Mutual Learning Programme

DG Employment, Social Affairs and Inclusion

Key policy messages from the Peer Review on 'Dismissal Law 2.0. How to promote work-to-work transitions and sustainable labour relations?'

The Hague (Netherlands), 22-23 October 2015

Written by ICF International

November 2015

EUROPEAN COMMISSION

Directorate-General for Employment, Social Affairs and Inclusion

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1 Introduction

1.1 Background and purpose of the Peer Review

The Peer Review discussed the policies and recent reforms implemented by EU Member States to ensure that dismissal and redundancy procedures promote early activation and enable rapid work-to-work transitions. The event was hosted by the Ministry of Social Affairs and Employment of The Netherlands. It brought together Ministry officials and independent experts from Belgium, Bulgaria, Denmark, Finland, Italy, Norway, Romania, Slovakia, and Slovenia, as well as representatives from the European Commission and the OECD.

Promoting the activation and enhancing the employability of workers at risk of losing their jobs is an issue of common interest across Europe, not least in the context of the aftermath of the economic crisis. Measures in this regard can be quite diverse, and may involve activation programmes during notice periods, financial incentives for employers to invest in training, classic forms of Pubic Employment Service (PES) active labour market policy support and allowances for dismissed workers.

The Netherlands adopted in June 2014 a reform of its dismissal laws under the Work and Security Act (WSA), which changes important aspects of the rules on flexible employment (including the provisions on successive fixed-term contracts), the law on dismissal and unemployment benefits. It was felt that a reform was needed in a context of growing labour market segmentation, characterised by a rising share of flexible employment and long-term unemployment.

The changes in the law on dismissal and the provisions on successive fixed-term contracts took effect on 1 July 2015. Some of the changes to the Unemployment Insurance Act took effect on 1 July 2015, with the remaining changes to be introduced on 1 January 2016.

The general idea is that the Unemployment Act should be more activating, resulting in people leaving the benefit system sooner. This is to be achieved by successively reducing periods of entitlement (from 36 to 24 months) and enhancing the ability to combine a salary from part-time work with claiming unemployment benefit. Criteria on what constitutes a 'suitable job' have also been changed.

Transition from work to work is also to be encouraged by changes in dismissal legislation, which include the payment of a 'transition allowance' (instead of severance pay). However, this allowance is not earmarked and it is therefore up to the dismissed worker how this is spent.

Further reforms to be implemented include:

- Greater involvement of social partners during the notice period before the actual dismissal.
- The costs of unemployment benefits should be spread more equally between employers and employees.
- Social partners may arrange for privately organized supplementary unemployment benefits.

The other countries represented at the Peer Review, despite having different dismissal laws and approaches to labour market activation than the Netherlands, share similar challenges, such as enhancing the employability of the workforce, promoting the early activation of dismissed workers, reducing long-term unemployment and labour market segmentation. Recent developments in the Netherlands were thus compared to similar experiences in other Member States in relation to the obligations placed on employers in dismissal procedures, the types of financial compensation (e.g. severance payments) received by dismissed workers, policies to incentivise dismissed workers to take up training, the type of support social partners provide to dismissed workers and rules regarding fixed-term employment.

1.2 The Peer Review in a page: headline messages and policy implications

The key policy messages from the Peer Review are summarised below:

IMPORTANCE OF JOB QUALITY FOR SUSTAINABLE AND INCLUSIVE ECONOMIC GROWTH

- **Public institutions** in the Member States have a **key role to play to make the workforce more adaptable and employable**, and in providing the right incentives for higher professional aspirations.
- **Ensuring smooth work-to-work transitions and high employability** is gradually becoming a priority for public policy, because of increasing evidence of the damaging effects of longer unemployment spells.
- **Early profiling of the specific needs of redundant/dismissed workers** is needed during the notice period in order to best target support. Early registration with PES or similar support structures can help in this regard.

