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Introduction

Labor market flexibility may be characterized by the market participants' abilities to deviate from standard labor regulations and typical forms of employment¹. Such possibilities may not only provide positive outcomes to both employers and employees, but they may also benefit the whole economy.

Atypical employment contracts respond to the needs of both employers and workers, therefore the proliferation of temporary employment and the emergence of new temporary work forms over the past decades at the EU and global level is not surprising. Currently temporary employment constitutes a large share of the labor market suggesting that the issues of both market flexibility enhancement and temporary work are relevant as ever. Even though national regulations broadly conform to the generic concepts of temporary work, the regulations vary significantly across countries.

This report provides an overview of the economic effects of hiring flexibility under atypical employment contracts and a cross-country legislative and policy analysis² on the flexibility of hiring under atypical contracts with a particular emphasis on employment under agreements of a predetermined duration³ in Bulgaria, the Czech Republic, Estonia, Lithuania, Poland, Slovakia, Denmark, and Switzerland⁴.

1. Economic implications of hiring flexibility

Flexible labor markets promote employment, overall productivity, and labor mobility across sectors by reducing both the costs and risk of changing jobs. Flexible market conditions allow its participants to promptly respond to market fluctuations, increase the responsiveness of wages to changing economic conditions and provide the right incentive mechanisms for both employers and employees (Hopenhayn, Rogerson, 1993; Martin, Scarpetta, 2012).

Flexibilization (or liberalization) of national labor regulations does not necessarily imply deregulation. The number of applicable rules may not decrease, but rather the content and quality of said rules is transformed making the overall regulatory framework less rigid (Standing, 2002). Flexibility may be understood not only as a labor regulation strategy, but also as a resultant category or form of employment

(ILO, 2003). As a result of the reshaping of labor regulations temporary work began to spread reflecting the increased demand for flexibility in working patterns. Upon the introduction of the Fixed-time Work Directive⁵ in 1999, it was acknowledged that fixed-term employment contracts responded to the needs of both employers and workers. An EU-wide discourse followed on "normalizing" temporary work (Murray, 1999), providing for equal treatment of temporary workers and partially harmonizing the regulation of temporary work.

One of the crucial aspects of labor legislation in terms of flexibility concerns the ability to deviate from standard employment contracts and enter atypical (or non-standard) employment contracts (ILO, 2003). Employment contracts may be deemed atypical not only based on their conditions on working time or place arrangements (e.g. distance work or part-time employment), but also on the duration of the contract and the specific task assigned to the employee. Atypical forms of contracting have the potential to contribute to labour market innovation and make it more attractive to both employers and a wider range of potential workers (Mandl, Curtarelli, Riso, Vargas Llave, Gerogiannis, 2015). The flexibilization of hiring rules for irregular workers⁶ creates the possibility to contract workers for a temporary or fixed duration. Such employment may have both positive and adverse effects for workers, employers and national economies. Some research suggests that strict employment protection policies lead to a decrease in employment, consumption, and productivity (World Economic Forum, 2015), whereas greater labor market flexibility increases the overall competitiveness of a country (World Economic Forum, 2015).

Table 1. Impact of strict limitations on temporary employment

Criterion	Result of strict limitations
Employment	Lower
Unemployment duration	Longer
Informal employment	Higher
Job creation	Lower

Source: Betcherman, G; Whitehead, T. [editor]. Employment regulation: Rules for hiring and termination, 2002. World Bank Employment Policy Primer; no. 1. Washington, DC: World Bank. Available online: <<http://documents.worldbank.org/curated/en/397651468780548934/Employment-regulation-Rules-for-hiring-and-termination>>.

Table 1 suggests that strict limitations on temporary employment reduces the overall level of employment and extends the duration of unemployment in the long-term. Moreover, strict limitations on temporary work increase

¹ In the context of this report atypical or non-standard employment contracts are contracts that do not conform to a standard, open-ended and full-time contract. Atypical contracts encompass fixed-term, agency work, project work, zero-hour, job-sharing contracts and others.

² The research methods include descriptive and comparative analysis methods, while statistical data analysis methods are applied to highlight the key differences and similarities of the regulation of the observed countries. Labor regulations of Denmark and Switzerland are analyzed as case studies.

³ For the purpose of the research temporary employment agreement is an independent concept deemed as any job that has a predetermined termination date regardless of the title of a particular contract or position under national law.

⁴ Bulgaria, the Czech Republic, Estonia, Lithuania, Poland, and Slovakia are regarded as competitors for investment in the region, while Denmark and Switzerland are included as highly productive European countries. Denmark is also investigated as a case study due to its flexible labor regulation and flexicurity model.

⁵ Council Directive 1999/70/EC of 28 June 1999 concerning the Framework Agreement on fixed-term work concluded by the ETUC, UNICE and CEE. OJ L 175, 10.7.1999, p. 43-48.

⁶ Temporary employment includes wage and salary workers whose job has a predetermined termination date, meaning that the contract is not open-ended. National definitions of OECD countries broadly conform to this generic definition, but may vary depending on national circumstances. OECD. Temporary employment (indicator), 2018. doi: 10.1787/75589b8a-en. Also referred to as atypical, non-standard workers.

the level of informal employment and decrease job creation, both of which cause adverse effects on the national economies.

Table 2. Pros and cons of flexible temporary employment

Pros	Cons
Immediate availability due to easier entrance into the labor market (income, skill development, job and social security)	Typically lower level of employment protections compared to permanent employment (risk of forming a two-tier labor market)
Work-life balance	Possible lack of cooperation among workers and internal marginalization of temporary employees
Reduction of labor costs by reducing training and employee screening costs and efficiently allocating resources for completing task-specific work	May negatively affect productivity in the long-term as temporary workers' motivation and loyalty may decrease
Increased short-term productivity of the company (possibility to buffer short-term labor demand fluctuations)	Short-term job and social security without guarantees upon termination of the contract
Effective trial periods, increased efficiency of job matching and screening for potential employees or employment	Does not necessarily imply long-term unemployment decrease
Access to specialized skills	
Increased employment and competitiveness of the country	

Source: own elaboration based on scientific literature review (Bauer, Truxillo, 2000; Bentolila, Saint-Paul, 1994; Bernal-Verdugo, Furceri, Guillaume, 2012; Booth, Francesconi, 2002; Burke, 2011; Chattopadhyay, 2016; Chattopadhyay, George, 2001; Davis-Blake, Broschak, George, 2003; Pieroni, Pompei, 2008; Kleinknecht, 2015; Eichhorst, 2014; Gangl, 2003; George, 2003; Hopenhayn, Rogerson, 1993; Martin, Scarpetta, 2012; Portugal, Varejao, 2009; Srivastava, 2016)

Research shows that part-time and temporary employment have contributed significantly to employment creation in many countries (ILO, 2003). The European Commission emphasizes that temporary employment agreements facilitate the employment of young people and the transition from the educational system to the labor market (European Commission, 2010). It is also argued that the availability of fixed-term contracts increases the overall elasticity by allowing market participants to promptly and efficiently respond to market fluctuations and reduces unemployment (Bentolila, Saint-Paul, 1994). Moreover, contrary to widespread belief, research shows that greater labor market flexibility can coexist with protecting workers' rights and reducing inequality (World Economic Forum, 2018). Studies also suggest that policies that enhance labor market flexibility are expected to reduce unemployment in the long run (Bernal-Verdugo, Furceri, Guillaume, 2012). In terms of technological change, labor market flexibility also facilitates the process of adapting the workforce to the new needs of

high-tech sectors (World Economic Forum, 2015).

