

Studienbeiträge zum European Monitoring Center on Change (EMCC)



Young people and temporary employment in Eu- rope The case of Germany

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Abstract

According to the micro-census for 2011, 46.4% of all dependent employees holding a fixed-term contract were aged 15 to 24 years. As the data also indicates, nearly two thirds of these youngsters were still engaged in an apprenticeship or a similar training. Being employed on a fixed-term contract as an apprentice is part of the German system of vocational education and training. Complementing higher education, VET remains a cornerstone in training youngsters for the labour market and teaching them an occupation. It is one of the main reasons for fixed-term employment amongst youngsters and also contributes to a low youth unemployment rate.

1. Young people and temporary employment

1.1 Scale of temporary employment among the young

National statistics, such as the micro-census conducted by the Federal Statistical Office (destatis) show a somewhat different picture than the LFS data presented below. Differences in the data might be ascribed to varying statistical datasets. The micro-census figures include the economically active labour force aged 15 years or above, working for at least one paid hour during the reporting period. This holds, for example, true to employees in jobs liable to social security contributions or marginal employees. However, not included are the self-employed and helping family members.

According to the micro-census, 5,186,000 people were employed on a fixed-term contract in 2011. Of these, 2,408,000 were young people aged 15 to 24 years, representing a share of 46.4%. This compares to 49.2% in 2009 and 50.5% in 2007. The shares for the age group 25 to 29 year were considerably lower: 16.7% (2011), 15.5% (2009) and 14.5% (2009) respectively.

In addition, the share of young people in permanent employment has remained relatively stable over the same period of time. Out of all dependent employees with a permanent contract, 6.3% in 2007, 6.1% in 2009 and 6.2% in 2011 belonged to the age group of the 15 to 24 years old. This compares to 9.2% (2007), 9.4% (2009) and 9.1% (2011) for the age group 25 to 29 years.

The data has to be considered in the light of the German system of vocational education and training (VET) and its usage of fixed-term contracts, especially amongst the 15 to 24 years olds – as is described in the sections below.

1.2 Substitutes for temporary contracts

The eleventh report of the Federal Government on the effects of the Act to Combat Illegal Employment (*Gesetz zur Bekämpfung der Schwarzarbeit und illegalen Beschäftigung*, SchwarzArbG) states that bogus self-employment exists (particularly amongst workers from eastern European accession countries in the construction industry, but also amongst German inhabitants). However, there is no reliable data on the scale of the problem.

Official statistics in Germany, such as the micro-census, only capture the self-employed (with and without employees), but not bogus self-employment. Research on the extent of illicit work

exists. However, estimations do not give any indication of the scale of young people's involvement in such work.

1.3 Most common contract types amongst young people

As indicated in the table below, the main reason for the temporary employment of youth in Germany is their participation in education or training (82.4% in 2011). In 2011, only a minority of the 15- to 24-year-olds were on temporary contracts because they were still on probation (7.5%).

Reasons for the temporary employment of youngsters (15-24 years) Education and training is the main reason for temporary employment amongst young people.				
Reason	2004 (%)	2007 (%)	2009 (%)	2011 (%)
Could not find a permanent job	5.2	9.1	5.3	8.2
Did not want a permanent job	1.5	1.6	1.4	1.9
In education or training	87.3	83.2	87.3	82.4
Probationary period	6.0	6.1	6.1	7.5

Source: Eurostat

The LSF data provides the following information on the duration of fixed-term contracts. As the table below indicates, the proportion of those with a contract period of 25 to 36 months is the greatest. This reflects the nature of the German dual vocational training system. The Act on Vocational Education (*Berufsbildungsgesetz*, BBiG) stipulates that an apprenticeship be no shorter than 2 and no longer than 3 years.

However, exceptions are possible and some apprenticeships last for 3.5 years. Contracts for apprentices, trainees or interns are naturally of a temporary nature and are therefore common in this age group.

