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COMPARATIVE ANALYSIS OF WORKING CONDITIONS IN THE EUROPEAN UNION MEMBER STATES

Abstract

This paper presents the main findings of the author's study of statistics as well as European surveys on working conditions. Such solutions enabled to compare the data and make the results more reliable. The collected data concerns all Member States of the European Union, where it was impossible to collect data for newest Member States (Bulgaria and Romania), they were omitted. Where it was possible, the author compared the situation in Member States to the situation in the USA. The paper aims to provide an overview of the state of working conditions in the European Union, as well as indicating the nature and content of changes affecting the workforce and the quality of work. The main aim of the paper is to compare basic working conditions within all Member States of the European Union in order to point out leaders and sluggers in this field. This paper is limited to a straightforward presentation of the results.

Key words: regional labour markets, European integration, working conditions

JEL classification: R23, M59

Introduction

Improving living and working conditions as well as promoting employment are ones of the primary objectives either of the European Union or its Member States. The policy of the EU Member States in relation to labour market is shaped on a community level and based not only on theoretical but also on pragmatic backgrounds. Regular sources of information on European labour market are provided both by Eurostat Labour Force Surveys (ELFS) as well as European Working Conditions Surveys (EWCS). Comparative analysis of working conditions in Europe helps to identify priorities and further tasks for European labour policy. Policymakers can monitor trends and changes by measuring results of implemented labour policy. Thus, it is essential to observe current labour market situation and regulations. Relevant and proper working conditions can make labour market more competitive, but what is more they play a crucial role in creating social policy. Large-scale official surveys find that around one in three EU workers are very satisfied with their working conditions (Philpott 2005, p. 13) and according to European statistics more than 80% of the European workers are satisfied with their working conditions (EWCS 2007, p. 91)¹.

¹ For previous results see (EWCS 1997) and (EWCS 2001).

Material and methods

The aim of the paper is to compare basic working conditions within all Member States of the European Union in order to point out leaders and sluggers in this field. While conducting the analysis four basic conditions were focused on, they are:

- minimum statutory salary regulations,
- working time regulations,
- holidays regulations,
- labour costs level.

The first three were chosen as they belong to the canon of working conditions. The last one was applied as labour costs impact market competitiveness and the level of labour costs in Europe is diversified, thus some companies consider delocalization or relocalization not only within the Community, but also all over the world (mainly Asia).

First of all the author conducted the analysis of the literature in the field of theoretical background. Analyzing literature was chosen according to the relevance to the research problem. Domestic literature (Wach 2007), as well as international one (mainly Anglo-Saxon) was used. Secondly the author conducted the analysis of state statistical data. The analysis was carried out using mainly national sources of information provided by economic sections of Polish embassies located in all Member States, but overall data provided by European Statistical Office (Eurostat) was also used. Empirical research was based on available state and European statistics. Conclusions of the paper were based on overall statistics and surveys, mainly those conducted by Eurostat and European Foundation for the Improvement of Living and Working Conditions (Eurofound).

Minimum Statutory Salary Regulations

Minimum statutory salary exists in twenty out of twenty seven Member States. The given data refers to gross minimum wages set by national legislation and applicable to the majority of full-time salaried workers in each country. Where the minimum wage is paid more than 12 times a year (for example in Spain and Greece it is paid 14 times a year), the figures are adjusted to take these additional payments into account. In seven Member States (in Austria, on Cyprus, in Denmark, Finland, Germany, Sweden and in Italy) salaries are shaped by sector collective arrangements and it is hard to compare them. According to the Federation of European Employers (FedEE 2006), a substantial pay gap still exists between rich and poor countries in the European Union. Taking extreme cases under attention, in the year 2006 the highest salary in the European Union (Luxembourg - 1503 euro monthly) was eighteen times higher than the lowest salary (Bulgaria - 82 euro monthly). The European Statistical Office Eurostat divides in this range the Member States into three groups. The group of low minimum salary (from 82 to 261 euro monthly) including nine out of twelve new Member States (without Slovenia and Malta as well as without Cyprus, where there is no guaranteed minimum statutory salary). Lower minimum salaries than in Poland are in six new Member States, and what is worth noticing in Hungary and the Czech Republic (that is in countries, with which Poland is the most often compared) – minimum statutory salary is only imperceptibly higher. Bulgaria, Romania, Latvia and Lithuania lag behind other EU members for the minimum salary amount. The new EU members will remain below the EU average for at least another 25 years. The group of countries of average minimum statutory salary (from 437 to 668 euro monthly) consists of five Member States including two new (Slovenia, Malta) as well as three former Member States, that is three countries of the EU-15 reported to be the poorest (Portugal, Spain, Greece). For comparison the minimum statutory salary carries out in the United States of America in the year 2006 amounted to 753 expressed in euro, which

