



Ministerie van Sociale Zaken en
Werkgelegenheid

Reforming Employment Protection Legislation

Peer Review on 'Dismissal Law 2.0. How to
promote work-to-work transitions and
sustainable labour relations

The Hague, 22 october 2015

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Introduction

Fundamental reform in 2015: Work and Security Act

Three main elements:

- Employment protection permanent contracts
- Employment protection flexible contracts
- Unemployment benefits

Important consequences for work-to-work transitions and sustainable labour relations.

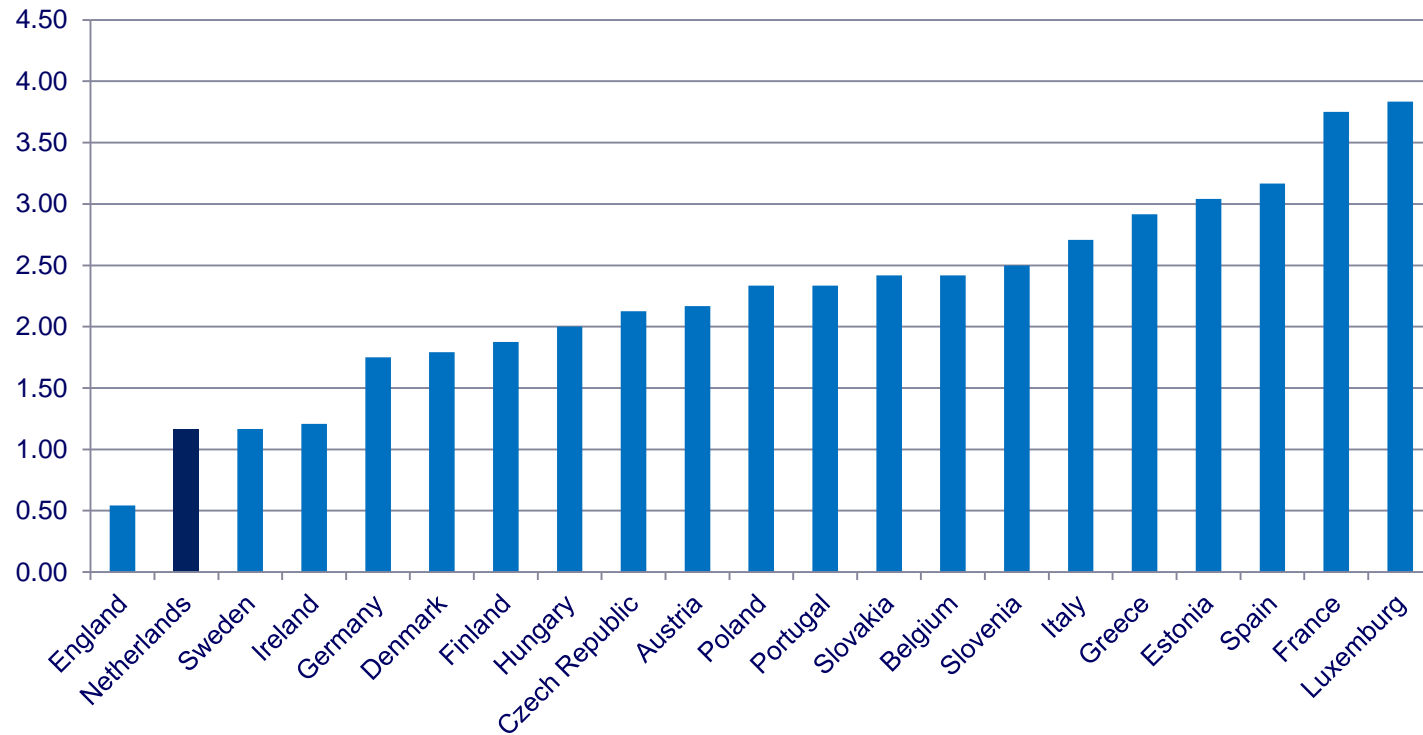


Structure of presentation

- A. Labour market background
- B. Aims of the reform
- C. Employment Protection flexworkers
- D. Unemployment Benefits
- E. Employment Protection permanent contracts
- F. Conclusion