Duration of fixed-term contracts amongst young people (15-24 years) Most youngsters' contract period is 25 to 36 months.				
Duration	2004	2007	2009	2011
%				
From 1 to 3 months	3	4	3	4
4 to 6 months	6	7	7	8
7 to 12 months	12	15	15	17
13 to 18 months	2	1	1	1
29 to 24 months	7	7	8	7
25 to 36 months	49	49	50	46

Over 36 months	17	14	14	14
No response	4	1	2	2

Notes: Own calculation

Source: Eurostat

1.4 Main reasons for different types of temporary contracts and impact of the crisis

Regardless of the crisis, education and training remains the main reason for temporary employment of youngsters (15-24 years). Apprentices (but also interns or trainees) are contracted on a fixed-term basis for the period of their apprenticeship, internship or training with a certain employer. Whilst youngsters learn an occupation or improve their occupational skills, their employers benefit from the opportunity to train the skilled workers they will need in the future themselves and to test their skills before taking them on permanently.

1.5 Temporary contracts – a ‘stepping stone’ to ‘permanent’?

As the Eurostat data in section 1.3 shows, in 2011 over 80% of German youngsters aged 15 to 24 years were engaged in temporary employment because they were still in education or training. For this age group, the main paths to the primary labour market are an apprenticeship or higher education leading to an academic degree. The inherent task of VET is to train youngsters for their future professional life.

The Federal Institute for Vocational Education and Training (Bundesinstitut für Berufsbildung, BIBB) published the number of newly-concluded apprenticeship contracts. Figures dropped between 2007 (625,885) and 2011 (570,140). However, this development is only partly ascribed to the crisis, other factors being demographic change, with decreasing numbers of school-leavers, and fewer publicly sponsored vocational training positions (BIBB 2010, 2011, 2012).

BIBB also analysed the share of apprentices taken on by their companies after having successfully completed their apprenticeship. This share increased from 53% in 2004 to 60% in 2007. The crisis year 2009 was marked by a slight decline (58%). However, by 2010 the share had risen again to 61% (Grunau, 2012). Whilst VET leads to employment, the data does not indicate which kind of contract is offered after apprenticeship.

2. Access to social benefits

2.1 Entitlement to (contributory) unemployment insurance benefits and (non-contributory) unemployment assistance

Entitlement to unemployment benefit I (the former unemployment insurance) does not depend on the contract being a permanent or fixed-term one. Nonetheless, the duration of the last period of employment and for how long contributions were paid into the unemployment insurance system are relevant: Young people who hold a job liable to social security contributions or are apprenticed are eligible for unemployment benefit I if they have paid into the unemployment insurance for at least 12 months. Entitlement periods lengthen with the contribution period (as shown in the table below).

Entitlement periods for unemployment benefit I, as of 2012		
Period of contributing to unemployment insurance (in months)	Age of the recipient	Entitlement period (in months)
12	All ages	6
16	All ages	8
20	All ages	10
24	All ages	12
30	50 years	15
36	55 years	18
48	58 years	24

Source: BA

All applicants must fulfil several conditions to receive the full benefit: registration as a job-seeker three months prior to expiry of the latest employment contract plus application for unemployment benefit I. Recipients receive 60% of their last net wage (67% for applicants with children).

What was previously known as “unemployment assistance” has now been replaced by the so-called unemployment benefit II. Now that the federal government has raised the statutory retirement age, the benefit covers recipients from 15 to 65 or 67 years.

Differences in entitlement to the unemployment benefit II depend on the living situation of the recipient and on age. The rates of unemployment benefit II are based on household, rather than individual, incomes. As of 1 January 2013, the full unemployment benefit II amounts to € 382 for the unmarried and single parents who have reached the age of majority. If the recipient is, for example, living in a household with other recipients of the benefit, the rate is lower. If children are living in the household between € 224 and € 289 are paid for the child (depending on age). For young people between 18 and 24 years still living at home the monthly rate is € 306.