For workers temporary jobs may act as a means of entering the labor market, securing an immediate source of income while gaining work experience (Gangl, 2003). Fixed-term contracts are also expected to increase labor market participation by providing employment opportunities for people with little or no work experience, low skill levels and atypical working hours, and can serve as a bridge to permanent employment (Booth, Francesconi, 2002). In cases where labor legislation provides temporary workers with adequate social protection, flexible employment may facilitate the transition from temporary to indefinite employment or as a complement to other activities (ILO, 2003).

Temporary employment may also be preferred over permanent contracts as it involves less commitment to the employer and, hence, better opportunities to independently organize one's time and activities. Temporary work is an alternative form of participation in the labor force for workers with dependents or other care responsibilities (Booth, Francesconi, 2002) as well as for employees who want to combine work with education or professional training. Therefore temporary work may contribute to a better work-life balance and increase overall job performance and life satisfaction (Srivastava, 2016). Moreover, in the long term for a person out of employment, more flexible product market regulation means a higher chance of becoming employed and has no significant effect on the risk of becoming jobless for employed persons (Cournède, Denk, Garda, 2016). Temporary work agreements also meet the requirements of the modern labor market as they, on the one hand, increase the employers' possibilities of choosing the necessary labor force, and on the other, increase the workers' ability to choose employment that best meet their skills and interests (European Commission, 2010).

The ability to use temporary work contracts increases labor market flexibility by allowing the employers to adjust their operations more effectively to changes in competitive conditions, to balance the amount and composition of their workforce with changing supply and demand conditions and subsequently to increase the company's overall productivity in the short-term. Replacing temporarily absent employees or filling seasonal work positions by temporary employees, meeting business-cycle fluctuations and short spikes in demand (OECD, 2002), or accommodating workers' scheduling preferences under job-sharing agreements, all can benefit the company's productivity.

However, debates on whether temporary work may induce long-term benefits are ongoing. For example, some studies show that constant and excess use of temporary workforce may have an adverse effect on the productivity of the company due to the lack of loyalty, commitment and motivation of temporary workers (Davis-Blake, Broschak, George, 2003; Pieroni, Pompei, 2008; Kleinknecht, 2015).

Temporary employment may also reduce corporate costs by providing the possibility to hire workers for specialized tasks, or tasks of a short duration. In addition, temporary contracts allow employers flexibility during restructuring processes when it may be difficult to determine the long-

term demand for permanent positions (ILO, 2003). Furthermore, the use of temporary employment contracts in a business entity reduces its human resources costs (e.g. training and organizational investment) (Davis-Blake, Uzzi, 1993) as the responsibility of obtaining certain skills and expertise is shifted from the employer to the employee (Barley, Kunda, 2004). It must be noted though that company-specific training may be crucial for increasing the productivity of the employee and possibilities of transitioning to a permanent position. On one hand, companies may be discouraged to significantly invest in the training of temporary workers. On the other hand, training for temporary workers may act as a job matching and recruitment tool (Portugal, Varejao, 2009). When seeking permanent employees, the costs associated with hiring and training workers can be reduced by more substantial recourse to temporary work (Faccini, 2014).

For example, for tasks that are not core to the organization (Shi, 2007) the recruitment of workers does not require a significantly high level of precision that would be required for workers who are likely to move into longer-term contracts. Moreover, temporary contracts may be applied as a means of “testing” employees before moving them to permanent positions (Bauer, Truxillo, 2000) and as a means for least-cost screening for new permanent employees (OECD, 2002). Engaging in temporary work may thus facilitate the hiring and job matching process. It is also argued that workers who move between firms are a good source of knowledge due to their expertise and exposure to practices in different places (Barley, Kunda, 2004). Hiring said workers even under temporary agreements gives the employers access to specialized knowledge and skills, as it may also add creativity and innovation to the work (Burke, 2011). Part-time work and flexible working hours may also minimize the interference of family obligations with work (Cousins, Tan, 2004).

However, a rapid increase of labor market flexibility and temporary employment at the account of adequate employment protection pose a risk of creating a two-tier labor market that discriminates between permanent employees and others (Eichhorst, 2014). The economy runs the risk of a dual labor market where permanent employees receive relatively higher job security and investment in training, whereas temporary employees may be marginalized accordingly (Blanchard, Jaumotte, Loungani, 2012). In a labor market which is severely segmented the level of competitiveness and productivity may decrease in the long-term (Di Battista, 2014). Moreover, such dualization may have negative implications for the innovative capacity of companies by reducing employers’ incentives to invest in employees with short-term contracts and weakening the

attachment of the temporary employees to their company. Thus companies with a relatively high share of temporary workforce should re-evaluate their human resource management tools in order to better accommodate temporary and permanent workers and to ensure a high level of overall productivity and job satisfaction at the company level (Chattopadhyay, George, 2001; Davis-Blake, Broschak, George, 2003; George, 2003; Chattopadhyay, 2016).

Hiring flexibility may have positive effects on the economies, employers and employees. Hiring flexibility increases elasticity and the country’s competitiveness, may decrease unemployment in the short-term and shorten the duration of overall unemployment. For unemployed people hiring flexibility provides immediate entry into the labor market and income and skill development possibilities. Flexible hiring also leads to work time and location flexibility which may increase overall job and life satisfaction and help reconcile work and leisure or education interests. For employers hiring flexibility may act as a means of buffering labor demand fluctuations, reducing recruitment and training costs, and increasing productivity in the short-term. However, a differentiated approach to permanent and temporary workers may lead to a dualized labor market where temporary workers may be discriminated in terms of employment protection and training.

2. Cross-country analysis of hiring regulation and hiring flexibility

One of the elements defining labor market flexibility is the flexibility of hiring. As mentioned before, hiring flexibility depends largely on the ability to deviate from standard employment contracts and to conclude atypical employment contracts. The following sections provide an analysis of the general possibilities of deviating from standard (typical) employment and the regulations of hiring people under temporary employment agreements.

It must be noted that national regulations provide essentially similar definitions of the concept of “temporary work” which is understood as work contracts with a pre-determined termination date (OECD, 2018). However, the types of possible temporary work may vary, e.g. temporary employment may take the form of work under a fixed-term agreement, seasonal work, project work, completion of a certain task, apprenticeships, etc. The following section analyses and compares hiring regulations⁷ applicable in Bulgaria⁸, the Czech Republic⁹, Estonia¹⁰, Lithuania¹¹, Poland¹², Slovakia¹³, Denmark¹⁴, and Switzerland¹⁵.

