CNR EUROPEAN STUDIES

Comparative study of employment and pay conditions of international lorry drivers in Europe

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Abstract

The EU international road freight transport market was liberalised in the 1990s, giving rise to a vast body of EU legislation on the subject. This legislation is needed in order to guarantee road safety, standardised employment conditions and a tenable competition climate. Behind this appearance of harmonisation, however, widely differing practices are still in use, which CNR's field studies in the countries operating in the European RFT market have highlighted. The number one competitive advantage haulage companies can have lies in the area of driving personnel management. This study offers an overview of the employment conditions, rates of pay and unit cost of international lorry drivers within Europe. This information has been drawn from the 15 country reports published by CNR over the last 5 years and has been updated in line with 2016 economic conditions.

With respect to international lorry drivers specifically, the key findings of this overview are as follows:

Collective agreements are in place in the road freight transport sectors of all the Western European countries we studied. They have the special feature of being regional in both Germany (16 states) and Spain (54 provinces). Only in Germany are the agreements non-compulsory. In the new Member States visited, the absence of collective agreements is the norm, the one exception being the Czech Republic, although they are not compulsory there and are still rarely implemented by businesses.

Employers' social security contribution rates range within Europe from 12.7 % to 51.6 % net after reductions. There is therefore a four-fold difference between the opposite ends of the spectrum, with no east-west split.

This diverse picture is accentuated by the widely differing **contributions calculation bases**. The gross **salary** of an international lorry driver varies within Europe from €300 to €3,300 per month. There is therefore an eleven-fold difference between the highest and lowest of the total wages (including all components) subject to social security contributions and income tax.

Added to the **contributions** themselves, this results in a 24-fold difference between the two ends of the spectrum. In practice, employers' contributions cost a Bulgarian haulage operator €673 per year and a Belgian operator €16,221 per year. On this aspect, there is a huge east-west split.

Wage components that are not subject to social security contributions or income tax are widespread within the EU, the highest levels being in Eastern and Southern Europe, at around €1,000 net per full month worked. These components consist primarily of travel allowances, but the surveys highlighted other components, such as a green driving bonus in Hungary, a TIR bonus and weekend allowance in Portugal, or termination benefits in Italy. These wage components that are not subject to contributions are only paid for months in which the driver has worked. Overall, they account for between 10% and 76% of a driver's total yearly income.

Taking all these aspects into account, the **total annual cost** of an international lorry driver ranges from €16,000 for a Bulgarian haulier to €56,000 for a Belgian haulier.

Payroll practices whereby a large proportion of each wage is not subject to contributions, which exist in over half the countries studied, raise a number of issues. At the individual level, a driver's wages following annual leave can be as low as a quarter of his usual pay. This forces some to work for a second employer during their annual leave. If they are off sick, made redundant or retire, the benefits they receive will be a percentage based on a quarter of their usual pay while working. At the collective level, this could affect the funding of come countries' benefits funds, as well as public safety on Europe's roads.

As regards **terms of pay**, the most common practice is to pay a rate per kilometre, of around 9 euro cents/km, on top of a fixed basic salary starting at €300/month in some countries. This

variable component can also take the form of a bonus per country crossed or per journey completed.

European RFT players are divided in terms of **their interpretations of Article 10 of Regulation (EC) No 561/2006**, which deals with paying drivers in proportion to the distance travelled or the volume of goods carried. While waiting for the issue to be settled, most companies that use a rate per kilometre convert this variable component into travel allowances on the payslip, which is a perfectly legal practice throughout Europe.

Another discrepancy in employment conditions is the fact that **overtime hours** are only **counted** in some Western European countries.

In terms of conditions within Europe surrounding **work time management**, working hours, driving time and rest periods are generally managed in compliance with European legislation in the vast majority of cases. The rule quoted by most of the drivers interviewed, simplified as “45 hours' driving per week on average”, is a target that is widely shared and adhered to. However, **“availability time”** is not clearly understood on the ground and drivers are not usually paid for it, as the EU legislation contains no rules that require this.

It is worth pointing out the **unusual situation in France**, as it has a major impact on productivity. In the first instance, it is compulsory to base drivers' wages on the hours read from the tachometer. The CNR surveys found that this practice was not observed anywhere else in Europe. Secondly, France has additional regulations, such as the principle of service time, on top of a body of EU legislation which operators in all countries already find too heavy and complicated. This means that “availability time”, which is strictly counted as work in France, has an impact on potential working hours and driving time capacity. This is one of the main reasons why annual driving time in France is the lowest in Europe.

The **yearly number of hours driven** by an international lorry driver ranges from 1,540 in France to 2,025 in Lithuania, with figures in the region of 1,980 hours being very common. These hours are perfectly in keeping with EU legislation.

The **hourly cost of international driving** therefore ranges from €8 per hour for a Bulgarian haulier to more than €33 per hour for his Belgian counterpart; in other words the difference between the highest and lowest costs is four-fold. Between these two extremes, an average hourly driving cost of €10 per hour for Eastern European hauliers is very common. This represents a three-fold difference with the middle-of-the-road figure in Western Europe.

The **annual mileage** covered by an international driver varies from 107,000km for French drivers to more than 140,000 for their Bulgarian counterparts, which again is perfectly within the law.

The **cost per kilometre** of an international driver therefore ranges from 11 to 48 euro cents per kilometre.

Needless to say, the findings of the study reveal a widely differing scene, in which there is great potential for harmonisation of employment conditions, while the competitiveness gap as it stands is not compatible with an internal market in which all of Europe's national RFT sectors can participate.

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Introduction

Le Comité National Routier (CNR), the French road freight transport economic committee, is an observatory on road freight sector economics. Over the last 15 years, CNR has been conducting comparative studies of the EU countries with the busiest international road freight sectors or the largest domestic markets. Through field studies conducted in 15 or so European countries, this initiative aims to observe the way in which EU road freight transport policy is implemented within the Union, identify any differences in fiscal, organisational or employment conditions and give political and economic decision-makers an opportunity to compare practices and competitiveness between different EU Member States.

After several years' experience, it has emerged from CNR's analyses that the principal competitiveness gap between the different European road freight transport (RFT) sectors lies in employment conditions. EU rules are interpreted, transposed, implemented and overseen differently by government bodies and the sector itself from one country to the next, and this has a direct influence on drivers' employment conditions and on the haulage companies' costs and competitiveness.

Apart from its studies on France, CNR's European studies do not provide official statistics, but they do serve to establish typical profiles that reflect the reality on the ground. They describe the most common practices, which on the whole are in keeping with the law.

By combining the information from its most recent studies of different European RFT sectors, from which the principal data were updated in early 2016, CNR aims to illustrate the differences that can exist between employment condition rules and management practices in Europe's sectors and to quantify their impact on competitiveness. The article presents the topic through a brief overview of the following areas:

- the main employment condition rules,
- social security contributions,
- terms of pay,
- working hours and driving hours,
- the unit cost of labour for an HGV driver.

More detailed explanations and calculations can be found in the country reports under the Publications/Europe section of CNR's website: www.cnr.fr

1. Main employment condition rules

EU legislation specifically concerning the road freight transport (RFT) sector provides a Europe-wide framework governing drivers' working hours, driving time and rest periods. However, it does not discuss employment conditions in depth, leaving it entirely up to individual countries to manage administrative procedures, tax arrangements, and employer-employee relations, including pay conditions.

Within the EU, there are as many special features in the various employment condition regulations as there are Member States. In terms of pay, not all countries have a single national minimum wage. In Italy, for example, minimum wage provisions fall under the individual sectors' collective agreements. Only in January 2015 did Germany introduce a minimum wage (€8.50 per hour), which by law will be updated every two years. In Italy, Spain and Portugal the minimum salary is paid in 14 equal payments per year. In Spain and Portugal, while minimum monthly salaries are below those of other Western European countries, they are often supplemented by compulsory top-up payments under the collective agreements. Minimum wages are widespread in most of Eastern Europe, but the rate is very low. The Czech Republic and Slovakia have a special condition whereby the minimum wage varies according to the level of "financial or social responsibility" attached to a post. Lorry drivers, who carry financial responsibility because of the equipment they handle and the goods they transport, receive an extra 20% on top of the basic minimum rate.

