

Beverwijk, January 1, 2014

Productivity in Lugera – The People Republic

A comparison between all the countries Lugera is active in

Lugera is active in Armenia, Croatia, Netherlands, Poland, Romania, Slovakia and Ukraine and we have compared the Gross National Product per country and its productivity per inhabitant, the “gross” profit of the working population per country and many more interesting data.



Could you imagine that the country with the highest salaries also has the highest “gross” profit per employee?

Highlights:

1. The gross monthly salary in The Netherlands is € 4.015, in Armenia € 326,
2. Ukraine has 44.8 million inhabitants with only 12.5 million employed people,
3. Minimum gross monthly salary in Romania is € 186 while in Croatia € 395 and in The Netherlands € 1.596,
4. Although Ukraine, Poland and Romania have many more inhabitants than The Netherlands this country's Gross National Product is 1.5 to 4.6 times higher,
5. The higher salaries are the higher the output per employee is,
6. Romania, Poland and Ukraine are the countries with the smallest (relative) working population,
7. The gross profit per employee is in The Netherlands the highest closely followed by Poland, third Romania and fourth Slovakia.

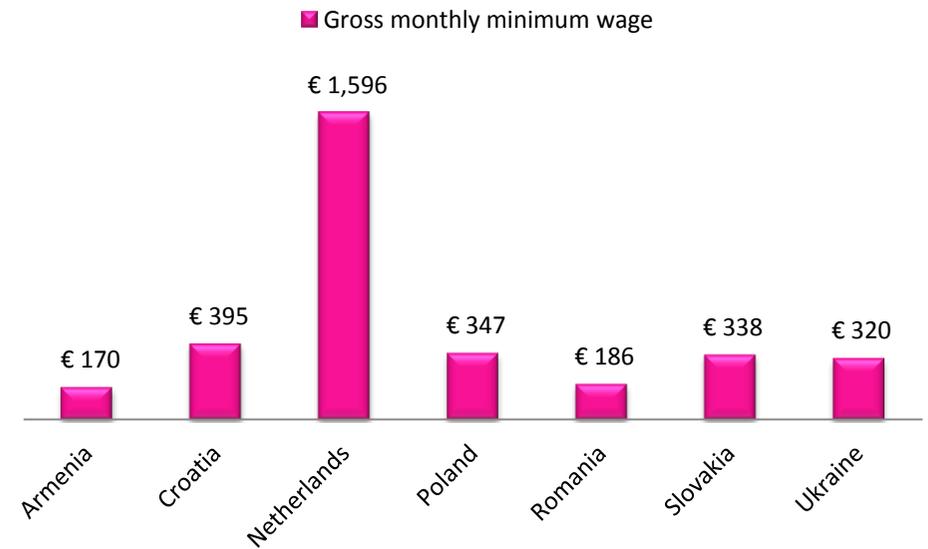
The comparison in this document shows that productivity and output per employee increases with the salary level. Also, the more flexible labor legislation is, the more likely it is that the output per employee is higher and the unemployment rate is lower. This is important information for governments in the CEE who would like to boost their economies and away from the crisis they are in.

Unfortunately many CEE governments are doing the opposite: making labor legislation more and more rigid. This will only make recovery of the economy more difficult. Let's hope some ministers will read this research☺.

Gross Monthly Minimum Wage

The lowest minimum salary is in Armenia with € 170 and the highest in The Netherlands with € 1.596. In The Netherlands people are also entitled to an additional 8% holiday allowance on top of the gross salary. Between Romania and the other CEE countries still is a big gap of the minimum wage.

Gross monthly minimum wage



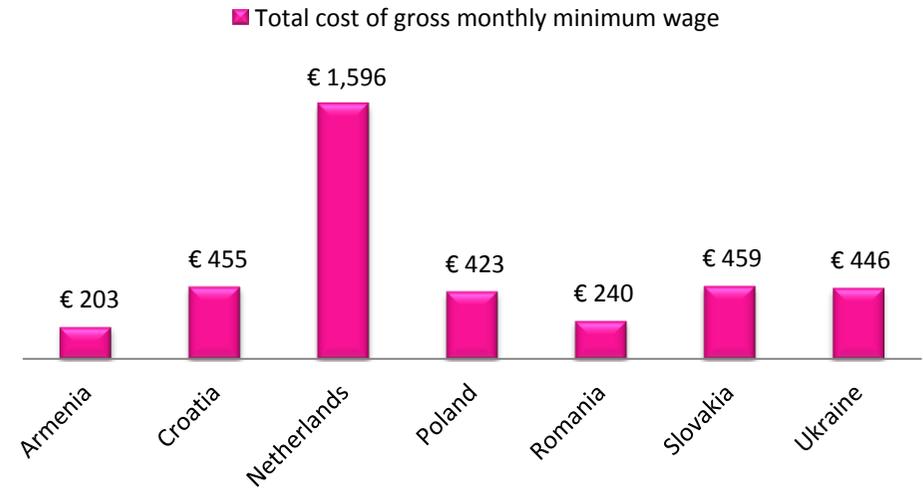
Gross monthly minimum wage		
1 Netherlands	€	1,596
2 Croatia	€	395
3 Poland	€	347
4 Slovakia	€	338
5 Ukraine	€	320
6 Romania	€	186
7 Armenia	€	170
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Total cost of gross monthly minimum wage

