



Warsaw 20th July 2018

Dear Sirs,

„Ochrona”, the Polish Association of Employees has been striving to provide information about changes that will influence the security services market in the nearest future, in particular that will translate into higher work-related costs and therefore the overall cost of offered services. Proposed bills and announcements of the national authorities may indicate that we can expect more material changes than we have experienced in the past years, and with the more severe impact. Therefore, we feel obligated towards our clients to present such modifications more broadly, so to enable them to adjust to that new market environment harboring even more burdening administrative demands.

Increase of work-related costs

On the 14th June this year, the government administration has furnished the Council of Social Dialogue with the proposed minimal remuneration for the 2019 in the amount of 2,220 PLN gross value (increase by 120 PLN, i.e. 5.7%) and the new minimal hourly rate for the mandate contract in the amount of 14.50 PLN gross value. Such changes will increase costs of security services.

When preparing budgets for security services in 2019, please take into the account the possibility of the following changes:

- full social security contributions on all mandate contracts;
- introduction of Employee Capital Plans producing additional costs for an employer, in the amount of 1.5% of the gross remuneration; furthermore, the difficult situation on the job market and the need to ensure the same level of the net remuneration for all security employees entail the need to include further 2% on the part of an employee and the service costs in the amount of 0.5%, which is 4% in total.

Moreover, the unemployment rate in June was 5.9% and on its lowest level in the last 30 years. There are also limited option to employ foreigners in the security sector (background check, language barriers etc.) – so, in order to attract an employee with relevant skills and qualifications, the wages considered should be higher than these resulting solely from the minimal wage level. Thus, the benchmark point is more often switched from the minimal wage to the average wage in the entrepreneurs' sector (less financial bonuses and distributions), which has lately shown more dynamic growth than the minimal wage, i.e. 4,277.14 PLN of gross value in January 2017 up to 4,588.54 PLN in January 2018 (311.4 PLN, over 7.2% increase of the remuneration).

Legislative changes

According to the market information, the recipients of our services still find the decrease of contributions to the National Fund of Rehabilitation of Handicapped the most favorable solution as allowed under Article 22 of the Act on occupational and social rehabilitation and employment of handicapped people. Still, there are at least two major possible changes to be considered:

- the reduction level of the contribution to the National Fund of Rehabilitation and Handicapped may be decreased, from 50% to 15 %;
- on the other hand, the bill regarding collective entity accountability for acts prohibited under penalty is proceeded already, Article 11 of which provides that the collective entity, which gained profits from the illegal act perpetrated by another entity – for instance as the result of making contribution to the National Fund of Rehabilitation and Handicapped based on the decreased percentage indicator– can be requested to return the profit in question to the National Treasury.

The transparency of employment

During the last years we have informed about unfair and detrimental or even pathological practices to reduce the remuneration of security employees and related items, allowing some of the employers to offer their services at much lower prices. Currently, state authorities, both the National Labor Inspectorate and the National Social Insurance Institution undertake firm actions aimed at counteracting such practices and penalizing dishonest employers. Lowering wages for security employees below applicable norms and standards has always been unacceptable but it becomes more and more risky and, when brought to the public knowledge, it can negatively affect the image of a client who has decided to use such solution and employ a company that breaks the law.

The tendency to work for several employers is now less and less popular, unlike some years before. Instead, employees expect better remuneration for hours worked according to the labor code. So, security companies are forced to employ more people and offer them better rates.

Replacing the civil-law agreements with normal employment agreements is yet another trend closely linked to the situation referred to above. This is effectively enforced by the National Labor Inspectorate. It translates to higher costs, but it gives security employees better protection, time to rest, they are also better prepared and more willing to perform their duties.

Bottomline

We try to objectively assess the impact of the changes on costs to be borne by security companies and on the prices in the following year. However, when we look on the volume of announced or currently proceeded changes we can be quite sure that the spending on security market will get much higher. We do not speak about a few percentages, we speak about 15-20 % or more.

According to trends on the security market in Europe, we believe that extended use of technical solution is a good step as it decreases the number of working hours and security services costs. The latest technologies give opportunity to design security systems with more technology inbuilt, to better support but also to reduce the engagement of security teams.

Although the initial financial outlays are greater, in the long-term perspective it will allow to reduce and ensure better stability and predictability of security costs, eliminating huge fluctuation of prices we can observe for the past few years.

“Ochrona”, the Polish Association of Employees has always prioritized the issue of normalization of prices in security sector and of transparency in the area of remuneration and employment forms, all of which translate to more professional services. Promotion and use of advanced, and increasingly accessible solutions of technical security is gaining more importance. Therefore, we address all market participants to actively pursue that goal, in particular by abiding the law, acting in compliance with economy and quality related standards, and we encourage them to dismiss all unfair market practices for the benefit stemming from the use of technical solutions.

Yours sincerely,
For the Management of Ochrona, the Polish Association of Employees
Kinga Baran
Per Procura
Secretary-General

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