Where a minimum monthly salary is in place, it is often directly linked to set weekly or monthly working hours. The working week is usually 40 hours, in keeping with EU legislation. Of the countries CNR has surveyed, Belgium and France have a working week of less than 40 hours. In France's case, this directly affects drivers' working hours, as they cannot work the maximum weekly driving time laid down in the EU legislation (Directive 2002/15). In addition, all availability time is deducted in full from their working hours, a situation peculiar to France which will be discussed in more detail later in the study.

Main social rules in 2016 (general and specific to Road Freight Transport (RFT))

		Belgium	Bulgaria*	Czech Republic*	France	Germany	Hungary*	Italy	Lithuania
Minimum salary	Y/N	Y	Y	Y	Y	Y	Y	N	Y
Amount of minimum salaries	€/month	1 502 €	214 €	366 €	1 467 €	1 473 €	351 €	1642,37 € Min collective agreement RFT	350 €
Legal fulltime working hours	h/week	38	40	40	35	40	40	40**	40
Collective agreement RFT	Y/N	Y	N	Y	Y	1 / Land (16)	N	Y	N
Collective agreement compulsory	Y/N	Y	-	N	Y	N	-	Y	-

		Luxembourg	Poland*	Portugal	Romania*	Slovakia	Slovenia	Spain	
Minimum salary	Y/N	Y	Y	Y	Y	Y	Y	Y	
Amount of minimum salaries	€/month	1 923 €	434 €	618,33 € (monthly average)	280 €	405 €	791 €	764,26 € (monthly average)	
Legal fulltime working hours	h/week	40	40	40	40	40	40	40	
Collective agreement RFT	Y/N	Y	N	Y	N	N	N	1 / province (54)	
Collective agreement compulsory	Y/N	Y	-	Y	-	-	-	Y	

Y/N : Yes / No

Source : CNR European Studies

* according to the official rate of national currency as of 2nd january 2016

**Although the information concerns general legal weekly working time, it is important to note that in Italy the collective agreement reduces that to 39 hours for the drivers.

While collective agreements are in place in most Western European countries, the Czech Republic is the only country to have them among the new Member States. The agreements in place in Western Europe vary in their level of detail. In France, Belgium, Italy, Portugal and Luxembourg, they are updated regularly and cover the whole of the national sector in question. In Spain, each province has its own agreements, resulting in 54 agreements per sector counting Spanish overseas territories. Some of these are out of date as the negotiations ran out of time. The agreements are binding in all countries except Germany, which moreover has individual collective agreements in each state (16). None of the Eastern European countries have adopted collective agreements similar to those in force in Western Europe, although Hungarian employers would like to see them introduced with a view to formally setting out the special conditions in the RFT sector. The Czech Republic has adopted a collective agreement, but at present it is not binding and is not often adhered to in practice. In most Eastern countries, according to the local people we interviewed collective agreements are perceived as a concept from the old communist era that is now only applicable to state-owned companies such as the railways.

2. Social security contributions

CNR's international studies have revealed major differences in the area of social security contributions. These relate to the contribution rates, how they are split between employers and employees and the wage base used to calculate them. In addition to the official rates published by the relevant authorities, CNR has obtained accurate calculations of the social security contributions applicable specifically to lorry drivers, through its "long distance 40-tonne lorry" survey for France and by studying payslips during the field studies for the other countries.

Social security contributions for an international driver in 2016

	Belgium[1]	Bulgaria	Czech Republic	France[2]	Germany[3]	Hungary	Italy	Lithuania
Employers' compulsory contributions	61,67%	18,50%	34,10%	46,60%	25,43%	28,50%	35,90%	32,60%
Possible reductions	paid leave component to deduct			-15,93%	-2,70%*			
Exceptional circumstance					-0,475%**			
Employers' net contributions %	51,61%	18,50%	34,10%	30,67%	25,43%	28,50%	35,90%	32,60%
Employees' compulsory contributions	13,07%	12,90%	11,00%	22,0%	19,33%	18,50%	9,19%	9,00%
Exceptional circumstance					+0,475%**			
Monthly gross salary, inclusive of various bonuses, subject to social contributions	2 619 €	303 €	545 €	2 478 €	2 664 €	533 €	2 441 €	480 €
Monthly amount of employers' social contributions	1 352 €	56 €	186 €	760 €	677 €	152 €	876 €	156 €
	Luxembourg[4]	**Poland**	**Portugal**	**Romania**	**Slovakia**	**Slovenia**	**Spain**	
Employers' compulsory contributions	15,30%	20,48%	28,45%	22,84%	35,20%	16,10%	36,60%	
Possible reductions	-2,56%							
Exceptional circumstance								
Employers' net contributions %	12,74%	20,48%	28,45%	22,84%	35,20%	16,10%	36,60%	
Employees' compulsory contributions	12,45%	25,56%	11,00%	16,50%	13,40%	22,10%	6,35%	
Exceptional circumstance								
Monthly gross salary, inclusive of various bonuses, subject to social contributions	3 309 €	602 €	943 €	429 €	702 €	945 €	1 657 €	
Monthly amount of employers' social contributions	421 €	123 €	268 €	98 €	247 €	152 €	606 €	

1 : in Belgium, the rate of 61,67 % includes the 5 weeks paid leave contributions, which we deduct for the comparison. Rate concerns companies with less than 10 employees.

Source : CNR European Studies

2 : in France, the reduction corresponds to the allowances called "allègements Fillon".

3 : in Germany : * according to the Land, only for companies over 30 employees. See Germany Survey 2012 for more details.

** in Saxony, considering competition from the neighboring countries like Poland and Czech Republic, a cost transfer from companies to employees has been realized.

4 : in Luxembourg, the reduction corresponds to tax relief for overtime working hours according to our standard profile in Luxembourg Survey 2013.

The field studies have found that it is not common practice among haulage companies to increase or reduce any specific contributions, except sometimes for occupational accident insurance or international insurance.

Country-specific variations certainly exist, but they are applicable to all private sector employees. In France, for example, the reductions introduced by the "Fillon Act" have significantly reduced the level of employers' contributions, which have fallen from 46.6 % to 30.7 % for lorry drivers. In Germany, the state of Saxony has transferred a proportion of employers' contributions to employees (0.475 %). The Belgian social security system has a special arrangement whereby contributions are 8% higher in full months of work (approximately 11 per year). In return, the relevant social security fund pays employees' wages during their paid leave. The net rate shown for Belgium in the tables therefore includes a recalculation after deduction of the "paid leave" component. Despite this, the Belgian rate of 51.6% is Europe's highest. Luxembourg has a series of reductions and exemptions. For example, contributions are not payable on the enhanced portion of overtime pay (+40%), which reduces the nominal rate of contributions paid by employers. This system is very popular with Luxembourg's RFT sector, as drivers do a large amount of overtime. At 12.7%, the net contributions rate in Luxembourg is the lowest among the countries studied. In Portugal, meanwhile, certain compulsory bonuses imposed by the collective agreements are exempt from contributions.

In most countries, the contributions payable for occupational accident and illness cover vary either according to the risks inherent in the sector to which the company belongs or according to the hazards of the individual job. In Italy, this contribution is calculated on the basis of the company's wage bill. The rate shown above for Italy is based on the rates data gathered from interviews with the companies. The same applies to the Portuguese rate.

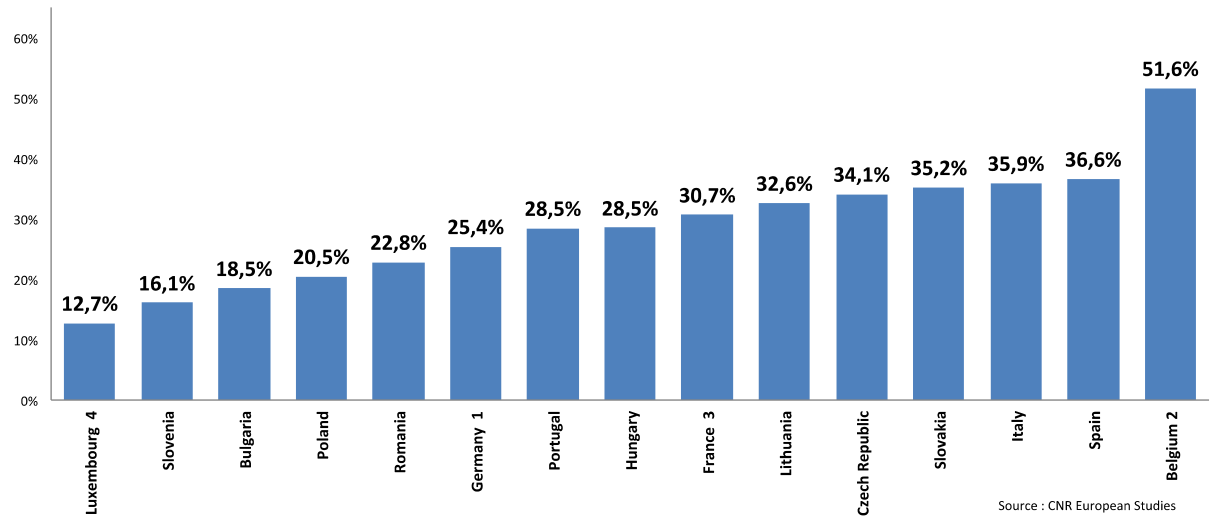
In France, there is the tax credit known as CICE ("competitiveness and jobs tax credit"); however, as this is not a reduction of social security contributions it is classed as a reduction in the overall cost of a driver.