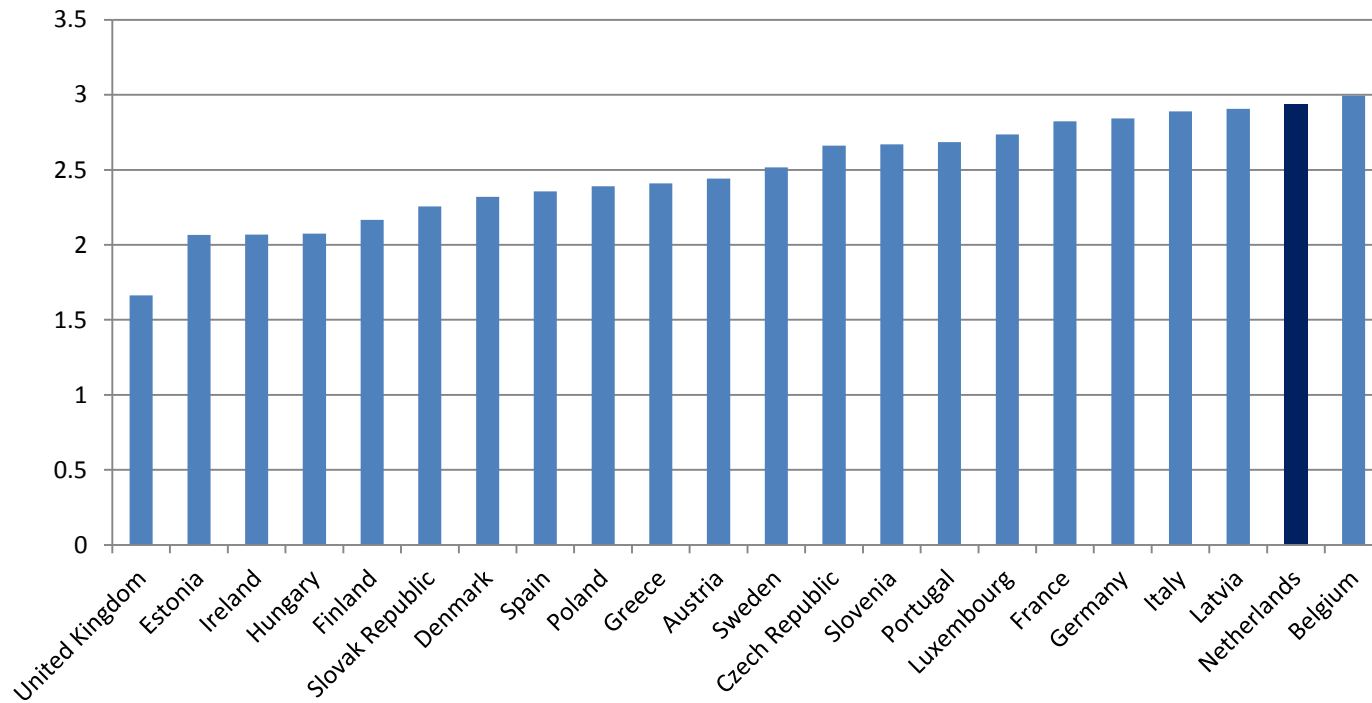


A1. Strictness of EPL: Temporary contracts



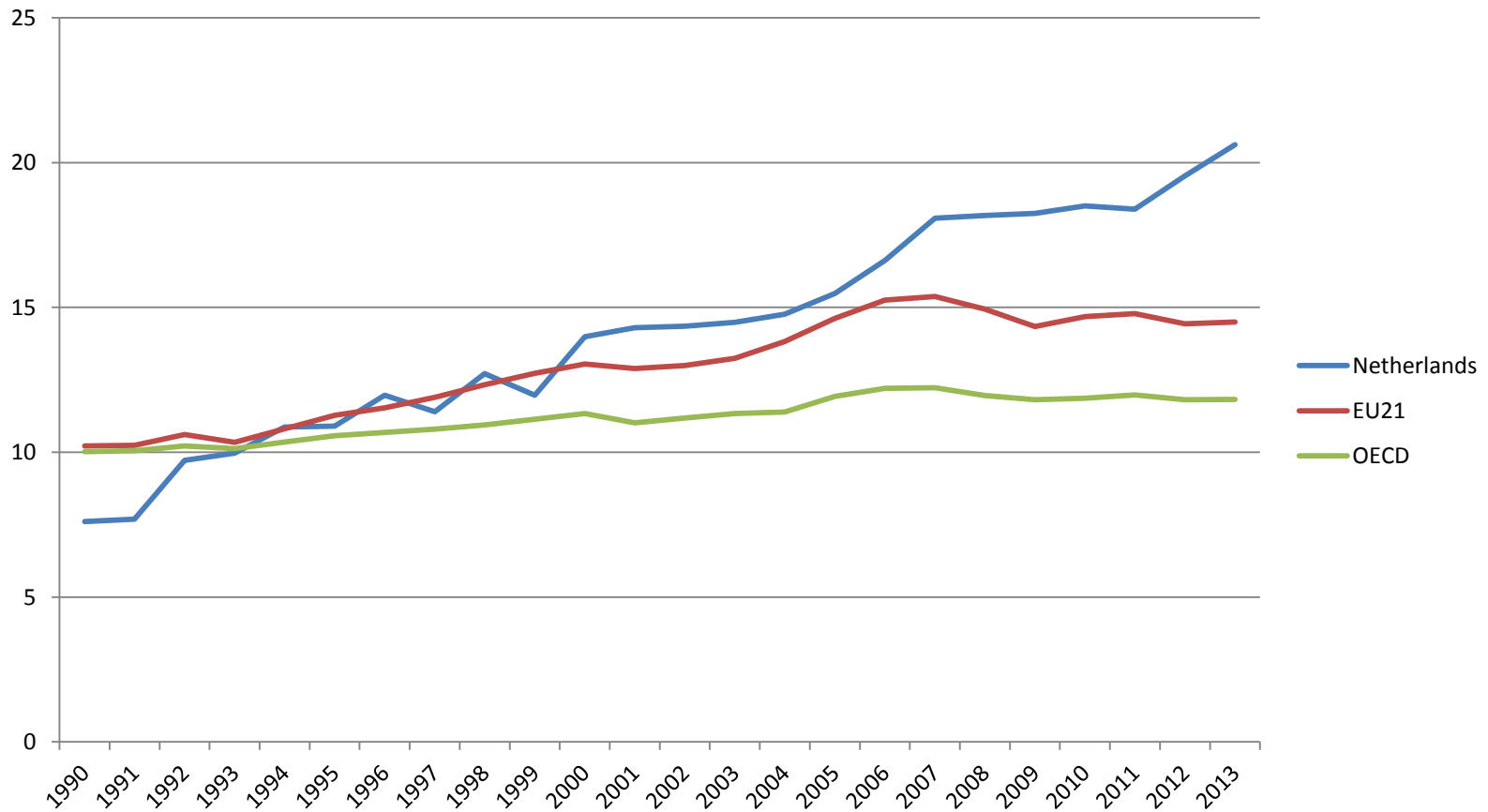


A2. Strictness of EPL: Regular contracts



