is currently in the process of being formed.

The social dialogue within the industry is very weak, cooperation between the collective bargaining parties is conflict-oriented and the employers' associations as well as the individual employers are attempting to weaken the trade unions and company representatives of interests wherever possible.

In recent years, collective agreements have been negotiated for the building sector which, whilst they are not binding for the companies, are frequently used as the basis for individual employment contracts. Nevertheless, there is no statutory principle of advantage as is the case in other EU states, meaning that employment contracts or company collective agreements can also be less favourable than the industry regulations.

### Structure of the collective agreements

Since 2000, there has been a genuine building boom in southern England and above all in the Greater London area with growth of between 8 and 10% which has led to a shortage of skilled workers because, in the preceding period, many building industry employees had switched to other sectors or moved to other countries. On top of this is the fact that vocational training was seriously neglected because systematic training of next-generation staff is very difficult to organise in a system of "one-man companies"; there is no regulated vocational training. Given the good economic development, the building trade unions were again able to negotiate national collective agreements with very good increases in income, above all in the period after 2000, and their membership rose constantly. Wages were increased by between 5 and 9.5% per annum by three collective wage agreements for three years respectively.

In addition, several agreements were concluded on health protection, work safety, improved pension payments, sickness benefit as well as on the reimbursement of travelling expenses etc.

### Wage structure and occupational groups

In recent years, collective-agreement wages have been laid down for **labourers**, **semi-skilled** and **skilled workers**, and classified into five wage groups. Collective bargaining negotiations are currently underway concerning wages with effect from 1.7.09. Nevertheless, these negotiations were recently suspended because UCATT is demanding an apology from the employers' associations as a result of blacklists containing the names of active trade unionists. It remains to be seen how the situation develops.

The collective-agreement working week is **39 hours**.

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The collective-agreement wages applicable as of **31.3.2009** are classified as follows, the conversion to euro was as of the same date at an exchange rate of 1 € = 0.925 GBP:

	Basic wage		Weekly wage (39 hours)	
	Pence/h	Euro/h	GBP	Euro
General operative	775	8.38	302.25	326.76
Skill rate 3	885	9.57	345.15	373.14
Skill rate 2	946	10.23	368.94	398.85
Skill rate 1	982	10.62	382.98	414.03
Craft rate	1030	11.14	401.70	434.27

These collective-agreement wages apply nationwide. **Regional upward adjustment** of the wages by **10 to 20% is possible** based on living costs or the serious shortage of skilled workers. Company agreements can also supplement these wage agreements – either upwards or downwards depending on the willingness to fight at the work location concerned.

The respectively applicable classification into groups is laid down in the framework collective agreement and, as there is no special vocational training in the building industry, individual duties are described.

In order to enable a statement on the current situation, the collective-agreement wages have been converted into euro as of **31 March 2009**, because the **devaluations and exchange rate fluctuations** of recent months make a serious comparison of wages very difficult. To enable a better assessment of the problem of the fluctuating value of the GBP against the euro in terms of wage increases, I have made some specimen calculations for standard wages.

Craft rate basic wage: 1 July 2005 - **900 p/h** and 31 March 2009 - **1030 p/h**, an increase of 14.4%, converted into euro: 1 July 05 – 1€ costs 0.688 GBP, the wage is **13.08 € compared to 11.14 € today, a decrease of 14.8%**.

This means that despite very good wage increases of 14.4% over three years, those employees from the euro zone have seen their wages fall by 14.8%, a fact which has resulted in a major migration of skilled workers.

### General application

In contrast to many other European states, it is not possible to declare wages and other collective-agreement working conditions in the building industry as generally binding in Great Britain.

### Generally binding minimum wages

Since 1999, Great Britain has again had a minimum wage which is laid down by the

government following consultation with the social partners and intense monitoring of economic developments, in particular the rate of inflation. It applies to all branches of industry and sectors of the economy and has been set at **5.73 GBP per hour as from 1 October 2008**.

As of 31 March 2009 this equates to **6.19 €**, when converted at the exchange rate as of 1.10.08 it was **8.10 €**.

### **Implementation of collective agreements in companies and on construction sites**

Based on the historical development, collective agreements are not legally binding or compulsory in Great Britain. Up until the 1980's, the collective agreements were the guideline for company agreements and individual employment contracts.

Under the Thatcher government, the rulings of collective agreements (where it was possible for the trade unions to conclude improved ones) became "gentlemen's agreements", completely non-binding rulings on working conditions. Particularly in the building industry, collective agreements were influenced even further by the working conditions of the (bogus) self-employed during this period.

Over the past 10 years, there has been some improvement as regards adherence to the collective agreements negotiated. Above all those building companies that are members of the collective bargaining parties involved in the negotiation of the collective agreements adhere to them better. This is also the case with large companies with internal trade union representation of interests. UCATT estimates that approx. 600,000 dependent employees in building companies are covered by the collective agreements. Employees can take legal action through the industrial tribunals concerning adherence to the collective agreements but very frequently this results merely in compromises which can even be below the conditions of the collective agreements, because the courts normally judge only "fair conduct" however this is defined.

### **Additional wage components as per collective agreement**

The collective agreements contain only a few additional rulings which can be converted directly into wage components.

For daily travel to the place of work there is a graduated

- **travel expenses** (up to 7.53) and a **fare subsidy** (up to 12.74) between 15 and 75 kilometres. For accommodation away from home there is a
- **maintenance subsidy** of 29.17 pounds per night.
- In the event of sickness, **sickness benefit** of 107.16 pounds per week is paid and subsidies towards **pension payments** are regulated by a scale; nevertheless, these provisions are very difficult to include in a calculation of average wages as is the case with the
- **maximum liability** of a worker up to 600.00 pounds.
- **Overtime and night-time working allowances** of between 25 and 100% are paid.

## Country report GREAT BRITAIN

### Real wages at the place of work

In Great Britain there are considerable wage differences between building sites depending above all on the region, on membership of the employer in an employers' association, the short-term economic situation and the need for labour as well as on the organisational strength of the trade unions in the company. Under the Thatcher government, collective-agreement regulations were modified on a broad scale; it was hardly possible to achieve improvements in collective agreements. The mid 1990's saw the development of a noticeable **positive wage drift** of 10 to 20%, above all in southern England and with certain major projects. The pressure for improved collective wage agreements increased above all as a result of the re-found strength of the trade unions, thus making it possible to conclude collective income agreements over several years, in part with annual wage rises of just under 10%.

Since roughly 2003 however, posted workers and, above all, illegally employed workers and bogus self-employed persons, primarily from Eastern European countries, have been used to overcome the major shortage of skilled labour; these have frequently not been paid the collective-agreement wage but rather the newly introduced national minimum wage. In many cases, these workers were recruited through agencies in their home countries and smuggled into Great Britain. This created severe pressure on the by then very good collective-agreement wages and has now resulted in a downward wage drift as reported by the interview partners.

Due to the constant devaluation of the pound as well as the exchange rate fluctuations and the resulting considerable decrease in net wages, many foreign building workers have returned to their home countries in recent months. The current economic crisis, which has led to the cancellation of many building projects above all in the Greater London area, is also resulting in the dismissal of employees and a fall in real wages at the place of work. It remains to be seen how collective wage negotiations run in the 1<sup>st</sup> half of 2009.

### Wages of a skilled worker calculated on the basis of examples

To enable a better comparison of wages in Europe, I would like to calculate 2 incomes as examples – the wages of a skilled building worker working close to home and those of a worker receiving reimbursement for travelling and accommodation expenses. In this respect, I refer to the enclosed calculations in the **tables**.

### Wage costs for employer

In Great Britain, the ancillary wage costs to be borne by employers are traditionally low as health costs are settled by the state via the tax revenue. Employers currently have to pay **12.8%** of wages to the national social security system as **ancillary wage costs** for unemployment, sickness benefit and work safety, however only for employees and not for (bogus) self-employed. Additional employee payments to the social security system, above all for pensions, are not compulsory but are sometimes paid on the basis of company agreements.

**Gross and net income of employees**

Fundamentally speaking, it must be noted that there are differences in the taxation of dependent employees and (bogus) self-employed persons. Whilst employees have approx. 20-30% of their income deducted monthly for tax and social security contributions, the self-employed have a higher net income over the year as they can offset more at the end of the year through their tax return. As a result, this form of employment remains attractive. The **tables** show comparisons of gross and net incomes.

- **Example - calculation for specialist skilled building worker, 5 years experience, a) single and b) married with two children, employed c) close to his home and d) 100 km away without daily home travel and with 5 hours overtime per week.**

**Table: Monthly income Great Britain - Situation 31 March 2009**

Earnings components	Provisions of collective agreements	Skilled worker c) near to home	Skilled worker d) 100 km from home
Hourly wage	9.82 GBP / 10.62 €	9.82 GBP / 10.62 €	9.82 GBP / 10.62 €
Working time (169)	39 hours	39 hours	44 hours
Monthly wage	1659.58 GBP / 1794.78 €	1659.58 GBP / 1794.78 €	1659.58 GBP / 1794.78 €
Overtime allowance	25%		245.50 GBP / 265.61 €
Additional allowances working hours	25-100%		
Travel expenses	Up to 7.53 GBP / 8.10 €		
Travel expenses suppl.	Up to 12.74 GBP / 13.77 €		101.92 GBP
Daily allowance/maintenance allowance	29.17 GBP / 31.54 €		583.40 € / 630.92 €
Sickness benefit	107.16 GBP / 115.85 €		
Gross income		1659.58 GBP / 1794.78 €	2786.80 GBP / 3013.83 €
Tax/Social security a)	27.0%		
Tax/Social security b)	25.4%		
Net income a)		1211.49 GBP / 1309.72 €	2034.36 GBP / 2199.31 €
Net income b)		1238.05 GBP / 1338.43 €	2078.95 GBP / 2247.51 €

**Comparison of the purchasing power of income**

The current **PPS** calculated by Eurostat is **119**, the conditions are explained in the introduction.