In the CEE countries company contributions are between 15% to 40% calculated from the gross monthly salary. In the Netherlands this does not exist. The total cost of the minimum wage in Slovakia, Croatia, Poland and Ukraine is more or less the same. Ukraine has the highest percentage of nearly 40% of company taxes. Croatia has the lowest percentage of company contributions being 15%. The total cost of the gross minimum salary in The Netherlands is 7 times bigger than in Armenia.

Total cost of gross monthly minimum wage



Total cost of gross monthly minimum wage		
1 Netherlands	€	1,596
2 Slovakia	€	459
3 Croatia	€	455
4 Ukraine	€	446
5 Poland	€	423
6 Romania	€	240
7 Armenia	€	203
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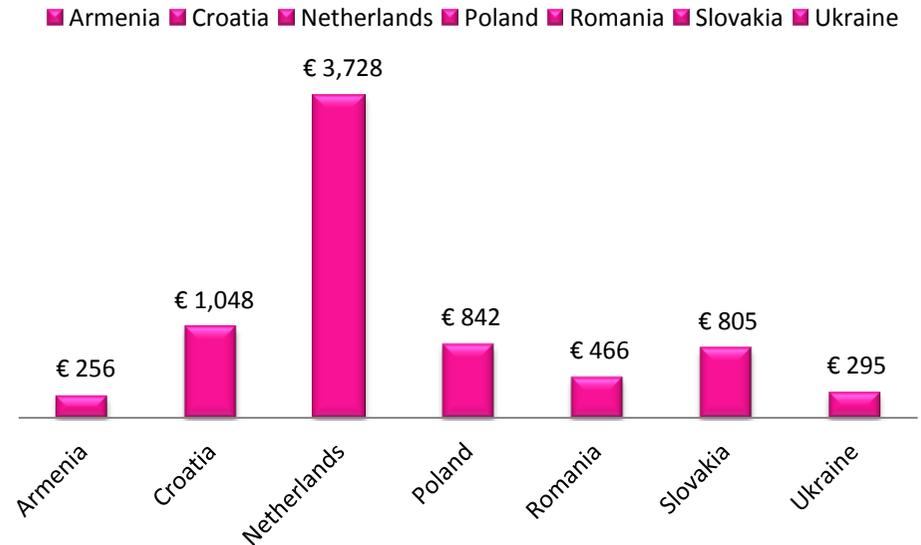


Average gross monthly salary

Croatia is leading the CEE countries with the highest average gross monthly salary. Poland and Slovakia are very much in line with each other. The difference between the minimum salary and the average salaries are smallest in Armenia and Ukraine.

Average gross monthly salary		
1 Netherlands	€	3,728
2 Croatia	€	1,048
3 Poland	€	842
4 Slovakia	€	805
5 Romania	€	466
6 Ukraine	€	295
7 Armenia	€	256
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Average gross monthly salary