⁷ The scope of the analysis is limited to relevant labor law regulations, whereas certain economic activity which is regulated under civil law is not separately analyzed.

⁸ The Labor Code of the Republic of Bulgaria. The Constitution of the Republic of Bulgaria.

⁹ The Labor Code of the Czech Republic (Zákon č. 262/2006 Sb. ze dne 21. dubna 2006 zákoník práce České Republiky). The Employment Act and the Act on the Residence of Aliens in the Czech Republic (Zákon č. 326/1999 Sb., Nr. 262/2006 o pobytu cizinců na území České republiky a o změně některých zákonů).

¹⁰ The Employment Contracts Act of the Republic of Estonia (Eesti Vabariigi töölepingu seadus, RT 1992, 15, 24).

¹¹ The Labor Code of the Republic of Lithuania (Lietuvos Respublikos darbo kodeksas, TAR, 2016-09-19, Nr. 23709).

¹² The Labour Code of the Republic of Poland (Ustawa z dnia 26 czerwca 1974 r. Kodeks pracy (Dz.U. 1974 nr 24 poz. 141).

¹³ The Labor Code of the Slovak Republic (Zákoník práce 311/2011 Slovenskej Republiky)

¹⁴ Law on Fixed-Term Contracts of the Kingdom of Denmark (Lov om tidsbegrænset ansættelse). The Law on Agreements of the Kingdom of Denmark (Lov om aftaler og andre retshandler på formuerettens område).

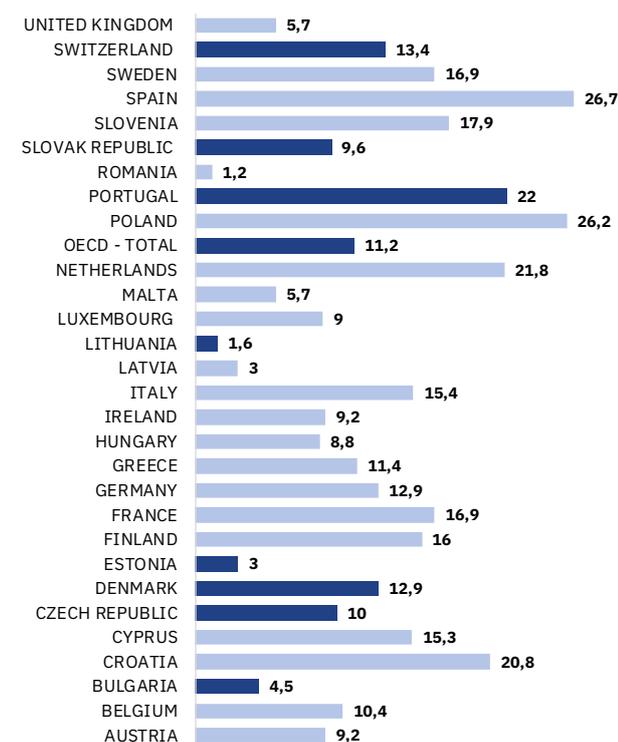
¹⁵ The Civil Code of the Swiss Confederation (Schweizerisches Zivilgesetzbuch (ZGB)).

For the efficiency of research, its scope is limited to analyzing and comparing the general applicable hiring regulations. The study analyses and compares regulations of the types of atypical employment contracts, legal arrangements for employment contracts of temporary nature, and specific regulation applicable to fixed-term contracts (e.g. grounds for their differentiation, limitations). Case study data are systemized and graphically depicted in tables¹⁶ on each indicator or their group.

2.1. Temporary contracts in EU countries

One of the elements defining labor market flexibility is the flexibility of hiring. As mentioned before, hiring flexibility depends largely on the ability to deviate from standard employment contracts and to conclude atypical employment contracts. The following sections provide an analysis of the general possibilities of deviating from standard (typical) employment and the regulations of hiring people under temporary employment agreements.

Figure 1. Temporary employment ratio to total dependent employment (% , 2017)



Source: Labour Market Statistics: Employment by permanency of the job: incidence

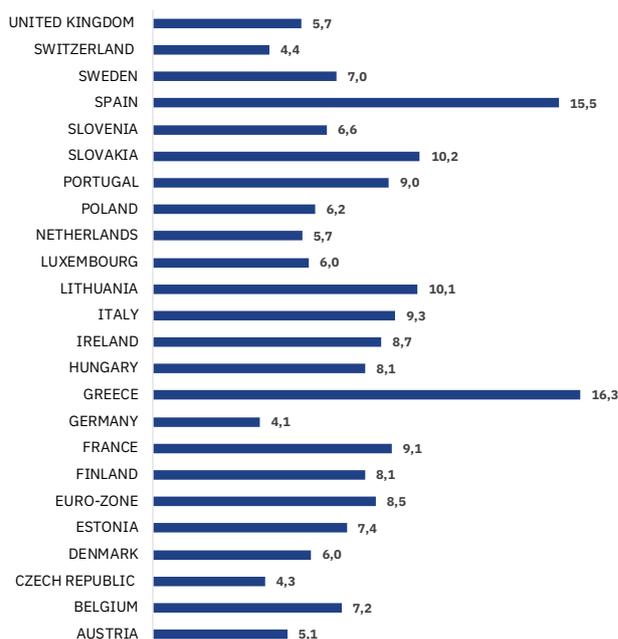
In 2017 more than one in four employees had a temporary contract in Poland (26.2%), which is one of the highest ratios in the EU. The ratio of temporary employment to total employment in Slovakia (9.6%), the Czech Republic (10%), Denmark (12.9%), and Switzerland (13.4%) were around the average of all OECD countries (11.2%). The ratio of temporary employees accounted for less than 5%

of all employees in Lithuania (1.6%), Estonia (3%), and Bulgaria (4.5%), representing the lowest levels among EU and OECD countries.

Research suggests that the boom of temporary employment in Poland is linked with the reduction of employment protection (Lewandowski, Góra, Lis, 2017) for temporary contracts. It is also evident that temporary employment is underutilized in Lithuania, Bulgaria, and Estonia. It may be assumed that the corresponding regulatory frameworks may have an impact on the overall level of temporary work.

As it will be argued further, temporary employment may facilitate the job matching process and provide an alternative to training possible long-term employees. Thus the rate of structural unemployment may be interpreted as a statistical implication for promoting a more flexible regulation of temporary agreements. The rate of structural unemployment is significantly affected by the efficiency of the labor matching process in a country. A higher level of structural unemployment implies that employers have difficulties finding workers with necessary skills despite a large number of unemployed population. Such a mismatch between what companies need and what workers can offer is not only caused by fundamental shifts in the economy, but is also exacerbated by extraneous factors such as technology, competition and government policy.

