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Latest news | Neueste Nachrichten | Ultime notizie | Últimas noticias | 最新消息

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Inside this Issue:

Comment: Improving pay parities**Australia:** Anti-collusion law**Cyprus:** Tough on undeclared work**UK:** Brexit build-up**UK:** The dangers of blanket testing**USA:** Appeals court ruling on LGBT rights**Also briefings on:****Ireland:** Parental leave may be extended**Norway:** Sickness absence**FedEE News**

COMMENT: Improving pay parities

There has been much talk and speculation in recent years about establishing pan-European - and even pan-global - pay rates. Certainly it is a preoccupation of many multinational enterprises to harmonise their reward policy. Generally, however, it is the local salaries market that imposes a constraint on such a practice and the only measure of equity in this circumstance is to base market readings on a common framework of job evaluation.

It remains, however, a legitimate exercise to measure the salaries paid in different locations according to a common scale or formula. One approach that FedEE has developed in recent years is the 'advanced parity method' (APM). This takes pay practices in a reference country and establishes benchmarks, defined according to purchasing power parities, economic performance (GDP/head) and the tax and social security 'take' in a particular country.

This produces the equivalent salary that should be paid if other factors did not intervene (such as local pay markets and an individual company's ability to pay).

Let us take a simple example based on German pay practice. A particular job attracts an annual salary in Berlin, Germany of 50,000 euros gross. What would be the equitable equivalent salary in the USA and Australia? If we take a single individual, aged 25 with no children, in each country and take into account deductions at a national and local level, then the net pay in the three locations would be as follows:

Germany (Berlin) Gross: 50,000 Net: €30,156. 60.3%
USA (NY) Gross: US\$53,329 Net: US\$40,161. 75.3%
Australia (NSW) Gross: AU\$70,121 Net: AU\$54,382. 77.6%

These figures indicate how much tax, social security and other charges bite into gross pay in each locality. But what is the relative spending power of net pay earned in each

country? If we take the latest PPP comparators from the OECD, we find the following spending power figures, adjusted to Germany as a benchmark for spending power:

Germany: Net €30,156 (PPP = 100)

USA: Net US\$40,161 Adj Net: US\$46,587

Australia: Net AU\$54,382 Adj Net: AU\$72,872

Finally, we need to adjust for living standards in the USA and Australia relative to Germany. We do this by multiplying by the difference in GDP/head in each country (at current exchange rates).

Germany: Net: €30,156

USA: Per capita GDP Adj: US\$55,384

Australia: Per capita GDP Adj: AU\$73,601

Finally, we need to adjust net pay back to gross pay to discover the equivalent adjusted levels.

Germany: Gross €50,000

USA (NY): Gross US\$78,348 (€73,507)

Australia (NSW): Gross AU\$100,355 (€71,265)

In other words, the equivalent gross salary of 50,000 euros per annum in Germany is 47% higher in the USA, whilst in Australia it is 43% higher – once adjustments are made for currency exchanges, social security, tax, other deductions, spending power and comparative wealth in the three economies. Although the tax-take is highest in Germany, other factors intervene to make it a better value location to hire staff than the chosen two comparator countries. Such a calculation would need to be tailored to the actual family circumstances of the individual concerned and extended to other positions. But then it would provide a useful point of reference when making assessments about the true parity of individual salary levels within a company's global remuneration system.

AUSTRALIA: Anti-collusion law

It is now well over a year since the Heydon Royal Commission into trade union corruption and strong-arm tactics issued their final report. Finally, the Australian government has decided to act on the Commission's recommendations.

The Employment Minister, Michaelia Cash, has announced a new law to combat the widespread union corruption uncovered by the report. This means it will be an offence to make any payments with a "corrupting motive or intent". There will be punishments of up to 10 years imprisonment and heavy fines for any individual offering such inducements, as well as any company conspiring in the payments. Unions will also be required to reveal any payments made by employers at the time a workplace deal is put to a vote.

The new law will not prevent legitimate payments, such as grants for unions to undertake safety training. However, it will change the nature of proof required for establishing union-management connivance – which is so difficult to prove under existing bribery laws.

