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Eurofound

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Seniority-based entitlements: Extent, policy debates and research

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Country codes EU28 and Norway

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BE	Belgium	**FR**	France	**PL**	Poland
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CZ	Czechia	**IE**	Ireland	**SE**	Sweden
DE	Germany	**IT**	Italy	**SI**	Slovenia
DK	Denmark	**LT**	Lithuania	**SK**	Slovakia
EE	Estonia	**LU**	Luxembourg	**UK**	United Kingdom
EL	Greece	**LV**	Latvia		
ES	Spain	**MT**	Malta	**NO**	Norway

Abbreviations

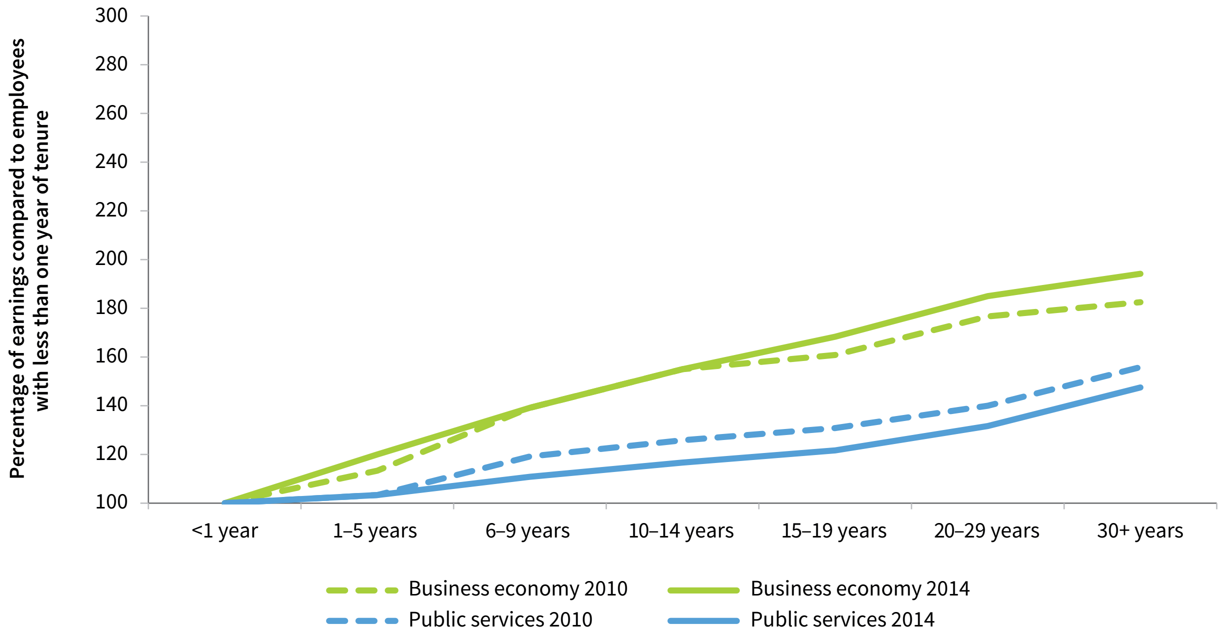
CBC	Collective bargaining coverage
CEE countries	Central and eastern European countries
NEC	Network of Eurofound Correspondents
SBE	Seniority-based entitlement(s)
SES	Structure of Earnings Survey

Introduction

In 2017, some 60% of EU citizens in employment had been in the same job with the same employer for more than five years, a trend that has remained relatively stable in recent years. Looking only at companies in the EU28 with 10 or more employees (for which earnings data can be obtained),[1] it can be seen that 33% of employees in the private sector have stayed with their employer for more than 10 years; in the public sector, 44% of employees have not changed jobs within the last 10 years. Indeed, 4.6% of employees in the private sector and 8.3% of employees in the public sector have spent more than 30 years – almost their entire working life – with the same employer. And while the data point to some country- and sector-specific variation of these structures, overall, they suggest that an employee's length of service with an employer remains a significant structural factor within the employment relationship.

This is also confirmed at the aggregate level when looking at the annual earnings of these employees,[2] categorised by length of employment: in both the public and private sectors, on average, employees in the EU28 earn more as their length of service increases.[3] In 2014, an employee in the EU who had spent 30 years or more with the same employer earned 94% more on an annual basis in the private sector and 47% more in the public sector than a worker with less than a year's service. However, the returns to seniority are higher in the private sector than in the public. And, while returns to seniority in the private sector increased between 2010 and 2014, in the public sector they decreased over the same period. Figure 1 charts annual earnings and length of employment with the same employer in the EU28.

Figure 1: Annual earnings (% of < 1-year baseline) and employment with the same employer (years) in the EU28



Note: *Data refer to the 'Business economy': NACE B-N; Public services: NACE O-S, for workers in companies with more than 10 employees. Based on the NACE demarcation, the terms 'business economy' and 'public services' are used in the SES. For ease of reading, however, the terms 'private sector' and 'public sector' are used in the body of the report.*
Sources: *Eurostat, Structure of Earnings Survey (SES) (2010, 2014), [earn_ses14_31]*

1 According to the European Labour Force Survey, Eurostat [tepsr_wc220]. This figure also includes the self-employed. The 2014 Structure of Earnings Survey (SES), also available from Eurostat, allows a more detailed insight into pay structures, but only includes employees in companies with more than 10 employees. See Figure A1 in the annex for the structure of employees.

2 The data are breakdowns of different individuals at the same point in time and do not take into account different compositions of workers or companies within each category.

3 In this context, note that not everything else might be equal. In particular, it is likely that employees with longer length of service also work in jobs requiring greater responsibility and different skills and they may not be equally spread across sectors and occupations. The data are aggregate and have not been controlled for other factors.

Broadly defined, ‘seniority’ is a measure of an employee’s continuous years of service with the same employer. Collective agreements may also refer to total length of service – taking into account the entire length of service and experience within a certain craft or industry. Seniority also serves an important function in limiting management discretion. In collective bargaining agreements, trade unions and employers jointly establish the standards used to regulate the employment relationship. Traditionally, trade unions support seniority rules in collective agreements to gain control of jobs and the provision of fringe benefits (Abrams and Nolan, 1986). Employment regulations including collective agreements that base promotion and layoff decisions on seniority serve to limit discrimination and favouritism, remove an element of competition among workers and provide a form of social insurance against the contingencies of ageing (Gersuny, 1984).

To summarise, a seniority system is a scheme that provides improving employment rights or benefits to employees as their relative length of employment increases (e.g. Gordon and Johnson, 1982).

In practice, the incidence of seniority rights enjoyed by workers varies among different groups in the workforce, between the private and public sectors and across countries. This report is the first comprehensive study to compare the design and spread of seniority-based entitlements (SBEs) in Europe. It is primarily based on contributions from the Network of Eurofound Correspondents (NEC), covering the 28 EU Member States and Norway. The aim of this report is to take stock of the existing different types of SBE used in the EU Member States in the private and public sectors, as of August 2018. It looks into seniority aspects of pay increases, career advancement, regulations related to dismissal or termination of employment and other aspects of working conditions or the terms and conditions of work. The incidence of SBEs is subsequently analysed and discussed with reference to the academic literature as well as the political debates and research on related topics in the Member States.

The report is structured as follows: Chapter 1 briefly reviews the literature on seniority in the workplace, looking in particular into its function in regulating the employment relationship in the private and public sectors, reasons for reforms of seniority systems and attempts to safeguard the employability of older workers. Chapter 2 presents the main results of the mapping exercise. More detailed country-specific regulations within collective bargaining agreements or practices and related recent changes and policy debates can be found in an accompanying working paper designed to complement this report (Eurofound, forthcoming). Chapter 3 analyses common themes in the policy debates on seniority in the Member States, and Chapter 4 provides a set of conclusions and pointers for research and policy.

1 Background information on seniority

Regulating the employment relationship

Under the concept of seniority, certain terms and conditions of employment are derived from employees' length of service. Traditionally, pay level, pay progression, promotions and job security or layoff decisions have been made against workers' relative seniority. Consequently, seniority rules have provided the highest job security and wages to workers with the longest service (Abraham and Medoff, 1984, 1985).

In traditional, full-time employment, relationships characterised by long-term (lifetime) employment, length of service and age are highly correlated. The simultaneous increase of wages with workers' length of service is explained by the quality of the job–worker match. A worker's productivity in a particular job is not known in advance: it only becomes known more precisely as the worker gains seniority (Jovanovic, 1979). While workforce mobility declines with seniority (Hutchens, 1989), wages increase with length of service (Zwick, 2012; Böckerman et al, 2018).

Although long-term employment is on the decline, the positive effect of job security on workers' ability and productivity has been the subject of studies on high-performance work organisations (Clark and Postel-Vinay, 2009; Tregaskis et al, 2013). Workers with different labour market experience and in non-standard employment differ in their ability to attract returns from seniority (Bagger et al, 2014). Furthermore, increases in flexible and non-standard employment (Eurofound, 2018a) are leading to a decline in the importance of seniority.

Generally, seniority rules were more likely to be found in industries characterised by strong trade unions and in the public sector (e.g. Frank and Malcomson, 1994; ILO, 2015). While trade unions traditionally were in favour of seniority as an objective criterion to manage employment relationships, employers increasingly see seniority as a major source of inefficiency and poor performance (Conrad, 2009). Seniority-based reward practices have been criticised for having a discouraging effect on employees' efforts and performance, driving up wages and eroding competitiveness.

An ageing workforce leads to growing cost pressures, both on the cost of labour and social security systems. The effects of an ageing workforce, and of seniority-related wages and benefits, on the employability of older workers represent a special challenge for countries that already have low employment rates of older workers (Eurostat, 2018).

Reward trends – rethinking seniority pay

There is evidence that, in firms, wages rise with seniority (Barth, 1997; Altonji and Williams, 2005; Burdett and Coles, 2010). In addition, more senior workers often obtain larger non-wage compensation in the form of additional days of annual leave or longer periods of sickness benefit.

Since the 1980s, seniority-based reward systems have been challenged by global competition and processes such as the decline in trade unions and increase in teamwork and flexible working arrangements (Grimshaw et al, 2001). Employers increasingly promote performance pay, basing wage increases on individual performance, skills and task-based competencies to motivate employees, improve productivity and reduce turnover rates (Lawler, 1994; Long and Shields, 2005; Mitra et al, 2011).

Despite rises in performance pay, the significance of seniority or length of service in pay determination is supported by the fact that a substantial part of skills is firm-specific (Deelen, 2012). Such skills are usually acquired by employees via experience and on-the-job training (Mincer and Jovanovic, 1981; Becker, 1994; Altonji and Williams, 2005). Accordingly, age–earnings profiles are steeper for more educated workers than for unskilled or low-skilled workers (Lemieux, 2006).[4]

Generally, firms that are interested in long-term employment have paid younger workers below their marginal product and older workers above their marginal product in order to motivate and retain workers (Hutchens, 1986; Pfeifer, 2009).[5] Such seniority wages were traditionally used in manufacturing and the public sector with internal labour markets where

4 An age–earnings profile is a chart that shows the progress of earnings over time (age in years). Where seniority has a greater impact, the chart will rise more steeply over time.

5 'Marginal product' refers to the increase in output resulting from the addition of one more unit of input – for instance, labour.

workers were hired into entry-level jobs and length of service determined their internal progress (Doeringer and Piore, 1985). Employers critical of automatic seniority wages have supported the phasing out of automatic progression in favour of performance measures (Brown and Heywood, 2005). Seniority rules may affect separation rates and dismissal costs and lead to distinctive earnings profiles that most concern employers, especially the potential gap between a worker's productivity and their pay.

Seniority in the public sector

Public sector reforms have often been the immediate response to the need to reduce national deficits. Public sector workers are on average older, more educated, stay longer with the same employer and enjoy higher average wages than private sector workers. In recent years, increasing fiscal pressures and an ageing workforce have offered a strategic opportunity to reform the regulation of employment relationships, including seniority, and to downsize the workforce (OECD, 2007; European Parliament, 2016). Since the 1990s, pay increases and career progression – traditionally associated with seniority – have instead increasingly been associated with merit (Marsden, 2004; Cardona, 2006).

