2020

EMPLOYMENT FLEXIBILITY INDEX

EU AND OECD COUNTRIES

Lithuanian Free Market Institute

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Introduction

For the third year in a row, the Lithuanian Free Market Institute and its partner organisations present the Employment Flexibility Index, that ranks a total of 41 countries that are members of the European Union (EU) or the Organization for Economic Cooperation and Development (OECD).

Due to technological and demographic changes in Europe the labor market is becoming more dynamic and diverse. A growing need for more flexible regulation in the labor market is evident: worker mobility is increasing, the ability to choose jobs that match their skills and interests is increasing as well. In this context, the European Commission emphasizes that it is precisely the changes in the labor market that have created new forms of employment, business models and stimulated creation of new jobs. Moreover, trade wars, the uncertainties of Brexit, the weakening of emerging markets and geopolitical tensions are becoming sources of risk in the global economy, leading to a slowdown in economic growth. Greater flexibility in employment relations is needed to enable market players to adapt to change more efficiently.

However, the Employment Flexibility Index 2020 shows that policymakers are reluctant in responding to market needs, as the analysis shows little to no change in national regulations. The Employment Flexibility Index indicates that the level of state intervention varies significantly between countries. Leading countries with relatively flexible labor relations continue to strive to reap the benefits of flexibility, while countries below the average remain unchanged.

The aim of this study is to compare the legal regulation of labor relations between the EU and OECD member states, in particular the level of flexibility of the regulations. The Index may be applied as a tool for countries to evaluate their position in the context of other countries, to assess how national legal systems are prepared to respond to changes in the economy and the labor market.

The Employment Flexibility Index 2020 was developed in collaboration with independent research institutes of Bulgaria, the Czech Republic, Estonia, Poland and Slovakia, using the World Bank methodology and its data from 2019. States are ranked by comparing their regulations on hiring, working time, redundancy rules and costs.

Changes in the labor market imply the need for greater flexibility of regulations

Technological and demographic changes in Europe over the last few decades have made the labor market more dynamic and diverse. New forms of employment are on the rise. For example, in 2016, one in four employment contract was for non-standard employment. New business models are also being created, the workforce is becoming more diverse. Whereas new forms of employment and the flexibility these forms provide are driving job creation and growth in the labor market (European Commission, 2017). This indicates that the need for flexibility in the regulation of labor relations has increased and there are little to none signs that the tendency would change.

Increasing tensions in the global economy, i.e. trade wars, the structural challenges of developed economies, the uncertainties of Brexit, the weakening of emerging markets and geopolitical tensions are causing the global economy to slow down (LFMI, 2019). In this context, flexibility in the regulation of employment relations can be beneficial for market participants in adapting to the emerging challenges. According to the European Commission (2017), flexible labor regulation ensures business dynamism by facilitating business growth and adapting to market trends, as well as promoting job creation (ILO, 2003), and cross-sectoral mobility of workers (Hopenhayn and Rogerson, 1993; Martin and Scarpetta, 2012). As a result, flexible labor market regulation enables employers and employees to make effective and timely decisions, not only in times of economic prosperity but also in times of recession. For example, one of the most important factors contributing to Germany's rapid and successful recovery from the recession was the liberalization of existing labor relations regulations (Eichhorst, 2013).

The degree of flexibility in the regulation of employment relations determines the ability of market participants to adapt to change (Rubery and Grimshaw, 2003), external factors and changing macroeconomic conditions (Eamets and Masso, 2004). On the other hand, the market is not left to self-regulation: according to modern

realities it is yet difficult to imagine the labor market without government intervention (Deakin and Sarkar, 2008) to protect workers (Botero et al., 2004; Boeri, 2000). In this context, it must be borne in mind that over-regulation of labor relations restricts employers' abilities to adjust costs and adapt to economic challenges, as it also limits workers' abilities to move from unproductive sectors to productive ones, and reduces the employability of unskilled employees.
The Flexibility Index measures three sets of indicators that cover the key stages of the work process: hiring, working hours and redundancy. Each stage is evaluated by a set of indicators specific to that stage.

Hiring includes regulation of fixed-term contracts, minimum wages and the probation period.

Fixed-term contracts correspond to the needs of a modern labor market (European Commission, 2010). Flexible regulation of fixed-term contracts enables market participants to respond effectively to market and individual changes (Bentolila and Saint-Paul, 1994; European Commission, 2010). For unemployed people or those without a permanent job, flexibility to enter fixed-term employment contracts enables them to access the labor market more quickly, provide them with a direct source of income and the possibility to gain practical work experience (Gangl, 2003; Booth and Francesconi, 2002). Moreover, where the need for fixed-term employment is in the interest of the employee, strict regulation of fixed-term contracts increases the level of informal employment as workers are forced into informal employment (Betcherman and Whitehead, 2002). As a result, not only public finances, but also the workers themselves, are affected because they are not adequately protected.

Minimum wage regulations are generally deemed as a means of increasing the income of the persons whose income is the lowest. However, unjustified raising of the minimum wage based solely on political will and not on real economic preconditions has negative consequences. For example, excessively abrupt centralized wage increases lead to a decline in the employment of unskilled persons and persons from socially vulnerable groups (Jardim, Long, Plotnick et al., 2017; Kreiner, Reck and Skov, 2017; Neumark, 2014; Lordan and Neumark, 2017). In addition, setting a statutory minimum wage across the state is unjustified due to the specificities of regions and certain sectors, and some scholars recommend differentiating the minimum wage instead (IMF, 2016). Moreover, greater flexibility in the regulation of labor relations ensures that salary levels also change according to economic conditions (Martin and Scarpetta, 2012). Initiatives of unjustified increase of minimum wage can also promote the growth of the informal economy (Davidescu and Schneider, 2017). Raising the minimum wage is also associated with higher inflation (Bobeica, Ciccarelli, and Vansteenkiste, 2019).

During the **probationary period**, some general labor law provisions (such as the general dismissal rules) do not apply at the beginning of the employment relationship. A longer statutory probationary period may be more motivating for employers to recruit new employees, and for employees - to try new areas of activity, since termination of employment contracts is also easier for employees (Pries and Rogerson, 2005; Marinescu, 2009).

Regulation of **working time** includes statutory requirements for maximum weekly working days, work on weekly rest days, overtime, restrictions on night work, public holidays, and annual pay, that are not agreed upon at a sectoral level. Flexible working time regulation increases employment and participation in the labor market (Eurofund, 2017). Greater flexibility in working time enables business to adjust human resources appropriately, taking into account the time-specific features of business (Gareis and Korte, 2002). Flexible working time regulation means that employees can adapt their working hours to their personal needs and lifestyle (Eurofund, 2013; Chung, 2011). Due to changing business models, the variety of forms of employment, and the growing popularity of teleworking, there is a shift away from the standard working day model. Due to the growing shortage of employees, employers are competing for employees by offering incentives other than financial, including the possibility to personalize working time according to the employee's needs.