There remain deep suspicions, however, that the proposed law provides a token response to the Heydon report. This concern is given some support by the recent decision of the Victoria Police to pull out of a special task force established to investigate the Heydon findings, even though no union officials have yet been charged with any offences.

CYPRUS: Tough on undeclared work

Legislators in the House Labour Committee have approved a Bill requiring employers to declare employees to the Ministry of Social Insurance a day before employment starts, instead of up to one month after its commencement.

The current 200 euro fine for employing an undeclared worker is proposed by the Bill to rise to 500 euros, with a further 500 euros for each month they are found to have been employed. In fact, by default, all undeclared workers will be assumed to have been employed for six months unless it can be proven otherwise. Incentives will be given for early payment of fines and repeat offenders may have their business suspended for 48 hours. Once introduced, there will be a three-month amnesty during which any declarations of illegal workers will not result in a penalty.

Undeclared work is estimated by the Labour Ministry to amount to 15% of all employees, although that could be a substantial underestimate. In a further measure currently in the pipeline, an enlarged and more unified force of inspectors will be established to help crack down on all forms of unlawful labour practices, particularly in the construction sector.

UNITED KINGDOM: Brexit build-up

The UK Prime Minister, Theresa May, has conceded that there is likely to be a transitional phase following the end of negotiations on leaving the EU, during which free movement of people continues as before.

Meanwhile, it has become clear that Brexit negotiations are likely to be subject to a veto

by Spain over the issue of Gibraltar sovereignty. This claim is ironic, given the fact that the Plazas de Soberanía, plus Ceuta, Melilla and the Alborán Island ruled by Spain are also clearly Moroccan territory. Moreover, Spain not only operates a huge negative trade balance, but the UK is one of its principal export markets. In fact, a trade embargo between the two countries would hit Spain twice as hard as the UK.

It is already “all change” in the London financial markets. Lloyds of London, the huge underwriter of many of the key business risks across the world, has decided to move many of its operations from London to Brussels. This follows its failed attempts to secure ‘passporting’ rights for financial companies to conduct business across the EU after Brexit. The company employs 1,000 staff worldwide and 700 currently in London.

German chancellor, Angela Merkel and the President of the European Commission have made clear that euro currency clearing operations will need to move from London once Brexit is complete. Clearing houses operate between the two parties in a trade and manage the risk if one side defaults on payment. Currently London clears around 70% of all euro-denominated trades. This could lead to a loss of 80–100,000 jobs from the city of London and their most likely destination will be Brussels or Frankfurt.

UNITED KINGDOM: Blanket testing

When selecting employees for higher or specialised posts, employers frequently use written tests. However, such tests may contain a hidden bias which results in certain groups not doing as well as the general population of applicants. The question is

whether a test has to be proven to be discriminatory before it can be challenged by employees, or prospective employees.

The UK Supreme Court has now ruled that an employer can be sued if it can be shown that one group distinguished by race, colour or ethnic origins performed significantly worse on a test used to select people for jobs. There is no prior requirement to establish why the test produces such results.

A group of 49 employees working for the UK immigration service have been given leave by the Supreme Court to pursue their discrimination case against the Home Office. This is because in the Executive Officer examinations, non-white employees have a success rate that is just 40.3% of that for white candidates.

This case illustrates the dangers of blanket testing - although specific testing for an individual technical or linguistic skill may be defensible if it can be shown that the skill is strictly necessary for a particular job. The fact that any group performs less well than the general population in a screening test for all job applicants could, for instance, reflect the higher aspirations of a particular culture or subculture, such that people with less capability seek advancement from within that group. This factor would not, however, be a likely possibility if, for instance, a group of junior executives at a particular level within a company took a common test and one group distinguished by their racial origin performed less well. This is because there is no ethnic (or other) difference in intelligence levels. However, there is a known sexual bias in intelligence tests, as women generally score higher on verbal than non-verbal tests than men.