## Country report GREAT BRITAIN

### Conclusion

The massive incursions of the neo-liberal policy into the social structure of working life are still visible and the trade unions are recovering only slowly to a position where they can represent employees effectively. The large number of “bogus self-employed persons” in the building industry is a massive burden on the conditions of collective agreements with the result that it is very difficult to improve these.

Labour costs are not as high as in other European countries as the ancillary wage costs for employers are very low.

The constant deterioration in the exchange rate between the euro and the pound also results in greatly differing migration movements of building workers as can be seen at present. Above all Eastern European and especially Polish building workers are leaving GB as incomes are falling in euro terms and wage development in the building industry in their home countries is very positive.

# Country report THE NETHERLANDS

## Introduction and general information

The Netherlands is a Kingdom with a constitutional hereditary monarchy and a two-chamber parliament. The current population is 16.2 million.

The building industry has experienced a positive development since 2004 with growth of between 4 and 6%, rising to even 8% in housing construction. There are currently approx. 370,000 dependent employees and approx. 115,000 self-employed, of which 30,000 are estimated to be bogus self-employed. The central building and construction trade currently employs around 170,000 workers.

Between 2001 and 2005, the building crisis resulted in the loss of approx. 45,000 regular jobs in the building industry; some of these moved to bogus self-employment.

## Employment legislation and structure of the collective agreements

Since the beginning of the 20<sup>th</sup> century, the Netherlands has had employment legislation and a collective bargaining system that are influenced to a decisive extent by Great Britain and Germany. It is based on free negotiations between employers and trade unions, without, however, being totally autonomous as the state has certain possibilities of direct intervention, even if it makes only rare use of this right.

## Legal basis

As early as 1927, a collective bargaining law was introduced in the Netherlands laying down the powers and duties of the collective bargaining parties. The possibility of declaring collective agreements as generally binding has existed since 1937 and has frequently been used, thus leading to high application in excess of 80%, i.e. approx. 80% of employees are covered by collective agreements although the general organisational level of the trade unions is only approx. 25%. Autonomous collective bargaining is restricted; the state can intervene in collective bargaining but rarely does, as joint consultations in advance of the collective wage bargaining negotiations so to speak explore and determine the distribution options for improvements in income at top level.

The Wassenaar Agreement of 1982, the so-called **"Polder model"** that has triggered much discussion in Europe and which has frequently been described as exemplary for relations between the collective bargaining parties, describes these consultation processes and solution routes without conflict or strikes. Essentially, this agreement constitutes wage restraint in favour of a reduction in working hours; it defines a moderate wage policy. However, these ideas no longer played an important role in the last wage rounds and there have been several token strikes and strikes in wage disputes in the building industry.

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### Definition of the collective bargaining parties

Traditionally, various trade union confederations have developed in the Netherlands whose origins date back to catholic, evangelical, social-democratic and liberal movements. The decisive trade unions in the building industry are currently **FNV Bouw** and **CNV Hout- en Bouw** which represent approx. 60% of employees in this sector. The two employers' associations **Bouwend Nederland** and **NVB**, which organise large companies and craftsman's companies respectively, cover a very high level of companies meaning that collective agreements have a very large effect at the place of work. The **social dialogue** in the Netherlands is very intense; "the parties are always talking". As a result, industrial action is the exception in wage rounds even if the level has increased in recent years and above all in the building sector. A particular Dutch aspect is the "**Work trust**", a forum for social dialogue between the collective bargaining parties and the state in which a certain tripartite status manifests itself. Fundamentally, it can be stated that the law permits state intervention in collective bargaining negotiations, but that no use has been made of this right in recent decades. The state can assert its influence in the tripartite discussions and it can also be involved directly in finding "major solutions on the employment market".

### Structure of the collective agreements

In the Netherlands, wage and framework collective agreements are negotiated for periods of two years. The **national collective agreement**, signed by all responsible trade unions and employers' associations, is authoritative for the building industry. There are no regional agreements and only a few large companies have supplementary company collective agreements. Collective bargaining negotiations normally take place in a very constrained time framework whilst the union demands are laid down internally beforehand in a very long and democratic discussion process. In recent years, wage policy has been modernised and there are now more opportunities for local regulation of company matters on the basis of the regional collective agreement. This enables greater flexibility as regards company agreements on working hours, part-time working, early retirement and life working-time accounts; however, there are no escape or hardship clauses for wages.

The **collectively agreed parity social security systems** play an important role in wage policy as many collective agreement benefits are processed via them on a solidarity basis.

### Wage structure and occupational groups

The fundamental wage structure is based on 5 occupational groups, defined by training or further training qualifications and classified from A to E. Collective wage bargaining is normally conducted every two years. New wages as from 1 July 09 are currently being negotiated, however a wage increase of 0.25% as from 30 June has already been agreed in the current collective agreement. Current wages as of **31 March 2009** are:

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A	<b>11.80 €/hour - 472.00 €/week</b>	Non-skilled worker
B	<b>12.50 €/hour - 500.00 €/week</b>	Semi-skilled worker with acquired skills
C	<b>13.26 €/hour - 530.40€/week</b>	Skilled worker
D	<b>14.18 €/hour - 567.20 €/week</b>	Qualified skilled worker
E	<b>14.88 €/hour - 595.20 €/week</b>	Master craftsman (worker)

The weekly wage calculations are based on the actual working week of 40 hours and are also shown in the collective agreements. The working week laid down by the collective agreement is 36 hours and is settled in the form of 22 free days with separate financing. The major share of building employees are classified in wage group D.

### General applicability and generally applicable minimum wages

The instrument of general applicability has been in existence in the Netherlands for many decades and all parties involved in collective bargaining as well as the respective governments are of the opinion that this has proven itself particularly well in the building industry. To date, no government has ever refused general applicability if employers and trade unions have submitted a corresponding joint application. Almost all collective agreements in the building industry are generally applicable, meaning that the collectively agreed wages are also minimum wages, including in particular in terms of the posting directive. All other collective rulings constitute minimum working conditions for the sector and are also respected to a major extent on construction sites. Nevertheless, there is a **statutory minimum wage in the Netherlands which is currently 8.33 €/hour and 1357.00 €/month** and which is not only of collective-agreement but also in particular of social-political significance, especially for part-time workers, young employees and for employment relations not covered by binding collective agreements.

### Implementation of collective agreements in companies and on construction sites

Thanks to the high organisational level of the trade unions and above all the employers' associations in the building industry, adherence to collectively agreed wages is very high. On top of this is the fact that the diverse procedures enable additional control via the collective-agreement social security systems. In recent years, the collective bargaining negotiations have laid down a defined sum in millions of euro which is made available for improved adherence to collective agreements and used by the collective bargaining parties. The reason for this is that, even in the Dutch building industry, pressure has been created on the collective-agreement working conditions in recent years, in particular as a result of wage dumping with posted workers and bogus self-employed. Parallel to this, the constant social dialogue between the collective bargaining parties as well as the efforts of the Work Trust have succeeded in reducing the problems.

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### Additional wage components as per collective agreement

The Dutch collective agreements for the building industry contain a large number of rulings which regulate specific work situations and I would like to list the most important of these. In addition, there are benefits from the collective-agreement social security systems that are administered via separate procedures and financed by wage-based contributions.

- The **overtime allowance** for the first 3 hours of overtime per day is 25%, thereafter 50%; allowances of up to 100% apply for special periods at night and on Sundays.
- There is no additional **holiday remuneration**; as part of a new ruling, 8% of the wage amount is paid into a holiday fund to finance the holiday entitlement of 27 working days for employees under 18 up to 36 working days for those over 60.
- **Hardship allowances** are not laid down by collective agreements but rather are regulated at company level.
- **Travel expenses are reimbursed** at 0.28€/km for distances over 15 km; separate allowances (**travelling time compensation**) graduated by distance are paid for **drivers and persons sharing cars**. As a fundamental rule, it is assumed that one hour of travelling time per day must be borne by the employee.
- **Daily allowances and accommodation allowances** are not laid down by collective agreement as the law stipulates that the costs incurred in such cases are for the account of the employer. In the event of overnight accommodation away from home, the employer pays the employee an additional 6.65€/day.
- No **meals allowances, Christmas bonuses or other bonuses** are regulated by collective agreements.

### Real wages at the place of work

The very high number of members amongst both employees and companies in the building industry in trade unions and employers' associations means that awareness concerning adherence to valid collective agreements is good. In addition, the general applicability of almost all collective-agreement regulations, above all the wage scale, creates legal security in the event of necessary checks and controls in companies and on construction sites. The good implementation of the collective agreement regulations was frequently referred to in the interviews with experts; these serve as a basis because, above all in the central Netherlands and in the conurbations, there is currently an upward wage drift of 10 to 20%. Whether this situation will change as a result of the continuing economic crisis must be monitored.

