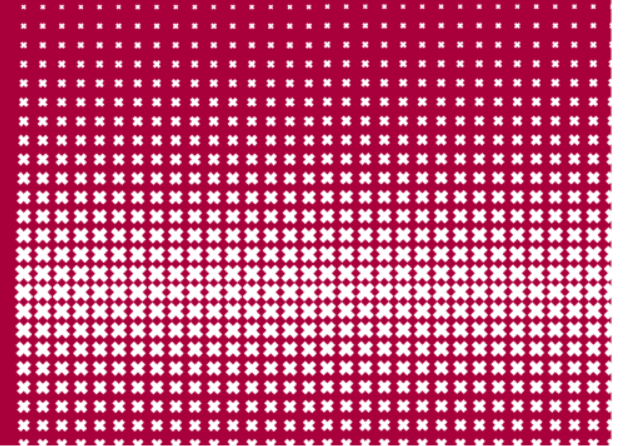




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# Mutual Learning Programme

Dismissal 2.0 – Host Country Comments

# Program

- Background of changes in Dutch law that should enhance work-to-work transition
- Work and Security Act
- Transition Allowance
- Changes in unemployment benefits
- Future adaptations
- Challenges

# Background

- Previous dismissal system (until 1 July 2015) was unsatisfactory:
  - Different types of procedures with unjustifiably different outcomes
  - Not very activating towards other work

# Background

- Social Agreement (government and social partners) 2013:
  - Rationale: economic situation, changes in economy and technology, ageing population;
  - Objective: provide as many as possible with work and economic independence/employment security;
  - How? List of 37 measures.

## Work and Security Act (WSA)

- WSA is the result of the Social Agreement.
- Enters into force in 2015 and 2016.
- Applies to all employment contracts in the Netherlands.
- Objectives: make Dutch dismissal law less complex, faster, fairer, less expensive for employers and more directed at finding a new job.

## Work and Security Act (WSA)

- Significant changes in (i) dismissal law, (ii) protection of fixed-term contracts, (iii) transition allowance and (iv) unemployment benefits.
- (iii) and (iv) are the most relevant fields for work-to work transition.

# WSA – Transition Allowance

## ■ Eligibility:

- Every employee with tenure of > 24 months
- Termination at initiative of the employer (can also be non-renewal of fixed-term contract)
- Reason for termination is not relevant (apart from culpability)

# WSA – Transition Allowance

## ■ Calculation

- first 10 years of service:  $\frac{1}{3}$  monthly salary per year of employment;
- after 10 years of service:  $\frac{1}{2}$  monthly salary per year of employment;
- the maximum transition payment is EUR 75.000, or the annual salary if it exceeds EUR 75.000;



# WSA – Transition Allowance

## ■ Exceptions

- employees 50+ and >10 years of service: one monthly salary per year of employment (transitional arrangement, not applicable for small employers);
- not (fully) due if an employee acted culpably or in case termination takes place before the employee has reached the age of 18 and has worked on average 12 hours or less

## WSA- Transition Allowance

- the provisions regarding the transition allowance do not apply if a collective labour agreement provides a similar arrangement;
- Costs incurred to improve employability or to facilitate the transition after dismissal can be deducted from the transition allowance, under circumstances.

# Unemployment Benefits

- Shortening the duration of the unemployment benefits and slowing down the accrual.
- Adjusting the notion of 'suitable work'.
- Introduction of the offsetting of income as of the first day of unemployment.

# Unemployment Benefits

- Shortening the duration of the unemployment benefits and slowing down the accrual
  - Maximum from 38 months to 24 months;
  - Accrual based on tenure. Currently 1 year of service leads to 1 month of benefits. New: after 10 years of tenure,  $\frac{1}{2}$  a month benefits per worked year.

# Unemployment Benefits

- Adjusting the notion of 'suitable work'
  - After 6 months of unemployment all work is deemed suitable (instead of after 1 year)
  
- Introduction of the offsetting of income as of the first day of unemployment
  - Setting of income instead of worked hours avoids drop in total income if one starts working

## Future adaptations

- More involvement social partners before actual dismissal (regional advice centers)
- Spread costs of unemployment benefits. more equally between employers and employees.
- Privately organise supplementary unemployment benefits.

# Challenges

- No obligation to use transition allowance for actual transition.
- Payment of the allowance at the end of employment.
- Relatively low amount of allowance.
- No provisions for short (<24 months) contracts;
- Large responsibility for social partners – organized per sector – less mobility between sectors.