The differences in contributions rates are just as wide in the new Member States as in Western Europe, and are often comparable. In some of the Eastern European countries studies, such as Slovakia, Lithuania and Czech Republic, the rates are in excess of 30%, which is higher than the rate found in some Western European countries. An east-west split prevails, nonetheless, in terms of the wage base the contributions are calculated on.

In Poland's case, both the employers' and employees' contributions shown in the table above include top-up health insurance and top-up pension contributions. Although these are not compulsory, they are widely paid in the RFT sector. At 25.56%, Poland's nominal employees' contributions rate is the highest among the survey panel. Slovenia has also opted to transfer some employers' contributions to employees to help make salaries more affordable for businesses, as they are the highest among all the new Member States. This has brought the rate of employers' contributions to 16.1 %. Slovakia, on the other hand, has the highest rate of employers' contributions among new Member States, at 35.2%, a level similar to that found in Italy and Spain. Similarly, in Lithuania and the Czech Republic, the social security system relies largely on businesses for its funding. Bulgaria has several categories of employee, for whom contributions rates vary. For "category 2" drivers, the rate of employers' contributions stand at 18.5%. For the latter countries, which set the rate for occupational accident cover according to the risks associated with the work, the rates displayed in the table relate specifically to lorry drivers who do international work. The way in which Hungary calculates social security contributions stands out for its simplicity, which is intended to indirectly reduce payroll management costs.

The following chart compares the rates we used to calculate the cost of a typical international lorry driver in the countries studied. There is a four-fold difference between the highest and lowest.

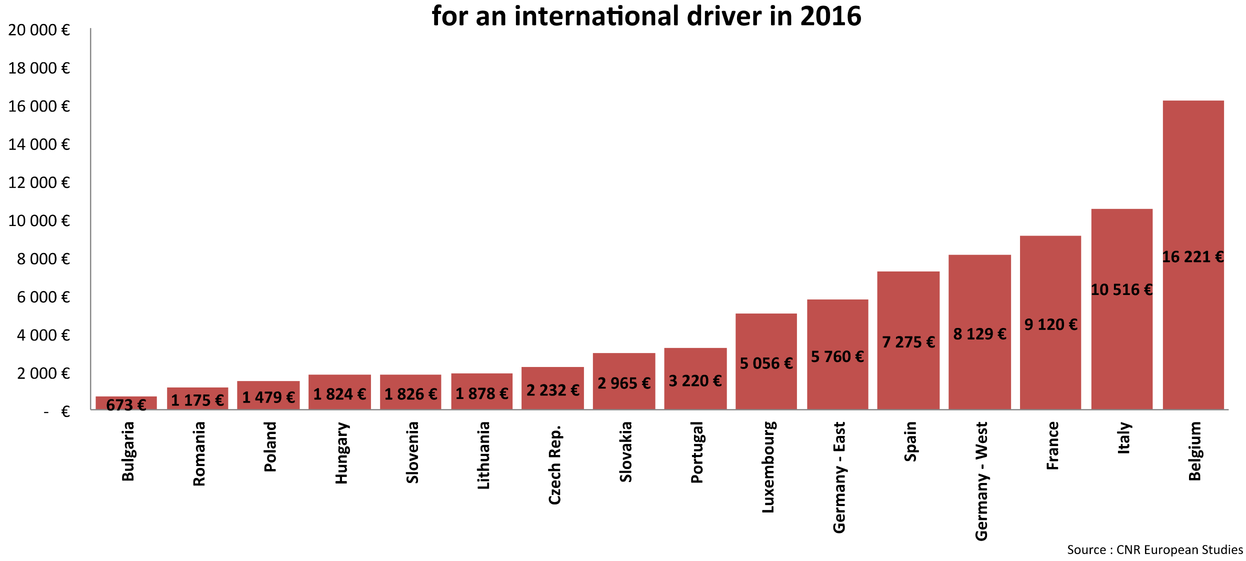
Employers' net social contribution rates after possible reductions, for an international driver in 2016



1 : in Germany : according to the Land, only for companies over 30 employees. See Germany Survey 2012 for more details.
2 : in Belgium, the rate of 61,67 % includes the 5 weeks paid leave contributions, which we deduct for the comparison. Rate concerns companies with less than 10 employees.
3 : in France, the reduction corresponds to the allowances called "allègements Fillon".
4 : in Luxembourg, the reduction corresponds to tax relief for overtime working hours according to our standard profile in Luxembourg Survey 2013.

The wage base to which these rates are applied varies even more, for reasons that will be discussed below. The result is a variation in annual employers' contributions ranging on a scale from 1 to 24, as shown in the chart below, considering the Belgian level of €16,221 per year compared with the Bulgarian level of €673 per year. A comparison of the more middle-of-the-road countries in both east and west, such as Spain at €7,275 per year and Hungary at €1,824 per year, shows them to differ by a factor of 4.

Yearly net cost of employers' social contribution for an international driver in 2016



Germany: in this chart and other charts below, due to the federal states' autonomy and the wide variations among the Länder (states), it has been necessary to show one typical Western state and one typical Eastern state.

3. Wages and overall cost of a driver

Through its studies in different European countries, CNR looks not only at local rules regarding wages, but also at how they are implemented in practice, via field surveys conducted face-to-face with haulage companies and the drivers themselves. For the companies, interviews are held with the management on their premises and centre around their explanations of real payslips. With the drivers, interviews take place outside the company in parking areas along the major international routes.

European lorry drivers' terms of pay and wage components are so diverse that annual totals must be produced in order to compare the different situations.

As a rule, drivers' wages consist of a basic salary, overtime pay, various optional bonuses the driver may be entitled to and certain compulsory supplements in countries where the RTF sector agreement requires them. Drivers' travel allowances also appear on their payslips, but in principle these are intended to cover their daily expenses while travelling, such as meals and accommodation. The major difference, of course, is that travel allowances are not subject to social security contributions or income tax. For the rest of this document, the wage components will be divided into two categories according to whether or not they are subject to contributions.

Wage components subject to social security contributions

Drivers' basic salaries are subject to social security contributions and income tax, without exception, in all the countries CNR has studied. Overtime, on the other hand, which goes by different names in different countries, is not always counted in the drivers' monthly pay. In countries such as France, Belgium and Luxembourg, overtime is clearly listed on the payslip and is paid according to an enhanced rate that is set nationally, often through the collective agreements. In Germany, the situation is mixed. Alongside similar systems to those observed in other Western European countries, there is also a major trend towards fixed salaries. Drivers negotiate a fixed salary with their employer, which covers a certain number of working hours, including overtime within the meaning of the European legislation. If a driver exceeds the number of hours stipulated in his contract, he will often be given time off in lieu in the following months, but his salary will hardly vary at all throughout the year. In most Southern European countries, by law, wages are calculated according to the traditional system of a basic salary plus overtime. However in practice, in Spain, Portugal, to a lesser extent Italy, and especially all the Eastern European countries, most of the payslips collected during the studies do not list any overtime, while the interviews with international drivers established that they all do a good deal of overtime. Several explanations are needed in order to describe the different practices.