Illegal employment and illicit work do not play a major role in the Netherlands as the building market is very clearly structured; nevertheless, there are signs of wage dumping as a result of the opening of borders in Europe and the migration of workers from low wage countries to the Netherlands.

The constantly rising number of self-employed or bogus self-employed on construction sites, for whom the collective agreements do not apply, is also creating pressure on regular jobs although the development cannot be compared with Great Britain or Germany.

**Wages of a skilled worker calculated on the basis of examples**

To enable a comparison of wages, I have developed examples of working and living situations in this study which are then calculated on the basis of the collective-agreement and statutory wage and income regulations. Details can be seen from the table.

**Gross and net income of employees**

Various calculations were made in the expert interviews which are also very interesting for further studies on the subject. Nevertheless, for reasons of comparability with the other countries examined, I shall base my comments on the tax rates calculated by the OECD for the chosen employee profiles.

**Example – calculation for specialist skilled building worker, 5 years experience,** a) single and b) married with two children, employed c) close to his home and d) 100 km away without daily home travel and with 5 hours overtime per week.

**Table: Monthly income Netherlands - Situation at 31 March 2009**

Earnings components	Provisions of collective agreements	Skilled worker c) near to home	Skilled worker d) 100 km from home
Hourly wage	14.18 €	14.18 €	14.18 €
Working time (173)	36/40 hours	36/40 hours	36/40 hours
Monthly wage	2453.14 €	2453.14 €	2453.14 €
Overtime allowance	25%		354.50 €
Overtime allowance over 3 hours/day	50%		
Night/Sunday allowance	50-100%		
Hardship allowances	Company regulated		
Travel expenses	0.28 € above 15 km		190.40 €
Daily allowance and accommodation	Regulated by law, employer pays everything		
Meals allowance	6.65 €/day		133.- €
Gross income		2453.14 €	3131.04 €
Tax/Social security a)	35.4%		
Tax/Social security b)	31.7%		
Net income a)		1584.73 €	2022.65 €
Net income b)		1675.49 €	2138.50 €

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**It should be noted that approx. 50 days of financed holiday and reduced working hours apply and that the employer is required to pay accommodation costs in the event of work away from home.**

### **Wage costs for employer**

In the Netherlands, the costs for the employer per working hour, to be added to wages on the basis of collective-agreement and statutory provisions when calculating quotations for building contracts, are approx. **120%**. This figure is comparable with the neighbouring countries Belgium and Germany as these countries also have comprehensive collective-agreement social security systems for this industry.

### **Comparison of the purchasing power of income**

The purchasing power index calculated for the Netherlands by Eurostat is currently **131**. This is the highest PPS of the countries examined in this study.

### **Conclusion**

Collective agreements in general and collective wage agreements in the building industry in particular enjoy high status in the Netherlands and are adhered to very resolutely. The high organisational level of employers and employees in this sector, the constant social dialogue, various joint parity facilities and the clear structure of the building market all contribute to good social relations on construction sites. With approx. 50 free, paid days (holiday and reduced working hours), building employees in the Netherlands have the shortest working hours.

# Country report POLAND

## Introduction and general information

Poland has a population of 38.6 million. The country has been a Republic since 1918; since 1997, it has had a new constitution based on a two-chamber parliament. Since 1990, the State President has been elected directly by the people for terms of 5 years. The trade unions, above all Solidarnosc, played a decisive role in the transformation process from communism to democracy in the period after 1975. They are still of major political significance and are also represented in parliament.

I have compiled the current data on the building industry on the basis of interviews with experts as staff in companies with less than 9 employees are not recorded in Poland. Officially, approx. 700,000 employees are currently registered in the building industry in general, including 400,000 in companies with less than 9 employees. In addition, there are an estimated 200,000 self-employed and bogus self-employed who also work on construction sites, and an estimated grey figure of approx. 30% illicit workers in this industry. Also to be taken into account is the fact that several thousand skilled building workers work legally or illegally in other EU countries on a temporary basis and return to the Polish market in times of fluctuating exchange rates or economic crises in the host country as has been the case in recent months.

Following the opening of the borders in 1989, the economic development of the building industry, above all housing construction, was very bad until the mid 1990's and resulted in high unemployment in this sector. Polish skilled building workers therefore moved to other Western European countries, in particular Germany and Great Britain, in order to carry out building work there.

Since Poland joined the EU in 2004 the building industry has stabilised with the result that investment is now being made above all in infrastructure measures as well as in new commercial buildings.

## Employment legislation and structure of the collective agreements

The employment legislation that was fundamentally overhauled in 1996, as well as 40 other laws and ordinances, are the basis for employment and social relations in Poland. Traditionally, the legal basis has been much more important for working conditions than the collective agreements; there is no collective bargaining law. In particular as far as wages are concerned, the law defines the employer as an organisational unit which can prescribe wage conditions. The definition of employer and employee in Polish labour law is not formulated very precisely with the result that temporary solutions are common, above all in small companies in the building sector or in the form of bogus self-employment and illicit work.

## Legal basis

As there are few rulings in regional collective agreements, **labour laws play a very important role** which is why the large umbrella trade union associations also have direct representation in the Polish parliament via MP's so as to exert an influence on the formulation of labour laws. Basically, the law stipulates that the employment relation must be set out in writing, that the **working week** is 48 hours (normally 40

## Country report POLAND

hours are worked), that there is an allowance of 50% for **overtime** and 100% for work on Sundays and public holidays. In companies with at least 20 employees, the employer prepares a wage ordinance as the basis for the individual employment contracts; if there is a company trade union, this must be consulted regarding the ordinance. Wage increases are very difficult to implement as there is no statutory entitlement.

Fundamentally speaking, it can be stated that almost all working conditions are negotiated in the company and that there is no transparency concerning these rulings and benefits, with the result that the umbrella trade union associations in the building industry are also dependent on estimations, the results of official statistics and assumptions based on experience.

### Definition of the collective bargaining parties

There are two trade unions in the Polish building industry responsible for collective bargaining and representation of employees, namely **ZZ Budowlani** in the umbrella organisation OPZZ and **Solidarnosc**. Based on historical developments, collective agreements existed almost exclusively in companies and plants; **industry collective agreements play no role in the building sector**. A trade union can be formed at plant or company level with just 10 members; this is then responsible for collective bargaining negotiations in the company, for representation of the interests of the employees, for adherence to work safety regulations as well as for pension provisions. The interviews show that there is trade union representation of interests in approx. 20% of large building companies, nevertheless frequently with conflicts between the two trade unions. The organisational level is estimated at between 6 and 8%; precise statements are not possible as the company trade union organisations act very independently and have their own organisational and financial structure. It is precisely this that is a major reason for the weakness of the central trade union confederations, because they are an amalgamation of the company trade unions and the members' contributions remain in the company organisations which only forward small amounts to the central trade unions.

The organisation on the **employer side** is no better because the representative entrepreneur association formed in 1922 is very weak, the organisational level is below 2% of large building companies and this employers' association does not regard itself as a collective bargaining party. No Polish employers' association is a member of the European Construction Industry Federation FIEC and there is currently no indication that this situation will improve on the employer side in the short term, and no sign of any quick conclusion of central agreements for the building industry.

As such, it can be stated that wage bargaining in companies is a matter for individual employers and the trade unions present in the company.

### Structure of the collective agreements

At national level, there are tripartite commissions who, as institutes of social dialogue, have the role of reconciling the differing interests of employees and employers, and ensuring general well-being. Thus far, no success has been achieved in terms of developing a collective agreement for the building industry on the basis of these discussions; there are likewise no collective-agreement standards for collective regulations at company level. This claim is being asserted by the building unions; however, as there is no representative employer organisation, no progress is being made in this respect. Consequently, it is very difficult to obtain information on collective regulations and wages laid down. In Poland there are regional work inspectorates, but little information is available from these either concerning collective agreements in building companies and wage levels. Progress is only possible on the basis of targeted interviews with experts; further formulations are based on these. It can be assumed that there are **company collective agreements** in roughly 24 to 30 large, interregional building companies which essentially regulate working hours and sometimes hourly wages, but very frequently performance-linked wages. Although the law lays down the 48-hour week, company collective agreements very frequently agree a 40-hour week.

### Wage structure and occupational groups

The company collective agreements no doubt lay down wage structures; in the interviews reference was made to 9 to 14 wage groups, however these are frequently contradicted by agreements on performance-linked wages. Consequently, it is not possible to provide further, more detailed information at this stage. In many companies, it is clear that wage payments are oriented towards the statutory minimum wage, meaning that this serves as a basis and that approx. 20% or more is paid directly, very frequently bypassing "the tax system".

### General applicability and generally applicable minimum wages

The instrument of general applicability is regulated by law. Due to the low organisational level, the trade unions are demanding more frequent application of this, but as there are only a few regional collective agreements no progress is being made concerning this claim.

In Poland, there is a statutory minimum wage which, so far, has been set at 40% of the average wage in all industries and is to rise to 50% in the future. Since **1 January 2009**, the **statutory minimum wage has been 1276.00 Zloti/month** - in the first year of employment 80% of this or 1020 Zloti/month. Converted into euro at the exchange rate as of 31 March 2009 (1 € = 4.632 PLN) this corresponds to **275.47 €** or 220.21 € per month respectively. As many calculations are based on the minimum wage per hour, this means **7.38 Zl.** or 5.90 Zloti/hour respectively, equivalent to **1.42 €** or 1.27 €/hour.

