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## **The New OECD Employment Protection Legislation Indicators for Temporary Contracts**

The Employment Protection Legislation (EPL) indicators quantify the costs and procedures involved in dismissing individuals – or groups of employees – and using temporary contracts. In 2020, the OECD released an update of the EPL indicators. Besides updating past time series, this release provided new sets of indicators that better reflect employment protection legislation for *regular workers* (new Version 4 of the EPL indicators for dismissing regular workers). The new indicators were presented in a chapter of the 2020 OECD Employment Outlook (OECD, 2020<sup>[1]</sup>). This note accompanies the release of the new Version 4 of the EPL indicators for *temporary contracts*.

Versions 1-3 of the EPL indicators for temporary contracts were limited to hiring restrictions for workers on fixed-term or temporary work agency contracts. With Version 4, the scope of these indicators has been extended to termination costs of fixed-term contracts<sup>1</sup> in order to capture more adequately the overall level of regulation of temporary contracts and the degree of institutional dualism in the labour market. Therefore, two indicators of protection against individual termination of fixed-term contracts (EPTTs) (i) on the day they expire, and (ii) before they expire, have been constructed based on the same model as the indicator of protection of regular workers against individual dismissals (EPR). This note presents the two new EPTT indicators, as well as the new Version 4 of the overall indicator of regulation of temporary contracts (EPT).

## The design of the indicators of protection against terminating fixed-term contracts

The starting point of the structure of the two EPTTs is the structure of the EPR. The EPR indicator takes into account four broad aspects of dismissal regulation: (i) procedural requirements, (ii) notice period and severance pay, (iii) the regulatory framework for unfair dismissals and (iv) enforcement of unfair dismissal regulation. These categories are defined from a number of lower-level elements (or items) (Table 1). The four broad categories determine with equal weight the aggregate score, and the lower-level elements determine with equal weight the scores for the four broad categories.<sup>2</sup> The final weights assigned to each item in the EPR are shown in Table 1 column (1). The EPR excludes the regulation of dismissals involving illegitimate behaviour of the worker (such as theft, misconduct or unauthorised absence from work) or explicitly prohibited grounds (such as discrimination or violation of civil right legislation).

The indicator of protection against terminating fixed-term contracts *before* the end of the contract (EPTT\_before) takes account of the same four categories of dismissal regulations as the EPR, defined from the same lower - level elements. In line with the EPR, it excludes the regulation of terminations involving illegitimate behaviour of the worker or explicitly prohibited grounds. The only difference between the design of the EPTT\_before and that of the EPR is that, for the EPTT\_before the regulation is assessed

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<sup>1</sup> The termination rules of temporary work agency assignments are subject to commercial contract regulation, which is out of the scope of the EPL indicators. In addition, the termination costs of temporary work agency contracts are paid by the temporary work agency, which invoices them to the user firm together with the other costs. Therefore, these are not one-time termination costs paid by the user firm at the end of the employment relationship.

<sup>2</sup> The only exception is the lower-level category notice and severance pay, in which severance pay carries a slightly higher weight (4/7) than notice period (3/7). The rationale is that workers can still contribute to the firm's output while on notice. Consequently, the net cost to the firm is higher for a month of severance pay than for a month of advance notice.

exclusively for a worker with 9 months of tenure. By contrast, the EPR takes into account several durations of tenure.<sup>3</sup> The final weights assigned to each item in the EPTT\_before are shown in Table 1 column (2).<sup>4,5</sup>

As with the EPTT\_before, the starting point for the structure of the indicator of protection against terminating fixed-term contracts at the end of the contract (EPTT\_at) is the structure of the EPR with regulation assessed exclusively at 9 months of tenure. However, in all countries, and for a worker with 9 months of tenure, the end of a fixed-term contract is always a fair reason for termination.<sup>6</sup> There is therefore no possible dispute about the reason for termination at the end of the contract.<sup>7</sup> For this reason, all aspects of regulation dealing with the application and enforcement of unfair dismissal regulations are excluded from the EPTT\_at indicator. These correspond to items 6, 7, 8, 9, 22, 23 and 24 in Table 1. The remaining three broad categories determine with equal weight the aggregate score, and the remaining lower-level elements determine with equal weight the scores of the broad categories<sup>8</sup>. The resulting final weights assigned to each item in the EPTT\_at are shown in Table 1 column (3).<sup>9</sup>

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<sup>3</sup> In the EPR, notice period and severance pay are assessed at three different tenures (9 months, 4 years, and 20 years) (Table 1) and compensation following unfair dismissal is assessed at 20 years of tenure.

<sup>4</sup> In the case of Luxembourg, the EPTT\_before is restricted to the sub-component definition of unfair dismissal (item 5). This is because dismissal procedures before the end date of a fixed-term contract can only be related to serious reasons, such as the death or illness of the employer or serious misconduct, which are not considered in the EPL indicators.

<sup>5</sup> Table A A.1 in Annex provides the full scoring scale for all items of the indicators of protection against terminating fixed-term contracts.

<sup>6</sup> Unfair dismissal rules apply to both permanent and fixed-term contracts (before and at the end) in Ireland (unless explicitly excluded in the employment contract) and the United Kingdom. Therefore, the end of a fixed-term contract is no longer a fair reason for termination after expiry of the trial period in these two countries (at 12 months of tenure in Ireland and 24 months in the United Kingdom).

<sup>7</sup> Disputes may arise concerning the non-renewals of fixed-term contracts on explicitly prohibited grounds (such as discrimination or violation of civil right legislation), but terminations involving these grounds are not considered in the EPL indicators.

<sup>8</sup> As for the EPTT\_before and the EPR indicators, the only exception is the lower-level category notice and severance pay, in which severance pay carries a slightly higher weight (4/7) than notice period (3/7).

<sup>9</sup> The weighting of the EPTT\_at is used for the EPTT\_before in countries where termination of the fixed-term contract before the end date can be at the will of the employer (at 9 months of tenure), namely in Austria, Ireland, Switzerland, the United Kingdom and the United States.

