



**FedEE**  
Federation of European Employers  
Fédération des Employeurs Européens

# Mettre à jour

## Latest News from the Federation of European Employers (FedEE)

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### EU: No powers to limit bankers' pay

Preliminary agreement has been reached between the European Parliament and the European Commission on the limiting of bonus payments in the financial service sector. The draft measure - which has yet to be ratified by the Council of Ministers - would seek to cap bonus payments at the level of an individual's annual salary. Bonus payments could be subject to a cap of two years salary - but only with approval from shareholders.

Such an action would, however, be beyond the powers vested in the European Union under the EU Treaty. Article 153 (5) of the Treaty states that EU legislative powers shall "not apply to pay". Furthermore, even if the Council's powers were not challenged in this matter financial institutions would remain free to increase base salaries to reward and retain key staff.

### Europe: Labour key factor in competitiveness gap

A survey of labour productivity in 14 European airlines by the Centre for Aviation (CAPA) has found strong differences between low cost airlines

and "legacy carriers". In Vueling and Ryanair, for instance, labour costs are less than 10% of revenues, whilst in Air France-KLM and SAS they amount to more than 30%. Flybe had the lowest annual cost-per-employee, at 48,000 euros, whilst SAS had the highest at 106,000 euros.

Apart from the inherited high salary levels of traditional national carriers low cost airlines typically have fewer cabin crew per passenger. They also benefit from shorter average routes - which allows more efficient rostering compared with their longer haul counterparts. Furthermore, low cost airlines are able to squeeze up to twice the additional revenue from customers than the big flag carrier groups.

### Croatia: Access to the European labour market:

The UK and Switzerland are the only European countries that have so far announced what freedom of movement rights will apply to Croatian workers ahead of Croatia's entry to the European Union on July 1<sup>st</sup>, 2013.

The UK has passed the European Union (Croatian Accession) Act that establishes the right



to put in place transitional arrangements (for up to seven years) to restrict Croatian nationals' access to the UK labour market. Certain categories of Croatian nationals will be exempt from obtaining work authorisation. These include those who are legally working in the UK on the date of accession and continue to work for an uninterrupted period of 12 months (falling partly or wholly after the date of accession) or more.

By contrast, Switzerland's Council of States' foreign policy committee has voted unanimously to extend the free movement of people accord to include Croatian nationals – as part of the continuation of Switzerland's bilateral arrangement with the European Union.

Other states will be announcing their approach to free movement later this Spring, led by the Dutch Social Affairs Minister Lodewijk Asscher who has already said that he will be recommending that parliament postpones free movement rights until the Dutch labour market significantly improves.

## **France: Taxation of family allowances**

The French government is likely to announce later this Spring whether it will begin to tax family allowances as personal income. A report examining the present system will shortly be published by the Higher Council for the Family and this will probably either conclude that allowances should be taxed in full or means tested.

A total of 4.8 million families currently receive the allowance. The only requirement is that parents or guardian reside in France for at least six months each year and have at least two children. The allowance starts at 127 euros a month, rising to 452 euros for families with four children and thereafter 162 euros for each additional child. When the dependent child reaches the age of 15 the allowance increases further by 63.5 euros a month.

## **Greece: PM wants to limit right to stike**

The Greek Prime Minister, Antonis Samaras, is under increasing pressure from the IMF and other international lenders to reform the country's strike laws. However, his coalition partners are reluctant to accept a requirement that a majority of trade union members must vote in favour of a strike before it is called or that employers may lock out employees who take unofficial strike action or fail to return after official strike action has ended.

Even though the current right to strike has not yet been amended, Samaras (backed by coalition parties PASOK and DIMAR) has already issued civil mobilization orders twice this year - requiring metro transport workers and seamen to go back to work or risk the loss of their jobs and face possible arrest.

## **Irish Republic: Open door to ICT skills**

Last year the total number of work permits issued to non-EEA nationals seeking to enter the Irish Republic fell from 5,200 to 4,006. However, 42% of the work permits that were issued were in the technology sector.

This year, the Department of Jobs, Enterprise and Innovation is streamlining the system by introducing an employment permit application e-form. They are reducing the wage threshold limit for ICT graduates and also graduates who work in technical sale positions who possess foreign language skills. Furthermore, there are plans to develop a 'trusted partner' registration scheme that will allow employers to pre-register at the point where it appears necessary to look outside the EEA for job applicants.

