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Calculation of the EPL index

This index is based on 18 items that indicate the level of strictness of employment protection legislation (EPL) in three areas: (a) employment protection for regular workers against individual dismissals, (b) regulation of temporary forms of employments, and (c) specific requirements for collective dismissals.¹ The calculation of the EPL index follow the methodology proposed by the OECD. Accordingly, the calculation is based on a four-step procedure that constructs cardinal summary indicators of EPL strictness that allow comparisons across countries and over time. The result is time-varying, annual series of the EPL index for 10 Central and Eastern European countries during 1990-2009. The countries included are: Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovak Republic and Slovenia.

The 18 first-digit scores were originally expressed either in units of time (e.g. delays before notices can start, months of severance pay), as a number (e.g. maximum number of successive fixed-term contracts allowed), or as a score on an ordinal scale (e.g. 0 to 2, 3, 4 or yes/no). The first step of the procedure involved converting these different measures into comparable cardinal scores that were normalized to range from 0 to 6, with higher numbers representing stricter regulation. The three remaining steps calculate successive weighted averages for three sets of summary indicators that correspond to successively more aggregated measures of EPL strictness (see Table 2 below). The last step involved computing an overall summary indicator of EPL strictness that includes measures of strictness of regulation for regular contracts, temporary contracts and collective dismissals. The weights assigned to individual components follow the methodology proposed by the OECD (see Tables 1 and 2).

The EPL index is calculate in two versions. Version 2 includes indicators for regular employment, temporary contracts and collective dismissals. Version 1 does not include collective dismissals. The weighing scheme for different sub-indicators is provided in Table 2 below.

¹ The eighteen questions included in the calculation of the EPL index can be also found in the 'EPL questionnaire template' document attached to this database.

Table 1: First step of the procedure: 18 measures of EPL strictness

Original unit & short description		Assignment of numerical strictness scores						
		Assigned scores						
		0	1	2	3	4	5	6
Item 1 Notification procedures	Scale 0-3 0 when an oral statement is enough 1 when a written statement of the reasons for dismissal must be supplied to the employee 2 when a third party (e.g. works council or labour office) must be notified 3 when the employer cannot proceed with dismissal without authorization from a third party	Scale (0—3) x 2						
Item 2 Delay involved before notice can start	Days Estimated time includes, where relevant, the following assumptions: 6 days are counted in case of required warning procedure, 1 day when dismissal can be notified orally or the notice can be directly handed to the employee, 2 days when a letter needs to be sent by email and 3 days when this must be a registered letter.	≤2	<10	<18	<26	<35	<45	≥45
Item 3 Length of the notice period at	9 months tenure Months	0	≤0.4	≤0.8	≤1.2	<1.6	<2	≥2
	4 years tenure Months	0	≤0.75	≤1.25	<2	<2.5	<3.5	≥3.5
	20 years tenure Months	<1	≤2.75	<5	<7	<9	<11	≥11
Item 4 Severance pay at	9 months tenure Months pay	0	≤0.5	≤1	≤1.75	≤2.5	<3	≥3
	4 years tenure Months pay	0	≤0.5	≤1	≤2	≤3	<4	≥4
	20 years tenure Months pay	0	≤3	≤6	≤10	≤12	≤18	>18
Item 5 Definition of justified or unfair dismissal	Scale 0-3 0 when worker capability or redundancy of the job are adequate and sufficient ground for dismissal 1 when social considerations, age or job tenure must when possible influence the choice of which worker(s) to dismiss 2 when a transfer and/or retraining to adapt the worker to different work must be attempted prior to dismissal 3 when worker capability cannot be ground for dismissal	Scale (0—3) x 2						