2.2 Entitlement of young people to sickness and maternity benefits

Entitlements to sickness benefits do not differ as long as youngsters are employed in a job liable to social security contributions. The employer continues to pay wages of employees in job liable to social security contributions (including apprentices) for the first six weeks of their illness. The only precondition is that their employment contracts have been valid for at least four weeks. In cases of illness lasting more than six weeks, the statutory health insurance takes over and continues to pay 90% of employees' net wages for a maximum of 78 weeks, once per illness case within a period of three years.

To protect the health of expectant mothers, every pregnant woman is exempted from work for the last six weeks before childbirth and a minimum of eight weeks after giving birth (protection period). During this time, all expectant mothers with statutory health insurance receive maternity benefits. The benefit is equivalent to the sickness benefit paid by the insurances, with a maximum of € 13 per day. Those not covered by the statutory health insurance receive maternity benefits from public funds up to a maximum of € 210 for the whole protection period.

2.3 Entitlement of young people to old-age pensions

There are no differences in entitlement to the statutory pension schemes for permanent and fixed-term employees. All employees in jobs liable to social security contributions, including those on fixed-term contracts and apprentices, are compulsorily insured with the statutory pension system.

Marginal employees must be insured by their employer with the statutory pension scheme. As of 1 January 2013, employees who conclude a new marginal employment contract also have to pay into the statutory pension scheme unless they file an application for exemption. Up to the end of 2012, marginal employees had the possibility to voluntarily contribute to the statutory pension scheme (i.e. in addition to the employers' share).

The statutory pension insurance is not compulsory for all self-employed, though they can join the scheme voluntarily. However, journalists, freelance teachers, artists, midwives, those who are officially self-employed but work for only one employer and others also must pay into the scheme.

Finally, benefits depend on the level of income earned while working and the number of years contributions were paid.

2.4 Entitlement of young people to health care

Employees who earn more than € 4,350 per month can leave the statutory health insurance and opt for a private insurance instead. All dependent employees earning less than the specified monthly amount must be insured with the statutory health insurance, regardless of the duration of their employment contract. This rule also applies to apprentices.

Basic health services are covered by all statutory health insurance institutions, the supplementary benefits they offer differ. Certain groups, such as the self-employed, marginal employees and students (up to 25 years) are not obliged to join the statutory health insurance themselves, but can be insured with a private health insurance or as part of the family health insurance.

3. Regulation of temporary contracts and policies to support transitions into permanent contracts

3.1 Regulations for main types of temporary contract

The regulations did not change over the period of crisis. The Law on Part-Time Work and Fixed-Term Contracts (*Teilzeit- und Befristungsgesetz, TzBfG*), defines two types of temporary contract, regardless of the age of the employee concerned:

- Fixed-term contracts with objective justifications: As the TzBfG states, these are contracts intended to ease the transition from education/training into the primary labour market, to meet a temporary need for staff, to substitute for other employees (for example, when on parental leave) or to test new employees and their skills, etc. These contracts can also be concluded when the job is financed by a third party.
- Fixed-term contracts without objective justifications: Employers can conclude these contracts without giving a reason for a maximum period of two years, during which the contract can be prolonged three times at most. The social partners can negotiate other regulations and stipulate them in a collective agreement. Recently-founded companies can conclude fixed-term contracts without objective justifications for a maximum of four years. However, such contracts can be concluded only with new employees, not those who have already had a permanent or fixed-term contract with the company.

Naturally, contracts for apprentices or trainees are limited to the period of their training. For the proportion of apprentices employed by their companies after their apprenticeship, see section 1.5.

3.2 Employer incentives to use standard contracts

Employers are free to choose between offering fixed-term or permanent contracts. However, fixed-term contracts without objective justification can only be prolonged three times during two years at most (also in case of young employees).

Employers are also offered incentives, in the form of public subsidies (*Ausbildungszuschuss*), not only to train disabled persons but also to employ them after their training. This applies equally to young people with disabilities. Establishments taking on disabled youngsters can apply for an allowance to subsidise wages. This allowance is also payable during the first year of full employment after the successful completion of the apprenticeship or training. Further allowances are available to support youngsters struggling with their apprenticeship, for example to improve their language and theoretical skills.