Reforms aimed at enhancing public sector efficiency have supported both the decline in career-based systems and an increase in mixed employment and 'private sector-like' employment; these latter types adopt a position-based system, which has particular characteristics. In a career-based system, pay and promotion are traditionally associated with years of service and mandatory training. By contrast, in a position-based system, the promotion of an employee depends on a suitable vacancy being open and the employee having the required competencies. In such a system, salary grades are related to the position and not to the employee's length of service. And progress in career terms depends on merit and performance (Kuperus and Rode, 2016).

Seniority and an ageing workforce

Seniority regulations are factors that may influence employers' decisions in hiring or retaining older workers. Debate on the employability of older workers refers to the impact of seniority on earnings profiles and the potential gap between a worker's productivity and pay. Because of the expected decline in productivity and additional costs associated with age and seniority an ageing workforce raises many challenges for policymakers (Eurofound, 2018a, 2019). While steep earnings profiles provide incentives for workers to stay in employment for longer, some employers may support early retirement and try to lay off older workers with a 'golden handshake' (Frimmel et al, 2018).

Empirical studies have shown that companies that employ a large share of older workers do not recruit many older workers (Heywood et al, 2010; Pfeifer, 2013). Hence, while these older employees enjoy seniority wages, the higher resulting costs have negative employment consequences (Hutchens, 1986). While critics argue that seniority measures discourage the creation of new jobs and recruitment of workers (Hirsch et al, 2000), job protection may promote long-term employment relationships that incentivise both employers and workers to invest in skills and close the productivity gap (Lazear, 2009). The lower staff turnover that characterises these long-term relationships indicates that workers have been optimally matched to their jobs, the pay and benefits linked to length of service rewarding loyalty or greater experience (Jovanovic, 1979).

The challenges posed by the ageing population have also been discussed in light of discrimination law. Traditionally, seniority measures aimed at limiting discrimination and favouritism have removed an element of competition among workers and provided a form of social insurance against the contingencies of ageing (Gersuny, 1984). However, the political guidelines in the Employment Equality Directive have encouraged Member States to revise their national regulations to guarantee equal treatment in employment and occupation (Tymowski, 2016).

2 Key findings across Europe

How widespread are SBEs in the EU? Do they remain a backbone of the employment relationship or have they been replaced by other mechanisms to remunerate or reward employees? In the context of this report, Eurofound's correspondents replied to a standardised questionnaire. This section is based on their replies to the first question, which asked them to describe the types of SBEs that exist in their country. The correspondents were asked to distinguish between private and public sector and by type of regulation (legislation or collective agreements). The question also called for an assessment of how widespread seniority entitlements are among those regulations, as well as any additional information on 'common practice' – in addition to or instead of existing regulations.

Forms of seniority-based entitlements

Correspondents were asked to report on regulations that contained the commonly used definition of seniority ('length of service with the same employer'), on entitlements that defined seniority across several employment relationships ('experience within the sector') or on entitlements linked to age. The mapping showed that SBEs influence people throughout their working lives; it also showed that entitlements come in a number of different forms:

- eligibility or threshold-based entitlements that occur at all stages of the career
- entitlements that grow stepwise
- entitlements that grow continuously
- entitlements where seniority is measured in relation to other employees

From the start of the career, **eligibility-based seniority entitlements** are used as a prerequisite or condition for accessing rights and their use continues throughout the course of people's working lives. At relatively early stages of the career, these entitlements only become available after a specified, albeit quite short, period of time with the employer. This period essentially reduces the opportunity for employees with a very short tenure to gain access to more favourable entitlements. Similar 'threshold' or eligibility-based seniority-related entitlements are also found in later career stages where they often include some kind of 'reward' aspect or they signal that a minimum level of experience is essential. Moreover, they may give the employer time to learn more about the employee and establish the trust required to grant more privileged entitlements.
Such threshold or staged seniority entitlements may thus continue to apply at relatively late stages of the career: after many years of service, either in the form of entitlements designed to reward loyal employees (by offering bonuses), or in the form of policies designed to retain older workers by offering the right to adapt their working conditions (including working hours).
See Box 1 below for some examples of such eligibility-based entitlements in the EU.

Box 1: Examples of eligibility-based seniority entitlements in the EU

At the beginning of a career or an employment relationship

- Malta and Romania recently introduced higher minimum wages for employees with more than one year's length of service.
- Finnish employees get an extra half day off per month after the first year of employment.
- Spanish public sector employees with at least one year's service have the right to 20 hours of paid leave when they are in vocational training.
- To be eligible to stand in elections for workplace representatives in Denmark, employees require a minimum of nine months' employment with the employer during the last two years.

After a certain number of years

- Many public sector promotion systems require a minimum number of years' experience at a certain grade before people are eligible for promotion (see 'Seniority-based career development' below).
- Austrian career civil servants can apply for a definitive position after six years and then only be dismissed for breach of official duties.
- Becoming a mentor for an intern in Bulgaria requires a minimum length of three years of service.
- Civil servants in Luxembourg may apply for telework after five years of service.
- Belgian employees can only avail of the career reduction/time credit system after two years of service.

- Spanish employees are entitled to request unpaid sabbatical leave after five years.
- In Romanian company agreements, it is common practice to link sabbatical entitlements, and whether they are paid, to length of service (e.g. from 12 years onwards).

In the later stages of a career – linked to work jubilees or age

- 'Jubilee bonuses' are paid out to employees upon reaching a certain length of service with the same employer (for instance, the public sectors in Austria, Croatia, France, Hungary).
- Extra days of leave are most frequently granted from a certain age onwards (see 'Working conditions' on page 17).
- The possibility exists to adapt working conditions from a certain age onwards (see 'Working conditions' below).
- In Germany the frequency of occupational health checks increases from age 50 onwards.
- In Slovenia, workers aged 55 years upwards can only be asked to engage in night work or do overtime with their written consent.

Another form of SBE **increases stepwise** over the course of people's working lives, commonly with a final step after which the entitlement grows no further. This type of entitlement is found most often in the area of dismissal protection, where the notice period and the redundancy compensation or severance pay increase in intervals along with years of service. This type of entitlement may also be found in the area of seniority-based pay increases in some countries: in particular, within public sector pay scales and within private sector collective agreements.

Finally, the least commonly found seniority entitlements are those in which the **entitlement grows gradually or continuously with length of service**. Examples were found in a few countries in the form of regular pay increases (Bulgaria, Slovenia), within several countries' regulations on severance pay or end of service allowances or, for instance, within the Austrian law regarding length of sick pay. By definition, such continuous forms of entitlement grow with each and every year of service; however, they often have a limit in the form of a financial cap or maximum duration.

While the first three types of seniority entitlement relate to workers as individuals and describe access and development of individual entitlements, the last form is relevant in **collective contexts**: more senior workers may have certain advantages or enjoy different treatment than more junior colleagues. The most widespread example of this type of entitlement is the order in which dismissal takes place in collective redundancies (see 'Dismissal protection', on p. 14.). In a few cases it might also be the norm, implemented through collective agreements (Spain) or common practice (Ireland), that more senior workers can choose their holiday periods first; in the case of equal votes in workplace elections in Lithuania, the most senior candidate assumes the role of chair.

Mapping of regulations – main results

Reports from the NEC by and large confirmed the ongoing trend of fewer entitlements being linked to length of service: since the 1990s they have been removed from many pieces of legislation or collective agreements, rendered less 'automatic', put together with other criteria or made conditional. Nevertheless, the mapping of SBEs within regulations in Europe showed that many such entitlements remain in place across Europe. Considering only those regulations that can be deemed more wide-ranging (that is, relating to larger groups of workers) – because they are deemed non exceptional, or are widespread within collective agreements – for each country, on average, 3.7 regulations related to the private sector and 4.3 related to the public sector.[6]

This study looked into four broad thematic areas in which seniority entitlements can be detected:

- pay increases
- career progression
- dismissal-related regulations and employment protection
- other aspects of working conditions, including terms and conditions of work

For the private sector, seniority aspects were found most commonly in legislation concerning dismissals or employment protection and, within this area in

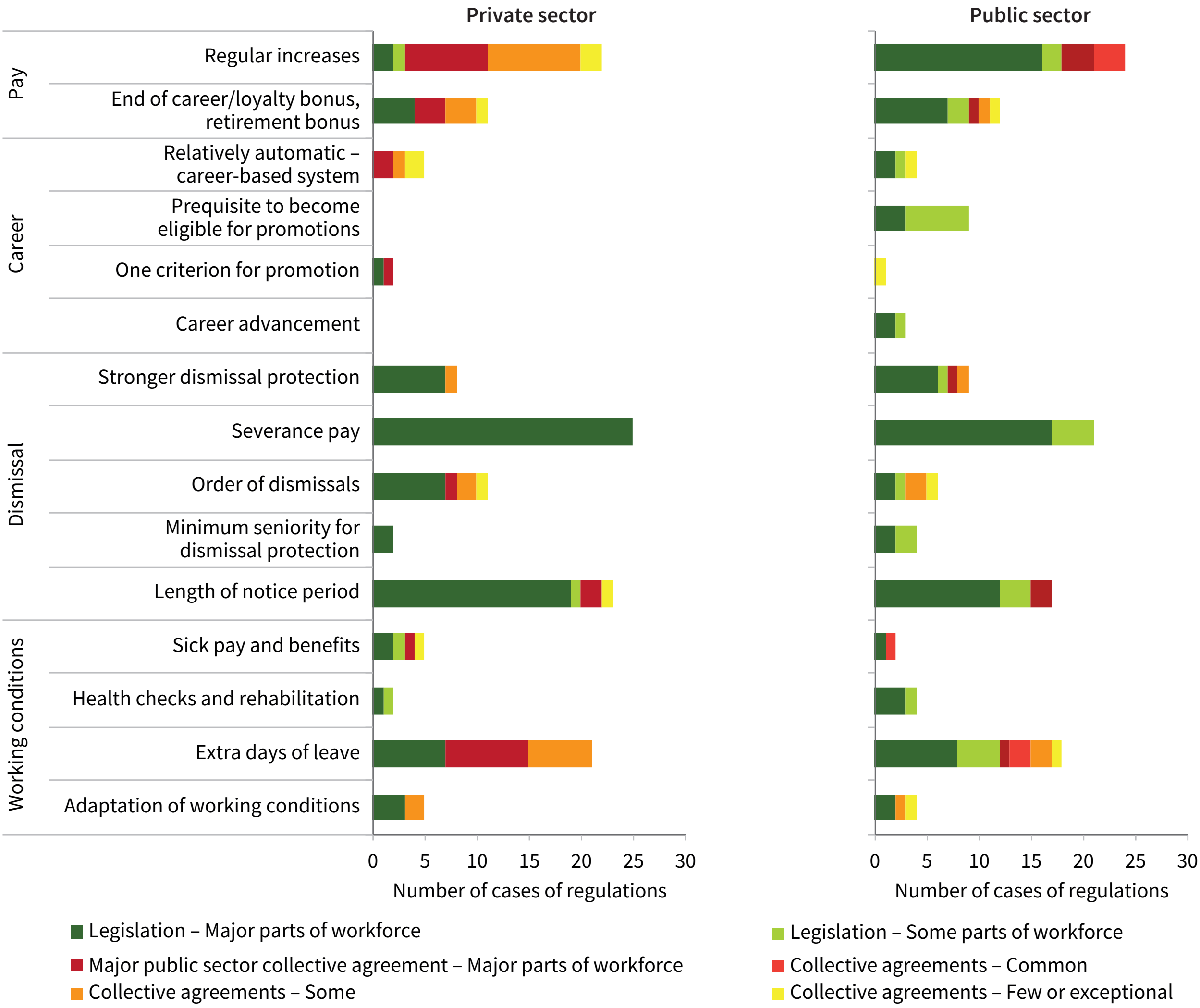
6 For the mapping in this study, the 'public sector' broadly referred to all activities in which government is the employer. Where relevant, the mapping also distinguished between regulations applying to civil servants and non-civil servants within the public sector. The latter are often subject to different regulations, including those related to the private sector.

particular, severance pay or notice periods. In a few countries seniority aspects also related to stronger individual dismissal protection or concerned the order in which dismissals take place. The second area of the private sector in which seniority aspects were commonly found was pay increases. This includes regular increases linked to seniority (typically, within seniority-based pay scales in collective agreements) as well as less regular seniority-based 'bonuses' or end of career allowances. Within the area of private sector working conditions, seniority-based extra days of leave were most frequently found to be in place and, less frequently, sick leave-related regulations contained seniority aspects or conditions, including options for more senior workers to modify their working time. Least common for the private sector were any form of career-related regulations; apart from a few exceptions they were absent.