Indicators for **redundancy rules and cost** analysis include grounds for termination of employment, additional obligations to inform third parties, restrictions on dismissal, notice periods and regulation of severance payments. More flexible redundancy regulation and lower redundancy costs encourage legal employment and reduce undeclared work (Loayza, Oviedo and Servén, 2005). Strict notice periods and severance pay regulations, which are differentiated according to seniority, provide greater protection for employees with longer tenures and encourage the dismissal of young workers (Montenegro and Pagés 2010; Heckman and Pagés 2003). When difficult economic conditions dictate a decline in labor demand, more flexible lay-off regulations help companies to avoid bankruptcies thereby saving more jobs when the economic conditions get challenging, additionally, strict regulations of redundancy rules and costs reduce incentives to create new jobs and recruit more employees.

COMPARISON OF LABOR REGULATIONS IN EU AND OECD COUNTRIES

The Employment Flexibility Index measures indicators for regulating hiring, working hours, redundancy rules and costs. Based on the values of these indicators, a qualitative comparative analysis of labor relations of EU and OECD Member States is carried out. The higher the value of the Employment Flexibility Index, the more flexible the employment regulation in a particular country is (for further details see section “Methodological Notes”).[1]

Of the 41 EU and OECD countries, the top ten are (respectively) the US, Japan, New Zealand, United Kingdom, Canada, Ireland, Denmark, the Czech Republic, Bulgaria and Switzerland (Figure 1).

Mr Michael Fanta, Analyst, Centre for Economic and Market Analyses

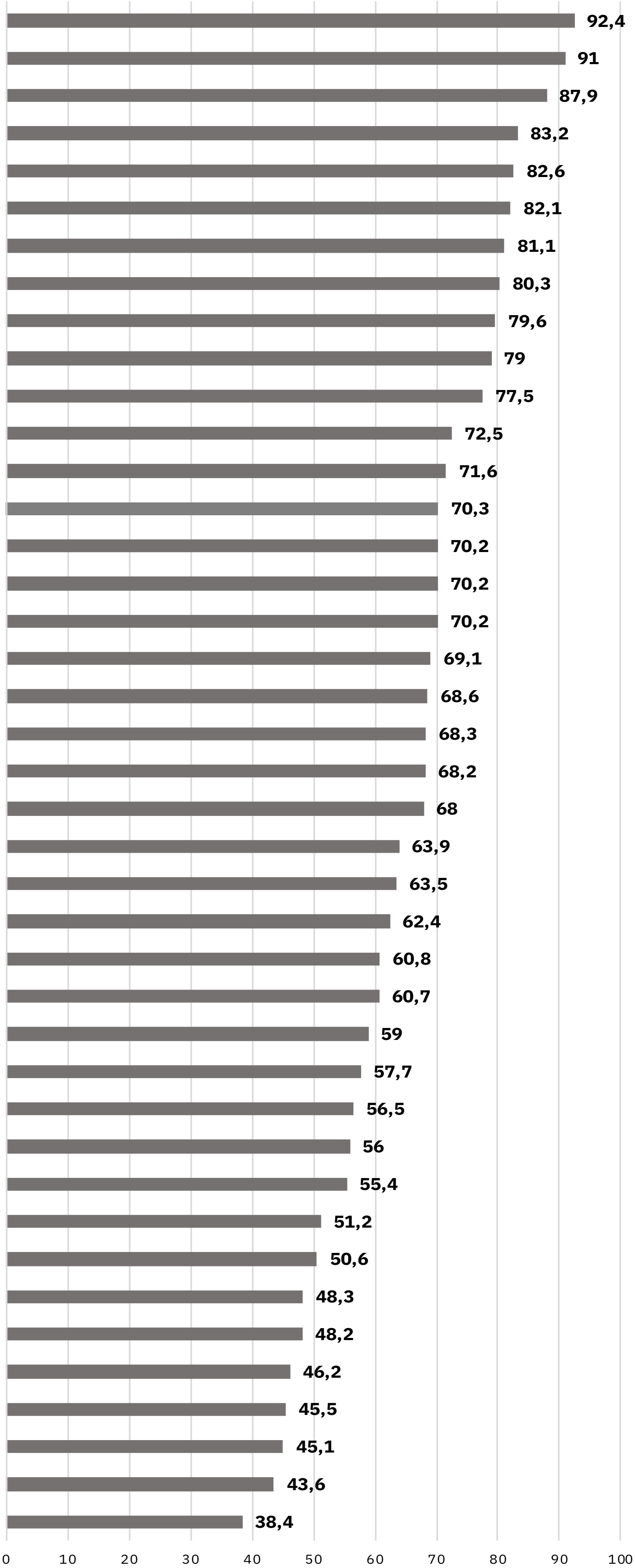
“The Czech Republic remains among top 10 countries for the third time in a row. Compared to other EU and OECD countries, Czech labour market is not as heavily burdened by strict regulations, especially in areas of redundancy rules and hiring, where various forms of part-time employment contracts can be agreed between employees and employers. On the other hand, firing permanent employees is fairly complicated and costly. Unemployment rate in the Czech Republic is on record low levels and oscillates slightly above 2 %. Employers are now facing difficulties related to lack of workforce and they are forced to seek free capacities abroad (especially in Ukraine and other eastern countries). Average wage also rose during last three years (+6,5 %) but on the other hand minimum wage rose significantly as well (+21 %) and other hike of minimum wage is planned in the following year. Such developments might signify a cost related obstacle in the future, especially in case of an economic slowdown.”

Compared to last year’s Employment Flexibility Index, the biggest change occurred in Slovakia, which fell by 9 positions (from 27 to 36). In the country, the rates for the premiums for night work were doubled (the rate was set at 40%, compared to 50% in Lithuania), as well as 100% premium for work during the rest day was imposed (Lithuania also provides double payment for this type of work). It is noteworthy that regulatory changes in Slovakia were introduced a few years back and are reflected in the Index 2020 due to World Bank's data collection methodology. In New Zealand, the legal regulation of unemployment has been adjusted thus increasing its Index score.

[1] *In Figure 1:*
EFI 2018 - the country’s position in the Employment Flexibility Index 2018.
EFI 2019 - the country’s position in the Employment Flexibility Index 2019.
EFI 2020 - the country’s position in the Employment Flexibility Index 2020.
**The Employment Flexibility Index is calculated based on the World Bank data available at the time of publishing. The data of World Bank is updated annually. If the World Bank figures change, the Index is not recalculated.*
Access to the data online: <https://bit.ly/2Qwn4rZ>.

