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COMMENT: A case for purpose, not vision

One of the last great mysteries of the commercial world is why companies confuse their vision statements with their primary purpose. It remains an uncomfortable truth for many company boardrooms, but there is only one primary purpose that a company can have – maximising ROI. An enterprise serves to make the best return it can on its shareholders’ investments. It is not creating better jobs, nor providing government revenues, nor serving the community – these are but subsidiary aims and a luxury only achieved once profit can be generated. For without significant profits a company cannot be sustained, cannot exist.

To some this will seem a self-evident statement, but for the vast majority of companies it appears practically hidden from all those who run them. Companies spend an inordinate amount of money and energy on improving productivity, expanding operations, worrying about corporate social responsibility

and adjusting such things as their company car policies, but far too little on minimising two of the costs that can raise profits exponentially.

The first of these costs is people. Employment is generally not a necessity so much as a habit and a self-generating phenomenon. Since most employees are far from competent, rational or trustworthy, vast management structures and systems have to be superimposed on organisations to control them. People also need ambient and lit environments to work in, more pay for overtime and unsocial hours, take paid holidays and may even decide to go on strike. In such a world, IT becomes the slave of organisational size and complexity rather than the driving force for removing human players from the process. Even before the digital revolution it was possible to cut staff levels significantly in service functions, while watching for drops in service levels. If handled well, the cuts would often reach over 20% before any visible drop in delivery took

place (especially in the public sector), absence levels climbed and customer complaints increased. Now the scope exists for cutting staff even more, often by over 40% if management had the courage to revolutionise their service delivery. This transformation has already improved manufacturing, but labour intensity persists elsewhere.

The biggest gains are also in the corporate tax arena. Many large companies have, in the past, set up offshore structures to try to escape corporation tax altogether, but now “time” has been well and truly called on this game. The OECD has been spearheading a transparency drive and the old tax havens are having to close up shop and fall into line. Today the opportunity is to exploit low-tax regimes and minimise the corporate presence in high-cost regimes. Curiously, the biggest corporation taxes are also in many of the biggest and/or richest economies, with the USA (40%), India (34.6%), Brazil (34%), France (33.3%) and Japan (29.97%) all coming in above the global average (24%). Yet there are numerous tax-lean countries and territories that are not zero-tax regimes and therefore come under the radar of the OECD. These include Bulgaria (10%), Cyprus (12.5%), Macau (12%), the Irish Republic (10%) and Hungary (9%).

We are not speaking here of personal values. In fact, if it was a case of personal values then I, the writer, would certainly be for maximising job preservation and taking a conservative tax stance. However, ours is an economic system that does not allow for such precepts and in a capitalist economy, capital has to be King.

If a major company’s top executives in a country such as the USA or France threw out

half their profits as cash through an open window, it would amaze and, no doubt, amuse the whole world (other than their loyal shareholders), but that is what the majority of companies are effectively doing at this moment, and will continue to do until they accept that automation finally exists to sort out both their production and service problems in a far more economic way. They must also face the fact that governments will continue to expropriate the wealth that has been so hard won and give them very little in return, except for more laws and more taxes to contend with.

GLOBAL: People-free workplace: a reality

Unemployment in many advanced and developing economies is increasingly becoming a problem, particularly for young workers. Last year global unemployment reached 200 million, this year the ILO forecasts it will rise by 1.1 million, but FedEE predicts it will rise by 15–20 million.

In Iran, overall unemployment grew over the year to Q2 2016 from 10.9% to 12.7%, but for those aged 20–24 unemployment was much worse – 26.6% for men and 50.6% for women. In Brazil, overall unemployment was 11.9% in the third quarter of 2016, up by a third from the same period last year. This is a far cry from three years ago when it was just 4.5%. In Europe, Spain continues to experience a high rate of joblessness, especially for the long-term unemployed and young workers, although in Q3 2016 its overall rate had fallen to 18.9% – well below the 27% reached in 2013.

The main driving force for job losses is automation, although in some economies, such as Brazil and Greece, it is also due to widespread corruption. A comprehensive study by Carl Benedikt Frey and Michael

Osborne back in 2013 found that 47% of American workers were at high risk due to automation. Similar studies elsewhere have put the proportion at 35%–49%. This will mean that worldwide unemployment is likely to grow over the next 10–15 years to 1.4 billion – 7 times its present level.