Figure 2. Structural unemployment rate (% , NAIRU), 2017



Source: OECD Economic Outlook, 2018. The rate of structural unemployment is determined by calculating the NAIRU (Non-accelerating inflation rate of unemployment) variable. In terms of OECD calculations, structural unemployment is the rate of unemployment consistent with the constant price inflation (non-accelerating inflation rate of unemployment (NAIRU)), given current economic conditions.

As provided in Figure 2, Lithuania and Slovakia have the highest rate of structural unemployment (over 10%) all of countries under analysis. It is more than 2 percentage points higher than the Euro area average (8.5%). According

¹⁶ Country names are provided in abbreviations. BG – the Republic of Bulgaria, CZ – the Czech Republic, EE – the Republic of Estonia, LT – the Republic of Lithuania, PL – the Republic of Poland, SK – the Slovak Republic; DK – the Kingdom of Denmark, CH – the Swiss Confederation.

to OECD, the situation in Lithuania in terms of the level of structural unemployment is directly linked with poor job matching (OECD, 2017).

2.2. Types of atypical temporary work contracts

A variety of temporary work agreements provides for greater hiring flexibility and creates a market that best meets the needs of its participants. The maximal flexibility scenario implies no particular specification of types of labor contracts. In cases where there is a necessity to establish an exhaustive list of types of contracts under labor laws, it is crucial that these types of contracts meet both the current and possible market needs and its fluctuations.

Under the laws of most of the reviewed countries except for Estonia, fixed-term contracts may be concluded without additional justification for tasks of both temporary and permanent nature. Estonian law permits temporary work contracts only for such tasks and work activities that are of temporary nature, essentially meaning that concluding a temporary work agreement must be justified and the necessity to conclude such an agreement must be proved to the controlling agency.

Under a *zero-hour employment contract* employees are hired without an obligation to provide them with any particular number of working hours, therefore the duration of the performance of a certain task is not established in advance. Employees perform their duties only when asked by the employer and paid only for their actual time worked. Concluding such an agreement without particular restrictions is possible under the law of the Czech Republic. An equivalent of the zero-hour employment contract is also possible in Slovakia. Under Slovak legislation it is referred to as an agreement on working activity. If a task is clearly and measurably defined by output, it falls under the scope of a standard employment agreement. However, if regular activity cannot be measured

by output (e.g. providing assistance in a shop), an agreement on working activity can be concluded. Another essentially similar contract under Slovak law is an agreement on work that requires a particular task to be completed with no specific schedule or working hours. A limit of 350 hours a year applies for this type of contract for one employer. Even though there are no fixed working hours and employees are paid for their factual work activities, a general rule applies providing that a person cannot work more than 12 hours within 24 hours.

Job-sharing agreements are allowed in Bulgaria, the Czech Republic, Lithuania, and Slovakia. Under such contracts a single place of employment may be shared between several employees, thereby allowing them to choose their own working time regime. Job-sharing agreements achieve both functional and job structure flexibility. Such contracts may also be mutually beneficial in cases when working time flexibility is negotiated as a measure to retain employment. Flexible working time arrangements may act as a means of averting or minimizing layoffs. Under this type of scenario, all workers at an enterprise agree to a percentage reduction in working hours, accompanied by certain reductions in pay, rather than laying off an equal percentage of workers (Ozaki, 1999). Bulgarian law mandates a schedule to divide working time among the employees. While the employer may adopt a schedule in line with internal rules of the company, certain restrictions apply, for example, with regards to students and their protection. In such cases the employer has to take into account the time of day when his employees have to attend their educational institutions. Slovak law requires a written agreement between the employees sharing the position, where employees must agree on work hours shared, and if one of them is not able to complete the set work hours, the other(s) must cover.

Employment contracts with several employers provide the possibility to perform tasks for several employers without allocating the working time to each employer, but establishing a share of working time payable by each employer. Such

Table 3. Types of atypical temporary work contracts

CRITERION	COUNTRY	BG	CZ	EE	LT	PL	SK	DK	CH
FIXED-TERM		+	+	+	+	+	+	+	+
ZERO-HOUR EMPLOYMENT CONTRACT		-	+	-	-	-	+	+	+
JOB-SHARING CONTRACT		+	+	-	+	-	+	+	+
CONTRACT WITH SEVERAL EMPLOYERS		+	+	-	+	-	+	+	+
SEASONAL WORK		+	+	+	+	+	Equiv. to zero hour contract	Equiv. to zero hour contract	+
TEMPORARY WORK AGENCY		+	+	+	+	+	+	+	+
PROJECT WORK		+	+	+	+	-	-	+	+
APPRENTICESHIP		+	+	+	+	Civil law	-	+	+
DISTANCE WORK		+	+	+	+	+	+	+	+

agreements are permitted in the Czech Republic, Estonia, Lithuania, and Slovakia. It is noteworthy that under Estonian law project work (which in essence is similar to employment contracts with several employers) is regulated under the Law of Obligations Act as provision of services and not under Estonian labor law¹⁷.

Concluding *seasonal work agreements* implies work which, due to certain conditions, is not performed throughout the full year but only during certain periods. While seasonal work contracts are used widely in Slovakia, such contracts are more similar to “zero-hour” contracts. Under Bulgarian labor law, apart from regular temporary contracts (including seasonal ones), it is possible to conclude daily contracts with agricultural workers, but they can only work up to 90 days at one entity throughout the calendar year. Comparing to seasonal work contracts, concluding such contracts is not limited by, e.g. factors of nature and the amount of employers one may work for. Under Polish labor law, the duration of a seasonal work contract may be no longer than nine months per year, therefore a maximum duration and renewal limits of temporary contracts do not apply.

All of the analysed countries permit concluding *temporary work employment contracts with temporary work agencies*. Such contracts provide the possibility to work for a certain period of time for the benefit of and in subordination to a person designated by the temporary work agency. Specific requirements for both the agencies and provisions of said contracts vary among the countries. For example, under Bulgarian and Lithuanian law temporary work employment contracts have the maximal duration of three years. Furthermore, under Lithuanian law, a temporary work agency must be recognized by the Government of the Republic of Lithuania in accordance with established requirements for such an agency¹⁸.

Employment contracts for project work provide the possibility of hiring a person for a specific project. Such contracts expire upon accomplishing pre-agreed results. Concluding such agreements is possible in Bulgaria, the Czech Republic, Estonia, and Lithuania. It must be noted that certain restrictions apply in terms of the duration of contracts for project work contracts under Lithuanian labor law. Under Estonian law project work is regulated under civil law as provision of services¹⁹.