**Table 1. The design of the indicators of protection against terminating fixed-term contracts**

Category of regulation	Lower-level elements of regulation	(1) Weights: EPR	(2) Weights: EPTT before the end date	(3) Weights: EPTT at the end date
Procedural requirements	1. Notification procedures	1/8	1/8	1/6
	2. Time delay before notice can be given	1/8	1/8	1/6
Notice and severance pay	3a. Length of notice period (9 months tenure)	1/28	3/28	3/21
	3b. Length of notice period (4 years tenure)	1/28	-	-
	3c. Length of notice period (20 years tenure)	1/28	-	-
	4a. Amount of severance pay (9 months tenure)	1/21	3/21	4/21
	4b. Amount of severance pay (4 years tenure)	1/21	-	-
Regulatory framework for unfair dismissals	4c. Amount of severance pay (20 years tenure)	1/21	-	-
	5. Definition of unfair dismissal	1/16	1/16	1/3
	6. Length of trial period (the initial period in which unfair dismissal claims cannot be made)	1/16	1/16	-
	7. Compensation to the worker following unfair dismissal	1/16	1/16	-
Enforcement of unfair dismissal regulation	8. Possibility of reinstatement following unfair dismissal	1/16	1/16	-
	9. Maximum time to make a claim of unfair dismissal	1/16	1/16	-
	22. Burden of proof when the worker files a complaint for unfair dismissal	1/16	1/16	-
	23. Ex-ante validation of the dismissal by an external authority	1/16	1/16	-
	24. Pre-termination resolution mechanism granting unemployment benefits	1/16	1/16	-

Note: The weights provided are the final weights used in the indicators. In columns (1) and (2), the four broad categories of dismissal regulation determine with equal weight (25%) the aggregate score; the lower-level elements determine with equal – or almost equal – weight the scores of the four broad categories. In column (3), the three broad categories procedural requirements, notice and severance pay, and regulatory framework for unfair dismissals determine with equal weight (33%) the aggregate score; the lower-level elements determine with equal – or almost equal – weight the scores of the three broad categories. In the case of Luxembourg, the EPTT\_before is restricted to the sub-component definition of unfair dismissal (item 5). This is because dismissal procedures before the end date of a fixed-term contract can only be related to serious reasons, such as the death or illness of the employer or serious misconduct, which are not considered in the EPL indicators. The weighting of the EPTT\_at is used for the EPTT\_before in countries where termination of the fixed-term contract before the end date can be at the will of the employer (at 9 months of tenure), namely in Austria, Ireland, Switzerland, the United Kingdom and the United States. Table A A.1 provides the full scoring scale.

## Employment protection against terminating fixed-term contracts in OECD countries in 2019

This section presents the values of the EPTTs. This is done in relation to the EPR, in order to compare the regulations applying to fixed-term contracts and regular contracts. Table A A.2 in Annex presents the qualitative information underlying the coding of the EPTTs. Table A A.1 provides the full scoring scale.

The black dots in Figure 1 show the two EPTT indicators of protection against terminating fixed-term contracts before the end (top panel) and at the end (bottom panel). Each EPTT indicator is presented together with an ad-hoc indicator of protection of regular workers against individual dismissals (ad hoc EPR, represented by the blue bars). Indeed, the design of the ad hoc EPR is aligned with that of the EPTT to allow for a comparison of the level of protection of permanent workers with that of fixed-term workers.<sup>10</sup>

<sup>10</sup> The ad-hoc indicators of protection of regular workers against individual dismissals (ad hoc EPRs) are made of the sub-components of the original EPR aggregated using the same weights as those used to construct the EPTT\_before (top panel) and EPTT\_at (bottom panel). These weights are provided in columns (2) and (3) of Table 1 respectively.

In particular, in the two ad-hoc EPRs, notice period and severance pay are assessed exclusively at 9 months of tenure.

In a few countries, the assessed level of protection is higher during the execution of a fixed-term contract (i.e. *before* the day it expires) than during a permanent contract (Figure 1 top panel). For example, the EPTT\_before is maximum in Luxembourg, where dismissals before the end date of a fixed-term contract are allowed mainly in the event of serious misconduct. In Columbia and Estonia, the employer has to pay the remaining wage until the end of the contract in case of termination of a fixed-term contract before its end date for economic reasons. The remaining wage until the end of the contract is awarded to an unfairly dismissed fixed-term worker in Chile, Colombia, France and Portugal. In Portugal, the severance pay is higher and the trial period is shorter for fixed-term workers than for permanent workers. Finally, fair reasons for dismissal are more limited before the end date of a fixed-term contract than during a permanent contract in France, Greece and Japan. In these countries, fair dismissals before the end of a fixed-term contract are mainly limited to cases of serious misconduct or unsuitability.

By contrast, the assessed level of protection is considerably lower before the end of a fixed-term contract than during a permanent contract in a number of countries. In Austria, the employer and the worker can contractually agree on the circumstances and procedures for terminating a fixed-term contract before its end date, including the possibility to terminate the contract at any time without restrictions. Similarly, in Switzerland, the fixed-term contract can be terminated at any time if specified in the employment contract. In Italy, the layoff tax that the employer has to pay when dismissing a permanent worker is not due when dismissing a worker with a fixed-term contract, and, in the event of unfair dismissal, the employer has to pay the remaining wage until the end of the contract, compared to 6 to 36 months of pay for regular workers. In Poland, when the dismissed employee is on a fixed-term contract, the notification procedure is simplified and the worker cannot be reinstated in the event of unfair dismissal.

In the spirit of the other EPL indicators, the EPTT\_before refers to *de jure* ex-ante restrictions on terminations actually taking place before the end date of a fixed-term contract, inferred from regulation and judicial practice. Where these restrictions are tight, employers may often decide to wait until the end of the contract rather than terminate the contract before the end date. The EPTT\_before does not reflect the *de facto* level of restriction resulting from employers' (and workers') behaviours.