For the public sector, pay increases were the area in which most seniority-based regulations were found, often relatively closely linked to the terms of career progression along pay scales, where pay increases in line with length of employment and further advancement require promotion and the assumption of additional duties and responsibilities. Less frequently found in the public sector were dismissal-related regulations since, in many countries, civil servants already enjoy better protection than the rest of the workforce.[7] However, in many countries, private sector regulations apply to the non-civil-service part of the public sector workforce, in which case seniority-based notice periods or severance pay also apply.

Figure 2 compares SBEs in private and public sector regulations in the EU28 and Norway.

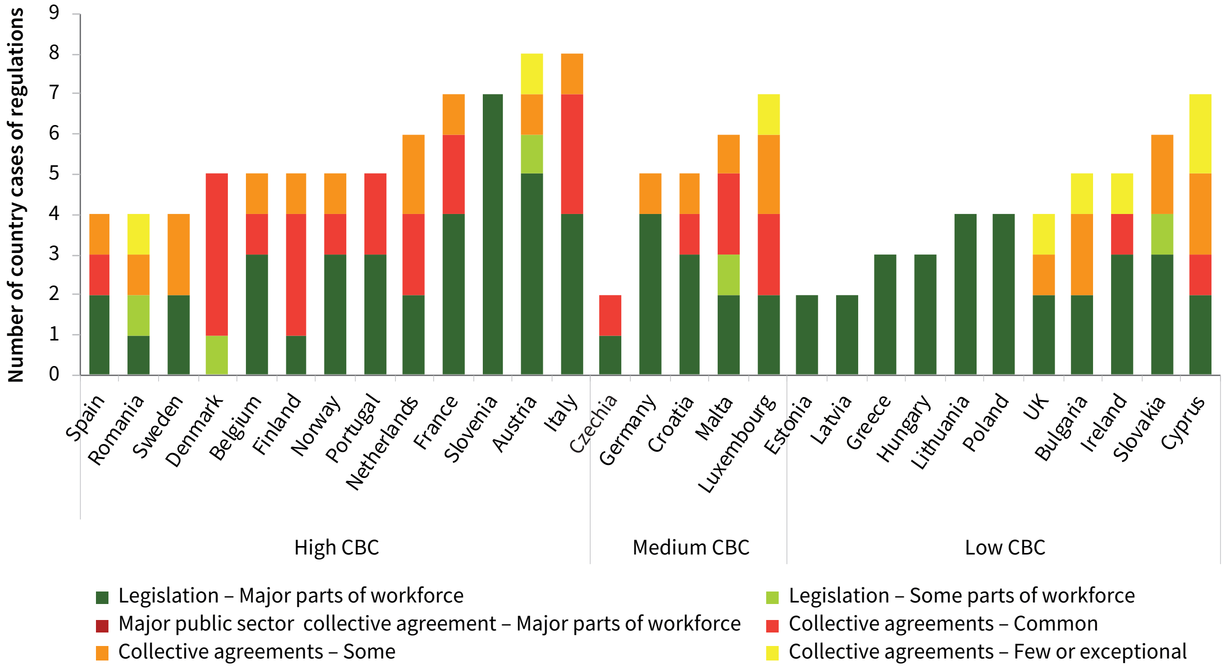
Figure 2: SBEs in the private and public sectors, EU and Norway



Notes: *The mapping revealed a total of 143 cases of regulations in the private sector and 138 cases in the public sector. Some regulations overlap, i.e. apply to both sectors. Excluding those regulations that were reported to be found only in 'some' or 'few or exceptional' collective agreements brings the total number of cases in the private sector down to 110 and to 125 in the public sector.*
Source: *Network of Eurofound Correspondents*

7 Meanwhile, the mapping pointed to several cases where this protection can be linked to seniority.

Figure 3: Private sector SBEs and regulation type, by extent of collective bargaining coverage, EU and Norway



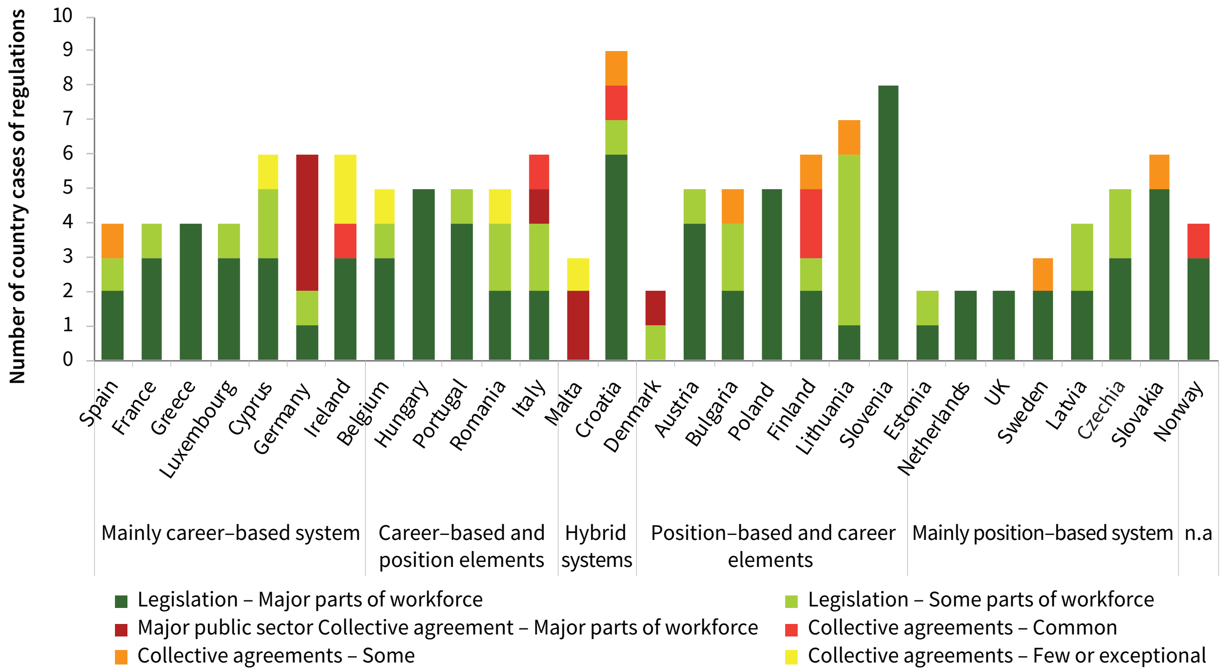
Notes: *The mapping revealed 143 cases of regulations in the private sector (or 110 if those that related to 'some' agreements are excluded). Some regulations refer to both sectors and overlap. CBC: Collective bargaining coverage in the whole economy. High: more than 70% of workers are covered by a collective agreement. Low: less than 30% of workers are covered.*
Source: *Network of Eurofound Correspondents*

The mapping also showed that, typically, countries with greater collective bargaining coverage (CBC) – where sector-level bargaining predominates – tend to have more SBEs than countries with decentralised company-level bargaining and low coverage (see Figure 3).

Seniority entitlements in the public sector, while being greater in number, are often only related to some parts of the public sector workforce. For instance, pay or career progression models often differ between civil servants and other public sector employees, with more seniority aspects included for the first group. On the other hand, dismissal-related regulations with seniority aspects are more often related to the non-civil-service part of the public sector workforce, or may differ between the two. With exceptions, countries with more career-based types of public sector systems also tend to have more SBEs than countries with more position-based systems (see Figure 4).

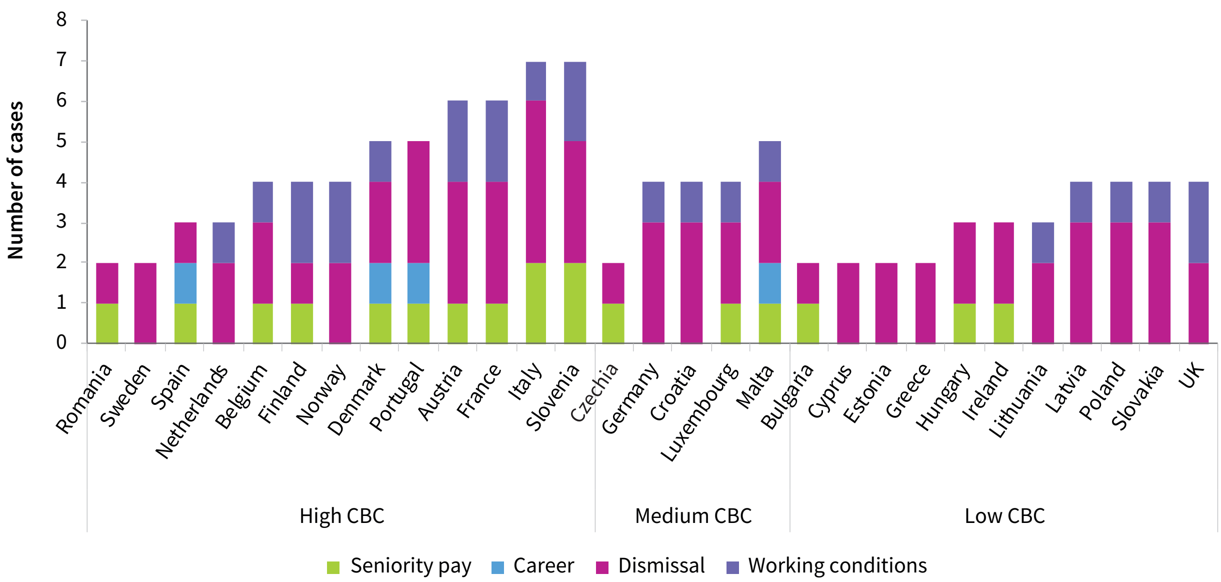
Figures 5 and 6 display private sector and public sector SBEs in the EU Member States and Norway, respectively.