would permit to classify this country to the medium group (however according to purchasing power parity, the USA is comparable to the third group, as the costs of living in the USA are a lot lower than in Europe). The third group according to Eurostat includes six countries, in which minimum statutory salaries are the highest (from 1218 to 1503 euro monthly), with Luxembourg at the top (compare table 1).

The highest percentage of employees receiving the minimum wage, that is 18%, is observed in Luxembourg, and only somewhat less is in France, on which the coefficient carries out 15.6%. For Lithuania the coefficient carries out 12.1%, however taking minimum salary amount in this country into account, we can recognize this level for alarming. In Poland about 4.5% employees receives minimum statutory salaries, which in comparison with Hungary (8%) and the Czech Republic (2%) is average (Eurostat, 2006a).

Table 1. Minimum Statutory Salary in the European Union in 2006^a

Country	Minimum Salary Amount			Purchasing Power Parity of Minimum Salary	Percentage of employees receiving the minimum wage ^c
	expressed in national currency	expressed in EUR ^b	expressed in PLN ^b		
Austria	arranged by sector collective agreements				
Belgium	1234 EUR	1234	4936	1184	n.a.
Bulgaria	160 BGN	82	21	191	n.a.
Cyprus	arranged by sector collective agreements				
Czech	7570 CZK	261	1044	431	2.0
Denmark	arranged by sector collective agreements				
Estonia	3000 EEK	192	768	305	5.7
Finland	arranged by sector collective agreements				
France	1218 EUR	1218	4872	1128	15.6
Germany	arranged by sector collective agreements				
Greece	668 EUR	668	2672	785	n.a.
Hungary	62 500 HUF	247	988	401	8.0
Italy	arranged by sector collective agreements				
Ireland	1293 EUR	1293	5172	1050	3.1
Latvia	90 LVL	129	516	240	n.a.
Lithuania	550 LTL	159	636	282	12.1
Luxembourg	1503 EUR	1503	6012	1417	18.0
Malta	249 MLT	580	2320	776	1.5
Netherlands	1273 EUR	1273	5092	1210	2.1
Poland	899 PLN	234	899	379	4.5
Portugal	437 EUR	437	1748	510	5.5
Slovakia	6900 SKK	183	732	314	1.9
Slovenia	123 000 SIT	512	2048	676	2.0
Spain	631 EUR	631	2524	722	0.8
Sweden	arranged by sector collective agreements				
United Kingdom	862 GBP	1269	5076	1202	1.4

^a The state of January 1, 2006.

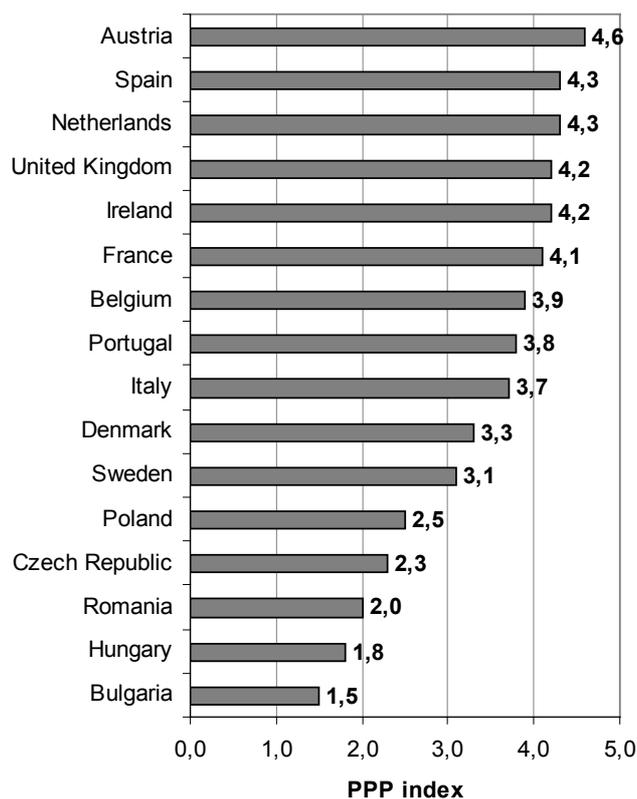
^b Round figures were applied for improvement of transparency.