Figure 1. **Employment Flexibility Index 2020: EU and OECD countries**

EFI 2018	EFI2019	EFY20	Country	Score
2	2	1	US	92,4
3	3	2	JAPAN	91
7	7	3	NEW ZEALAND	87,9
4	4	4	UK	83,2
5	5	5	CANADA	82,6
6	6	6	IRELAND	82,1
1	1	7	DENMARK	81,1
8	8	8	CZECH REPUBLIC	80,3
9	9	9	BULGARIA	79,6
10	10	10	SWITZERLAND	79
11	11	11	MALTA	77,5
14	13	12	HUNGARY	72,5
15	14	13	AUSTRALIA	71,6
27	15	14	LITHUANIA	70,3
21	16	15	NORWAY	70,2
16	17	16	CYPRUS	70,2
13	12	17	ITALY	70,2
17	18	18	AUSTRIA	69,1
12	19	19	ICELAND	68,6
18	20	20	LATVIA	68,3
19	21	21	BELGIUM	68,2
20	22	22	ISRAEL	68
22	23	23	ROMANIA	63,9
23	24	24	GERMANY	63,5
24	25	25	CHILE	62,4
25	26	26	SPAIN	60,8
30	30	27	POLAND	60,7
28	28	28	ESTONIA	59
29	29	29	SWEDEN	57,7
31	31	30	NETHERLANDS	56,5
33	33	31	SLOVENIA	56
32	32	32	FINLAND	55,4
34	34	33	CROATIA	51,2
35	35	34	GREECE	50,6
36	36	35	TURKEY	48,3
26	27	36	SLOVAKIA	48,2
37	37	37	KOREA	46,2
38	38	38	PORTUGAL	45,5
39	39	39	MEXICO	45,1
40	40	40	LUXEMBOURG	43,6
41	41	41	FRANCE	38,4



Mr Adrian Nikolov, Researcher, Institute for Market Economics

"The Bulgarian labor market has achieved absolute record performance in the years following the economic crisis, reaching employment rates near their hypothetical maximum levels and very low unemployment, albeit with patchier performance in some of the regions of the country. Even though the sharp improvements of the past few years have started to level off, there is no reason to believe that the labor market will turn sour in the immediate future, barring a major economic crisis that spans the entire continent. For the most part, this decade has been one of continuity in labor law; there have not been any significant changes that affect the relationship between workers and employers, the regulation of firing, hiring and working hours. The current debate in labor law in Bulgaria concerns medical leave, as employer organizations have been pushing an exemption on their contribution to the first days of medical leave in order to prevent abuse and over-use of leave. Other unresolved issues are the introduction of a minimum wage mechanism to replace the current system of employer organizations and union negotiations, and the easing of regulations for hiring foreign workers. Among the major problems yet to be resolved is the activation of a certain NEET population, as well as improving the integration of Roma and disabled people in the labor force."

Denmark and Italy fell in the Employment Flexibility Index. Denmark fell by 6 positions (from first place to 7). This was due to mandatory statutory minimum notice periods for dismissal (which are now on average four times longer in Denmark than in Lithuania). Significant changes have also taken place in Italy, which has fallen by 5 positions (from 12 to 17) as the statutory maximum fixed-term contract duration has been reduced three times (from 3 years to 1 year).

Mr Rafał Trzeciakowski, Economist, Civil Development Forum (Poland)

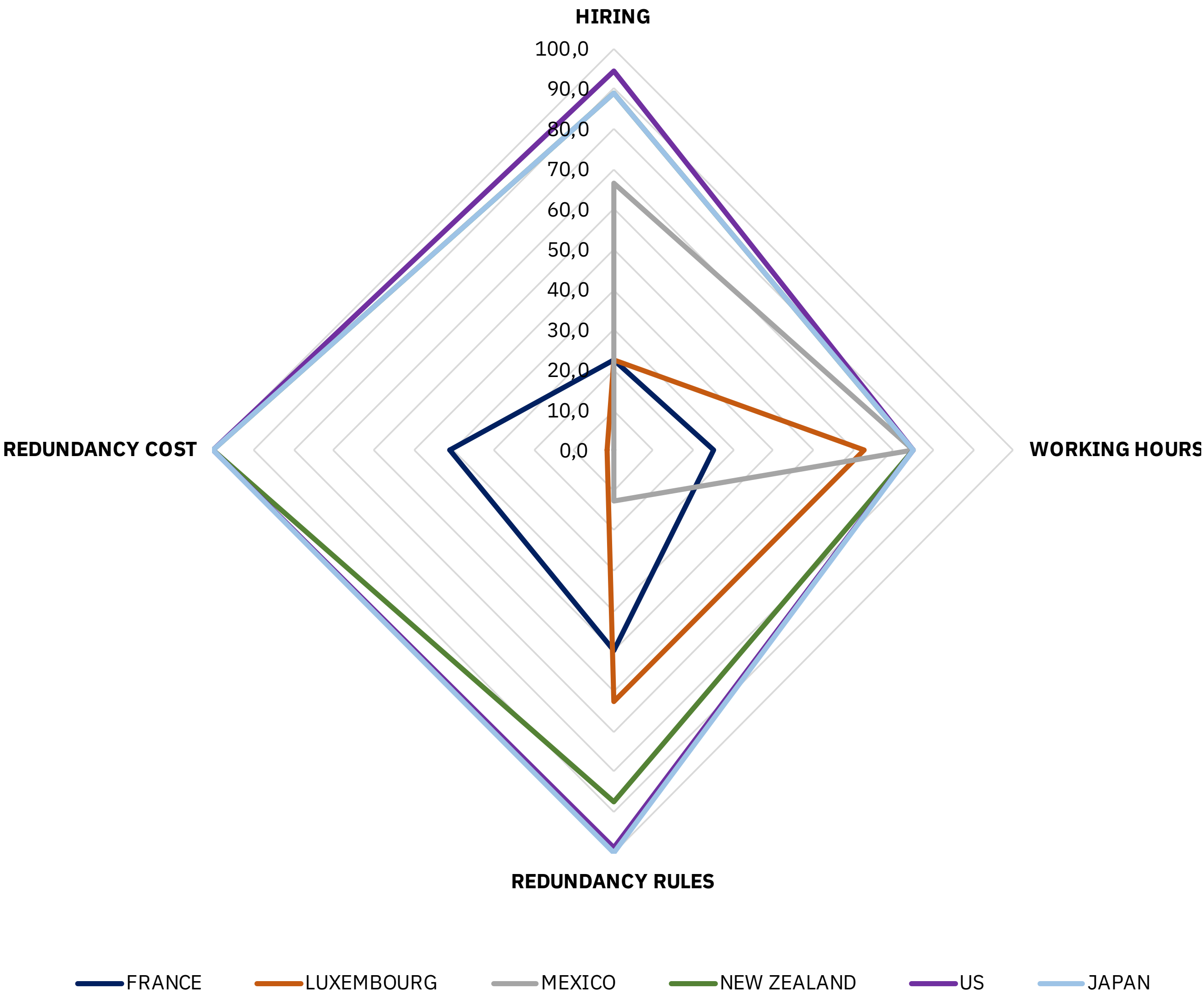
"Poland is below average in the ranking, which probably still understates the problem, as many regulatory rigidities are difficult to account for in cross-country comparisons. Relatively restrictive regulation and high taxation of regular contracts leads to labour market segmentation, which lowers human capital accumulation. Other regulatory rigidities contribute to very low rates of part-time employment, and manifest in lower activity rates in case of marginal workers. That said, Poland together with other OECD economies is currently experiencing an impressive jobs boom. Labour market figures are the best since the transition to a market economy, so unfortunately reform is low of governments agenda. This lack of reform froze Poland's position in the EFI for now, but in the longer term a reform making regular employment contracts more flexible and attractive compared to self-employment and temporary contracts will be necessary. Labour market flexibility will be gaining in importance in the future decades, as population aging accelerates."