Social partner initiatives are discussed below (section 3.3).

3.3 Social partners' views and initiatives

The views of the social partners on temporary employment differ greatly. Employers' representatives such as the German Confederation of Employers' Associations (BDA) have on several occasions stressed the advantages of fixed-term employment contracts and temporary agency work.

In a press statement issued on [29 November 2012](#), BDA Chair Mr Dieter Hundt explained that such jobs lowered the barriers to the labour market for those with handicaps, such as a lack of vocational qualifications or work experience, or long spells of unemployment. Since 2004 the BDA has been a party to the Pact on Apprenticeships and is actively engaged in creating new apprenticeship positions (Funk, 2004 / Vogel, 2010b / Vogel, 2011).

The German Confederation of Trade Unions (DGB), on the other hand, has continually criticised the employment situation of young people. With regard to the Pact on Apprenticeships, the union umbrella organisation has pointed to those youngsters (according to DGB nearly 300,000 in 2011) who fail to move directly from school to an apprenticeship position and have to undergo additional training in preparation for an apprenticeship position. DGB has also criticised the fact that around 2.2 million young people aged 20 to 34 are without a vocational training certificate or any equivalent qualification (Vogel, 2013).

In addition, the DGB has highlighted the plight of many apprentices who do not know even in their last year of training if they will be taken on permanently by their employers after having successfully completed their apprenticeship. The insecure situation of apprentices is condemned by the union organisation, which calls for their permanent employment.

However, at the sectoral level, the social partners have also successfully set up initiatives or negotiated collective agreements supporting the young generation:

- During the collective bargaining round of 2010, the Mining, Chemicals and Energy Industrial Union (IG BCE) and the German Federation of Chemicals Employers' Associations (BAVC) set up the "1,000 for 1,000" scheme, which was meant to encourage chemical companies, despite the crisis, to retain apprentices who had successfully completed their training. A fund worth € 25 million was established, from which such companies receive € 1,000 per month for up to a year to reduce their personnel costs. This measure was limited to the duration of the crisis (Vogel, 2010a).
- In the 2012 collective bargaining round in the metal and electrical industry the social partners decided to introduce two new options for retaining those completing their apprenticeships (Vogel, 2012).
 - Option I: After analysing the demand for permanent workers, employers stipulate how many permanent staff are required and offer this number of permanent positions to their apprentices, who must be informed at least six months

before their vocational training is completed. If there are more apprentices than permanent positions available, those surplus to requirements are offered a fixed-term contract for another 12 months after their apprenticeship comes to a close.

- Option II: A works agreement is concluded by the management and the works council stipulating the number of apprentices to be offered a permanent position after the successful completion of their training. The number stipulated in the works agreement is binding on the establishment. Those apprentices who are surplus to requirements do not have a right to be taken on as permanent or fixed-term staff.

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Questionnaire

Introduction

Youth unemployment has been a persistent problem in many parts of Europe for many years. Over the past 3-4 years, however, since the onset of the financial crisis and the economic recession which followed, it has become an even greater and more widespread problem and one which, given the on-going depressed state of the European economies, is likely to remain for some time to come. The latest monthly figures (for September 2012) show the unemployment rate of those aged 15-24 averaging 22.8% in the EU – just over 1 percentage point higher than at the time a year earlier. In Spain, the figure was over 54% and in Greece, 57%, in both cases, much higher than a year earlier. In the worst affected countries, therefore, as in most Member States, there is very little sign of any easing of the youth unemployment problem. There are, however, a few exceptions. In Germany, in particular, youth unemployment has declined since the global recession hit in 2009 and now stands at only 8%, well below the level it was before the recession. In Norway too, the rate is only 8%, though this is slightly above the level in 2007 before the crisis. Germany, apart, there are two other countries in the EU with youth unemployment below 10% according to the latest monthly figures - the Netherlands (9.4%) and Austria (9.9%). As in Norway, in both cases, the rate is above the pre-crisis level.

