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Netherlands: Employers obligation to support redundant employees

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Netherlands

Phase:

Management

Type:

Employers obligation to support redundant employees

Last modified: 10 December, 2021

Native name:

Burgerlijk Wetboek (transitievergoeding); Ontslagregeling UWV van 1 juli 2016; Wet Arbeidsmarkt in Balans (WAB) van 1 januari 2020

English name:

Civil code (transition payment); Royal decree on dismissals of 1 July 2016; Balanced labour market act of 1 January 2020

Article

Article 7:673 Civil code; article 9 Royal decree on dismissals of 1 July 2016; Article XII, XIII, XIV and XV of Balanced labour market act of 1 January 2020

Description

Since 1 July 2015, in case of dismissal, employers in principle have to pay a so-called transition compensation payment (transitievergoeding) to employees that have been employed for at least 24 months. It should be noted that an amendment was made in July 2016, but this did not have any impact on the obligation of employers to support redundant employees.

The amount of transition compensation payment is calculated on the basis of the monthly salary and the duration of the employment contract:

- One third of the monthly salary per year of service for the first 10 years of service;
- Half of the monthly salary per year of service after the 10th year of service.

With the introduction of the Balanced labour market act on 1 January 2020, an employee is entitled to a transition payment from day one if the employment is terminated at the initiative of the employer. An employee is also entitled to a transition payment if the employment contract ends or is not continued as a result of seriously culpable acts on the part of the employer.

As of January 2021, the maximum amount of transition compensation payment is set at €84,000 before tax or one year of salary if the yearly salary is above this amount. This maximum amount is reviewed every year by the minister and subsequently changed in accordance with the predicted rise or fall in wages in the coming year. Furthermore, after the dismissal of an employee, the employer is obliged to produce a declaration of previous employment when requested by the employee. This declaration should include the following:

- The nature of the work and the contracted number of hours per week;
- The beginning and end date of the labour contract;
- A statement on the manner in which the employee has met his/her obligations;
- A statement on the manner of termination of the contract and, if the employer terminated the contract, and a statement of the reasons for termination.

If the employer has incurred training and education costs to foster the employability of the employee, these costs may be subtracted from the transition payment. Such training and education should aim to avoid unemployment in general (news skills favour hiring either in the firm of the employer or elsewhere) or reduce the duration of unemployment, or more generally to increase the employability of the employee. The cost of training specific to the current position of the employee cannot be subtracted. Although this is not an obligation, it is a stimulus for employers to provide sufficient trainings and education.

Training and education costs may only be subtracted from the transition payment by the employer if the option to follow that training is included in the employment contract. The cost deduction is also applicable if the trainings were prematurely terminated.

In the case of collective dismissal, the UWV (public employment service) needs to be informed by the [Collective redundancy \(notification\) act](#). The transition compensation payment is still applicable in this case.

Comments

The impacts of the transition payment have been closely monitored since 2015 and, as pointed out above, have had several compensation arrangements for employers added to ease the burden on employers. It is important to note that the payment does not have to be spent on the actual transition to subsequent employment.

For the training or education to qualify for this arrangement, one of these three categories shall be met:

- A vocational training programme as referred to in article 7.2.2 of the Education and vocational training act (Wet educatie en beroepsonderwijs);
- A dual programme as referred to in article 7.7 of the Higher education and academic research act (Wet op het hoger onderwijs en wetenschappelijk onderzoek);
- A course that can only be followed if an employment contract has been entered into.

As of August 2021, there are no data available on the number of transition payments doled out each year. A change in the methodology of the wage tax administration, however, will facilitate the availability of these data at the Dutch Central Bureau for Statistics (CBS) in the coming years.

Details on the transition payment, including reasons why there is no entitlement to such a payment (pension age or culpability), can be found under '[Severance pay/redundancy compensation](#)'.

Cost covered by

Employer

Involved actors other than national government

Public employment service

Thresholds

No, applicable in all circumstances

Sources

-  [Article 7:673-673d Civil code](#)
-  [The transition payment \(Dutch\)](#)
-  [Besluit voorwaarden in mindering brengen kosten op transitievergoeding](#)
-  [Royal decree on dismissals](#)
-  [De transitievergoeding anno 2021, hoe zit dat ook alweer?](#)
-  [Wet arbeidsmarkt in balans](#)

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