^c Data for the year 2004.

Source: (Eurostat, 2006b, p. 2).

It is necessary to underline, that the given absolute amounts do not take individual costs of life in particular Member States into account, therefore the precise and comparable ratio is purchasing power parity of earnings. Statistical data prepared by Eurostat shows, that the differences of earnings amount according to PPS (purchasing power standard) in extreme incidents (Latvia - 240 PPS, Luxembourg 1417 PPS) are sixteen times higher. Investigation conducted among 16 European countries by London consortium MERCER (*consulting business of Marsh & McLennan Companies*) also shows significant differences under this regard. The special purchasing basket (PPP) of consumptive and industrial goods, which value became counted on the basis of average prices stepping out in each studied country, was applied to make a comparable analysis. Values for particular countries inform us, how many such purchasing baskets a given worker being paid an average salary can buy. The results confirm, that not only salaries, but also their purchasing power parities are lower in Central and Eastern European Countries. The even level of prices in Europe simultaneously differentiation in pays cause such a situation. Poland as well as the Czech Republic, Hungary, Romania and Bulgaria belong to the group of selected EU countries of the lowest purchasing power parity, while Austria, the Netherlands and Spain to the group of selected EU countries of the highest purchasing power parity of pays (see figure 1).

Figure 1. Purchasing power priority of pays in 16 selected countries of the EU in 2004



Source: (MERCER, 2004).

Working Time Regulations

Comparing working time requirements in the Member States of the European Union one can observe that average weekly working time carries out from 35 hours in France till 40 hours, mainly in new Member States (among others in Poland, Hungary, the Czech Republic, Slovakia), but also in two countries of the former Community (that is in Sweden and Greece).

The given data is averaged out, as in majority of Member States the weekly working time is established in sector collective arrangements (compare table 2).

Table 2. Working time in the EU Member States in 2006 (in hours)

Country	Weekly working time				Statutory maximum daily working time
	Statutory standard	Statutory maximum	According to collective agreements	Average (applied in most cases)	
Austria	36–40	50	36–40	37,5	–
Belgium	38	65	35–39	36–38	9
Cyprus	–	48	38–40	39	8
Czech Republic	40	40	–	40	9
Denmark	–	–	37	37	–
Estonia	40	48	–	40	8
Finland	40	45	37–40	37,5	8
France	35	–	35–39	35	10
Greece	40	48	37,5–40	40	–
Spain	35–40	36,5–41,5	34–38	37	9
Netherlands	36	45	36–40	37	9
Ireland	39–40	48	39	39	–
Lithuania	40	48	–	40	8
Luxembourg	40	50	37–40	38,5	10
Latvia	40	52	–	40	8
Malta	40	48	40–41,4	40	–
Germany	39	48	35–38 (West), 36,5–40 (East)	37,5	8
Poland	40	49	–	40	8-13
Portugal	40	50	35-40	37,5	8
Slovakia	40	48	37,5-38	40	8
Slovenia	40	50	–	40	8
Sweden	40	–	–	40	8
Hungary	40	48	–	40	12
United Kingdom	–	48	35–40	37,5	–
Italy	40	48	36–40	38	–

‘–’ means that working time is not statutory regulated

Source: (Wach 2007, p. 72-73)