For further calculations and for the purpose of estimating the level of building wages, it should be noted that the Polish **average wage** for all industries is currently **3190.00 Zloti** or **688.69 €**.

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### Implementation of collective agreements in companies and on construction sites

Unfortunately, there is little to say in this respect as no regional collective agreements exist for the building industry in Poland and no reliable information is available on company collective agreements. Given the improved economic situation in the building sector and the fact that many skilled building workers have returned to Poland, further developments must be monitored because it is possible that the experience of building workers in other countries will have a positive effect on trade union and wage policy developments.

### Additional wage components as per collective agreement and above all under the law

The few company collective agreements that exist in the building industry regulate some additional working conditions in addition to direct wages per hour or performance-linked wages which are not normally covered by the labour laws. Unfortunately, the trade union confederations do not have any overview or reliable statistical information in this respect. The interviews show that improved daily allowances and reimbursement of travelling expenses, Christmas and other bonuses, hardship allowances as well as improved allowances for particular working hours and overtime are regulated.

To enable a better estimation of income, I wish to state some **statutory minimum rulings** concerning working practices:

- the standard **working week is 48 hours** - normally 40 hours under collective agreements
- **up to 150 hours of overtime** can be worked per year
- the **overtime allowance** is 50%, 100% on Sundays and public holidays
- the **holiday entitlement** is 20 working days in the first 10 years of company service, thereafter 26
- in the event of **work away from home** the employer must refund the costs of overnight accommodation, at least, however, 34.50 Zl./day (**7.47 €**)
- in such cases the **meals allowance** is 23.00 Zl./day (**4.96 €**)
- **travel expenses** with own vehicle are reimbursed at 0.83 Zl/km (**0.18 €**).

### Real wages at the place of work

In the Polish economy, **statistics on average wages** in the individual sectors and industries are very well developed with the result that this data is frequently used in the wage-policy and trade-union debate.

To enable me to compare the wages of a skilled building worker in Poland with wages in the other EU countries covered by this project, I shall make some calculations that are no doubt very close to official reality. Particularly as a result of the high share of income paid "illicitly and bypassing the tax office" (this is how some studies are to be interpreted), precise determination of real wages at the place of work is not possible anyway.

**Wages of a skilled worker calculated on the basis of examples**

Up until 2004, the statistical average wage of all branches of the Polish economy was higher than the average wage in the building sector. Since 2006, however, it has been higher than the average for all branches – **in the 4<sup>th</sup> quarter of 2008, the building wage was 3474.00 Zl. (749.84 €)** compared to 2968.00 Zl (640.62 €) overall. The average building wage also includes salaried employees and directors of building companies, so that, realistically, a figure of approx. **3000.00 Zl (647.53 €)** can be assumed **for skilled building workers**.

For verification purposes, I wish to include other statistics which have determined an hourly wage for building workers of 12.90 Zl. for 2006/2007 and 15.50 Zl. for 2007/2008.

For the further calculations, I have therefore assumed an **hourly wage of 17.34 Zl.** or **3.74 €/hour** which then corresponds to 3000 Zl. and a 40-hour week.

**Gross and net income of employees**

On the basis of the statutory minimum benefits determined as well as of the calculations concerning the statistical minimum wages, I now wish to calculate the gross/net income of a skilled building worker. The profile is the same as for the other countries and I have calculated the tax burden using the current OECD data.

**Table: Monthly income Poland - Situation at 31 March 2009**

Earnings components	Provisions of collective agreements	Skilled worker c) near to home	Skilled worker d) 100 km from home
Hourly wage		17.34 Zl. / 3.74 €	17.34 Zl. / 3.74 €
Working time (173)	48 hours (40 normal)	40 hours	45 hours
Monthly wage		3000.- Zl. / 647.02 €	3000.- Zl. / 647.02 €
Overtime allowance	50%		520.20 Zl. / 112.31 €
Allowance for Sundays and public holidays	100%		
Travel expenses	0.83 Zl./Km		664.- Zl. / 143.35 €
Daily allowance	34.50 Zl./day		690.- Zl. / 148.96 €
Meals allowance	23.- Zl./day		460.- Zl. / 99.31 €
Gross income		3000.- Zl. / 647.02 €	5334.20 Zl. / 1151.60 €
Tax/Social security a)	31.1%		
Tax/Social security b)	24.7%		
Net income a)		2067.- Zl. / 446.15 €	3675.26 Zl. / 793.28 €
Net income b)		2259.- Zl. / 487.59 €	4016.65 Zl. / 866.97 €

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- **Example – calculation for specialised skilled worker**, 5 years experience, a) single and b) married with two children, employed c) close to his home and d) 100 km away without daily home travel and with 5 hours overtime per week.

### Wage costs for employer

Up until 1999, the social security contribution of 45% of the gross wage was payable solely by the employer. The current situation is that employer and employee each pay half of the pension contributions, health insurance is paid by the employee and accident insurance by the employer.

This means that the employer is required to pay charges of approx. **18%** on the gross wage.

### Comparison of the purchasing power of income

The purchasing power standard determined by Eurostat is **54** and I have calculated this into the summarising tables.

### Conclusion

Polish trade unions still see their role as one of political action, of being represented in parliament and thus exerting an influence on labour legislation. As the employers' associations in the building industry do not see themselves as a collective bargaining party, no regional collective agreements are achieved; rather, there are only a few company collective agreements in large companies. The statutory regulations and the minimum wage act as a lower fundament for working conditions on construction sites, which are topped up by companies depending on the state of economic development and with the help of the company trade union organisations.

The increasing Europeanisation of the labour market and freedom of movement have resulted in thousands of skilled building workers migrating to high wage countries to work; in the main, they were employed in the host country at dumping conditions. These workers are now returning, a fact which is resulting in a considerable increase in wages in the Polish building industry and thus in a convergence of working conditions in Europe.

# Country report SPAIN

## Introduction and general information

Spain is a constitutional parliamentary democracy with a two-chamber parliament, a King as Head of State and a population of 41 million. The individual regions are very autonomous and in part also have own, officially recognised languages.

Since the mid 1990's, the building industry has experienced considerable economic growth of 4 to 8%; it was only last year that this development was brought to an abrupt end by the financial crisis. The number of employed workers as well as the number of bogus self-employed has grown enormously in recent years to a current level of 2.5 million; the number of companies has risen to approx. 450,000. Large numbers of employees are entering the building sector, above all from North Africa, many illegally and this migration progress is putting severe pressure on legal employment relations.

## Employment legislation and structure of the collective agreements

After 40 years of fascist dictatorship, democracy in Spain, as well as democratically shaped employment legislation and bases for wage policy, must be described as very young compared to the other "old" EU states. Since the introduction of the new constitution in 1978, this country has made major progress towards normalisation of working life. Following the end of fascism, autonomous collective bargaining as well as the role of the trade unions have been anchored in the constitution as cornerstones of the democratic system, and this has shown itself to be a very good basis for further employment legislation. Thus, for example, the constitution guarantees freedom of trade unions as well as the right to strike which is not directly tied exclusively to trade union organisations. On the basis of this, an employee statute and a law on the freedom of trade unions have developed which contain favourable rulings for dependent employees and also regulate the role of the collective bargaining parties as well as the collective agreements negotiated by them.

## Legal basis

In the working world, the statutory fundamentals and collective agreements are very closely and directly interlinked, because the regulations stipulate that the general applicability of the collective agreements makes these a genuine legal standard and that violations of them can be punished by the employment authorities. Important working conditions in the building industry are assured by such collective agreements. In addition there are legally defined "non-statutory" collective agreements that are not generally binding and which apply solely for members of the collective bargaining parties.

## Definition of the collective bargaining parties

Although, under fascism, trade unions also existed which operated underground or from abroad and organised resistance, the umbrella trade union organisations and individual trade unions had to be rebuilt and restructured following 1978. Although

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there are two large umbrella organisations, the **UGT (Union General de Trabajadores/General Workers Union)** and **CC.OO. (Comisiones Obreras/Workers Committees)** which represent approx. 80% of trade union members, they are made up of a large number of small, regional and industry-based trade unions. In recent years, a noticeable concentration process has become apparent; the building trade union has also merged with the metal trade union. The two important trade unions for the Spanish building industry are **MCA-UGT and FECOMA-CCOO**. The **organisational level** of Spanish trade unions is traditionally very low at **approx. 18%**, however the willingness to strike is very high because this is encouraged by the company trade union structures. So-called trade union elections are held in companies every four years which determine the balance of power between the trade unions present in the company. This also has a major influence on the make-up of the collective bargaining commissions.

The **employers** are organised at branch and regional level and are a collective bargaining party. Spain has a joint umbrella organisation, CEOE, which acts as contact partner for both the umbrella organisations as well as the government. In the building industry, **SEOPAN and ANCOP** are the most important employers' associations and negotiating partners for the collective agreements.

