showCASE
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CASE – Centrum Analiz Społeczno-Ekonomicznych
CASE – Center for Social and Economic Research

Overview: This week our experts discuss whether the new rules on posted workers do indeed prevent social dumping (as argued by France) or are protectionist measures causing competitive disadvantage to workers from the 'sending' Member States (as claimed by e.g. Poland).

New Posting of Workers' Rules: Much Ado About Nothing?

By: Katarzyna Sidło, Political Economist & Klaudia Wolniewicz-Slomka, CASE Economist

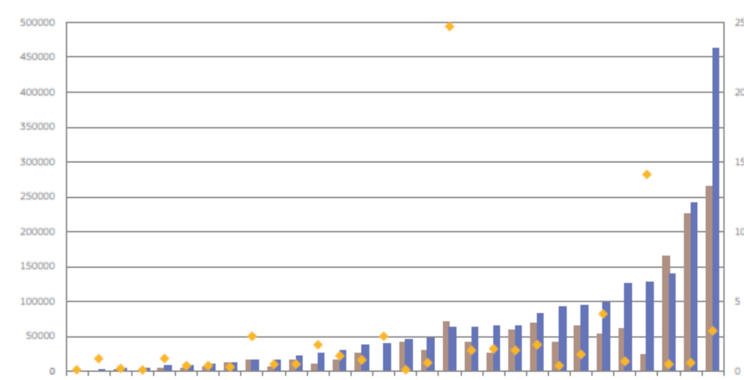
Last week (19 March 2018) the European Council (EC) and the European Parliament (EP), after over a decade of debates reached an agreement on pay and working conditions of posted workers, or employees sent ('posted') from one EU country to another by their employer 'to carry out a service on a temporary basis'.

According to the provisional agreement, enforcing the 'equal pay for equal work in the same place' rule, posted workers will need to receive remuneration equal to that of the host country's workers and the costs of their travel, accommodation, and board will not be deductible from their salaries. Another important change regards the posting period, which will be limited to twelve months (with a possibility of extension for another six months). After that time, posted workers will be able to continue their work in the host country but all the local labor code rules will apply to them. After some discussion the negotiators moreover agreed that applicable to posted workers will also be all collective agreements 'representative in a specific geographic area or profession'. As noted by a Member of the European Parliament, Danuta Jazłowiecka, this provision is problematic because the texts of the collective bargains '(…) frequently are several hundred pages long, are not always publicly available and their translations into official EU languages are not available'.

While before the new rules enter into force, they still need to be approved by Member States' permanent representatives and EP's Employment and Social Affairs Committee, as well as formally confirmed by the full EP and the EC, the deal can be mostly considered as sealed. Among the countries particularly unhappy about this fact are Poland and Hungary, which see the agreement as undermining 'the single market, the freedom to provide services, the freedom of movement for workers' and an imposition by more powerful MS states such as France on the poorer EU members.

Contrary to what the harshness of reactions and amount of political (and media) attention dedicated to the issue could suggest, the debated rules will apply only to a tiny fraction of the European work force. According to the latest available data, in 2016 there were around 2.3 million posted workers in the EU, a number equal to roughly 1% of all workers on the common labor market (less than 0.5% in full-time equivalents). However, over half of those were sent by Poland (almost 514 thousand), Germany (260 thousand), Slovenia (164 thousand),

Figure 1: Number of postings from a sending perspective (2010, 2015) and % of national employment



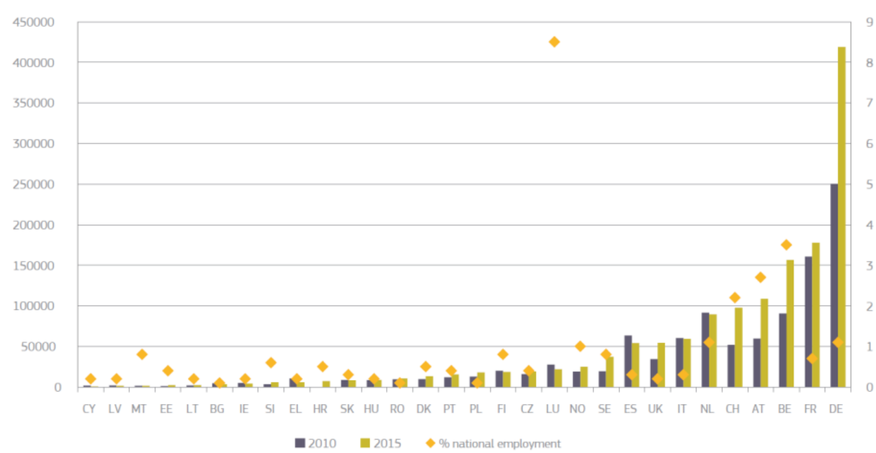
Source: Posted workers in the EU http://ec.europa.eu/social/BlobServlet?docId=15181&langId=en

Spain (over 147 thousand), and France (close to 136 thousand). On the receiving end were Germany (440 thousand postings), France (203 thousand postings), and Belgium (178 thousand postings). Overall, the number of postings in the EU increased almost threefold between 2005 and 2016, but it is numbers in particular countries that really allow to understand why the postings may be a sensitive issue.