Figure 4: Public sector SBEs and regulation type, EU and Norway



Notes: *The mapping revealed 138 cases of regulations in the public sector (or 125 if those that related to 'some' agreements are excluded). Some regulations refer to both sectors and overlap.*
Source: *Network of Eurofound Correspondents . Public sector career system, based on Kuperus and Rode (2016), Table 1, p. 13 referring to status in 2015*

Figure 5: Private sector SBEs in the EU and Norway, number of cases, by extent of collective bargaining coverage



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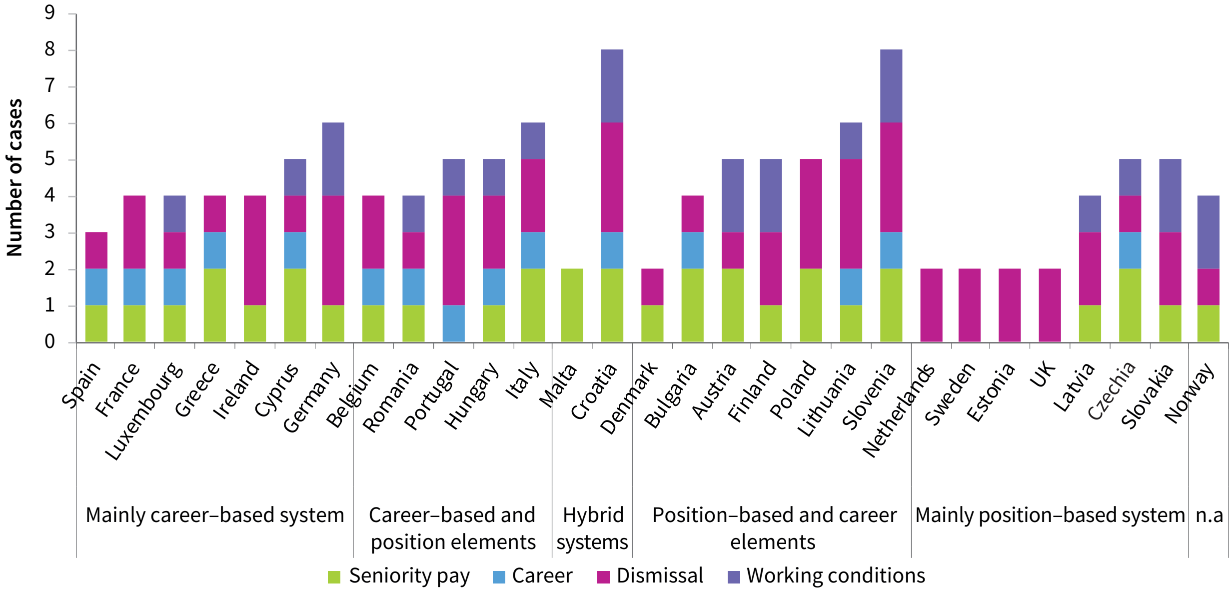
Source: *Network of Eurofound Correspondents*

Figure 6: Public sector SBEs in the EU and Norway, number of cases



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Source: *Network of Eurofound Correspondents. Public sector career system, based on Kuperus and Rode (2016), Table 1, p. 13 referring to status in 2015*

Pay increases

Pay progression is the second most frequent area in which seniority entitlements are found. The study shows that seniority still appears to be a backbone of how wages are determined, albeit more often explicitly regulated within the public sector and its seniority-based pay scales, but also to some extent in the private sector despite the absence of any (widespread) regulations.

A few countries have seniority-based pay increases for the private sector enshrined in law (Bulgaria, Slovenia, Spain)[8] and seniority-based pay increases are also quite common (Belgium, Denmark, Finland, Italy, Spain) or at least it is not unusual to find them in collective agreements in other countries as well (Austria, Cyprus, France). Also, in most other Member States, at least some collective agreements can be found that contain seniority-based pay within tariff tables or pay scales. The findings suggest that in the absence of seniority-based pay scales companies still seem to reward or value experience, leading to increased competency and, possibly, productivity. Within their collective agreements, employers value occupational or sectoral experience by explicitly recognising experience gained elsewhere. In some countries, including Finland, Germany, the Netherlands and Norway, pay scales within collective agreements are typically broader in terms of their definition of seniority, having moved away from tenure-based scales to scales where acquired competency or experience is regarded as equivalent.

For the public sector, the reporting showed that a majority of countries (18) have some kind of seniority-based scale for at least some of their workforce, with stepwise increases ranging from annual to every five years (although these vary by job or changes over the course of a career). Four countries (Bulgaria, Croatia, Lithuania, Slovenia)[9] have set the amount as a fixed percentage of basic pay, which increases linearly with every year of service. Typically, these regulations do not cover the whole public sector workforce but just parts of it, such as civil servants or certain professions. Hence, even within the public sector where seniority pay schemes are most prevalent, they do not necessarily apply.

Besides the mapping of regulations, the report also analysed Eurostat data on earnings and length of employment. Based on data from the SES, aggregate seniority–earnings profiles were compiled for the public and private sector in each country with available data.

8 All Bulgarian workers on an employment contract are legally entitled to a seniority-based increase in basic pay (0.6–1%) but approved increases within collective agreements may be higher. In Slovenia, all employees are legally entitled to a seniority-based annual increase, as defined in individual collective agreements, although 0.5% is common in most agreements and some private sector agreements suggest 0.4–0.6% of basic pay. In Spain, there is a legal entitlement in the Workers' Statute (*Estatuto de los trabajadores*) for collective agreements to include seniority-based pay.

9 Three per cent of basic salary per year, capped at a maximum of 30%.

These curves display average earnings for workers with different lengths of service at the same employer ('seniority') in relation to the average earnings of workers with less than a year's service. The data are cross-sectional in that they relate to different workers at the same time, rather than to individuals over the life course, which is the approach often used in the academic literature. Also, the data are aggregate and do not control for differences among the workers or the jobs held by them.

In this report, country-specific earnings curves were compiled and divided into four groups for each sector, ranging from cases with relatively flat aggregate earnings profiles where more senior workers earn 10–20% more on average than those starting their employment up to cases where senior workers earn 220% more on average than new recruits. Figure 7 for the private sector and Figure 8 for the public sector summarise the country classification into the eight different groups by plotting the group median in each case. Further data on the country-specific graphs can be found in Tables A1 and A2 in Annex 1.

These aggregate seniority–earnings curves for the private and public sectors in each country show that some kind of seniority rewards appear to exist everywhere, although it varies by country and sector.

The groups for the private sector are defined in Table 1.

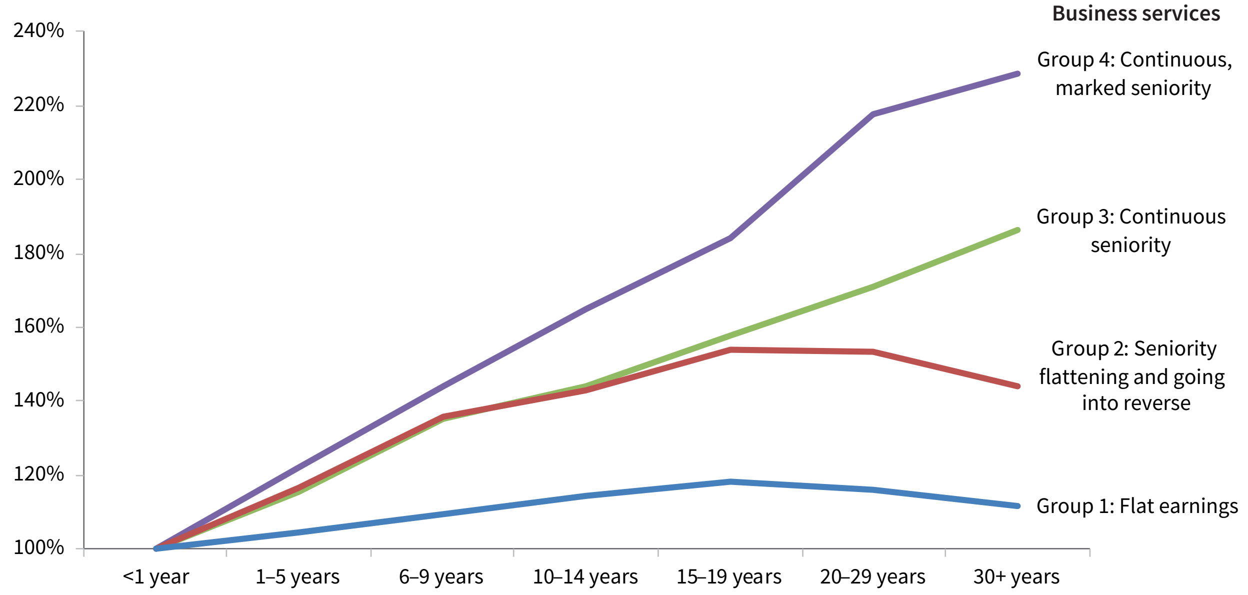
The Group 2 profile is found only in the private sector. Most of the countries in which it is found are in central and eastern Europe, as well as Denmark with its very flexible labour markets. The wage flattening and reversal found in Group 2 countries is largely in line with what human capital theory predicts for individual seniority–wage curves. However, the aggregate nature of these curves demands some caution in their interpretation; further research is required to control for other factors – in particular, differences in job and worker characteristics.[10] Group 3 is predominantly composed of 'corporatist' countries with relatively high- to medium-level CBC and sectoral wage bargaining. Group 3 also contains Malta and the UK, which also reported some seniority regulations either in company agreements or as per common practice. Group 4, with the strongest seniority pay pattern, is composed exclusively of the countries that were hit hardest by the crisis. One possible explanation for the presence of such marked seniority is that the labour market turbulence in these countries may have re-enforced the steepness of the seniority–earnings curves: longer-serving employees who retained their jobs may have been less affected by wage-devaluation than those who moved to new jobs or had recently entered the labour market (OECD, 2014; for Spain: Funcas, 2015). Comparison with the data from the previous SES (2010) shows that this was indeed the case for Cyprus and Portugal, while the profiles for Greece and Spain remained stable in the private sector.

Table 1: Grouping of countries according to the shape and steepness of their aggregate seniority–earnings curves in the private sector

Profile number	Characteristics	Countries
Group 1	Flat earnings	Finland and Sweden
Group 2	Seniority flattening and going into reverse – Continuous seniority up to a certain number of years, but subsequently seniority is associated with stabilising or lower average earnings among longer-serving employees	Belgium, Bulgaria, Croatia, Czechia, Denmark, Estonia, Hungary, Latvia, Lithuania, Norway, Poland, Slovakia, Slovenia
Group 3	Continuous seniority – ongoing increase of pay with increasing length of service	Austria, EU28 average, France, Germany, Italy, Luxembourg, Malta, the Netherlands, Romania, UK
Group 4	Continuous, marked seniority	Cyprus, Greece, Portugal, Spain

10 The working paper points to some possible explanations for this finding: the number of 'senior' (long employment record) employees is comparatively low, likely to have been caused by interruptions in times of transition. Research from Slovakia shows that older employees (those with a longer employment record) are possibly under-represented in well-paying multinationals. Another possible explanation might be relatively high female participation rates among older-aged workers throughout the CEE countries combined with some gender pay gaps.

Figure 7: Aggregate seniority–earnings profiles in the private sector, EU, 2014



Notes: *Y-axis: percentage of average earnings of workers by tenure in relation to workers with less than one year of tenure. Countries were clustered in four groups; the graphs refer to the group median. Country group membership is noted in [brackets]. No data or comparable data for Ireland for business services.*
Source: *Author's classification, based on SES 2014*

Similar groups were generated for the public sector, based on the shape and level of the profiles (as shown in Table 2).

In the public sector, a flattening of the profiles is also observed, but average earnings then remain stable rather than declining for those with the longest length of service. In terms of the level reached, public sector increases by and large remain below private sector increases (i.e. when comparing shortest to longest length of employment), whereas the increases in the public sector with increasing seniority appear to be more modest: more countries have flatter earnings profiles in the public sector, or at least increases start to 'kick in' after a 'delay' and only from a certain length of service onwards (Germany, Latvia, the Netherlands, Romania and the UK).

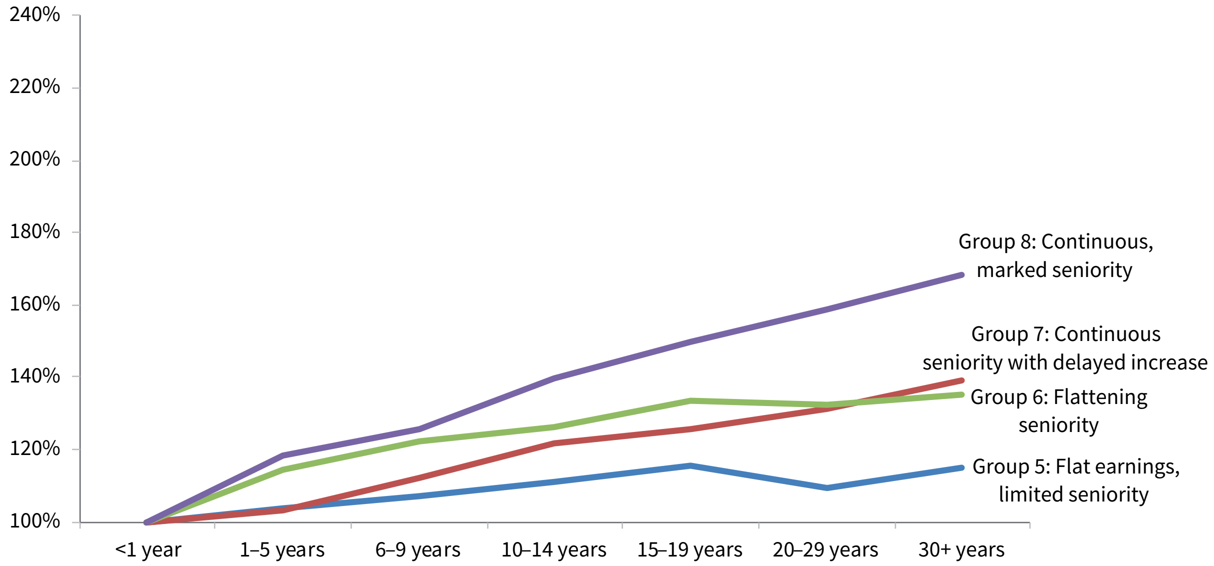
As a whole, the EU28 displays a pattern where, in the aggregate (and without controlling for any other factors), workers with greater seniority earn more than workers with a shorter length of employment in both the private and the public sectors; however this seniority-based increase appears to be lower and only starts after a delay in the public sector.