Moreover, young people who do manage to find jobs often have to settle for a temporary one, defined as one with a fixed-term contract of employment. According to the European Labour Force Survey (LFS), in 2011, just under 43% of employees under 25 were in temporary jobs in the EU and well over half in Germany (56%), France (55%), Portugal, (57%), Sweden (57%), Spain (63%), Poland (66%) and Slovenia (75%). (In Norway, the figure was much lower than in most EU countries, at around 24%.) While around 40% of the young people concerned on average were in temporary jobs because they had a fixed-term training contract and another 9% were on probationary contracts, a substantial proportion (37% on average) were in temporary jobs because they were unable to find permanent ones. In the Czech Republic, Cyprus and Portugal, this figure was over 75% and in Spain and Slovakia, well over 80%.

Among young people making the transition from education or initial vocational training into employment, the proportion who take up temporary rather than permanent jobs is much higher than for the age group as a whole. In 2011, 57% of those aged 15-24 in employment who were in education the previous year were in temporary jobs in the EU and 86-87% in Spain, Portugal and Poland. For those moving from unemployment into employment, the proportion who take up temporary jobs is even higher on average in the EU (61%) as well as in Spain (90%).

The fact that a relatively large proportion of young people in employment are in temporary jobs may be a reason why they have been hit disproportionately hard by the crisis. In the economic downturn in 2009, many of the people who lost their jobs first were on fixed-term contracts since not renewing these contracts represented the easiest way for employers to reduce their work forces. In 2009, therefore, there was some decline across Europe in the proportion of young people in work employed in temporary jobs

(see the Tables attached to the questionnaire). Since then, there has been some tendency for the proportion to increase again, in part perhaps because employers are reluctant to take on people on permanent - or standard – contracts given the uncertainty about future economic prospects.

Given the above, it is understandable that there is growing public interest, and some concern, over the nature of the jobs that young people are taking up. This concern is mirrored at EU-level where a ‘flexicurity’ approach to labour market policy has increasingly been advocated, which, in practice, means that while flexibility is an important objective, it needs to be accompanied by protection of workers’ interests if it is not to lead to a growth of precarious employment in low quality jobs. Accordingly, there is a need to obtain a better understanding of the terms and conditions applying to temporary jobs, the extent to which they are a stepping stone to permanent jobs and a working career in line with a person’s qualifications and capabilities, the access to social protection which comes with them and the measures in place to encourage employers to convert them into more stable jobs. These issues form the focus of the present study.

Definition of temporary jobs

The interest in the study is in all young people employed in temporary jobs of whatever kind, in the sense of all jobs that they are not subject to a standard contract of employment which is normally one of indeterminate length, or at least one for which no specific length is specified. Such temporary jobs can be for a period of training (i.e. traineeships or apprenticeships) or probation, intended to enable employers to check the suitability or aptitude of people for the jobs concerned. They might also be to replace someone on maternity leave or on a training programme or they might relate to a specific project of fixed duration.

All such jobs and others which are of fixed duration should be covered, whether they are part-time or full-time and irrespective of whether they are specifically for young people (such as perhaps in the case of traineeships or apprenticeships) or for people of all ages which young people happen to be doing. In some cases, it should be noted, it is relevant to include, in addition, to temporary employees, the ‘bogus’ self-employed – i.e. those people who have self-employment status but who are contracted to work for a single employer and who are effectively similar to employees who have a fixed-term contract of employment. (The cases in question relate to instances where employers use self-employment contracts as a means of employing young people without bearing the costs, and obligations, of a standard contract of employment.)

1. Importance of temporary employment for young people

1.1. Do the figures shown in the attached tables (on the number of temporary employed as a % of total employees based on Eurostat LFS data) give a reliable indication of the scale of temporary employment among the young in your country and the way that it has changed over recent years? Are there young people employed in temporary jobs who do not show up in the Eurostat figures? Are there national statistics which show a different picture from the Eurostat data? If so, please indicate what they show and give the source of the data.