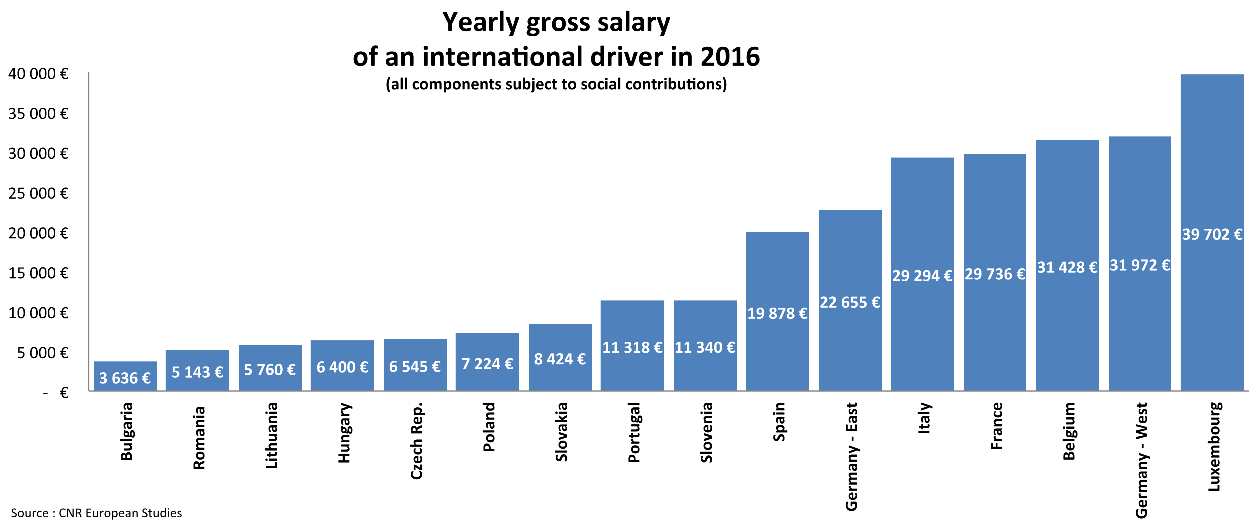
In practice, the basic gross monthly salary observed on drivers' payslips varies between €3,150 in Luxembourg and €300 in Bulgaria; i.e. by a factor of 10.5. If we disregard the highest and lowest values, basic monthly salaries in Western Europe are concentrated around the €2,000 gross mark, and in Eastern Europe around the €400 gross mark.

Taking into account officially declared and paid overtime and the various compulsory bonuses, Western European drivers' wages range from €2,660 in some German states to €1,650 in Spain, while those of Eastern European drivers are generally in the region of €600 gross per month. Two countries, Portugal in the west and Slovenia in the east, stand out as exceptions in their respective regions, both with salaries of around €950 gross per month.

This gross income, made up of basic salary, overtime and bonuses, therefore comprises the base on which social security contributions are calculated, at the rates explained in the previous chapter.

Another significant aspect of drivers' wages is that their basic salaries are not much higher than the minimum wage. In countries where there is a collective agreement, salaries are often very close to or on the minimum rates stipulated in the agreements. In other countries, drivers' salaries are usually only slightly higher than the national minimum wage in force.

The chart below shows a driver's total gross annual salary on which social security contributions are payable (basic or fixed salary + overtime if any + various bonuses) in each of the countries studied.



Travel allowances and other wage components not subject to social security contributions

By nature, the job of lorry driver, especially an international driver, entails the payment of travel allowances for days when drivers are on the move. In each country, these allowances are usually governed by official rates and ceilings, set by ministerial order or in the collective agreements. Officially, they are intended to cover travel expenses incurred by employees who travel for their work. They exist throughout Europe and are not subject to social security contributions or income tax in any country, provided they stay within the official limits.

CNR's field studies have found that in practice, travel allowances are often seen as a top-up of drivers' wages.

The daily allowances are usually set according to the country they are travelling through. In Eastern Europe, the rates set for travel to Western Europe are usually high, sometimes as much as €54 per day. A Czech driver, for example, will receive €45 per day when going through France or Germany, rising to €50 per day if travelling through Luxembourg or Scandinavia. Bulgaria imposes a minimum allowance of €27 per business day spent abroad in any EU country, with tax exemptions up to double that amount (€54 per day) permitted at the company's discretion. In practice, the allowances we observed are in the region of €42 per day for the typical profile surveyed.

Romania has a single rate of €35 per day for travel anywhere in the EU, but with the unusual feature that it is payable for any day the driver is on duty, even when not driving. It therefore covers weekends off spent out of the country, which are very frequent. Over a 7-day week spent abroad in which 5 days are worked, the rate is therefore equivalent to €49 per working day.

The French RFT sector has one of the highest daily rates in Europe, at €66 per 24hrs spent abroad. However, it is now very rare for French lorry drivers to do international work and the impact is therefore limited.

Germany stands out for its practice of relatively low allowance rates, especially for domestic work, at €24 per day. In the Eastern states, this rate for domestic work appears to have become the only rate many companies pay in practice as they seek to reduce their costs. Luxembourg's rate is even lower, at €23 per day spent abroad.

The total monthly or yearly amount of allowances paid is then proportionate to the volume of work the driver does, but that is not the end of the story. We will describe below the very widespread practice of declaring the maximum possible number of days as having been worked in "expensive" countries, which is often not the case, in order to maximise the wage component not subject to contributions.

The total monthly amount of travel allowances in Western Europe was found to vary between €400 per month in Luxembourg and Eastern Germany to almost €800 in France, Belgium and Portugal and €900 in Italy.

In Spain and Eastern European countries, this component is worth around €1,000 per month. Hungary is an exception in the east, with allowances at around €640 per month. However, on top of the allowances, drivers receive a "green driving" bonus, which brings them up to a figure similar to other countries in the region.

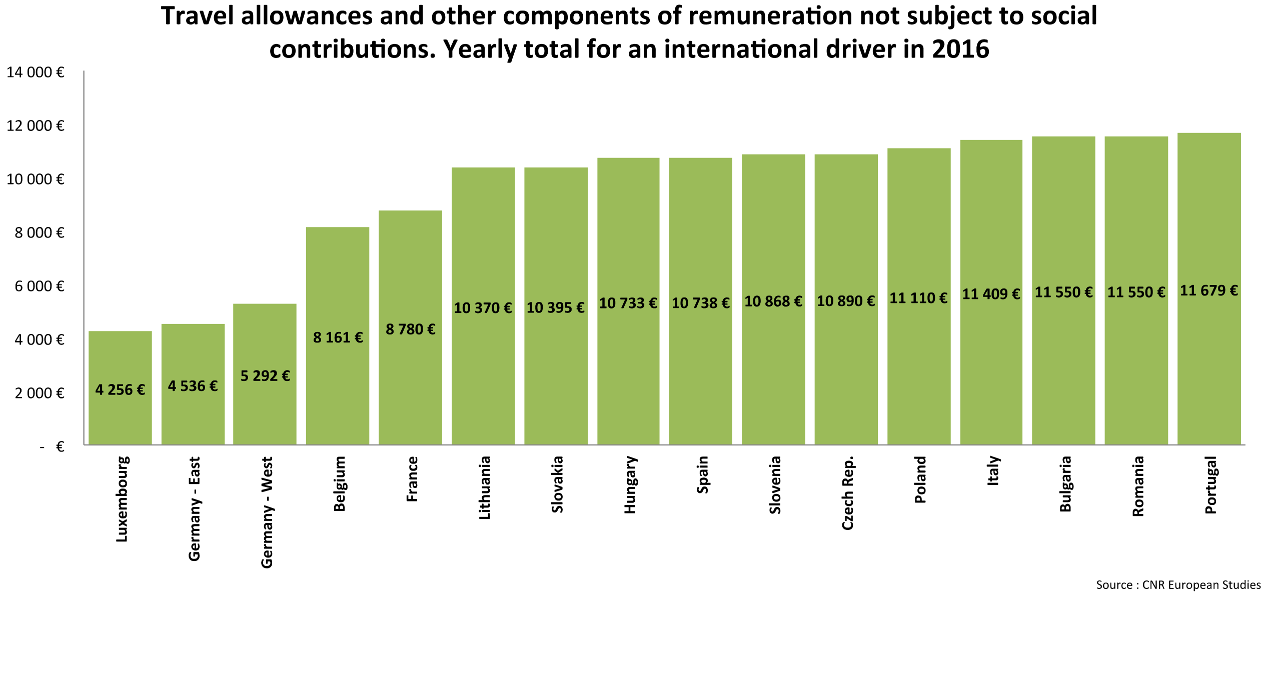
As with Hungary's "green driving" bonus, other wage components not subject to contributions or income tax are also counted in this category. Hungarian hauliers can pay up to HUF 100,000 per month (€320) to drivers who save fuel by comparison with an average consumption calculated by the Hungarian Government. According to the field survey, this is perfectly achievable. Most drivers seem to reap the full benefits of the system and economic players see it as a wage component. Being worth the equivalent of the national minimum wage, it could be considered a sizeable windfall element within the country, though in actual fact its effect is similar to the maximised travel allowances practice found in other Eastern countries. As elsewhere in Eastern Europe, the overall wage component exempt from contributions is almost €1,000 per actual month of worked.