ISSUES, BARRIERS AND CHALLENGES

- There is a **lack of evaluation and data evidence** on the impact of previous labour market policy and Employment Protection Legislation (EPL) reforms. Further emphasis should also be placed on cost-benefit analysis.
- **Disincentive effect of some collective redundancy procedures in certain Member States** whereby workers wait until just before dismissal to obtain the highest possible monetary settlement.
- **Financial compensation arrangements** more generally (severance payments) **can be a disincentive** for dismissed workers to engage in early activation or to find a new job straight after dismissal, and can discourage employers to hire again.
- **Issue with the Dutch Transition Allowance: not earmarked in the budget, not means-tested** and commensurate with worker seniority. Those who need it the most may therefore not get enough support from this measure.
- **Similarly, a uniform transition allowance is not targeted to the groups that need it most.** More and better data are needed to enlighten the discussions in this regard, however.
- **Further assessment is needed of the application and impact in practice of conditionality and sanctions** in relation to the receipt of unemployment benefit to ensure such measures support early and sustainable activation.
- **Ensuring better protection for flexible contracts with better access to social security etc. remains a challenge for legislators.** There is a valve effect whereby changes to the law will result in employers finding other circumventing ways of employing cheap labour.

MUTUAL LEARNING AND DISSEMINATION OF EFFECTIVE PRACTICES

- **Intervening on the weakest segment of displaced workers by promoting a preventative approach before dismissal** occurs is one of the most effective ways to combat long-term unemployment. Overall, a needs based approach to providing transition support would limit deadweight and ensure that the most vulnerable access maximum levels of support.

- **Different actions are needed for different stages of employment** (e.g. lifelong learning support during employment; a focus on matching skills to market demands during notice periods; and additional psychological and job search support after a redundancy/dismissal takes effect).
- **Innovative ways of fostering co-operation between public and private employment services should be explored** to combine their efforts and join forces to support displaced and transitioning workers. This would also allow for the development of innovative types of support, such as psychological support. Efforts are required to avoid creaming.
- **Structures such as "Job security councils" or "mobility centres", and other social partner-based initiatives** with a mutual fund enabling activation based on individual needs **have provided effective in some countries.**
- **Transition allowance may need to be earmarked in order to ensure they are used for activation.** Bundling the Transition Allowance with (lower) severance payments could be way of ensuring that dismissed workers use part of their financial compensation for activation and retraining purposes while at the same time ensuring that such payments retain their dissuasive character (for employers) and compensating workers for loss of human capital. Some concerns were expressed that severance pay/transition allowances payable by employers could act as a 'tax on employment'.
- **Collectivising dismissal risks and minimising their financial impacts on employers** could be managed through the creation of a fund, fed, for instance, by a payroll levy.

2 Discussion topics

2.1 The Dutch reform of employment legislation to promote work-to-work transitions: strengths, weaknesses, expected impacts

2.1.1 Features of the Work and Security Act

Dualism in the Dutch labour market has long been characterised by several issues of a structural nature such as:

- differentiated levels of protection for temporary and permanent contracts, with permanent workers enjoying greater protection;
- high share of flexible employment;
- high levels of precarity on the secondary labour market with low transitions of temporary workers to permanent contracts;
- low labour mobility of older workers;
- a high share of long-term unemployed.

To address these issues, the Netherlands undertook a fundamental reform in 2015 with its **Work and Security Act (WSA)**.

The aim of the reform is to improve the position of temporary (fixed-term contract) workers on the labour market by giving them better protection and better perspectives for permanent employment so as to improve their employability. The Dutch government also sought to make dismissal law fairer and less complex. The reasoning was to facilitate job transitions by making unemployment benefits and dismissal law more activating.

This piece of legislation has impacted four main elements of labour law in the country, namely:

- the change in dismissal law;
- the increase of the protection of fixed-term contracts;
- the introduction of a transition allowance;
- a reform of unemployment benefits.

The last two changes are considered as the most relevant fields for work-to work transition.

- **Dismissal law**

Dismissal law has been amended to make dismissal procedures easier and fairer. Previously, an employer had to be granted permission from a government agency to terminate an employment contract. The employee could then disagree with the termination decision and take the case to a labour court.

The reform formalises two routes for dismissals: the "economic reasons" route whereby the Employee Insurance Agency (EIA)[1] takes charge, and the "personal reasons" route whereby labour courts intervene.

The route now no longer depends on the employer's choice but rather on the reason for dismissal.

- **Protection of fixed-term contracts**

The Dutch reform has introduced measures to increase the protection of flexible workers working under fixed-term contracts. Therefore, the maximum cumulated duration of fixed-term contracts was brought to two years instead of three years as this used to be the rule.