USA: Appeals court ruling on LGBT rights

Although Title VII of the 1964 Civil Rights Act seeks to protect people from discrimination on the grounds of race, color, religion, national origin, or sex, it did not specifically refer to LGBT people because it was passed in an era where this remained largely disapproved by the majority of US society.

In recent years, US courts have been struggling to interpret Title VII and this has resulted in a philosophical battle between conservatives - who wish to keep interpretations to their original meaning - and those who wish law to move with the times.

The latest ruling in this field has come from the seventh US circuit court of appeals. Earlier this month, this ruled by 8:3 that the term 'sex' in Title VII should be interpreted to include sexual orientation. The case concerned an Indiana teacher who was openly a lesbian. She had claimed that a community college had refused to hire her on a full-time basis, or renew her existing contract, because of her sexual orientation.

Although this now makes it more legally unsafe to discriminate on such grounds, Congress is unlikely to debate very soon any modifications to the Civil Rights Act. There is a pattern of Supreme Court decisions that indicate gay and lesbian people should enjoy equal human rights, but the Supreme Court has yet to rule on the specific question whether the Civil Rights Act protects workers from discrimination due to their sexual orientation.

Pay, Tax and Benefit Trends

INDIA: General Motors workers at its Maharashtra plant in India have agreed to a monthly pay deal, giving them an extra 17,600 INR (US\$271) from the 1st of April 2017, and then further increases averaging 2,200 INR (US\$34) each year in 2018 and 2019. This deal is designed to assist the consolidation of GM India's manufacturing in the city of Talegaon, located in the Indian state of Maharashtra.

IRELAND: A new national minimum wage Bill has been introduced into the Irish Dáil (lower house of parliament) that is designed to ensure that employees in the service sector receive in full any tips or service charge payments left by customers. The Bill requires that the tips policy be displayed on menus and other relevant places and a procedure would be established to settle claims through an adjudication officer. If the case reaches a court then an individual proprietor or 'body corporate' could face a fine of 2,500 euros (US\$2,668) and responsible persons face imprisonment of up to six months. However, if a collective agreement relating to the distribution of tips is in force on the date these changes come into effect, the terms of the collective agreement would prevail until the agreement comes to an end.

ISRAEL: An agreement was signed on the 29th of March between the Israeli trades union confederation Histadrut and the Presidium of Business Organisations. This gives Israeli employees a choice of leaving work one hour early one day a week or, if they work at weekends, taking one Sunday off every 4–6 weeks. In either case, it will not affect their current basic wage levels. From

the 11th of July the new standard workweek for full-time employees will then become 42 hours. The agreement still needs the approval of the Labor Minister to take effect. Even with the reduction, Israeli's workweek remains one of the highest among the industrialised countries.

KENYA: The Federation of Kenyan Employers (FKE) appears to have successfully lobbied the government to consider only two options when reviewing the national minimum wage next month. One option would be to continue the freeze applied last May and the other is to link any increases to productivity. The minimum wage in Kenya varies by occupational group and in industry it ranges from 114.40 KS (US\$1.11) an hour for machine assistants to 222.70 KS (US\$2.16) an hour for the highest grade of 'artisan'. FKE are also in discussions with the judiciary about hearing labour relations cases outside the formal court system.

MACEDONIA: Average gross monthly wages in Macedonia rose by 2.4% to 33,441 denars (US\$581) over the year to January 2017. The ITC, public and defence sectors were largely responsible for much of this increase. In fact, average wages grew by 2.9% in services, but only 1.1% in production. Due to inflation, the overall increase in the real gross wage over this period was just 1.8%.

RUSSIA: Companies employing highly qualified foreign specialists in Russia must submit first quarter remuneration reports to the Ministry of Internal Affairs by 28th of April or they could face hefty administrative fines.