The matter of overtime working is regulated variously in different Member States (compare table 3). Average admissible overtime work carries out about 350 hours annually. Only in two countries (Denmark and the United Kingdom) the legally admissible overtime work is not statutory regulated (it depends on either collective arrangements or individual negotiations between employees and employers). Taking workers' rights protection in this range into consideration, we can distinguish three groups of Member States. Spain is a leader in here, where overtime work is admissible only within 80 hours annually. Only somewhat higher limits are in force in Lithuania (120 hours) and the Czech Republic (150 hours). They are the countries, which protect statutory their workers before excessive overtime work. Second group consists of eight countries (Latvia, Portugal, Sweden, France, Finland, Italy, Belgium and Luxembourg), in which annual limit fluctuates between 200 and 300 hours. Remaining 12 countries (including Poland) can be pointed out as the third group of countries,

where overtime work is admissible in large amount mainly carrying out over 400 hours annually, though in most of these countries relevant overtime work does not cross 420 hours yearly (Greece, the Netherland, Malta, Poland, Slovakia, Hungary, Estonia, Germany).

Table 3. Maximum overtime work in the EU Member States in 2006 (in hours)

Country	Annual limit	Explanation
Austria	520–728 ^a	weekly working time including overtime work can not exceed 50 hours
Belgium	260	no more than 65 hours within 3 months
Cyprus	416–520 ^a	weekly working time including overtime work can not exceed 48 hours
Czech Republic	150	no more than 8 hours within one week
Denmark	–	arranged in collective agreements (no national regulations)
Estonia	approx. 420	arranged individually between an employer and an employee, usual about 8 hours weekly
Finland	250	no more than 250 hours yearly, but no more than 138 hours within four months and no more than 20 hours weekly
France	220	detailed arrangements in collective agreements
Greece	416 ^a	8 hours weekly, but within four months a working week can not exceed 48 hours
Spain	80	80 hours yearly, but overtime work can not be done during night
Netherlands	416 ^a	weekly working time including overtime can not exceed 45 hours, which means that 8 hours overtime work is admissible weekly
Ireland	468	weekly working time including overtime can not exceed 48 hours, however it can be balanced in four months' periods (six months' periods for seasonal work), which means that during the whole year overtime work can not exceed 468 hours
Lithuania	120	no more than 4 hours within 2 consecutive days, but no more than 120 hours yearly, maximum weekly working time for workers having more than one Job can not exceed 12 hours a day
Luxembourg	288	no more than 2 hours a day, but no more than 24 hours a month
Latvia	200	no more than 200 hours a year, but no more than 48 hours a month, the necessity of overtime work must be confirmed in writing in advance
Malta	416 ^a	weekly working time including overtime can not exceed 48 hours, that means no more than 8 hours a week as far as standard working time is applied
Germany	approx. 420 ^a	weekly working time including overtime can not exceed 48 hours
Poland	416	8 hours a week
Portugal	200	no more than 200 overtime hours a year
Slovakia	416	8 hours a week
Slovenia	520	overtime work can not exceed 10 hours weekly on average, that means no more than 520 hours a year
Sweden	200	overtime work can not exceed 48 hours in 4 consecutive weeks or 50 hours a month, however no more than 200 hours a year
Hungary	416	weekly working time including overtime can not exceed 48 hours
United Kingdom	–	no national regulations
Italy	250	8 hours a week, but no more than 250 overtime hours a year

^a In relevance to standard weekly working time

Source: (Wach 2007, p. 75-76)

Holidays Regulations

It is extremely difficult to compare days-off and holidays length in particular Member States of the European Union, as it depends on many factors, among others on the mode of work (5 or 6 days a week), in order of seniority, and in some countries on collective arrangements. The shortest statutory guaranteed holidays are in Slovenia, where at least 18 days are guaranteed, but on the basis of collective agreements it can be enlarged. However with the longest minimum holidays, carrying out 28 working days, we deal with in Latvia. The trade union arrangements can obviously enlarge the dimension of holidays and we can assume that the right for the longest holidays in Europe are used mainly in the same countries, where the minimum statutory salaries are high (among them Austria, Denmark, France, Netherlands, Luxembourg, Germany, Italy).