There will also be a fundamental disconnection between economic and job growth. In fact, in the future, the most successful economies will probably experience the highest level of job loss. Poorer and sluggish economies will remain labour intensive for longer, but only if labour costs fall. There will be a time when automation is cheaper and easier to install than maintaining even low-cost workers and work will no longer be something that most people do. Labour displacement at such a huge scale will also mean a swing in government revenue sources from income to corporation and wealth taxation. Such changes will have huge implications for HR, particularly in multinational companies.

GLOBAL: Fraud – internal disclosures

What used to be a moral act is gradually turning into a bounty hunt as whistleblowers are discovering that not only can they claim legal protection for their actions, but also be substantially rewarded by regulatory bodies. The growth of fraud has made it the most common criminal activity in many advanced economies. Moreover, in the USA the False Claims Act (FCA) has a facility for whistleblowers to file qui tam lawsuits that lets them take the place of public prosecutors, while guaranteeing their anonymity. If the fraud is against the government and the court awards the government monetary compensation, then the whistleblower stands to take a cut of the proceeds. The SEC also

has a reward programme, with one payout of US\$17m last year. In the UK, the Competition and Markets Authority offers substantial funds for individuals who report illegal activity that leads to prosecution or fines.

Few companies, however, seek to internalise fraud reporting by having their own reward schemes. This is partly because it runs against a culture of employee commitment, partly out of fear that it will encourage false reporting and also – as Sherron Watkins, who blew the whistle on Enron has found – because ‘whistleblower’ is perceived as synonymous with ‘troublemaker’. So, although most large companies have whistleblower policies, they still lack any formal financial incentives to minimise the potentially very costly risk of public exposure.

USA: Final demise of union movement

The latest victim of the US presidential election has been the trade union movement. Faced with a much greater uphill task to convince politicians about issues such as the \$15 an hour minimum wage, and also falling union support across the country, the two-million strong Service Employees International Union (SEIU) has announced that it will be cutting its internal budgets by 30% next year.

On the face of it, the new administration’s \$1 trillion infrastructure investment plan would be likely to raise demands for labour and improve labour rates. However, there are already 200,00 unfilled vacancies in the construction sector and the crack down on undocumented immigrants will reduce the pool of labour even more. Unions need members to give them leverage, and state ‘right to work’ laws have already severely

reduced their numbers and curbed their powers.

Only about 12% of US workers are union members, down from 20% in 1983, and in the private sector the proportion stands at just 7%. Workers clearly remain afraid to organise collectively because they do not want to upset their employers and lose their jobs. Globalisation has been partly responsible for this, but even the new administration's vow to re-shore jobs is unlikely to reverse the loss of faith in unions as they are now probably weakened in the USA beyond the point of recovery.

USA: Goodbye America

The threat made by the US President-elect to impose a 35% tariff on the products of US companies that are manufactured offshore will almost certainly backfire.

Not only does America impose one of the highest corporation taxes in the world (see Comment), but the higher labour costs at home would temporarily reduce the competitiveness of US brands in the home market. Companies would thus expose themselves to competitor brands from countries such as China, who would simply dump products on the US market to win market share whilst they enjoyed a price advantage.

The few US companies that survived this onslaught would have had to automate heavily to compete. In doing so, they would have shed most of their US labour force, therefore it would not just be a case of getting back to 'square one', but be virtually 'square zero' for the US economy. So much for Trumpanomics.

Pay, Tax and Benefit Trends

BELARUS: In November 2016, average gross monthly wages and salaries in the Republic of Belarus stood at BYN743.6 (US\$383). Over the period from Q2 to Q3 2016, average pay rose by 3.1%. However, at just 2.4% the rise was lowest for the highest paid group of all (IT workers), who enjoyed average monthly salaries of BYN3441 (US\$1769). The biggest increase over the last quarter was received by air transport workers whose monthly pay grew by 13.5% to BYN2125 (US\$1093).

FINLAND: The prospect of up to 50% of jobs in advanced economies being replaced by automation over the next two decades is encouraging many progressive governments to look for alternative ways to distribute wealth. From 1st January in Finland, a pilot programme for a universal basic income is taking place. This will initially involve 2,000 unemployed people who will each receive €560 (US\$585) a month, tax free, for a period of up to two years. If the recipient finds a part-time job, they will not have their basic income element reduced or taxed.

