



# Monetary value of social dumping in road transport

## Key points

A recent study issued by the Austrian Federal Chamber of Labour on cost components in road freight transport shows that labour costs are the decisive competitive factor in European road transport of goods:

- Only the effective enforcement of posting of workers regulations, including in the transport sector, contributes to the creation of domestic jobs, fair wages and good working conditions for all truck drivers, as well as to securing the Austrian business location.
- Further liberalisation of cabotage rules does not lead to fewer truck journeys in Austria, but will even lead to an increase in truck kilometres travelled and a decrease in rail transport. The abolition of cabotage regulations is therefore highly questionable, not only for employees but also with regard to climate protection.
- Consumers do not have to fear increase in prices: By complying with the prevailing regulations and by efficiently enforcing the cabotage and posting regulations, the average transport costs of goods change only marginally.

## Background

Due to low wages and inadequate controls on social and traffic regulations, lorries have become a cheap mode of transport across Europe. Not everyone profits: Truck drivers have no choice but to accept the race-to-the-bottom deteriorating wages and working conditions.

A recent study by the Austrian Federal Chamber of Labour takes a closer look at the consequences of further liberalisation in road transport for truck drivers and transport companies, given that liberalisation prevails without practical control mechanisms that would allow for a fair competition. The study highlights the consequences of lacking measures combatting wage and social dumping on European roads and examines the effects on climate protection and environmentally friendly rail freight transport.

The study takes into account the different levels of compliance with cabotage rules (transport companies from another EU country may only carry out a maximum of three internal road haulage journeys within 7 days of a cross-border transport operation) and posting regulations (remuneration of drivers for cross-border road haulage journeys) and their overall impact on transport costs and the transport economy in Austria. These findings are illustrated by five exemplary routes. The unique selling point of the study is that not only current market prices are considered, but that non-compliance with legal regulations (exceeding the speed limit of 80 km/h for trucks on motorways, offences in driving and rest periods as well as overtaking bans) are featured as a factor shaping transport pricing.

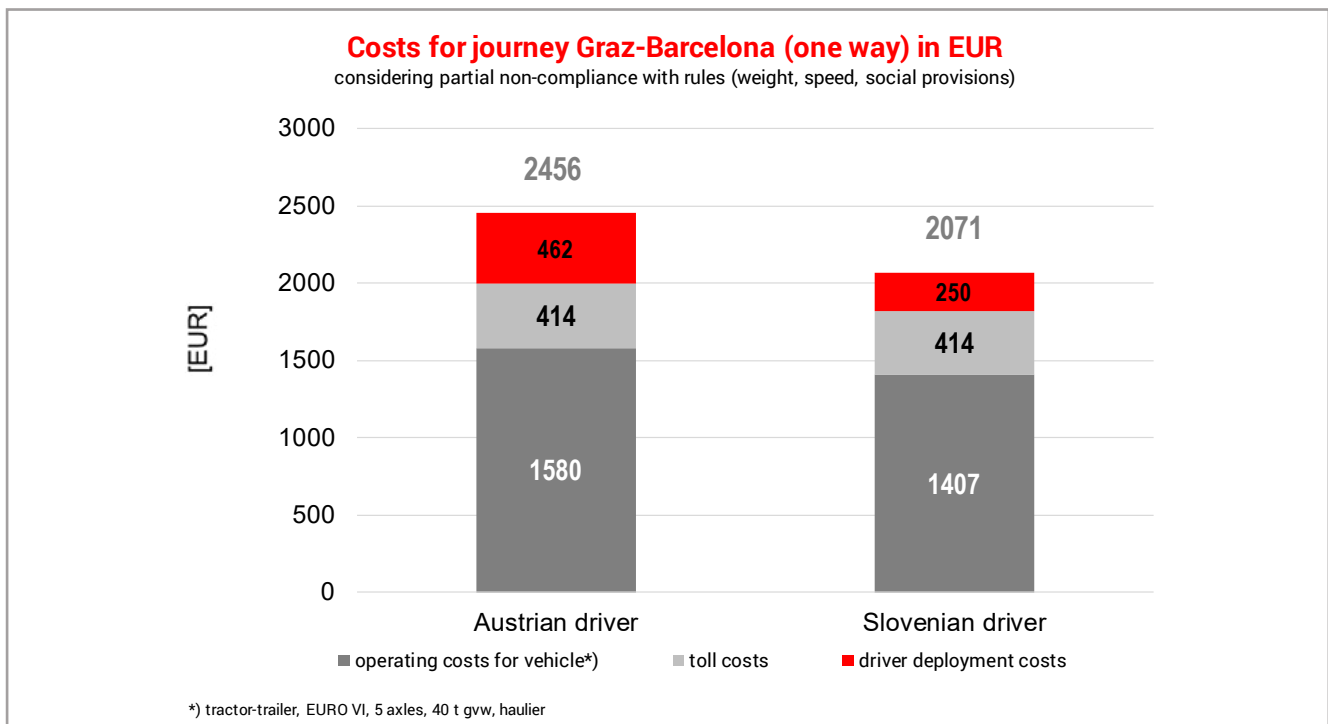
Changes in social legislation on road transport and market access, as currently negotiated at European level as part of the mobility package, may also have an impact in other areas:

- **Climate protection:** Changes in modal split towards road transport on the streets, enabled through lower costs, hampers the agreed and targeted reduction of CO<sub>2</sub> emissions in the EU as a whole and in Austria in particular. The achievement of climate targets in the transport sector could move even further away. It is therefore necessary to examine how costs changes in road transport will impact the modal split and subsequently CO<sub>2</sub> emissions.
- **Product prices:** Changes in transport costs can also influence product prices and consequently affect consumers. It is necessary to examine which changes in transport costs arise in road transport and how such changes are actually reflected in product prices for consumers.
- **External costs (in different areas) and the change in these external costs due to different modal splits (shift in the ratio of external costs between modes of transport)**

## Main findings

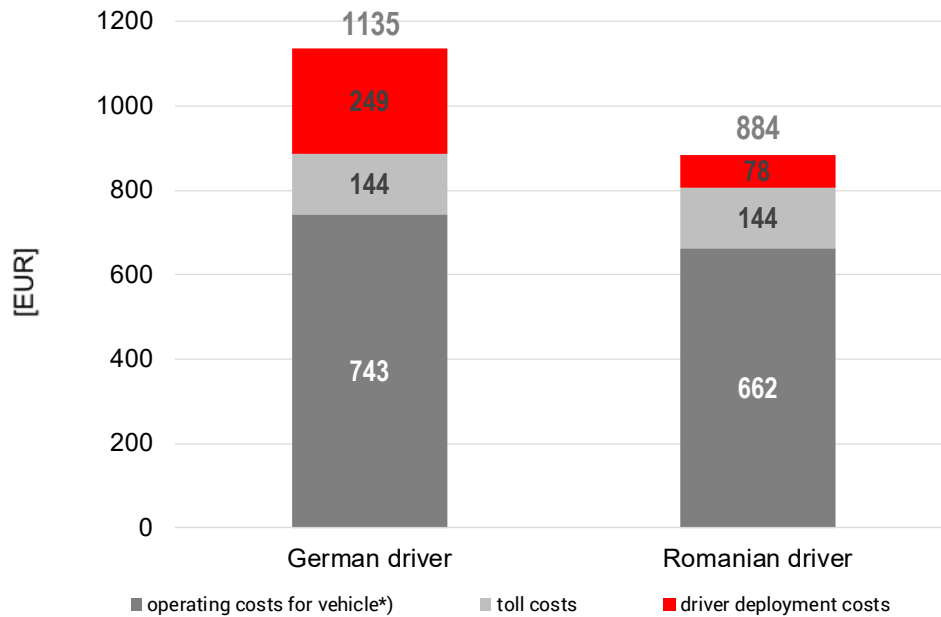
If one analyses the differences in transport costs for five different sample routes, assuming that the entire journey is conducted with Austrian or German wage level compared to wage levels for truck drivers from EU countries with lower wages, cost reductions of 15 % to 22 % per journey appear for these constellations. The sample routes do not entail average calculations, but offer a concrete comparison of the deployment of drivers with different wage levels. The following differences in transport costs can be shown in the five sample routes analysed:

- **Route Vienna - Bregenz:** When conducted by a driver with Hungarian wage level compared to a driver with Austrian wage level, the transport costs for the entire route in one journey (one way) are reduced by approximately EUR 180 or 20 %. Wage costs make up approx. 18 % of the total costs for the trip with an Austrian driver, whereas only 8.5 % for the trip with a Hungarian driver. Exploiting the difference in wage levels generates a profit of 109 EUR to the detriment of the drivers.
- **Route Graz - Barcelona:** When conducted by driver with Slovenian wage level compared to a driver with Austrian wage level, the transport costs for the entire route in one journey (one way) are reduced by approximately EUR 390 or 15 %. Wage costs make up approx. 19 % of the total costs for the trip with an Austrian driver, whereas only 12 % for the trip with a Slovenian driver. Exploiting the difference in wage levels generates a profit of 212 EUR to the detriment of the drivers.



### Costs for journey Munich-Hamburg (one way) in EUR

considering partial non-compliance with rules (weight, speed, social provisions)



\*) tractor-trailer, EURO VI, 5 axes, 40 t gvw, haulier

- Route Munich - Hamburg: When conducted by a driver with Romanian wage level compared to a driver with German wage level, the transport costs for the entire route in one journey (one way) are reduced by approximately EUR 250 or 22 %. Wage costs make up approx. 22 % of the total costs for the trip with a German driver, whereas only 9 % for the trip with a Romanian driver. Exploiting the difference in wage levels generates a profit of 171 EUR to the detriment of the drivers.
  - Route Bucharest - Linz: When conducted by a driver with Romanian wage level compared to a driver with Austrian wage level, the transport costs for the entire route in one journey (one way) are reduced by approximately EUR 470 or 22 %. Wage costs make up approx. 22 % of the total costs for the trip with an Austrian driver, whereas only 10 % for the trip with a Romanian driver. Exploiting the difference in wage levels generates a profit of 292 EUR to the detriment of the drivers.
  - Route Bratislava - Innsbruck: When conducted by a driver with Slovakian wage level compared to a driver with Austrian wage level, the transport costs for the entire route in one journey (one way) are reduced by approximately EUR 180 or 20 %. Wage costs make up approx. 18 % of the total costs for the trip with an Austrian driver, whereas only 10 % for the trip with a Slovakian driver. Exploiting the difference in wage levels generates a profit of 101 EUR to the detriment of the drivers.
- If cabotage was to be completely liberalised, enabling the unrestricted deployment of drivers with lower wage levels from other countries for journeys from, to and within Austria, the following changes would result for Austria:
- Increase in the market share of foreign hauliers for journeys with source and destination in Austria from 5 % to 33 %;
  - Increase in market share of foreign hauliers for journeys with source abroad and destination in Austria from 83 % to 90 %;
  - Increase in market share of foreign hauliers for journeys with source in Austria and destination abroad from 81 % to 87 %;
  - Increase in truck mileage by 2 % or 63 million truck kilometers;
  - Increase in road freight transport performance by 1 % or 107 million tkm;
  - Reduction of rail freight transport performance by 1.5 % or 98 million km;
  - Increase in CO<sub>2</sub> emissions by 2 % or nearly 90,000 t;
  - Increase in external costs by 2 % or EUR 25 million;
  - Reduction of product prices by less than 0.1 %.

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## Demands

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In light of the drastic impact of personnel costs on transport costs as highlighted by the study, the following points have to be ensured at European level:

- The provisions of the posting of workers directive must apply to road transport - the lex specialis in the mobility package allows for too far-reaching exemptions failing to combat social dumping.
- A concrete minimum number of cabotage controls must be established for Member states.
- Flat-rate payments must be clearly prohibited.
- The regular weekly rest period (45 h) must be taken after two weeks at the latest.
- Right to return home after 3 weeks at the latest.
- There must still be a complete record of the activities of the driving personnel for the last 28 (or now: 56) days.
- There is an extensive set of criteria for when licenses are to be withdrawn for infringements. The right for Member state to decide for themselves whether to apply it or not is not acceptable. The application of the set of criteria must be made mandatory for all Member states to ensure uniform enforcement of the rules.

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## Literature

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