In Portugal, some compulsory bonuses are exempt from social security contributions and income tax. The main ones are the "TIR bonus", paid to drivers who do international work regardless of the amount of time spent abroad, and the "weekend allowance", paid for weekends spent away from home. These are worth around €260 per month for Portuguese international drivers, making their total wage element not subject to contributions the highest in Europe, at approximately €1,060 per month. This is almost twice the minimum monthly salary under the collective agreement, although the latter is payable 14 times per year.

Italy has a compulsory "termination benefit". The company pays one twelfth of the basic annual salary (excluding overtime and bonuses) into a "guarantee fund". This costs around €140 per month for the typical driver profile found in the studies. A large percentage of the lump sum paid out on termination of the driver's contract is exempt from social security contributions. This component is analysed in relation to wages here, rather than in terms of contributions, as it is a guaranteed lump sum as opposed to an optional benefit as in the case of redundancy cover.

In Luxembourg, meanwhile, the enhanced portion of overtime pay (+40%) is exempt from contributions, but for the sake of simplicity we have included it in the salary section and applied a weighted contributions rate to the total figure (see "Social Security Contributions").

The figures shown in the following chart represent the yearly totals arrived at taking all these practices into account.

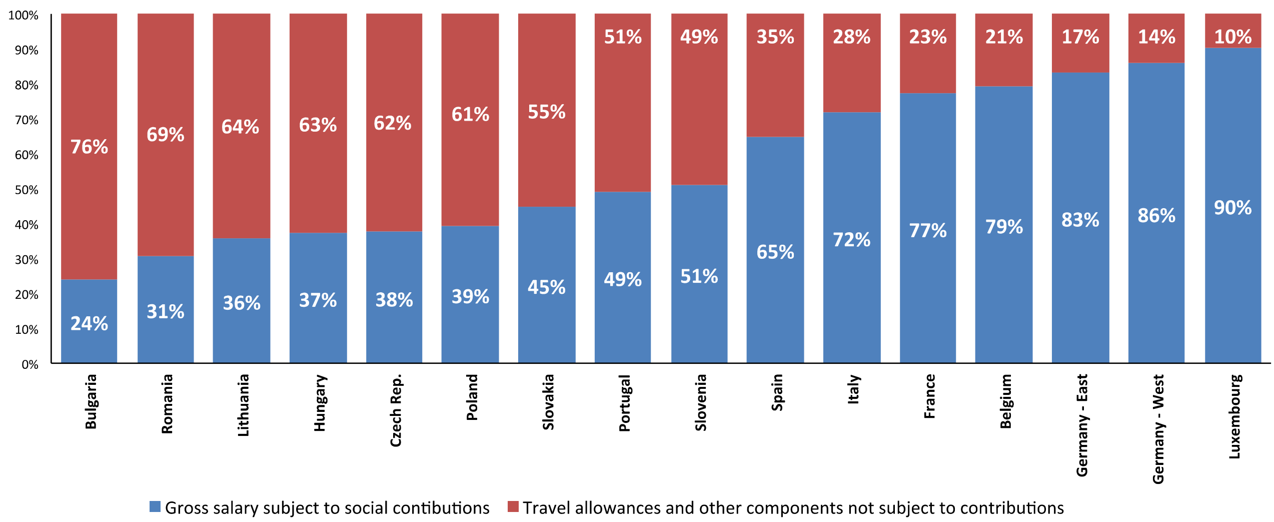


Overall composition of wages

At almost €11,000 per year in the majority of countries studied, these wage components exempt from social security contributions and income tax very often account for a large proportion of European international lorry drivers' wages.

In Portugal and Eastern Europe, they account for the majority of their pay, being as high as 76% in Bulgaria and 69% in Romania. At the opposite extreme, they only account for 10% of total wages in Luxembourg and 14% in Western Germany.

Structure of remuneration of an international driver in 2016 : components subject to social contributions / components not subject



Source : CNR European Studies

As seen above, travel allowances are the highest in countries with the lowest salaries. At first sight, this might be viewed as wage-matching device. However, where these travel allowances account for the majority of the overall wage and are higher in absolute terms than those paid in countries with high wages, the issue of social dumping could be raised.

Are the living expenses of a driver from one of Europe's poorest countries really €54 per day when travelling with his sleeper berth in Germany or Luxembourg, while his local counterparts make do with €24 or €23 per day?

Perhaps the intention is not to reimburse expenses actually incurred, but more to supplement the driver's wages, as judged by the European Union Court of Justice. In its Ruling of 12 February 2015, the court ruled that the daily allowance paid to travelling workers is not intended to reimburse expenses they actually incur while on a trip, but is a special allowance for working away and is part of the minimum wage. However, if it is part of their salary, why does it not contribute to the social welfare funds?

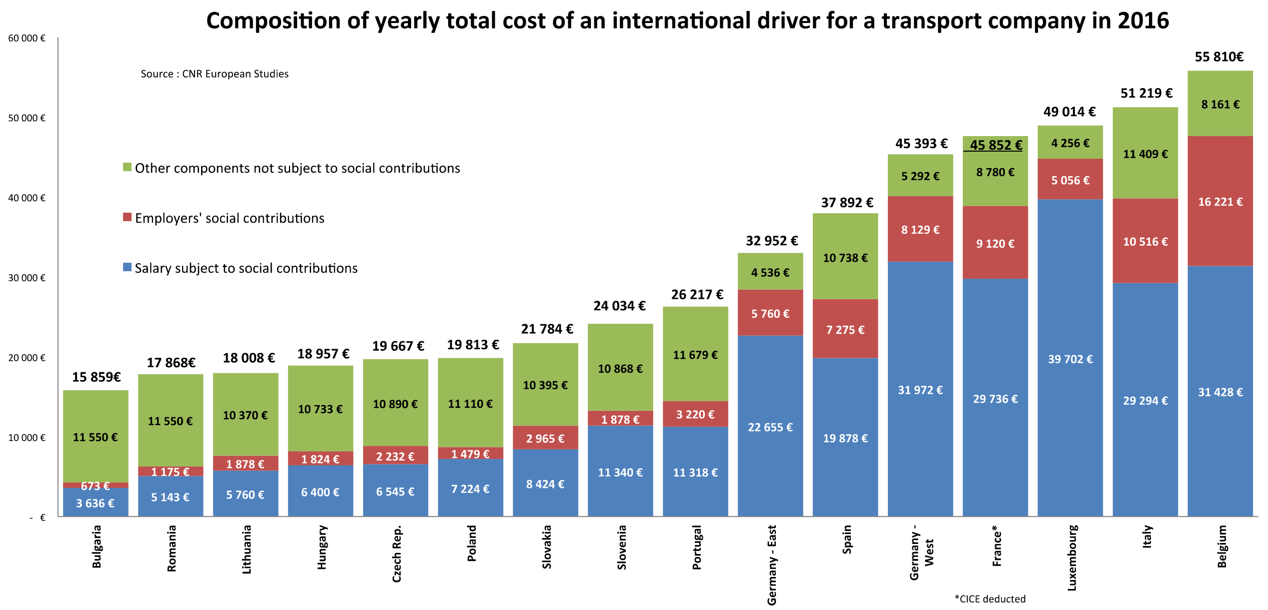
It is important to stress that, as things stand, this model is not sustainable. These top-up payments exempt from social security contributions and income tax are only paid during months of actual work. In countries where they account for a large proportion of drivers' wages, their incomes are considerably higher than other manual workers in their country, as long as they are on duty.

However, during their annual leave and especially when they are off sick, made redundant, or later retire, the benefits or pension they receive is calculated on a base close to the minimum wage. Their overall income can then be 10 times lower. While such a social and economic model may be adopted for prudential purposes (for example a choice by society to favour a minimal level of redundancy cover), it raises genuine long-term social issues when it comes to retirement.

Overall cost

From the company's point of view and in terms of competitiveness, what matters most is the overall cost.