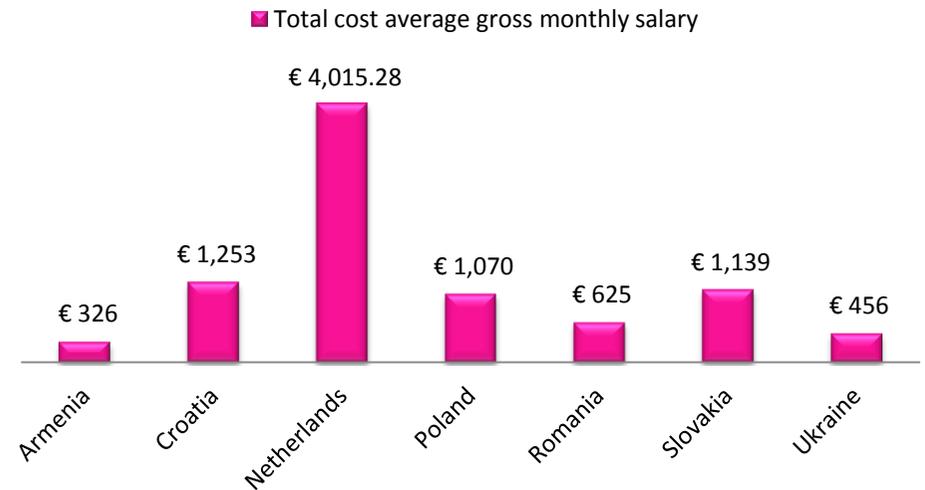


Total cost average gross monthly salary

When having a look at the total cost of the gross monthly salary (including company taxes) Croatia is most favorable of all CEE countries as they have the lowest percentage. The countries with the highest company taxes also show the lowest average gross monthly salaries. The reason for this could be that productivity and investment is slowed down by higher company contributions. This graph shows that the lower company contributions are the higher the average gross monthly salaries are. Amazing.

Total cost average gross monthly salary		
1 Netherlands	€	4,015
2 Croatia	€	1,253
3 Slovakia	€	1,139
4 Poland	€	1,070
5 Romania	€	625
6 Ukraine	€	456
7 Armenia	€	326
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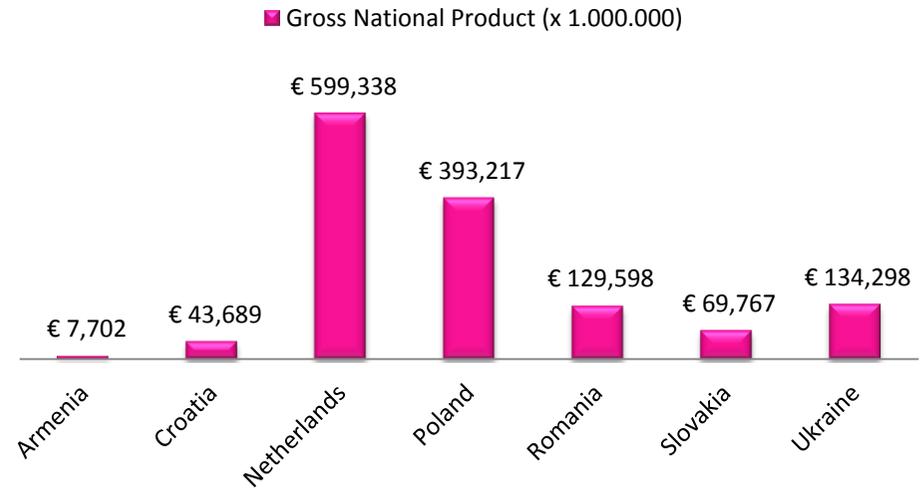
Total cost average gross monthly salary



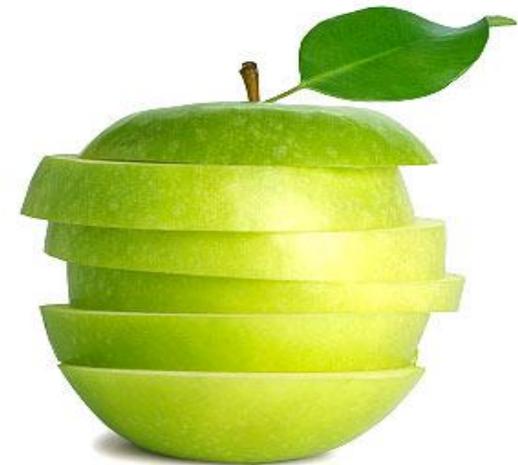
Gross National Product

The highest Gross National Product (GNP) is in The Netherlands despite the fact that countries as Ukraine, Poland and Romania have many more inhabitants. Ukraine is with 44.8 million inhabitants by far the biggest country but is on the third place in terms of the GNP. Please note that the black economy is estimated to be the biggest in the Ukraine followed by the economy in Romania. For the Ukraine estimations of the black economy are up to the same size as the normal economy. Corruption in Ukraine and Romania under government bodies, ministries and their ministers appear to be incredible high.