Can these country-specific differences in seniority–earnings profiles be related to the extent to which countries include seniority-based pay increases within legislation or collective agreements?

Table 2: Grouping of seniority practices in the public sector

Profile number	Characteristics	Countries
Group 5	Flat earnings with limited seniority	Estonia, Finland, Italy, Lithuania, Malta and Sweden
Group 6	Flattening seniority	Bulgaria, Croatia, Denmark, Poland, Slovakia and Slovenia
Group 7	Continuous seniority with delayed increase	EU28 average, Germany, Latvia, the Netherlands, Romania and the UK
Group 8	Continuous, marked seniority	Cyprus, the Czech Republic, France, Hungary and Spain

Figure 8: Aggregate seniority–earnings profiles in the public sector, EU, 2014



Notes: *Y-axis: percentage of average earnings of workers by tenure in relation to workers with less than one year of tenure. Countries were clustered in four groups; the graphs refer to the group median. Country group membership is noted in [brackets]. No data for Ireland for business services. No data for Austria, Belgium, Greece, Ireland, Luxembourg, Norway and Portugal for public services.*
Source: *Authors' classification, based on SES 2014*

The analysis in the report suggests that the shape of the aggregate seniority–earnings profiles cannot be explained by looking solely at the existence (or otherwise) of seniority pay in regulations: continuous and steep aggregate seniority-based earnings profiles appear to exist despite the absence of wide-ranging regulations.[11] They may even be found after such regulations have been abolished or collective agreements with seniority aspects are no longer in force.[12] There is also evidence from some countries (including the UK) that, in the absence of regulations, rewarding seniority might continue to be a relatively common practice at company level. In contrast, the countries with the highest degree of seniority-based regulations of pay – Belgium, Denmark, Bulgaria, Slovenia and, to a certain extent, Croatia – have aggregate earnings–seniority curves (Group 2) that are very similar to those of (other) CEE countries and that, when compared to most other EU countries, are also relatively flat.

Career development

The mapping shows that the difference between public and private sectors is greatest in this area of career development and promotion. The mapping pointed to three different ways that seniority can play a role in career advancement across Europe:

- relatively automatic seniority-based progression where some kind of career advancement (often including pay progression) happens at relatively regular intervals
- seniority may serve as a prerequisite for becoming eligible for promotion
- seniority can be taken into account as one factor in competitive promotion decisions

Seniority aspects were found in many countries' public sectors – where people progress up the ladder (or pay scales), often with some distinction between 'steps' and 'grades'. However, they were deemed to be exceptional or rare in the private sector. While it is often difficult to disentangle pay increases from genuine career progression (which involves new sets of responsibilities), relatively automatic cases of seniority career progression are rare. Public sector reforms since the 1990s – partly as a response to the financial and

11 Compare the cases of Austria, Cyprus, France, Germany, Malta, the Netherlands and the UK, all of which have reported that seniority-based pay increases (or their equivalent) may continue to exist in some collective agreements or as per individual company practice.

12 As is the case with national and sectoral agreements in Greece and Romania and with the decline of renewed collective bargaining agreements in Portugal.

economic crisis – have increasingly abandoned traditional public sector career paths. Even in cases with some 'automated' seniority-based career progression, limits are imposed: for instance, progression may be confined to stepwise (pay) increments rather than promotion to higher grades (as is the case in France). Often, there is a link with other criteria, such as performance appraisal, conduct or the level of qualifications required to perform at the next grade (Slovenia). There may be a requirement to pass tests (as in Luxembourg) and progression in seniority may be restricted to some selected areas of the public sector (for instance, magistrates in Italy).

The report applied an existing classification of public sector systems by Kuperus and Rode (2016) into 'career-based' versus 'position-based' systems (and variants thereof) to investigate how career-based seniority entitlements relate to these systems. Countries with mainly career-based systems in the public sector were also found to have the most, or the widest-ranging, seniority-based career regulations. In addition, they also tend to have steeper aggregate earnings profiles in the public sector (see Table A2 in Annex 1). This includes Cyprus, France, Germany, Luxembourg and Spain. Greece and Ireland are exceptions in that both countries recently abolished regulations. In contrast, in countries with mainly position-based systems in the public sector, seniority-based career progression is almost entirely absent. These countries comprise Estonia, Latvia, the Netherlands, Slovakia, Sweden and the UK. Czechia is an exception, with seniority-based career aspects in place for some parts of the public sector workforce.

In the private sector, seniority-based career advancement appears to be a very rare phenomenon. The mapping showed that only one country (Spain) has legislation that establishes the need for collective agreements to consider seniority as one of the criteria to be included in companies' internal promotion and career systems. Other Mediterranean countries (Italy, Malta, Portugal) also reported that collective agreements 'commonly' include such relatively automatic career progression criteria, yet they mainly related to the first years of service or they covered specific groups of workers, such as those in lower pay grades. And in Danish collective agreements, seniority is commonly mentioned as one criterion to be taken into account in promotions, alongside others.

Dismissal protection

The area of dismissal protection was found to be the area where most seniority-related aspects can be found in legislation, collective agreements or in common practice across Europe. The mapping and analysis of such regulations pointed to several areas within which seniority entitlements may feature and here the report briefly discusses the main findings in the following sections:

- direct links between seniority and individual dismissal protection
- notice periods
- severance pay
- seniority principles in collective redundancies

Direct links between seniority and dismissal protection

Direct links between individual seniority and dismissal protection were found in several countries, but related to different stages of people's working lives. In a few countries (Cyprus, Ireland, the UK), the public sector has eligibility-based seniority criteria for accessing minimum dismissal protection at early stages of the employment relationship before workers gain protection against unfair dismissal.

In some countries, protection against dismissal in the public sector increases after a certain length of service (in Austria for civil servants after six years, in Germany for employees over 40 years old with more than 15 years of service, and in Luxembourg and Portugal after 10 years of service). However, in many CEE countries (including Croatia, Lithuania, Poland, Slovakia and Slovenia), seniority-related dismissal protection at the end of people's working lives is typically based on age – usually in relation to statutory retirement age – in the country's labour code (thus affecting both public and private sectors). In Austria and Germany, while there is no such 'direct' provision in legislation, the law stipulates that in the case of the dismissal of older workers, the employer also needs to take age or tenure into consideration (Germany) or the requirement to consider age must be specifically considered by courts in the case of dismissal of workers aged 50 or over (Austria).

Notice periods

In most countries, notice periods upon termination of the employment relationship are linked to seniority.[13]

13 While in some cases seniority-based notice periods also exist when the employee terminates the contract, this report focuses on termination coming from the employer's side.

Table 3: Seniority-based notice periods over the course of a working life, by country group

Group name and characteristics		Countries
Group A	**Minor seniority aspects** Maximum entitlement is reached before 10 years; the maximum return from seniority is relatively low (2–4).	Cyprus, France, Poland, Slovakia
Group B	**Medium–low seniority** Maximum period is reached before 15 years; the maximum return from seniority is relatively low (2–3).	Denmark (public sector), Estonia, Italy (public sector), Luxembourg, Norway (all ages), Portugal
Group C	**'Quick' returns from seniority** Maximum entitlement is reached before 15 years; the maximum return from seniority after the first year is moderate (4–6).	Denmark, Finland, Germany (public sector), Greece, Malta, Norway (for workers over 50), Sweden
Group D	**Compressed and slow build-up of seniority entitlements** Maximum entitlement, entailing many steps, reached relatively late (after 15+ years); the maximum return from seniority is relatively low (2–4).	Austria, Hungary, the Netherlands, Slovenia
Group E	**Highest maximum returns from seniority** (6.5–12).	Belgium, Croatia, Germany, Ireland, UK

Source: *Authors' compilation, based on national regulations*

A more detailed look at the contents of seniority-related regulations on notice periods and severance pay (see 'Severance pay' overleaf) shows that there are great differences among countries with regard to the returns enjoyed from seniority and how long it takes for workers to be entitled to the longest notice period. In the case of notice periods that typically increase stepwise with a maximum step after a certain length of service, the analysis has identified five different groups of countries, based on how long it takes an employee to reach the maximum level of the entitlement together with the 'return' gained from seniority, defined here as the proportion between the highest and the lowest level of the entitlement.[14] (These country groups are listed in Table 3.) The analysis of regulations shows that for seniority-based notice periods, the maximum length of time before the highest entitlement level is reached is typically less than 15 years of service. The maximum 'return from seniority' – in relation to a worker with a tenure of at least one year – ranges between 1.5 (Slovakia) and 12 (the UK).[15] Belgium was found to be the only country with a continuous and uncapped seniority-based notice period, with increases in the length of notice period diminishing after 20 years of service.

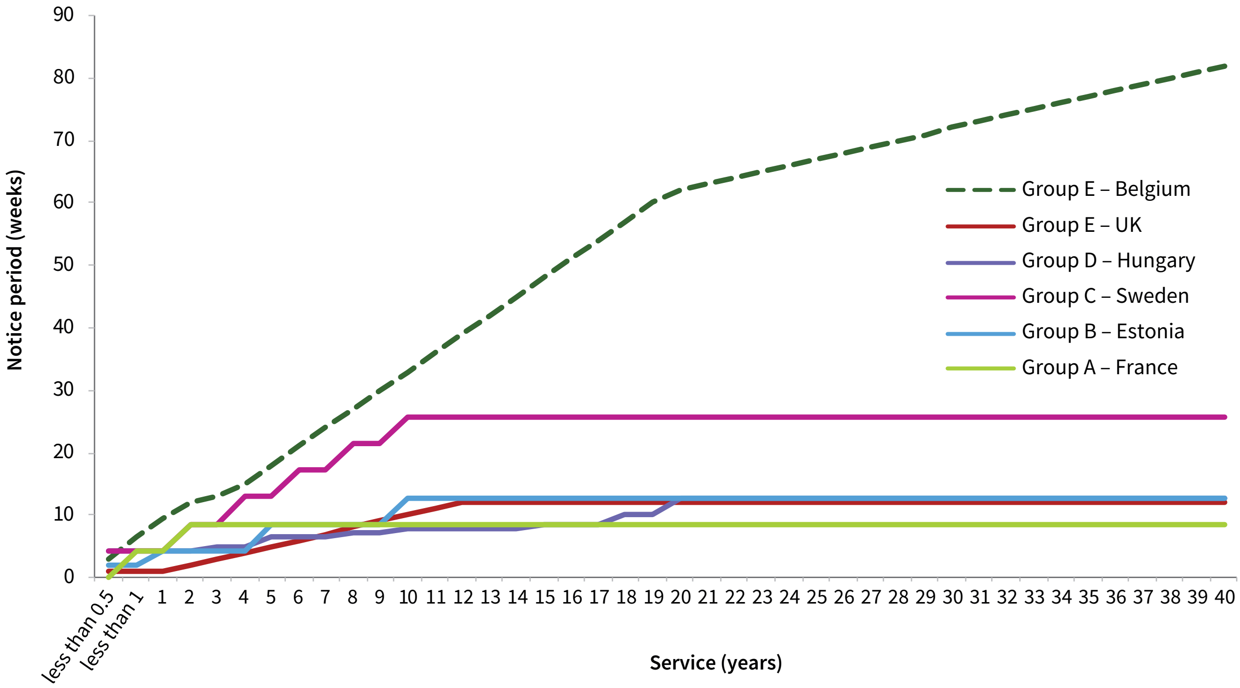
One might expect that entitlements with more seniority aspects – in terms of how long it takes to reach the highest level of the entitlement and the return from seniority – would also have higher levels of that entitlement. However, the analysis suggests that there is no such clear-cut association for the total length of notice period across countries. To illustrate this point, Figure 9 depicts six country examples, representing the five groups and how their notice periods develop in line with length of employment.