In Belgium, for instance, posted workers make up 25% of all employees in the construction sector or 4.5% of the entire workforce. In Poland, outgoing posted workers constitute 3% of the total employment, in Slovenia – almost 7% (or 46% of all construction workers) in 2016. Equally important are salary differences in the EU, as cost competitiveness plays a crucial role on the posted workers' market. Currently, the highest to lowest average wage ratio is 7.6 to 1 (Denmark/Bulgaria).

Countries opposing new regulations argue that imposing equal pay could deem large number of postings unprofitable and as a result harm their economies by virtue of increasing unemployment and depleting their social security budgets. One study by CEPS shows that for Slovenia, the cost of new regulations could amount to as much as EUR 500 million. Proponents of the changes to the Posting of Workers Directive, on the other hand, assert that new rules will significantly improve the situation of posted workers themselves, granting them rights equal to those of their 'local' colleagues. More importantly, though, they hope to secure the wellbeing on their own workforce, protecting it from an unfair wage competition (or 'social dumping').

Figure 2: Number of postings from a receiving perspective (2010, 2015) and % of national employment



Source: Posted workers in the EU
http://ec.europa.eu/social/BlobServlet?docId=15181&langId=en

What will the actual impact of the pending changes on the labor market of the EU and its individual Member States be is difficult to assess (not least because not all relevant data is available). However, it is unlikely that all or even the majority of postings will become unprofitable. Workers are sent to other countries not exclusively because they are cheaper, but also because they possess qualifications that their host country labor market is missing. Close to half (45% in 2016) postings are in construction sector predominantly for that reason. On the other hand, some previous studies (e.g. Social harmonization and labor market performance in Europe conducted by CASE) suggest that upward social convergence may have an adverse effect on the employment of some of the disfavored groups in the labor market (e.g. older workers) and overall levels of employment in the EU.

Overall, the upcoming changes are not likely to greatly affect the European labor market as a whole – if only due to the small number of posted worker on the EU scale. While their impact on net sending MS may be greater, the only thing they and their economic operators can do now is to use wisely the two years of transition period they were granted to adjust to the new rules and develop good adaptation strategies.

This week: In February, retail sales increased by 7.7% y/y in constant prices and dropped by 2.8% m/m, according to the Central Statistical Office (GUS). Growing wages, lower unemployment rate and the "Family 500+" program are the main reasons behind the increase in sales. However, next month's data will show whether, and to what extent, the newly imposed ban on Sunday trading affects these statistics.

GDP (Q4 2017)

4.3% y/y (est.)

Down from 5.2 % in Q3 2017

Inflation (Feb 2018)

1.4% y/y

Down from 1.9% in Jan 2018

Unemployment (Feb 2018)

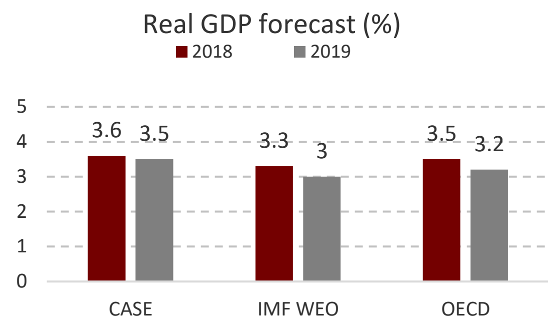
6.8%

Down from 6.9% in Jan 2018

NBP Base rate

1.5%

From 2% in Mar 2015



This week: Rosneft, the leader of Russia's petroleum industry, doubled its fourth-quarter net income to RUB 100 billion (EUR 1.42 billion) after conglomerate Sistema had fulfilled all financial obligations as part of an out-of-court settlement over oil company Bashneft. The company said the deal added RUB 48 billion (EUR 681.9 million) to its 2017 net income, resulting in Rosneft's shares going up by 0.7%.

