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From: General Secretariat of the Council
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Subject: Implementation of the Country-Specific recommendations
- EMCO contribution on the labour market segmentation and contractual
arrangements

Delegations will find attached the country-specific section of the contribution of the Employment Committee on the thematic multilateral surveillance review on labour market segmentation and contractual arrangements.

EMCO Thematic Multilateral Surveillance Review
Labour market segmentation and contractual arrangements
27 January 2016

Workshop 1

Spain

Spain acknowledges that segmentation in the labour market with all its negative consequences remains high and tackling segmentation remains a priority. Spain has addressed segmentation with a comprehensive strategy including reforms of labour market institutions paired with activation policies. Among others, the 2012 reform reduced the difference of dismissal costs between permanent and temporary contracts and has been followed up since then by additional measures in 2014 and 2015. Discussion is continuing about better legal certainty in legal disputes and about successive temporary contracts. Incentives to hire on permanent contracts have been revised to target those with lower wages. Additionally, new employment initiatives have been launched. Results for the reform to show up in figures take time among others due to the entrenched attitudes of employers that need to be tackled. An evaluation will be carried out of the reforms to decide on the further needed steps. Concerns were expressed regarding involuntary part time work. Spain carries out careful monitoring of the developments in this regard.

Portugal

Portugal has addressed segmentation with a strategy including reforms of employment protection legislation and labour market institutions, in the recent years. However, segmentation in the labour market remains significant, though temporary employment partly could have a seasonal character. There was robust hiring on permanent contracts in the last two years, which suggests that the previous reforms of employment protection legislation might have an effect in supporting the labour market recovery through an increase in regular employment. Internal and external evaluations of the past reforms are ongoing.

Among others, two measures continue addressing this issue – a scheme ("Stimulus Employment" Program) providing incentives for those employers hiring on a permanent basis or transform temporary in permanent contracts, and a regional measure in the Algarve region (*Programa Formação Algarve*) to tackle seasonal unemployment, by supporting companies that provide training to employees and renew fixed-term contracts or convert temporary or uncertain contracts into permanent contracts, tackling labour market segmentation.

The excessive use of temporary contracts, as well as the bogus self-employment, is a concern for the (new) Portuguese Government and the Government has been working with the social partners in the discussion of policy measures. Among others, the review of the social security legal framework applied to the self-employed seeking a greater balance between contributive rights and obligations and the increase of the number of labour inspectors are issues in this context.

The Netherlands

The share of temporary contracts in the Netherlands is one of the highest in the EU, while the transition rates from temporary to permanent contracts are among the lowest. The government introduced in July 2015 several measures aimed at reducing the duality between permanent and temporary contracts, such as easing the dismissal procedure and decreasing the dismissal costs, increasing the period between temporary contracts for those to be regarded as successive. It has also limited the maximum duration for receiving unemployment benefits from 36 to 24 months and adopted measures to increase activation. The reform of the dismissal law also envisaged the introduction of a transition allowance, which will help employees find another job if they are made redundant. Concerns were expressed regarding the rapid increase in the number of self-employed taking into account the impact this practice might have on the social protection system, Netherlands acknowledges this challenge and has introduced some initial measures to tackle this development among others in the areas of fighting bogus self-employment, incentives for employers and social security.

Slovenia

Most of the newly conducted contracts are still fixed-term however the transition rates from fixed-term to permanent contracts increased substantially and the share of newly concluded permanent contracts is increasing, particularly for youth. Student work continues to be attractive despite the adoption of the student work regulation in February 2015, which made student work more costly however its misuse seems to have been reduced. Concerns were raised about the increase in the number of the self-employed with only one client and hence possible bogus self-employment. For this purpose, supervisory measures have been strengthened to ensure better compliance with labour legislation and prevent misuse of certain forms of work, there are further plans in this regard. New financial incentives and subsidies for employers to hire workers on permanent contracts are foreseen for 2016.

Since the changes in legislation addressing labour market segmentation are relatively recent, the effects of the reform still need to be assessed. Therefore, further monitoring of the developments in the labour market and evaluations are carried out.

Workshop 2

France

The measures France now has in the pipeline seem to go a long way to the CSRs, but need to be further specified. The use of the *accords d'entreprise* and the reform of the labour code, in particular, will be watched with considerable interest as the take up of newly reformed *accords de maintien de l'emploi*. On the former point, if the *accords d'entreprise* prove to be successful then the importance of the *accords de maintien de l'emploi* may well turn out to be less important than was previously believed. If this is so, then the expectations of them may turn out to have been rather too high: implementation of the relevant section of the CSR should be considered in that context.

Incentives provided to employers remain to be assessed. It will be important to judge the success of these measures not only by the overall share of short-term contracts, but also by their length, their breakdown among sectors and an assessment of the types of contract being used.

EMCO welcomes the reform of labour courts as being a move which goes very much in the right direction.

Italy

EMCO commends Italy on the work undertaken to address the CSR, which it has essentially done in full. Implementation of the measures brought in is now crucial, alongside sufficient robust evaluation and monitoring to allow for subsequent fine-tuning. This evaluation should certainly examine the stock of short-term contracts but also composition of the type of contracts, as well as flows and transitions. The success of many of these measures will also, ultimately, be determined by macroeconomic circumstances.

For the future EMCO would be interested in the way Italy addresses self-employment, and how it seeks to move from temporary labour market incentives to a more permanent and sustainable system.

Poland

The CSR in question addresses a long-standing issue, although the exact nature of the problem is somewhat disputed. Whilst the CSR, as upheld by EMCO, refers to excessive use of temporary and civil law contracts Poland argues that the problem is abuse of such contracts, rather than the total amount *per se*.

In that context, Poland has taken a number of measures which look promising, although their overall impact remains to be seen. The proposed strengthening of the relevant inspectorate in order to tackle abuse seems eminently sensible but will now need to be implemented. Other measures taken to address the abuse of civil law contracts seem to go in the right direction: their impact on the numbers of such contracts will need to be reviewed in the future. Similarly, it is not yet clear if the measures Poland has taken on temporary contracts are sufficient.

Overall, EMCO believes that Poland has made sufficient progress on the specific issues of civil law and temporary contracts to address the CSR for the moment. For the immediate future it would therefore suggest that any future discussions move away from this long-standing issue to a focus which is more on the overall balance of Polish labour law.