Item 6 Length of trial period	Months Period within which, regular contracts are not fully covered by employment protection provisions and unfair dismissal claims can usually not be made	≥24	>12	>9	>5	>2.5	≥1.5	<1.5
Item 7 Compensation following unfair dismissal	Months pay	≤3	≤8	≤12	≤18	≤24	≤30	>30
Item 8 Possibility of reinstatement following unfair dismissal	Scale 0-3 The extent of reinstatement is based upon whether, after finding of unfair dismissal, the employee has the option of reinstatement into his/her previous job, even if this is against the wishes of the employer.	Scale (0—3) x 2						
Item 9 Valid cases for use of fixed-term contracts (FTC)	Scale 0-3 0 FTC are permitted only for 'objective reasons' or 'material situation', i.e. to perform a task which itself is of fixed duration 1 If specific exemptions apply to situations of employer need (e.g. launching a new activity) or employee need (e.g. workers in search of their first job) 2 When exemption exists on both the employer and employee sides 3 When there are no restrictions on the use of FTC	6-Scale(0—3) x 2						
Item 10 Maximum number of successive FTC	Number	No limit	≥5	≥4	≥3	≥2	≥1.5	<1.5
Item 11 Maximum cumulated duration of successive FTC	Months	No limit	≥36	≥30	≥24	≥18	≥12	<12
Item 12 Types of work for which temporary work agency (TWA) employment is legal	Scale 0-4 0 when TWA employment is illegal 1-3 1 to 3 depending upon the degree of restrictions 4 when no restrictions apply	6-Scale(0—4) x 6/4						
Item 13 Restrictions on number of renewals	Yes/no	-	-	No	-	Yes	-	-
Item 14 Maximum cumulated duration of TWA contracts	Months	No limit	≥36	≥24	≥18	≥12	>6	≤6

<p>Item 15 Definition of collective dismissal</p>	<p>Scale 0-4</p> <p>0 if there is no additional regulations for collective dismissals</p> <p>1 if specific regulations apply from 50 dismissals upward</p> <p>2 if specific regulations apply from 20 dismissals onward</p> <p>3 if specific regulations apply at 10 dismissals</p> <p>4 if specific regulations start to apply at below 10 dismissals</p>	<p>Scale (0—4) x 6/4</p>
<p>Item 16 Additional notification requirements</p>	<p>Scale 0-2</p> <p>There can be notification requirements to works councils (or employee representatives), and to government authorities such as public employment offices. Countries are scored according to whether there are additional notification requirements applying to individual redundancy dismissal.</p> <p>0 no additional requirements</p> <p>1 when one more actor needs to be notified</p> <p>2 when two more actors need to be notified</p>	<p>Scale (0—2) x 3</p>
<p>Item 17 Additional delays involved before notice can start</p>	<p>Days</p>	<p>0 <25 <30 <50 <70 <90 ≥90</p>
<p>Item 18 Other special costs to employers</p>	<p>Scale 0-2</p> <p>This refers to whether there are additional severance pay requirements and whether social compensation plans (detailing measures of reemployment, retraining, outplacement, etc.) are obligatory or common practice.</p> <p>0 no additional requirements</p> <p>1 one additional requirement</p> <p>2 if both requirements apply</p>	<p>Scale(0—2) x 3</p>

Table 2: EPL summary indicators as four successive levels of aggregation and weighting scheme

Level 4 Scale 0-6	Level 3 Scale 0-6	Level 2 Scale 0-6	Level 1 Scale 0-6
Overall summary indicator	Regular contracts (v. 2: 5/12) (v.1: 1/2)	Procedural inconveniences (1/3)	1. Notification (1/2) procedures (1/2) 2. Delay to start a notice
		Notice and severance pay for no- fault individual dismissals (1/3)	3. Notice period after 9 mn (1/7) 4 yr (1/7) 20 yr (1/7) 4. Severance pay after 9 mn (4/21) 4 yr (4/21) 20 yr (4/21)
		Difficulty of dismissal (1/3)	5. Definition of unfair (1/4) dismissal (1/4) 6. Trial period (1/4) 7. Compensation (1/4) 8. Reinstatement
	Temporary contracts (v.2: 5/12) (v.1: 1/2)	Fixed-terms contracts (1/2)	9. Valid cases for use of FTC (1/2) 10. Maximum number of (1/4) successive FTC (1/4) 11. Maximum cumulated duration
		Temporary work agency employment (1/2)	12. Types of work for which (1/2) TWA is illegal (1/4) 13. Restrictions on number (1/4) of renewals 14. Maximum cumulated duration
	Collective dismissals (v.2: 2/12) (v.1: 0)		15. Definition of collective 1/4) dismissal 16. Additional notification (1/4) requirements 17. Additional delays (1/4) involved 18. Other special costs to (1/4) employers