UNIVERSITY OF RIJEKA
FACULTY OF ECONOMICS

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THE DISTINCTIVENESS OF EMPLOYMENT REGULATIONS IN SELECTED EUROPEAN UNION COUNTRIES

Master's Degree Thesis

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Master's Degree Thesis

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SUMMARY

The aim of this thesis is to identify comparable factors of labour regulation influencing labour flexibility. That subsequently enables to determine the level of labour market flexibility in selected countries. Based on empirical research, labour legislations of four countries of European Union (Croatia, Ireland, Austria and Finland) are analyzed and discussed. This thesis tries to explain how higher levels of labour flexibility should, at the end help to the employers (labour market) and to the employees. To accomplish that, this thesis includes an extensive discussion of relevant formal and informal institutional factors influencing labour flexibility. Among most important are labour laws, regulations and collective agreements.

Key words: organization theory, employment contracts, labour flexibility, labour market, firms.

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1 INTRODUCTION

Employment regulations are an essential part of the legal business framework since they govern the employment relationship and set the span of its flexibility, thereby influencing the market competitiveness of an economy. Labour flexibility is also of great significance to a single firm, as in capital-intensive competitive economies the labour remains the only flexible production factor a firm can manipulate in order to gain better business results. In this master thesis In this master thesis all relevant laws and regulations that influence labour flexibility in selected countries of European Union, particularly Croatia, Ireland, Austria and Finland will be compared and analysed. Also, effects and impacts of laws and regulations will be discussed. That analysis will enable conclusions to be drawn at the end of the paper.

1.1 Research problem and subject

This master thesis main research problem may be concentrated into the objection of a growing discrepancy between firms' needs and employment contracts as they are actually implemented under current regulation. The predominant change in the employment regulation during the 20th century was concerned with its tightening, whereas firms need exactly the opposite: more flexible employment contracts. Firms compensate contractual inflexibility with a longer-term employment contracts. Thesis subject is the investigation of the grade of regulatory labour flexibility in selected European Union member states, the consequences of their regulatory practices and a comparison with previous theoretical assumptions. The thesis presents an extensive discussion of all relevant formal and informal institutional factors influencing labour flexibility. Among most important are laws, regulations, and collective agreements.

1.2 Research purpose and aim

The principal aim of this thesis is to designate relevant factors influencing labour flexibility and analyze them. Since, labour is very important and specific resource for firms, author will carry out relevant conclusions on labour flexibility nowadays based on empirical research. The purpose of this paper is to determine which factors are influencing labour flexibility, in which way they influence labour flexibility, observe firms' position

considering labour flexibility and to stipulate what impact that factors have on labour market and supply of jobs.

1.3 Scientific methods

The scientific method used in the thesis consists of a thorough empirical research and analysis of a large number of indicators, factors, and determinants that have influence on labour flexibility and consequently on labour market, such as termination of employment, severance payments, paid annual leave, and minimum wage legislation. In this way, the conjectured theoretical assumptions about relations concerning the substance of employment contracts, their flexibility and their influence on business performance was extensively explored.

1.4 Research structure

This master thesis is composed of five content related chapters. The first chapter of the paper is an Introduction where the problem and the subject matter including the purpose, objectives, methods and thesis structure are stated and defined. The second part of the work is theoretical in nature and refers to the basic theoretical features of the employment contracts, the collective bargaining system, the labour laws and regulations that are available in the literature. The third part of the paper deals with an analysis of the essential elements of the working conditions so far prescribed by law or applied in practice. Third chapter is divided in four subheadings by observed countries (Croatia, Ireland, Austria and Finland). Every subheading is speaking about law and regulations that influence labour flexibility in belonging country. In the fourth chapter of the paper, independent research, cross-country and comparative analysis of all regulations concerning the work in selected countries was carried out. Fourth chapter is consisted of 3 subheadings 1. Tables, 2. Discussion and 3. Concluding remarks. Relevant numerical data, from different sources, author summarized in 4.1. Tables, while comments are carried out in 4.2. Discussion, followed by 4.3. Concluding remarks. The paper ends with a 5. Conclusion summarizing the results of the research, providing synthesis of theoretical and empirical research and stating relevant findings of this paper.

2 EMPLOYMENT REGULATION AND THE FIRM

Technology determinates the size of the firm. Investments into production technology cause huge fixed costs. Thus, if a firm wants to achieve price advantages and higher profits, labour remains the only variable and flexible resource. In order to protect the labour from the reductions in working conditions as one form of internal competition within the labour as a production factor, a large amount of legislative acts reduced the working hours, increased paid leaves, sick leaves, restricted lay-offs, permitted collective bargaining, and in many other ways made labour a less flexible resource.

Many of these legislative acts promoted the well-being of the workers and set a bar on the minimum working conditions. Nevertheless, the firms not being able to fulfil the minimal conditions consequently went out of business. So, to be able to compete, firms need exactly the opposite from a stiff labour legislation: a flexible employment market environment that would promote both the needs of the employers as resource users and the workers as resource providers. The 21st century markets are dynamic and profit oriented. Firms do not only compete on the domestic market having a common institutional setting but also on the international market where countries' institutions may pose an important competitive (dis)advantage. Thus, the migration effect is important for both the firms as well as the labour. Imagine a case where companies migrate to a particular country because of its better institutional setting including a more flexible labour legislation, providing ultimately for better production capabilities. Subsequently, the labour, as a short-term mobile production factor, migrates (say from Croatia) in search for work and better compensation payment, although the initial institutional environment in host country was deemed to better protect its labour force. As complex as humans are, so is the human capital within the labour production factor. Since one shoe cannot fit many legs, so a single labour legislation cannot "protect" many different working arrangements. Firms want incomplete employment contracts to be able to internalise the contract costs within their hierarchies if they estimate the switching costs would be high. Workers, on the other side, search for employment security. Their individual intent to promote their own welfare and job security may bring about a collectively less flexible labour market, because, at the end, firms are consisted of workers. This is the effect of an "invisible hand" working in the opposite direction as it would ultimately be desired and collectively intended. As it can be seen from this introductory example, there are many

trade-offs, i.e. opportunity costs that need to be taken into consideration, as well as human behaviour and human intentionality that is not always commensurate to collectively intended behaviour, and vice versa: humanely devised institutions are not perfect and do not always promote the general welfare.

2.1 The Structure-Conduct-Performance model

Technology determinates the size of the firm. Big investments in technology cause huge fixed costs, thus labour remain only flexible resource if firm wants to achieve price advantage and higher profit level. In its performance, firm is always concerned by profitability; it always tends to gain higher profits. This assumption will be explained in a variant of a Structure-Conduct- Performance model. Firms are long run profit maximizers. But under competition, firms are only able to earn a normal rate of return on their investment.

> "*Monopoly profit* is a profit above the normal rate of return and it is a reason why firms seek to acquire and maintain market power." (Martin, 1989:6)

Hence, firms are always interested to find a way in order to achieve monopoly profit. One of the ways to achieve monopoly profit and higher efficiency level is investment in research and development (R&D).

> "R&D may result in completely new products – *product innovation* or in more efficient ways of producing existing products – *process innovation*. New products and new production techniques are essential to technological progress, a desirable element of market performance." (Martin, 1989:6)

Research and development is costly because it requires large investments in machinery, technological and IT equipment in case of process innovation and costs of testing, implementing and improving in case of product innovation. Thus investment in R&D increases productions costs, however, research and development is crucial for acquiring bigger market shares and protecting market position. Large investments are usually taken in a long run, consequently firm has large fixed costs in technology if wants to stay competitive on the market. Labour remains one of the few flexible resources a firm may manage with. The more flexible the labour as a resource is, the greater is the possibility of a firm to stay flexible and competitive on the market. However, flexibility of the labour

as a resource is determined by two major groups of factors: firstly, by the qualities of human capital intrinsic of the labour force, and secondly by the institutional framework of a particular country. The institutional factors comprise laws, bylaws, rules and regulations, as well as customs and practices including the results of collective bargaining what makes labour inflexible to some degree. Firms either implement fully the institutional setting into their organizational (internal) and market (external) conduct or they find a way to combat regulatory inflexibility. Flexibility of the labour is the main topic of this master thesis and will be discussed in following chapters.

2.2 Transaction cost economics

The theory of Transaction Cost Economics (TCE) was firstly stated by Ronald H. Coase (1937) in his seminal paper "The Nature of the Firm" as a comparative theory of economic organization. In Coase's opinion, a firm is an organisational development reducing the transaction costs in a production process leading to more efficient outcomes. There are many different types of transaction costs in a society in general and in a production process in particular. Transaction costs may be dealt with either internally (hierarchically) or externally (institutionally). In his earlier work, Coase (1937, 1959, 1960, 1964) dealt with the former, and after the contribution by Oliver E. Williamson (1975, 1976, 1985) also with the latter (Coase, 1988, 1992). According to Coase, a firm is a hierarchical organisational construct having the advantage of lower transaction costs than a comparative networked model consisting of free agents.

A further development of the theory, including key nodes where the switch from an institutional networked organisation to a hierarchical one is required for various reasons, was done by Oliver Williamson (1975, 1976, 1985, 1991, 1996, 1998, 2002). Williamson describes the economics of transaction costs as part of New Institutional Economics (NIE) whereby the enterprise is considered a governance structure rather than just a production cost function. The idea claims that different organisational structures result with different cost structures and competitive outcomes. Ultimately, there might be an organisational production cost function.

Transaction cost theory implicitly rests on the assumption of transacting parties having asymmetric and tacit knowledge (Hayek, 1945), and behaving strategically although not

perfectly rationally as asymmetric and tacit knowledge implies bounded rationality. Asset specificity and diversity implies specialisation which is a form of sunk cost implying market inflexibility and rigidity, i.e. imperfect competition and market incontestability (Mance et al. 2015). For this paper the most important is asset specificity of human capital, since this paper deals with labour flexibility. If there is no specific asset (knowledge, skills of worker) involved in transaction (transaction equals work in this case), the parties that perform transaction are essentially faceless and meet on the market. (Williamson, 2002:17) Firm has no incentive to bind the human resource with a contract if there is no asset specificity. Thus, a firm can find another contractual party on the market to perform the same work. An example could be a routine job as a cashier. Almost everyone can master the skills required for the working position of a cashier in a very short time without any prior knowledge or education. In that situation a firm could employ a cashier through agency hiring or offer him employment contract which suits firms' needs. If instead transaction (work) is specific, thus requires special skills and knowledge parties in transaction (firm and worker) become bilaterally dependent. Now, incentives for promoting continuity of relationship and safeguarding of specific investments are created. For example if firm needs engineer to perform specific actions on some very complicated project or innovation, firm will tend to keep the worker and protect him as a specific labour resource. One of the reasons why firm will try to tie him is because it is hard to find another professional to perform this action. If looking for another engineer transaction costs occur and business is deadlock. Second reason is learning by doing or firm-specific training, what implies that worker is asset who has ability to learn through the time and becomes more efficient, thus acquires specific skills and becomes specific asset. Again, there is cost of learning and changing workers if transaction (work) is specific. Firm could want to tie worker because of soft and specific information that needs to stay inside the firm. Instrument by which firm is protecting sensitive information could be gardening leave. "Gardening leave describes the practice where worker that is terminating employment relationship is instructed to stay away from his job during the notice period, while still receiving his salary. This is often used to prevent workers from taking with them up-to-date or maybe sensitive and specific information when they leave current firm, especially if they are leaving this job to join a competitor afterwards." (Dixon, 2015) Main instruments by which firms are protecting specific human capital are

employment contracts which will be discussed in section 2.3. Contractual relations. In some other situation, where human capital is not the object of consideration, firm would internalize the resource, but since ownership of workers is impossible, firm will protect it with long-term employment contract.