Gross National Product (x 1.000.000)



Gross National Product (x 1.000.000)		
1 Netherlands	€	599,338
2 Poland	€	393,217
3 Ukraine	€	134,298
4 Romania	€	129,598
5 Slovakia	€	69,767
6 Croatia	€	43,689
7 Armenia	€	7,702
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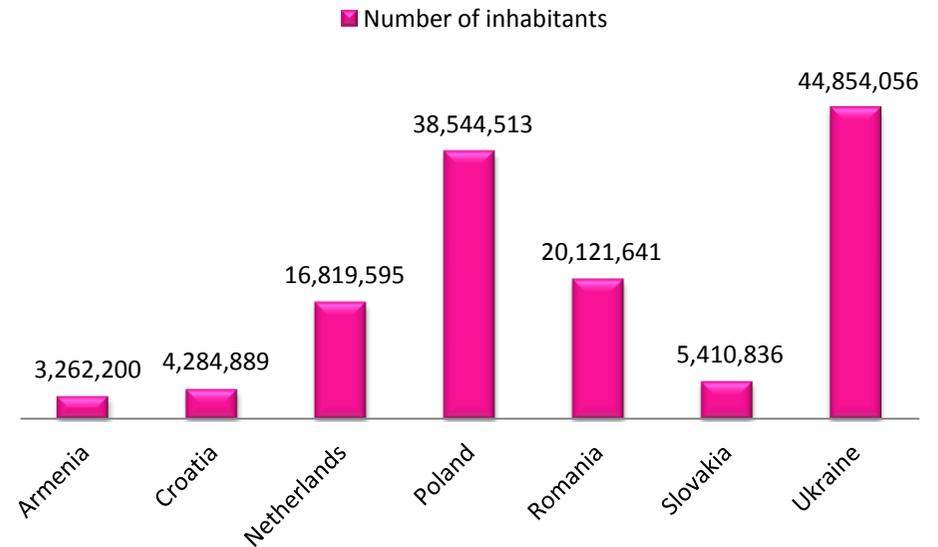


Number of inhabitants

Armenia is our smallest country with only 3.2 million inhabitants. It seems that millions of Armenians live on other countries who fled the country as a result of the Turkish genocide in Armenia.

Poland has around 22 million people more than The Netherlands though the GNP of The Netherlands is 300 billion euro more. The reason for this we will see later in this document, but amongst others it may be because many Polish people work abroad (up to an estimated 1.5 million persons) and the number of work population is as a percentage of the population much lower in Poland.

Number of inhabitants



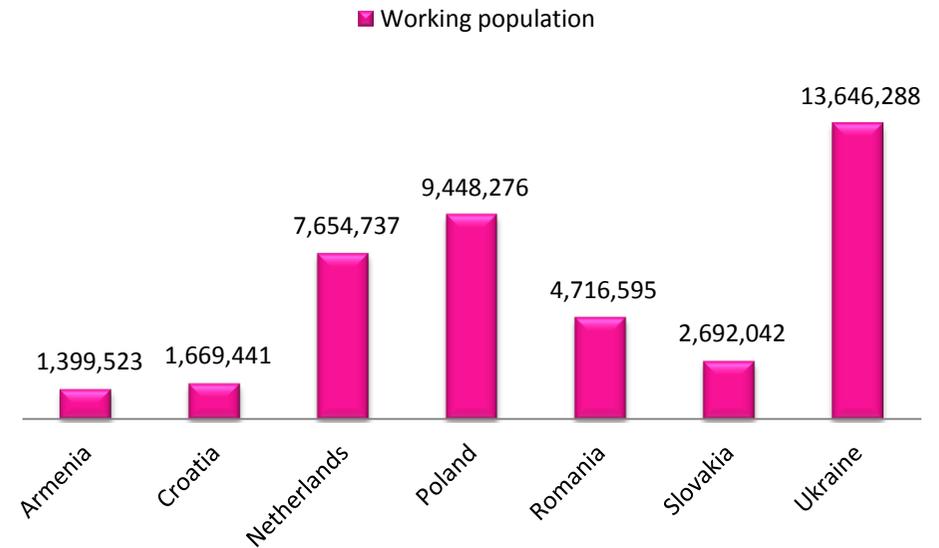
Number of inhabitants	
1 Ukraine	44,854,056
2 Poland	38,544,513
3 Romania	20,121,641
4 Netherlands	16,819,595
5 Slovakia	5,410,836
6 Croatia	4,284,889
7 Armenia	3,262,200
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Working population

In Poland and Romania only 25% and 23% of the population is part of the working population. This is very low compared to the other countries. The Ukraine also has a very low score of 30% which could be caused by the fact that between 6 million en 8 million Ukrainians work in Russia, Poland, Czech Republic and Slovakia. And although Poland counts 22 million more inhabitants than The Netherlands it only has 1.8 million people more in their working population. Also here this can partly be explained by the fact that many Polish people work abroad. In The Netherlands around 400.000 Polish people are working. Slovakia has relatively the biggest working population (49.8%), Romania the smallest (23.4%).

