

## CALCULATING SUMMARY INDICATORS OF EPL STRICTNESS: METHODOLOGY

For each country, Employment Protection Legislation (EPL) is described along 21 basic items which can be classified in three main areas: (i) protection of regular workers against individual dismissal; (ii) regulation of temporary forms of employment; and (iii) additional, specific requirements for collective dismissals. More precisely, items 1-9 in the table below refer to the rules affecting regular (permanent) workers dismissed on personal grounds or economic redundancy, but without fault; items 10-17 to the rules affecting standard fixed-term contracts and temporary-work-agency (TWA) employment; and items 18-21 to additional rules applying to collective dismissals. For reference, for the purpose of the computation of the indicators, a standard fixed-term contract is defined as a generic employment contract with a precisely-specified end date (in the form of day, month and year at which the employment relationship is set to end, if the contract is not renewed). By contrast, a TWA contract is defined, for the purpose of the computation of the indicators, as an employment contract under which the employer (hereafter the agency), within the framework of its business or professional practice, places the employee at the disposal of a third party (hereafter the user-firm) in order to perform work (hereafter the assignment) under supervision and direction of that user-firm by virtue of an agreement for the provision of services between the user-firm and the agency. Where relevant, OECD indicators are based on TWA assignments only. Table 1 describes the method used to convert raw data on each item into a cardinal unit or values which is then converted into a score measured on a 0-6 scale, with higher values representing stricter regulation. For additional details on the methodology, please see Chapter 2 in the 2013 OECD Employment Outlook as well as country notes for each country.

**Table 1 Quantifying the 21 basis measures of employment protection strictness**

A. Individual dismissals of workers with regular contracts

	Original unit and short description	Assignment of numerical strictness scores						
		Assigned scores						
		0	1	2	3	4	5	6
<b>1:</b> Notification Procedures	Scale 0-3	Scale (0-3) × 2						
	0   when an oral statement is enough;							
	1   when a written statement of the reasons for dismissal must be supplied to the employee;							
	2   when a third party (such as works council or the competent labour authority) must be notified;							
	3   when the employer cannot proceed to dismissal without authorisation from a third party.							
<b>2:</b> Delay involved before notice can start	Days Estimated time includes, where relevant, the following assumptions: 6 days are counted in case of required warning procedure, 1 day when dismissal can be notified orally or the notice can be directly handed to the employee, 2 days when a letter needs to be sent by mail and 3 days when this must be a registered letter.	≤ 2	< 10	< 18	< 26	< 35	< 45	≥ 45

	Original unit and short description		Assignment of numerical strictness scores						
			Assigned scores						
			0	1	2	3	4	5	6
<b>3:</b> Length of the notice period at	9 months tenure	Months	0	≤ 0.4	≤ 0.8	≤ 1.2	< 1.6	< 2	≥ 2
	4 years tenure	Months	0	≤ 0.75	≤ 1.25	< 2	< 2.5	< 3.5	≥ 3.5
	20 years tenure	Months	< 1	≤ 2.75	< 5	< 7	< 9	< 11	≥ 11
<b>4:</b> Severance pay at	9 months tenure	Months pay	0	≤ 0.5	≤ 1	≤ 1.75	≤ 2.5	< 3	≥ 3
	4 years tenure	Months pay	0	≤ 0.5	≤ 1	≤ 2	≤ 3	< 4	≥ 4
	20 years tenure	Months pay	0	≤ 3	≤ 6	≤ 10	≤ 12	≤ 18	> 18
<b>5:</b> Definition of justified or unfair dismissal	Scale 0-3		Scale (0-3) × 2						
	0	when worker capability or redundancy of the job are adequate and sufficient ground for dismissal;							
	1	when social considerations, age or job tenure must when possible influence the choice of which worker(s) to dismiss;							
	2	when a transfer and/or a retraining to adapt the worker to different work must be attempted prior to dismissal;							
<b>6:</b> Length of trial period	Months	Period within which, regular contracts are not fully covered by employment protection provisions and unfair dismissal claims can usually not be made.	≥ 24	> 12	> 9	> 5	> 2.5	≥ 1.5	< 1.5
	Months pay		Typical compensation at 20 years of tenure, including back pay and other compensation (e.g. for future lost earnings in lieu of reinstatement or psychological injury), but excluding ordinary severance pay.	≤ 3	≤ 8	≤ 12	≤ 18	≤ 24	≤ 30
<b>7:</b> Compensation following unfair dismissal	Scale 0-3		Scale (0-3) × 2						
	0	no right or practice of reinstatement;							
	1	reinstatement rarely or sometimes made available;							
	2	reinstatement fairly often made available;							
<b>8:</b> Possibility of reinstatement following unfair dismissal	3	reinstatement (almost) always made available;	Before dismissal takes effect						
	Months	Maximum time period after dismissal notification up to which an unfair dismissal claim can be made.							
<b>9:</b> Maximum time to make a claim of unfair dismissal									