2.3 Contractual relations

An employment contract is an "oral or written agreement specifying the terms and conditions under which a person consents to perform certain duties as directed and controlled by an employer in return for an agreed-upon wage or salary. Whether stated or not in the contract, both the employee and the employer owe the duty of mutual confidence and trust, and to make only lawful and reasonable demands on each other. Every employee is under the obligation to carry assigned duties, or the employer's instructions to the best of his or her abilities. The employer is under the obligation to protect the employee from harm or injury, and make fair compensation for any loss or damage resulting from any job-related accident." (BusinessDictionary.com, 2017)

Transaction cost economics is an interdisciplinary undertaking that joins economics with aspects of organization theory and overlaps extensively with contract law. It is the modern counterpart of institutional economics and relies heavily on comparative analysis. (Williamson, 1979: 261) Transaction cost economics will be used to explain contracting relations. As MacNeil (2001) observes, any system of contract law has the purpose of facilitating exchange. Macneil offers classification of contracts where classical, neoclassical and relational categories of contract law are recognized.

1. Classical Contract Law is used where the identity of the parties engaged in transaction is treated as irrelevant because there is no asset specificity. "All of the consequences are relatively predictable from the beginning and are not open-ended. The emphasis is on legal rules, formal documents, and self-liquidating transaction." (Williamson, 1979:236)
2. Neoclassical Contract Law and long-term contracts are used where all of the future contingencies for which changes or remake are necessary cannot be anticipated at the beginning of the contract relationship. Also, where future adjustments of the contract cannot be evident for many contingencies until

circumstances materialize. As Macneil observes: “Two common characteristics of long-term contracts are the existence of the gaps in their planning and the presence of a range of processes and techniques used by contract planners to create flexibility in lieu of either leaving gaps or trying to plan rigidly.” (Macneil and Gudel, 2001:864) “A recognition that world is complex, that agreements are incomplete, and that some contracts will never be reached unless both parties have confidence in settlement machinery characterizes neoclassical contract law.” (Williamson, 1979:238)

3. Relational contracting is used where “progressively increasing duration and complexity of contract has resulted in displacement of neoclassical adjustment processes by adjustment processes that are more thoroughly transaction-specific, on-going administrative kind” (Williamson, 1979:238) Position of reference under relational contracting approach is “the entire relation as it has developed through time” (Macneil and Gudel, 2001:890), while in neoclassical contracting approach that was an original agreement.

According to Williamson (1979:246) there are 3 key determinants for characterizing transactions are uncertainty, the frequency with which transactions recur and the degree to which durable transaction-specific investments are incurred (idiosyncrasy). Complete and incomplete contracts are theoretical models. The space of real-life contract as organizational forms extends between these two extremes. For instance, Croatia is yet to implement rounded-up legislative regarding employee ownership, it is (in USA and western Europe) well known instrument for achieving this leverage. (Kastelan Mrak et al, 2008:477) Complete contracts in economic theory equals “classic contractual relationship” where object of the contract is standard and not idiosyncratic, all the future contingencies can be anticipated, the main object of the contract is price and they are governed by market where faceless buyers meet faceless sellers. The complete employment contract could be conducted for a transaction (work) that is not asset specific, there are no learning effects, supply of workers is high and there is no sensitive information. Since, that is possible for a few professions, employment contracts are usually incomplete. “In reality, contracts are not comprehensive and are revised and renegotiated over time... As a result of contracting costs, the parties will write a contract that is incomplete. That is, the contract will contain gaps and missing provisions” (Hart,

1995:23). When speaking about human resources and contracting, employment agreements are almost always incomplete because it is almost impossible to avoid learning effects, development of skills and knowledge when it comes to humans (workers). Besides that, through time parties (employee and employer) are evolving trust and confidence what is important for doing business and characteristic only for human transactions. It is possible that employer want to keep the worker within the firm just because considers him reliable person. In that situation, incomplete contract will need to be drawn because identity of parties matters in transactions; firm needs flexibility and worker security. If job is highly specific, more frequent and demands skilled professionals to be engaged in transaction, incomplete contract will need to be drawn because of reaching a means of flexibility, lower costs, security for a worker, impossibility to anticipate all of the future contingencies and high switching costs.

When transactions (work) are unspecialized among users (workers and firms) there is low risk of engaging in opportunistic behaviour because, in these circumstances, both can easily turn to alternatives, thus, firms can easily find another worker to perform the same task and there is no incentive for tying worker with incomplete employment contract as asset specific resource. But specialized training, learning effects of human capital and high-skilled professions are an example where human resource (worker) is considered as worth and valuable asset for a firm. Now, there are incentives for tying a worker with an incomplete contract and it comes to relational contracting. It is possible decide on the character of contracts (Ménard, 2000) by examining the object of the contract. Essentially, the more complex, the more unique, the more valuable is the object and the longer its functional or commercial value; it is more likely that complex contracts will need to be drawn. The main reasons why employment contracts are incomplete and long-term is because it is too costly to predict development of employment relationship, impossible to anticipate all future circumstances, firms' needs and how to unambiguously deal with them and because of bounded rationality. Also, long-term employment contract provide a mean of flexibility for a firm previously explain in 2.1. SCP model. According to O. Hart (1995:29) "Ownership is a source of power when contracts are incomplete, the owner of an asset has residual control rights over that asset to decide all usages of the asset in any way not inconsistent with the initial contract". Employment contracts which are highly regulated, have more items that must be respected, are subject to more

disciplinary laws, are closer to the theoretical concept of complete contracts that leave less possibilities to adapt firms' needs and lower labour flexibility. On the other side, contracts that are closer to theoretical concept of incomplete contracts leave more space to freely manage human resources, as in Hart's interpretation. The closer employment contract is to concept of incomplete contracts the greater is labour flexibility.

2.4 Hierarchies

"Hierarchy is a system of formal interpersonal relations able to establish control and cooperation with the labour." (Kaštelan Mrak, 2016) Here are stated some explanations why hierarchies exist. First, the neoclassical explanation characterized by steady employment as a mutual interest. Some people prefer security over challenge and opposite; they all have various values and expectations. Supposing that tendency for bearing a risk is distributed unequally; those people who prefer security and are risk averse will rather be dependent employees, while those who are risk prone will dare to take a function of entrepreneurs. Because of safeness preference, risk averse people will feel complacent with lesser, but constant earnings in a long run, although they will suffer the loss of autonomy. The risk prone individuals, hence, entrepreneurs will face the risk of unsteadiness, but they will also retain the rights over the potential profits.

Second, unequal legal treatment of factor inputs markets and output markets according to Joan Robinson writings. Regulation of labour markets made labour costs inflexible, like long-term contracts, fixed prescribed wages, guaranteed minimum wages, and compensations to be paid when terminating employment relationship. The costs of production inputs remain fixed, because of fixed prices of technology investments and raw materials. In the same time, on the market, there are fluctuating prices of goods and services and volatile demand for outputs. When competition is forceful on the markets for goods and services and there are inclinations that competition will get even more prominent in the time of economic plunges, the fortification of hierarchies and long-term labour contracts acts as a tool that can increase flexibility of labour. If workers in a firm are well governed and motivated, if they are ready to work more when market requires it, firm will be able to adapt economic cycles. Accordingly, firms that do not have "good management" will have greater chance of failure and shutting the business. As defined

by German sociologist Renate Mayntz (1998) "good management is a system of formal and informal rules to organize collective action." Long-term labour contracts make a firm flexible. In order to keep labour flexible, authorities relations are arranged within the firm in a way that render possible to govern labour as a flexible production factor. In economic models, labour is specified as variable factor because humans can perform various actions with minor additional investments, while machinery can just exert the action it is constructed for. However, divisibility is a cause why labour is scrutinized as flexible resource; in contrast to the indivisibility of capital investments in technology. Thus, long-term labour contracts represent a prerequisite that enables internal organizational modification as a result of internal resolution. Exactly because they are incomplete, labour contracts give a firm flexibility and endow a mean of competitive differentiation.

2.5 Resource features of human labour

Labour is a specific resource for a firm, because, no matter of specificity, firm is unable to own its labour. Firm can only own a part of the workers' time in exchange for compensation. The control of human labour is more complex than the control of physical resources, especially intellectual work or knowledge-intensive inputs which are intangible. Furthermore, workers are flexible to perform various tasks, while machines and other physical assets perform only the tasks they are made for. Workers thus retain different types of knowledge, abilities and skills. So, there are some problems in specifying the human factor as a resource. A worker has a possibility to learn, while physical asset does not. Worker can increase his value through the time by gaining specific knowledge and become more important to a firm than it was before learning effects. Because knowledge is an intangible asset intrinsic to humans, there exists a problem of measurement of human (intellectual) capital. The relationship between input and output of worker is not clear and cannot be expressed in terms of amounts or values invested compared to values gained. Physical assets have their capacity and it is easy to measure their efficiency. Labour is specific because each worker has different capacity or intellectual potential. Some workers have to invest more time and effort for performing the same task, than the other. However, it is hard to determine capacity and intellectual potential for each worker in a firm because it takes a lot of time, it is costly, mostly

impossible, and evaluation of their abilities would be subjective because they would be measured by another worker who has the same characteristics as theirs. Moreover, market is full of uncertainties. Even if there are available workers there is no guarantee that there will not be unpredictable circumstances which will not stop the business process. For example, if crucial asset specific worker get ill or die in a car accident it deadlocks process and losses are incurred or if demand for that service or product unexpectedly disappears, asset specific worker is using benefits of long-term contractual relationship and again costs are occurred. There is also a problem with "effect of teams" because it is hard or impossible to distinguish how the activities and personalities of individual team members contribute to team performance. Nevertheless, there is a lot of strong reasons why labour is specific resource for a firm. Because of that reasons firm will try to control its asset specific labour by a long-term contracts. That is why employment contracts are often set forward as examples of incomplete contracts. "A firm will be employed as a control mechanism for specific resources, as a safeguard from specific transactions. The purpose of engaging in a production process through ownership is the right to establish some sort of formal authority, a hierarchy that will provide that stability. Therefore, proprietorship establishes control rights that acts as a source of predictability. Similar effect can be achieved by relationship of authority granted through a contract." (Kaštelan Mrak, 2016) After all, it can be concluded that incomplete employment contracts could be one of the best possible solutions on the market for control of specific human capital and decreasing effects of market uncertainties.

3 EMPLOYMENT REGULATION IN SELECTED COUNTRIES

Employment contracts are to some extent different from country to country. They differ depending on the whole sequence of institutional and contingencies factors like labour laws, collective agreements, cultural preferences, government politics, etc. In this part of paper there will be provided overview of laws, regulations and terms of employment that are determining employment contracts in Croatia, Ireland, Austria and Finland.

3.1 Croatia

Employment in Croatia is regulated by the Constitution, international conventions, treaties, Labour Act, collective contracts and employment agreements. Labour Act, as a main act regulating labour law, provides general rules of labour law, prohibits direct and indirect discrimination, regulates employment agreements, age for employment, leaves, maternity leaves, wages, strikes, etc. (Doingbusinessincroatia.com, 2017).

