

# Recent changes in restructuring frameworks and tools in The Netherlands, 2006 - 2014

Innovation and/or budget  
policies?

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## Before the crisis: from LIFO to Reflection

Until 2006: LIFO (Last In First Out) system leading for collective dismissals managing restructuring

2004: National social partners agree on a future reconstruction of this system. A new system *'could connect the interests of individual employees, employers and groups/categories of employees Like the Commission for Equal Treatment.'*

From 2006: Legal *'Reflection Principle'* into power: company workforce is divided in 5 age categories. Within each of these 20% of the dismissals will be executed on the basis of LIFO



## During the crisis: austerity program and more qualitative adjustments restructuring

48 billion Euros austerity program 2011-2017 (€ 3,000 per citizen)

*General pension (AOW) age gradually increasing from 65 plus 3 months in 2015, then two months later per year, 67 in 2023, and from then related to the general age division*

*Early retiring nearly impossible due to pension consequences*

Major changes in *dismissal legislation*, severance pay maximized as transition budget

*Maximum unemployment benefit down from 38 to 24 months – national social partners will run a third year on top of that from 2016*

## Social Pact 2013

Social partners 'agree with' *increase in pension age, changes dismissal right and shorter unemployment benefit entitlements*

In return they 'get' *third year unemployment benefit and co-financing sectorial mid term plans, coping with unemployment, entrée of apprenticeships, employability, inter sectorial external mobility and job to job movements*

October 2014: *29 sectors and 16 regions* (all for the sector health care) have their bipartite plans for the period 2014 – 2016 co-financed by the government

## Coming changes from 2015

*Bridge Unemployment Benefit (2015):* Short time work system for long time unemployed and for job-to-job movers in restructuring companies



*Law Work and Flexibility* replaces 1999 Law Flexibility and Security and parts of Dismissal legislation:

- *Transition budget* instead of severance pay, *maximized at € 75,000*
- *New budget can be used by employee and employer* before dismissal
- *Still 3 successive temporary contracts* possible for people older than 17, but *within a two year period* – 4th contract open ended

## Innovation? Budget savings?

### Qualitative adjustments innovative:

- *Reflection Principle* keeps women, youngsters and vulnerable groups with open ended contracts better protected in restructuring processes (used in majority of social plans, employers can try to avoid by avoiding formal restructurings)
- *Transition budgets* can help avoid unemployment and career decision making based on severance-pay-without-long-term-perspectives
- *Responsibility social partners for long term unemployed* chance vulnerable groups
- *Sectorial plans challenging social partners* for mid term anticipation

### More state dominated on the basis of public cost savings:

- Unemployment
- Pensions
- Severance pay in the public sector