- 1.2. Is there any evidence that other forms of employment are used as a substitute for temporary contracts, such as bogus self-employment where young people are contracted to provide services to a single work provider in a continuous manner so acting de facto as employees? If so, please give the source of the evidence and indicate the scale of the phenomenon in terms of the number of people concerned.
 - 1.3. Please list (and give summary details, i.e. purpose and duration of the contract) the most common contract types or contractual arrangements under which young people are employed on a temporary basis (such as for traineeships, apprenticeships, probationary periods, replacement of workers on leave or projects of a fixed duration). What is the relative importance of each type of contract or arrangement in terms of the number of young people employed under them?
 - 1.4. Please indicate the main reasons for the emergence and development of the different types of temporary contract which you have listed in response to question 1.3. To what extent are they linked to particular conditions in the labour market or employment protection legislation/regulation in your country? What is the main attraction of such contracts to employers? What effect has the crisis had on the use of such contracts?
 - 1.5. To what extent are temporary contracts a 'stepping stone' to 'permanent' jobs (or those with standard contracts of employment of undefined duration)? Are apprentices and trainees typically taken on by the companies or other organisations concerned on standard permanent contracts once they complete their training? Has the situation changed over the crisis period? Please summarise any relevant studies which have been carried out in your country or other evidence at the national level which exists and give the reference to them.
2. Access to social benefits
 - 2.1. Does entitlement of young people to (contributory) unemployment insurance benefits and (non-contributory) unemployment assistance (i.e. benefits, usually means-tested, which provide a minimum level of income) differ if they are employed on temporary contracts as opposed to permanent ones? If so, please indicate briefly the differences in eligibility conditions and any differences between types of temporary contract (including those working as self-employed for a single employer). Have there been any changes over the period of the crisis?
 - 2.2. Does entitlement of young people to sickness benefits and maternity benefits differ if they are employed on temporary contracts as opposed to permanent ones? If so, please indicate briefly the differences in eligibility conditions and any differences between types of temporary contract (including those working as self-employed for a single employer). Have there been any changes over the period of the crisis?

- 2.3. Are there any differences in the entitlement of young people to old-age pensions between those employed in temporary jobs as opposed to permanent ones? If so, please indicate what these are. Have conditions of eligibility to pensions changed over the period of the crisis (including through pension reforms introduced as part of a long-term strategy to improve the financial sustainability of the system)?
- 2.4. Are there any differences in entitlement of young people to health care between those employed in temporary jobs as opposed to permanent ones? If so, please indicate what these are. Have conditions of eligibility to health care changed over the period of the crisis?
3. Regulation of temporary contracts and policies to support transitions into permanent contracts
- 3.1. Please describe briefly the regulations applying to the main types of temporary contract in your country. Do restrictions exist on the maximum duration of the different types of temporary contract for young workers or the number of times they can be renewed? Do these regulations differ by age (i.e. between young people and older workers) and/or by type of temporary contract (as mentioned in question 1.3), by occupation, or by sector of activity? Do special regulations exist for those completing apprenticeships or traineeships? Have the regulations changed over the period of the crisis – i.e. has there been a tendency for them to have been tightened or relaxed?
- 3.2. Do incentives exist in your country to encourage employers to opt for standard rather than temporary contracts of employment, to convert temporary contracts into permanent ones or to make it easier for employees to move from temporary to permanent contracts? If so, please briefly describe the form that these incentives take. Do they apply equally to young people as well as to older workers? Are any incentives in place to encourage employers to take on young people who have completed an apprenticeship or traineeship on permanent contracts? Have there been any changes to incentives over the period of the crisis? Are any such changes being proposed or being actively discussed at present in your country?
- 3.3. Is the employment of young people on temporary contracts an important issue of concern for the social partners? Are there strong differences in attitudes and policies between employers and trade unions towards the use of temporary contracts? Have any initiatives been taken by the social partners, either jointly or separately, to encourage the use of permanent rather than temporary contracts? Have any specific initiatives been taken in respect of young people completing apprenticeships or traineeships over the types of job they are offered when their temporary position comes to an end?