In most countries, there are no restrictions on the termination of a fixed-term contract *at* its end date, as measured by the EPTT\_at (Figure 1 bottom panel).<sup>11</sup> Still, the indicator reflects some restrictions in a few countries<sup>12</sup>. These include notice periods (Colombia, Portugal), severance pay (France, Portugal, Slovenia and Spain), notification procedures (Chile, Colombia, Mexico and Portugal) and the priority given to employees on fixed-term contracts for hiring on permanent contracts (Korea, Portugal). In any case, in all

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The only exceptions are the sub-component compensation following unfair dismissals, which is assessed at 9 months of tenure instead of 20 years, and the sub-components notification procedures and definition of unfair dismissal in Ireland and the United Kingdom. This is because, in these two countries, the trial period is longer than 9 months. This means that workers (whether on permanent or fixed-term contracts) are not eligible for protection against unfair dismissal at 9 months of tenure. The sub-components notification procedures and definition of unfair dismissal are therefore equal to zero in the ad hoc EPRs, since, like the EPTs, these indicators should assess the level of protection that applies at 9 months of tenure. This is not the case for the same components of the original EPR, which are assessed after the trial period, as is the general rule for the EPR.

<sup>11</sup> In many countries, additional restrictions may arise when the employer has violated the regulation on the maximum number of renewals of fixed-term contracts: in that case, judicial practices often consider the contract as a permanent contract. This case is considered to fall under the indicators for regular workers, and is not considered in the EPTT\_at.

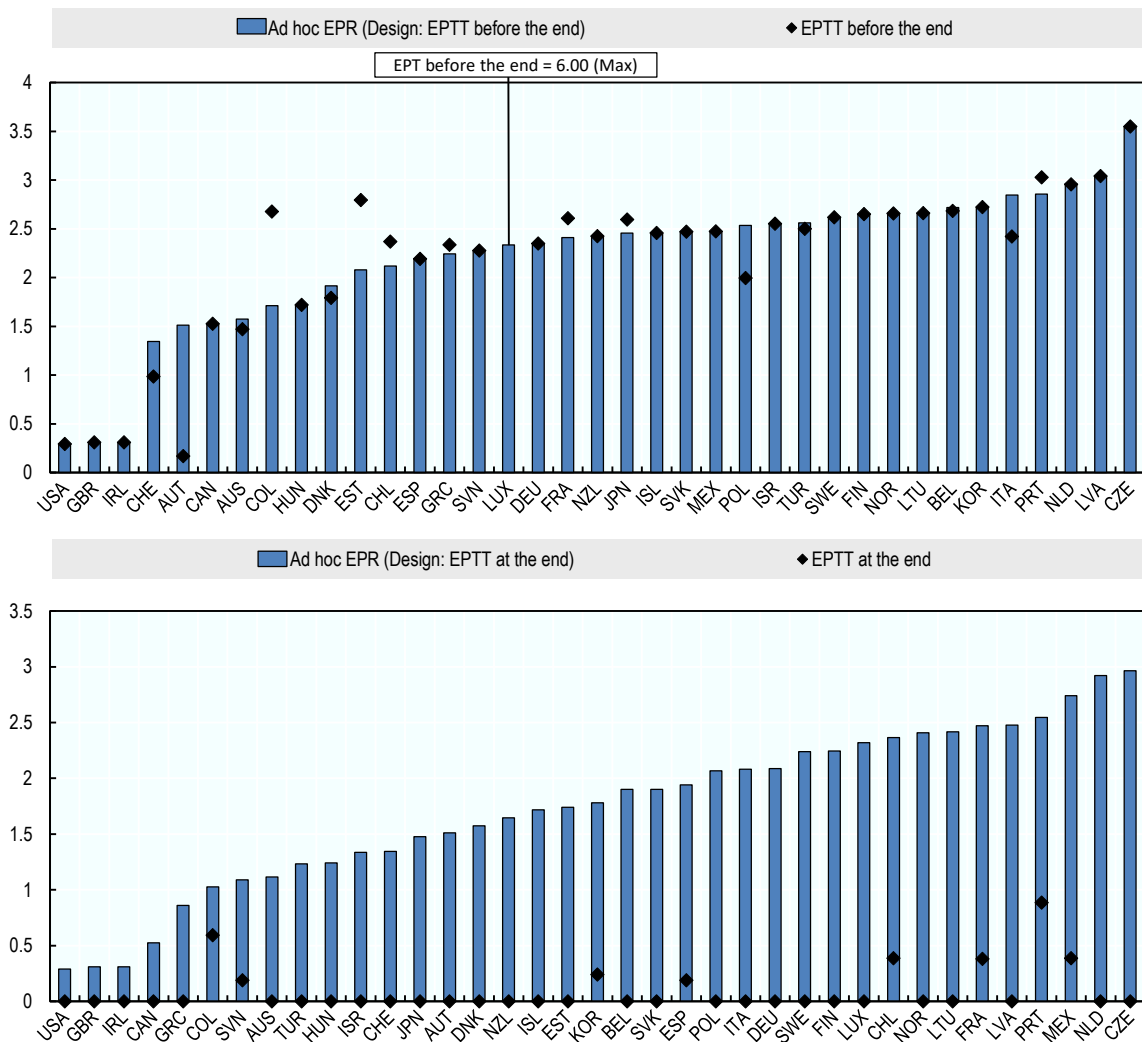
<sup>12</sup> The EPTT\_at reflects the level of protection that applies at 9 months of tenure. Additional restrictions would be visible at longer tenure, such as in the United Kingdom, where all workers are covered by unfair dismissal rules if they have at least one year's tenure (including workers at the end of a fixed-term contract).

countries, the two panels in Figure 1 confirm that the attractiveness of fixed-term contracts for firms comes from their low termination costs at the end.

Given the differences in the design of the EPTT\_at and EPTT\_before (Table 1), the two indicators cannot be directly compared. However, it is possible to construct an ad-hoc indicator of protection against terminating fixed-term contracts before the end date for comparison purposes by aggregating its sub-components using the same weights as those used to construct the EPTT\_at (Table 1 column (3)).