GERMANY: The statutory hourly minimum wage in Germany has risen from €8.50 to €8.84 (US\$9.09 to \$9.45) gross per hour. This is the first rise since Mindestlohngesetz – MiLoG (the minimum wage law) came into force during 2015. The wage now applies to all German workers because the interim arrangements allowing for lower remuneration levels in respect to certain groups ended on 31st December.

GLOBAL: Income inequality is well known to be a growing problem, but can we believe all the figures? The leading charity Oxfam has just published a report stating that the world's

eight richest men own half of all global wealth. But look a little closer and the claim is not that they own half the wealth, but more than half of what the poorest 3.6 million own. That is not the same. Look even closer at the report and it turns out that it is not eight - but 62 people (according to 2015 figures) who own such wealth. Look even closer and the real divide is between the wealthiest 1% of the world's population – who earn 50.8% of world's wealth – and the rest. That is not 8 people, but 72 million people! To cap it all, the nature of wealth is also changing, as it is not principally defined by property or cash in the bank, but by the ownership of assets. The value of those assets is only theoretical because if an attempt was made to cash them all in their value would plummet.

HUNGARY: Average gross monthly earnings in October 2016 were HUF262,200 (US\$911), 5.4% higher than October 2015. The biggest areas of impact on overall earnings growth were the 5.7% rise in the minimum wage, salary increases in the armed forces and additional public sector allowances. Moreover, net after-tax earnings grew by 7.0% over the year, largely due to reductions in personal income tax rates.

UNITED KINGDOM: Companies operating salary sacrifice schemes in the UK need to review them during the next three months because of revised HMRC rules. Only a few benefits will remain free from income tax and national insurance (social security) after 5th April 2017. These are childcare facilities, company-provided cycles under travel-to-work schemes, company cars with very low emissions and assistance with corporate pension enhancements. Employers should also note that by November 2018 the state retirement age for men and women will be

equalised to 65. In 2020 it will rise to age 66.

Other Global HR News in Brief

CHINA: The Guangdong province of China has issued a new regulation concerning the 'protection of female staff and workers'. This states that employers must arrange proper breaks during working hours for any of its female workers who have to stand while undertaking any workplace operations for more than four consecutive hours during their time of menstruation. The regulation comes into force on 1st February 2017.

EUROPEAN UNION: Final agreement has been reached on the EU Prospectus Regulation by all EU institutions and now awaits to be 'rubber stamped' by the European Parliament. This means that from 2019 if any company in the EEA or Switzerland wishes to offer share-based incentive programmes to employees in the region, then they will not be required to issue a formal prospectus approved by a regulator; a simple brochure will suffice.

FRANCE: Organisations with 50+ employees are now subject to a new law that obliges them to negotiate with workers, or their representatives, about being contacted out of normal working hours by phone, email, SMS or other messaging systems. If negotiations are not successful, companies must publish a charter setting out their policies concerning such communications. There is, however, no penalty for non-compliance with the new law.

GERMANY: A change in the German social security code has just come into effect. This requires employers to seek the views of the Severely Disabled Employees Council before terminating the employment contract of a severely disabled employee.

GERMANY: A new online portal has been established for employers outside Germany who wish to send employees to work in the country. To date, notifications to the customs authority that enable them to ensure compliance with the Minimum Wage Act, the Posted Workers Act and the Temporary Employment Act have been via fax. A six-month transitional period, until 30th June 2017, is provided for employers to move across to the new online system.

GLOBAL: Employee timekeeping and absenteeism, because of natural hazards and disasters, could worsen this year following one of the worst years in recent history during 2016. Natural disasters cost the insurance industry US\$175 last year, 34% of which was due to flooding. Average losses have also increased by 21% globally in the last decade. Difficulties getting to work will only encourage the trend towards more remote working.

INDIA: The Indian immigration service has further eased the process of travelling into the country from Bangladesh by removing the need to obtain an appointment to then obtain an e-token. The whole thing can now be achieved by visiting an Indian visa application centre in Bangladesh at a person's own convenience, provided a confirmed travel ticket has been obtained through a recognised travel agent. The tokens must be used within a month for outward travel.