GDP (Q3 2017)

1.8% y/y

Down from 2.5% in Q2 2017

Inflation (January 2018)

2.2% y/y

Down from 2.5% in Dec 2017

Unemployment (Feb 2018)

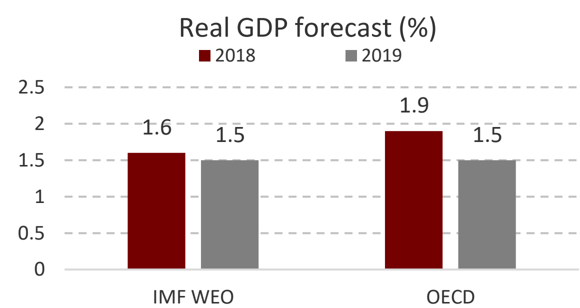
5.0%

Down from 5.2% in Jan 2018

CBR Base rate

7.25 %

From 7.5% in Feb 2018



This week: Confidence among investors in Europe's largest economy, Germany, plunged in March, with a monthly barometer dropping to its lowest level in 18 months, reflecting fears of a transatlantic trade war. A regular survey of 220 analysts and investors from the ZEW institute gave a reading of 5.1 points – a slump of 12.7 points compared to February's level, and far below the 13.1 forecast by analysts. The last time confidence among financial players was so low was in the months after Britain's June 2016 vote to quit the European Union.

GDP (Q4 2017)

2.9% y/y

Up from 2.8% in Q3 2017

Inflation (Feb 2018)

1.2% y/y (est.)

Down from 1.4% in Jan 2017

Unemployment (Jan 2018)

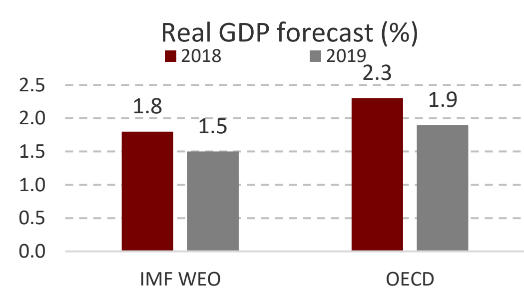
3.6%

Up from 3.5% in Dec 2017

ECB Deposit rate

-0.4%

From -0.3% in Dec 2015



This week: The Prime Minister of Ukraine, Volodymyr Groysman, has declared that the Cabinet of Ministers terminated the Program of Economic Cooperation with Russia, which was established in 2011. The program considered the goals and means of developing Russian-Ukrainian economic cooperation, its main directions and priority sectors. According to Mr. Groysman, since Ukraine sees its economic potential in developing relations with Western countries, the program of economic cooperation with Russia has become irrelevant.

GDP (Q4 2017)

1.8% y/y

Down from 2.1% in Q3

Inflation (Feb 2018)

14.0% y/y

Down from 14.1% in Jan

Unemployment (Q3 2017)

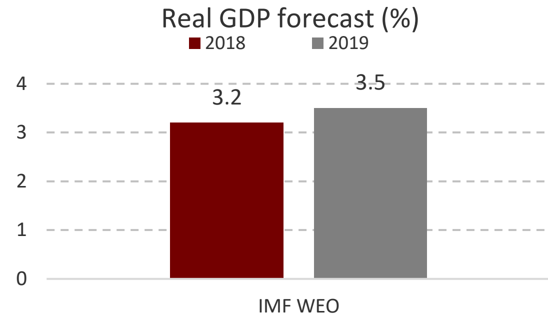
8.9%

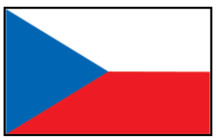
Down from 9.1% in Q2 2017

NBU Base rate

17.0%

From 16% in Jan 2018





This week: Mladá Boleslav-based carmaker Škoda Auto's profit in 2017 reached CZK 31.8 billion (EUR 1.25 billion) after tax, making 2017 the most successful in the company's history. Number of cars produced last year was 6.6% higher than in 2016, for a total of 1,200,500 vehicles manufactured. Financial Director Klaus Dieter Schurmann linked the company's success with production of two expensive SUV models (the Karoq and the Kodiaq) and announced plans to introduce 19 new models over the next two years.

GDP (Q4 2017)

5.2% y/y

Up from 5.1% in Q3 2017

Inflation (Feb 2018)

1.8% y/y

Down from 2.2% in Jan 2017

Unemployment (Q4 2017)

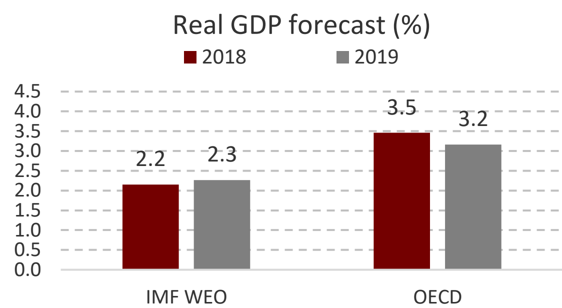
2.4% (est.)