In all of the observed countries except for Poland it is possible to conclude *apprenticeship employment contracts*. Such contracts refer to situations when an employee is recruited for the purpose of acquiring skills and qualifications necessary for a certain profession. Under Bulgarian law, such contracts may be concluded only once between a certain employer and employee. It has to be for a position that is linked with the apprentice’s qualifications and must

last no less than six and no longer than twelve months. An apprentice should have an appointed supervisor who works at the same entity and has no less than three years of professional experience and necessary qualification in the same (or similar) field of expertise. Under Estonian labor law concluding two types of apprenticeship contracts is possible. Firstly, apprenticeship may be conducted through a trilateral agreement between the employee, the employer and the educational institution which defines the duration, tasks and other conditions of the apprenticeship²⁰. Estonian law also provides for a general employment contract to carry out an apprenticeship with remuneration. Under Lithuanian law certain limitations apply. First, the maximal duration of an apprenticeship contract is six months, except for particular cases under Vocational training act that may provide for longer periods of training²¹. Furthermore, one employer may only have 10 percent of apprenticeship contracts in force out of all of the employment contracts that are effective in that entity²².

Contracts on distance work from an employer’s premises is subject to general labor norms. For example, under Bulgarian and Lithuanian labor law the same provisions of work hours per week and rest time apply to distant workers and regular employees, working on the employer’s premises. Under Estonian law, if an employer and employee agree that the employee works outside the place of work performance, including at the employee’s place of residence (teleworking), the employer must notify the employee that the duties are performed by way of teleworking²³. In addition, under the labor law of Poland the employer has to provide the employee with necessary equipment to perform long-distance work²⁴.

In both Denmark and Switzerland the law does not provide an exhaustive list of temporary agreements and their types. Accordingly, parties to employment relations are free to determine the type and particular terms of work contracts. The Swiss Civil Code specifically provides that hiring is based on mutual consent between contracting parties²⁵.

2.3. Legal arrangements for temporary employment contracts

Concluding atypical employment contracts of predetermined duration may ensure a higher level of hiring flexibility and benefit the parties in employment relations. The following section analyzes and compares hiring regulations specific to temporary employment contracts: the basis for allowing temporary employment contracts, whether such contracts are differentiated, the maximum duration and number of renewals of fixed-term contracts, and the amount of such contracts per entity. All these factors affect the flexibility of hiring.

¹⁷ The Law of Obligations Act Part 8, Chapter 35; Contracts for Services, Chapter 36.

¹⁸ Labor Code of the Republic of Lithuania, Art. 72.2

¹⁹ Law of Obligations Act Part 8

²⁰ Vocational Education Act §17.

²¹ Labor Code of the Republic of Lithuania, Art. 82.1

²² Labor Code of the Republic of Lithuania, Art. 83.3

²³ Employment Contracts Act §6 (4).

²⁴ Labor Code of the Republic of Poland.

²⁵ The Swiss Civil Code art. 319 ff

In general fixed-term contracts (and employment relations as such) are regulated under labor laws (e.g. in Lithuania, Slovakia, Bulgaria, etc.). However, in some countries such agreements and employment relations are not regulated by law. Sometimes labor laws only provide certain minimal employment protection requirements or employment relations fall under civil law. For example, fixed-term employment contracts (including their grounds, duration, number of renewals, etc.) are not strictly regulated by law in Denmark. In Switzerland employment relations are regulated under the Civil Code. Accordingly the parties to a fixed-term contract are free to agree upon any conditions they deem necessary for the conduct of work. Danish laws only provide the general rule of prohibiting discrimination of fixed-term workers and the requirement not to abuse fixed-term contracts renewals, whereas certain conditions (e.g. the duration of the contract) may be negotiated and agreed upon in a collective agreement.

2.3.1. The basis for concluding temporary employment contracts

The most flexible labor market regulation scenario im-

plies that the basis for entering a fixed-term contract should not be specified and instead left to the discretion of the parties. If regulated by law, flexible hiring would imply the broadest possible list of grounds for entering temporary work agreements.

As it was noted, concluding temporary work contracts for filling temporary vacancies or meeting temporary increases in work volumes may benefit a given company's overall productivity. Moreover, fixed-term contracts for permanent work positions may act as a means for an employee's transition from a temporary to a permanent contract (see p. 6). It can also act as a means of reducing an employer's training costs (see p. 6).

In all of the observed cases except for Estonia fixed-term contracts are permitted not only for tasks of temporary (fixed-term) nature, but also for other types of activities, whereas in Estonia fixed-term agreements are only allowed for temporary tasks with a predetermined termination date.

In all countries under analysis fixed-term employment contracts may be concluded for filling in temporary vacancies to replace a permanent worker on maternity or sick leave, for temporary jobs at temporary agency work, for seasonal work and apprenticeships. In Bulgaria, the Czech

Table 4. The basis for concluding temporary work contracts

COUNTRY	BG	CZ	EE	LT	PL	SK	DK	CH
CRITERION								
PERMANENT JOBS, PERMANENT ACTIVITY	+	+	-	+	+	+	+	+
TEMPORARY VACANCIES	+	+	+	+	+	+	+	+
TEMPORARY JOB AT TEMPORARY AGENCY WORK	+	+	+	+	+	+	+	+
APPRENTICESHIP	+	+	-	+	-	+	+	+
OBTAINING THE NECESSARY QUALIFICATION OR COMPETENCES FOR THE PROFESSION	+	+	-	+	-	+	+	+
PARTICULAR FIXED TASK, RESULT, PRODUCT, PROJECT	+	+	-	+	-	+	+	+
SEASONAL WORK	+	+	+	+	+	+	+	+
PARTICULAR CATEGORIES OF WORKERS	+	+	-	+	+	-	-	-
OTHER GROUNDS	Competitive selection process in public administration; in entities under bankruptcy proceedings	Any cases agreed upon by the parties	Temporary increase in work volume	Elected or appointed employees, researchers, employees appointed by collegial elected bodies or other (regulated under specific legal acts other than the Labor Code).	Posted workers, telework, specific task/result	Substantial increase in work volume	-	-

Republic, Lithuania, Poland and Slovakia it is possible to conclude fixed-term contracts for permanent jobs or tasks relating to a permanent activity, whereas under Estonian law fixed-term contracts are permitted only for fixed-term tasks, which include not only tasks for temporary vacancies to replace a permanent worker on maternity or sick leave, temporary jobs at temporary agency work, for seasonal work, but also in cases of temporary increase in work volume. Labor laws of Bulgaria, Lithuania, Slovakia, and the Czech Republic regulate fixed-term contracts for carrying out a defined project or achieving a particular result or completing any other task the completion of which is characterized by a worker's ability to work in a self-determined time and place. Estonian labor law does not regulate work for multiple employers (such a possibility is provided under Estonian civil law and is deemed as project work). Polish labor law does not explicitly provide the possibility to work at a self-determined time and place; such cases are regulated under civil law. Some legal systems provide additional options of entering fixed-term employment contracts. For example, under Bulgarian law, in the field of public administration a fixed-term agreement may be concluded to work temporarily in a position that should be filled in after a competitive selection process; also fixed-term contracts may be concluded for existing and new employees that work in companies undergoing bankruptcy or liquidation procedures. Under Lithuania law, for the purpose of public interest fixed-term contracts with elected or appointed employees, researchers, employees appointed by collegial elected bodies or other employees may be concluded for no longer than a five year period and such cases are regulated under other laws and certain provisions of the Labor Code do not apply²⁶.