3.1.1 Working time regulation

A more detailed analysis on working hour regulations is provided in chapter 4 Cross-country analysis on labour flexibility. Article 61 of the Croatian Labour Act (OG 93/14) bounds the working week to 40 arbitrarily distributed work hours. If the work hours are unevenly distributed, a working day may either be longer or shorter than the mean. Patterns may additionally be defined by law, collective bargaining, the agreements struck between the work council and the employer and by an individual's contract. (Eurofound.europa.eu, 2017) The total number of working hours should match those of full-time or part-time employment. A maximum of sixty weekly work hours are allowed including overtime, but in any 4 consecutive months no more than 48 hours a week shall be worked on average, including overtime. "A worker who works at least six hours a day is entitled to a 30 minute daily break, unless otherwise specified by law and a minimum of an uninterrupted 24-hour rest period during the week. Working hours are shortened in proportion to the harmful effects of working conditions on worker's health and working ability in jobs in which, despite the application of occupational safety and health measures, it is impossible to protect the worker from harmful effects." (Ministarstvo rada i mirovinskoga sustava, 2014)

3.1.2 Overtime regulation

Article 65 of the Labour Act (OG 93/14) defines that "in the case of force majeure, an extraordinary increase in the scope of work and in other similar cases of a pressing need, the worker may, at the employer's request, work longer than the full-time or part-time working hours (overtime work). Where the employer, due to the nature of a pressing need, is not in a position to hand over a written request for overtime work before it begins, he is obliged to confirm the oral request in writing within seven days starting from the date overtime work was requested." (Ministarstvo rada i mirovinskoga sustava, 2014) If the employee works overtime hours, the total working time of the employee cannot exceed fifty hours a week. The overtime work per employee cannot exceed 180 in hours a year, unless otherwise provided in a collective agreement, in which case it cannot go beyond 250 hours a year.

3.1.3 Part-time work

"Article 62 (OG 93/14) of the Act regulates part-time work, defined as any working time shorter than full-time week. A worker may not combine work at several employers to work more than a full-time week. A worker cannot have a second job without informing his full-time employer. When length of service is important for the exercise of rights arising from employment, part-time work is equated with full-time work. Apart from special derogations, regular pay and other remunerations such as holiday pay and bonuses are paid in proportion to the working time." (Bejaković, 2017). "Part-time employees as a proportion of all employees fell from 10.3% in 2011 to 8.5% in 2012 and 6.5% in 2013 (Croatian Bureau of Statistics, 2014). Very similar trends are shown by Eurostat data for the same period: 9.9%, 8.4% and 6.5%, respectively. Croatian Pension Insurance Institute data for 2013 show that 45,400 out of 73,000 employees working part-time are insured on the basis of double employment, mostly in education. This suggests that only the other 27,600 are insured pursuant to part-time labour." (Bejaković, 2017).

3.1.4 Minimum wages

According to the Minimum Wage Act and Decree on the Minimum Wage, in Croatia there is a statutory minimum wage of HRK 3276,00 what equals 443 euro in 2017. (Isplate.info, 2017)

3.1.5 Salary

"Salary is paid after the work has been performed, in money. It must be paid at intervals not longer than one month. It is determined in a gross amount." (Doingbusinessincroatia.com, 2017) In the table there are data about average Croatian salary in 2014 and 2015.

TABLE 1. AVERAGE WAGE IN CROATIA

Rank	*Country*	*Population*	*2014*	*2015*	*2016*	*2015-2016*	*2014-2016*
		(in million)	EUR	EUR	EUR	%	%
21	Croatia	4,2	710	735	742	0.94	4,31

Source: (Reinis Fischer, 2017)

3.1.6 Job quality

Doing Business introduced new data on job quality in 2015. Doing Business 2017 covers eight questions on job quality and law requirements. (Doingbusiness.org, 2017) More detailed data about job quality regulations will be provided and discussed in chapter 4. Cross-country analysis on labour flexibility.

3.1.7 Maternity and parental leave

"A female employee has the right to maternity leave during her pregnancy, childbirth and care for her child. Furthermore, female employee has to take maternity leave 28 days before the expected date of childbirth and must remain on such leave at least 42 days after the delivery. Maternity leave can last up to six months. Father of the child also has the possibility to take the parental leave." (Doingbusinessincroatia.com, 2017)

3.1.8 Sick leave

„Calculation of the sickness cash benefit provided by the Croatian Institute of Health Insurance. It is based on the average net salary in the 6 months preceding the month of sickness. It is paid in full (100 percent of the calculation base) when sickness is resulting from the Homeland War, for injury on work, for nursing a sick child under 3 years of age, for donation of tissues and organs and in case of isolation or complications during

pregnancy. In all other circumstances it amounts to 70 percent of the calculation base. After 6 months of continuous sick leave, the amount increases to 80 percent of calculation base.“ (Bejaković, 2017)

3.1.9 Paid vacation and public holidays

„Public holiday, also called national holiday or legal holiday, is a special holiday established by each country’s (or autonomous region’s) law. Public holidays are usually non-working but paid, which means that they serve as additional paid holidays with dates fixed by law. Alternatively, workers usually receive a higher hourly wage if they work during a public holiday.“ (Jakubmarian.com, 2017) In Croatia there are 14 public holidays in a year. Article 76 of Croatian Labour Law states that: „The worker shall be entitled to a paid annual leave in each calendar year.“ (Ministarstvo rada i mirovinskoga sustava, 2014) Furthermore, Article 77 of Croatian Labour Law states that: „The worker shall be entitled to a annual leave of at least four weeks in each calendar year, and the minor and a worker engaged in works involving exposure to harmful effects in spite of the implementation of health and safety at work protection measures shall be entitled to at least five weeks of annual leave.“ (Ministarstvo rada i mirovinskoga sustava, 2014) More detailed analysis of vacation and holidays will be provided in chapter 4. Cross-country analysis on labour flexibility.

3.1.10 Severance payment

As stated in Croatian Labour Law: “The severance amount is determined as one third of the average salary paid in the last three months and for every year of employment by the same employer. If there is no other specification by law, collective agreement, work regulations or employment contract, the total amount of severance payment should not exceed 6 average monthly wages earned by the worker during the 3 months prior to the termination of the employment contract. Worker who is working for the same employer less than one year does not have the right to severance payment. The law on termination of employment requires an advance notice of up to 6 months and the approval of the workers' council.” (Ministarstvo rada i mirovinskoga sustava, 2014) More detailed data on redundancy rules and costs will be provided and discussed in chapter 4. Cross-country analysis on labour flexibility.

3.1.11 Termination of employment relationship

According to Croatian Labour Act: “The employment contracts in Croatia can be terminated because of employees’ death the death, expiry of fixed-term contract, when an employee has turned 67 years of age and 15 years of employment service, unless otherwise agreed by the employer and employee, upon the submission of a legally effective decision on retirement due to general inability to work, by cancellation (notice), and by a decision of the court having jurisdiction.” (Ministarstvo rada i mirovinskoga sustava, 2014) An employer and a worker can give notice that they want to cancel an employment contract. An employer may give notice that wants to cancel employment contract, subject to a prescribed or agreed notice period ("regular notice") if has a legitimate reason for doing so, in the following cases: “Notice due to business reasons if the need for performing certain job desists (economic, technological or organizational reasons); notice due to personal reasons if employee is not capable of fulfilling his employment-related duties because of some continuous attributes or capability or notice due to the employee's misconduct if he abuse employment obligations.” (Ministarstvo rada i mirovinskoga sustava, 2014) The Labour Act sets out provisions for the termination of employment contracts. In addition to already valid methods for terminating employment contracts, the law now allows a contract to be terminated on the following grounds: the death of the employer (if an individual person); the legal cessation of a small business; the deregistration of a sole trader. The act stipulates the written form of the agreement of the contract's termination agreement and that of the notice of dismissal. The aim is to balance the protection of workers against dismissal with the needs of employers to take on the workers they really want. However, workers are protected against unfair dismissal where due account is not taken of social considerations. The act sets out grounds for normal dismissal subject to a mandatory period of notice. To facilitate a company restructuring where necessary, an employer is now allowed to terminate an employment contract on economic or personal grounds, irrespective of whether it would be reasonable for the worker to be redeployed or retrained. Where a worker is given a normal period of a termination of ending employment for personal or business reasons, the employer can now cancel the employment contract without being obliged to train the employee for another job. Furthermore, the employer is not obliged to employ the worker even if they have another position available.

3.2 Ireland

“Ireland is a small, open economy, heavily dependent on international trade and foreign direct investment. Between 2010 and 2015, Irish GDP grew an impressive 26.1%, double the EU average for the same period (13%). During this time, total unemployment decreased 4.5 percentage points, reaching the EU average rate of 9.4% in 2015. Youth unemployment decreased 6.7 percentage points in the five years and a similar decrease was also observed for men (6.2 percentage points), while the female unemployment rate decreased 2.2 percentage points. Employment rates between 2010 and 2015 showed modest growth; however, the youth employment rate fell 7.3 percentage points to reach 36.3% in 2015, below the EU average for the same year (41.5%).” (Prendergast & Farrelly, 2017)

3.2.1 Working time regulation

“The Organisation of Working Time Act, 1997 sets out the average maximum working week cannot exceed 48 hours. The average is calculated over a reference period of, usually, four months. There are specific exemptions for trainee doctors and road transport workers from the working time provisions, including rest breaks, under select statutory instruments (S.I. 494/2004 & S.I. 20/1998 respectively). In the public sector, the minimum working week is 37 hours, as per the Haddington Road Agreement.” (Citizensinformation.ie, 2016)

3.2.2 Overtime regulation

“There are statutory regulations for overtime and its inclusion in the maximum working week. Overtime provisions vary from company to company. The standard working week was defined as 39 hours in 1987 Programme for National Recovery agreement, but there is no rule/law that says overtime is defined as working in excess of 39 hours in one week. Neither is there a statutory obligation on the part of an employer to pay an overtime rate. Overtime rates, if applicable, are either detailed in employment contracts or in collective agreements. A common overtime rate, at least for the first few hours of overtime working, is 1.5 times the hourly basic rate.” (Prendergast & Farrelly, 2017)

3.2.3 Part-time work

"Part-time working is regulated by the Protection of Employees (Part-Time Work) Act 2001. This provides protection for part-time employees against unfavorable treatment compared to full-time employees. Part-time work is defined in law as: 'an employee whose normal hours of work are less than the normal hours of work of an employee who is a comparable employee in relation to him or her.' The proportion of part-time working has increased year on year between 2007 and 2013, going from 17.7 percent to 24.1 percent." (Citizensinformation.ie, 2016) More detailed data on working hours regulations will be provided and discussed in chapter 4. Cross-country analysis on labour flexibility.

3.2.4 Minimum wages

"The National Minimum Wage is €8.65 per hour under the National Minimum Wage Act. This applies to employees aged 18 or over. The National Minimum Wage Act, 2000 came into effect on April 1, 2000 and introduced a National Minimum Wage for the first time in Ireland. Many low paid workers benefited from its introduction, particularly women, young people and part-time workers." (Oit.org, 2017)

3.2.5 Salary

TABLE 2. AVERAGE WAGE IN IRELAND

Rank	*Country*	*Population*	*2014*	*2015*	*2016*	*2015-2016*	*2014-2016*
		(in million)	EUR	EUR	EUR	%	%
8	Ireland	4,6	2.160	2.129	2.129	0	-1,45

Source: Reinis Fischer, 2017

3.2.6 Maternity and parental leave

Maternity leave and maternity protection are regulated by the Maternity Protection Act 1994 and associated regulations. „Employees engaged on a probationary period, trainees and Apprentices fall within the ambit of the Act, as do employees engaged through the

services of an employment agency. For the purposes of the Act, the person liable to pay the wages of an employee engaged through an employment agency shall be deemed to be the employer. (Ilo.org, 2017) Article 8 of Directive 92/85/EEC, under which the 1994 Act was introduced, stipulates: "minimum period of 14 weeks maternity leave, of which at least 2 must be allocated before and/or after confinement. Under section 12 of the 1994 Act, maternity leave will be extended where the date of confinement is after the expected week of confinement. The extension will last for the number of weeks necessary to ensure that there is a 4-week period of leave after confinement. Such an extension is deemed to be maternity leave in every respect." (Ilo.org, 2017) Except maternity leave, there are provisions for Health and Safety leave: "Woman who born a child within the previous fourteen weeks, or is breastfeeding (for up to 26 weeks after childbirth) and because of it cannot do her job, must be proposed compatible alternative job. If such job is not accessible, health and safety leave have to be granted her and employer has obligation to compensate her first 21 days of such leave. Thereafter she is entitled to be paid statutory health and safety benefit." (Ilo.org, 2017) Parental Leave Act 1998, regulates parental leave. „Each parent is entitled to 14 weeks parental leave in respect of each child born or adopted. Parental leave is not transferable between parents. The 14 weeks may be taken as a continuous block or, by agreement with the employer, in separate blocks or by working reduced hours. Parental leave is unpaid but time spent on leave is reckonable for all employment rights purposes other than superannuation." (Ilo.org, 2017) Parental leave can be used while child is younger than five years of age. "A worker must have worked for at least 1 year with the same employer before being able to take such leave, and is entitled to parental leave in respect of each child of which he is the natural or adoptive parent." (Ilo.org, 2017) *Force Majeure* leave is under Parental Leave Act 1998; 3 days of *force majeure* leave can be used in any year because of family crisis if workers' presence is unavoidable.