**Figure 1. Comparing protection against terminating fixed-term and permanent contracts**

2019



Note: Range of indicator scores: 0 to 6. The black dots report the two EPTT indicators of protection against terminating fixed-term contracts before the end (top panel) and at the end (bottom panel). The blue bars report ad-hoc indicators of protection of regular workers against individual dismissals (ad hoc EPRs) constructed for comparison purposes. The ad hoc EPRs are made of the sub-components of the original EPR aggregated using the same weights as those used to construct the EPTT\_before (top panel) and EPTT\_at (bottom panel). These weights are provided in columns (2) and (3) of Table 1 respectively. The only exceptions are the sub-component compensation following unfair dismissals, which is assessed at 9 months of tenure instead of 20 years, and the sub-components notification procedures and definition of unfair dismissal in Ireland and the United Kingdom, which are taken equal to zero in the ad hoc EPRs, as workers are not eligible for protection against unfair dismissal at 9 months of tenure.

## Overall regulation of temporary contracts in OECD countries in 2019

The new Version 4 of the overall indicator of regulation of temporary contracts (EPT) takes into account, with equal weights, each broad category of hiring regulation (i.e. for fixed-term and temporary work agency contracts) already included in the previous Version 3, and a new broad category specific to the termination of fixed-term contracts (Table 2). The two indicators for terminating fixed-term contracts before and at the end date contribute in equal shares to the new category of termination regulation. The structure of the two categories of hiring regulation is detailed in OECD (2020<sub>[1]</sub>).

**Table 2. The design of the overall indicator of regulation of temporary contracts**

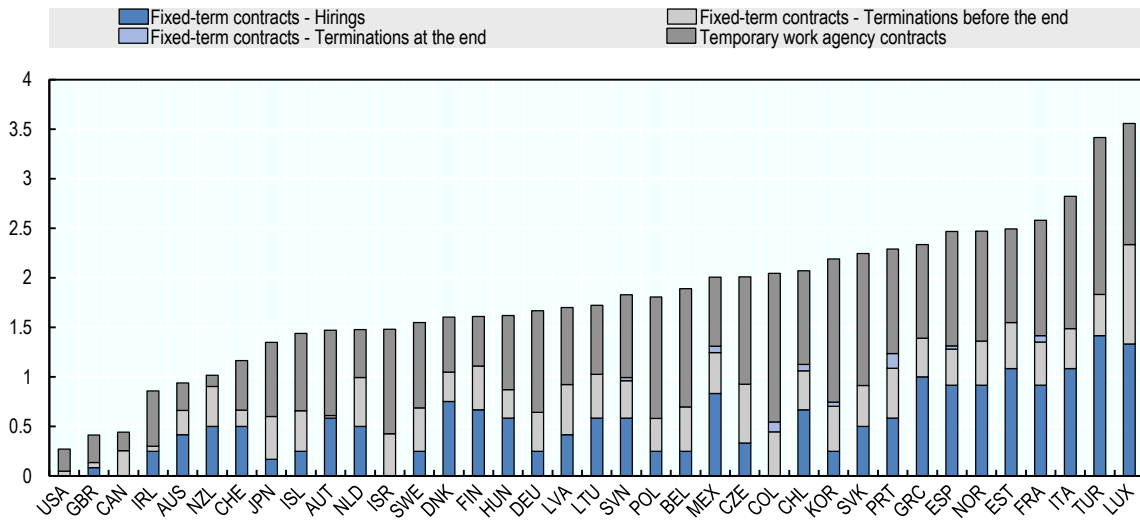
Category of regulation		Weights in the overall indicator for temporary contracts	
		New Version 4	Version 3
Hiring on temporary work agency contracts		1/3	1/2
Hiring on fixed-term contracts		1/3	1/2
Termination of fixed-term contracts (new category)	EPTT before the end	1/6	-
	EPTT at the end	1/6	-

Note: The changes indicated in blue are with respect to the previous Version 3 of the indicator. The detailed structure of the two categories of hiring regulations is provided in OECD (2020<sub>[1]</sub>).

The new Version 4 of the overall indicator of regulation of temporary contracts shows the same patterns as its previous Version 3 (which excludes termination regulation), discussed in OECD (2020<sub>[1]</sub>). In particular, all common-law OECD countries (the United States, the United Kingdom, Canada, Ireland, Australia, New Zealand and Israel) are at or near the bottom of the distribution of regulatory restrictions to temporary contracts, while nine of the ten countries with the highest regulation are EU countries (Luxembourg, Italy, France, Estonia, Norway, Spain, Greece, Portugal and the Slovak Republic) (Figure 2). In addition, the correlation between the overall indicator of regulation of temporary contracts and the indicator for individual dismissals of regular workers is clearly positive (Figure 3). Still, a few countries (e.g. Israel and the Netherlands) have a remarkably low level of regulation for temporary workers, given their regulation for regular worker. The level of regulatory dualism is therefore relatively high in these countries according to the indicators. In contrast, in Estonia, regulation of temporary contracts is high in relation to the level of protection of regular contracts.