It is noteworthy that under the labor law of Lithuania in cases of a permanent-job vacancy at a given entity (company) the employer has an obligation to offer this place to their employees working under a fixed-term employment contract if such a vacancy requires concluding an open-ended employment contract. The employer has a legal duty to inform all of its staff working under fixed-term agreements about permanent-job vacancies and ensure that these employees may apply for the position on equal terms just like any other candidates or employees²⁷. Such regulation reflects the EU legal principle of equal treatment (non-discrimination of temporary workers)²⁸ according to which both temporary and permanent employees have the same rights in various spheres of labor relations.

2.3.2. Differentiation of temporary work contracts

On the one hand, differentiation of labor contracts limits hiring as it requires employers to meet additional requirements. On the other hand, labor contract differentiation is typically established to ensure certain employment

protection standards. It is therefore necessary that the grounds for differentiation are justifiable and do not impose an unnecessary burden on either of the parties to an employment contract.

Table 5. Differentiation of temporary labor contracts

COUNTRY	BG	CZ	EE	LT	PL	SK	DK	CH
CRITERION								
AGE	-	-	-	+	+	-	-	-
TYPE OF CONTRACT	-	Particular task	-	+	-	-	-	-
OCCUPATION	-	-	-	+	+	-	-	-
SECTOR OF ACTIVITY	-	-	-	+	+	-	-	-
OTHER	-	-	-	-	Retirement age	-	-	-

In Bulgaria, Estonia, Denmark and Switzerland fixed-term employment regulations are not differentiated on the basis of any criteria, whereas in other observed countries certain differentiation criteria apply. Under Danish law, temporary agency work, training (apprenticeships) and jobs supported by public funds are excluded from the scope of the Labor Code. In the Czech Republic the regulation of fixed-term contracts depends on the type of a fixed-term contract and related tasks. Under an agreement to perform a certain task an employment contract is terminated upon the completion of the task. In such cases a single limit applies: on average, an employee may not work with a single employer for more than twenty hours a week. Moreover, an agreement to complete a certain task within an agreed period of time may be concluded with an unlimited number of employers, however the employee can work for no more than 300 hours per year. Social security and health insurance is not covered under an agreement to complete a particular job if monthly income by this type of employment agreement is less than 395 euro.

Under Lithuanian law the regulation of fixed-term employment is differentiated by type of fixed-term contract (general fixed-term contract, apprenticeship contract, employment contract for project work) and based on occupation, sector or activity. For example, general provisions of the Labor Code on the terms of the termination of an employment agreement do not apply to the employment agreement of the head of an entity (company)²⁹. Also specific provisions on the maximal duration of an employment contract (no more than five years) apply to employment contracts with elected or appointed employees, researchers, employees appointed by collegial elected bodies or other employees for the purpose of securing public interest that are regulated by other laws and certain provisions of the Labor Code do not apply³⁰. Moreover, people under 18 years can only enter employment contracts for certain work functions that are defined by the Government of the Republic of Lithuania³¹. Under Polish labour law the regu-

²⁶ Labor Code of the Republic of Lithuania, Art. 68.4

²⁷ Labor Code of the Republic of Lithuania, Art. 72

²⁸ See Council Directive 2000/78/EC of 27 November 2000 establishing a general framework for equal treatment in employment and occupation.

²⁹ Labor Code of the Republic of Lithuania, Art. 104.3

³⁰ Labor Code of the Republic of Lithuania, Art. 68.4

³¹ Labor Code of the Republic of Lithuania, Art. 22.2

lation of fixed-term employment is differentiated firstly by age of a potential employee. A person under 16 years can only be hired by an entity running cultural, artistic, sport or advertising activity and a consent of the legal guardian of that person and permission of a work inspector is required. In order to hire a person from 16 to 17 years of age, Polish law specifies that such individuals can only be hired if they have graduated middle school or an 8-class primary school. Moreover, people aged 16 or 17 may only carry out tasks from an officially established light work listing. Additional physical examinations to show that work does not impair the health of the potential employee must be conducted, and the employer is also required to keep a listing of juvenile employees. The employer must also provide care and help necessary for a proper fulfillment of work. Under Polish law specific requirements are set for concluding fixed-term contracts with women over 55 years and men over 60 years: no contributions are allowed to the Labor Fund (Fundusz Pracy) which the Labour Ministry uses to fund some labor market policies, and to the Guaranteed Employee Benefits Fund (Fundusz Gwarantowanych Świadczeń Pracowniczych) which is controlled by the employer to provide services for employees (e.g. in reality they give them theater tickets as compensation). Under Polish law regulation is also differentiated based on the type of fixed-term contract and its duration. Depending on the length of the contract, the notice period for dismissal is two weeks or one month accordingly and it is not possible to terminate a contract shorter than six months. Under Polish law specific provisions apply based on the occupation (sector) of work. In cases of underground mining the work week may be shortened to 6 to 7.5 hours depending on the work performed. A 20 percent bonus must be paid out upon the completion of the first month of such labor. Under Polish law, the beginning of a fixed-term employment contract with teachers at all public kindergartens and schools starts with the school year (between September 1 and 14) and lasts until the end of August, and until the next school year the employee must be provided with an equivalent of vacation money, and they also must receive housing benefits. For the latter category of employees shorter workweeks are set (18-30 hours), certain health benefits are provided. Finally, all employees in the government sector (clerks, court staff, etc.) must receive the so-called “13th salary” (8.5% of yearly remuneration at the end of the work year).

In Slovakia the regulation of fixed-term employment is differentiated based on the occupation or sector or activity. For example, certain contract duration provisions apply in case of substitution of a person at maternity leave (a fixed term contract may last longer than 24 months), in time-limited cases of substantial increase of labor (limited to additional eight months), the same for seasonal works in agriculture.

It is noteworthy that under Polish law, the employer cannot terminate employment contracts with workers that are 4 years before their retirement (women 56 to 59

years, men 61 to 64 years). Such regulation may limit hiring flexibility in terms of temporary work as employers may be less willing to hire people of said age under temporary work agreements. However, this may reflect with the national policy of employment protection and social security which are also components of the overall hiring flexibility concept.

2.3.3. The legal form of labor contracts

In cases of temporary work, permitting verbal agreements may ensure greater hiring flexibility as it imposes less administrative obligations on both parties to a contract, whilst mandatory written agreements may not only inflict an additional administrative burden on the employer and employee and it may also be cost-efficient. In cases when factual work activities begin before the mandatory written contract requirements are met, the formal and factual beginning of the employment relation may mismatch leading to uncertainty in terms of work remuneration and time accounting.