Working population



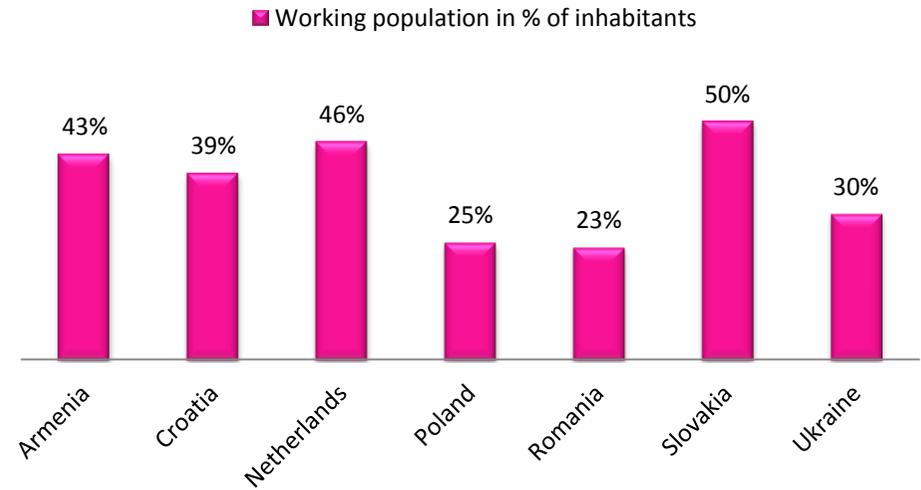
Working population	
1 Ukraine	13,646,288
2 Poland	9,448,276
3 Netherlands	7,654,737
4 Romania	4,716,595
5 Slovakia	2,692,042
6 Croatia	1,669,441
7 Armenia	1,399,523

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Working population in % of inhabitants	
1 Slovakia	49.8%
2 Netherlands	45.5%
3 Armenia	42.9%
4 Croatia	39.0%
5 Ukraine	30.4%
6 Poland	24.5%
7 Romania	23.4%
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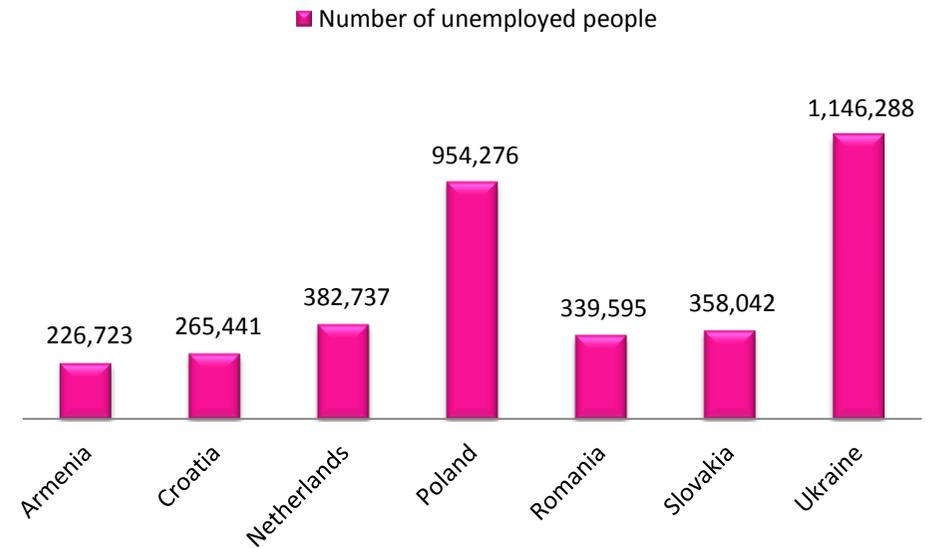
Working population in % of inhabitants



Number of unemployed people

In 2012 The Netherlands has the lowest unemployment rate. Armenia the highest. One of the reasons we think is that the unemployment rate shows a correlation with the degree of the flexibility of the labor market. The more ridged employment alternatives for companies are the higher the unemployment rate. In all the CEE countries governments tend to make their labor markets more and more ridged while all evidence proofs that, in order to boost the economy, flexible labor legislation is a necessity. Remarkable is the high percentage in Poland while Poland has not been hit by the financial and euro crisis.