3.2.7 Sick leave

Legislature that administer sick leave in Ireland does not exist. Nevertheless, many firms actually pay sick leave to their workers. The type of payment scheme differs across various firms organisations, but usually, full payment is provided for some limited period

of absence, for a further limited period there is half payment. A typical scheme could provide full payment for 3 months and half payment for a further 3 months. (Ilo.org, 2017)

3.2.8 Paid vacation and public holidays

The Organization of Working Time Act, 1997 provides statutory minimum entitlements in respect of paid annual and public holidays. Under this law workers are entitled to "four working weeks annual leave (20 days) in any leave year during which they have worked 1,365 hours. Any employee who has worked for at least 8 months of the leave year is entitled to a 2 week unbroken leave period. Employees in Ireland are entitled to a paid day off on the following 9 public holidays." (Citizensinformation.ie, 2016) More detailed analysis of vacation and holidays will be provided in chapter 4. Cross-country analysis on labour flexibility.

3.2.9 Severance payment

Worker does not have the right to any compensation, in lieu of notice, where applicable, if dismissal is fair, except in case of redundancy. If the dismissal is regarded as unfair, worker could have right to receive indemnity. Under the Redundancy Payments Acts 1967-91, a redundancy arises:"In the event of a termination of employment where an employer requires fewer employees or a lesser number of employees of a particular kind." (Ilo.org, 2017) Nevertheless, redundancy may appear because of different reasons under the Acts. In industry where a redundancy situation arises and the business continue, not in liquidation or receivership, a severance payment in higher than statutory is negotiated. This is peculiarly when a union is representing the workers. Payments made above statutory liability are classified as ex-gratia severance payments. "A typical settlement would be statutory redundancy plus 3 to 5 weeks pay per year of service ex-gratia; some reports suggest that the typical redundancy payment is 5 or 6 times higher than the statutory requirement." (Ilo.org, 2017) More detailed redundancy rules and redundancy cost will be provided and discussed in chapter 4. Cross-country analysis on labour flexibility.

3.2.10 Termination of employment relationship

S.6(1) of the Act provides that the dismissal is deemed unfair "unless, having regard to the circumstances, there were substantial grounds justifying the dismissal". (Ilo.org,

2017) In order to establish a fair dismissal the employer must show that the reason for dismissal falls into one of the categories of reasons for dismissal that are regarded as fair. The employer must also show that the dismissal on the grounds specified was justified. The employer may be able to justify dismissal on following grounds: "Capability, competence or qualifications of the employee (e.g. absence, lack of capacity, ability), the conduct of the employee (e.g. theft, assault, clocking offences), redundancy, the employer is prohibited by Statute from continuing the employment (e.g. safety requirements in line with Statute or requirement to have a particular class of driving licence), other substantial grounds justifying dismissal (e.g. unreasonable refusal to accept changes in the contract of employment, excessive disruption, inability of employee to meet insurance requirements)." (Ilo.org, 2017) A worker has the right to resign employment relationship in any moment, under condition that gives the requisite period of notice (7 days under the 1971 Act, but commonly the contract ensures for a longer time). When worker is compelled to resign because employer transgressed employment agreement, a constructive dismissal could appear. (Ilo.org, 2017)

3.3 Austria

"From 2010 to 2015, Austria experienced strong GDP growth of 13.8%, nearly a percentage point above the EU average. For the same period, total unemployment increased 0.9 percentage points from 4.8% to 5.7%, but Austria remains one of the European countries with the lowest unemployment rates. Continuing a trend from the crisis years, the unemployment rate of women was lower than that of men in 2015, at 5.3% and 6.1%, respectively. Youth unemployment increased slightly (+1.1percentage points) from 2010 to 2015 but, at 10.6%, it was still about half of the EU average for that year (20.3%). The employment rate of women increased by 2 percentage points from 2010 to 2015, but dropped somewhat for young people (-0.9 percentage points)." (Eurofound.europa.eu, 2015)

3.3.1 Working time regulation

„The legal regulation on working time in Austria is laid down in the Working Time Act (*Arbeitszeitgesetz*, AZG) and the Act on Rest Periods (*Arbeitsruhegesetz*, ARG) setting the legal frame for the working time regulation. According to these laws, deviations from

the legal standards at sectoral and at company level are possible but this requires first a sectoral collective agreement and, based on this, a works agreement between works council and management. So working time still remains an issue in collective bargaining. This is particularly the case since the last amendments to the Working Time Act (*Arbeitszeitgesetz*, AZG), which have increased the options for flexible working hour arrangements, reserving their implementation to regulation by collective agreement. Normal working time amounts to 40 hours per week. In some sectors, the collective agreement stipulates fewer working hours, for example 38.5 per week. The standard time spent at work may also be exceeded. In the case of overtime, employees are to be generally reimbursed with 50 percent extra pay, or 100 percent when the work is carried out at night, on Sundays or on holidays.“ (Eurofound.europa.eu, 2015) More detailed data on working hours regulations will be provided and discussed in chapter 4. Cross-country analysis on labour flexibility.

3.3.2 Overtime regulation

The legislation in Austria restricts the regular working day to maximum of 8 hours, excluding breaks, and the working week to a maximum of 40 hours. However, weekly working hours may be varied up to 10 hours per day and up to 50 hours a week over a reference period, between 13 and 52 weeks, by agreement, as long as an average 40-hour week is maintained. Specific maximum overtime limits are 5 hours per week, and an additional 60 hours per year.” (Krenn, Hermann and Adam, 2015) “Overtime payment is calculated as the employee’s average hourly pay, plus 50%; this increases to 100% for night and weekend shifts. Many collective bargaining agreements grant higher supplements, eg. 150 percent of regular pay rate.” (Graf & Pitkowitz, 2017)

3.3.3 Part-time work

Part-time work in Austria is defined by law (Working Time Act) as any employment, where the agreed weekly working time on average is below the normal working time fixed by law, by collective agreement or by works agreement. According to the favourable principle, collective and works agreements can only agree a shorter normal working time. Part-time work in Austria is very prevalent and has been rising during the last decade. Whereas in 2002, according to LFS data, 19% of persons in employment worked part

time, this increased to 28% in 2014. The overwhelming majority of part-time workers are female (80%). (Schima and Vogt-Majarek, 2017)

3.3.4 Minimum wage

There is no statutory minimum wage in Austria. Minimum salary is usually determined in collective bargaining agreement and depends on: classification of the position, based on qualifying standard in substantial collective bargaining agreement and the workers' duration of prior employment. Minimum rates of wage is not fixed by law but laid down on sectoral level collective agreements. The salary prescribed for the least skilled group of employees determines minimum salary for the sector covered by the enforcable collective agreement. (Graf & Pitkowitz, 2017) "The social partners, Austrian Chamber of Commerce and the Austrian Trade Union Federation, in June 2007 signed an agreement called *Grundsatzvereinbarung zum Mindestlohn von 1,000 Euro* which stipulates that a minimum monthly wage of EUR 1,000 must be implemented in all collective agreements." (Schima and Vogt-Majarek, 2017)

3.3.5 Salary

TABLE 3. AVERAGE WAGE IN AUSTRIA

Rank	*Country*	*Population*	*2014*	*2015*	*2016*	*2015-2016*	*2014-2016*
		(in million)	EUR	EUR	EUR	%	%
9	Austria	8,5	2.114	2.124	2.124	0	0,47

Source: Reinis Fischer, 2017

3.3.6 Maternity and parental leave

Pregnant workers and mothers are protected from dismissal from the date of pregnancy until at least 4 months after giving birth. "During this time, they can only be dismissed with judicial consent. If female workers who have given childbirth, and are legally allowed to return to work, claim maternity leave or part-time employment, protection from dismissal usually ends 4 weeks after the maternity leave or part-time employment ends." (Schima and Vogt-Majarek, 2017) The Maternity Protection Act 1979 also regulates the: termination of employment by mutual consent, length of maternity leave (a maximum of 2 years and a minimum of 2 months from the date of confinement) and right

to be offered part-time employment. Female workers have a right to maternity payment called *Wochengeld* for 8 weeks before and 8 weeks after confinement also called protection period. This payment equals to the worker's average salary earned during the 13 weeks before maternity leave begins. Female workers are not permitted to work during that period. After receiving maternity payment for a total of 16 weeks, workers have the right to receive parental payment. Maternity payment and parental payment are borne by the social insurance carrier. The mother or the father can claim parental payment, but not both at the same time. If both parents share the childcare arrangements, parental payment is available for up to 36 months. "Fathers can claim up to two years' paternity leave and part-time employment, or both, for childcare purposes, during which they enjoy special protection from dismissal. They cannot claim this if the mother has also claimed maternity leave (for the same period), but they can share parental leave. Fathers on paternity leave are entitled to parental payment in the same amount and for the same period as mothers on maternity leave." (Schima and Vogt-Majarek, 2017)

3.3.7 Sick leave

The Employee Act requires employers to provide *sick leave* to workers in duration of at least 6 weeks of paid leave for any serious health condition (illness or injury). This period can be prolonged to 12 weeks, depending on seniority of a worker or if the illness or injury was caused by a work accident. After this period, a worker is entitled to 50 percent of or full salary following 4 weeks. (Graf & Pitkowitz, 2017) A worker has no right to receive mentioned payment if his or her serious health condition was caused by his or her recklessness or gross negligence. "Workers can also take *nursing leave* up to 2 weeks of paid time off annually in order to provide medical care to a close relative (eg, spouse, civil partner or child). Workers may take *family care leave/part-time employment* in order to look after an ill family member." (Graf & Pitkowitz, 2017)

3.3.8 Paid vacation and public holidays

The Holiday Act provides "30 working days (weekdays from Monday through Saturday) of annual holiday for full-time employees. After 25 years of service, this period is extended to 36 working days of annual holiday." (Citizensinformation.ie, 2017) More detailed data on job quality will be provided in chapter 4. Cross-country analysis on labour flexibility.