[1] Uitvoeringsinstituut Werknemersverzekeringen (UWV)

The maximum number of fixed-term contracts which can be concluded remained three with a minimum waiting period of six months between two fixed-term contracts.

- **Transition allowance**

The reform of the Dutch legislation has introduced a transition allowance which is given to every employee with a minimum of two years of employment whose contract is terminated by the employer, regardless of the reason[2]. It is worth noting that the provisions regarding the transition allowance do not apply if a collective labour agreement provides a similar arrangement.

The calculation of the transition allowance is proportionate to the years of service of the employee. During the first ten years, the transition allowance amounts to one-third of the monthly salary per year of employment and this is increased to half of the monthly salary per year of employment after 10 years of service. There is an upper limit of the transition amount which amounts to EUR 75,000 or the annual salary if it exceeds EUR 75,000.

The transition allowance replaces the damages and severance payment in the Netherlands. The transition allowance is paid by employers directly to the employees concerned. The transition allowance is taxable.

Costs incurred to improve employability or to facilitate the transition after dismissal can be deducted from the transition allowance, under circumstances.

- **Unemployment benefits**

Legislation covering unemployment benefits has also been reformed. The notion of 'suitable work' was modified and any job is now deemed suitable after six months whereas it used to be one year prior to the reform.

To encourage unemployed people to find a job, the maximum duration of unemployment benefit which was of 38 months will be gradually reduced to 24 months as of 1 January 2016 until 2019 (in steps of 1 month per quarter between 2016 and 2019). The build-up of rights has also been slowed down and now consists of one month per year for the first 10 years and half a month for the following years.

The reform has also introduced the offsetting of income as of the first day of unemployment which avoids a drop in total income if one starts working.

2.1.2 Role of the social partners

The role of the social partners in reforming unemployment law was also explored during the Peer Review.

In a revival of the tripartite social dialogue process, the Dutch social partner were closely involved in this reform.

The recognition of the importance of reducing labour market segmentation and encouraging work to work transitions was among the key reasons for social partner to become involved in the process.

The Transition Allowance (TA) was designed based on the experience of social partners in including a "transition fee" – i.e. funds dedicated for activation measures – in collective agreements.

In other words, a number of collective agreements already provided for a similar arrangement to the TA. Some collective agreements can also exempt employees from the TA in cases where the employer invests in measures to improve the employability of the workers.

[2] The only exception is the employee's own fault.

The inputs and experiences of the social partners have therefore provided a basis for this reform.

The reform also gives the social partners:

- the possibility to create a commission that takes over the role of the EIA;
- the possibility to provide an alternative for the transition allowance in collective labour agreements.

Social partners can put in place schemes to supplement public unemployment benefits, particularly in order to make up for the reduction of entitlement periods as introduced by the WSA. According to the Centraal Planbureau (CBP|Netherlands, Bureau for economic and political analyses) currently half of the employees that fall under the scope of a collective labour agreement benefit from such supplementary benefits[3]. The only limitation in this context is that workers in highly-organised and unionised sectors will thus benefit from greater financial support than employees in sectors with no collective labour agreements or little union representation.

Social partners also now have a greater role in activating and reintegrating dismissed workers either before or after they become unemployed. They can introduce alternative arrangements to the TA in collective labour agreements. In general, collective labour agreements are drawn up by sector. The limitation here is that this will not necessarily lead to worker mobility between sectors.

2.2 Ensuring effectiveness of the transition allowance

2.2.1 Severance payment with another name?

With its Work and Security Act, the Netherlands has abolished the use of severance payment. In the former dual preventive system, not all employees could receive severance payment. Only workers dismissed on the basis of a social plan or an unfair dismissal could argue the termination of the contract via courts and could receive an age-based severance payment. This raised concerns about inequalities as employees situations were very much dependent of the route chosen by their employer. In addition, the severance payment was based on the age which could lead to less mobility especially in the case of older workers who could also use it as an early exit route for retirement.