Number of unemployed people



Number of unemployed people	
1 Ukraine	1,146,288
2 Poland	954,276
3 Netherlands	382,737
4 Slovakia	358,042
5 Romania	339,595
6 Croatia	265,441
7 Armenia	226,723
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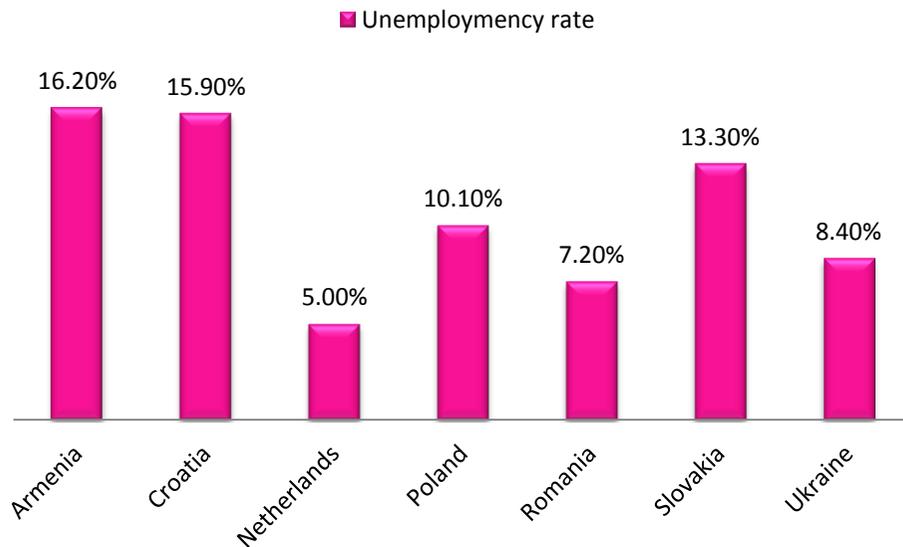
Unemployment rate	
1 Armenia	16.2%
2 Croatia	15.9%
3 Slovakia	13.3%
4 Poland	10.1%
5 Ukraine	8.4%
6 Romania	7.2%
7 Netherlands	5.0%

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Unemployment rate

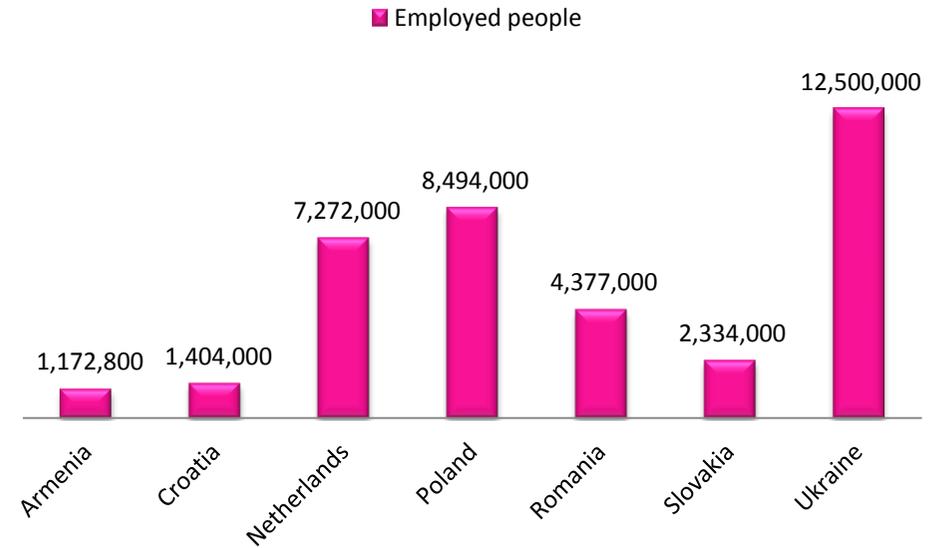


Employed people

Ukraine counts the highest number of employed people which is not so remarkable taking into consideration that they have the highest number of inhabitants. Remarkable is the Dutch number in relation to the Polish and Romanian numbers because The Netherlands have 28 million (UA) and 22 million less inhabitants than respectively Ukraine and Poland while only 5 million resp. 1.2 million less employed people. One of the reasons undoubtedly will be the difference in statistic data and its definitions in the various countries.

Employed people	
1 Ukraine	12,500,000
2 Poland	8,494,000
3 Netherlands	7,272,000
4 Romania	4,377,000
5 Slovakia	2,334,000
6 Croatia	1,404,000
7 Armenia	1,172,800
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Employed people