#### B. Temporary employment

	Original unit and short description		Assignment of numerical strictness scores						
			Assigned scores						
			0	1	2	3	4	5	6
<b>10:</b> Valid cases for use of fixed-term contracts (FTC)	Scale 0-3		6-(Scale (0-3) × 2)						
	0	fixed-term contracts are permitted only for "objective" or "material situation", i.e. to perform a task which itself is of fixed duration;							
	1	if specific exemptions apply to situations of employer need (e.g. launching a new activity) or employee need (e.g. workers in search of their first job);							

	Original unit and short description		Assignment of numerical strictness scores						
			Assigned scores						
			0	1	2	3	4	5	6
	2	when exemption exist on both the employer and employee sides;							
	3	when there are no restrictions on the use of fixed-term contracts.							
<b>11:</b> Maximum number of successive FTC	Number		No limit	≥ 5	≥ 4	≥ 3	≥ 2	≥ 1.5	< 1.5
<b>12:</b> Maximum cumulated duration of successive FTC	Months		No limit	≥ 36	≥ 30	≥ 24	≥ 18	≥ 12	< 12
<b>13:</b> Types of work for which temporary work agency (TWA) employment is legal	Scale 0-4		6-(Scale (0-4) × 6/4)						
	0	when TWA employment is illegal;							
	1	only allowed in specified industries;							
	2	only allowed for "objective reasons";							
	3	generally allowed, with specified exceptions;							
	4	generally allowed, no (or minimal) restrictions.							
<b>14:</b> Restrictions on number of renewals.	Yes/No		-	-	No	-	Yes	-	-
<b>15:</b> Maximum cumulated duration of TWA assignments	Months		No limit	≥ 36	≥ 24	≥ 18	≥ 12	> 6	≤ 6
<b>16:</b> Does the set-up of a TWA require authorisation or reporting obligations	Scale 0-3		Scale (0-3) × 2						
	0	no authorisation or reporting requirements;							
	1	requires special administrative authorisation;							
	2	requires periodic reporting obligations;							
	3	both authorisation and reporting requirements.							
<b>17:</b> Do regulations ensure equal treatment of regular and agency workers at the user firm?	Scale 0-2		Scale (0-2) × 3						
	0	no requirement for equal treatment;							
	1	equal treatment regarding pay <u>or</u> working conditions;							
	2	equal treatment regarding pay <u>and</u> working conditions.							

### C. Additional regulations for collective dismissals

	Original unit and short description		Assignment of numerical strictness scores						
			Assigned scores						
			0	1	2	3	4	5	6
<b>18:</b> Definition of collective dismissal	Scale 0-4		Scale (0-4) × 6/4						
	0	if there is no additional regulations for collective dismissals;							
	1	if specific regulations apply from 50 dismissals upward;							
	2	if specific regulations apply from 20 dismissals onward;							
	3	if specific regulations apply at 10 dismissals;							

	Original unit and short description	Assignment of numerical strictness scores						
		Assigned scores						
		0	1	2	3	4	5	6
	4 if specific regulations start to apply at below 10 dismissals;							
<b>19:</b> Additional notification requirements	Scale 0-2	Scale (0-2) × 3						
	There can be notification requirements to <i>works councils</i> (or employee representatives), and to <i>government authorities</i> such as public employment offices. Countries are valued according to whether there are additional notification requirements on top of those requirements applying to individual redundancy dismissal.							
	0 no additional requirements;							
	1 when one more actor needs to be notified;							
	2 when two more actors need to be notified.							
<b>20:</b> Additional delays involved before notice can start	Days Delays in addition to those in the case of individual dismissal	0	< 25	< 30	< 50	< 70	< 90	≥ 90
<b>21:</b> Other special costs to employers	Scale 0-2	Scale (0-2) × 3						
	This refers to whether there are additional <i>severance pay</i> requirements and whether <i>social compensation plans</i> (detailing measures of reemployment, retraining, outplacement, etc.) are obligatory or common practice							
	0 no additional requirements;							
	1 additional severance pay <u>or</u> social compensation plans required;							
	2 additional severance pay <u>and</u> social compensation plans required.							