Table 6. Permitted legal forms of labor contracts

	COUNTRY	BG	CZ	EE	LT	PL	SK	DK	CH
CRITERION									
Verbal agreements have legal force		-	+	+	-	-	-	+	+
Written agreement are mandatory		+	+	+	+	-	+	-	-

In terms of the legal effect of employment relations among the parties, concluding a written employment contract before the employee may start working is mandatory by law in Bulgaria, the Czech Republic, Lithuania, Estonia and Slovakia. Under Danish and Swiss law, a written employment contract is not mandatory by labor law before an employee commences work and a verbal agreement has legal force and is mutually binding. The Swiss Civil Code also provides that a hiring agreement does not require any specific form for it to be mutually binding and enforceable³².

The Lithuanian Labor Code provides that before the employee starts to work a written employment contract is required and employment without a written contract is considered illegal. However, the Labor Code also states that an employment contract is considered to be concluded when the parties have agreed about the main (compulsory) conditions of the labor agreement. The employer must notify the State Social Insurance Fund Board one day prior to the beginning of employment without requiring to declare any written employment agreement.

Under Polish labor law a written agreement is not required by law before the employee begins working, but the employer is required to confirm employment conditions in written form before the employee starts work. Even though under Estonian law a written employment contract is mandatory by labor law before the employee begins to work, it is not necessary to have a written contract if the duration

³² Swiss Civil Code art. 320 par. 1

of an employment contract does not exceed two weeks³³. The Estonian Employment Contracts Law also states that an employment contract shall also be deemed concluded if the employee commences work with a justified expectation to get paid for it.

2.3.4. Probationary period

Most countries grant a period of exemption from the typically applied labor regulation provisions (e.g. rules of dismissal) at the beginning of the employment relationship. Such exemption periods are referred to as probationary periods that may serve the interest of both the employer and employee. Research shows that the longer the probationary period, the greater the propensity of firms to hire and experiment with new workers and activities, accordingly increasing hiring flexibility (Pries and Rogerson, 2005; Marinescu, 2009).

Table 7. Regulation of the probationary period

COUNTRY	BG	CZ	EE	LT	PL	SK	DK	CH
CRITERION								
Probationary period	6	3/6	4	3	3	3/6	3	3

In terms of the probationary period, Bulgarian labor law provides for the longest period of six months, compared to the other countries under analysis. Both the labor law of the Czech Republic and Slovakia provide for a maximal probation period of three months and up to six months for managerial positions.

Non-application or shortening of the probationary period may be agreed upon in an employment contract, however an extension of the probationary period under an agreement between the employee and employer is not permitted by labor law in most of the observed countries. Under Danish law, there are no restrictions on the maximal duration of the probationary period for blue collar workers, whereas for salaried employees covered by the Salaried Employees Act (clerical work, clinical and (or) technical work performed by white collar workers) there is a maximum probation period of three months. The maximal probationary period of three months is also applied in Lithuania, Poland and Switzerland, whereas the maximal period of four months is prescribed under Estonian law³⁴.

2.3.5. Limitations on the duration of fixed-term contracts

Fixed-term contracts may act as a bridge to permanent employment. The duration of fixed-term contracts is key in this respect. If the duration of a fixed-term contract is too short, the employees may not gain enough expertise and skills, whereas the employer may not have enough time to assess the employee's competences (Güell, 2002).

Moreover, the completion of certain tasks may not be easy to predict when entering an employment contract, as some tasks may also take more time than the allowed maximum duration. Moreover, the necessity to extend the duration of a contract due to unforeseen circumstances may arise during employment. It may lead to a situation where a part of the task may be left unfinished upon the termination of a temporary contract. Therefore the law should provide for a flexible regulation of both the duration of a temporary contract and the number of its renewals.

An insufficient duration of a fixed-term contract may thus affect the stability of the labor market and reduce job satisfaction, human capital development and productivity (Güell, 2002). This leads to the assumption that, firstly, it is more mutually beneficial that the maximal duration of fixed-term contracts is not predetermined by statutory law and may be agreed upon by the parties. Secondly, if the duration of fixed-term contracts is in fact regulated by law, the longer the allowed maximum duration of fixed-term contracts is, the better the chances of permanent employment possibilities are for employees, and the more efficient the job matching process is.

Table 8. Limitations applicable to fixed-term contracts

COUNTRY	BG	CZ	EE	LT	PL	SK	DK	CH
CRITERION								
Maximum duration	36	36	60	24	33	24	-	-
Maximum number of renewals	1	3	1	0	3	2	-	-
Amount of fixed-term contracts per entity	-	-	-	Up to 20%	-	-	-	-

The maximal duration of fixed-term contracts vary dramatically in the observed countries. In Bulgaria and the Czech Republic the maximum duration of a fixed-term contract is 36 months, under Polish law it is 33 months, whereas under the law of Lithuania and Slovakia the maximal duration is 24 months. In comparison Estonian law provides for the longest possible duration of a fixed-term contract of 60 months.

In Bulgaria and Estonia fixed-term contracts can be renewed only once, meaning that two consecutive entries into employment contract for a specified time between the same parties are allowed. In Poland and the Czech Republic fixed-term contracts can be renewed three times, and in Slovakia such contracts may be renewed twice within a 24-month period. Only under the law of Lithuania fixed-term contract renewals are not allowed. However, new agreements with new provisions for a fixed-period of time with the same employee may be concluded³⁵. Danish labor

³³ Employment Contracts Act §4 (5).

³⁴ Employment Contracts Act §86

³⁵ Labor Code of the Republic of Lithuania, Art. 68 paras 1-3

laws do not provide for the maximum number of fixed-term renewals, but a renewal must be necessary and justified.

As mentioned before, Danish law regulates neither the duration of fixed-term contracts nor the number of renewals of said employment contracts as long as the renewals are necessary and justified. Swiss law does not limit the duration of fixed-term contracts (not the minimum or maximal periods); nor does it apply any restrictions on the number of possible renewals.

None of the observed countries apply any restrictions on the amount of fixed-term contracts per single company (entity) except for Lithuania. Under Lithuanian law fixed-term employment contracts for permanent positions may not exceed 20 percent of all employment contracts concluded by one employer. It is noteworthy that this requirement does not apply to employment contracts regulated by other laws, not the Labor Code (e.g. employment contracts of researchers that are regulated under a specific law)³⁶. On the one hand, such requirements have direct adverse effects on hiring flexibility. On the other hand, it may seem in line with some findings that an adequate ratio of permanent and temporary workers may decrease internal staff segmentation and have positive outcomes on motivation, productivity and overall job satisfaction among employees (Davis-Blake, Broschak, George, 2003; Chattopadhyay and George, 2001). Yet, a particular ratio is questionable as it may appear to be overly restrictive in terms of hiring and employment possibilities in the labor market.

It must be noted that in some cases temporary contracts may automatically become permanent contracts. For example, under Bulgarian law a fixed-term employment contract automatically becomes permanent five days after the agreed fixed term expires unless the employer declares otherwise (via a written statement) and provided the position is free, whereas under the Lithuanian Labor Code a fixed-term agreement becomes permanent if the work factually continues one work day after the date of expiry³⁷.