### Structure of the collective agreements

Describing the collective agreements for the Spanish building industry is very difficult because the importance of the individual provinces is very high. Whilst there are agreements and arrangements at national level, these are mostly only for the framework working conditions such as working hours, overtime, holiday etc. The collective bargaining parties in the Spanish provinces are almost autonomous as regards determination of wages; they agree the annual wages which can differ by up to approx. 40% in individual provinces. These wages are based on a **national wage agreement** in which minimum wages are laid down. Traditionally, wages in the large cities and conurbations are considerably higher than in provinces with a lower population density and also with fewer building contracts. The tendency to practice wage dumping is avoided by the general applicability of the respective construction site wages. In addition, there are control mechanisms and fines in the event of violation.

### General applicability and generally binding collective agreements

In Spanish labour and collective bargaining law, the collective agreement is an important fundament which is generally binding in all cases and thus applicable for all employees and employers in the building industry.

### Wage structure and occupational groups

In June 2007, a comprehensive collective agreement was concluded for the Spanish building industry with a term of 5 years. It includes a sliding wage clause through which wages are adjusted annually by the respective rate of inflation in addition to an annual increase of 1.5% in income. In Spain, wages are normally negotiated as annual wages, with the result that the determination of the **annual working time** is very important. In the collective agreements it is **1738 hours/year for 2009**. The normal working week is **40 hours**. For the purpose of the European comparison, I have broken the annual wages down to hourly and monthly wages, and, of the 11 occupational groups, I have chosen the 5 that are comparable with the other European countries. (Status **31 March 2009**)

Wage group XII	<b>14377.70</b> €/year	<b>8.27</b> €/Std.
Wage group X	<b>14812.26</b> €/year	<b>8.52</b> €/Std.
Wage group VIII	<b>15259.95</b> €/year	<b>8.78</b> €/Std.
Wage group IV	<b>16196.33</b> €/year	<b>9.32</b> €/Std.
Wage group II	<b>16685.86</b> €/year	<b>9.60</b> €/Std.

### Implementation of collective agreements in companies and on construction sites

As collective agreements in Spain are generally applicable and violations by employers are punished by the industrial tribunals, implementation of the collective agreements as well as of the labour laws is good. Recently, there has been increased use of bogus self-employed on construction sites, for whom not all collective-agreement regulations apply.

### Additional wage components as per collective agreement

In the collective agreements for the Spanish building industry, many special working conditions are covered by the wages, with the result that there are only a few situations for which special rulings are agreed by the collective agreements

- The **working week is 40 hours**, up to 80 hours of overtime are permitted per year.
- The **overtime allowances** are included in the regional collective wage agreements and must not be granted on a lump-sum basis.
- In certain circumstances, an allowance of 25% is paid for **night work**.
- **Annual holiday** is 30 calendar days, 21 of these must be working days.
- There are **hardship allowances** of 10 to 20% for particular working conditions.
- **Travelling expenses subsidies, daily allowances** etc. are regulated in the regional collective agreements.

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### Real wages at the place of work

Given the high importance of collective wage agreements in the respective provinces, an illustration of real wages as well as examples of wages are very difficult. Before this can be done, further interviews must be held with experts. Fundamentally speaking, however, it can be stated that actual wages are approx. 20 to 30% above the minimum wages shown in the table.

### Wages of a skilled worker calculated on the basis of examples

Examples for the calculations must be developed on the basis of further interviews with experts, so that they can be compared with the other countries.

### Gross and net income of employees

**Example – calculation for specialist skilled building worker**, 5 years experience, a) single and b) married with two children, employed c) close to his home and d) 100 km away without daily home travel and with 5 hours overtime per week.

**Table: Monthly income Spain - Situation at 31 March 2009**

Earnings components	Provisions of collective agreements	Skilled worker c) near to home	Skilled worker d) 100 km from home
Hourly wage	9.32 €	9.32 €	9.32 €
Working time (173)	40 hours	40 hours	45 hours
Monthly wage	1612.36 €	1612.36 €	1612.36 €
Overtime allowance	25%		233.- €
Travel expenses	Regional CA		ca. 100.- €
Daily allowance	Regional CA		
Overnight allowance	Regional CA		
Gross income		1612.36 €	1945.36 €
Tax/Social security a)	20.4%		
Tax/Social security b)	12.4%		
Net income a)		1283.44 €	1548.51 €
Net income b)		1412.43 €	1704.14 €

### **Wage costs for employer**

The interviews with experts show that **ancillary wage costs of approx. 38%** must be included for the employer.

### **Comparison of the purchasing power of income**

The current purchasing power standard for Spain according to Eurostat is **105**.

### **Conclusion**

In recent years, Spanish building trade unions have taken advantage of the good economic situation to achieve over-proportional wage agreements. Thanks to the general applicability, adherence to the wage agreements on construction sites is good; a European comparison of incomes is difficult as the wage tables are drawn up in the provinces.

# Country report HUNGARY

## Introduction and general information

Hungary has a population of approx. 10.2 million. Hungary has been a Republic since 1918. Since 1989, many laws, ordinances and regulations, including in particular those relating to employment relations, have changed. This year, the term “People’s Republic” was deleted from the constitution and democratic structures introduced with a single-chamber parliament.

There are several employers’ associations and trade unions in the building industry; the currently applicable collective agreement was signed by three employers’ organisations and two trade unions.

280,000 employees are registered with approx. 68,000 companies in the sector; nevertheless, it should be added that illegal employment and, above all, illicit work play a major role.

The building industry is one of the most important branches in Hungary; between 2002 and 2005, the economic development was very positive. The current financial and global economic crisis has had very significant negative effects on the country, resulting in a threat of insolvency for a short period, and the exchange rate of the Forint against the euro has deteriorated considerably.

## Employment legislation and structure of the collective agreements

As state regulation played a very big role in Hungary – and in all other socialist states of Eastern Europe – up until 1989, many new laws and structures had to be developed and passed after the opening of the borders for the formation of employers’ associations, trade unions as well for the negotiation of collective agreements.

Much experience from Western, capitalist countries was used during this political transition process which ultimately led to Hungary joining the EU in 2005.

To date, however, it is clear that the employers’ associations and the trade unions are very fragmented and that there are as yet no collective agreements covering a broad spectrum of employment relations.

## Legal basis

In 1992, new labour laws were introduced in Hungary as part of the adaptation to a market-economy. Essentially, these laws regulate employment relations in the private sector. Recent years have seen adaptations to European standards through diverse new laws and amendments.

Many regulations on employment contracts, termination, working hours, holiday and remuneration are laid down in a very differentiated manner in the labour laws as the status of collective wage agreements is relatively low. Social matters are likewise regulated almost exclusively by law and only rarely improved by collective agreements.

### Definition of the collective bargaining parties

The development and formation of strong collective bargaining parties has proven to be very difficult since the turnaround in the entire economy and above all in the building sector at the beginning of the 1990's. The following reasons can be stated for this:

- the company landscape in Hungary is traditionally dominated by small firms
- as a result of the detailed labour laws, the need for the conclusion of collective agreements with improved conditions was not recognised until some time later
- the restructuring of the previously centrally managed single trade unions into democratic trade unions needed a great deal of time and
- the newly formed employers' associations initially wished to function solely as business associations and not as collective bargaining parties.

This was the reason for the development of a large number of company trade unions with industry trade unions initially in just a few sectors of the economy. The law prescribes a two-tier representation of employee interests, namely by works councils and trade unions. The strike law stipulates that the right to strike applies for trade unions but not for works councils. As there are still very many trade unions looking after the companies of one branch of industry, the law stipulates that the trade union receiving at least 10% of the votes cast in the election of the works council is the representative trade union.

### Structure of the collective agreements and organisations involved

Since 1995, the trade unions and the employers' associations in the Hungarian building industry have been attempting to negotiate a sector collective agreement for their industry. After several failed attempts and long breaks in negotiations, a **"collective sector agreement for the building industry"** was signed by three building employers' associations and two building trade unions on 16 November 2005. A particularly important contributing factor in this respect was the social dialogue in the building industry, which led to several joint projects in this sector thus maintaining the line of communication. The decisive impulse came from the Hungarian government which initiated a government campaign entitled "100 steps" aimed above all at combating illicit work and illegal employment. The signature by the government in 2006 extended the agreement to include non-organised companies and employers. A collective branch agreement at national level is very rare in Hungary and, in the building industry of the new EU states, only Slovenia has a similar collective agreement.

On the trade union side, the agreement was signed by the **Federation of Building, Wood and Materials Workers Unions (EFEDOSZSZ)** as well as by the **National Federation of the Building Industry and Member Trade Unions (ETSZOSZ)**, on the employer side by the **National Association of Hungarian Building Companies (EVOSZ)**, the **National Federation of Craftsman Associations (IPOSZ)** as well as by the **National Association of Entrepreneurs and Employers (VOSZ)**.

EVOSZ is the employers' association for large companies and is a member of FIEC, IPOSZ organises small companies and is a member of EBC whilst VOSZ is the national association of large companies and has nothing directly to do with the building industry.

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The representative trade union in the building industry is EFEDOSZSZ, whilst ETSZOSZ organises not only employees in the building trade but also those of other branches.

### Wage structure and occupational groups

The collective bargaining parties have agreed that wages will be adjusted on 1 April of each year through parity collective bargaining. An important factor as regards wage increases is the development of the state minimum wages which are laid down as of 1 January of each year following tripartite negotiations together with the state. The collective wage agreement for the building industry, which is included as appendix 3 to the collective branch agreement, contains 20 occupational groups for workers and salaried employees, only 5 of which are authoritative for this study. The collective agreement lays down **monthly wages** which I have converted into hourly wages as of **31 March 2009** on the basis of the collectively agreed working week of **40 hours**. The conversion to euro was as of the same date – 1 € is equivalent to 307.50 HUF.