Looking at Figure 9 in light of the information in Table 3 it can be seen that, for instance, Hungary as part of Group D, with compressed seniority-based notice periods (many steps, with maximum entitlement reached very late, but a relatively low return from seniority) also has a comparatively limited notice period for the most senior workers. By contrast, in Sweden (in Group C, with quick returns from seniority), employees are entitled to a relatively long notice period from the beginning of an employment relationship; furthermore, the maximum entitlement builds up relatively quickly so that, overall, the return from seniority is relatively low, whereas the overall maximum notice period is comparatively long. Moreover, within groups, great variation in the total maximum duration

14 As regulations often contain some form of minimum duration before the entitlement (notice periods but more so in the case of severance pay) takes effect, two figures were calculated: one relating the maximum level of entitlement to the entitlement 'from day one' and one relating it to the entitlement 'after one year of service'. The grouping is based on the second case.

15 Workers in Slovakia are entitled to a notice period of 4.3 weeks (1 month) at the beginning of their employment relationship and reach the maximum entitlement of 13 weeks (3 months) after more than 5 years of service. In the UK, employees with less than 2 years of service are entitled to 1 week of notice, building up gradually to 12 weeks after 12 years of service.

Figure 9: Development of notice periods (weeks) and length of service (years), by country



Source: *Authors' compilation, based on national regulations: Belgium: Law of 13 February 1998; France: Labour Code (C. trav., art. L. 1234-1); Estonia: Employment Contracts Act §97 (private sector), Public Service Act §101 (public sector); Hungarian Labour Code, Act I of 2012; Sweden: Employment Protection Act, 1973–2015; the UK: Employment Rights Act 1996 and Trade Union and Labour Relations (Consolidation) Act 1992*

exists, as shown by the examples of Belgium and the UK (both in Group E, with high returns from seniority, and entitlement building up continuously). After a hypothetical end to a career after 40 years, a worker in Belgium would be entitled to a paid notice period of 82 weeks or about 8 times more than a worker in Belgium with a length of employment of one year. Paid notice for a worker in the UK, where a cap applies, can multiply by a factor of 12 with seniority (12 weeks as compared to 1).

These examples show that, in the case of notice periods, seniority aspects as such cannot be equated to the overall extent of the entitlement. This is different in the case of severance or redundancy pay, which will be the focus of the next section.

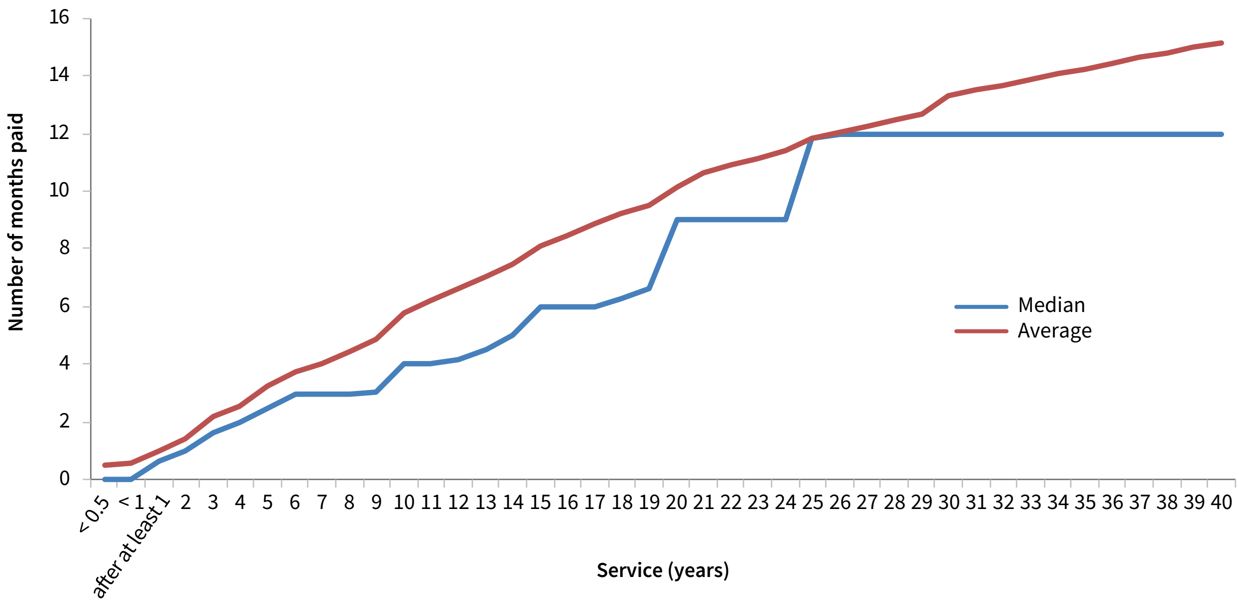
Severance pay

Severance pay – a one-off lump sum payment to a worker who has been involuntary dismissed – is the entitlement where workers across Europe are most likely to receive larger sums with increasing length of employment.[16]

The analysis of the regulations showed that, on average across Europe, laws on seniority-based severance pay stipulate a maximum of 15 monthly salaries of severance pay for a worker with an uninterrupted tenure of 40 years with an employer. This is significantly higher than the median level of 12 months of pay; it demonstrates the greater impact of 'continuous' seniority entitlements in some countries that increase with length of service even after a maximum has already been reached. In one-third of the cases, the entitlement grows continuously with increasing length of service. It is however also important to mention in this context that in cases where severance pay increases continuously, a financial cap is usually applied. In cases where the entitlement is set stepwise, the average last step – when an employee becomes eligible for maximum severance pay – is reached after 18.5 years of employment. Figure 10 charts the median and average number of months paid against years of service across Europe.

16 The mapping also showed that some countries have severance pay schemes integrated with an end-of-service allowance that is also paid in case of termination of employment for other reasons. While they are included in the mapping, this report does not specifically focus on these cases.

Figure 10: Severance pay across Europe (months paid and years of service, median and average)



Notes: *The figures are unweighted and refer to all reported cases of severance pay regulations with a seniority aspect. Number of cases: 37.*
Source: *Authors' calculation, based on national regulations*

In contrast to what has been found for the case of notice periods (see 'Notice periods'), the analysis of regulations suggests a negative relationship between 'seniority' and the amount of the severance pay: regulations with stronger seniority aspects in which severance pay is either built up continuously or over a longer time period typically also involve higher levels of payout to the workers. However, exceptions can be found where comparatively small entitlements to severance or redundancy pay build up very slowly over the course of a career. Examples of this include the private sector in Lithuania, the private and public sectors in Latvia (excluding officials), and the private and public sectors in Slovakia.

Seniority principles in collective redundancies

Seniority as a criterion for determining the order of dismissal in the case of collective redundancies (last in, first out) is most wide-ranging in Sweden, where it is set in legislation. The mapping of regulations showed that variants of this principle can be found in several other countries' regulations or common practices as well, but in no cases were they as far-reaching as in Sweden.

- Legislation can contain 'may' clauses (Lithuania and Spain in collective agreements).
- The criterion might be applied in practice in the absence of regulations (Ireland, Norway).
- The principle could relate to specific groups of employees only, within set boundaries or subject to other prerequisites (Cyprus, Latvia, Malta, Portugal).
- Regulations may be part of some collective agreements only (Cyprus, Finland, Spain).
- Sometimes seniority is one criterion among several (France, Italy, Lithuania).
- Employers can deviate from the regulation if they have justifiable reasons to do so (Norway).

Moreover, very few countries consider seniority when determining the order of rehiring or the extent of support measures for redundant employees (Finland, and one collective agreement from Luxembourg were reported as examples).

Working conditions

The final area covered by the mapping – working conditions or terms and conditions of work – was found to be the one with, overall, the fewest reported seniority-linked entitlements. By far the most commonly found benefit within this area was seniority-based extra days of annual leave. Three other benefits were reported much less frequently:

- seniority entitlements within sickness benefits, such as an extended duration or a top-up of compensation rates

- health checks, rehabilitation or reconditioning stays that become available after a certain age or seniority, or that become more accessible in line with age
- the adaption of working conditions aligned with age-based seniority to promote the employability and subsequent retention of more senior workers (often linked to a reduction in working hours)

Extra days of annual leave

Many countries in Europe have seniority-based extra days of annual leave either set in legislation or within collective agreements. The results of the mapping showed that nearly all of the reported examples of seniority-based extra days within collective agreements were linked to length of service. On the other hand, entitlements within legislation were all linked to age or tenure. When they were linked to age, most frequently these extra days were differentiated between one or two age thresholds (Table 4). The strongest seniority aspect concerning such extra days of leave in legislation was found in Hungary, where employees up to 25 years of age are entitled to 20 days of basic leave, which subsequently increases by 1 day every few years until a maximum entitlement of 30 days in total is reached for employees aged 45 and over.

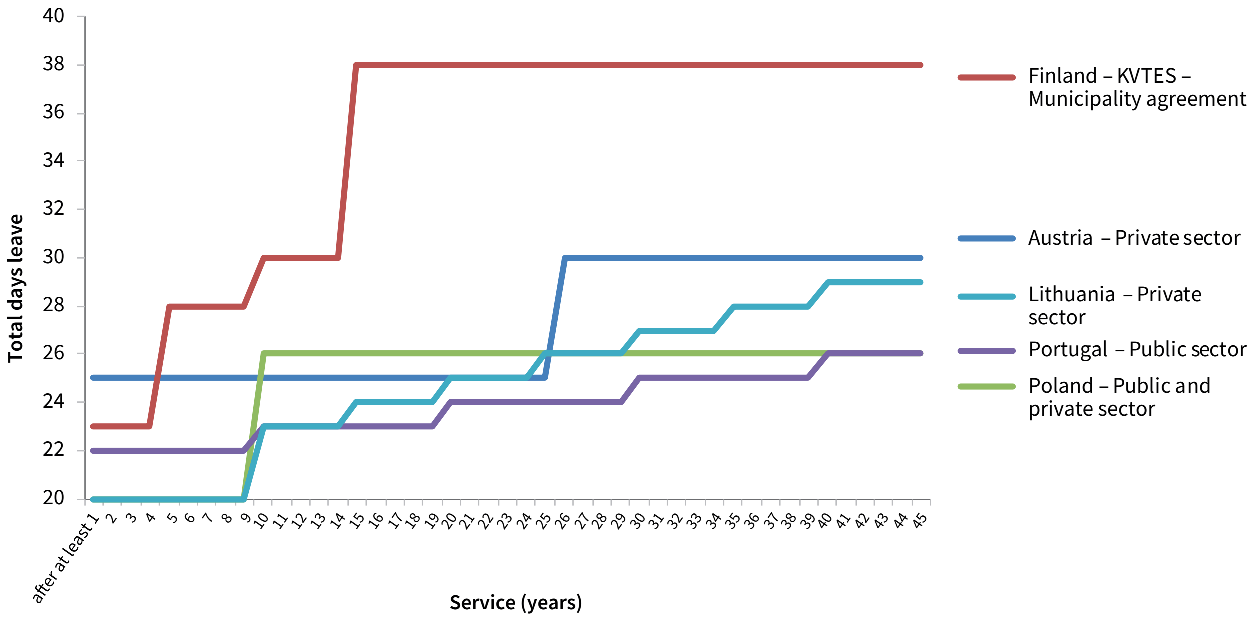
Additional days of leave can be also linked to length of service. Some country examples are shown in Figure 11, pointing again to the varieties among countries in terms of how such entitlements develop and how much return from seniority workers may expect under different regulations.