Table 4. Guaranteed Holidays in the EU Member States in 2006 (in days)

country	minimum statutory holiday length	holiday length according to collective agreements	national day-offs
Austria	–	25–30	13–14
Belgium	20	20–25	10
Cyprus	20 or 24 ^a	–	13
Czech Republic	20 or 24 ^a	20–30	12
Denmark	25	25–30	11
Estonia	20 or 24 ^a	–	11
Finland	26 (30 ^b)	–	13
France	25	25–30	11
Greece	20–25 ^c	–	12
Spain	22	22–25	14
Netherlands	20 or 24 ^a	23–30	8
Ireland	20	20–25	9
Lithuania	20 or 24 ^a	can be extended	10
Luxembourg	25	26–30	10
Latvia	28 ^d	–	12
Malta	25	–	13
Germany	20	28–30	9
Poland	20 or 26 ^e	–	12
Portugal	22	22–25	12
Slovakia	20 or 25 ^f	–	15
Slovenia	18	can be extended	13
Sweden	25 or 30 ^g	–	14
Hungary	from 20 to 30 ^h	–	13
United Kingdom	20	20–30	8
Italy	20	20–30	12

^a 4 full weeks, that is 20 working days within 5-days or 24 days within 6-days working week

^b 30 working days including Saturdays, that is 26 days within 6-days working week.

^c The length depends on seniority. After having worked for 10 years at the same employer at 12 years at all, employee are able to take 25 days of holidays; however 20 days of holidays are granted after having worked the first whole year.

^d 5 full weeks, no less than 28 working days.

^e The length depends on seniority: under 10 years – 20 days, above – 26 days.

^f The length depends on seniority: under 15 years – 4 full weeks (20 or 24 working days), above – 5 full weeks (26 or 30 working days).

^g 5 full weeks.

^h The length depends on the age of an employee (20 days for those less than 25 years old, and 30 days for those 45 and more years old).

Source: (Wach 2007, p. 78-79)

Labour Costs Comparison

Labour costs in new Member States (EU-10+2) carry out on average $\frac{1}{4}$ of the level stepping out in old Member States of the Community. What is more labour costs in EU-15 are about 23% higher than in the United States, moreover they are one of the highest in the world, which makes the situation alarming. However taking data for all 25 Member States into account, the labour costs in the European Union are 15% lower than in the United States (Taylor 2005), which means that especially old Member States are supposed to adjust their fiscal burdens on labour accordingly (see table 5).

Table 5. Annual Labour Costs in the EU Member States in 2004 (in euro)

Country	Pay	Social security	Mandatory benefits	Voluntary benefits	Total Pay and benefits
EU-23*	21 457	4 560	–	1 513	23 821
EU-15	29 842	5 869	–	2 196	32 360
A-8*	5 736	2 107	–	231	7 811
Euro-12	27 261	6 086	–	2 027	36 143
Austria	22 321	4 832	343	1 116	28 612
Belgium	36 527	12 667	–	4 383	53 577
Czech Republic	6 814	2 385	–	341	9 542
Denmark	45 235	136	–	679	46 05
Estonia	5 687	1 877	–	57	7 621
Finland	20 544	1 953	3 489	205	26 191
France	31 544	10 913	1 529	1 893	45 879
Greece	17 654	4 936	–	3 354	25 944
Spain	20 605	6 511	–	2 06	29 176
Netherlands	29 354	3 023	–	2 348	34 725
Ireland	29 949	3 219	–	5 091	38 259
Lithuania	4 247	1 317	–	85	5 649
Luxembourg	41 581	6 092	–	2 079	49 752
Latvia	3 799	915	–	38	4 752
Germany	40 163	8 274	–	2 008	50 445
Poland	6 495	1 307	65	390	8 257
Portugal	14 123	3 354	–	1 412	18 889
Slovakia	4 795	1 506	–	240	6 541
Slovenia	13 334	5 164	–	267	18 765
Sweden	36 363	11 891	1 273	3 273	52 8
Hungary	7 13	2 388	–	428	9 946
United Kingdom	38 901	2 972	–	4 668	46 541
Italy	22 763	7 257	2 023	228	32 271

* No data for Cyprus and Malta.