Wage group: Non-skilled worker, no skilled qualification	<b>63000</b> HUF/Moth	<b>364.16</b> HUF/hour	<b>1.18</b> €/hour
Wage group: Worker with acquired skills, no skilled qualification, after one month of work	<b>70000</b> HUF/Month	<b>404.62</b> HUF/hour	<b>1.31</b> €/hour
Wage group: Skilled worker with skilled worker certificate in the first 2 years of work	<b>75000</b> HUF/Month	<b>433.53</b> HUF/hour	<b>1.41</b> €/hour
Wage group: Skilled worker with skilled worker certificate after 2 years of work experience	<b>100000</b> HUF/Month	<b>578.03</b> HUF/hour	<b>1.88</b> €/hour
Wage group: Skilled worker - master craftsman, master craftsmen with skilled worker certificate and extensive specialist knowledge	<b>130000</b> HUF/Month	<b>751.45</b> HUF/hour	<b>2.44</b> €/hour

The major share of employees (approx. 60%) are classified in the wage groups skilled worker and skilled worker - master craftsman, approx. 30% are classified as non-skilled workers and workers with acquired skills, and the remaining 10% are spread over the various groups of salaried employees.

These wages, which are laid down in the regional collective agreement, are improved by company collective agreements above all in large building sector companies; the figure mentioned in the interviews with experts was 8 to 10%. Small companies also very frequently pay higher wages than laid down by the collective agreement although this is frequently done “illicitly and bypassing the tax office”.

## General application

Hungary has the instrument of general application. The current regional collective agreement applicable for the building industry has been declared by the government as generally binding. Overall it should be noted that a declaration of general application is not issued until an industry has concluded a regional collective agreement on the basis of free negotiations.

## Generally binding minimum wages

In Hungary, minimum wages are laid down as of 1 January of each year in tripartite negotiations between the social partners on the level of the umbrella associations and the government.

The minimum wages as of 1 January 2009 in HUF and as of 31 March 2009 in euro are as follows:

- **71500 HUF/month** and **232.52 €/month** for non-skilled workers
- **81000 HUF/month** and **263.41 €/month** for skilled workers

## Implementation of collective agreements in companies and on construction sites

The regional collective agreement for the building industry with all its general provisions concerning the conduct of building work on construction sites is adhered to. In Hungary, very many working conditions are regulated by law, which is why they are known as generally binding and also meet with high acceptance.

The hierarchy of the provisions, law as basis, regional collective agreement as industry improvement of working conditions and company collective agreement, above all with improved wage and additional income components, are important cornerstones of working life in Hungary. Apart from the building industry, there are only a few other sectors with regional collective agreements. Company collective agreements with noticeably improved working and wage conditions are also rare.

One major problem in the Hungarian building sector is illicit work or tax-free payments on top of the valid minimum wage. Precise information is not available. Unfortunately, Hungary was not covered by the EFBWW (European Federation of Building and Wood Workers) study supported by the EU Commission and carried out by CLR in 2005. Nevertheless, relevant, current publications frequently talk of up to 50% of work performance in Hungary being **“illicit and bypassing the tax office”**. Experience shows that the building industry is no doubt affected to a considerable extent by this phenomenon.

## Additional wage components as per collective agreement

The collective branch agreement for the building industry contains very few provisions on additional wage components, above all because a great many such rulings are formulated in the corresponding labour laws or are regulated in company collective agreements.

## Country report HUNGARY

Only severance payments and supplements for non-regular work are defined in the collective agreement.

Workers are entitled to a

- **severance payment** in the event of ending of the employment relation by the employer through ordinary termination (§37 collective agreement). This is 1 months wages after 3 years of service rising in stages to 7 months wages after 25 years of service.
- The **regular working time** is 8 hours per day and 40 hours per week. Flexibility is possible in accordance with specific criteria stated in the collective agreement. Wage supplements are agreed for special working time regulations, for example a
- **night working allowance** of 15% of the wage, an
- allowance of 50% for **exceptional work** (e.g. overtime)
- an allowance of 50% for work on **Sundays and exceptional work** as well as
- an allowance of 20-40% of the wage for **standby and shift work**.

Some large companies have internal rulings on **travelling expenses subsidies, Christmas bonuses, parts of a 13<sup>th</sup> months salary or improved holiday regulations**, but it is difficult to include these in my model calculations.

### Real wages at the place of work

The real wage or the level of income applicable directly at the place of work is laid down by labour laws, the collective branch agreement as well as by possible local wage agreements and through company agreements. On the basis of interviews with experts, I ascertained that collectively agreed wages in large companies with works councils and trade unions are 8-10% higher than those laid down in the collective agreement. Many small companies often pay a similar percentage above the collective agreement but frequently bypassing the tax and social security system. Both collective bargaining parties have, through various provisions in the generally applicable collective branch agreement, given an undertaking to take active measures against illegal employment.

Normally, the general statutory and collective-agreement working regulations are adhered to at the place of work.

In summary, when estimating the **genuine wage** at the place of work, it can be stated that workers receive 100% income as a result of the statutory regulations. If a regional collective agreement exists in an industry such as the building sector, it can be assumed that the income is approx. 120%. Given the presence of trade union representation of interests in a company, income can be increased by a further 0-10% through agreements.

### Wages of a skilled worker calculated on the basis of examples

An important task of this project report is to prepare a European comparison of the respective national incomes. For this, the actual total incomes must be shown in euro and compared. As the global financial and economic crisis has also resulted in considerable changes in exchange rates in Europe in recent months – in Hungary they

are still changing almost daily – I shall base my calculations on the cut-off date 31 March 2009. In the final days of January alone (23.1.09), the value of the Hungarian Forint fell by 20% against the euro.

This is of major significance particularly for the posting of building sector workers from Hungary to the euro zone, and must be taken into account in the report in exactly the same way as is the case for the non-euro countries Great Britain, Denmark and Poland. The exchange rate tensions do not create any direct and relevant changes in the immediate national income situation of a building worker working in his home country. Nevertheless, it can be seen at present that, in some Eastern European countries as well as, for example, in Ireland, the government or individual employers are attempting to reduce wages either in individual companies or by means of collective agreements. This process requires permanent monitoring over and above the scope of the project.

### **Wage costs for employer**

Due to the fact that, for reasons of historical development, many supplementary wage and social benefits in Hungary are regulated by law and granted by the state, financing is via the tax system. There are no collective-agreement social security systems for the building industry, meaning that the ancillary wage costs for employers are **approx. 20%**.

### **Gross and net income of employees**

The fact that some income components are frequently paid “bypassing the tax system” makes a precise calculation of gross and net income difficult. In Hungary income tax is currently 36%.

The main social security contributions are 11% of income for pension and 9% for health.

Further details can be seen from the tables enclosed in the special “Tables” section which I have prepared using the EU, OECD and Eurostat statistics.

The current OECD statistics for 2008 show 38.7% deductions from income for single persons as well as for married employees with 2 children. Taking the example of a skilled worker, the **calculation of gross/net per month** is as follows:

100000.- HUF gross less 38.7% equals **61300.00 HUF net** or, in euro,

578.03 € gross less 38.7% equals **354.33 € net**.

These calculations are made under reserve, as the tax situation in Hungary has now changed since a significant reduction in the tax rates.

### **Comparison of the purchasing power of income**

The purchasing power standard determined by Eurostat for Hungary for March 2009 is **63** and has been calculated into the tables with the net incomes.

## Country report HUNGARY

### Conclusion

Through the generally applicable regional collective agreement in the Hungarian building industry, the building trade union has achieved success that is thus far unique, because, to my knowledge, there is no other Eastern European EU country in which such a ruling exists. In my opinion, the wages agreed are very low if one looks at the level of the cost of living on-site in Hungary. The country has been greatly affected by the current financial crisis and one can only hope that the regional collective agreement will be retained as a basis and can be improved through further negotiations.

# Summary of results with statistics, charts and tables

The summarised results should be displayed in this section and in order to be used fruitfully for further discussion are in the form of overviews and tables.

Because of the very different wages and collective agreements, the additional contractual components of income in pay scales and the operational and regional supplementary payments, it is hardly possible to represent a European comparison. Certainly, the explanatory power of the overviews must be improved in further discussion by those responsible for agreeing pay scales, but I have tried to provide a basis for it.

The complexity of wages in the construction industry, which are paid to employees without delay, is also especially recognisable from the fact that agreed wages are often regarded as a benchmark, because, by reason of operational, regional and economic circumstances, a positive or negative wage drift arises. I have explained about this in the country reports and with summarising statistics.

So that a more honest appraisal is possible, I have calculated gross and net income in two different tax classes and two different working situations and have then compared them with the purchasing power standard, to obtain thereby objective assessment criteria. For this purpose, I have used the current OECD data and that of EUROSTAT.

Because, in the countries surveyed, the professional groups and the types of wage (hourly rate and payment by results) are very different, in the introduction, I have formed the 5 wage groups described therein and have used them in the comparative illustrations. For this very reason, the results of further current studies (bricklayer project) will doubtless supply new information for the future assessment.

