



Warsaw, 4th October 2018

With reference to the information of the 20th July 2018, the Polish Association of Employers "Ochrona" hereby provides additional notification about changes that are likely to influence the security market in 2019, in particular with regard to increase of labor-related costs that directly influence prices of services on this market.

Increase of labor-related costs.

On the 11th September this year the Council of Ministers has published the ordinance on the minimal remuneration rate and minimal hourly rate for 2019. According to its wording, the minimal remuneration will increase to 2,250 PLN of gross value and the minimal hourly rate for mandate contracts will increase to 14.70 PLN of gross value. The changes will influence costs of security services.

Budgets calculation for the following year has to include 1.5% of the gross remuneration on the side of an employer for the Employee Capital Plans that may be introduced as of the 1st July 2019 and another 2% on the side of an employee in order to secure the same level of net remuneration. Moreover, there are service-related costs in the amount of 0.5%, so it is 4% in total.

The unemployment rate in August was 5.8% and has been the lowest in the last 30 years. The security industry already has a problem to provide enough employees, which often translates to insufficient staffing on posts. Moreover, there are limited options to employ foreigners (background check, language barrier, PC handling, risk of employing veteran of warzone area). This requires relying on much higher rates than solely those resulting from minimal remuneration to ensure employees of appropriate qualifications and skills.

Employment transparency

The government administration bodies have different approach to use of civil-law agreements and to allocation of costs connected therewith than it have presented in previous years. As a consequence, Social Insurance Body and the National Labor Authority undertake more decisive actions in order to eliminate this type of employment or to limit use thereof only to the unquestionable cases (cross inspections are applied on a daily basis). Any doubts in that regard are resolved against the Employer, burdening it with additional costs and financial penalties. Such actions are aimed at not only the security business but also at construction, cleaning, hotel, banking and many other types of business.

Then, there is a specific situation on the job-market and employees expect to be remunerated better than the minimal wage, to have employment contracts and less hours to work. If not, they tend to look for employment in other sectors willing to meet their requirements

So, the employment contract is the best solution to offer in this situation. Alas, it produces higher costs and requires more employees to provide the security services, but the employees are rested, prepared and ready to perform their duties as security guards. The solution eliminates the inspection number of the National Labor Authority and, additionally, makes the Client look as the reliable partner who really respects the conditions of proper cooperation and requirements of applicable law regulations, and does not demand the costs to be reduced below the standards described by the law. Today, no reasons exist to employ security employees on different grounds that grounds applicable in case of other economy sectors. All an any savings in that regard will result in nothing more but turbulences in provision of security services, drawing attention

of the Client, losing positive image and decreasing of security level in a facility, not to forget the risk of serious work-related accidents, which may end with a prosecutorial proceedings.

Bottomline

When we inform about the aforementioned changes we strive to assess impact thereof on the potential costs for the security company and on the prices in the following year. However, taking into account the scale of changes that have already been introduced or are discussed we may expect the next year to enforce substantial increase of security services outlays. We do not speak about a few percentages but about the level of 15-20% or even more. Therefore, it is advisable to focus more on the technical solutions, thus decreasing the number of working hours and the overall costs of security services. The cutting-age technologies provide numerous possibilities to design security systems of more technical nature to support and, at the same time, reduce engagement of security teams. The initial financial investment may appear quite a great expense, but it will reduce the costs of security and enhance their stability and predictability in a long run, without such fluctuation of prices as we could observe in the last years. These changes however must be implemented alongside the full-term employment contracts for security employees, same as it happens in the remaining sectors.

The Polish Association of Employers "Ochrona" constantly pursues normalization of prices for security services, transparency of remuneration and employment forms offered to the security employees, which translates to more professional services. Promoting and use of high-end technical security solutions is a part of this process. We encourage all market players to pursue this goal, in particular by abiding the law, economic realities and quality standards and by application of more technical solutions with renouncing all types of unfair and non-ethical market practices.

With utmost regards,

For the Management Board of the Polish Association of Employers "Ochrona"


Secretary General