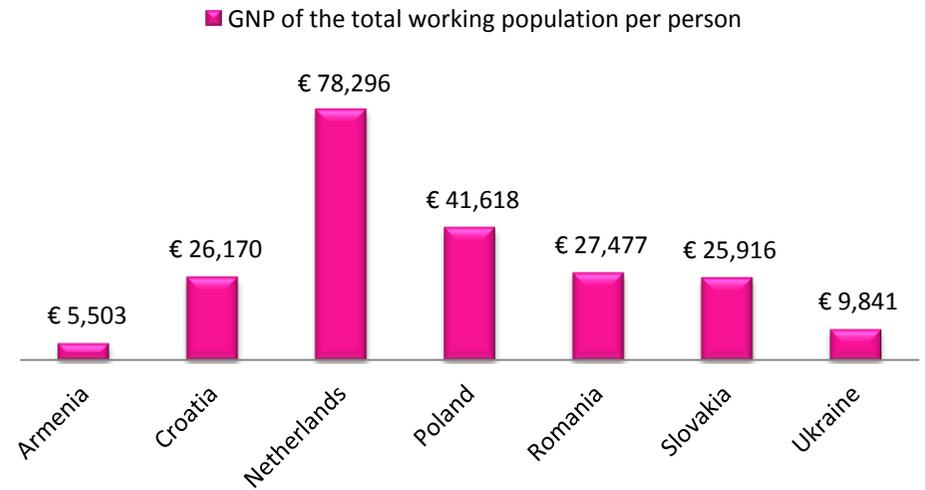


Gross National Product of the total working population per person

From this overview it is obvious that Poland is most developed from the CEE countries as its GNP is substantially higher per member of the working population. The country with the lowest salaries (Armenia) also has the lowest GNP per person of the working population.

GNP of the total working population per person		
1 Netherlands	€	78,296
2 Poland	€	41,618
3 Romania	€	27,477
4 Croatia	€	26,170
5 Slovakia	€	25,916
6 Ukraine	€	9,841
7 Armenia	€	5,503
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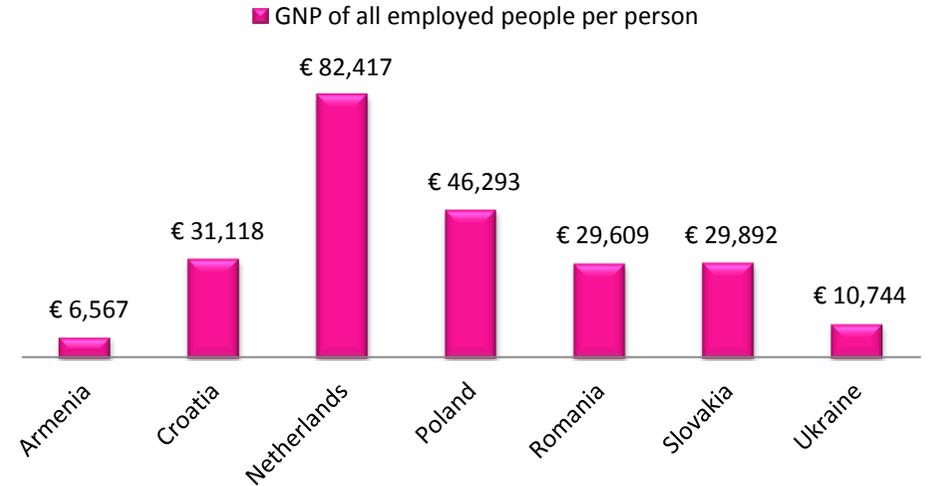
GNP of the total working population per person



GNP of all employed people per person

When looking at the GNP per employed person it is remarkable that an employed person in The Netherlands produces more than € 80.000 per year while in Ukraine and Armenia resp. € 10.743 and € 6.566. Number two is Poland in this ranking and it seems to close the gap quite rapidly. Productivity in Croatia, Slovakia and Romania is very similar. One of the reasons could be that in The Netherlands, because of high salaries, optimization of production processes and methods have a higher priority in order to reduce the cost of salaries. When labor is very cheap companies might not be willing to invest in capital goods to help boost the productivity but will rely more on manual labor.

GNP of all employed people per person



GNP of all employed people per person		
1 Netherlands	€	82,417.22
2 Poland	€	46,293.45
3 Croatia	€	31,117.78
4 Slovakia	€	29,891.78
5 Romania	€	29,608.76
6 Ukraine	€	10,743.81
7 Armenia	€	6,566.85