The statistics, overviews and tables are arranged as follows:

**Table 1** shows the hourly and monthly **agreed wages** identified by me, formulated in national currency and Euros, and the agreed working hours per week up to 31st March, 2009. In the meantime, new wage rates were agreed in some countries, which I incorporated in the first **update on 1st October, 2009**. Owing to the current financial and economic crisis, exchange rates in Europe are constantly changing and I, therefore, consider it necessary to record wages in national currencies and in Euros, so that national changes are not distorted by the conversion into Euros, and are not misunderstood.

**Table 2** shows the **gross and net wages** summarised from the national reports and compared with the purchasing power standards. As a result, it is clearly seen that the west European construction industry wages are relatively close to one another.

In **Table 3**, I have put together the **minimum wages** applicable in each case, also especially relating to the provisions of the Posting of Workers Directive. It is clearly recognisable that these wages show considerable differences and new action steps must be taken towards the further Europisation of industrial relations in the construction industry.

## Summary of results

**Table 4** is intended as a first attempt at showing **all components of income** summarised according to wage agreement. In future consultations with those responsible for wage agreements, this overview would have to be refined and especially be updated in each case, so that it can be drawn on as a practical aid to collective bargaining. A first step could be the alignment of fringe benefits in Europe as an answer to adapting travel, accommodation and cost of living expenses in the respective countries.

It will be clearly seen from **Table 5** that the **costs of a working hour** in the construction industry show enormous differences, even in the west European countries. This shows that the social protection of employees is widely different and a great deal will be achieved in some countries through tax legislation, while, in other countries, directly paid wages will always be burdened with ancillary wage costs.

By reason of the various consultations with the national wage agreement experts, in **Table 6**, I have undertaken a first attempt to show the wages really paid on building sites, due allowance being made for corresponding **wage drift**. This must be discussed further with experts in order to obtain a more honest picture of incomes received by building workers.

In **Overview 1**, I have shown the percentage data used by me for the tax and social security contributions as well as the purchasing power standards and exchange rates.

In **Figures 1 and 2**, I have added other general European information about minimum wage levels as well as the connection with agreements, so that a comparison of the situation in the building industry can be made against general developments.

Further tables could be provided, as required. Nevertheless, those presented here should be enough as a basis for discussion for further action.

## Summary of results

**Table 1:** Hourly and monthly wages in national currency (Situation at 31 March 2009)

Occupational groups/Country	Belgium (€)	Denmark (DKr/€)	Germany - West (€)	Finland (€)	Great Britain (GBP/€)
Non-skilled worker	12.14		10.7	8.95	7.75 / 8.38
Non-skilled worker with experience	12.74		12.85	10.2	8.85 / 9.57
Skilled worker (with vocational qualification)	13.76		14.18	11.25	9.46/ 10.23
Specialist skilled building worker	14.61	130.- / 17.46	15.48	12.5	9.82 / 10.62
Foreman/group leader	15.13		16.27	13.67	10.30 / 11.14

Working time/week	38 hours	37 hours	40 hours		39 hours
Working time/year					

Monthly wage skilled worker in €	2,410.65	2,811.06	2,678.04	2,162.5	1,659.58/1,794.78
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Occupational groups/ Country	Netherlands (€)	Poland(Zl./€)	Spain (€)	Hungary (Ft/€) *
Non-skilled worker	11.63		8.27	364.6 / 1.18
Non-skilled worker with experience	12.32		8.52	404.62 / 1.31
Skilled worker (with vocational qualification)	13.06		8.78	433.53 / 1.41
Specialist skilled building worker	13.97	17.34/3.74	9.32	578.03 / 1.88
Foreman/group leader	14.66		9.6	751.45 / 2.44

Working time/week	40 hours/36 hours	40 hours	40 hours	40 hours
Working time/year			1,738 hours	

Monthly wage skilled worker in €	2,416.81	3,000/647.02	1,612.36	100,000/325.24
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\*Monthly wages converted into hourly wages

## Summary of results

**Table 2:** Gross and net wages

Wages of a skilled worker with 2 examples  
Gross/Net/Purchasing power

Countries	Hourly wage	Gross Monthly wage	Net Monthly wage a)	Net Monthly wage b)	With PPS a)	With PPS b)
<b>Belgium</b>	14.61	2,410.65	1,467.78	1,755.27	1,243.22	1,488.36
<b>Denmark</b>	17.46	2,811.06	1,658.12	1,804.35	1,381.77	1,503.63
<b>Germany</b>	15.48	2,678.04	1,700.94	2,262.96	1,479.08	1,967.79
<b>Finland</b>	12.5	2,162.5	1,633.91	1,633.91	1,408.54	1,408.54
<b>Great Britain</b>	10.62	1,794.78	1,309.72	1,338.43	1,100.61	1,124.73
<b>Netherlands</b>	14.18	2,453.14	1,584.73	1,675.49	1,209.72	1,279
<b>Poland</b>	3.74	647.02	446.15	487.59	826.2	902.94
<b>Spain</b>	9.32	1,612.36	1,282.44	1,412.43	1,222.32	1,345.17
<b>Hungary</b>	1.88	325.2	199.35	199.35	316.43	316.43

**Table 3:** Minimum wages

Occupational Groups	B	DK	D	FI	GB	NL	PL	ES	HU		
WG1: Non-skilled workers	12.14	No generally binding agreements Wages on site are minimum wages	10.70	8.95	No generally binding agreements	11.80	No generally binding agreements	8.27	1.18		
WG2: Non-skilled workers with experience	12.74		12.85	10.20		12.50		12.50	8.52	1.31	
WG3: Skilled workers with vocational qualification	13.76		12.85	11.25		12.50		13.26	14.18	8.78	1.41
WG4: Specialist skilled building workers	14.61		12.85	12.50		13.67		14.18	14.18	9.32	1.88
WG5: Foreman/Group leader	15.13		12.85	13.67		13.67		14.88	14.88	9.60	2.44
National legal minimum wage for all sectors	8.41	no	no	no	7.20	8.47	2.10	3.78	1.64		

## Summary of results

Table 4:

### Collectively agreed wages and supplementary wage benefits (31.03.2009) Example skilled worker

Countries	Hourly wage in €	Meals allowance/day in €	Daily allowance in €	Per noctem in €	Travel expenses in €	Hardship allowance	Special Bonuses in €	All other payments in €
<b>Belgium</b>	14.61	6.-	22.11	10.87	all expenses	10% - 100 %		
<b>Denmark</b>	17.46		all expenses	all expenses	Up to 10 Km paid by worker, if more then paid by employer	Building site agreement		
<b>Germany</b>	15.48	4.09		34.50	0.30 €/Km from 10 Km up to 15.- €	0.50 € - 2.- €	Christmas bonus, additional holiday bonus	VWL TZR
<b>Finland</b>	12.50	8.75	60.-	10.-	Table			
<b>Great Britain</b>	10.62	Up to 8.14		31.54	Up to 13.77 € between 15-75 Km		Sick pay 115.85 €/week	
<b>Netherlands</b>	14.18	6.65	Regulated by law : employer pays everything	Employer pays everything	0.28 € from 15 Km	Company regulated		Supplementary pension
<b>Poland</b>	3.74	4.96	7.47	Employer pays everything	0.18 €/Km			
<b>Spain</b>	9.32							
<b>Hungary</b>	1.88							Christmas bonus / Severance payment

Table 5:

Skilled worker - hourly and monthly wage and wage costs for employer

Countries	Monthly wage in €	Hourly wage in €	Wage costs for employer in %	Costs of a working hour
<b>Belgium</b>	2,410.65	14.61	appr. 108 %	30.39 €
<b>Denmark</b>	2,811.06	17.46	appr. 80 %	31.43 €
<b>Germany</b>	2,678.04	15.48	appr. 86 %	28.79 €
<b>Finland</b>	2,162.5	12.50	appr. 45 %	18.13 €
<b>Great Britain</b>	1,794.78	10.62	12.80%	11.98 €
<b>Netherlands</b>	2,453.14	14.18	appr. 120 %	31.20 €
<b>Poland</b>	674.02	3.74	18%	4.41 €
<b>Spain</b>	1,612.36	9.32	38%	12.86 €
<b>Hungary</b>	325.20	1.88	20%	2.26 €

## Summary of results

**Table 6:**

### Agreed wages - paid wages – wage drift

With this table I have tried to show the **wages really paid on building sites** taking into account the wage drift. This must be discussed further with experts in order to obtain a more honest picture of incomes received by building workers.