INDONESIA: It is an universal irony that although many economies around the world rely heavily on foreign workers to keep them viable, native populations constantly pressure their governments to minimise their presence. In Indonesia, 21,300 Chinese immigrant workers undertake many core

activities that locals cannot, or do not want to, perform. However, public disquiet is now leading to several measures that will make it increasingly difficult to maintain their services. The first of these is a harsher crackdown on those that overstay their visas. This includes more regular inspections of workplaces that employ foreign workers – many in response to reports of ‘suspicious activities involving foreigners’. Longer term, the government plans to force employers to train locals to take over many of the posts held by foreigners. It is also likely that a strict quota on work visas will be introduced, penalties increased for infringing visa rules and visa-free travel for tourists from many countries curtailed.

ITALY: The Department of Labour and Social Security has formalised its constraints on the placement of workers from all foreign countries by setting up an online portal. Employers appointing workers on assignment into Italy (including from EEA member states) must now notify the authorities by midnight on the day before the assignment is due to begin. They must also report any subsequent modifications to details within five days of the change and keep documentation for two years after the end of the foreign assignment. In addition to reporting new secondments, employers must do so for any existing employees seconded since 22nd July 2016. The data must include the Work Permit Authorization number, if applicable, and all submissions will be shared with the Labour Inspectorate, National Social Security Agency and National Workers Compensation Authority.

MALTA: Although there has been a lot of trade union pressure in Malta to reintroduce the right to take public holidays on a normal

working day when they fall at the weekend, in 2017 there are only two public holidays that are lost to most employees in this way: new year’s day and the only day to fall at a weekend - the Feast of St Joseph on Sunday 19th March. There are actually seven of the 14 designated public holidays that fall on a Friday or a Monday, giving the chance for a long weekend.

PANAMA: Visas issued in Europe (except the UK) are now no longer accepted for travelling to Panama. However, all nationals who are able to obtain a visa for Central America will also be allowed to cross the border for short visits. Executive Decree 591 says nothing about those who have already been issued with entry visas and therefore contact should be made with the local Panama Embassy before travelling to the country.

RUSSIAN FEDERATION: The Russian Cabinet has reduced the number of work permits in the annual quota for 2017 by 17.3% compared to 2016. Although substantial, it is below the 36% cut in the quota introduced between 2015 and 2016. The quota for managerial positions has also been severely cut and represents a total fall of 94% since 2011.

SERBIA: A ministerial working group has been looking into how it will be possible to attract more investment into Serbia. One of the principal strategies will be to relax entry visas for selected countries, by entering into mutual agreements with the countries concerned. The first countries to be targeted for the abolition of visas are Azerbaijan, Armenia and Georgia.

UAE: The 375 major foreign companies that employ over 1,000 workers in UAE are now

required to hire only UAE nationals when filling data entry positions. Moreover, all construction companies or consortia with a workforce of 500 or more employees must appoint at least one Emirati occupational health and safety officer. The Minister of Human Resources and Emiratisation, Saqr Ghobash, has been reported to say that any violations of these rules shall lead to the denial of additional work permits.

UNITED KINGDOM: From 3rd April 2017, level two employees seconded to the UK via an intra-company transfer will be required to pay the immigration health surcharge. This is set at £200 (US\$247) per year. The same charge will also apply to any dependents that accompany them for the period of their transfer. Up until now such immigrants were excluded from this charge. In a further move, the Home Office has introduced a streamlined process to handle applications for registration or permanent status certificates in respect to EEA and Swiss citizens. Instead of submitting passports and other documentation by post, applicants will be able to visit their local authority where

their passport will be copied, verified and returned to them.

USA: The attempts by state legislators to outlaw union management deals that allow union fees to be checked off directly from payrolls before salaries are paid are being frustrated by advocates of the Taft–Hartley Act (LMRA) that cite *SeaPak vs Indus, Tech & Prof'l Emp, Div of Nat'l Mar Union*, and *AFL-CIO* as relevant case law. In a recent hearing before the federal district court in Wisconsin, it was found that the right of an employee to cancel their union check-off authorisation by giving 30 days' written notice under the state right-to-work law was preempted by Section 302(c)(4) of the LMRA. This expressly permits dues check-off authorisations so long as the deductions are not 'irrevocable [by any employee concerned] for a period of more than one year'. Precedence of the LMRA was judged to be supported by the *SeaPak* Supreme Court decision.

Dates for your diary:

January 28th 2017: **Chinese** New Year

February 9th 2017: **Switzerland** must decide on work permit quota

March 15th 2017: **Dutch** general elections

April 6th 2017: Introduction of apprenticeship levy for large **UK** employers.