In reforming dismissal law and introducing the transition allowance, the Dutch authorities ensured that all dismissed workers would receive a transition allowance. This makes workers more equal vis-à-vis dismissals as the obtaining this transition allowance is not subject anymore to the choice of route by the employer. The transition allowance also aimed at being fairer for workers as it does not depend on age but rather on tenure. It is also more focused at helping job-to-job transition as there is a possibility to use part of it to invest in outplacement or vocational training.

Even if the transition allowance appears a rational reform in the Dutch context, the key challenge is now to ensure that this transition allowance meets its objective of enabling smoother work-to-work transition, particularly as the allowance is not ring fenced, but can be spent as the employee wishes. This gives rise to several aspects being discussed during the Peer Review.

2.2.2 Better cooperation with PES and early activation

One of the first element identified is that there are currently no incentives for dismissed workers to use part of their transition allowance for training that could benefit them to find another job more quickly. It was discussed to what extent it was indeed the role of the PES to offer such services, but this depends on the capacity of the PES and the availability of resources for ALMPs. The use of the transition allowance for training required by the local labour market may thus depend on the availability of relevant

[3] CPB, *Gevolgen Wet werk en zekerheid voor werkgelegenheid*, 27 november 2013, Parliamentary Papers II 2013/14, 33 818, No 3, annex 1.

advice and guidance and training services. There was also interest in the precise arrangements which might lead to employers deducting part of the transition allowance if training had been offered whilst employed which could be considered to have contributed to enhance employability. Such deductions are subject to agreement with the trade unions and in the Dutch context there is thus far limited experience of how this will operate in practice. The distinction between training which is useful for the current company and which enhances wider employability was considered to be particularly challenging to draw. The issues of the requirement for training by different workers was also discussed (in order to be re-integrated) and whether it would indeed be necessary to tailor the level of such an allowance to needs (rather than, for instance, the seniority of the worker). The quality of any training delivered would also have to be ensured.

As mentioned above, early activation is recognised as a key factor for quick job-to-job transition. The former system of the severance payment was highlighted as postponing and slowing the natural dynamic of the labour market. Indeed, with this system, people could be incentivised to stay until the last moment instead of moving to another job in order to get the best possible severance deal with the employer. The transition allowance was thus introduced to lead to more activation and one of this possibility is through using the money received to help the transition. However, as for the severance payment, the transition allowance is paid at the end of the contract. Therefore, early activation is compromised as there is no possibility to use this money during the notice period and this is why, ways to pay part of the allowance in advance could be a good solution to enable better activation.

2.2.3 A fairer allowance?

The transition allowance measure was adopted with the aim of being more activating towards employment and fairer to all dismissed workers. Compared to the previous system which depended on cases being brought to court, all dismissed workers are now entitled to the payment, although the average payment is lower.

As mentioned previously, the amount of the transition allowance correlates with the length of employment. Thus, the amount of money may be rather low for employees who have not been in employment for a long time and do not have much experience. In principle, these employees are generally the ones that could struggle to find another job as their experience is not very extensive, although clearly workers with significant seniority also often find it difficult to reintegrate because of their often higher salary expectation which cannot always be replicated in new employment. In addition, the transition allowance is also subject to a threshold of 24-month tenure which means once again, that workers with very low experience, cannot receive the payment. This lack of provisions for short contracts was identified as a challenge to ensure effectiveness of the transition allowance in leading to good work-to-work transition.

3 Experiences from other countries on dismissal rules, the reduction of labour market segmentation and work-to-work transitions

3.1 The importance of early activation

3.1.1 Work-to-work transitions

The aim of having early intervention measures is to provide re-employment support as soon as workers are notified of dismissals or as soon as workers are laid off. The presentation from the OECD showed some examples of such measures.

For instance in **Sweden**, generous notice periods combined with extensive re-employment support before dismissal takes through Job Security Councils.

In Ontario, **Canada**, early-activation is done thanks to job-search support, career counselling services and psychological support offered via Rapid Response Services to workers affected by mass-layoffs.

Even though evaluations of such programmes are largely missing, advance notice and employer cooperation appear to be crucial ingredients for effective early intervention. In Sweden, it has been shown that on average, 80%-90% of dismissed workers find new jobs within 7-8 months.

In the group discussions, representatives of various Member States presented existing mechanisms and policies to facilitate the early activation of dismissed workers.