Country	Collective agreement wage/hour	Paid wage/hour	Wage drift (regional/company)
Belgium	14.61 €	16.07 €	appr. + 10 %
Denmark	17.46 €	17.46 €	Average wage, performance linked wage is considerably higher
Germany	15.48 €	13.93 €	appr. - 10%, West-East Problem
Finland	12.50 €	15.- €	appr. + 20 %, performance linked wage is considerably higher
Great Britain	10.62 €	11.68 up to 12.74 €	False self employment. Appr. + 10% and in London + 20%
Netherlands	14.18 €	17.02 €	Appr. + 20 %, performance linked wage + 30 up to + 50%
Poland	3.74 €	4.86 €	Appr. + 30%, after taxes
Spain	9.32 €	10.72 €	regional appr. + 15 %
Hungary	1.88 €	2.82 €	Appr. + 50%, after taxes

## Summary of results

### Overview 1:

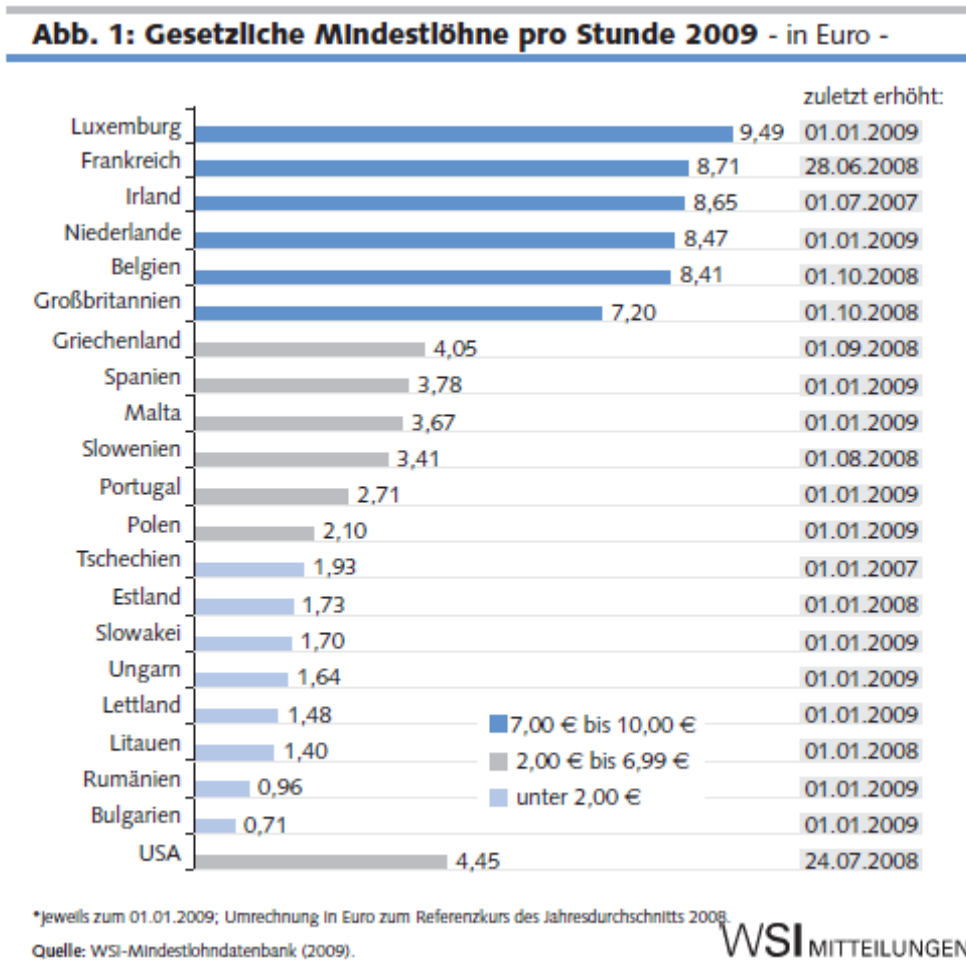
**Taxes and social contributions as a % of the gross wage  
(average income), Purchasing Power Parity and Exchange rate**

Countries	Single, no children	Married, 2 children	Purchasing power parity EU-average 100 PPP	Exchange rate from 31.3.2009
Belgium	42.00%	30.60%	118	
Denmark	41.00%	35.80%	120	1€ = 7.447 DKK
Germany	42.80%	23.90%	115	
Finland	30.10%	30.10%	116	
Great Britain	27.00%	25.40%	119	1€ = 0.925 GBP
Netherlands	35.40%	31.70%	131	
Poland	31.10%	24.70%	54	1€ = 4.632 PLN
Spain	20.40%	12.40%	105	
Hungary	38.70%	38.70%	63	1€ = 307.50 HUF

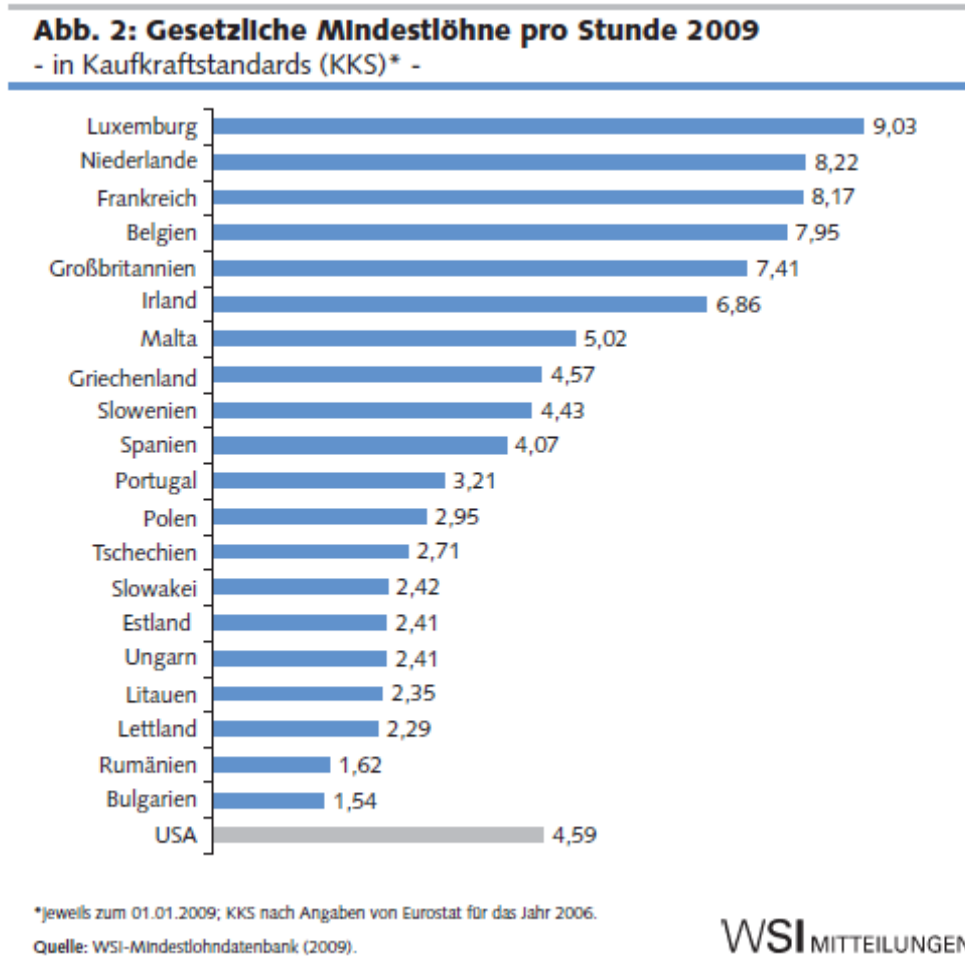
*Source: OECD - 2008*

## Summary of results

**Figure 1: Legal minimum hourly wage 2009 in Euro**



**Figure 2: Legal minimum hourly wage 2009**  
 - with Purchasing Power Parity (PPS) -



# Benchmarks and future approach

## 1.

- In the present survey of 9 countries, it is clearly described and explained that the wage rate agreements take place in the building sector very variably.
- Also there are great differences in the respective area of application (building site/business/region/country).
- There is a wide gulf between the importance of the parties to collective bargaining agreements at the time of collective bargaining, on the one hand, and the role of the state, on the other hand.
- The respective, national, historic development of legislation and the current state of collective agreements are likewise very different.

**Because of this knowledge and the firmly established national structures, I recommend that the building trades unions do not deal at short notice with an adjustment of these processes, because they are very difficult to approach and a European understanding of this does not currently exist, in my opinion.**

## 2.

- The validity and enforceability of collective agreements for building wages is very variable, ranging from unbinding and recommended provisions right up to the overall enforceability or legal regulations of a minimum wage, linked to controls and penalties for non-compliance.

**This very point should be focused on by the trade union initiatives, because, owing to the problem of deploying construction workers across national borders, making all wages agreements generally enforceable is necessary, for reasons of fair competition as well as from socio-political interests.**

## 3.

- There are extra payments for special terms of employment, such as travel and accommodation allowances, overtime payments and difficult working conditions, in almost every country surveyed, even allowing for slight differences in amount and definition.

**Also, these payments would have to be made generally enforceable in order to generate fair competition thereby. Furthermore, European wage agreements should be adapted to the principle of "best practice". This could constitute a first step towards European co-ordination of wage agreements.**

## 4.

- A basis has been provided, with this study, as to how the agreed and actual wages in the building sector, as well as the supplemental wage payments, are represented in the countries surveyed.
- Subsequently, other countries must be surveyed, so that at least 20 EU countries are included.

**In order for it to be possible to use the documents in terms of the pay scale policy in individual countries, the data should be updated twice a year on 1st April and 1st October. The purpose of this action would have to be the basis of a "European pay scale archive", accessible on the Internet.**

**5.**

- The income differences between the countries of Eastern and Western Europe are considerable.
- Also, the processes for wage bargaining and legal arrangements of collective agreements are very different.

**Therefore, the retention of the Posting of Workers Directive is absolutely necessary and, if need be, so is further development, from a social point of view and for reasons of competition.**

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