

# RENOVATING YOUR HOME IN A BOOMING MARKET



There's a shortage of skilled labour in Luxembourg. We notice it when our employers pay us more than in other countries, and also when we need work done on our homes. Prices charged by non-Luxembourg home renovation firms can be substantially lower, but do the hidden costs make it worthwhile?

## ARTISANS AT WORK

Staff from Peinture Franco Di Tomaso paint a home in Esch-Alzette, 15 May



#### RENOVATION WORK IN LUXEMBOURG

*Some highly reputed Luxembourg firms will trade on their names, adding a hefty mark-up to some quotes, with no gain in service quality. If an offer appears too good/low to be true, it probably is. Seek recommendations when you can.*

**W**hether you need an electrician, a plumber, roofers, odd-job people and so on, prices are significantly higher here than most other places in the world. There are no official statistics on costs, but the EU's Eurostat points to salaries in these sectors being 10%-25% higher in this country than the averages for France, Germany and Belgium. Some firms will then add a bit more, knowing that many local clients will be able and willing to pay. But should consumers look abroad instead?

It's tempting, and many satisfied customers have enjoyed good service at lower cost. But there are also several horror stories. Most "foreign" companies have a Luxembourg office through which their business is organised, but there is no guarantee that this will result in redress if there's a problem.

#### ABROAD IS DIFFERENT

Eveline Pels recently renovated a 50-year-old house, and had some good experiences with non-Luxembourg firms. But one instance with a large Belgian window firm (with offices in Arlon and the grand duchy) proved to be hair-raising. "The windows and sliding door arrived, but they didn't fit and the colour was wrong," Pels explained. The work came to a halt as the façade and flooring couldn't start until the windows and door were in place. "We tried to contact them, but the sales person we dealt with wouldn't take our calls, and recorded delivery letters sent to their Luxembourg address were returned undelivered three weeks later," she added.



Their Luxembourg lawyer and the Luxembourg Consumers Union (ULC) couldn't help because as it turned out the firm only had a shell presence here. "The only solution was going to their head office in Hasselt near Brussels and standing in the reception until the CEO agreed to talk to us," Pels said. They did manage to get redress, but only after substantial cost, effort and heartache. These delays also meant that they had to continue paying for two homes for longer.

"I had one French firm that really took the mickey," complained local businesswoman Carole Miltgen, speaking of one experience when renovating her Luxembourg City home. "They gave me a quote for exterior digging work that seemed reasonable, but when I received the bill there were added extras that they hadn't discussed with me. They even had the nerve to complain that they had a long way to travel to the site, as if they wanted me to pay for the time they were stuck in traffic," she said. "You hear it said that firms from outside the country are much cheaper, but for me it's a bit like Ryanair: the

basic cost might look less but when you add the hidden extras it can really add up," she said. She pointed to several firms giving quotes based on hourly rates when she prefers a flat fee based on getting the job done. Running her own business meant Miltgen did not have the time to keep track of how work was progressing on a daily or hourly basis.

#### AVOID THE BEST AND WORST

Bad news travels fast, and for sure there are good, serious firms operating out of the neighbouring countries. "I would only go with a foreign firm if they came with a recommendation from someone I trusted," advised Pels. Then, of course, there's the language question. Luxembourg firms tend to have more people with at least rudimentary English than German, Belgian and French companies.

Pels also advised avoiding Luxembourg firms with very good reputations. "Never go for the cheapest, and going for the most expensive doesn't necessarily guarantee the best result either," she said. This experience was backed up by another homeowner who did not wish to be named. They needed >



their roof replaced, and decided to play safe, calling on three reputable Luxembourg-based roofing firms. This was major work worth tens of thousands of euros. “One firm was about 20% more expensive than the other two,” he told *Delano*. “When we asked the salesman why this was he told us, ‘We are more expensive because of our name—the other two firms you have contacted are very good so I would recommend you go with them.’”

### BLACK MARKET WORKING

Non-resident firms who work “on the black” are a bugbear for some local businesses. According to one owner of a small decoration firm who wished to remain anonymous, this is a “major problem that amounts to substantial unfair competition”. He spoke of vans with workers from across Europe being paid less than the minimum wage, lacking the formal training certificates required in Luxembourg, and without social security and insurance cover. Clients might find these operations online, in the press, through leaflets, or from

a knock on the door. These could be teams of painters who can do a quick job, or more often guys with high-pressure hoses who offer to clean walls, driveways, patios, and so on. Sometimes these teams offer cut price work, but they might also be sufficiently pushy so that clients end up paying over the odds. This is to say nothing of the potential for shoddy work without the chance to make a claim.