UK: The Walmart subsidiary ASDA has offered its 135,000 staff the opportunity to switch to a new employment contract. This

will give them a basic flat rate salary of £8.50 (US\$10.61) an hour in return for unpaid work breaks, agreement to work shifts that include public holidays and greater job flexibility. Acceptance of the terms will also mean replacing the unsociable hours supplement of £2.04 (US\$2.55) per hour operating from 10pm to 6am with a £2.54 (US\$3.17) an hour supplement for the hours from midnight to 5am. The offer has been accepted by the GMB union and the company has been careful to point out that the new contract will not be based on 'zero hours'.

USA: In the coming legislative session of the Louisiana state Senate, a Bill will be presented raising the minimum wage to US\$8 in 2018 and US\$8.50 in 2019. The state does not currently have its own minimum wage, but relies on the long frozen Federal minimum of US\$7.25 an hour. Raising the wage to US\$8.50 would put it on a par with Arkansas.

Other Global HR News in Brief

BRAZIL: A controversial labour law has now been signed by Brazil's President Michel Temer. It opens up Brazil as an outsourcing centre with only minimal restrictions and introduces a minimum 25-year contribution period before anyone can receive a state pension. Retirement benefits will also only be available from age 65.

CHINA: New anti-extremism legislation has just come into force in the northwestern Chinese province of Xinjiang. This prohibits the advocating or propagating of extremist thoughts, wearing face coverings, not allowing children to attend government schools and the wearing of abnormally long beards. These controls are largely aimed at

the province's 10 million Muslim Uyghurs who are the principal ethnic group in Xinjiang, a vast semi-autonomous area that borders Russia, Mongolia, Kazakhstan and several other middle-Asian countries. It contains an independence movement which has given rise to several terrorist acts in the last two decades. However, China's 'strike hard' policy has largely silenced dissent outside border areas.

GERMANY: The decision by the German government to start charging foreign drivers special tolls for driving on German roads is raising strong opposition from neighboring states. The toll will cost drivers up to €130 (US\$138) a year, which German drivers will be able to recover through tax deductions. Although the practice has been approved by the European Commission, it is clearly discriminatory and against the spirit of the EU as a cohesive trading block. It also comes at a time when the EU is trying to promote a spirit of unity. Austrian Transport Minister, Joerg Leichtfried, has already announced that his country will be challenging such tolls before the European Court of Justice and another ten countries have indicated that they will follow.

GLOBAL: The doomsday clock that was first set by US former Manhattan project atomic scientists in 1947 was reset earlier this year to 2.5 minutes to midnight. This is the closest to midnight that it has stood since 1953. However, the adjustment predated the latest US attacks on the Russian-backed Syrian regime and recent pronouncements concerning North Korea. The University of Chicago-based Bulletin of Atomic Scientists warned recently that "wise public officials should act immediately, guiding humanity

away from the brink. If they do not, wise citizens must step forward and lead the way”.

HONG KONG: IFALPA, the union representing cockpit crews at Hong Kong-based Cathay Pacific, are continuing their long-running dispute with the airline as it struggles to return to profitability. They have called for cockpit crews of other airlines to boycott any cooperation with Cathay Pacific because of its plans to outsource Boeing 747 cargo pilot training. Last year the company sought unsuccessfully to head off future union disputes by offering a deal that included a pay rise of 2.5%, improved overseas flight payments, better working practices to reduce fatigue and a ban on industrial action until 2019. The rejection of this deal has meant that the company is now exposed to union actions if it goes ahead with expected redundancies later this year.

INDIA: The number of forms required for completion by employers under current labour laws will, according to an Indian government spokesman, from now on been reduced from 36 to 12. The principal laws affected are the Contract Labour (Regulation and Abolition) Act, 1970; The Inter-State Migrant Workmen (Regulation of Employment and Conditions of Service) Act, 1979 - and The Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996.

INDIA: The maximum length of stay in India on an e-visa has just been increased from 30 days to 60 days, with double entry, for those entering India on business.

IRELAND: A Bill has been submitted to the Irish Dáil (lower house of parliament) that seeks to extend unpaid parental leave from 18 to 26 weeks. The proposed amendment to the Parental Leave Act 1998 was introduced by a minority party, but it has a good level of cross-party support.