The chart below shows the total cost of an international lorry driver, calculated by combining the three components: salary and bonuses subject to social security contributions; employers' contributions and lastly, travel allowances plus all other components not subject to contributions.



France has the CICE tax credit, which reduces the overall cost of a lorry driver[1].

In annualised figures, the total cost to a business of each of its international lorry drivers ranges from €55,810 per year in Belgium to €15,859 per year in Bulgaria. The more median trend is in the region of €45,000 per year in Western Europe and €20,000 per year in Eastern Europe. Portugal and some Eastern German states are closer to the Eastern averages.

In the last section, it will be important to compare these overall costs with productivity levels, but first, we will highlight the wide range of different ways in which drivers' wages are calculated in practice in national RFT sectors across Europe as illustrated by the CNR field studies.

[1] As CICE is not a contributions reduction, it is counted here as a reduction of the overall cost. The France column shows the three gross cost components and presents the total after CICE tax credit.

Wage calculation practices

In addition to the actual sums that are paid, it is important to look at how they are calculated.

In most Western European countries, the salary subject to contributions is based on the actual number of hours worked in a week or month. Travel allowances are then added on, generally reflecting the trips a driver has completed.

However, in the new Member States, in Portugal and in some cases Spain, the personal accounts gathered during our field studies, especially from drivers interviewed at truck stops, point to quite different procedures for calculating wages. Drivers receive a fixed basic monthly salary close to the minimum wage, as described above, in addition to which their wages are topped up by a variable component, calculated according to one of the following:

- a bonus per kilometre (around €0.09 per km),
- a bonus per trip (e.g. just under €500 for a return trip from Lisbon to Berlin),
- a set bonus per country crossed when the journey comprises several trips between third countries.

The most common method is that of the bonus per kilometre. This is used in over 80% of cases and especially in Eastern Europe, while the bonus per trip is more common in Portugal and Spain.

In practice, lorry drivers are therefore paid per unit of output, within the working hours and driving time limits set by the EU legislation. As a result, these terms of pay act as a financial incentive for drivers to do as many kilometres as possible in order to maximise their income.

These practices are the subject of debate in Europe, over the interpretation of Article 10 of Regulation (EC) No 561/2006, which stipulates that "A transport undertaking shall not give drivers it employs or who are put at its disposal any payment, even in the form of a bonus or wage supplement, related to distances travelled and/or the amount of goods carried if that payment is of such a kind as to endanger road safety and/or encourages infringement of this Regulation."

In countries that apply the regulation strictly, the interpretation stops at "shall not". No-one attempts to pay by the kilometre, as they know they will be immediately sanctioned by the authorities.

In other countries, most of the companies CNR has questioned on the subject during its studies have been uneasy about it and refused to describe their practices. However, some are more open and fight their corner. They point to the liberal nature of the market and consider themselves in line with Regulation 561/2006 because their practices "do not endanger road safety". They justify their position with statistics on their steady or decreasing accident rates and their memos to drivers forbidding them from exceeding the driving time stipulated in the regulation 561/2006, the main priority being to not exceed "45 hours per week on average", as per the common interpretation. In Spain, the bonus per kilometre is becoming institutionalised as it is being introduced in some collective agreements. These bonuses can act as a substitute for overtime or night driving payments.

For the purposes of their own accounting procedures and to protect themselves in case of inspection, especially when drivers are travelling to countries with different interpretations of

Regulation 561/2006, most haulage companies first work out the total sum payable for the productivity bonuses and then translate them into daily travel allowances for administrative purposes. For example, a driver who covers 11,500km in a given month, paid at the rate of €0.09 per km, would receive €1,035 as the variable proportion of his wages. This appears on his payslip as 23 days' international travel allowances at a rate of €45 per day, as permitted under that country's tax laws. This wage component also has the advantage of not being subject to social security contributions, even though it can sometimes make up three quarters of the total wage. This significantly reduces the company's costs.

As alluded to in the chapter above on "Overall composition of wages", such practices have long-term social and economic limitations. However, still on the subject of safety, it is important to stress that drivers are only paid the fixed portion of their wage during their paid leave periods, which will be around €600 gross in Poland for example, or €300 gross in Bulgaria. In some cases, this forces drivers to work for a second haulier during their paid leave.

4. Working hours and driving time

In order to work out European lorry drivers' productivity, it is essential to estimate the hours they work. However, this is the most difficult part to analyse.

On the face of it, working hours, driving time and rest periods are the most regulated and harmonised factors within the EU, due to a huge body of laws that has been implemented for many years, principally the notorious Regulation (EC) No 561/2006 (formerly 3820/85) and Directive 2002/15. The main point to stress here from these laws, which are extremely well known by road freight transport specialists, is that all HGVs must carry a recording device called a tachograph, on which drivers must select one of the following positions at all times: "driving", "other work", "availability time" or "break /rest". For the lay person who may not be familiar with "availability time", it can be summed up as follows: it is not work (which would be "driving" or "other work"), but the driver is not free to use his time as he wishes. There are many regulatory definitions and guidelines on availability time, but they are complicated. As explained in this section, this is a grey area on which interpretations differ widely and it rarely features now in the practices of most European lorry drivers.

Common rules but different interpretations and practices

CNR's field studies have revealed discrepancies and peculiarities in the interpretations used by the various countries' authorities or businesses and in what drivers do in the privacy of their own vehicles. We will not provide an exhaustive list here, but will mention those that have the greatest economic impact.

The most unusual national situation appears to be that of France, which is the only country to have introduced an additional legal concept. This is the notion of "service time", which covers driving time, other work and availability time. These form a whole which is governed by French rules on working hours and as such, all these hours must be paid, with any overtime paid at an enhanced rate. In additional to the extra cost, this has other repercussions in that the working hours ceiling is reached more quickly. The effect is such that whole nights spent on a ferry or days waiting at borders, which are supposed to be counted as availability time, are out of the question in practice for a French driver. The impact this has on productivity is considerable: drivers in most European countries drive 29% more than their French counterparts.

Belgium is the only other country along with France to count and pay drivers for availability time, though the rate is 99% of the sector's minimal hourly rate and the hours are not deducted from the working hours quota.

While other countries do stipulate in their regulations that drivers should be paid for availability time (for example at 20% of the usual hourly rate in Poland), according to CNR’s field surveys it is never included in the wage calculations. These regulations have no impact whatsoever on working hours or wages.

France is also the only European country to have the regulatory requirement that payslips should be strictly based on the hours read from the tachograph.

To continue the comparison with Belgium, the most common practice observed is that at the end of each weekly or monthly work period, drivers are responsible for reading the hours off their tachographs and recording them manually on a form, which they must then sign and send to their employer. The idea is that this allows them to correct any mistakes they may have made when adjusting the tachograph. This is therefore the only information the company is aware of when doing the payroll.

This "social" approach to Regulation 561/2006 underlines the diametrically opposed opinions that still prevail in Europe as to the regulation's aims, as some view its main purpose as being safety. As demonstrated above on the subject of payment by the kilometre, a large number of Member States opt for a purely safety-based interpretation. Policies concerning on-site inspections of hauliers in these countries generally tie in with this interpretation: adherence to driving time and rest periods is checked but there are no repercussions in terms of employment law.

On the subject of interpretation of the laws, it is worth mentioning the case of an omission which, for once, was settled almost universally in practice.

Directive 2002/15 stipulates that the average weekly driving time should be no more than 48 hours, which can increase to 60 hours provided that an average of 48 hours is maintained over a 4–6 month period. However, the directive does not state what should be taken into account when calculating the average over the reference period. This led to many questions being raised at the time the law was passed. As can be seen several years later, this has generally been interpreted on the basis of a whole calendar year and hence periods off work for paid leave, sickness, bank holidays, etc. are taken into account.

In Western Europe, the general practice is 42 weeks per year of actual work. In mathematical terms, therefore, all weeks of actual work can contain 59.4 working hours.

France is an exception, however, as the absolute maximum a long-distance lorry driver can work is 56 hours' "service time". As explained above, service time encompasses availability time as well as ordinary working hours. This is the main reason why French drivers' annual driving time falls behind that of other drivers, as illustrated in the charts below.

Both of the core EU laws, Regulation 561/2006 and Directive 2002/15, also give rise to ambiguities themselves, the most difficult of these again being the concept of availability time. It would take a long, highly technical discussion to explain these issues and there is already an extensive body of literature on the subject.