Source: (MERCER, 2005).

The highest annual labour costs are characteristic for Belgium, Sweden and Germany as well as Luxembourg and the United Kingdom. Opposite situation was observed in Lithua-

nia and Latvia, where the average annual costs of employment is carried out 28 269 euro. The comparatively low costs of work are doubtless one of main advantages of new Member States. They are the cause of enterprises location change or running branches and subsidiaries in Central and Eastern European Countries. The lowest costs connected with non-salary advantages are stepped out in Denmark, the Netherlands, the United Kingdom and Luxembourg, the opposite situation is noted in Greece, Belgium and France, where such costs were the highest.

In the European Union the relative fall of pace of efficiency work growth in comparison with the United States has been observed since mid-90's. In EU-15 countries the productivity ratio measured as income per capita fell to 0.5% in 2006 from 1.4 % in the year 2004. At the same time new Members States noted the increase of this ratio on average from 4,1% in 2004 to 6,2% in 2006. Majority of new members improved above mentioned coefficient, and the largest increase was observed in Poland - from 4,1 to 7,7%, Hungary - from 3,7 to 6,3%, and Slovakia - from 3,9 to 5,5%. Surprisingly, the level of productivity, that is work efficiency in Poland turns out comparable with the level of China, and it is simultaneously higher than in South Korea (Ark, Guillemineau, McGuckin, 2006).

Conclusions

Understanding the conditions under which people work across the different EU Member States and other European countries is central to achieving improved quality of work, greater productivity and increased employment (EWCS 2007, p. 91). The latest two enlargements caused many implications for the European labour market policy. However, despite the dramatic changes seen in Europe's workforce, triggered by the accession of new Member States, the increase in nontraditional forms of employment such as part-time and temporary work, and greater numbers of women entering the labour market, working conditions have remained relatively stable on average throughout the EU. The conducted research allows to draw the following conclusions:

- Overall most European workers (over 80%) are satisfied with their working conditions according to the latest survey EWCS 2007.
- Twenty out of twenty seven Member States of the EU have national legislation setting statutory minimum wages, however they differ from 82 euro in Bulgaria to 1503 euros in Luxembourg (compared to 753 euros in the USA). In seven countries the minimum wages are set out in collective agreements and are hard to compare.
- Statutory minimum wages vary by one to eleven (in euros) across the EU, however when adjusted to take into account differences in purchasing power, the disparities between the Member States are reduced to a range of one to six (in PPS).
- The percentage of employees receiving the minimum statutory wage differs within the EU from 0.8% in Spain to 18% in Luxembourg, while in the USA amounts to 1.4%.
- Working time regulations are convergent within the EU and amounts from 35 to 40 hours a week on average, however some countries still need to improve detailed regulations (e.g. duties call).
- Overtime work is diverse regulated from only 80 hours a year to more than 700 hours a year in Austria. The best solutions are applied in above mentioned Spain, but also in Lithuania and the Czech Republic. This field needs further regulations especially in those countries, which allow too much overtime work.
- Labour costs in the EU-15 are one of the highest in the world, and about 23% higher than in the United States, which make the Community leave behind.
- Labour costs in new Member States amounts to $\frac{1}{4}$ of the EU-15 level, which makes these countries very attractive for foreign investors, however the increasing trend in pays can

soften such beneficial conditions. Nevertheless overall labour costs in the EU-27 are more than 15% lower than in the United States.

- Productivity and work efficiency has been still decreasing in the EU-15 while it has been increasing in new Member States for the last couple of years.

The results of the study indicate that the European Commission and EU Member States should introduce and implement such regulations that will enable:

- To align minimum statutory wages in order to eliminate huge disparities in income,
- To level off workers' protection rights as far as overtime working is concerned,
- To reduce labour costs in order to be more competitive on global market (in "old" Member States, where the labour costs are about 23% higher than in the USA)².

Such solutions on one hand would eliminate disparities within the European Union territory and on the second hand would help the EU region to be more competitive in a globalized economy.

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² Pay levels in many of the EU's global competitor countries are much lower than even in Bulgaria, Latvia and Romania.