Table 4: Additional days of leave linked to age (years)

		Basic days of annual leave	From age	Extra days	Law/collective agreement
Public sector	Austria	25	43	5	Law for Civil Servants §65
	Germany	26	30	3	Collective agreement
			40	4	
	Luxembourg	32	50	2	Collective agreement for wage earners (salaries); Law for civil servants
			55	4	
	Norway	25	60	5	Collective agreement
			62	8	
	Sweden	28	30	3	Collective agreement for state employees
			40	7	
Public and private sectors	Slovakia	20	33	5	Labour Code, §103
	Slovenia	20	55	3	Employment Relationships Act (ZDR-1)
	Norway	25	60	5	Holiday Act 1988
	Hungary	20	25	1	Act I of the Labour Code (2012)
			28	2	
			Every 2–3 years	(+1)	
			45	10	

Source: *Network of Eurofound Correspondents*

Figure 11: Total annual leave (days) linked to length of service (years), by country



Notes: *Austria: Urlaubsgesetz §3; Finland: KVTES – Municipal agreements; Lithuania: Labour Code; Portugal: Article 126 of Law 35/2014; Poland: Art. 154 of the Labour Code.*
Source: *National contributions, based on regulations as per note*

Sickness benefits or health and rehabilitation

Sick pay is typically paid for by the employer for a certain period of time and substituted afterwards by benefits from social insurance funds. However, this compensation typically decreases in amount with the duration of the sick leave and does not compensate the full salary after a certain time. In some Member States, however, there are SBEs that might either permit extension of the benefit period or top-up of the benefits, or different levels of seniority may have access to different levels of sick pay.

In **France** and **Austria**, legislation links the duration of continuous sick pay to the degree of seniority, making it a relatively widespread SBE. In **Finland**, duration often increases with seniority in collective agreements. In **Cyprus** and **Malta**, few collective agreements or industry-specific wage regulation orders were found to contain these seniority-based extensions of sickness benefit.

In a few other countries (Croatia, Czechia, Germany, Slovakia) the mapping pointed to health checks or rehabilitation periods that might be linked to seniority, or for which the frequency increases beyond a certain age.

Adaption of working conditions and working hours

Seniority-based aspects are also prevalent in provisions regarding the adaption of working conditions. However, in this case, it is more frequently the age of an employee rather than their length of service that would qualify them for certain adaptions. The objective, however, is usually shared with other SBEs: to ensure the retention of more senior/older workers and make best use of their resources. The mapping pointed to examples in several countries, Norway and Denmark among them. In **Norway** the Working Environment Act states that the work should be organised and adapted to fit the work capacity, skills, age and other conditions of the individual employee, while in **Denmark** collective agreements, especially in the public sector, have introduced special working-time-related or health-and-safety-related entitlements for 'older' workers in general.

Options to reduce working hours is another aspect that has come up in connection with seniority, although only in a few cases. In three countries in the education sector, it was reported that teachers' working time may be reduced with increasing seniority (Cyprus), can be reduced once a certain level of working experience has been achieved (Croatia) or after a certain age (62 years of age in Norway). In the Netherlands, it is relatively common in collective agreements that older employees can start to work a day (20%) less and still receive a higher salary.

3 Themes in public debates

Seniority is seldom discussed as a topic on its own. Exceptions are the recent debates in some countries that commonly have seniority-based pay in legislation or in collective agreements. Most debates in which seniority is also discussed relate to broader issues.

Public debate in the Member States focuses on: length of service; seniority rights and the additional costs of labour; increasing working age and social security; and the help and support needed by older workers to stay in employment. The social partners have opposing views concerning seniority entitlements. Employers tend to be critical of the labour costs associated with long terms of service, and of policies that curtail the mobility and flexibility of labour. Meanwhile, trade unions seek to ensure that seniority determines pay and pay progression, benefits and employment security, so as to protect and advance their members' interests.

Several policy debate themes were found in which seniority (also) featured:

- seniority entitlements and employability of older workers
- safeguarding social protection systems – prolonging working life and ensuring adequate pension levels
- public sector reforms dismantling seniority in the EU Member States
- financial crisis, fiscal constraints and more reforms suppressing seniority
- seniority and non-discrimination

The mapping also pointed to cases where seniority principles were reinstalled.

Seniority entitlements and employability of older workers

Recent debates on the employability of older workers emphasise the higher costs and lower flexibility and productivity of workers who stay with the same employer for a long time. Labour costs of older workers are a topic of special concern in countries characterised by low employment rates of older workers (Austria, Belgium, Slovenia). However, a study examining the impact of seniority wages on early labour market exit in Austria showed that age itself was the biggest obstacle to staying in or getting a job: the wage increases associated with seniority and experience appear to be only marginally associated with difficulties faced by workers aged 50+ in accessing the labour market (Müllbacher et al, 2015).

In Belgium the relationship between seniority pay and productivity was highlighted by research conducted by Cataldi et al (2011), De Winne et al (2012) and Vandenberghe et al (2013): these authors found that workers aged 50+ are less productive than workers in younger age groups. In 2014, the High Council for Employment in Belgium released advice on the wage–productivity relationship; the Council compared different age groups to ensure that wage trends are better geared to productivity trends and that the development of employability is at the heart of policymaking – in particular, human resources policies for companies and public employment policy.

EU legislation has resulted in the revision of seniority regulations in Poland. The transposition of the 'Autonomous Agreement on Active Ageing and an Inter-generational Approach' (European Commission, 2017) into national law by a trilateral body, the Social Dialogue Council, resulted in a review of existing SBEs. For some years, employers have been calling for streamlining in remuneration system reforms, leading to a decline in SBEs in company agreements and in legislation – except for those sectors where trade unions are still strong.

Safeguarding social protection systems

The social consequences of the rise of early retirement and low employment rates of older workers for social security systems are issues debated in **Luxembourg**. In response to challenges caused by the demographic change, a tripartite committee, the Observatory of Competitiveness of Luxembourg (ODC), was created to propose reforms to ensure the sustainability of the pension systems and to keep older workers in employment, given their high salaries (Draft Bill of 2015). Responses suggested by the ODC to those challenges were: linking wages to competencies, experience and performance, and evaluating the quality and productivity of the public sector. To support economic growth, wages should be based on productivity, and automatic increments are seen to be no longer suitable (TIR LLC, 2016). However, three trade unions – the General Confederation of Government Employees (CGFP), the Confederation of Christian Trade Unions (LCGB) and the Confederation of Independent

Trade Unions of Luxembourg (OGBL) – published a joint contribution to the tripartite dialogue with the European Semester 2018, stating that competitiveness is not reducible to wages.

In **Romania**, debates are less about the legitimacy of SBEs than the way in which they determine pension rights. Over the years, additional criteria – such as years of vocational training, maternity leave, temporary work incapacity, military service, apprenticeships, bachelor studies and detention during the communist regime – have been added to help determine the seniority of employees and, thus, to calculate their pension entitlements.

Differences in the extent of seniority entitlements between private and public sector employees were part of the public debate in **Estonia**. In 2012, Estonia's government started to reform public sector pensions since, in some occupations, public sector workers receive higher pensions depending on their length of service. This entitlement was perceived to compromise the viability of the pension system and in 2016 it was decided that it will be abolished in 2020.

Impact of public sector reforms

The public sector in western European countries has undergone considerable change since the late 1980s. To improve the efficiency and effectiveness of public performance, automatic promotion based on seniority has increasingly been replaced by performance criteria. In **Germany**, public debate has focused on the seniority–wage increase, which takes place biannually up to the age of 45. Other seniority-related topics that have been the subject of research in Germany are the effects of an ageing workforce (Veen, 2008), the effects of age-based entitlements in collective agreements (Bispinck, 2005), and the role of employers, governments and social partners on productivity and employment of older workers (Stettes, 2009, 2013; Walwei, 2018). The fifth (2005) report on the situation of the older generation in Germany cites Bispinck's (2005) analysis of SBEs in collective agreements. Following a heated debate, the new public sector agreement concluded in 2005 saw a significant change in the pay scale from promotion based on age to an approach based more on experience and performance.

The **Hungarian** seniority-based promotion and salary system has also been subject to research. Krauss (2013) examined the opinion of civil servants on the public sector compensation and remuneration system. The study revealed that the current salary system does not meet the needs of employers or employees, and that civil servants would support a performance-based career and wage system. In the study, employees demand that salaries should be based on their individual performance and level of education (Krauss and Petró, 2014). This may be due to the fact that seniority and educational attainment appear to have lost much of their perceived value. In 2018, for example, new recruits entering the public sector with a high school degree earn the same salary as employees performing the same job with a university degree and 10 years' experience. This is explained by significant increases in private sector minimum wages for both unskilled workers (15% in 2017, 8% in 2018) and skilled workers (25% in 2017, 12% in 2018); in the public sector, equivalent increases for each wage category were stated but remained largely unchanged in practice.

The introduction of performance elements into the public sector has also been part of the debate in **Ireland**. Since 2008, progression to the next pay level and promotion to the next grade requires performance ratings greater than defined thresholds. In 2010, the new performance rating system received only weak support from workers in staff evaluation reports and the employee engagement survey in 2017.

The **Estonian** Employers' Confederation has been talking for some years about restructuring the public sector, and removing the benefits that only public sector workers receive. In 2012, as part of public sector reform, all seniority-based benefits were abolished in the new Public Service Act, including additional remuneration for years of service, additional holiday days and holiday benefits, increases in pension entitlements and benefits for proficiency in foreign languages. The Federation of the Trade Unions of State and Municipal Agencies Employees in Estonia criticised those reforms; the federation perceives them as unfair, especially since most civil servants are not allowed to strike.

Financial crisis, fiscal constraints and more reforms suppressing seniority

The 2008 financial crisis has been a catalyst for reform, resulting in cutbacks in seniority entitlements in countries most severely affected, such as Cyprus, Greece, Italy and Portugal. Since 2008, seniority-based pay and career advancement approaches have been abandoned in Portugal in favour of performance-based evaluation systems. Since 2009 in **Greece**, measures have been in place to curtail wage growth based on seniority (Glassner and Watt, 2010) and freeze wage maturation based on length of service.

In accordance with the Memorandum of Understanding (MoU) on financial assistance measures (European Commission, 2011), the **Portuguese** Labour Code was amended to reduce severance payments in the case of individual and collective dismissals under work contracts signed after 1 November 2011. In August 2013 severance payments were reduced further through a new amendment to the Labour Code, under the continued justification of fulfilling the agreement reached with the Troika (the European Commission on behalf of the Eurogroup, the European Central Bank and the IMF). This represented the first time since 2011 that this initiative was not supported by a tripartite agreement.

In **Cyprus** the Troika, as part of the MoU on financial assistance, triggered the reduction of the public sector wage bill in 2012. Severance payments have been taxable since 2013, the retirement age has been increased to 65 and pensions and severance payment received before the obligatory retirement age are subject to actuarial reductions. The financial crisis has also accelerated the reform of the pension system in **Italy** (Carrera, 2012).

Seniority and non-discrimination

Potential discrimination between younger and older groups in the workforce is an issue debated in some Member States (Bulgaria, Germany, Poland and Romania). Implementation of the Equal Treatment Directive 2006 (EU-FRA, ECtHR and Council of Europe, 2018) was a catalyst for this debate, stimulating discussion on the role of age and seniority in equal treatment and sparking reform of national labour acts (Slovenia, Lithuania). Generally, a seniority system that provides benefits based on an individual's number of years of service can be considered non-discriminatory provided there is no discriminatory intent (Rassas, 2017).

Although seniority entitlements can increase inequalities between workers in standard and non-standard employment, they are still perceived to be more objective than many other criteria used to differentiate workers. In some recent cases, companies or governments were reported to have reintroduced some seniority elements, suggesting that 'seniority' – as a criterion that is relatively objective, easy to measure and implement and able to signal 'predictable' career developments – will continue to be part of policymakers, negotiators or human resource managers' toolboxes.