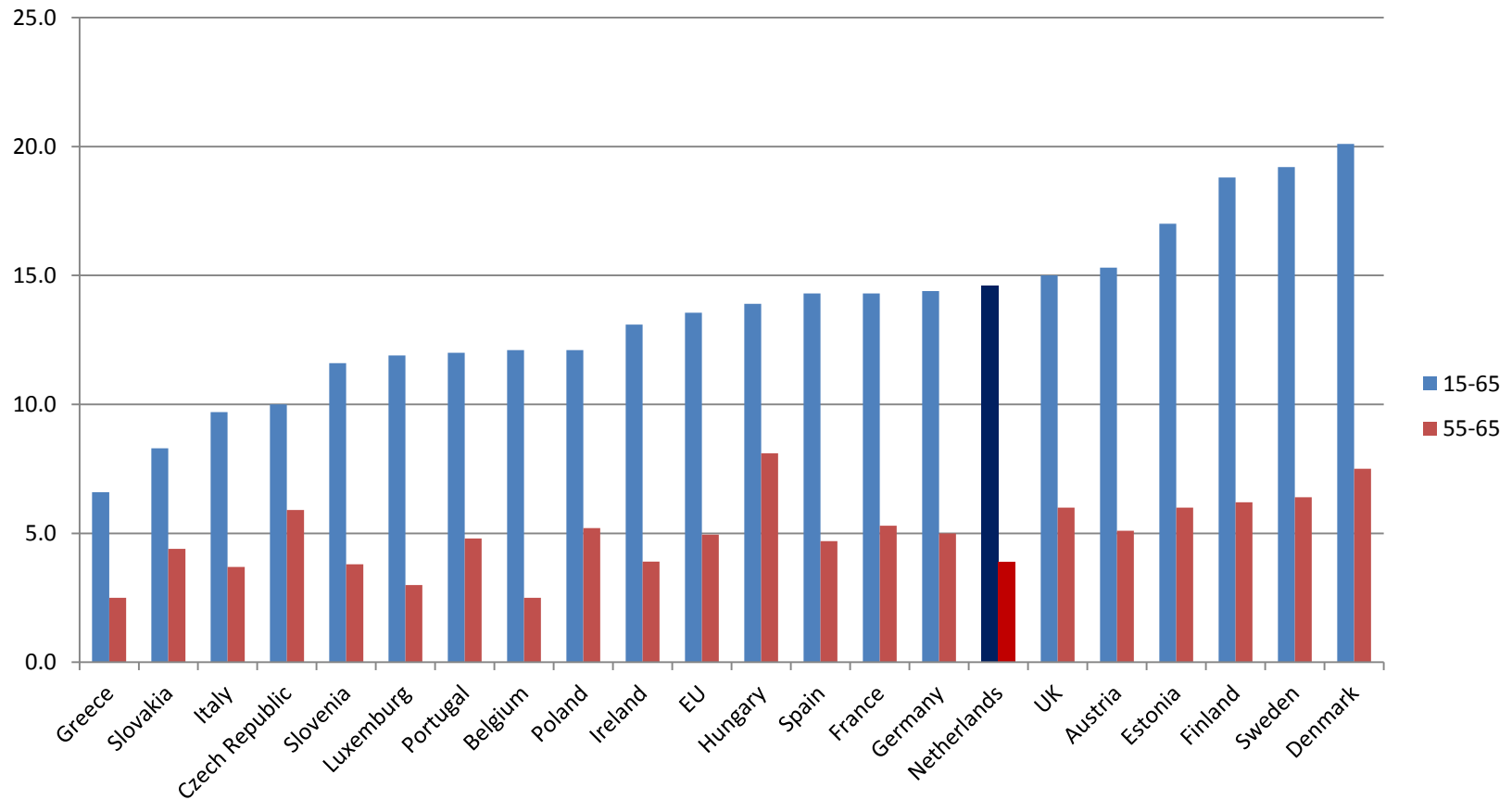


A3: Share of temporary employment





A4: Labour market mobility





A5: Dual Labour Market

Six main characteristics:

- Low protection flexible contracts
- High protection regular contracts
- High share of flexible employment
- Low transition of flexworkers to regular contracts
- Low labour mobility of older workers
- High share of long term unemployed