3.3.9 Severance payment

The employer and worker are legally permitted to implement the new severance pay system, even if the contract was concluded before January 1, 2003. The advantages of the new system are such that a worker is fully entitled to severance payment even if he himself has terminated the contract of employment. “In this case, the severance payment will be deposited in a kind of ‘contingency fund’. Also, workers who have been employed for less than three years and are dismissed by their employers are also entitled to severance payment. The worker has two choices: to have this amount of severance payment paid out in cash (after three years) or the acquired severance payment is carried over for future reimbursement.” (Advantage Austria, 2017) Old Severance Pay System (“Abfertigungssystem alt“) only applies to employment contracts which were concluded before January 1, 2003. A severance payment is due only if one of following applies: “The employer gives ordinary notice to the worker, dismisses the worker without good cause, termination of employment is by mutual agreement, termination is a favoured termination on the worker’s part. This applies when workers are entitled to severance payments even though they terminated the contract, for example, if they want to retire or end the employment relationship following a business transfer.” (Schima and Vogt-Majarek, 2017) All new employment relationships beginning on or after January 1st 2003 are subject to a new severance pay system. Under this new system, employers must pay contributions to a staff provision fund for all workers subject to the new system, at a rate of 1.53% of their gross monthly salary. (Schima and Vogt-Majarek, 2017)

3.3.10 Termination of employment relationship

An employment contract can be terminated in following cases: if defined period of work has been expired, at any time during the trial period, resignation of the worker before contract elapsed, consensual termination, notice by the worker, notice by the employer and dismissal by employer. If worker’s soundness is wakened or there exist justifiable cause for immediate termination of the employment contract and can be adequately proved, worker is legally permitted to terminate the employment relationship effective immediately without abiding by the legal period of notice. If employment contract is terminated by notice of a worker the legal period of notice is always one month, but can be prolonged to 6 months if worker and firm have agreed so before. “The notice of

termination of employment, dismissal notice, by the employer is an unambiguous declaration, in which it is stipulated that the working relationship will be terminated at a specified date. The dismissal by the employer is legally permitted without the employer required to precisely specify the reasons for the termination of the employment contract. The employer has the possibility to terminate the employment contract effective immediately. There are several valid reasons, e.g. disloyalty, refusal to carry out the agreed-upon work or theft." (Advantage Austria, 2017) Once a works council has been established, an employer must notify it of any planned dismissals. The works council has one week to react by: expressly consenting; expressly dissenting or not commenting. Apart from this notification requirement, no other formal redundancy procedures exist. In particular, an employer need not provide a reason for terminating a worker. "Mass terminations require prior notification to the appropriate government employment agency, which triggers a 30-day waiting period during which any termination is invalid. Employers must consult with the relevant works council and discuss measures in order to avoid dismissals, reduce the number of redundancies and mitigate the consequences of collective dismissals with a view to reaching an agreement on a so-called *social plan*. Labour unions usually conduct negotiations on behalf of or jointly with the works council in order to receive financial and non-financial benefits such as voluntary severance payment, specific pension schemes for older workers etc." (Graf & Pitkowitz, 2017) Worker and employer may agree on unpaid time off. If that happens, the employment relationship continues, but the duty to perform work and the payment of the salary are suspended. (Schima and Vogt-Majarek, 2017) More detailed data on redundancy rules and regulations will be provided and discussed in chapter 4. Cross-country analysis on labour flexibility.

3.3.11 Temporary workers and part-time workers

Limits on the duration of temporary contracts do not exist. "If temporary employment contracts repeatedly follow each other, an invalid chain contract may exist. This means that the agreed term of the employment contract is invalid and a permanent contract will exist." (Schima and Vogt-Majarek, 2017) It is easier and cheaper to terminate a fixed term contract, because worker (or the works council) can appeal against a dismissal, which is not provided for by law in the case of an expiration of a limited period contract because

no dismissal exists in that case. “Part-time employees are entitled to the same rights as full-time workers and must not be discriminated against. This means that part-time employees are entitled to a pro-rata salary, which must be equal to that of a full-time employee in the same or similar position.” (Schima and Vogt-Majarek, 2017)

3.3.12 Collective agreements

Collective bargaining agreements (CBA) are applied to the majority of employment relationships in Austria. “They are made between the unions on behalf of workers, and usually the Chamber of Commerce on behalf of employers. Employers who do not join any representational institution such as the Chamber of Commerce are not subject to a CBA.” (Schima and Vogt-Majarek, 2017) The collective bargaining agreements concluded by unions also govern the employment relationships of workers who are not union members and normally cover entire sectors of industry. For example, the same CBA is applied to metalworkers in Vienna and Tyrol. “Labour unions, under the Association of Trade Unions - ÖGB umbrella, negotiate on behalf of workers in a certain sector. Collective bargaining agreements not only introduce minimum wages, but also regulate other legal entitlements which are more beneficial to workers than the relevant statutory regulations.” (Graf & Pitkowitz, 2017)

3.4 Finland

3.4.1 Working time regulation

Working time is primarily regulated by the The Working Hours Act and the Annual Holidays Act. The Young Workers' Act includes special provisions on working times of minor workers. Following the legislature and the guidelines set in national framework agreements, more detailed frameworks for working times in each branch are determined in collective agreements through sectoral bargaining between the social partners. Standard working hours must not overstep 8 hours daily and 40 hours weekly. “However, the regular working hours for white-collar employees specified in collective agreements are typically 7.5 hours a day and 37.5 hours per week. There are certain working time restrictions concerning work performed on Sundays and public holidays, as well as daily and weekly rest periods.” (Havia, 2017)

3.4.2 Overtime regulation

The Working Hours Act regulates overtime working and how it should be compensated, defining overtime as "work carried out on the employer's initiative in addition to the regular working hours" (The Working Hours Act, 2011). The maximum overtime hours allowed is 138 hours per 4 months, with the provision that it should not exceed 250 hours per year. The social partners are allowed to make exception to these regulations in collective agreements, provided that these exceptional periods do not exceed 12 months and that the annual limit on overtime is observed. According to the act, the two first overtime hours of a working day must be compensated with the regular wage plus 50% and the additional hours with regular wage plus 100%. Sector specific provisions can be negotiated provided that they fulfil the conditions set by the law and these must be followed in the company level.

3.4.3 Part-time work

Part-time work is regulated by The Working Hours Act and The Employment Contracts Act, they do not allow to apply less favourable terms to part-time worker without compatible and legitimate reason only because of the duration of the working hours. Looking at the statistics in the Labour Force Survey by Eurostat, the prevalence of part-time work in Finland, at 15%, has been far behind the levels in for example other Nordic countries where it has generally been around 25%. The proportion of part-time work has, however, slightly increased during the last decade. A large proportion of part-time employees are students and older workers. More detailed data on working hours regulations will be provided and discussed in chapter 4. Cross-country analysis on labour flexibility.

3.4.4 Minimum wages

Finland does not have a statutory minimum wage but de facto minimum wages are determined separately for each branch in generally applicable collective agreements. "The principle of general applicability of collective agreements ensures that also employers that are unorganised in terms of collective bargaining must comply with the nation-wide agreements that concern their field of economic activity." (Eurofound.europa.eu, 2017)

3.4.5 Salary

TABLE 4. AVERAGE WAGE IN FINLAND

Rank	*Country*	*Population*	*2014*	*2015*	*2016*	*2015-2016*	*2014-2016*
		(in million)	EUR	EUR	EUR	%	%
4	Finland	5,4	2.300	2.330	2.335	1,49	0,21

Source: Reinis Fischer, 2017

3.4.6 Maternity and parental leave

A woman who has given birth has a right to: "Maternity leave of 105 days, excluding Sundays, which typically begins 50 to 30 days before the expected date of birth and parental leave of a maximum of 158 days after the birth, which can be divided between the parents." (Havia, 2017) The employer does not have obligation to payment of wage during maternity leave. However, this liability is frequently imposed in the enforceable collective agreement. "Kela (Finnish Social Insurance Institution Kansaneläkelaitos) grants the worker an earnings-related maternity allowance during the maternity and parental leave. Following this family leave, workers are entitled to return to work with the same employer and primarily to their former duties. Both women and men are entitled to full-time childcare leave until their child reaches the age of three. However, only one parent with can take childcare the leave, except during maternity or parental leave." (Havia, 2017) Parents are entitled to partial childcare leave (that is, reduced working hours, until the end of the second year of the child's basic education). Employer then pays partial wage to a worker, while Kela pays an allowance to a worker who is working between 40 to 60 percent of the maximum working hours of a full-time worker in the sector in question during the partial childcare leave.

3.4.7 Sick leave

Workers who are prevented from performing their job because of sickness or accident have right to receive 100% of their wage during the first day of sickness and next 9 weekdays, if higher payment liability has not been prescribed in the enforceable collective agreement and if worker has been working by the same employer at least one month. After expiration of 10 days workers are entitled to sickness allowance from the state under the Sickness Insurance Act 1963. "The amount of the sickness allowance is based on the

employee's earned income and is paid for weekdays and Saturdays for a maximum period of 300 days. In employment relationships that have lasted for less than one month, employees are entitled to 50% of their pay. Also, employer can grant additional unpaid time off at an employee's request. However, an employee is not entitled to pay during illness if they have caused their disability wilfully or by gross negligence." (Havia, 2017)

3.4.8 Paid vacation and public holidays

The Annual Holidays Act establishes the employees' right to paid annual holiday. "The total number of paid holidays is 30 days annually matching 5 weeks annually. There are 13 annual public or religious holidays when workers are generally entitled to have a paid day off." (Havia, 2017) More detailed data on job quality regulations will be provided and discussed in chapter 4. Cross-country analysis on labour flexibility.

3.4.9 Severance payment

"There is no statutory obligation to pay severance, but the applicable notice period must be observed." (Havia, 2017) More detailed data on redundancy rules and cost will be provided and discussed in chapter 4. Cross-country analysis on labour flexibility.

3.4.10 Termination of the employment relationship

An employer's obligation to re-employ exists where the employment relationship has lasted at least three years and an employee has been given notice for financial and production-related grounds or because of a reorganisation procedure. (Havia, 2017) The employer must offer to re-employ the former employee, if:

- The employer needs new employees within the re-employment period for the same work or work similar to that which the employee had been doing.
- The former employee is continuing to seek work via an employment and economic development office.

"Permanent workers have right to receive their regular wage and benefits during the notice period even if they are on gardening leave during the period, or are paid in lieu of the notice period. An employer must always have valid and acceptable grounds for terminating an employment agreement. Termination of employment without legal grounds can lead to an obligation to pay compensation to the worker between 3 and 24 months' salary. Moreover, a worker on family leave cannot be dismissed on collective

grounds unless the whole business of the employer is closed." (Havia, 2017) Legal grounds for terminating an employment contract on collective grounds generally exist if both: work has diminished or been materially reduced due to economic or production related reasons, or due to the restructuring of the enterprise and the reduction of work is permanent. (Havia, 2017) "A precondition for terminating an employment agreement on economic or production-related grounds is that worker cannot reasonably be repositioned or retrained within the company. The repositioning obligation continues throughout the notice period and it can, under certain circumstances, also be extended to the employer's subsidiaries. Hiring new workers before the dismissals or immediately afterwards typically discredits any collective grounds for the terminations." (Havia, 2017) "The Co-operation Act applies to termination on collective grounds at companies regularly employing at least 20 employees in Finland. Employers falling outside the scope of the Co-operation Act have a relatively simple consultation obligation set out in the Employment Contracts Act, under which an employer planning to dismiss workers on collective grounds have to discuss the reasons for terminations with the worker as early in advance as possible." (Havia, 2017)

3.4.11 Temporary and part-time workers

"There is no statutory limit to the duration of a fixed-term employment contract. However, a contract may only be concluded for a fixed term for a justified reason. The justified reason must also be the basis for renewing or prolonging the contract for a fixed term. Contracts made for a fixed term on the employer's initiative without a justified reason, or consecutive fixed-term contracts concluded without a justified reason, are considered valid until further notice." (Havia, 2017) "A fixed-term employment contract generally cannot be terminated, but expires automatically at the end of the fixed period or on completion of the agreed work. However, fixed-term contracts that last for 5 years or more can be terminated on the same grounds and using the same procedure as employment contracts for an indefinite period after the five years have elapsed. As regards the terms and provisions of employment, it is prohibited to apply less favourable terms to fixed-term employees without a proper and justified reason." (Havia, 2017)

3.4.12 Collective agreements

“Collective agreements, negotiated between trade unions and employers' organisations for a particular trade or industry, play a central role in the Finnish labour market system. The main distinguishing feature of employment law is therefore the prevalence of collectively agreed terms and conditions of employment. An employer that is a member of an employer organisation party to a collective agreement must apply the provisions of the collective agreement to the employment relationships of all of its worker. Certain collective agreements can also be declared generally applicable, provided that the agreements are considered representative in the specific sector and have to be applied as minimum conditions of employment to all employment relationships in the sector concerned.” (Eurofound.europa.eu, 2017) It is very hard or even impossible for an employer to unilaterally modify the conditions of employment to the worker's damage. The employer can, usually, modify unessential conditions of employment unilaterally, based on the employer's right to manage job.