Outplacement services are a common practice in **Belgium** which favours work-to-work transition. Prior to 2014, outplacement services only concerned dismissed workers aged 45 years and over. Since the adoption of a new law in 2013, they now cover any employee having a notice period or a payment in-lieu equivalent to at least 30 weeks, irrespective of age. As of 2016, this right will shift into a duty as employees will be have to participate in outplacement.

Outplacement services normally consist of 60 hours of services, worth 1/12th of the yearly salary of the calendar year that precedes the dismissal with a minimal value of EUR 1,800 € and a maximal value of EUR 5,500. The employer has the obligation to make a valid outplacement offer, either within a short period of the termination by in-lieu payment or within 4 weeks after the commencement of the notice period.

It is worth mentioning that outplacement services are compulsory in case of collective dismissal. In the event of collective dismissal, the law provides that the employer has to set-up a re-employment cell when s/he announces the collective dismissal. The employer, the trade unions, the regional employment agency and the training fund of the company's sector of industry (if applicable) compose the cell. The regional employment is responsible for offering outplacement services to employees registered with the re-employment cell. Employers who recruit these employees can benefit from discounts on social security contributions. However, this subsidy only lasts for a certain period of time.

In addition to the re-employment cell, two out of the three Belgian regions (namely Flanders and Wallonia) offer the possibility to set-up local reconversion cells. They can be established at the request of the trade unions in the event of a company closure or collective dismissals. These cells are publicly funded and aim to act as local platforms of personal support for workers who have lost their jobs to increase their mobility and employability.

In **Denmark**, job-to-job transitions and professional mobility tend to be seen as the norm. The Danish experience shows that labour market flexibility does not necessarily have negative implications for job security.

One of the most successful features of the Danish system is that employers can dismiss workers with ease and at little cost, partly thanks to low regulatory constraints and the

centrality of collective bargaining. This produces a relatively flexible workforce with relatively low hiring and firing costs for employers and whereby workers do not run the risk of losing their rights and entitlements in changing jobs frequently. That aside, public institutions in Denmark have well-developed mechanisms of financial support for unemployed people and a wide range of active labour market policies to enhance the employability of those who do not immediately find a new job.

In **Finland**, the emphasis is on the early activation of dismissed workers through the entitlement to paid leave already during the period of notice when ten or more workers are dismissed. Employees can use their paid leave to look for a job, or to draw up an employment plan. The duration of the leave varies from 5 to 20 days and is calculated on the basis of the duration of the employee's employment relationship. This leave is however subject to the condition of not causing any significant inconvenience to the employer.

In **Bulgaria**, a similar measure exists to a lesser extent with the working time of workers facing a dismissal being gradually reduced over the notice period to allow them more time to look for a new job. However, this working time reduction only eventually amounts to one day, which may not always provide sufficient time for intensive job search.

There was considered to be a need to raise the profile of practices enabling early activation, such as longer notice periods, flexible work arrangements, and a focus on individual performance in employment relationships. A rethink of employer-employee relationships, a whole new perspective on what a professional career is and entails, are as many conducive factors to policy change and innovation in labour activation.

3.1.2 Definition of 'suitable work'

With the reduction of the maximum duration of unemployment benefit entitlements, the WSA also amends the definition of suitable work. Under the new legislation, all work is deemed to be suitable six months after a person becomes unemployed (previously after 12 months). The scope of what constitutes suitable work is understood to include part-time and temporary work, social work, and on-the-job training. Refusing suitable work after six months results in the temporary suspension or reduction of unemployment benefit entitlements – barring certain circumstances.

This particular measure is meant to further stimulate early activation among workers facing redundancy or dismissal, and also workers having recently lost their jobs, by encouraging them to take the steps necessary to find a job of their choice (the so-called "threat effect"[4]).

However, there are challenges associated to this as requiring more highly educated workers to accept jobs below their level of qualification can reduce their human capital in the long term, lead to less sustainable matches and can lead to lower skilled workers being driven out of such vacancies.

The strengths and weaknesses of this amended definition of "suitable job" were discussed by the PR participants. Experiences from other countries were also shared, revealing that there was a general shift towards the approach adopted in the Netherlands.