**Figure 2. Strictness of overall regulation of temporary contracts**

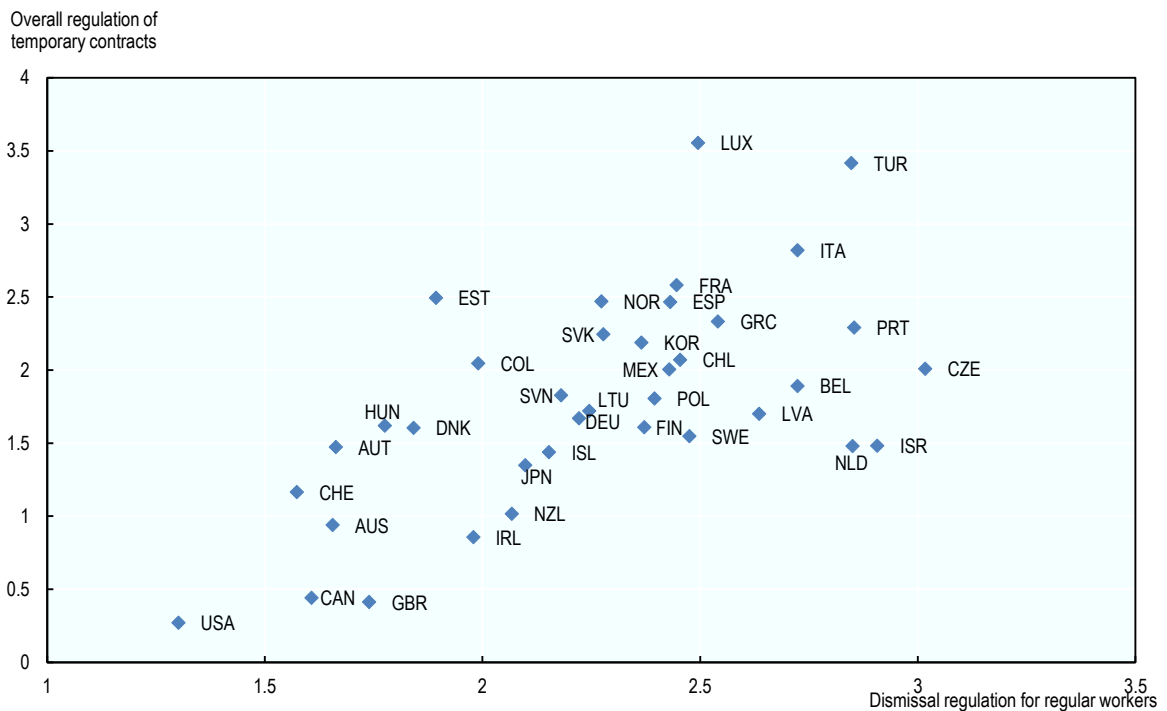
Overall EPL indicator for temporary contracts, Version 4, 2019



Note: Range of indicator scores: 0-6. These aggregate indicators assign the same weight to hiring regulation for fixed-term contracts, hiring regulation for temporary work agency contracts and termination of fixed-term contracts. The two indicators for terminating fixed-term contracts before and at the end date contribute in equal shares to termination of fixed-term contracts.

**Figure 3. Dismissal regulation for regular workers and overall regulation of temporary contracts are positively correlated**

Version 4, 2019



Note: Range of indicator scores: 0-6. The indicator for dismissals of regular workers is for individual dismissals only, as the indicator for temporary workers is also based on one worker.



# References

- OECD (2020), "Recent trends in employment protection legislation", in *OECD Employment Outlook 2020: Worker Security and the COVID-19 Crisis*, OECD Publishing, Paris, <https://dx.doi.org/10.1787/af9c7d85-en>. [1]
- OECD (2014), *OECD Employment Outlook 2014*, OECD Publishing, Paris, [https://dx.doi.org/10.1787/empl\\_outlook-2014-en](https://dx.doi.org/10.1787/empl_outlook-2014-en). [2]

## Annex A. Additional tables

**Table A A.1. Detailed components of the indicators of protection against terminating fixed-term contracts**

Item	Values and description		Assigned score					
			0	1	2	3	4	5
<b>Procedural inconvenience before notice can be given</b>								
<b>Item 1:</b> Notification procedures	0	An oral statement is enough, or a written statement without reason for the dismissal to the employee is required.*	Multiply by (6/4.5), so that the score lies between 0 and 6.					
	1	A statement of the reason for the dismissal to the employee in writing or to a third party is required.*						
	2	A written statement sets the limits of disputes on the reason for the dismissal once for all (given the information available at the time of writing).*						
	3	A consultation of or an inspection by a third party is required.						
	4	An authorisation from a third party is required.						
	Add +0.5 if a warning procedure (i.e. a series of discussions with the employee on the issues) is required in the event of a personal dismissal. * Add +0.5 if an additional consultation of the employee only is required (+0.25 for personal reasons only, +0.25 for economic reasons only).							
<b>Item 2:</b> Time delay before notice can be given	Months Estimated time includes, where relevant, the following assumptions: six days are counted in case of a required warning procedure, one day when dismissal can be notified orally or the notice can be directly handed to the employee, two days when a letter needs to be sent by mail and three days when this must be a registered letter.	0	≤ 0.4	≤ 0.8	≤ 1.2	< 1.6	< 2	≥ 2
<b>Notice and severance pay</b>								
<b>Item 3:</b> Length of notice period	Months, at 9 months of tenure	0	≤ 0.4	≤ 0.8	≤ 1.2	< 1.6	< 2	≥ 2
<b>Item 4:</b> Amount of severance pay	Compensation in months pay, at 9 months of tenure	0	≤ 0.5	≤ 1	≤ 1.75	≤ 2.5	< 3	≥ 3

Item	Values and description	Assigned score					
		0	1	2	3	4	5
<b>Regulatory framework for unfair dismissals</b>							
<b>Item 5:</b> Definition of unfair dismissal	Individual dismissals: weighted average of Items 5a, 5b, 5c and 5d, with the following weights to ensure equal weight for dismissals for economic reasons and dismissals for personal reasons: 5a: $(1/2) \times (1/3)$ 5b: $(1/2) \times (1/3)$ 5c: $(1/2) \times (1/3)$ 5d: $1/2$ . Collective dismissals (only for economic reasons): weighted average of Items 5a, 5b and 5c, with equal weights ( $1/3$ each).						
<b>Item 5a:</b> Dismissal for economic reasons: Degrees of freedom of the judges	0	No justification is required, or any justification is fair.	Multiply by 2, so that the score lies between 0 and 6.				
	1	The judges can only question patently irrational decisions or false reasons.					
	2	The judges can question the operational need of the dismissal decision.					
	3	Economic reasons are not a valid justification.					
<b>Item 5b:</b> Dismissal for economic reasons: Specific alternatives to the dismissal and binding obligations in the event of a dismissal	0	+1 for each of the following alternatives/obligations:	See previous column.				
	1	- Transfer					
	2	- Retraining					
	3	- Outplacement services and training					
	4	- Priority for re-hiring and/or no fixed-term contract on a similar job					
	5	- Social plan (even if it includes some of the above obligations).					
	6	Economic reasons are not a valid justification.					
<b>Item 5c:</b> Dismissal for economic reasons: Selection criteria	0	No worker selection criteria or only performance criteria.	Multiply by 3, so that the score lies between 0 and 6.				
	1	Objective selection criteria other than performance.					
	2	Economic reasons are not a valid justification.					
<b>Item 5d:</b> Dismissal for personal reasons: Fair reasons for dismissal <i>NA for collective dismissals</i>	0	No justification is required, or any justification is fair.	Multiply by $(6/4)$ , so that the score lies between 0 and 6.				
	1	i) Insufficient performance, ii) unsuitability for medical reasons and iii) unsuitability due to insufficient skills/qualifications are fair reasons for dismissal.					
	2	One reason among these three cannot be a ground for a dismissal.					
	3	Two reasons among these three cannot be grounds for a dismissal.					
	4	These three reasons cannot be grounds for a dismissal.					
	Add +0.25 per fair reason (among the three mentioned under value 1 for which constraining alternatives to dismissal (such as transfer or retraining) must be attempted.						