Ms Karolina Mickute, Expert, Lithuanian Free Market Institute

"After the sharp leap up a couple of years ago when Lithuania went up by 12 positions in the Employment Flexibility Index, no changes were made this year that would change Lithuania's scores on the Flexibility Index. Other than the leap forward in 2018, in the overall context of the EU and the OECD countries Lithuania has nothing to boast about as it imposes redundancy rules and costs, statutory premiums for overtime, night work and work on rest days that are above the EU and OECD average. Tha implies that the Code is not as liberal as it opponents fear. However the Lithuanian Labor Code is neither fully prepared to accommodate the needs of a modern labor market, nor does it provide the tools to tackle risks related to economic slowdown. Given the lack of labor force in Lithuania, employees tend to compete for the labor force, yet statutory requirements may hinder the possibilities of employees to negotiate better terms. Moreover, given the ongoing tendencies of the shift in the labor market composition and the dominant trends in the global economy, Lithuania does not provide for many means to adapt to change, for example, Lithuania remains in the bottom of the EU countries regarding the portion of fixed-term employment, which could be associated with the quota on fixed-term contracts per employee, the laws also prohibit zero-hour working contracts both of which would ensure more possibilities for the employees to accommodate their needs and interests in a nowadays market."

Comparing this year's data to the data of World Bank for the 2019 Doing Business report, a change occurred in the position of Poland and Slovenia. Comparing to last year's data, the primacy rules in case of redundancies was abolished, accordingly Poland rose by 3 positions in the Flexibility Index and Slovenia by 2 positions respectively.

Figure 2. **Comparison of the indicator values of EU and OECD countries with the most and least flexible labour regulations**



In Figure 2, the countries that rank highest in the overall country ranking in terms of hiring, working time, redundancy rules and costs are the furthest from the center in all four dimensions, while those in the lowest ranking positions are closest to the center. That is, the higher the score for a particular area of the Employment Flexibility Index, the more distant the center is from the point (see Figure 2).

The US, Japan, and New Zealand rank highest in the Employment Flexibility Index 2020, which means that the employment regulation of these countries is the most flexible of all EU and OECD countries. These countries have the highest rating due to the following circumstances:

- fixed-term contracts are allowed for jobs of permanent nature;
- the law does not specify the maximum duration of a fixed-term employment contract (including the number and duration of renewal);
- the law does not set minimum wage;
- the law does not impose restrictions on night work, the law does not restrict overtime and the day off (except in Japan, where the law restricts overtime);
- laws do not impose strict rules, costs, or restrictions on redundancies;
- there is no statutory obligation on employers to inform third parties when a worker or a group of employees is about to be dismissed, nor is it required to obtain the consent of a third party for dismissals;
- the law does not impose an obligation on the employer to retrain the employee before dismissal;
- there are no statutory regulations of priority (preference) rules in redundancy cases.

In France, Luxembourg and Mexico, labor relations are the most rigid among the EU and OECD countries, due to the following requirements mandated by law:

- fixed-term contracts are permitted only for temporary work and not for work of a permanent nature;
- French and Luxembourg law limit the maximum duration of a fixed-term contract, including renewals which are among the shortest of the countries analysed (18 months in France and 24 months in Luxembourg);
- Luxembourg law provides for one of the highest statutory minimum wages in all EU and OECD countries;
- Mexico has a rigorous mechanism for regulating redundancy rules and costs, such as severance pay, the amount of which is one of the highest in all OECD countries, moreover, the amount of severance pay is differentiated based on length of tenure.

COMPARISON OF LABOR REGULATIONS in EU Member States

The United Kingdom, Ireland and Denmark have the most flexible labor relations regulation of all EU member states. France, Luxembourg and Portugal have the least flexibility in regulating labor relations.

Of the EU countries, the UK has the most flexible labor law regulations meaning the law has the least statutory requirements that are applicable among the country's jurisdiction. For example, there is no limit to the maximum duration of fixed-term employment contracts, nor is there any statutory minimum of premiums for overtime, night work or work on weekly rest days. For the past 3 years France remains in the bottom of the Employment Flexibility Index. The legislation in this country sets one of the shortest maximum lengths for fixed-term contracts, the longest mandatory annual leave of all EU countries, and one of the highest mandatory