MALAYSIA: The Human Resources Ministry is reviewing over 20 current labour laws to determine if greater employment protection and welfare provisions are necessary, especially for pregnant women. There is no current legal safeguard against employers discriminating against pregnant women when hiring staff and the government is becoming increasingly worried about the rising level of unemployed women workers.

NORWAY: Sickness absence – adjusted for seasonal and influenza variations – amounted to 6.4% in Q4 2016. This changed little from the 6.3% recorded in the previous quarter. However, between Q3 and Q4, self-certified absence rose by 5.1% and doctor-certified absence increased by only 1%. Sickness absence also rose slightly faster for men than women. Over the period since the government first concluded its IA work attendance agreement with employer and trade union organisations in Q2 2001, employee absence has fallen by 10.4% – on a seasonal and influenza-adjusted basis. A new IA letter of intent was signed on the 4th of March 2014 and is valid until the end of 2018.

SINGAPORE: The Personal Data Protection Commission in Singapore has issued a formal warning to a local employee coaching firm because one of its directors disclosed a former employee's personal information to members of a WhatsApp group without the

individual's permission. Although it was a closed group, the source could not control the ultimate relay of the information outside the group. Moreover, the data shared was highly sensitive because it related to the alleged unlawful habits and sexual morality of the individual concerned. This move underlines the importance for companies to have a clear policy about sharing any personal data about others, especially with those outside their organisations.

SPAIN: A survey report published by the European Agency for Safety and Health at Work has highlighted the issue of company size and level of safety awareness in Spanish enterprises. Only 19.6% of companies had a health and safety committee and this varied from 10.8% in establishments with 5–9 employees to 95.7% in establishments with 250+ employees. Moreover, health and safety issues were discussed in just less than half of all staff and team meetings. Compared to the EU as a whole, Spanish companies were far more likely to suffer from a lack of awareness

about such matters by both managers and employees in general, and only 12.1% of risk assessments were conducted by internal staff compared with 47% in the average EU business.

THAILAND: The Thai cabinet has scrapped a public holiday on 5th May and added two new holidays. They are the birthday of Thailand's current monarch King Vajiralongkorn (28th July) and the death of the late King Bhumibol Adulyadej (13th October).

USA: It may amaze foreign travellers, but it remains lawful in the USA for someone to check in a bag containing a handgun for a flight. Delta is the latest airline to require such bags to be processed in a different way - but even so, no arrest may take place if the owner possesses the required licence.

Dates for your diary:

April 16th 2017: Catholic and Orthodox Easter

May 28th 2017: **Italy** referendum on labour issues

June 05-17th 2017: **ILO** Annual Conference

July 1st 2017: **California** employers will be obliged to inform their employees about domestic violence protection rights

October 22nd 2017: Federal elections in **Germany**

April 4th 2018: First report under Equality Act 2010 (Gender Pay Gap Information) Regulation 2017 submission by **United Kingdom** employers

May 25th 2018: Final effective date for **EU** General Data Protection Regulations

Travel Warnings

CAMEROON: The International Airport of Douala will be closed to traffic until the 25th of April between 4am and 11am local time each day.

CHINA: Passengers will have fewer flights, longer taxiing times and more delays at Beijing Capital International Airport until the 29th of April 2017, as one of its three runways is closed for safety maintenance.

EGYPT: Visitors should stay vigilant during the Passover festival (until the 18th of April) in Egypt due to an increased possibility of terrorist attacks, particularly in South Sinai. Public security in Alexandria was put on high alert Sunday the 9th of April following suicide bombings in Mar Girgis Church in Tanta and St Mark's Cathedral that killed many people.

ECUADOR: There have been sometimes violent demonstrations across Ecuador following the second round of presidential elections.

EUROPE: Significantly stricter border controls at entry points into the Schengen area have been in force since the 7th of April. All documents and all vehicles licence plate numbers will have to go through a special scanner. Visitors should expect delays on roads approaching the border crossings.

EUROPE: The World Health Organisation has issued a warning stating that Europe is experiencing a severe measles outbreak. The largest outbreaks are in Italy and Romania.