In **Bulgaria**, the definition of "suitable work" is provided in the Employment Promotion Act and the definition distinguishes between two periods of time. Before 18 months of unemployment, the criterion of suitable job needs to be assessed in the light of the education level and health status of the jobseeker. After 18 months, only the criterion of health status is taken into account in the assessment. The distance from the workplace also plays a role and there is currently a debate in Bulgaria to lower the minimum distance to 50 km.

[4] Rosholm and Svarer 2008

In **Denmark**, only two criteria apply to determine what a suitable job is, namely distance from the workplace and educational attainment. As in the Netherlands, all benefit recipients must accept any directed job offer from after six months of unemployment. For unemployed people under 30 years of age and those above 50 years of age, the period is reduced to 3 months. The first refusal results in a 3-week suspension of unemployment benefits. The second refusal leads to loss of all benefits. Compared to the Danish system, there appears to be little clarity in the Dutch system regarding the consequences of refusals.

In **Finland**, all work is deemed suitable after three months. No studies are available concerning the effects of this approach in Finland, but in general the PES provides sufficient personal support to ensure that job offers correspond to the professional experience and educational levels of the beneficiaries.

In **Italy** the definition of what is considered to be a "suitable job" was recently modified. The current definition takes three conditions into account which are the distance from residence, the salary offered which needs to be correlated to the last salary received and the duration of the contract which needs to be at least six months. The sanctions and conditions the jobseeker could be subject to are enshrined in the agreement that the jobseeker concludes with the PES. The sanctions can range from the decrease of the amount of the unemployment benefits, their suspension or the total loss of the entitlement.

In **Portugal**, the unemployment benefit scheme is still seen and administered as an insurance against the risks of poverty in the event of a dismissal. Nonetheless, there are growing efforts to introduce more activating elements that make unemployment benefits more similar to a kind of transition allowance. This includes the beneficiaries' obligation to accept any work as long as the total gross pay (before any deductions) is identical or higher than the amount unemployment benefit.

In **Slovenia**, two notions needs also exist and are also distinguished according to the length of the unemployment period. The notion of appropriate job applies during the first three months and the notion of suitable job which applies after this three-month period and requires a jobseeker to accept a job even though it is not connected to its education. People receiving unemployment benefit can work up to €200 per month and can still receive money from the unemployment benefit.

In **Slovakia**, any job is considered as suitable after 12 months of unemployment. Suitability is determined in the basis of health, educational attainment or qualifications, and previous work experience. Refusal to accept suitable work can lead to the termination of unemployment benefits and PES deregistration. Transferring the Dutch concept of any job being considered suitable after 6 months does not seem to be plausible for Slovakia where the unemployment benefit scheme is already much less generous than in the Netherlands, and where the labour market is tight and long-term unemployment is high. The adoption of the Dutch model would add unnecessary pressure on the long-term unemployed and eventually push them into non-suitable jobs.

In **Romania**, it was argued that the concept of "suitable work" could be improved based on the Dutch example. Currently, Romanian legislation merely asks the unemployed to 'actively seek' a job. If the job on offer is below the unemployed person's level of education or training, he or she is not obliged to accept it, regardless of the circumstances.

3.2 Approaches and policies to stimulate the switch from long-standing fixed-term to permanent contracts

The Dutch reform shows that limiting the cumulative length and successive number of fixed-term contracts in legislation while rebalancing social security inequalities between permanent and fixed-term contract workers can potentially lead to a series of positive socio-economic impacts, such as improved employment relations, sustainable insertion into the primary labour market, enhanced career prospects and productivity.

The strictness and complexity of dismissal rules with inequality of treatment between permanent and temporary workers is another major factor of labour market segmentation, and it is an issue which the Dutch WSA has sought to address.

Labour market segmentation remains a major source of labour market inefficiencies, leading to professional instability and long-term unemployment. Many EU Member States reforms have undertaken deep reforms to address this issue, particularly in the wake of the global crisis of 2009.

There is however a great degree of diversity in the reforms undertaken at national, with major differences in the extent to which dismissal rules have been amended. It in fact appears that in many of the participating countries, rules relating to employment protection and fixed-term contracts are less complex than they were in the Netherlands prior to the introduction of the WSA.