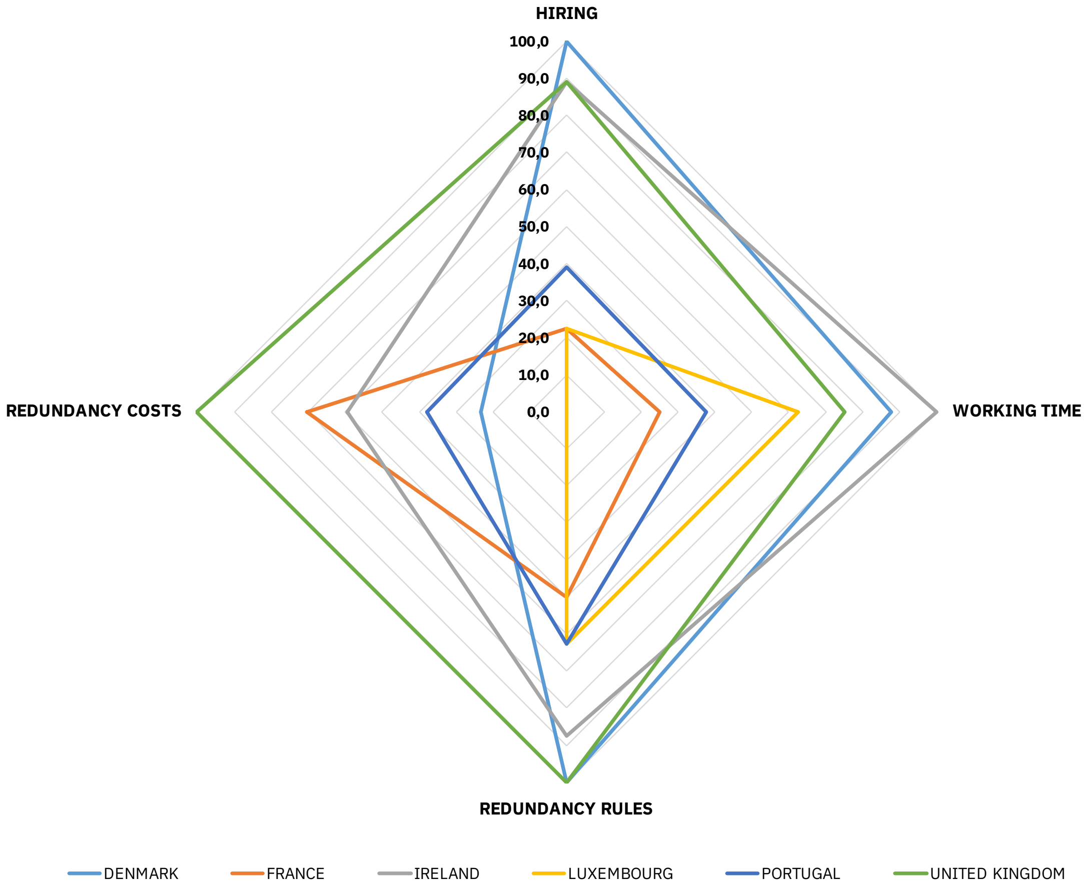
Of the EU Member States, the UK, Ireland and Denmark have the most flexible labor market regulations. The legal systems of these states have the following regulatory features:

- Fixed-term employment contracts are permitted for jobs of permanent nature;
- The law does not limit the maximum duration of a fixed-term contract, including any extension thereof;
- There are no statutory restrictions on working time (including night work, overtime, and work on weekly rest days or holidays);
- The law does not provide for statutory regulations on redundancy rules and costs (except for Ireland, which has an obligation to inform third parties regarding redundancies, and Denmark, which has one of the longest notice periods for notice of dismissal).

France, Luxembourg and Portugal have the most rigid employment relations regulations. Legal regulation in these countries is considered to be the least flexible as it has the following characteristics of legal systems:

- Fixed-term contracts are only allowed for temporary activities, while fixed-term contracts for jobs of permanent nature are prohibited;
- The legislation limits the maximum duration of fixed-term contracts, including renewals (18 months in France, 24 months in Luxembourg, 36 months in Portugal);
- There is an obligation on the employer to inform the third party in the event of dismissal;
- The legislation imposes an obligation on the employer to retrain employees when they are about to be made redundant or, in the event of dismissal, to offer workers a new job (except Luxembourg);
- In the case of redundancies rules of priority (preference) apply (except in Portugal)

Figure 3. **Comparison of the indicator values of EU member states with the most and least flexible labour regulation**



Cécile Philippe, President of the Institut économique Molinari

"The unemployment rate in France has not fallen below 4.5% of the labour force since 1978. Today it stands at 8.4%. Though this is the lowest rate in 10 years, we pale in comparison to our European neighbours because our labour market remains obstructed by numerous rigidities, in particular social contributions that impose a burden exceeding anything else in the EU. Indeed, France is top overall in social contributions (67% of gross salary). President Macron made the weight of social contributions his priority at the start of his term. Charges paid by employers have fallen significantly, from 49% to 43%. This effort is noteworthy, but it remains modest in comparison to the rest of the EU and to what is at stake in France. As such, the results have not been spectacular. At the same time, a bonus/penalty system is to be instituted in January 2020 to deter short contracts. This will not improve France's ranking, nor will it promote employment in the services sector, the country's main job creator."

Conclusions

The need for flexibility in employment relations is growing because of objective reasons in the labor market. First and foremost, changes are taking place in the labor market itself, with changes in the forms of employment and workforce diversification. Increased need for flexibility is implied by risk focal points in the global economy. As a result, policymakers will inevitably have to review the applicable regulations.

Comparing the Employment Flexibility Index 2020 to last year's index, only a couple of states have lowered some of the imperative requirements. This shows that the EU and OECD countries are reluctant to modernize and liberalize their labor laws so they could meet the needs of their economies.

Methodological notes

The Employment Flexibility Index is based on the Doing Business data on labor regulations which is gathered through a standardized questionnaire survey. The Index covers the indicators of hiring, working hours, redundancy rules, and redundancy costs. In order to determine the overall Employment Flexibility Index the values of Rigidity of Employment and Redundancy Costs must be calculated (the latter indicators determine the value of Employing Workers Index).

The Index is built around a case assumption for which data are collected by the World Bank. A case assumption ensures comparability across economies over time.[2] Accordingly, the Employment Flexibility Index does not provide a comprehensive measurement of indicators pertaining to labor markets. These limitations must be taken into consideration when interpreting the data of the Index.
The flexibility of employment regulation is assessed in light of the following assumptions:

The worker is:
- a cashier in a supermarket or grocery store, aged 19, with one year of work experience;
- a full-time employee;
- not a member of a labor union, unless membership is mandatory;

The business:
- is a limited liability company (or the equivalent in the economy);
- operates a supermarket or grocery store in the economy's largest business city;
- has 60 employees;
- is subject to collective bargaining agreements if such agreements cover more than 50 percent of the food retail sector and apply even to firms that are not party to them;
- abides by every law and regulation but does not grant workers more benefits than those mandated by law, regulation or (if applicable) collective bargaining agreements.

The Employment Flexibility Index provides a country ranking where a higher score is given for more flexible labour regulation. In assessing the sets of indicators for the index, a score from 0 to 1 is added and graded on a scale from 0 to 100 for the final score. The index is a simple average of the following sub-indices:
- *Hiring regulation* covers fixed-term contracts and minimum wage regulations.
- *Working hours* covers nonstandard work schedules and a number of days of paid vacation.
- Regulation of *redundancy rules* covers mandatory legal requirements on dismissals for economic reasons.
- *Redundancy costs* cover notification requirements, severance payments and penalties due when terminating a redundant worker, expressed in weeks of salary, and include unemployment protection after a year of employment.