Item	Values and description		Assigned score						
			0	1	2	3	4	5	6
<b>Item 6:</b> Length of trial period <i>NA for collective dismissals</i>	Months It is defined as the period within which regular contracts are not fully covered by employment protection provisions and unfair dismissal claims usually cannot be made.		≥ 24	> 12	> 9	> 5	> 2.5	≥ 1.5	< 1.5
			Add +1 to the score when notice period plus equivalent compensation just before the end of the trial period is at least two weeks. Add +1 to the score when no trial period. Multiply by (6/7), so that the score lies between 0 and 6.						
<b>Item 7:</b> Compensation for the employee following an unfair dismissal	Compensation in months pay Typical compensation at 9 months of tenure, including back pay and other compensation, but excluding ordinary severance pay.		0	≤ 1.33	≤ 2	≤ 3.15	≤ 5	≤ 7.9	> 7.9
<b>Item 8:</b> Possibility of reinstatement following an unfair dismissal	0	No right or practice of reinstatement.	Multiply by 2, so that the score lies between 0 and 6.						
	1	Reinstatement rarely or sometimes made available.							
	2	Reinstatement fairly often made available.							
	3	Reinstatement (almost) always made available.							
<b>Enforcement of unfair dismissal regulation</b>									
<b>Item 9:</b> Maximum time to make a claim of unfair dismissal	Duration in months Maximum time period after the contract termination date up to which an unfair dismissal claim can be made.		Before dismissal takes effect	≤ 1	≤ 3	≤ 6	≤ 9	≤ 12	> 12
<b>New Item 22:</b> Burden of proof when the employee files a complaint for unfair dismissal	Does the burden of proof lie with the employee only?		-	-	Yes	-	No	-	-
<b>New Item 23:</b> Ex-ante validation of the dismissal	Does an ex-ante validation of the dismissal (e.g. by an external authority) limit the scope of (or prevent entirely) unfair dismissal complaints?		-	-	Yes	-	No	-	-
<b>New Item 24:</b> Pre-termination resolution mechanisms granting unemployment benefits	0	Resignation or some form of mutual consent gives access to unemployment benefits <b>under the same conditions</b> as in the event of a dismissal.	Multiply by 3, so that the score lies between 0 and 6.						
	1	Resignation or some form of mutual consent gives access to unemployment benefits, but <b>with a longer waiting period or lower replacement rate</b> compared with the event of a dismissal.							
	2	Neither resignation nor any form of mutual consent gives access to unemployment benefits, while dismissal gives access to unemployment benefits.							

Note: Where there are differences by types of dismissal, the scored value is the average of the values for a dismissal for personal and for economic reasons. Where there are differences by firm size, the scored value is the average of the values for a firm with 35, 150 and 350 employees. Where severance pay or unfair dismissal compensation is for the remaining duration of the contract, it is calculated assuming a uniform distribution of remaining contract durations between zero and the typical duration of one fixed-term contract. The same coding is used for the two indicators of protection against terminating fixed-term contracts before the end and at the end. However, as the end of a fixed-term contract is a fair reason for termination in all countries (at 9 months of tenure), Items 6, 7, 8, 9, 22, 23 and 24 are removed from the indicator of protection against terminating fixed-term contracts at the end of the contract.

**Table A A.2. Costs and difficulty of terminating standard fixed-term contracts as compared to regular contracts**

Difference in regulation compared to regular contracts for a worker with 9 months of tenure, by broad category of regulation (no difference was found for the category enforcement of unfair dismissal regulation, this category is therefore excluded from the table)

	Regulatory framework for unfair dismissals <sup>a</sup>		Notice and severance pay		Procedural requirements <sup>b</sup>	
	Before end date	At end date	Before end date	At end date	Before end date	At end date
Australia	Same	None	None (Fair Work Act Section 123)	None	Same	None
Austria	Same, but compensation for UNFD is for remaining contract period, and the employer and worker can contractually agree on the circumstance and procedures for terminating FTCs.	None	Same, but the employer and worker can contractually agree on the circumstances and procedures for terminating FTCs.	None	Same, but the employer and worker can contractually agree on the circumstances and procedures for terminating FTCs.	Some CAs require notification of non-renewal.
Belgium	Same	None	No notice period; wages for remaining contract period must be paid up to maximum of double the severance pay due to a worker with a regular contract.  Termination with notice only possible during the 1st half of the contract if tenure < 6 months. (Article 40 of law 3 July 1978)	None	Same	None
Canada <sup>c</sup>	Usually same, but compensation for UNFD may be for remaining contract period	None	Usually same	None, but same notice period in Alberta if FTC duration > 1 year. (Fair and Family-Friendly)	Usually same	None, but written notice in Alberta if FTC duration > 1 year (Fair and Family-Friendly Workplaces)