After converting each item to a cardinal scale, the synthetic indicators are calculated using the weights shown in Tables 2 and 3. There are two sub-indicators measuring the strictness of regulation on regular contracts. They concern regulations on individual dismissals and additional provisions collective dismissals. Then the synthetic indicator for individual and collective dismissals for workers with a regular contract (EPRC) is computed. A synthetic indicator for temporary contracts (EPT) is also available. Three versions of synthetic indicators are available, reflecting changes over time in the breadth of information incorporated into them:

- Version 1: EPRC does not include item 9 (maximum to make a claim of unfair dismissal) and additional provision for collective dismissals (items 18-21). EPT does not include items 16 (authorisation and reporting requirements for TWAs) and 17 (equal treatment for TWA workers). These indicators are available since 1985 for most countries.
- Version 2: EPRC does not include item 9 (maximum to make a claim of unfair dismissal) but includes additional provision for collective dismissals (items 18-21). EPT is the same as for version 2. These indicators are available since 1998 for most countries.
- Version 3: EPRC incorporates one new data item and EPT two new data items collected for the first time in 2008 (items 9, 16 and 17). These are now the main indicators of employment protection used by the OECD.

**Table 2 Strictness of employment protection – individual and collective dismissals (regular workers), summary indicator weights**

Level 1 Scale 0-6	Level 2 Scale 0-6	Level 3 Scale 0-6	Level 4 Scale 0-6	Version 1 & 2 weights	Version 3 weights		
Individual and collective dismissals – regular workers (EPRC)	Individual dismissals – regular workers (EPR) (version 2 & 3: <b>5/7</b> ;) (version 1: <b>1</b> )	Procedural inconveniences (1/3)	1. Notification procedures 2. Delay to start a notice	(1/2) (1/2)	(1/2) (1/2)		
		Notice and severance pay for no-fault individual dismissals (1/3)	3. Notice period after	9 months 4 years 20 years	(1/7) (1/7) (1/7)	(1/7) (1/7) (1/7)	
			4. Severance pay after	9 months 4 years 20 years	(4/21) (4/21) (4/21)	(4/21) (4/21) (4/21)	
			Difficulty of dismissal (1/3)	5. Definition of unfair dismissal		(1/4)	(1/5)
				6. Trial period		(1/4)	(1/5)
		7. Compensation			(1/4)	(1/5)	
		Additional provisions for collective dismissals (EPC) (version 2 & 3: <b>2/7</b> ) (version 1: <b>0</b> )	8. Reinstatement		(1/4)	(1/5)	
			9. Maximum time for claim		--	(1/5)	
			18. Definition of collective dismissal		(1/4)	(1/4)	
			19. Additional notification requirements		(1/4)	(1/4)	
20. Additional delays involved			(1/4)	(1/4)			
		21. Other special costs to employers	(1/4)	(1/4)			

**Table 3 Strictness of employment protection – temporary contracts, summary indicator weights**

Level 1 & 2 Scale 0-6	Level 3 Scale 0-6	Level 4 Scale 0-6	Version 1 & 2 weights	Version 3 weights	
Temporary contracts (EPT)	Fixed term contracts (EPFTC) (1/2)	10. Valid cases for use of fixed-term contracts	(1/2)	(1/2)	
		11. Maximum number of successive contracts	(1/4)	(1/4)	
		12. Maximum cumulated duration	(1/4)	(1/4)	
	Temporary work agency employment (EPTWA) (1/2)	13. Types of work for which is legal		(1/2)	(1/3)
		14. Restrictions on number of renewals		(1/4)	(1/6)
		15. Maximum cumulated duration		(1/4)	(1/6)
		16. Authorisation and reporting		--	(1/6)
	17. Equal treatment		--	(1/6)	