4 CROSS-COUNTRY ANALYSIS OF LABOUR FLEXIBILITY

This fourth chapter consists of three subchapters. In the first subchapter the tables summarising relevant numerical data are given. The second subchapter consists of a discussion based on the data given in tables. The third subchapter gives some concluding remarks based on the previous discussion. Based on the empirical research, the author summarises the cross-country analysis into tables, so that a thorough comparison across countries and across factors may be performed. By using a tabular approach it is much easier to compare the factors that are conjectured to influence the labour market flexibility across analysed countries.

4.1 The tabular representation of indicators across selected countries

The macroeconomic data in the first table show the most direct indicators of labour market and employment issues. These are the rate of unemployment, the rate of employment, the minimal and average wage rates, as well as GDP growth. The average wage ratio is an interesting indicator as it shows (absolutely and relatively) by how much the average worker in an economy is above the compulsory threshold of the administrative minimum wage and how does the economy perform relatively to other economies on the common market. Remember that all economies on the common market compete for the same pool of labour.

TABLE 5. MACROECONOMIC INDICATORS IN SELECTED COUNTRIES

	CROATIA	IRELAND	AUSTRIA	FINLAND

GDP growth (2010-2015)	12,%	26,1%	13,8%	6,2%
Unemployment rate – total (2015)	16,3%	9,4%	5,7%	9,4%
Unemployment rate – women (2015)	17,0%	7,7%	5,3%	8,8%
Unemployment rate – men (2015)	15,7%	10,9%	6,1%	9,9%
Unemployment rate – youth (2015)	43,0%	20,9%	10,6%	22,4%
Employment rate – total (2015)	66,8%	70,0%	75,5%	75,8%
Employment rate – women (2015)	62,2%	62,8%	70,9%	74,4%
Employment rate – men (2015)	71,5%	77,4%	80,1%	77,2%
Employment rate – youth (2015)	33,3%	36,3%	57,4%	52,2%
Minimum wage in euro (2015)	400 €	1.484 €	1000 €	none
Average wage in euro (2015)	735 €	2.129 €	2.124 €	2300 €

Source: Doing Business database

The data on working time regulations cover nine areas listed in the table below. The table briefly summarizes regulations regarding working time, overtime, part-time work, as well as restrictions on night work, etc. in Croatia, Ireland, Austria and Finland. The table shows data from a combination of sources in order to maximally encompass all the relevant data influencing labour flexibility via working time regulations.

TABLE 6. DATA ON WORKING HOURS IN SELECTED COUNTRIES

WORKING HOURS	CROATIA	IRELAND	AUSTRIA	FINLAND
Max. number of working days weekly	6	6	5,5	6
Standard weekly working hours	40	39	40	37,5
Daily rest breaks (minutes)	30	30	30	60
Premium for night work (% of hourly pay)	10	0	67	15,7
Premium for work on weekly rest day (% of hourly pay)	35	0	100	100
Premium for overtime work (% of hourly pay)	50	0	50	50
Restrictions on night work	YES	NO	YES	NO
Whether nonpregnant and nonnursing women can work the same hours as men	YES	YES	YES	YES
Restriction on weekly holiday	YES	NO	NO	NO
Number of paid public holidays annually (days)	14	9	13	13
Additional overtime hours weekly permitted	10	NO	5	8
Average paid annual leave for worker with 1, 5 and 10 years of tenure (working days)	20	20	25	30

Source: Doing Business database and author's contribution

The data in the table below was mostly drawn from the Doing Business 2017 database, although some missing but relevant data was drawn from other sources, mainly from state laws of selected countries. The table covers issues on job quality and law requirements.

TABLE 7. DATA ON JOB QUALITY IN SELECTED COUNTRIES

JOB QUALITY	CROATIA	IRELAND	AUSTRIA	FINLAND
Equal remuneration for work of equal value	YES	YES	YES	YES
Gender non-discrimination in hiring	NO	YES	NO	YES
Paid or unpaid maternity leave mandated by law	YES	YES	YES	YES
Min. length of maternity leave (calendar days)	208	182	112	105
Receive 100% of wage during maternity leave	YES	NO	YES	NO
Five fully paid days of sick leave annually	YES	NO	YES	YES
Unemployment protection after one year of employment	YES	NO	YES	YES
Min. contribution period for unemployment protection (months)	9	24	12	6

Source: Doing Business database and author's contribution

Data on redundancy rules cover nine areas which are stated in the table below. They cover issues like maximum length of probationary period, notifications and approvals of third-parties when it comes to redundancy dismissals, law requirements when considering retraining of a worker and priority rules for redundancies and reemployment.

TABLE 8. REDUNDANCY RULES IN SELECTED COUNTRIES

REDUNDANCY RULES	CROATIA	IRELAND	AUSTRIA	FINLAND
Max. length of probationary period (months)	6	12	1	6
Dismissal due to redundancy allowed by law	YES	YES	YES	YES
Third-party notification if one worker is dismissed	YES	NO	YES	YES
Third-party approval if one worker is dismissed	NO	NO	NO	NO
Third-party notification if 9 workers are dismissed	YES	YES	YES	YES
Third-party approval if 9 workers are dismissed	NO	NO	NO	NO
Retraining or reassignment obligation before redundancy	NO	NO	NO	YES
Priority rules for redundancies	YES	NO	YES	NO
Priority rules for reemployment	YES	NO	YES	YES

Source: Doing Business database

Redundancy cost measures the cost of advance notice requirements and severance payments when terminating a redundant worker, these data are expressed in weeks of salary. In table there are stated average values of notice requirements and severance payments applicable to a worker with one year of tenure, a worker with five years and a worker with ten years of tenure. One month is recorded as 4 and 1/3 weeks as it is in Doing Business database.

TABLE 9. REDUNDANCY COST OVERVIEW IN SELECTED COUNTRIES

REDUNDANCY COST (salary weeks)	CROATIA	IRELAND	AUSTRIA	FINLAND
Notice period for redundancy dismissal for a worker with 1 year of tenure	4,3	1	2	4,3
Notice period for redundancy dismissal for a worker with 5 years of tenure	8,7	4	2	8,7
Notice period for redundancy dismissal for a worker with 10 years of tenure	10,7	6	2	17,3
Average notice period for redundancy dismissal	7,9	3,7	2	10,1
Severance pay for redundancy dismissal for a worker with 1 year of tenure	0	0	0	0
Severance pay for redundancy dismissal for a worker with 5 years of tenure	7,2	11	0	0
Severance pay for redundancy dismissal for a worker with 10 years of tenure	14,4	21	0	0
Average severance pay for redundancy dismissal	7,2	10,7	0	0

Source: Doing Business database

All of the data from the tables that are covering factors which influence labour flexibility will help author to make comments and relevant conclusions in the following chapter 4.2. Discussion. As it can be already seen data are different from country to country what implies that there are some differences considering labour flexibility in Croatia, Ireland, Austria and Finland.

4.2 Discussion

According to data from the tables it can be seen that there is a lot of factors, laws, agreements, contracts and regulations that are influencing flexibility of labour as a firms' resource. Also, it can be seen that those data are differing from country to country. Thus, flexibility of labour as a resource varies from country to country, even that all selected countries are members of European Union and are subject to similar labour regulations within European Union framework. Nevertheless, the legislation prescribing labour and employment issues are largely devolved so that consequently, various different policies may evolve across member states.

Starting from a first factor in a Table 6. maximum number of working days weekly, it can be seen that in Croatia, Ireland and Finland it is 6, while only in Austria is lower and amounts 5,5 days. That implies that labour in Austria is less flexible than in other countries because employers have to adapt their need for work in smaller available period in a week and probably in some situations wait for weekend to pass to finish the job if we are considering that theoretically speaking the same task or job was given to workers in all comparing countries.

Comparing standard weekly working hours it can be seen that in Croatia and Austria it amounts to 40, while in Ireland and Finland is lower with 39 and 37,5 hours. At first glance it may be postulated that employers have to pay more for performing the task that takes the same time in Ireland and Finland or equivalently hire more people in Ireland and Finland to perform the task that takes the same amount of time. However, that would be true only if workers in Finland and Ireland are not more productive than in Croatia and Austria.

In all of the selected countries daily rest break is prescribed on 30 minutes, except in Finland where it is prescribed to last 60 minutes. This can be interpreted in a way that Finish laws benefit more for worker than for employer, thus needs of a firm, but it is also flexible and can be reduced to 30 minutes daily if worker agrees with that.

From Table 6. it can be seen that premium for night work as percentage of hourly pay varies considerably across selected countries. In Croatia employer is mandated to pay 10% higher compensation to worker by Croatian Labour Law. In Ireland there is no legal obligation to pay higher compensation to worker in night shifts. Thus, from the standpoint

of a firm, Ireland offers flexibility in a way that there are no disincentive factors to engage labour to work during the night. In other words, Ireland offers absolute flexibility of labour considering the night work. On the other side, in Austria, night work as percentage of hourly pay amounts to 67%, what implies that firms will not so easily engage labour in night work because of high costs even if they would need it. Austrian law is very conservative considering flexibility of labour in night work context; it is more benefiting workers, guaranteeing them they will be well paid if they have to work during the night hours. In Finland premium for night work as percentage of hourly pay amounts to 15,7% what is a bit higher than in Croatia. Generally, it can be said that night work in selected countries is flexible labour factor because premiums are not so high to obstruct firms to engage labour in night work, except in Austria where premium for night work is significantly higher than in other selected countries.

Restrictions on weekly holiday or weekly rest day can also be read from the Table 6. It is interesting that only in Croatia restrictions on weekly holiday exists; while in other countries do not. In Croatia it is prescribed by Croatian Labour Law that worker is entitled to a minimum 24 hours unbroken period in one week, no matter the nature of the business is, even if it is of seasonal character. This decree is actually adopted in law because Croatian firms, especially those in tourism were overexploiting their workers to degree to hurt the workers' rights e.g. giving them no days off during the whole touristic season. In practice, workers in Croatia used to work without rest day and daily rest break, their real working time was much longer than prescribed by law. Consequently, Croatian government brought that act to stop overexploiting workers, because such hard work can damage their health and leave bad lasting consequences. This factor in all of the countries offer labour flexibility, because there is no special regulations that firms should obey. Exceptionally, in Croatia is introduced law regulating this factor, because Croatian firms violated non-existence of this law.

It can also be seen from the table that premium for work on weekly rest day as percentage of hourly pay varies across the selected countries from zero percent to 100 percent. In Croatia premium for work on weekly rest day amount to 35%, in Ireland it is 0%, while in Austria and Finland amounts to 100%. That data can be interpreted in a way that Finish and Irish regulations value weekly rest day more than the other days, or that there is a cultural or a religious factor playing a role. They offer less flexibility to a firm to engage

employees to work during their rest day. Again, firms will less frequently engage employees to work during weekly rest day because of high costs. In Ireland there is completely different situation where there is no mandated premium for work on weekly rest day at all. This implies that Ireland again offers an absolute flexibility of work as a resource to firms. In Ireland, firms will engage employees to work during weekly rest day and adapt work as a resource to firms' needs and needs of business process. Thus, firms in Ireland are more eligible to accomplish business plan and gain higher profits, because they have possibility to engage work as a resource corresponding firms' needs during workers' rest day without additional costs. In Croatia the premium for work on weekly rest day as percentage of hourly pay amounts to 35% what implies that work as a resource is not as flexible as it is in Ireland, but it is much more flexible than it is in Austria and Finland. When considering this factor, Croatia offers considerable flexibility of work as a resource to firms, but still protecting employees from being exploited to some degree.