Down from 2.8% in Q3

CNB Base rate

0.75%

From 0.5% (2nd Jan 2018)



This Week: The European Championship of Young Professionals (Euroskills) will take place in Budapest this year (26-28 of September). The under-25 professionals from EU member states will compete in six categories: Information and Communication Technology, Manufacturing and Engineering Technology, Construction and Building Technology, Transportation and Logistics, Social and Personal Services, and Creative Arts and Fashion. Mr. Mihály Varga, Hungarian Minister for National Economy, described the event as a great opportunity for Hungarian companies to showcase their competence internationally.

GDP (Q4 2017)

4.4% y/y (est.)

Up from 3.9% in Q3

Inflation (Feb 2018)

1.9% y/y

Down from 2.1% in Jan 2018

Unemployment (Q4 2017)

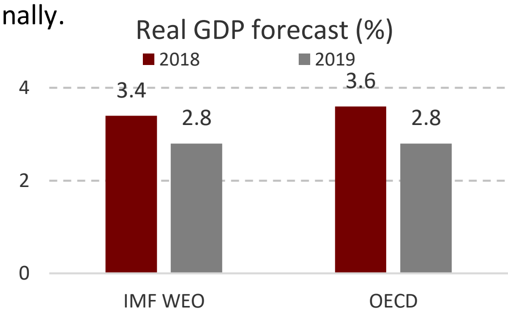
3.8%

Down from 4.1% in Q3

MNB Base rate

0.9%

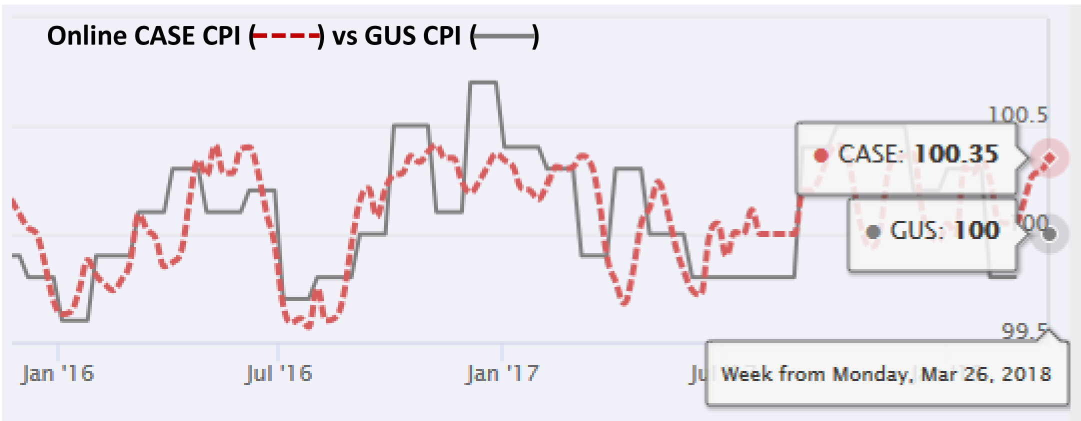
From 1.05% in May 2016



The weekly online CASE CPI

The online CASE CPI is an innovative measurement of price dynamics in the Polish economy, which is entirely based on online data. The index is constructed by averaging prices of commodities from the last four weeks and comparing them to average prices of the same commodities from four weeks prior. The index is updated weekly.

Our weekly online CASE CPI



Monthly CASE forecasts for the Polish economy

Every month, CASE experts estimate a range of variables for the Polish economy, including future growth, private consumption, and foreign trade, current account balance, and the CPI.

CASE economic forecasts for the Polish economy
(average % change on previous calendar year, unless otherwise indicated)

	GDP	Private consumption	Gross fixed investment	Industrial production	Consumer prices
2018	3.6	3.6	4.1	3.7	2.5
2019	3.5	3.6	3.3	3.8	2.3
	Nominal monthly wages	**Merchandise exports (USD, bn)**	**Merchandise imports (USD, bn)**	**Merchandise trade balance (USD, bn)**	**CA balance (USD, bn)**
2018	4.5	233.4	235.2	-1.8	-3.9
2019	3.7	242.7	244.6	-1.9	-4.1

For more information on our weekly online CASE CPI, please visit: http://case-research.eu/en/online-case-cpi To **subscribe** to our weekly showCASE newsletter, please click here. To see **previous issues** of showCASE, please visit: http://case-research.eu/en/showcase

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