In **Italy**, the aim of the new Jobs Act aims to establish a more inclusive labour market by reforming permanent employment protection, reshaping incentives to hire on permanent contacts and imposing time restrictions the use of atypical labour contracts. The new Jobs Act allows for fixed-term contracts to be automatically converted into permanent contracts after their successive renewal for three years or after a cumulative period of temporary employment of 3 years. Abolishing the possibility of reinstatement following dismissal for objective reasons (i.e. business reasons, incompetence and misconduct) constitutes another major aspect of the Jobs Act. Legal procedures only relate to unfair dismissals, and dismissals only considered to be unfair on the grounds of discrimination or personal reasons.

Labour market segmentation is a significant issue in **Slovenia** which the government has sought to address with the liberalisation of the open-ended contract and the introduction of additional restrictions on the use of fixed-term contracts under the labour market reform of 2013. One of the main issue which was flagged up during the Peer Review was the problem of enforcement of the law. Indeed, Slovenian law sets a limit of two years for fixed-term contracts but it is however often not respected in practice. Legal grounds for dismissal in Slovenia are similar to those in the Netherlands (business reasons, incompetence or misconduct). However, the procedural part is rather different. First of all, there is no preventive role of any administrative or judicial body. The employer is empowered to decide whether, when and on which ground will start the procedure of termination following all the relevant rules for a specific valid reason. In every case the dismissed worker might start the procedure in front of a labour court which has to decide upon the legality of the termination of the contract.

In **Portugal**, the measures taken in 2012 and 2013 to lower protection levels in relation to permanent contracts and unemployment benefit entitlements were not part of a comprehensive approach. The Dutch reform seem to be of particular interest because it also include changes in rules governing flexible labour. Shortening the maximum period of temporary employment appears to be a coherent and relevant measure. On the other hand, it seems that the Portuguese regulation on dismissals does not encounter some of the problems that previously existed in the Dutch system, such as the concept of dismissal "routes" or an age-dependent severance pay.

Open-ended contracts are the rule in **Denmark**, **Finland**, and **Norway**. In these countries, the share of fixed-term contracts is very low with their use being mainly related to the nature of the work (e.g. seasonal activities such as agriculture, tourism) or more prevalent among students. Furthermore, dismissal rules are generally straightforward and flexible in the Nordic countries, with the mediation of social partners in procedures being a specificity of the Nordic model.

4 Key Learning Outcomes – moving work-to-work transitions and sustainable labour relations?

The Peer Review participants discussed the Dutch model in light of their country experiences.

The current lack of evaluation and data evidence on the impact of employment protection reforms remains a critical issue. It should also be noted that insufficient time had passed since implementation (and some of the measures of the Dutch WSA are not fully implemented) to assess the outcome of measures aiming to enhance work to work transitions and reducing labour market segmentation.

While it was acknowledged that severance payments can have a disincentive effect for early activation, they were considered important as a disincentive to employers to lay off workers too readily and as a way of stabilising income following dismissal or redundancy. A system of transition payments was considered to be potentially helpful if it is needs based and (at least partly) ring fenced to measures which can provide quality transitions to meet local or regional labour market needs. Some examples of transition support have already been assessed by the OECD and can also serve to act as inspiration, bearing in mind their respective institutional contexts. In order for transition allowances to assist those most in need it may also need to be considered to make them accessible to those with less labour market seniority who often find it most challenging to find new opportunities.

Combining lowered severance payments with a transition allowance was one of the main solutions put forward during the discussions. Several good practices were mentioned in this respect, such as the creation of an employer fund to both collectivise dismissal risks and minimise dismissal costs (e.g. Portugal's labour compensation fund), and a more systematic use of social partner funds for retraining and upskilling based on individual needs (e.g. Sweden's Job security councils; mobility centres in the Netherlands).

In terms of early activation, experiences from certain countries have shown that PES registration requirements during the notice period appear to be effective in encouraging early activation among workers facing dismissal.

Similarly 'threat effect' measures such as a more stringent rules regarding suitable work can have an impact, but caution has to be exercised to ensure such measures do not lead to less sustainable job matches and a deterioration of human capital (or the squeezing out of less skilled workers from suitable vacancies).

Measures to address labour market segmentation have included a combination of reduced protection for workers on open ended contracts and greater protection for fixed-term contract workers. The success or otherwise of different approaches depends on the dynamics of specific labour markets and more research evidence is required to determine their respective effectiveness.

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