	Regulatory framework for unfair dismissals <sup>a</sup>		Notice and severance pay		Procedural requirements <sup>b</sup>	
	Before end date	At end date	Before end date	At end date	Before end date	At end date
	(e.g. Quebec).			Workplaces Act)		Act)
Chile	Same, but compensation for UNFD is for remaining contract period.	None	Same	None	Same	Same
Colombia	Same, but compensation for UNFD is for remaining contract period (Article 64 of the Labour Code).	None	Same. Wages for remaining contract period must be paid for dismissal without just cause (Article 64 of the Labour Code).	30 days' notice, no severance pay (Article 46 of the Labour Code)	Same	Notification of non-renewal (Article 46 of the Labour Code)
Czech Republic	Same	None	Same	None	Same	None
Denmark	Same, but compensation for UNFD only paid to those with 12+ months' tenure.	None	Same	None	Same	None
Estonia	Same, but the trial period can't be longer than half of the FTC duration if FTC duration <8 months	None	Same, but in case of layoff for economic reasons, wages for remaining contract period must be paid.	None	Same	None
Finland	Termination is allowed only if agreed in contract terms, if the contract is 5+ years long or on very limited other grounds (Employment Contract Act (ECA) Chapter 7). In these cases, the same rules apply as for regular contracts (ECA, Chapters 6 and 7), but the trial period can't be longer than half of the FTC duration if FTC duration < 8 months (ECA, Chapter 1 Section 4) and provisions on re-employment	None	Same (if termination is allowed).	Advanced notice is required if the contract end date is not set in advance (e.g. based on completion of a set task).	Same (if termination is allowed).	Advanced notice is required if the contract end date is not set in advance (e.g. based on completion of a set task).

	Regulatory framework for unfair dismissals <sup>a</sup>		Notice and severance pay		Procedural requirements <sup>b</sup>	
	Before end date	At end date	Before end date	At end date	Before end date	At end date
	are applicable only for the duration of the FTC (ECA, Chapter 7).					
France <sup>d</sup>	<p>Termination can only take place by agreement or on limited grounds, including force majeure, serious misconduct, ill-health or because the employee has found a permanent job (Article 1243-1 of the Labour Code).</p> <p>Compensation for UNFD is for remaining contract period (Article 1243-4 of the Labour Code).</p> <p>Trial period is 1 day per week of FTC duration, with maximum 2 weeks if FTC duration ≤ 6 months and maximum 1 month if FTC duration &gt; 6 months (Article 1242-10 of the Labour Code).</p>	None	Same (if termination is allowed).	Severance pay (Prime de précarité) equal to 10% of the total gross compensation since the beginning of the contract (Article 1243-8 of the Labour Code) (6% in certain collective agreements).	Same (if termination is allowed).	None
Germany	Same	None	Same	None	Same	None
Greece	Termination is only allowed for significant reasons as judged by a court (e.g. employee suspected of criminal offence, breach of contractual obligations, unsuitability)(Article 672 of the Civil Code).	None	None (Article 672 of the Civil Code)	None	Notice of termination is required, but does not have to be written.	None

	Regulatory framework for unfair dismissals <sup>a</sup>		Notice and severance pay		Procedural requirements <sup>b</sup>	
	Before end date	At end date	Before end date	At end date	Before end date	At end date
	Compensation for UNFD is for remaining contract period (Articles 669 and 672 of the Civil Code).					
Hungary	Same	None	Same.  Wages for remaining contract period (up to one year) must be paid for termination without reason (Section 79 of the Labour Code).	None	Same	None
Iceland	Termination is not allowed, unless explicitly allowed in the employment contract.	None	Same (if termination is allowed)	None	Same (if termination is allowed)	None
Ireland	Same (i.e. none for tenure < 12 months)	Same (i.e. none for tenure < 12 months), unless explicitly excluded in the contract	Same	Same severance pay (i.e. none for tenure < 24 months)	Same	Same, unless explicitly excluded in contract.
Israel	Same	None	Same	None	Same	None
Italy <sup>e</sup>	Same, but compensation for UNFD is for remaining contract period, and reinstatement is not possible.	None	None (Paragraph 31 Article 2 of Law 92/2012)	None	Same	None
Japan	Termination is only allowed for inevitable reasons.	None	Same	None if tenure < 1 year and less than 3 renewals, or if the employer clearly indicates that the contract is not renewable. Same notice period in other cases.	Same	None or oral statement
Korea	Same	FTC employees have priority for hiring on	Same	None	Same	None



	Regulatory framework for unfair dismissals <sup>a</sup>		Notice and severance pay		Procedural requirements <sup>b</sup>	
	Before end date	At end date	Before end date	At end date	Before end date	At end date
		permanent contracts for similar work (Article 5 of the Act on the Protection of Fixed-Term and Part-Time Employees).				
Latvia	Same	None	Same	None	Same	None
Lithuania	Same	None	Same	Tenure > 1 year: notice period equal to 5 working days.  Tenure > 2 years: severance pay equal to 1 months' salary (Article 69 of the Labour Code)	Same	Written notice (Article 69 of the Labour Code)
Luxembourg	Termination is only allowed for serious reasons such as the death or illness of the employer, or gross misconduct (Article L.124-10 of the Labour Code).	None	Same (if termination is allowed).	None	Same (if termination is allowed).	None
Mexico	Same, but compensation for UNFD is 3 months' wage plus: half of tenure if FTC duration < 1 year, 6 months for the first year and 20 days for subsequent years of tenure if FTC duration > 1 year (Article 50 Sections I and III of the Federal Labor Law).	None	Same	None	Same	Same
Netherlands	Same, but no trial period if FTC duration < 6m, and duration of the trial period is maximum 1 month if FTC duration < 2y (Article 7:652 of	None	Same	A severance pay is applicable if the FTC has lasted 2 years or more (Article 7:673 of the Civil Code).	Same	Written notification (Article 7:668 of the Civil Code)