There is no clear reference point for the analysis of restrictions on overtime work because reference point determining maximum hours of overtime is different in every of selected countries, thus there is no objective reference interval that can be discussed. However, the existence of restrictions itself provide a mean of inflexibility. For example, in Croatia is allowed to work additional 10 hours weekly, and subsequently additional restrictions apply. This restriction is not sufficient to fit firms' needs, especially when it comes to intellectual work, projects and tight deadlines because firm cannot engage human work in its best interest. For every exceeding of permitted overtime hours there are legal prescribed fines. No detailed information on compliance was available.

When looking on premiums for overtime work some differences can be seen. Regulated premiums generally represent incentive or disincentive mechanisms for firms in engaging work and hence, immediately influence the flexibility of labour. When regulated additional premiums are high they discourage firms to engage labour because of high costs, consequently, when regulated additional premiums are low they offer flexibility of engaging labour and adapting labour to firms' needs. Premiums for overtime work in Croatia, Austria and Finland are 50% over standard work premium while in Ireland there is no premium prescribed by law for overtime work. That means that firms in Croatia, Austria and Finland have to pay 50% higher compensation than for regular working time to employee who is working overtime. This implies that, since there are no restrictions

on overtime work in any of selected countries, those firms in Croatia, Austria and Finland will incur higher costs to reach the same level of business activity than firms in Ireland. Again, Ireland offers the most flexible labour legislation even in this respect.

In all of the selected countries non-pregnant and non-nursing women can work the same hours as men. This represents a clear gender non-discriminating factor and a rather flexible labour factor. This implies that in all of the countries firm or employer will not be in position to choose preferably men or women because some regulations and laws make more attractive one gender. The firms have the option to choose the worker they consider it is more suitable, more productive and better fits to firms' needs regardless of his gender.

The number of paid public holidays amounts to 14 days in Croatia, 9 days in Ireland and 13 days in Austria and Finland annually. Public holidays are non-working days prescribed by state government on specific dates that are paid additionally to paid annual leave, they usually represent some important religious or state event that is celebrated just that specific date like, for example, Christmas and Independence day. Some states have more days that are celebrated than others as it can be seen from the table. Firms and employers strongly do not like public holidays because that are the days when business must be closed and workers must be paid. Also, during the public holidays people, customers, clients have more free time and there is increased demand for products and services in most of the sectors. One more argument why firms do not like public holidays is number of working days in business year. Those countries who have more public holidays in a year, have less working days in a business year what implies that firms in countries with more public holidays have fewer working days to achieve the same business result than the firms in countries with less public holidays. Looking on the situation in selected countries it can be concluded that firms in Croatia have the least working days to achieve the same business result in one year compared to other countries. Thus, higher number of public holidays in Croatia is lowering the flexibility of labour. Ireland with 9 public holidays has 5 working days more than Croatia; hence firms in Ireland are more eligible to achieve their annual business results, than firms in Croatia, Austria and Finland. Considering this factor, Ireland offers the greatest flexibility of labour, while Croatia, Austria and Finland in some way inhibit business process because of higher number of public holidays.

Average paid annual leave for workers is one more factor influencing the flexibility of labour as a firms' resource in a same way as number of public holidays. More paid days of annual leave correspond to less availability of worker to achieve firms' business results, thus less available working days in a business year. Average paid annual leave for workers is not changing through growing years of service, but stay the same during the employees' working life in all of the selected countries. Average paid annual leave for workers with 1, 5 and 10 years of tenure amounts to 20 working days in Croatia and Ireland, 25 working days in Austria and 30 working days in Finland. These data are showing that worker in Finland is unavailable for doing his job for a 30 days in one year what makes him less flexible resource for his firm, than the workers in Croatia and Ireland who are 10 more days annually available for their firms' needs. Also, when looking on costs, worker in Finland is paid 10 more days for being non-productive and absent from firm, than workers in Croatia and Ireland, thus Finish workers are the most expensive and most inflexible resource considering this law regulation of this factor among all of the workers in the selected countries. On the other side, Croatian and Irish labours are the most flexible when considering paid annual leave. Austrian labour force is entitled to 25 days of paid annual leave what makes it more flexible than Finish, but less flexible than Irish and Croatian.

In all of the selected countries there is legislation stipulating equal remuneration for work of equal value. This requirement makes the labour market less flexible as firms cannot decide on the wage on a worker by worker basis. This legislation ultimately discriminates against workers of lower productivity as the work of same value is ultimately defined as "same job". But, the "same pay for work of same value" legislation is a legislative matter and an European politics issue. The European Union deems that employees who are working on the same job and are employed by the same employer deserve equal compensation.

When speaking about gender discrimination in hiring, it can be seen that Ireland and Finland have laws governing gender discrimination in hiring, while there is no such law in Croatia and Austria. Gender discrimination in hiring generally increases the flexibility of labour markets, while gender non-discrimination laws in hiring restrict this flexibility. Where pecuniary gender discrimination in hiring is allowed, firms may freely choose the gender to hire. But, just the existence of gender non-discrimination laws does not

guarantee their effective implementation as there are no effective control mechanisms. Regulations are introduced when there are widespread social issues and problems, and when the behaviour of individuals does not conform to the collective intentionality of the group. Therefore, it cannot be really concluded in which country gender discrimination does exist, but it can be concluded that this factors offers some labour market flexibility since there is no effective control mechanism about its implementation.

From the Table 7. it can be seen that in all of the selected countries exists paid or unpaid maternity leave mandated by law. This factor generally represents inflexibility of labour because worker is entitled to be absent for firms' needs, while still staying in working relationship. During the maternity leave worker does not contribute to firms' productivity, but firm has to keep him in working relationship. On one side it represents inflexibility of labour as a resource, but on the other side it represents protection of workers and future generations who will become workers. It is an uncompensated cost to the enterprise from the part of the society. Also, such policy is logic from the European standpoint because of aging population in European Union because Croatia, Austria and Finland are in top 20 oldest populations in the world. (Haider, 2017). Thus, laws and regulations are made to take care of firms' workers and future firms' workers and enable firm to continue business activity when current workers finish their working life.

Moreover, in Croatia, Austria, and Finland maternity payment is borne by the state, while in Ireland it is employers' obligation. In Ireland, where maternity payment obligation is carried out by the employer labour flexibility is lower because employer has the financial cost, besides the cost of absent educated worker and additional replacement worker. Considering maternity payment, Ireland is offering the lowest labour flexibility, while Croatian, Austrian and Finish firms do not have additional financial burden because their workers are going on maternity leave.

Minimum length of maternity leave varies a lot in selected countries. In Croatia minimum length of maternity leave amounts to 208 calendar days, in Ireland it is 182 days, in Austria 112 days and in Finland 105 days. Consequently, Croatia has the longest mandated maternity leave, while Finland has the shortest. Longevity of maternity leave influence the flexibility of labour, the longer maternity leave is, the labour is more inflexible and opposite. As explained in section above, more days of maternity leave means that worker is more days absent from the firm and not contributing to business

process. Accordingly, from the data it can be concluded that Finland has the most flexible labour considering maternity leave, followed by Austria. Croatia has the most inflexible labour considering maternity leave with 208 days minimum, followed by Ireland who is closer to Croatia, than Finland and Austria. One of the reasons why labour is so inflexible in Croatia considering maternity leave lays in the fact that family in Croatia is highly valued and Croatia is intensely Catholic country. Also, Croatian government is trying to motivate families to have more children because of negative birth rates and they find length of maternity leave as one of incentive instruments. Another incentive instrument which Croatian government is using, for the same reason, is receiving 100% of wage during the maternity leave. The same situation is in Austria where workers are entitled to receive 100% of wage during the maternity leave, but in Ireland and Finland that is not the situation. After all, it may be concluded that flexibility of labour is sometimes diminished because of some non-economic reasons that are considered more important than interest of the firm and that in every state there are institutions that can lower flexibility of labour as a production factor if it is of great national importance.

In Croatia, Austria and Finland employer (firm) is mandated to fully pay 5 days of sick leave to its worker in one year, while in Ireland there is no such obligation. To flexibility of labour sick leave acts same as maternity leave. During the sick leave worker is fully paid, but absent and non-productive for a firm. Sick leave for a firm represents higher costs of paying the worker who is not actually working and costs of non-transacted job. Thus, mandated paid sick leave is lowering the flexibility of labour in Croatia, Austria and Finland. Ireland is again showing the greatest flexibility of labour. In Ireland there is no fear that workers will violate sick leave just to have some free time and leisure, because they will not be paid. Therefore, non-paying sick leave is a good tool to make firm more profitable and disincentive tool for fictitious sick leaves.

Maximum length of probationary period in months differs from country to country. The shortest maximum duration of probationary period is in Austria lasting for just one month. The longest maximum duration of probationary period is in Ireland where it lasts for 12 months; while in Croatia and Finland it can take up to 6 months. Probationary period enables employer (firm) to examine and check if worker really suits firms' needs. The more time the firm has to evaluate employees' work, without usual employment obligations, the better decision will make for its interest. Longer probationary period

provide better insight in workers' skills and competences to a firm. Therefore, it can be concluded that longer probationary period increases labour flexibility and opposite, shorter probationary period decreases labour flexibility. Hence, Austria is the most inflexible country when looking on maximum length of probationary period, while Ireland again offers the greatest flexibility. Employees do not like to work for a long time without any benefits like paid annual leave, right on maternity leave and severance payment, what is excluded when working probationary period. Austria protects its workers in a way of shortening probationary period, not taking in consideration firms' preferences. Ireland does exactly the opposite, Ireland recognizes firms' preferences, while leaving workers less protected.

Dismissal due to redundancy is allowed by law in all of the selected countries. Generally, that allowance corresponds to labour flexibility because firm have a possibility to terminate employment relationship if there are some justified reasons for redundancy. For example, if firm is changing core business, it likely that firm will search for different skills and competences. If firm is searching for different skills and competences, it is presumable that firm will search for worker that better fits to new core business and that will lay-off worker who was working on old core business, because he now represents unnecessary cost. Fortunately, firm will be able to do it because market is flexible considering this factor and dismissal due to redundancy is allowed by law.

In Croatia, Austria and Finland firms are obliged to notify third-party if one worker is dismissed, for example Employment Bureau; in Ireland that kind of notification is not needed. But, when 9 workers are dismissed third-party notification is obligatory in all of the selected countries – Croatia, Ireland, Austria, Finland. It could be said that flexibility of labour is higher in Ireland, because Irish firms are not obliged to notify anyone about the dismissal of one employee, but actual the end-result for firm is the same in all of the selected countries, hence, worker is dismissed. Notification about dismissal is not so strong instrument that will actually influence decrease or increase of labour flexibility on the market. Notification as an instrument by itself represents flexible labour indicator, because there is no real sanctions for the firms if they dismiss worker or workers.

Approval is stronger instrument that influence labour flexibility than notification. If there is no approval by laws and regulations action cannot be performed, thus, there is no labour flexibility. In all of the selected countries third-party approval is not required by law for

dismissals between one or 9 workers, therefore it can be concluded that market offers labour flexibility in all of the listed countries.

Retraining or reassignment of an employee before redundancy is obligatory just in Finland. Looking from a firms' standpoint, retraining or reassignment requires additional time, effort and costs to prepare worker for a new job, while others, already trained workers for that job, cannot be hired because of priority rules prescribed by law. Accordingly, obligation of retraining or reassignment of an employee before redundancy reduces labour flexibility. Most of the listed countries, Croatia, Ireland and Austria, have flexible labour market, regarding this particular issue, because there is no such obligation, while Finland has reduced flexibility of labour when considering this factor.