B1. Aims of the reform

Improve the position of flexworkers

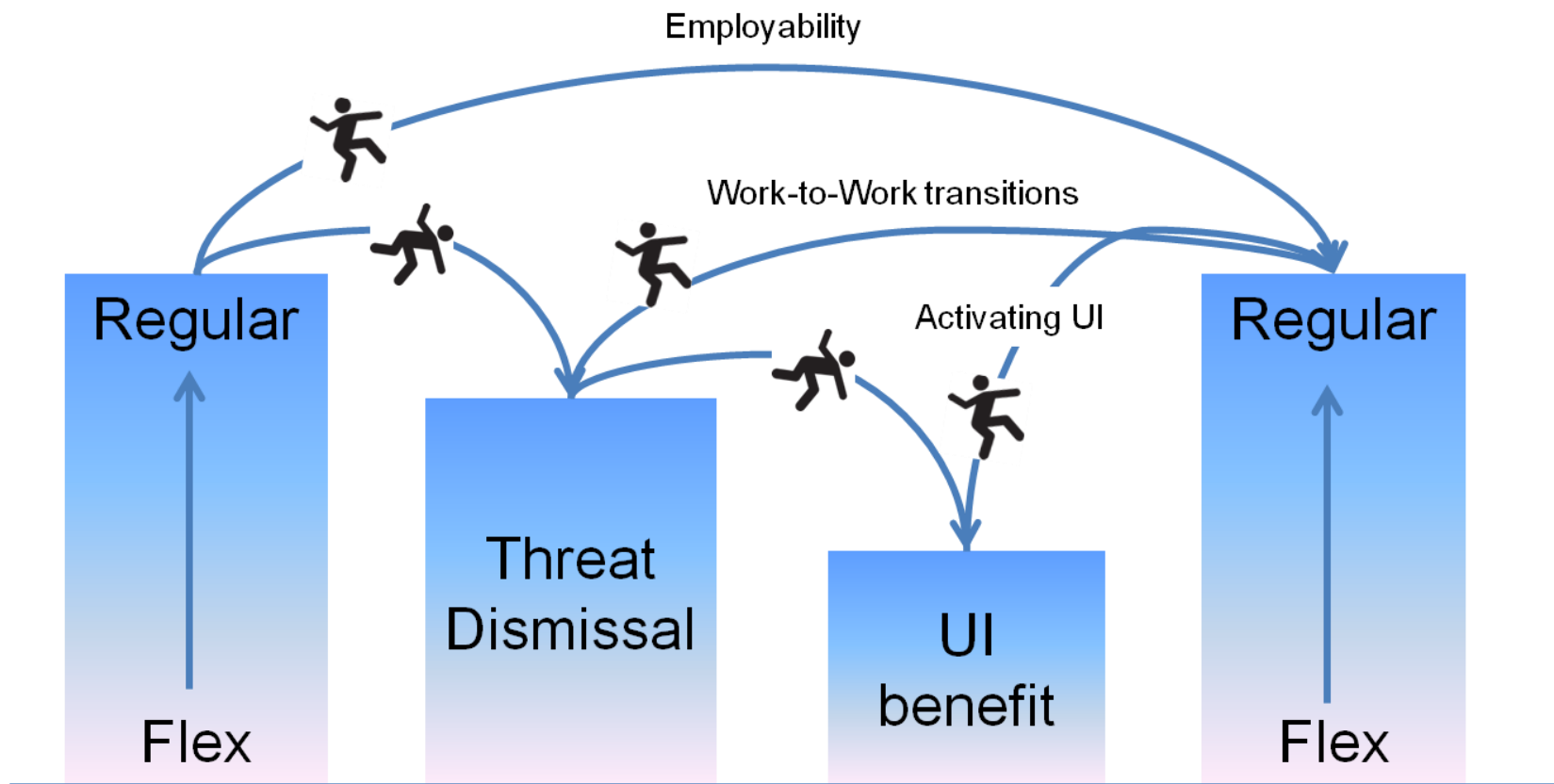
- › Better protection
- › Better perspective on regular contract
- › In order to improve employability

Make Dutch dismissal law fairer and less complex

Facilitate job transitions by making Unemployment Benefits and Dismissal law more activating



B2: Ideal behind the Work and Security Act





C. Protection of flexible workers

Fixed term contracts

- Maximum cumulated duration of FTC's: from 3 to 2 years.
- Maximum number of FTC: remains 3
- FTC's counted as successive with interval \leq 6 months

Other issues

- No Non-Compete-Clauses in temporary contracts
- No trial period for temporary contracts \leq 6 months
- Counteract abuse of payrolling, contracting, etc.



D. Changes to UB – proposed approach

Elements public system

- Maximum duration: from 38 months to 24 months
 - › In steps of 1 month per quarter between 2016-I and 2019-II.
- Build up of rights slowed down
 - › ^{1st} 10 years: 1 month per year, then ½ month per year
- After ½ year: all work acceptable

Social partners become more important:

- Sectoral arrangements to supplement the public UB
- Larger role in activating and reintegrating the unemployed



E. Amendment of dismissal law

Old Dual preventive system:

- Termination via PES: no severance payment
 - Exceptions: Social Plan or Unfair Dismissal
- Termination via courts: high, age dependent severance payment

Three problems:

- Dual system leads to unequal outcomes, depending on choice employer
- Age dependent severance payments lead to less mobility, especially for older workers
- Severance payments may be used as early exit route into retirement



E. Amendment of dismissal law – proposed approach

Make it fair and simple

- Route no longer dependant on choice employer
- One route for dismissal for economic reasons
 - › Via the Employee Insurance Agency (UWV).
- One route for dismissal for personal reasons
 - › Via a district court

From severance payment to Transition allowance

- Principle: all dismissals receive transition allowance
 - 1st 10 years: 1/3 month per year, then 1/2 month per year
- Transition allowance depends on tenure, not on age
- Transition allowance more strongly aimed at job-to-job transitions
 - › Deduction of costs for e.g. outplacement or vocational training



F: Conclusion

Aims are set, legislation has come into force

Focus now on implementation in practice: how do employers and employees react?

- To what extent will the new Transition allowance be used to improve job-to-job transitions?
- Will the better protection of fixed term contracts lead to more regular contracts?
- Communication campaign to support the aims: showing good practices.
- Closely monitoring the effects. Full evaluation in 2020.