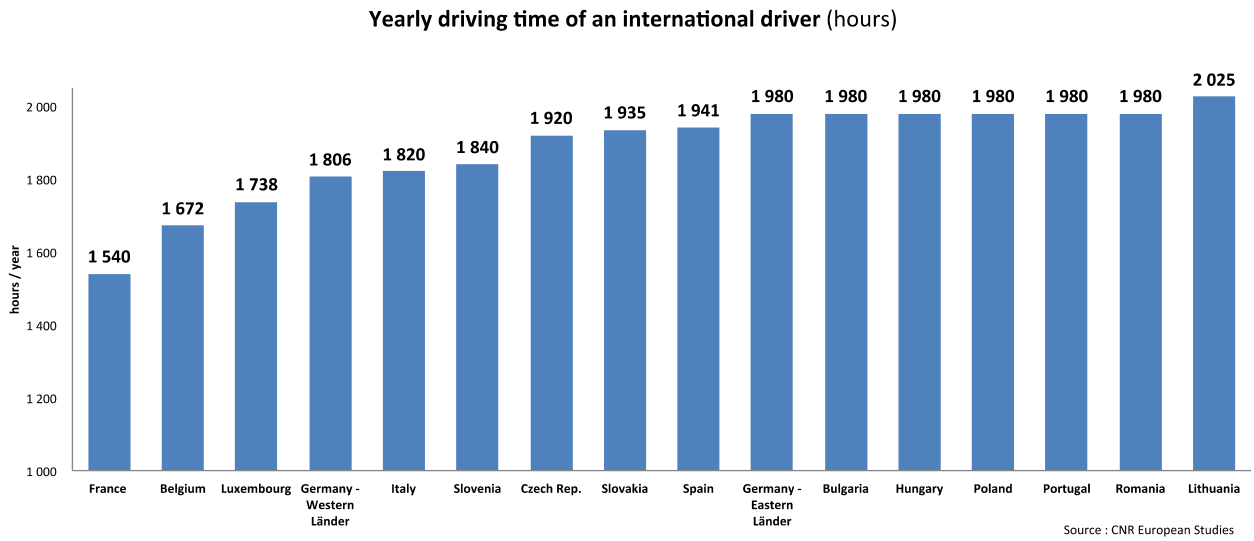
However, CNR’s field studies provide a means of assessing the repercussions of this legal complexity. The most significant repercussion is that not all European lorry drivers understand all the rules and often adopt simplified practices:

- perceptions of the rule on driving time are often very simplified. Drivers tend to quote the 45-hour "rule", which is actually 90 hours over a two-week period. This rule on driving time is generally adhered to, as it is the easiest to check since it is automatically recorded by the tachograph.
- drivers' knowledge about the definitions of the "other work", "availability time" and "rest/break" modes on the tachograph and the rules on using these settings is often incomplete.

- depending on the strictness of the on-site inspections of hauliers and the level of detail in the respective Member States' employment laws, the concept of working hours is equated to a greater or lesser extent with driving time. This means that in most cases, lorry drivers no longer use all the tachograph modes, but only "driving time" and "break/rest".
- some drivers, particularly in Western Europe, have got into the habit of using the "other work" setting, but only during loading and unloading operations. Others state that they make token use of the "other work" and "availability time" settings on a very limited basis, so that they can appear conscientious if inspected. For example, 48 hours' weekly work minus 45 hours' driving time leaves 3 hours for time spent on "other work". By devoting 3 hours to "other work", they can present the authorities with a disc that is "in order", without reducing their output, and in almost all countries without affecting their wages.
- use of the "availability time" mode is confined to ferry crossings or the equivalent. As explained above, this setting has almost no financial consequences except in France and Belgium and is therefore ignored by drivers in almost all other countries.
- drivers tend to prefer the "rest" setting to "availability time", as it legally allows them to break off from driving and set off again more quickly. Their main priority is to maximise their weekly or monthly driving time, at least where their pay is proportionate to the mileage covered.

It is these differing practices that account primarily for the driving time and mileage figures presented in the following charts.

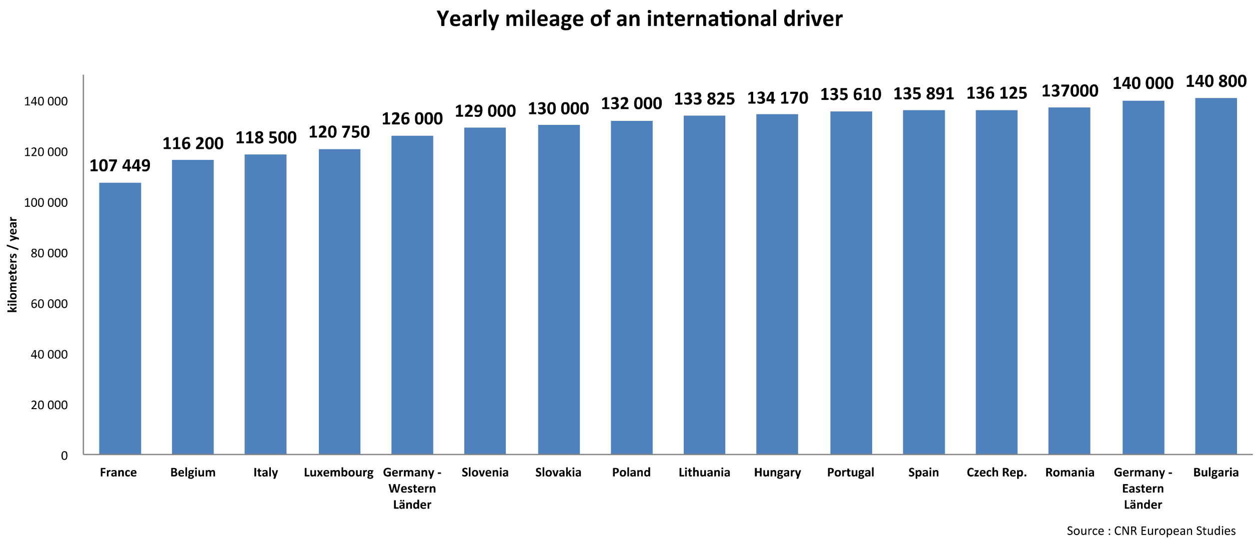
Findings on annual driving time and mileage



According to CNR's field studies, annual driving time is frequently in the region of 1,980 hours. This figure ties in with maximum use of the 45-hour average per week during the driver's actual work periods. For the most productive countries, the difference lies in the number of weeks actually worked per year. Driving time is significantly lower than this figure in France, Belgium and Luxembourg and to a lesser extent in Italy, Slovenia and Western German states. In these countries, driving is not the only activity that is classed as work and other tasks therefore replace some the driving time in the drivers' total permitted working hours.

The gap between the highest and lowest figures is considerable: for example, a Lithuanian driver drives 31% more than a French driver.

Annual mileage is another indicator of a driver's productivity. Since driving speed hardly varies from one country of registration to another on long distance international journeys, the mileage covered reflects the driver's workload and follows almost the same pattern as driving time. The chart below shows that the countries with the lowest driving time also have the lowest mileage figures, although the respective countries' preferred markets and the characteristics of their road networks can create some small differences.