April 16th Catholic and Orthodox Easter

April 23rd and May 7th 2017: **French** Presidential Election.

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

June 24-25th 2017: **Muslim** Eid al Fitr

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

Travel Warnings

ARGENTINA: Heavy rains over several weeks have led to extensive flooding , especially around Buenos Aires. Arroyo Seco, Pueblo Esther and Villa Constitucion are the hardest hit towns.

BRAZIL: A state of emergency has been declared in the eastern part of the Minas Gerais state due to the high incidence of yellow fever. Those travelling to Brazil should ensure that they have vaccinations to prevent the disease.

CANADA: Avalanche warnings exist for all those traveling by car or rail through the Rockies over the next week. The risk is greatest in the Sea to Sky corridor through Whistler. Highway 99 in both directions 50 kilometers north of Pemberton in the Duffy Lake Area is subject to closure.

CHINA: Guangdong's Health and Family Planning Commission has warned of risks from avian influenza A(H7N9), with deaths recorded so far this year in Foshan, Guangzhou, Hong Kong, Zhongshan, Zhaoqing, Meizhou, Dongguan, Qingyuan and Shunde. Consumption of chicken in these areas should be avoided.

GAMBIA: A state of emergency has been called by Gambia's outgoing president Yahya Jammeh in a bid to frustrate the inauguration of the incoming president. Nigeria has stationed a warship off the coast and the Economic Community of West African States has assembled a military force in Senegal in case a negotiated solution cannot be achieved.

GABON: Riots and serious disturbances continue following last year's presidential election. They can flare up quickly at any time and frequent police checks and road blocks are in operation.

ISRAEL: The arrest of an ultra orthodox woman and four others by military police for desertion has led to extensive rioting in Jerusalem and Beit Shemesh. Travel to the area should be avoided for the next week.

ITALY: A series of medium-strong earthquakes have taken place in central Italy and led to evacuation of the Rome metro. The most badly affected area is 60kms north of Rome.

NEW ZEALAND: Heavy winds and intense rainfall are making difficult travel conditions in central parts of the country. Gusts of up to 160km/h are likely in exposed places, especially around Canterbury and Wellington.

PAKISTAN: An avalanche warning exists above 2000 metres in Kupwara and Baramulla districts of Jammu and Kashmir. Risks also exist to those traveling by road at lower altitudes.

SWEDEN: The third city of Sweden Malmö has been hit by an increasingly violent crime wave over the last two years. Grenade attacks have risen from 8 in 2014 to 52 last year. Many of the attacks are associated with organized crime and there is a danger that the violence will spread to other cities.

UGANDA: There is a significant risk of avian influenza (bird flu) in Lutembe Bay near Entebbe and the Masaka District. Trips to the north eastern area of Uganda should be avoided.

USA: Most parts of California will be hit by a succession of severe storms during the next few days. This will bring flash floods and the danger of landslides in mountain areas.

USA: Widescale protests can be expected across America on Friday to coincide with the swearing in of the new president. The greatest numbers of protesters can be expected in New York, Washington and Los Angeles

FedEE News

TRAVEL WARNINGS: These are now available in real time online at <http://www.fedee.com>. We are also currently developing an App to give members tailored news updates and warnings on their handheld devices. We shall be undertaking a survey to establish what specific needs this service should meet. The FedEE website is already mobile-friendly and if you are traveling we recommend you check out our warnings before you depart.

LAW PROGRAMME: We are making some fundamental changes to our law programme as we update its contents over the next six months. It will in future focus on hiring, firing and working time. Presentations will be in video form with sound and images to conjure up a sense of the country concerned. The voice-over will also be by a national – although presentations will all remain in English. The first of these presentations will be on China, India and Japan. Our beta version for China is now online at <http://www.fedee.com/chinese-employment-law/>

WITHOUT PREJUDICE: Our professional training film that demonstrates the subtle and complex nature of workplace racial discrimination is [now available](#) as an online streaming video in the members area of our website. **You will need to be already signed in to the members' area to view the film.** It contains performances by both an RSC actress, Shereen Martin, and Adam Kotz - winner of the 2015 Evening Standard award for lead role in a West-End play.

PROMO VIDEO: When visiting our website check out our latest promo video at <http://www.fedee.com>

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