[2] Doing Business does not measure the full range of factors and policies that affect the business environment. It does not capture aspects of macroeconomic stability, market size or the quality of the labour force and others. It is designed to be an easily replicable tool to benchmark specific aspects of business regulation. Data refer to a business in the largest city and not to other parts of the country and focus on a specific business form of a particular size. When sources indicate different estimates, the indicators reported in Doing Business represent the median values of several responses. (Doing Business 2017, p.15-16).

We argue that despite the fact that regulation and legislation have various objectives (for example, balancing of the protection of the worker or his bargaining power), this does not negate the costs and unforeseen consequences of such regulations. Costs should be estimated when evaluating the efficiency of regulation (i.e. achieved goals *versus* costs).

In terms of the *scope* of the index and the level of employee protection, the purpose of the Index is not to measure all the dimensions of labour regulation. Rather, the Index measures the flexibility of employment regulation that preconditions and determines the efficiency of the labour market. The indicators are applied for the assessment of the impact of the legal system on economic outcomes. It is also assumed that employment security must be ensured in line with the flexibility of employment regulation. Otherwise, employment protection may adversely affect the parties to the employment relations, e.g. by reducing job opportunities due to potential effects on the rates of job destruction (World Bank, 2002). In addition, strict regulation reduces employment opportunities for women and young and unskilled workers as they may end up in the informal economy (World Bank, 2008). This is measured by the World Bank's *Employing Workers Index.*

In terms of the *premises* of the Index, they are not intended to reflect the regulation of different businesses or employment models. Rather, they reflect a more illustrative aspect of the regulatory environment for business. The World Bank focuses on a specific size and form of a company with particular nature of operations. It is not a statistical survey. Data is gathered by means of a questionnaire, taking representative examples across different economies and ensuring comparability of labour regulations.

As regards the *measurement of economic outcomes*, two types of indices can be applied: indices that reflect assumptions (e.g. tax and regulation levels) and indices that address consequences (e.g. the level of unemployment). This is the input-output split. Both types of indices are significant and valuable. The impact of regulation on the efficiency of the labour market is based on an empirical analysis of the regulatory effects and labour market outcomes. Such labour regulation indices are invaluable tools for the comparison of labor laws and regulatory obstacles across countries.

Annex

Annex No.1 **DOING BUSINESS 2020. Labour market regulation**

	HIRING					
COUNTRY	Fixed-term contracts prohibited for permanent tasks?	Maximum length of a single fixed-term contract (months)	Maximum length of fixed-term contracts (months)[a]	Minimum wage for a full-time worker (US$/ month)	Ratio of minimum wage to value added per worker	Maximum length of probationary period (months)[a]
Australia	No	No limit	No limit	2034,0	0,3	6
Austria	No	No limit	No limit	1756,1	0,3	1
Belgium	No	No limit	No limit	2399,1	0,4	0
Bulgaria	No	36	36	318,2	0,3	6
Canada	No	No limit	No limit	1844,0	0,3	3
Chile	No	12	12	450,9	0,3	n.a.
Croatia	Yes	No limit	No limit	569,3	0,3	6
Cyprus	No	No limit	30	1046,8	0,3	24
Czech Republic	No	36	108	697,6	0,3	3
Denmark	No	No limit	No limit	0,0	0,0	3
Estonia	Yes	60	120	595,2	0,2	4
Finland	Yes	No limit	60	2080,4	0,3	6
France	Yes	18	18	1803,3	0,3	2
Germany	No	No limit	No limit	1802,3	0,3	6
Greece	Yes	36	No limit	868,3	0,3	12
Hungary	No	60	60	524,9	0,3	3
Iceland	No	24	24	2724,5	0,3	3
Ireland	No	No limit	No limit	1933,8	0,3	12
Israel	No	No limit	No limit	1448,6	0,3	n.a.
Italy	No	12	24	2033,2	0,5	2
Japan	No	36	No limit	1567,6	0,3	n.a.
Korea	No	24	24	1284,0	0,4	3
Latvia	Yes	60	60	476,2	0,2	3
Lithuania	No	60	60	616,0	0,3	3
Luxembourg	Yes	24	24	2770,8	0,3	6
Malta	No	48	48	863,0	0,3	6
Mexico	Yes	No limit	No limit	140,6	0,1	1
Netherland	No	24	24	1004,6	0,2	2
New Zealand	No	No limit	No limit	2115,4	0,4	3
Norway	No	48	48	2985,4	0,3	6
Poland	No	33	33	594,5	0,3	3
Portugal	Yes	36	36	794,4	0,3	3
Romania	Yes	36	60	496,6	0,4	3
Slovakia	No	24	24	588,0	0,3	3
Slovenia	Yes	24	24	1000,2	0,3	6
Spain	Yes	36	48	1025,3	0,3	6
Sweden	No	24	24	0,0	0,0	6
Switzerland	No	120	120	0,0	0,0	3

	HIRING					
COUNTRY	Fixed-term contracts prohibited for permanent tasks?	Maximum length of a single fixed-term contract (months)	Maximum length of fixed-term contracts (months)[a]	Minimum wage for a full-time worker (US$/month)	Ratio of minimum wage to value added per worker	Maximum length of probationary period (months)[a]
Turkey	Yes	No limit	No limit	599,7	0,5	2
UK	No	No limit	No limit	1400,8	0,3	6
US	No	No limit	No limit	2578,0	0,3	n.a.