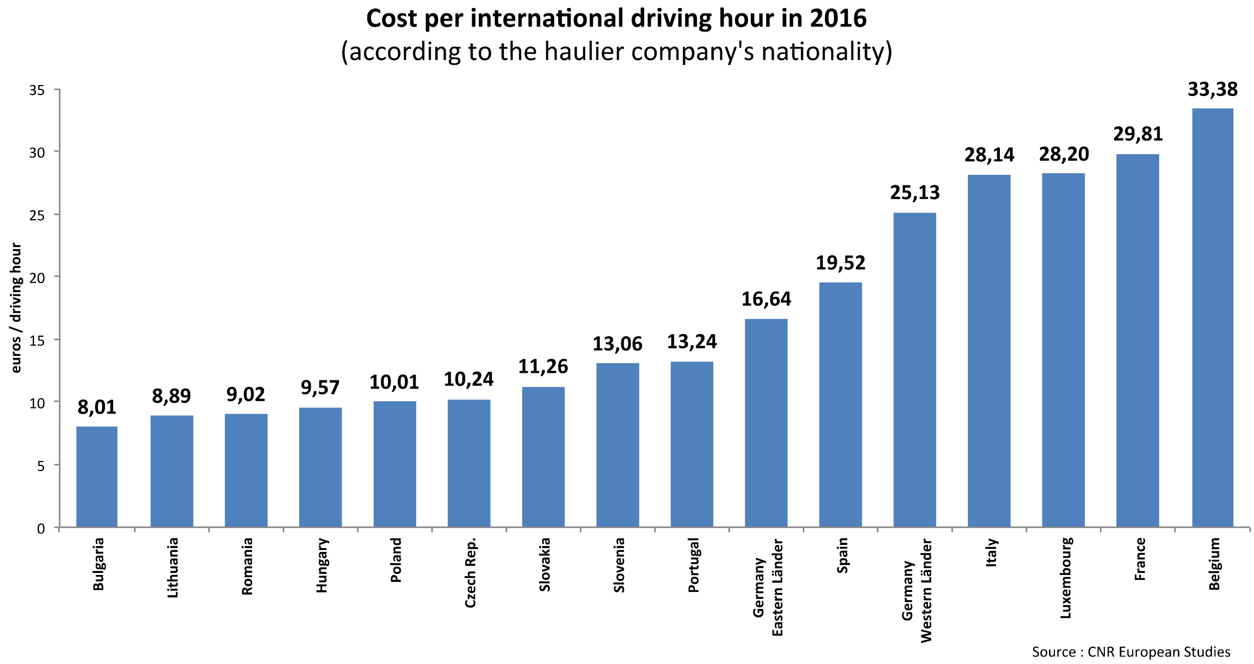


It is important to point out that these estimated figures are in keeping with the legislation overall. Openly fraudulent practices were not included, as they represent a very small minority.

5. Unit cost of labour for an HGV driver

The ratio of the total cost of a driver to his productivity over the same time period provides an effective measure of drivers' competitiveness by country. It is important to remember that this is usually the most significant factor of production for the RFT sector and the only genuinely differentiating factor according to CNR's comprehensive studies, which look at all factors.

The most difficult component to estimate in this ratio is the output volume. CNR has found annual driving time to be the most robust of all the data and therefore the soundest basis for Europe-wide comparisons. The cost by the kilometre is also displayed, as it is widely used as an economic criterion, particularly among hauliers.



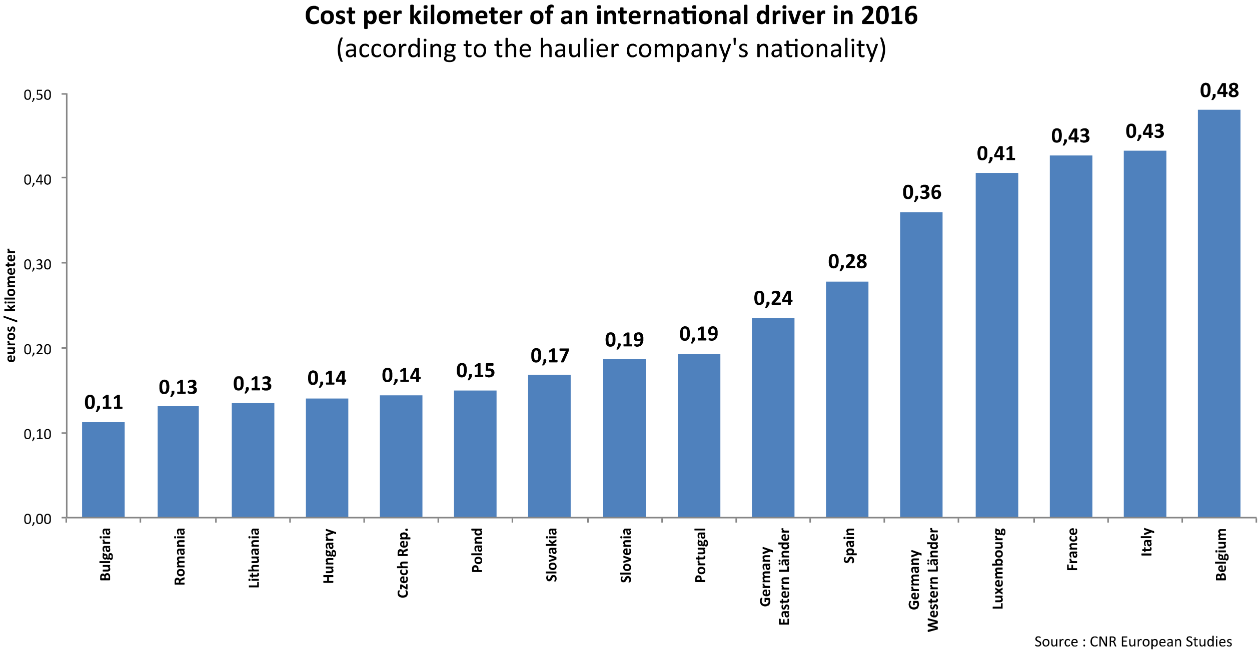
The hourly cost of international driving within Europe therefore ranges from €8 to €33 per hour, making a fourfold difference between the highest and lowest.

The least costly of the sample are Bulgarian drivers, followed by most Eastern European countries, at around €10 per hour. Slovenia and Portugal coincide at approximately €13 per hour. Spain and the Eastern German states fall in the middle of the sample with costs of €19.5 and €16.6 per hour respectively, while for Western German states the cost is in the region of €25 per hour.

This gap of over 50% within the same country illustrates the flexibility of Germany's economy. The least economically developed states probably need this cost differential in order to attract investment, provide jobs in regions where unemployment is still high and combat competition from their immediate neighbours to the east.

The highest costs are found in Western European countries, such as France at just under €30 per hour, the only higher country being Belgium at €33.4 per hour.

The mid-range figures in Eastern and Western Europe respectively differ by a factor of 3.



The calculations per kilometre barely change the rankings, but they widen the gap between highest and lowest to a factor of 4.4.

In some instances, the absolute cost per kilometre of an international lorry driver prompts some striking comparisons. Where a haulier allocates between 11 and 19 euro cents per km for a driver, he is paying more for the road infrastructure if the journey is on toll roads and more for diesel on all journeys.

Conclusion

The differences and gaps highlighted in this study are considerable and involve all aspects of international lorry drivers' employment and pay conditions: salaries, social security contributions, travel allowances, driving time and working hours. From the perspective of the drivers, who cross paths at the truck stops, these are more than mere figures. The Europe they perceive is not one of social solidarity, but one of competitiveness.

From the companies' perspective, these discrepancies concern the largest production cost for their road freight transport business (37% in France). The "cost of driving personnel" is therefore an objective factor that distorts competition in Europe.

In addition to wage gaps, which are naturally linked to the economic development gap between European countries, this study reveals other underlying differences, which may be summarised as follows:

- a lack of harmonisation regarding terms of pay (by the hour, by the kilometre, use of the tachograph, etc.);
- a lack of harmonisation regarding the composition of wages, in which the percentage of overall income exempt from social security contributions ranges from 10% to 76%;
- certain countries are exceptions to the European norm on a particular factor: Belgium on the rate of employers' social security contributions; France on driving time volume; Spain on the number and complexity of its collective agreements, etc.

Taken as a whole, the productivity gaps are enormous. The same hour's driving in the same lorry on the same road with the same goods can cost €8 per hour or €33 per hour depending on whether the driver is employed by a Bulgarian company or a Belgian company. This is not a negligible difference: it is a 4-fold gap.

Competitiveness gaps of this magnitude cannot exist in one marketplace. We can only confirm the theorem put forward by French economist Michel Albert, which essentially warns that any business based in a country with high living standards which employs primarily low-skilled labour is bound to either go bankrupt or move its operations elsewhere. For a significant number of EU Member States, the current situation in the international road freight transport single market is therefore untenable.

Business statistics on the European international RFT sector are a harsh reminder of this fact: countries like Italy, Belgium and France (which was Europe's leading RFT player 15 years ago) have been squeezed out of the market in the space of ten years. Again according to the statistics, the market has become hyper-concentrated around several countries: Poland alone has a 25% share of the EU market, while the 4 leading countries have captured 50% of business in the 28 Member States put together.

The fact that international competition laws have been put into practice so markedly and so rapidly within a liberalised RFT market is, of course, related to the inherent mobility of its "labour" factor of production.

As things stand in terms of competition relations, if the European cabotage market is opened up in the coming years, we should make no mistake that the same causes will lead to the same effects.

The goals set out in the EU's founding treaties of social “harmonisation while improvement is being maintained” and a level playing field in terms of competition conditions in Europe are still a major work in progress, at least in Europe's road freight transport sector.

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