## **Irish Republic: Unfair dismissal claim by agents**

26 "tied agents" are taking an insurance company to court in the Irish Republic claiming unfair dismissal after they refused to participate in motivational chanting as part of their company's



sales ethos.

The company has claimed that the agents were self-employed workers, but the solicitor representing the agents has pointed out that the individuals concerned were "tracked from morning to night, told exactly where to work, told when they could take their meals and could not work for anyone else." In 2011 a company in the same group was found by the Australian Federal Court to have employed five insurance agents as 'contractors'. The workers were classified by the court as employees and therefore entitled to annual leave and long service leave.

## Sweden: Share incentive plan for key staff

The Board of Electrolux AB in Sweden is proposing to shareholders at its forthcoming annual meeting that it establish a long-term incentive program for its 225 most senior executives and key employees.

Participants will be given the opportunity to receive performance shares, provided that the participant remains employed during the period up to 1 January 2016. The maximum value of these shares will vary from 40% to 80% of 2013 base annual salary - depending on seniority. The performance targets will be a weighted combination of earnings per share (excluding exceptional items), return on net assets, and "organic sales growth" during the financial year.

## Pay, Tax and Benefit Trends

**CYPRUS:** The government of Cyprus has given Cabinet approval to a Bill that would allow the Labour Ministry to extend a collective labour agreement to all employers within the same economic sector, even if an employer was not party to the agreement. If adopted by parliament, the extension of an agreement could be proposed

by trade unions, employers or the ministry itself - but will require Cabinet approval before it can be implemented.

**DENMARK:** A new collective bargaining agreement (*overenskomst*) has been reached for Denmark's 515,000 public employees. This gives a general pay increase of 1.97% over two years, plus an additional 0.25% increase for certain employees. A partial retirement scheme is to be introduced for older workers whose working time is reduced and a so-called 'safety pool' training allowance is to be retained for redundant staff.

**EUROPEAN UNION:** Pension funds will eventually have to pay a transaction tax on all shares and bonds traded in 11 EU countries if an EU proposal on the taxing of financial transactions is adopted by the EU Council of Ministers. 16 EU countries have so far refused to accept the tax - but this has not prevented the EU Commissioner for Tax Affairs Algirdas Semeta from pressing ahead with a second version of the Directive.

**GERMANY:** One of the world's largest manufacturers of luxury vehicles, Daimler AG, is to cut the total remuneration package of its CEO by 5.8%. This follows the scaling back by 28% of the short-term annual bonus for all eight management-board members. Daimler has recently experienced severe operational problems in China and faced increased development costs for its new models. It has reported a 2% drop in sales revenues to 8.62 billion euros last year.

**GERMANY:** Many companies in Germany are reviewing their use of contract labour following a recent TV report (and consequent adverse local authority reaction) about the treatment of subcontracted security personnel used by a major online retailer. This revealed that over the Christmas period foreign subcontractors were housed in overcrowded conditions, paid below their contracted wage and not subject to correct social security deductions.



**G20/UK:** A survey of senior tax executives in large publicly-quoted companies by accountants KPMG has found that the UK has the best tax regime in the G20 countries. Areas where improvements could still be made in the UK are in the fields of infrastructure and capital investment tax breaks. Improvements in these areas of corporation tax relief could, according to the survey participants, increase investment by 12%, research and development by 17% and the workforce by 6-7%.

**HUNGARY:** Over the year to December 2012 gross monthly pay in the Hungarian business sector rose 8.3% to HUF 260,243 (886.20 euros). Excluding premiums and bonuses, average gross monthly pay rose by 7.3% to HUF 221,668 (754.81 euros). The phasing out of tax credit reduced the net pay of those earning less than HUF 216,806 (738.33 euros) a month last year - although a government subsidy assisted employers to make up some of the deficit.

**ITALY:** The Italian employer group Assotelecomunicazioni-Assstel has signed a two-year agreement with the union federation UGL Telecomunicazioni covering 60,000 workers in the telecoms sector. This provides a total average salary increase of 135 euros, plus a one-off payment of 400 euros.

**NETHERLANDS:** Several Dutch employers have broken with convention and reached collective labour accords (CAOs) with De Unie and FNV unions that give preferential terms and conditions to union members. At PGI, a manufacturer of cleaning products, union members will receive an extra free day for retraining, whilst union card holding staff at the pension fund Timeos will receive extra training - worth around 1,000 euros per employee.

**POLAND:** A survey report published by the Polish HR consulting firm Sedlak & Sedlak reveals that

starting salaries in the IT sector now exceed those in heavy industry and finance. IT starting salaries average 3300 zlotys (790 euros) with software developers earning around 6,500 zlotys (1,565 euros) and IT consultants starting at around 7,500 zlotys (1,805 euros).