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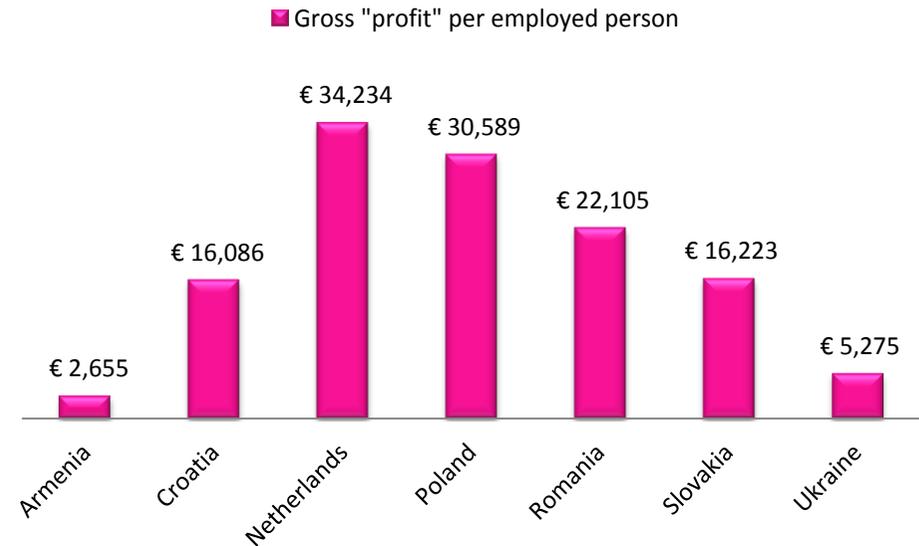
Gross "profit" per person

The added value per employee is of course the most important factor. The level of salary is not as important as the profit or added value per working person. We took in this overview the GNP per employed person minus the average salary cost. What remains is the added value or gross profit per employee. Despite of the much higher salary cost in The Netherlands (10 to 3.5 times higher than the salaries in the other countries) the Dutch employee has the highest "gross" profit. But the overview also shows that the differences are not so big anymore as in the previous overviews. It is also obvious that Poland is doing a great job and is most likely to catch up and overtake The Netherlands in the coming years.

Important in this overview is to realize that we are talking about "gross" profit. We do not know the invested production capital per employed person per year. It could easily be that the investments in the CEE countries per employed person are substantially lower than in The Netherlands and if so the "net" profits could be higher in the CEE countries. This could indicate that the highest profits on employees could be realized in Poland en Romania with Slovakia and Croatia following on close distance.

Gross "profit" per employed person		
1 Netherlands	€	34,233.86
2 Poland	€	30,588.64
3 Romania	€	22,105.28
4 Slovakia	€	16,222.81
5 Croatia	€	16,085.50
6 Ukraine	€	5,274.74
7 Armenia	€	2,654.92
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Gross "profit" per employed person

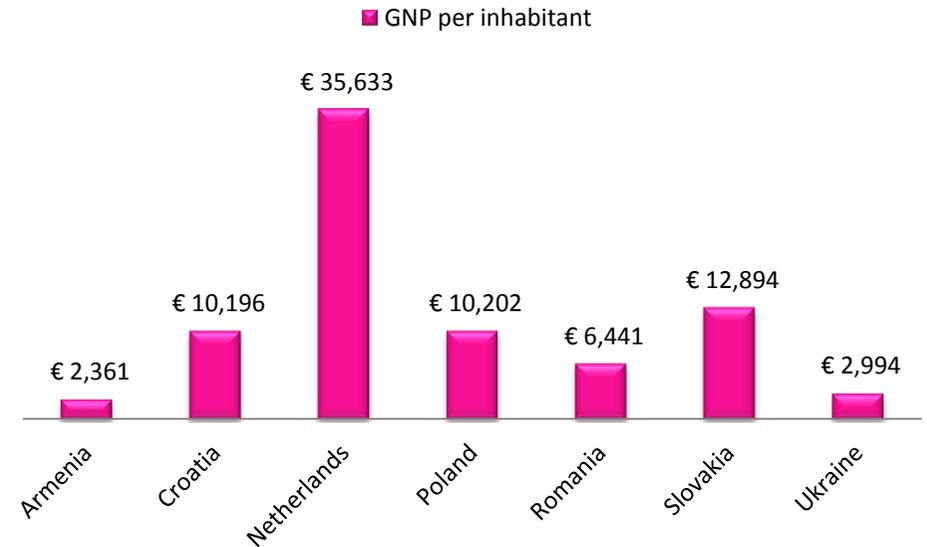


GNP per inhabitant

The GNP per inhabitant is remarkably high in Slovakia. This is because the country has a relatively big group of employed people and as such has the highest productivity per capita from all the CEE countries.

GNP per inhabitant		
1 Netherlands	€	35,633.32
2 Slovakia	€	12,894.02
3 Poland	€	10,201.62
4 Croatia	€	10,196.15
5 Romania	€	6,440.70
6 Ukraine	€	2,994.10
7 Armenia	€	2,360.86
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GNP per inhabitant



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Sources:

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