



## THE WAB: WHAT YOU NEED TO KNOW BEFORE 1-1-2020

The Balanced Labour Market Act (WAB) contains the details of the measures already announced in the Coalition Agreement. The government is of the opinion that the labour market is out of balance. Research shows that employers do not choose between permanent or flexible personnel based on the nature of the work, but rather on the costs and risks. As a result, increasingly more employees, especially young people, (are required to) work flexible hours. The government considers this undesirable and therefore proposes a package of measures, laid down in the WAB.

The aim of the new rules is to make it more appealing for an employer to employ people on a permanent basis. The Balanced Labour Market Act (WAB) will enter into force on 1 January 2020. This law will result in a number of changes and it is a good idea to be prepared. Below is a brief overview of the changes that will come into effect, as well as the corresponding action items.

### 1. Chain of fixed-term employment contracts

As of 1 January 2020, an employment contract for an indefinite period of time arises with a fourth successive employment contract and/or if successive contracts exceed a period of three years. The new provisions on the chain of fixed-term employment contracts will apply to an employment contract that ends on or after 1 January 2020. Please note that collective labour agreements may contain different provisions.

#### Action

Make an inventory of the status of fixed-term employment contracts.

### 2. Transition allowance

From 1 January 2020, the transition allowance will be 1/3 month's salary per year of employment. The higher allowance

for older employees (50+) also lapses. Furthermore, an employee is immediately entitled to a transition allowance if employment is terminated on the initiative of the employer. The scheme does not apply if the dismissal procedure has already started before 1 January 2020.

#### Action


If necessary, consider whether it would be more advantageous to terminate employment of an employee who has been employed long-term or who is aged 50+, not this year, but after 1 January 2020.

### 3. Reasons for dismissal

As of January 2020, a dismissal ground will be added to the existing grounds, the so-called i-ground. The i-dismissal ground is the cumulated ground; a combination of dismissal grounds.

### 4. On-call contract

The employer is obliged to offer an employment contract to each on-call employee after 12 months on the basis of the average number of hours worked per month in the previous year. If an on-call employee has been working for the employer for more than 12 months on 1 January 2020, the



employer is obliged to offer the on-call employee a contract for a fixed number of hours as of 1 February 2020.

Furthermore, an on-call employee with a zero-hours contract or a min/max contract will only be obliged to come to work if he has been called up by the employer at least four days in advance. If the employee is not called up at least four days in advance, the on-call employee shall have the right to refuse the work. If the employer cancels the call for work less than four days in advance, the employer must still pay the on-call worker for the original number of hours he was called up for.

#### Action

Make a list of the starting dates of the on-call contracts to determine if and when a contract with a fixed number of hours must be offered in 2020.

### 5. WW contribution differentiation

For permanent contracts, i.e. contracts for an indefinite period of time (not being on-call contracts), employers will pay a lower WW contribution than for flexible contracts. There will be a fixed difference between the high and low rate. This difference is set at five percentage points. Applying the low contribution is subject to the condition that the employment contract has been agreed in writing and that a copy of this employment contract is kept with the payroll administration.

In addition, the same rule states that it is possible that even in the case of a contract for an indefinite period of time, the high WW contribution must still be paid retroactively. This is the case if:

- the employment relationship ends within two months of commencement;
- within a calendar year the employee is paid more than 30% extra hours than was contractually agreed for that calendar year.

#### Actions

- Bear these regulations in mind when estimating your personnel costs, as salary costs for employees with fixed-term employment contracts (may) increase.
- Make sure that by 1 January 2020 the type of contract is stated on the pay slip (this will be mandatory).
- Always keep a copy of the written employment contract in the payroll administration. Check whether a written employment contract has already been concluded with each employee and whether it is with the payroll administration.
- For existing fixed-term contracts that expire after 1 January 2020 and for which you are already planning to offer a contract for an indefinite period, consider whether you would like to enter into this contract as of 1 January 2020 (this will save you 5% in contributions).

### 6. Payrolling

As of 1 January 2020, payroll employees will be entitled to the same primary and secondary conditions of employment as the company's own employees. This means not only equal pay and holiday pay, but also bonus, performance-related pay, 13th month, annual leave days, etc. However, an exception applies to pensions. Only an adequate pension for the payroll employee is stipulated. The pension regulations have been postponed until 1 January 2021.

#### Action

Check whether working with payroll employees is still beneficial and assess any other options.

#### More information

If you have any questions regarding the above changes, please contact your permanent contact person within RSM. You can also contact one of our payroll tax specialists: [Sonja Matzedda](#) or [Linda Stouten](#).