In Croatia and Austria there are priority rules for redundancies, while in Ireland and Finland there are no priority rules for redundancies. The order of priority for redundancy is mostly determined on the basis of each worker's length of service. For example, workers with more years of employment have priority for continued employment over the workers with shorter service. If employees have the same length of service, priority for continuation of employment contract is given to the older worker. Priority rules for redundancies are implying labour inflexibility for firms, because firms are forced to keep or dismiss workers against their best interest. In some situations, firms are forced to dismiss its best worker because he is younger than some other, or keep worker that is useless because he has the longest years of service. Thus, Croatia and Austria are less flexible than Ireland and Finland because of existence of priority rules for redundancies.

Priority rules for reemployment exist in all of the observed countries, except in Ireland. Terms of priority rules for reemployment could be the same as for priority rules for redundancies. Thus, give priority to an employee with longer years of service or the older one. Of course it is possible to have some other conditions, like giving priority and protecting young workers or mothers what depends on the state government policy. Priority rules for reemployment influence labour flexibility the same as priority rules for redundancies. Again, firm could be in the situation to reemploy the worker against its best interest because of priority rules. Accordingly, Ireland offers the greatest labour flexibility because it is the only of the listed countries that does not have priority rules for reemployment.

The notice period has a protective function for both, worker and employer (firm), because it postpones the effects of a regular dismissal over a certain period of time. During that time, a worker has the opportunity to find new job and the employer to hire a new worker. Notice period in terms of redundancies impose cost to firms, it is a cost of advance notice requirements when terminating redundant worker. Analyzing data from the Table 9. it could be seen that longevity of notice periods are differing across the observed countries. In case of redundancies, firms prefer shorter notice periods because of easier human resource planning. The longer the notice period is, the labour flexibility is lower. From the Table 9. it could be seen that in all of the countries notice periods are getting longer along with years of service, except in Austria. Therefore, it could be concluded the labour is becoming more inflexible along with growing length of employment, except in Austria. In Austria notice period is not changing along with years of service, but stay the same all the time. Notice period in Austria for workers with one, five and ten years of tenure is equal and amounts to 2 weeks. Also, notice period in Austria is the shortest when comparing to other listed countries. For the first time in this analysis, it could be seen that Austria has the highest flexibility of labour. The longest notice periods for redundancy dismissal are in Finland and Croatia, in Finland average notice period amounts to 10,7 weeks, while in Croatia it is 7,9 weeks. Thus, Finland is offering the lowest labour flexibility considering notice periods. Ireland is following Austria and offers sufficient labour flexibility with 3,7 weeks of notice period in average.

Severance payment is compensation paid to a worker when terminating employment relationship. Usually, severance payment for a worker depends on his years of employment. Severance payments, of course, represent cost for firms. In Austria and Finland there are no severance payments prescribed by law regardless of length of service. Also, there is no prescribed severance payment for redundancy dismissal for a worker with one year of tenure in all of the observed countries. In Croatia and Ireland workers have the right on severance payment depending on years of employment. In both, Croatia and Ireland, amount of severance payment is increasing along with length of service. Surprisingly, average severance payment for redundancy dismissal is highest in Ireland and amounts to 10,7 salary weeks. In Croatia it amounts to 7,2 salary weeks.

4.3 Concluding remarks

This subchapter will provide overview and summarization of previously made analysis and discussion. Economic situation considering labour flexibility in all of the analyzed countries, thus Croatia, Ireland, Austria and Finland will be put in context and relevant implications and conclusions of analyzed factors and indicators will be carried out.

Labour market is generally highly regulated because it is subject to numerous state laws and regulations which influence degree of labour flexibility. Labour laws and regulations differ across analyzed countries; despite they are all members of European Union. Labour flexibility can vary within boundaries of currently applicable laws, regulations and collective bargaining agreements. Attractiveness of labour market for firms and workers depend on the degree of labour flexibility, because regulation of the labour market sets the preconditions for achieving business results, managing human capital for firms and security of jobs for workers.

Cross-country analysis of labour regulations in selected countries, where 28 factors were analyzed brought following results: Ireland is showing the greatest labour flexibility in 21 of 28 analyzed factors, followed by Finland who is showing greatest flexibility in 13 factors, Austria in 10 of them and Croatia in 9 of them. Greatest labour inflexibility is showed by Croatia and Austria which are counting 13 the most inflexible factors of 28 analyzed, they are followed by Finland who has 12 most inflexible factors, the least inflexible factors are counted by Ireland with 4 of them.

According to summarized numerical data it can be concluded that Irish labour market is offering the greatest degree of labour flexibility, because it is showing greatest flexibility in the most of analyzed factors. This implies that Irish firms have the largest space in managing human resources and the biggest possibility to adapt human capital to firms' needs in order to assure required business processes and achieve higher levels of development, business results and sustainability. On the other side, Croatian and Austrian labour markets are showing the lowest levels of labour flexibility comparing the other analyzed countries because analyzed factors are offering much less space to firms to

operate, manage human resources and adapt it to firms' business processes. Analysis of factors in Finland is located in between Ireland as the most flexible labour market and Croatia and Austria as the least flexible labour markets.

From Table 5. (cf. infra p 35) it can be seen that Ireland has the highest GDP growth in recent years amounting to 26,1%, while other analyzed countries are showing much lower levels of GDP growth; Austria 13,8%, Croatia 12% and Finland 6,2%. The lowest unemployment rate in total in 2015 is recorded in Austria amounting to only 5,7%, while the highest unemployment rate in total in 2015 is recorded in Croatia with 16,3%. Ireland and Finland are amounting to 9,4% for the same indicator. Highest average wage in 2015 is recorded in Finland counting EUR 2.300, followed by Ireland and Austria with approximately EUR 2.125, the lowest average wage in 2015 is recorded in Croatia with EUR 735. In all of the analyzed countries there is statutory minimum wage, except in Finland. That provide additional mean of labour flexibility to Finland, because Finnish firms can freely decide on how much they will compensate its workers and how they will asses to valuation of work, while Croatian, Irish and Austrian firms have to obey minimum statutory wages when compensating its workers.

If analyzed labour flexibility factors and macroeconomics indicators are put in line it can be seen that Ireland as the most flexible labour market is reaching the highest levels of economic growth, while Finland has the lowest economic growth in observed period, while both countries have the same level of unemployment in total. Croatia and Austria as the most inflexible labour markets are reaching GDP growth in range from 12-14% in observed period, but Croatia has significantly higher unemployment rate in total within observed period amounting even 16,3%.

If all of the previously made analysis and conclusions are brought to broader context it may be conjectured that labour flexibility is helping Ireland to achieve higher economic growth who is consequently better competitiveness and attractiveness of Ireland as a business location for human capital intensive business and production practices requiring flexible labour market legislation. By assuring these employment friendly conditions, Ireland was able to generate more jobs, and stability to the entire market, consequently

employing more people with higher wages than would otherwise be possible. In favour of this conjecture speaks the current behaviour of migratory waves within the European Union. Namely, Ireland was lately recognized as a very attractive labour market and business location. The labour force is migrating to Ireland, and not viceversa. One of the largest numbers of migrants comes from Croatia, as Ireland is currently able to offer attractive, secure and well paid jobs. Therefore, it may be concluded that higher levels of labour flexibility are actually helping the worker generating better preconditions for sustainability of economic growth and security of working places and employment relationships.

Finland is having the lowest rate of economic growth and a labour market system simultaneously trying to be flexible but also to assure some measures for job security. One of the reasons why Finland is having the lowest relative rate of economic growth lays in the fact that the Finish GDP is already very high. So the growth is much higher in absolute numbers than in other analysed countries, Croatia for example. Also, because the Finish GDP is much higher in absolute numbers than in other analysed countries, there is less space left to achieve the GDP potential and consequently higher growth rates. Moreover, Finland's strong economy assures its citizens the highest standard of living among analysed countries. The average wage in Finland is the highest among the selected countries amounting to EUR 2.300.

Croatia and Austria are showing the lowest levels of labour market flexibility. Their labour markets are highly regulated; laws and regulations are the most restricting and allow the lowest flexibility of managing the human resources. Despite that, Austria is historically one of the oldest and most stable economic systems in European Union. Because of this reason, Austria can afford lower levels of labour market flexibility, while still realizing steady economic growth and very low level of unemployment rate. As Ireland, Austria has relatively high average wage amounting to EUR 2.124 and high living standard.

According to the previous analysis, Croatia is having the most inflexible labour market and the worst macroeconomic indicators at the same time. In analyzed period Croatian

GDP growth was 12%, the unemployment rate was the highest amounting to 16.3% and the lowest average wage amounting to only EUR 735 among analyzed countries. From that data it may be concluded that living standard in Croatia is significantly lower than in other selected countries. It is probable that a strict regulation of Croatian labour market is impeding Croatia to reach higher levels of economic activity and living standard.

After all, it can be stated that exist quite solid justifications for the statement that higher levels of labour flexibility are actually helping workers, developing economy by promoting economic activity, more secure jobs, sustainability of the market and more attractive market opportunities. The best evidence of this pronouncement is previously analyzed example of Ireland achieving expansive economic growth rates and high level of labour market attractiveness. But, we should also bear in mind that there are many other potential factors that may cause these desired effects. It should be also kept in mind that there are various external influences, different political and national interests that, at the end, create in which direction the labour laws and regulations will be brought and applied.

5 CONCLUSION

The subject of this paper was to identify and analyze factors that are influencing labour flexibility in all of the selected countries: Croatia, Ireland, Austria and Finland. Since, labour is very important and specific resource for firms, author made empirical research and analysis in order to bring relevant conclusions. Labour is specific resource because for a firm it represents only asset that cannot be owned, in contrast with non-human asset. The closest forms of owning human capital are incomplete contracts, whose theoretical background has been carried out in this paper. Nowadays, there is a growing discrepancy between firms' needs and regulated employment market. Namely, everything what was done in 20th century concerning employment regulations was to tighten flexibility of labour. Economies in 21st century are capitalistic oriented, thus firms are trying to achieve levels of monopoly profit, rather than normal profit rates. Since, technology determines the size of the firm because of large long-run investments, as explained by SCP model, the only flexible cost remains labour if firms want to realize price advantage and higher profit levels. The more flexible is labour as a resource, the greater space firm has to stay competitive on the market. However, flexibility of labour is determined by state laws and regulations, what makes labour as a resource inflexible to some degree. Author in this paper had identified 28 factors in 4 selected countries that are influencing labour flexibility, analyzed them and brought relevant conclusions. The conducted empirical research and analysis has led to following results: Irish labour market is the most flexible and Ireland macroeconomic indicators are showing the most positive numbers; Croatian and Austrian labour markets are the most inflexible, with moderate economic growth and differing macroeconomic indicators, Finland is located in between Ireland as the most flexible labour market and Croatia and Austria as the least flexible labour markets with the lowest economic growth among analyzed countries and moderate macroeconomic indicators. Therefore, it can be stated that there exist solid justifications for the main conjecture stated in the thesis, that higher levels of labour flexibility are actually helping workers, developing economy and enabling higher level of economic activity, more secure jobs, sustainability of the market and more attractive market opportunities. The best evidence of this pronouncement is previously analyzed Ireland which is achieving expansive economic growth and high level of labour market attractiveness. But, it should also keep in mind that there are various external influences, different political and national

interests that, at the end, create in which direction the labour laws and regulations will be brought and applied. Also, the entities that are creating labour laws and regulations and influencing labour flexibility, states and firms, are consisted of people, individuals, humans who are workers. Because of seminal intentions to preserve their living security, individuals will not likely support such decisions as laws and regulations that will threaten or destabilize their crucial life security, despite the benefits for the system. At the end, because of all mentioned, firms and humans are infinitely in conflicts of interests and decisions which are benefiting the most to both might never be brought. This thesis succeeded to give more evidence in favour of the conjecture that a more flexible labour market promotes higher benefits to the market and workers, although more research has to be done for a ultimately conclusion of the topic.

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