Patrick Koehnen of the Fédération des Artisans, a handicraft trade association, complains that the relevant enforcement agency, the Inspectorate of Labour and Mines (ITM), doesn’t have sufficient resources to do their jobs correctly. “The law was reformed in 2017, and this gave the ITM more means to sanction through fines and the ability to close sites if firms can’t supply documentation about salaries and the required skill level of employees,” he noted. “But there are still not enough staff at the ITM to ensure that the law is followed.” There is a feeling held by many in the industry that inspectors tend to focus



on larger sites. Often these feature multiple layers of subcontracting, with maybe the 5th or 6th level more likely to feature firms that fail to follow the rules. “If there are inadequate controls, honourable firms miss out, staff work in bad conditions, the state misses out on receipts, and clients risk receiving poor service,” Koehnen added.

### CHECK-UPS: NOT PERFECT

One of the potential giveaways that teams are working without the necessary certificates and respect for Luxembourg social and salary rules is an international number plate. However, local independent real estate agent Claude Fettes told *Delano* that there was little chance of illegal workers getting away with scam operations for long. He specialises in purchasing and renovating older properties, and uses many different companies based both in Luxembourg and in neighbouring countries. “It is my experience that nearly always people living near a site will call the ITM, the customs or the police if >



### LOWER VAT RATE

You only need to pay 3% VAT for work on properties aged 20 years and over. For this, the firm you hire must have a registered office in the grand duchy. Ask the firm or the Indirect Tax Authority (AED): [www.aed.public.lu/tva/logement](http://www.aed.public.lu/tva/logement)

they see a foreign number plate on a van,” he commented. He also noted that police regularly make enquiries when doing their rounds. This view was supported by another decoration firm we spoke to: “ITM controls happen regularly, every few months, but I get the impression large sites are controlled more often, not least because there can be multiple subcontracting relationships.”

One firm told us how they sold a van second hand with their logo on it. A non-resident firm bought this and used it for a number of weeks, fooling clients into believing they were from this well-known, respected firm. However, once the ITM were notified, the firm had to repaint, he said. That said, in the words of one interviewee: “In general, I think many people are aware of the potential scams that are out there.”

### A BOOMING MARKET

Quotes from Luxembourg firms are higher for a number of reasons linked to supply and demand. “There is a housing boom and it’s causing a bottleneck with huge demand,” Fettes noted. As demand increases, so does the price. “I am frequently disappointed that you never receive loyalty bonuses,” he added. “I have worked with some local companies on numerous occasions, and rather than cutting prices they are more likely to put their prices up over time,” he said.

This boom also means it’s hard to find experienced people who can carry out good quality work, and schools are not producing potential new hires quickly enough. “The educational system’s CATP vocational training qualification gives students

the basics, but we need to add two to three weeks of on-the-job training until they are really up to speed with what we require,” noted Franco Di Tomaso, the owner of Peinture Franco Di Tomaso, a decoration firm based in Esch-Alzette. “Even so it is difficult to find people with this basic training,” he added.

### LOWER SALARIES

The reason for this is that salaries are relatively low. A survey in 2017 by the recruitment firm Hays pointed to monthly gross salaries going from €2,300 for new recruits up to €4,000 for those with more than 15 years’ experience. A technical manager could hope to earn up to €5,000-€6,000 with 15 years’ experience. By way of comparison, a national statistics office Statec study from 2016 said, on average, workers in the manufacturing sector earned about 20% more, employees of the retail/car maintenance sector 10%, the public sector 40% more, with financial sector staff earning double.

Moreover, the increasing cost of living and housing makes Luxembourg

less attractive to immigrants. Cross-border workers fill many vacancies, but again many are sought after near where they live, and prefer to work in their home regions where they can still earn a good livelihood without the need to sit in traffic jams each day. A long-standing small family painting business owner said: “It’s becoming increasingly difficult to find good conscientious people, and when you do often they leave to find better paid jobs, often with the commune. I’ve been obliged to take people who I wasn’t convinced about, and often they have not had the skills or devotion to the job I would have liked.”

In the absence of a personal recommendation or a sort of TripAdvisor service for home maintenance staff, there is always an element of potluck. Picking Luxembourg-based firms with reputations to maintain may be the safest option, but this reassurance comes at a price. But then most of us enjoy higher earnings in Luxembourg than we would in other countries, and maybe we just need to pay the going rate. <

### WHAT IS A LUXEMBOURG FIRM?

Many home maintenance firms are principally located abroad, but have a Luxembourg address.

This is required to enable these firms to charge just 3% VAT on renovation work on homes built more than 20 years ago. Some of these firms are caught cutting corners regarding the minimum wage, minimum qualifications, whether insurance and social security is paid, if safety procedures are being followed, and so on.