2.4. The scope of collective agreements

Even though reduced employment protection for temporary contracts is generally seen as having an immediate positive effect on firm-level hiring and overall employment (Boeri and Garibaldi, 2007), isolated and narrow hiring flexibility may lead to detrimental outcomes for both by the employer and employee. Unprotected labor market flexibilization may induce labor market segmentation, decrease the overall productivity of workers and increase social and political costs (ILO, 2003). Some argue that if labor protections on dismissal or fixed-term contracts are simply eliminated, without any corresponding measures to protect labor security, the productivity, mobility and employment levels can be negatively affected (Sels and Van Hootegem, 2001) and therefore a certain level of employment protec-

tion must be retained (in particular, core labor standards as minimum wage requirements, safety standards, social insurance, and representation) (ILO, 2003). Collective bargaining may serve as a means of striking the necessary balance between economic efficiency and the protection of workers' interests as the participatory nature of collective bargaining has the capacity to enroll workers' support in the drive for greater flexibility (Ozaki, 1999). Given the latter it may be assumed that in order to ensure maximal labor flexibility and strike the right balance with employment protection and efficiency, certain labor issues should be open to collective bargaining at the parties' will, but they should not be mandatorily subject to collective agreements, and the scope of collective agreements must not be intended to bring unnecessary restrictions on hiring.

Table 9. Scope of collective agreements

	COUNTRY	BG	CZ	EE	LT	PL	SK	DK	CH
CRITERION									
Legal arrangements		-	-	+	-	+	+	+	-
Specific type of contract		-	-	+	+	+	-	+	-

In terms of regulating legal arrangements of certain temporary employment contract issues under collective agreements³⁸, Bulgarian, Lithuanian, Swiss and Czech law does not permit collective agreements to establish less rigid rules on fixed-term employment contracts than those embedded in national law. Estonian regulation applicable to collective agreements does not specifically distinguish the regulations of different contracts, thus collective agreements equally apply to both open-ended and temporary work employment contracts³⁹. The Collective Agreements Act of the Republic of Estonia states that collective agreements may determine rigidity/flexibility of employment contracts: 1) wage conditions; 2) working conditions; 3) work and rest time conditions; 4) conditions for the amendment and termination of an employment contract, and the bases for refusing to perform work; 5) conditions and the procedure for layoff and the guarantees in the event of lay-off; 6) conditions for occupational health and safety; 7) conditions for vocational training, in-service training and re-training, and assistance to the unemployed. In terms of the latter, collective agreements equally apply to both open-ended and temporary work employment contracts. Under Polish law, it is possible to conclude collective agreements in terms of regulating fixed-term employment contracts but only if more flexible and beneficial conditions than those provided for by the national law with reference to the employee are agreed upon (e.g. a shorter maximum duration of fixed-term contracts or longer notice periods). Slovak labor law provides for extension of fixed-term contracts in the agriculture sector (for seasonal work) under collective

³⁶ Labor Code of the Republic of Lithuania, Art. 68.4

³⁷ Labor Code of the Republic of Lithuania, Art. 69

³⁸ Regulations regarding minimum wage are out of the scope of the analysis.

³⁹ Collective Agreements Act §6, Employment Contracts Act §9.

agreements. However, if a company operating in another sector (e.g. steel production) concludes an agreement with the respective unions, such a contract is also applicable to fixed-term contracts in other sectors.

In terms of establishing less regulation and less rigidity for any particular type of temporary employment contract compared to the rules established in national law under collective agreements, regulations of the observed countries vary significantly. For instance, the labor laws of Bulgaria, Switzerland, the Czech Republic and Slovakia do not permit regulating specific contracts or establishing rules other than those provided by law under collective agreements. On the contrary, Danish labor regulations apply no restrictions on the scope and content of collective agreements. Lithuanian labor law establishes specific conditions when certain aspects of particular contracts may be agreed upon in a collective agreement. For example, in cases of temporary employment contracts a collective agreement concluded between the employer and the employees may establish longer notice periods than those provided by national law, i.e. collective agreements may specifically lay down conditions for a single type of fixed-term contract⁴⁰. It must be emphasized that in Lithuania, Estonia and Poland the general rule applies according to which collective agreements may provide exceptions for regulations on working and rest time, conditions for the amendment and termination of an employment contract, wage conditions, etc. Collective agreements involve all types of contracts and it is only acceptable to agree on more flexible and beneficial conditions for the employee than those provided for by national law.

3. Conclusions and recommendations

1. Of all the analysed countries the legal regulation of hiring employees in Switzerland and Denmark may be considered to be the most flexible. The majority of terms may be negotiated and agreed upon by the parties, including but not limited to the duration, grounds, type of temporary employment, and the number of renewals of agreements.

2. In order to avoid severe labor market dualization it is recommended to minimize the differentiation of employment protection of people working under indefinite and temporary employment contracts.

3. Some tasks or work functions may require more time than the legally allowed maximal duration of an employment contracts. To duly regulate such issues it is recommended to set more flexible maximal duration regulations by providing the possibility for the parties to negotiate a particular duration in accordance with the task, and to establish a more flexible mechanism of renewing such contracts, preferably by allowing the parties to negotiate the required amount of contract renewals themselves.

4. Danish and Swiss laws provide for the most optimal frameworks for the duration of fixed-term contracts. The maximal duration and number of renewals are not determined by law and are left to the discretion of the parties to negotiate and agree upon the duration that best meets particular needs. The maximal permissible duration of fixed-term contracts are the lowest in Lithuania and Slovakia (24 months, as opposed to 60 months in Estonia and 36 months in Bulgaria), therefore increasing the maximal permissible duration may be advisable.

5. In order to achieve a higher level of hiring flexibility and competitiveness policymakers in the countries where zero-hour and job-sharing are not permitted by law (e.g. Bulgaria, Lithuania, Estonia and Poland) should consider including these types of contracts into their labor law.

6. Verbal hiring agreements should be allowed by law and accordingly a mechanism of ensuring the compliance and enforcement of such contracts should be established.

7. Statistics show that Lithuania and Estonia have the lowest level of temporary employment (under 5%) in the EU. Given that labor market regulations may have a significant impact on the level of temporary employment, it may be assumed that labour regulations in these countries must be revisited and reshaped in line with labor market flexibility, with particular focus on the following provisions:

- Lithuania is the only country of those analysed that applies restrictions on the amount of temporary agreements per entity. Flexibility of hiring implies the abolition of such restrictions.

- Estonia's prohibition on temporary contracts for task and work activities of permanent nature may affect the ratio of temporary employment thus Estonian policymakers are advised to consider allowing temporary contracts for positions of permanent nature.

8. In countries with a high level of structural unemployment (e.g. Lithuania and Slovakia with a rate exceeding 10 percent), it is advisable to ensure a higher level of hiring flexibility and to loosen applicable labor law regulations.

⁴⁰ Labor Code of the Republic of Lithuania, Art. 80.2

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