	Regulatory framework for unfair dismissals <sup>a</sup>		Notice and severance pay		Procedural requirements <sup>b</sup>	
	Before end date	At end date	Before end date	At end date	Before end date	At end date
	the Civil Code). Compensation for UNFD is for remaining contract period					
New Zealand	Same	None	Same	None	Same	None
Norway	Termination allowed only if specified in the contract or collective agreement. In this case, same rules apply as for regular workers. (Work Environment Act, Section 14-9 Paragraph 5; Norwegian Supreme Court judgment of 2 February 2012)	Preferential rights to a new appointment for employees who have been employed for a total of at least 12 months during the previous two years (Work Environment Act, Section 14-2 Paragraphs (2) and (3)).	Same (if termination is allowed).	None	Same (if termination is allowed).	Written notification if tenure > 1 year (Work Environment Act, Section 14-9)
Poland	Same, but compensation for UNFD is for remaining contract period up to maximum of three months (Article 50 Paragraph 4 of the Labour code); and reinstatement is not possible (Article 50 Paragraph 3 of the Labour Code).	None	Same	None	No notification of trade union and no statement of the reason required (Articles 30 and 38 of the Labour Code).	None
Portugal	Same, but compensation for UNFD is for remaining contract period or up to final court decision if it comes before the end of the contract (Article 393 of the Labour Code). Trial period: 30 days if FTC duration > 6 months; 15 days if FTC duration < 6 months: (Article 112 of the Labour Code)	FTC employees have priority for hiring on permanent contracts for similar work up to 30 days after the termination of the FTC (Article 145 of the Labour Code)	Compensation of 18 days' salary per full year of tenure (Article 366 of the Labour Code).	15 days' notice required (Article 344 of the Labour Code). Compensation of 18 days' salary per full year of tenure (Article 344 of the Labour Code)	Same	Written notification (Article 344 of the Labour Code)
Slovak Republic	Same	None	Same	None	Same	None
Slovenia <sup>f</sup>	Same	None	Same	Tenure<1 year:	Same	None

	Regulatory framework for unfair dismissals <sup>a</sup>		Notice and severance pay		Procedural requirements <sup>b</sup>	
	Before end date	At end date	Before end date	At end date	Before end date	At end date
				severance pay equal to 1/5 months' salary.  Tenure > 1 year: severance pay equal to 1/5 months' salary + $(1/5) \times (1/12)$ months' salary for each additional months after 1 year.  (With a few exceptions.)  (Article 79 of the Employment Relationship Act).		
Spain	Same, but trial period < 1 month if FTC duration < 6 months (Article. 14.1 of the Statute of Workers).	None	Same	Severance pay: 12 days per year of service (Article 49.1c of the Statute of Workers).	Same	None
Sweden	Termination only allowed for gross misconduct by the employee (e.g. theft from the employer, violence in the workplace) unless termination is explicitly allowed in the employment contract. In this case, the same rules apply as for regular workers (Section 4 of the Employment Protection Act)	None	Same (if termination is allowed).	One months' written notice required if FTC > 12 months' duration during three-year period (Section 15 and 16 of the Employment Protection Act).	Same (if termination is allowed).	Written notification to the employee and trade union is required if FTC > 12 months' duration during three-year period (Sections 15 and 16 of the Employment Protection Act).
Switzerland	Termination is allowed at any time for just cause, during the trial period or if explicitly allowed in the employment contract.	None	Generally same (if termination is allowed) as for regular contracts; FTCs > ten years' duration can only be terminated with six months'	None	Same (if termination is allowed).	None

	Regulatory framework for unfair dismissals <sup>a</sup>		Notice and severance pay		Procedural requirements <sup>b</sup>	
	Before end date	At end date	Before end date	At end date	Before end date	At end date
			notice.			
Turkey	Same, but compensation for UNFD is for remaining contract period.	None	Same	None	Same	None
United Kingdom	Same (i.e. none at 9 months' tenure)	Same (i.e. none at 9 months' tenure)(Employment Rights Act, Sections 92 and 93)	Same	Same redundancy payment (i.e. none at 9 months' tenure) (Employment Rights Act, Sections 135 and 136)	Same	Same (Employment Rights Act, Sections 92 and 95)
United States <sup>c</sup>	The contract for employment states the conditions that restrict termination	The contract for employment states the conditions that restrict termination	The contract for employment states the conditions that restrict termination	The contract for employment states the conditions that restrict termination	The contract for employment states the conditions that restrict termination	The contract for employment states the conditions that restrict termination

Note: CA: collective agreement. FTC: standard fixed-term contract. UNFD: unfair dismissal.

a) Difficulty of dismissal includes definition of fair and unfair dismissal, compensation and the possibility of reinstatement following unfair dismissal and length of the trial period.

b) Procedural inconvenience includes notification procedures (e.g. oral or written notice of dismissal) and the delay before the notice period can start.

c) In Canada, there is some variation in regulation across Provinces. The table reflects the situation most commonly found in the four biggest Provinces: Alberta, British Columbia, Ontario and Quebec.

d) In France, in the case of conversion of the contract into one of indefinite duration, the employer can receive a rebate for the social security contributions paid in excess of the rate for regular workers.

e) In Italy, in the case of conversion of the contract into one of indefinite duration, the employer can receive a rebate for the unemployment insurance contributions paid in excess of the rate for regular workers.

f) In Slovenia, the rate of employers' unemployment insurance contributions is higher for FTCs than for regular contracts. However, if a FTC is converted into an open-ended contract, then the employer is exempted from unemployment insurance contributions for up to two years.

g) In the United States, there are no regulations governing general contractual matters. If parties bargain for, and create, a contract for employment, the contract itself would state any conditions that would restrict termination at or before the end date. If a lawsuit is brought by the worker for breach of contract, the jurisdiction where the court is located may have its own body of case law that would serve as precedent for deciding the outcome of the case. Under certain circumstances an employer's oral or written assurances regarding job tenure can create an implied contract under which the employer cannot terminate employment without just cause. Only certain states in the United States recognise the "implied contract" exception to at-will employment and states follow their own case law. Court decisions with respect to wrongful termination of an implied relationship claims are made on a case-by-case basis.