	WORKING HOURS										
COUNTRY	Standard workday	Maximum working days per week	Premium for night work (% of hourly pay)	Premium for work on weekly rest day (% of hourly pay)	Premium for overtime work (% of hourly pay)	Restrictions on night work?	Restrictions on weekly holiday work?	Restrictions on overtime work?	Paid annual leave for a worker with 1 year of tenure (in working days)	Paid annual leave for a worker with 5 years of tenure (in working days)	Paid annual leave for a worker with 10 years of tenure (in working days)	Paid annual leave (working days)?
Australia	7,6	6,0	25,0	100,0	50,0	No	No	No	20,0	20,0	20,0	20,0
Austria	8,0	5,5	67,0	100,0	50,0	Yes	No	No	25,0	25,0	25,0	25,0
Belgium	7,6	6,0	0,0	0,0	50,0	Yes	Yes	No	20,0	20,0	20,0	20,0
Bulgaria	8,0	6,0	6,7	0,0	50,0	Yes	No	Yes	20,0	20,0	20,0	20,0
Canada	8,0	6,0	0,0	0,0	50,0	No	No	Yes	10,0	15,0	15,0	13,3
Chile	9,0	6,0	0,0	30,0	50,0	No	No	No	15,0	15,0	15,0	15,0
Croatia	8,0	6,0	0,0	0,0	0,0	Yes	Yes	No	20,0	20,0	20,0	20,0
Cyprus	8,0	5,5	0,0	100,0	100,0	No	No	No	20,0	20,0	20,0	20,0
Czech Republic	8,0	6,0	10,0	10,0	25,0	No	No	No	20,0	20,0	20,0	20,0
Denmark	7,4	6,0	0,0	0,0	0,0	No	No	No	25,0	25,0	25,0	25,0
Estonia	8,0	5,0	25,0	0,0	50,0	Yes	No	No	24,0	24,0	24,0	24,0
Finland	8,0	6,0	15,7	100,0	50,0	No	No	No	30,0	30,0	30,0	30,0
France	7,0	6,0	7,5	20,0	25,0	Yes	Yes	No	30,0	30,0	31,0	30,3
Germany	8,0	6,0	0,0	0,0	0,0	No	No	No	24,0	24,0	24,0	24,0
Greece	8,0	6,0	25,0	75,0	27,5	No	Yes	No	20,0	22,0	25,0	22,3
Hungary	8,0	5,0	15,0	50,0	50,0	No	No	Yes	20,0	21,0	23,0	21,3
Iceland	8,0	6,0	40,0	40,0	77,0	No	No	No	24,0	24,0	24,0	24,0
Ireland	8,0	6,0	0,0	0,0	0,0	No	No	No	20,0	20,0	20,0	20,0
Israel	8,8	5,5	0,0	50,0	25,0	No	Yes	No	14,0	16,0	24,0	18,0
Italy	6,6	6,0	15,0	30,0	15,0	No	No	No	26,0	26,0	26,0	26,0
Japan	8,0	6,0	25,0	35,0	25,0	No	No	Yes	10,0	16,0	20,0	15,3
Korea	8,0	6,0	50,0	50,0	50,0	No	No	No	15,0	17,0	19,0	17,0
Latvia	8,0	5,5	50,0	0,0	100,0	No	No	No	20,0	20,0	20,0	20,0
Lithuania	8,0	5,5	50,0	100,0	50,0	No	No	No	20,0	20,0	23,0	21,0
Luxembourg	8,0	5,5	0,0	70,0	40,0	No	Yes	No	26,0	26,0	26,0	26,0
Malta	8,0	6,0	0,0	100,0	50,0	No	No	No	26,0	26,0	26,0	26,0
Mexico	8,0	6,0	0,0	25,0	100,0	No	No	Yes	6,0	14,0	16,0	12,0
Netherland	8,0	5,5	0,0	0,0	0,0	No	No	No	20,0	20,0	20,0	20,0
New Zealand	8,0	7,0	0,0	0,0	0,0	No	No	No	20,0	20,0	20,0	20,0

	WORKING HOURS											
COUNTRY	Standard workday	Maximum working days per week	Premium for night work (% of hourly pay)	Premium for work on weekly rest day (% of hourly pay)	Premium for overtime work (% of hourly pay)	Restrictions on night work?	Restrictions on weekly holiday work?	Restrictions on overtime work?	Paid annual leave for a worker with 1 year of tenure (in working days)	Paid annual leave for a worker with 5 years of tenure (in working days)	Paid annual leave for a worker with 10 years of tenure (in working days)	Paid annual leave (working days)?
Norway	9,0	6,0	0,0	0,0	40,0	No	Yes	No	21,0	21,0	21,0	21,0
Poland	8,0	5,5	20,0	100,0	50,0	No	No	No	20,0	20,0	26,0	22,0
Portugal	8,0	6,0	25,0	50,0	31,3	No	Yes	No	22,0	22,0	22,0	22,0
Romania	8,0	5,0	25,0	100,0	75,0	No	No	No	20,0	20,0	20,0	20,0
Slovakia	8,0	6,0	40,0	100,0	25,0	No	No	No	25,0	25,0	25,0	25,0
Slovenia	8,0	6,0	75,0	100,0	30,0	No	No	No	20,0	22,0	24,0	22,0
Spain	8,0	5,5	6,6	0,0	0,0	No	No	No	22,0	22,0	22,0	22,0
Sweden	8,0	5,5	0,0	0,0	0,0	No	Yes	No	25,0	25,0	25,0	25,0
Switzerland	9,0	6,0	25,0	50,0	25,0	Yes	Yes	No	20,0	20,0	20,0	20,0
Turkey	7,5	6,0	0,0	100,0	50,0	Yes	No	No	14,0	20,0	20,0	18,0
UK	8,0	6,0	0,0	0,0	0,0	No	No	No	28,0	28,0	28,0	28,0
US	8,0	6,0	0,0	0,0	50,0	No	No	No	0,0	0,0	0,0	0,0

	REDUNDANCY RULES							
COUNTRY	Dismissal due to redundancy allowed by law?	Third-party notification if one worker is dismissed?	Third-party approval if one worker is dismissed?	Third-party notification if nine workers are dismissed?	Third-party approval if nine workers are dismissed?	Retraining or reassignment?[a]	Priority rules for redundancies?	Priority rules for reemployment?
Australia	Yes	No	No	No	No	Yes	No	No
Austria	Yes	Yes	No	Yes	No	No	Yes	Yes
Belgium	Yes	No	No	No	No	No	No	No
Bulgaria	Yes	No	No	No	No	No	No	No
Canada	Yes	No	No	No	No	No	No	No
Chile	Yes	Yes	No	Yes	No	No	No	No
Croatia	Yes	Yes	No	Yes	No	No	Yes	Yes
Cyprus	Yes	Yes	No	Yes	No	Yes	No	Yes
Czech Republic	Yes	No	No	No	No	No	No	No
Denmark	Yes	No	No	No	No	No	No	No
Estonia	Yes	No	No	No	No	Yes	Yes	No
Finland	Yes	Yes	No	Yes	No	Yes	No	Yes
France	Yes	No	No	Yes	No	Yes	Yes	Yes
Germany	Yes	Yes	No	Yes	No	Yes	Yes	No
Greece	Yes	No	No	Yes	Yes	No	Yes	No
Hungary	Yes	No	No	No	No	No	No	No
Iceland	Yes	No	No	No	No	No	No	No
Ireland	Yes	No	No	Yes	No	No	No	No
Israel	Yes	No	No	No	No	No	No	No
Italy	Yes	Yes	No	Yes	No	Yes	Yes	Yes