## Other European HR news in brief

**CROATIA:** The Croatian government has introduced special measures to deal with its worsening unemployment problem. Unemployed young workers now receive health and pension insurance on top of a monthly benefit payment of 220 euros. Whilst employers receive subsidies for vocational training and 50% of employee gross remuneration costs if they employ someone aged 50+. There are also particular incentives for hiring people with disabilities, war veterans and Roma.

**CZECH REPUBLIC:** Last year the Czech Labour Inspectorate made 35,577 checks on employers and imposed fines totaling Kc163m (6.4m euros) in 818 cases. Not all shortcomings led, however, to financial penalties as over 4,000 inspections uncovered irregularities that resulted in a caution.

**DENMARK:** The Danish government has appointed a special committee to review its entire employment policy. Currently the system is operated through 94 municipal job centres. These have been widely criticised for their bureaucracy and ineffectiveness in matching unemployed people to vacant positions. The committee will report this Autumn with recommendations about the state recruitment service. A second report next year will examine ways to improve the handling of other people dealt with by job centres - such as those on disability allowances or undergoing rehabilitation.

**EUROPEAN UNION:** During the 11 months to November 2012 the euro area produced a trade surplus in goods of 81.80 bn compared with a



deficit of 15.7bn over the same period in 2011. However, this outcome was largely due to the performance of three countries - Germany (+174.6bn), The Netherlands (+46 bn) and The Irish Republic (+39.9bn). Outside the eurozone the worst performance was by the UK where the trade balance in goods deteriorated sharply to a deficit of 152.9 bn.

**FRANCE:** Air France has concluded a new collective agreement with three cabin crew unions (SNPNC, UNAC and UNSA). This provides for a wide range of flexible working and productivity improvements covering the period from April 1st 2013 to October 31st 2016. In return, the airline has given an undertaking not make any forced redundancies before the end of 2014.

**FRANCE:** The French Supreme Court has held that a temporary agency worker on a fixed-term contract with their agency may not take action against a user company in respect to provisions relating to their contract. This is because during the employee's assignment their contract with the agency is not terminated, suspended or shared with the user company. (Cass. Soc. February 6, 2013, No. 11-11741)

**GERMANY:** The Federal Labour Court in Germany had a busy year in 2012. It was called upon to handle 4,082 cases - 661 more than in 2011. The principal reason for the increase was a rise in appeals - even though applicants were successful in only 6.5% of such cases. According to Court President Ingrid Schmidt cases are also becoming more detailed and complicated, partly

due to the growing frequency of questions raised under ant-discrimination law.

**ITALY:** Business travellers to Italy should note that strike action will affect a number of Trenitalia trains, local transport services and Alitalia flights in March. All but essential train services (principally long distance trains) will be seriously disrupted on March 8th and 25th. Alitalia flight attendants and local public transport workers will also be separately taking action on March 22nd.

**LATVIA:** Several amendments to Latvia's immigration law have been proposed by the government. These would remove the practice of cancelling multiple entry visas as soon as a foreigner applies for permanent residence. A spouse or child of a Latvian citizen who seeks entry from a non-EEA state would no longer require an entry visa and no work permit would be necessary if an employer deploys an employee from outside the EEA to work in Latvia for fewer than 15 days.

**UNITED KINGDOM:** The UK government is going to amend the Equality Act (2010) to allow unfair dismissal claims for all employees - irrespective of service - where an employer is alleged to have discriminated on the grounds of an employee's political opinion or affiliation. This decision to treat political beliefs as "philosophical beliefs" follows the European Court of Human Rights decision in the case of *Redfearn v UK* (2012).





## FedEE news:

**JSB EMPLOYMENT LAW TRAINING OFFER:** FedEE and [JSB](#) are working in partnership to offer FedEE members a 10% discount on any international employment law course booked using the discount code 'fedee12'.

JSB offers a wide range of employment law training for HR professionals, covering all aspects of UK and international employment law.

Full details of their employment law programmes can be found [here](#).

Their full range of **international employment law courses** covers over 30 countries, including comprehensive 1-day seminars on many European jurisdictions. Each seminar is led by a legal expert from the country in question, providing first class legal expertise that links legislation to practical HR management challenges. Full details of their upcoming courses can be found [here](#).

To activate the FedEE member discount code, simply quote 'fedee12' when booking.

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