FRANCE: All vehicles driving in central Paris, Lyon and Grenoble now need to display a special 'pollution sticker'. Those motorists who don't display stickers are in danger of being fined. If you have a vehicle registered in France, you can apply now for a sticker from the French Ministry of the Environment website.

KENYA: General elections are scheduled on the 8th of August, 2017. Candidate selection for national and county offices will take place throughout the country during April, followed by nationwide campaigning. Visitors should be alert to the security situation as rallies, demonstrations, and protests may occur with little notice and even those intended to be peaceful could escalate into violence.

LITHUANIA: Vilnius International Airport will be closed from the 14th of July until the 17th of August due to reconstruction work on the runway.

MYANMAR: Train maintenance will be carried out during the Thingyan water festival from the 14th to 16th of April. Visitors should expect disruption to train services during this period.

NEW CALEDONIA: There are some interruptions to air traffic at La Tontouta International Airport (NOU) due to the tropical Cyclone Cook.

NEW ZEALAND: Severe weather warnings have been issued for parts of the country. Travelers should expect to face possible ferry and air travel disruptions as Cyclone Cook approaches.

NIGER: Niger's border regions – particularly the Malian border area, Diffa region, and Lake Chad Basin area – are dangerous because of the presence of extremist groups.

NIGERIA: There is a Cerebrospinal meningitis epidemic which has now spread across 17 Nigerian states. Visitors should take strong precautions and watch out for initial symptoms that include fever, headache and neck stiffness.

PAKISTAN: The issuing of visas on arrival to foreigners has been suspended at Pakistan airports.

PERU: There are now over 3500 cases of dengue reported throughout the country with a high concentration in Piura, Sullana and Tambogrande. Visitors should seek medical advice before traveling to the country.

PHILIPPINES: The American Embassy in Manila has warned US citizens about the threat of kidnappings in Central Visayas, especially in Cebu and Bohol. Visitors traveling to, or currently in, the Philippines should exercise heightened vigilance and review personal security plans.

PORTUGAL: Airport security staff will be staging strike action at Portugal's national airports, starting Thursday, April 13th – and lasting until Tuesday, April 17th. Visitors should expect delays and are advised to keep hand-luggage to a minimum.

SAUDI ARABIA: Due to the possible threats from terrorist groups, and the fact that violence in Yemen has sometimes spilled over into Saudi Arabia, only essential travel to the country should be undertaken.

SPAIN: Palma de Mallorca Airport may continue to experience disruption causing by radar failure in the airport's Terminal Maneuvering Area. Technical hitches also caused delays on high-speed train connections between Madrid and the southern region of Andalusia.

USA: According to the Department of Homeland Security (DHS) there was a five-fold increase last year in demands by US border guards to examine the contents of mobile phones. This is conducted without warrant or clear authority and demands are made for passwords – with the threat of detention for non-compliance. We advise business travelers to avoid taking mobiles abroad if they contain commercially sensitive data, or even to put mobiles in hold luggage – although that creates the attendant risk of pilfering by airport staff.

FedEE News

FELLOWSHIP MEETING: The next Fellowship meeting will be held in London on Friday, June 16th. Further details will be sent to Fellows in the next few days. If you are a senior HR professional in a FedEE member company you can upgrade to Fellowship free of charge. Fellows only pay to attend our meetings where we discuss important topical issues “off the record”, with no notes taken. To sign up, just send an email requesting an “upgrade to fellowship please” to the Membership Secretary at membershipservices@fedee.com.

FEDEE RADIO: Our radio station is now live and broadcasting news, travel warnings and regular international HR features. You can tune in from our principal web page at <http://www.fedee.com/>. We have also developed an IOS radio App which is now in its testing and approval stage. This will allow you to tune in and stay in touch wherever you are. An Android App will be available soon.

FEDERATION FLAG: Companies may now display their FedEE membership status by flying our attractive full-sized flag on company flagpoles. Flags are available free, on request, from the FedEE Secretariate at admin@fedee.com. We can also supply a membership plaque for company reception areas.

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