	REDUNDANCY RULES							
COUNTRY	Dismissal due to redundancy allowed by law?	Third-party notification if one worker is dismissed?	Third-party approval if one worker is dismissed?	Third-party notification if nine workers are dismissed?	Third-party approval if nine workers are dismissed?	Retraining or reassign-ment?[a]	Priority rules for redun-dancies?	Priority rules for reemploy-ment?
Japan	Yes	No	No	No	No	No	No	No
Korea	Yes	Yes	No	Yes	No	No	No	Yes
Latvia	Yes	No	No	No	No	Yes	Yes	No
Lithuania	Yes	No	No	No	No	Yes	Yes	No
Luxembourg	Yes	Yes	No	Yes	No	No	No	Yes
Malta	Yes	No	No	No	No	No	Yes	Yes
Mexico	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes
Netherland	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No
New Zealand	Yes	No	No	No	No	Yes	No	No
Norway	Yes	No	No	No	No	Yes	Yes	Yes
Poland	Yes	No	No	No	No	No	No	Yes
Portugal	Yes	Yes	No	Yes	No	Yes	No	No
Romania	Yes	No	No	No	No	No	Yes	Yes
Slovakia	Yes	Yes	No	Yes	No	Yes	No	No
Slovenia	Yes	No	No	No	No	No	No	No
Spain	Yes	Yes	No	Yes	No	No	No	No
Sweden	Yes	No	No	Yes	No	Yes	Yes	Yes
Switzerland	Yes	No	No	No	No	No	No	No
Turkey	Yes	No	No	No	No	No	No	Yes
UK	Yes	No	No	No	No	No	No	No
US	Yes	No	No	No	No	No	No	No

	REDUNDANCY COST							
COUNTRY	Notice period for redundancy dismissal (for a worker with 1 year of tenure, in salary weeks)	Notice period for redundan-cy dismissal (for a worker with 5 years of tenure, in salary weeks)	Notice period for redundancy dismissal (for a worker with 10 years of ten-ure, in salary weeks)	Notice period for redundan-cy dismissal (weeks of salary)[a]	Severance pay for redundan-cy dismissal (for a worker with 1 year of tenure, in salary weeks)	Severance pay for redundancy dismissal (for a worker with 5 years of tenure, in salary weeks)	Severance pay for redundancy dismissal (for a worker with 10 years of ten-ure, in salary weeks)	Severance pay for redundancy dismissal (weeks of salary)[a]
Australia	2,0	4,0	4,0	3,3	4,0	10,0	12,0	8,7
Austria	2,0	2,0	2,0	2,0	0,0	0,0	0,0	0,0
Belgium	8,0	18,0	33,0	19,7	0,0	0,0	0,0	0,0
Bulgaria	4,3	4,3	4,3	4,3	4,3	4,3	4,3	4,3
Canada	2,0	5,0	8,0	5,0	0,0	5,0	10,0	5,0
Chile	4,3	4,3	4,3	4,3	4,3	21,7	43,3	23,1
Croatia	4,3	8,7	10,7	7,9	0,0	7,2	14,4	7,2
Cyprus	2,0	7,0	8,0	5,7	0,0	0,0	0,0	0,0
Czech Republic	8,7	8,7	8,7	8,7	8,7	13,0	13,0	11,6
Denmark	13,0	17,3	26,0	18,8	0,0	0,0	0,0	0,0
Estonia	4,3	8,6	12,9	8,6	4,3	4,3	4,3	4,3
Finland	4,3	8,7	17,3	10,1	0,0	0,0	0,0	0,0
France	4,3	8,7	8,7	7,2	1,1	5,4	10,8	5,8

	REDUNDANCY COST							
COUNTRY	Notice period for redundancy dismissal (for a worker with 1 year of tenure, in salary weeks)	Notice period for redundancy dismissal (for a worker with 5 years of tenure, in salary weeks)	Notice period for redundancy dismissal (for a worker with 10 years of tenure, in salary weeks)	Notice period for redundancy dismissal (weeks of salary)[a]	Severance pay for redundancy dismissal (for a worker with 1 year of tenure, in salary weeks)	Severance pay for redundancy dismissal (for a worker with 5 years of tenure, in salary weeks)	Severance pay for redundancy dismissal (for a worker with 10 years of tenure, in salary weeks)	Severance pay for redundancy dismissal (weeks of salary)[a]
Germany	4,0	8,7	17,3	10,0	2,2	10,8	21,7	11,6
Greece	0,0	0,0	0,0	0,0	8,7	13,0	26,0	15,9
Hungary	4,3	6,4	7,9	6,2	0,0	8,7	13,0	7,2
Iceland	13,0	13,0	13,0	13,0	0,0	0,0	0,0	0,0
Ireland	1,0	4,0	6,0	3,7	0,0	11,0	21,0	10,7
Israel	4,3	4,3	4,3	4,3	4,3	21,7	43,3	23,1
Italy	2,9	4,3	6,4	4,5	0,0	0,0	0,0	0,0
Japan	4,3	4,3	4,3	4,3	0,0	0,0	0,0	0,0
Korea	4,3	4,3	4,3	4,3	4,3	21,7	43,3	23,1
Latvia	4,3	4,3	4,3	4,3	4,3	8,7	13,0	8,7
Lithuania	4,3	4,3	4,3	4,3	8,7	8,7	8,7	8,7
Luxembourg	8,7	17,3	26,0	17,3	0,0	4,3	8,7	4,3
Malta	2,0	8,0	12,0	7,3	0,0	0,0	0,0	0,0
Mexico	0,0	0,0	0,0	0,0	14,6	21,4	30,0	22,0
Netherland	4,3	8,7	13,0	8,7	0,0	7,2	14,3	7,2
New Zealand	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Norway	4,3	8,7	13,0	8,7	0,0	0,0	0,0	0,0
Poland	4,3	13,0	13,0	10,1	4,3	8,7	13,0	8,7
Portugal	4,3	8,6	10,7	7,9	1,7	8,6	17,1	9,1
Romania	4,0	4,0	4,0	4,0	0,0	0,0	0,0	0,0
Slovakia	8,7	13,0	13,0	11,6	0,0	8,7	13,0	7,2
Slovenia	4,3	5,1	6,6	5,3	0,9	4,3	10,8	5,3
Spain	2,1	2,1	2,1	2,1	2,9	14,3	28,6	15,2
Sweden	4,3	13,0	26,0	14,4	0,0	0,0	0,0	0,0
Switzerland	8,7	8,7	13,0	10,1	0,0	0,0	0,0	0,0
Turkey	4,0	8,0	8,0	6,7	4,3	21,7	43,3	23,1
UK	1,0	5,0	10,0	5,3	0,0	3,5	8,5	4,0
US	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0

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