Recent public debates also stress that seniority rules may be disadvantageous for young, skilled workers. In 2018, **Bulgarian** employer organisations alerted the European Commission about the discriminatory nature of seniority pay in order to protect against discrimination where SBEs are not available to both public and private sector workers. In the **Czech** Anti-discrimination Act it is stipulated that different treatment on grounds of age in access to employment or occupation is not considered as discriminatory, where a condition of minimum age, professional experience or period of employment is necessary for the proper performance of employment or occupation or for access to certain rights and obligations linked to employment or occupation.

Poland has explicitly legitimised the application of the seniority criterion in its Labour Code. According to Art 18 (3b) of the Labour Code the principle of equal treatment in employment is not violated by conduct, but is proportionate to the aim of legitimately differentiating the situation of an employee.

Box 2: German Federal Labour Court ruling on age discrimination

International law firm Orrick reports one ruling by the German Federal Labour Court in which younger employees were deemed to have been discriminated against by a collective agreement that granted more holidays to their older colleagues:

> *Back in 2012, the Federal Labour Court in Germany decided that a collective agreement which distinguished the number of days of leave depending on age was a violation of the General Equal Treatment Act. The collective agreement granted more holidays for older employees. The number of days was based on the employee's age. Employees 29 years old and younger were entitled to 26 days, and at the age of 30 and above, they were entitled to 29 days. At the age of 40 and older, employees were entitled to 30 days of leave. The Court ruled that this was a discrimination of the younger employees.*

(Orrick, 2015)

The Industrial Tribunal in **Malta** stipulated that employees performing the same work or work of similar value could, on the basis of seniority, have a difference in basic pay for up to a maximum period of five years in employment after which the gross basic salary has to be the same. In 2015, the Court of Appeal in Malta determined that it is illegal and discriminatory for an employer to award a wage increase following a performance appraisal of its employees. Awards, the Court said, should take the form of a one-time allowance or bonus.

4 Conclusions

The trend is clear: since the 1990s, seniority entitlements have been removed from many pieces of legislation or from collective agreements, rendered less 'automatic', placed alongside other criteria or made conditional – or they have become privileges rather than entitlements. Nevertheless, the mapping of SBEs within regulations in Europe has shown that many such entitlements have yet to be implemented across Europe. On average per Member State, 4.3 such entitlements were found in the public sector and 3.8 in the private sector; they have been summarised in this report and are presented in greater detail in the accompanying working paper. In addition, aggregate seniority–earnings profiles, and their development in the private sector in particular, also suggest that longer-serving employees continue to earn more on average than those with a shorter length of service, but that the extent of this premium varies substantially among countries.

To some extent, these findings question the idea that seniority as a concept governing the employment relationship is indeed a thing of the past.

The findings in relation to seniority pay and how it is (or is not) regulated appear to be somewhat paradoxical. Countries or sectors with regulations on seniority-based pay increases in place,[17] often seem to be associated with flatter aggregate seniority–earnings curves than in cases where no regulations are in place (as in the private sector of many corporatist sector-level bargaining countries, as well as the UK). A possible explanation is that the contents of the regulations, pay scales, annual seniority percentages or maximum thresholds are in themselves more restrictive and thereby limit seniority pay and possible other benefits much more than in less regulated environments. Guidelines for job and pay grades set out in collective agreements or employment contracts tend to lead to a flatter wage profile, although the total compensation differential increases with length of service. Analogous results were found in the case of performance-related pay, where payouts are larger in the absence of regulation in collective agreements since more leeway is granted at the company level (see Traxler et al, 2008; Nergaard et al, 2009).

The shape of the aggregate seniority–earnings profiles for many countries that, reportedly, have abolished or are in the process of removing seniority-based scales from regulations also suggests that seniority principles are here to stay: when workers progress 'organically' with more experience into higher paying roles with greater responsibility, there are grounds to believe that this is simply a new way of labelling seniority – rather than a genuinely new principle replacing it.

In most cases, 'deterministic' types of pay and career progression processes have been reformed and the unique value that seniority once enjoyed has been re-evaluated. The countries most affected by the financial crisis and massive public sector deficits have seen more and longer-lasting changes leading to pay reforms: seniority rules have been abolished and private sector employment principles have been applied in the public sector. However, many of these countries continue to have the steepest seniority–earnings curves.

Employment protection aimed at safeguarding workers from unfair behaviour and arbitrary actions by employers and insuring them against job loss is often linked to seniority. Such protective measures can promote long-lasting employment relationships and encourage employers to invest in training to upgrade workers' skills. Employment protection rights are more widespread in legislation than in collective agreements, where seniority may be used to determine the order of dismissal.

Contrary to the traditional assumption that seniority aspects necessarily imply greater employment protection, the results of the study show that seniority entitlements within notice periods and severance pay vary widely across Europe; there seems to be no direct relationship between the maximum period of paid notice and degree of seniority. In addition, it should be recognised that severance pay, which continuously increases in line with length of service, typically involves larger sums than stepwise severance pay increases that are capped earlier; however, these severance payouts also tend to include financial limits.

Generally, seniority regulations in legislation are more inclusive than rights in collective agreements covering only a fraction of the workforce in a country. Thus, workers in non-standard employment or less unionised sectors are less likely to benefit from seniority rights than workers in standard employment. Since workers on non-standard contracts are at greater risk of losing their jobs, they tend more commonly than senior and older workers to prefer performance pay over fixed pay

17 Such pay increases are commonly observed in the public sector but also in some private sector regulations, as in Belgium, Bulgaria or Slovenia.

and rising seniority–wage profiles. Studies on the relationship between workers' characteristics and their pay preferences found that perceived productivity and attitudes towards risk affect workers' pay preferences (Dohmen and Falk, 2011).

Since the 1990s, reform processes aimed at improving public sector performance through the transfer of private sector management principles have led to a dismantling of traditional seniority rights. Nevertheless, the correspondents also reported cases where entitlements with seniority aspects have been (re)installed:

- cases of differentiated minimum wages (as in Malta and Romania, and debated in Poland)
- one attempt in the Czech education sector designed to offer teachers more attractive career prospects
- in Ireland, a return to the practice of adhering to seniority as the main criterion for determining the order of dismissal

Overall, there is evidence that seniority (still) represents an important measure in regulating employment relationships. The study also pointed to some evidence of a new demand for more transparent and objective employment measures, especially in non-union workplaces, to determine relative job rights and eligibility for fringe benefits. The most prominent recent case was that of Ryanair staff in Ireland who protested for the introduction of seniority as an objective principle to guide the determination of annual leave, rosters or base placement. Although seniority is inherent in every employment relationship, seniority rights are not automatically part of them.

Research outlook

This study shows that earnings profiles associated with length of employment at the same employer vary significantly among countries (Figures 5 and 6), but what factors other than seniority help to explain differences in earnings profiles? In long-term employment contracts, seniority rules have been seen to promote efficient allocation of workers. Accordingly, job–worker matches in countries representing either very flat earnings profiles (Finland) or steep earnings profiles (Portugal) are the outcome of such selection processes. However, it is unlikely that workers in Finland are on average less skilled or work in less productive jobs and industries than workers in Portugal. Factors other than seniority that help to explain differences in earnings profiles, then, are the age composition of the workforce and relative shares of female employment. The employment rate of older workers varies significantly across countries and older workers are in general less skilled than younger ones (see Table A3 in Annex 1). The employment rate of female workers also varies significantly across countries. Furthermore, women often work in different industries from men, experience non-continuous work, and earn less than men with comparable job experience.

Further studies – based on microdata – should be conducted to investigate the role of workforce composition on earnings profiles. Controlling for employment rates and the composition of the workforce by age group and sex should provide important insights for policymakers. This study was not able to control for these factors, but the countries with the flattest earnings profiles have the highest overall employment rates, the highest overall female employment rates and the highest employment rates of workers aged 55–64. Countries with flatter earnings profiles, such as the Scandinavian countries and many CEE countries, also tend to have higher labour mobility measured as the share of employees working fewer than 10 years with the same employer (see Figure A1). The greater mobility and high employment rates of older workers in these countries indicate that they may either possess transferable skills or that structural changes in transition prompted their moves, possibly also accompanied by the growth of non-standard flexible employment practices.

Policy outlook

Policies should be measured by their inclusiveness. Policymakers, legislators and social partners should ensure that existing seniority-based schemes are fair and that workers with more flexible careers and more frequent changes or career interruptions can benefit from work experience.

Any employment protection reforms should promote better allocation of workers to jobs, encouraging long-lasting employment relationships, providing a safety net for non-standard employment and encouraging redeployment of (all) workers. Workers in non-permanent or full-time jobs are often denied employment rights that were traditionally linked to length of service. Policies should be designed so that workers can benefit from work experience and associated increases in wages and benefits.

Seniority wages and benefits and employment protection can make it costlier to dismiss (older) employees. Employment protection based on seniority motivates employers to keep older workers in employment.

Employment security represents an important incentive for both employers and employees to invest in good-quality jobs and learning and development to equip workers with the knowledge and skills they need for these jobs.

Policies that target quality employment should promote training and development so that workers' wages and benefits change in tandem with productivity gained through experience as length of service increases.

In policies promoting employment security based on seniority, employers have an incentive to keep (older) employees in productive jobs and give them access to relevant training. From an employee's perspective, job security may represent an incentive to invest in skills training but it could also encourage social loafing (the phenomenon whereby people make less effort in group situations than when working alone). To avoid the latter, pay progression and career development could be linked to the acquisition of job-related skills. Looming demographic challenges may also support employers' incentives to invest in organisational tools – of which seniority could be one – to facilitate efficient workforce allocation. Box 3 summarises arguments for and against seniority principles, based on arguments advanced in the literature and from recent policy debates and developments that this study revealed.

Box 3: Advantages and disadvantages of seniority principles

Advantages:

Staff retention: Seniority rewards experience and retains qualified employees with firm- or industry-specific knowledge. Staff retention gains importance in times of labour shortages.

Recruitment of new employees encouraged: Relatively flat earnings curves with relatively high wages from the beginning of an employment relationship can impede the recruitment of less productive workers including, for instance, younger workers or newcomers to an industry who require industry- or firm-specific training. In this sense, non-seniority-based labour markets could also be at risk of segmentation. A recent revival of some debates on introducing specific youth minimum wage rates can be seen as addressing this issue.

Regular pay increases assured: In the absence of regular pay increases gained through collective bargaining, seniority pay mechanisms can ensure that employed workers receive regular pay increases.

Attractive career paths: People like to progress. Seniority entitlements can be used to signal attractive and transparent career paths within an organisation; they would then probably attract a more risk-averse labour force.

Objectivity of criteria: As an objective criterion, seniority/length of service is relatively easy to establish. It is harder to assess and compare the performance and competency of individual workers. It might be more cost-effective for companies to adhere to seniority criteria rather than aiming to measure and reward performance, especially in contexts where individual performance or competency is hard to assess.

Redundancy costs more predictable: In the case of redundancies, having seniority as a criterion makes the costs of redundancies more predictable, especially because fewer disputes can be expected (as reported in France, Ireland, Italy).

Disadvantages:

Pay depreciation for some workers: As long as the basic pay of the least senior workers is not increased, their pay depreciates in real terms when compared to that of their more senior workers when they started. Therefore, seniority pay mechanisms are not a substitute for regular (real) pay increases. Having such a system in the absence of mechanisms ensuring that the purchasing power of wages are maintained can in itself lead to intergenerational discrimination and pay inequality.

Risk of unequal treatment: Seniority pay and entitlements can also lead to unequal treatment based on age or tenure, leading to unequal pay for the same work carried out by otherwise equally qualified, trained and competent individuals.

Earnings meet care responsibilities: Flatter earnings profiles over people's working lives can ensure that workers have more in their pockets in those phases of their lives when they need it most, given that the likelihood of having care responsibilities – towards children, for instance – increases with age.

More productive activities discouraged: In systems where experience is the main criterion, qualified labour could benefit by moving to a more productive employer paying higher wages (where a skills/experience–productivity relationship is in place); this would make it harder for less productive companies to retain qualified workers and thereby accelerate a change to more productive economic activities.

Employment of older workers discouraged: Labour costs can increase and become prohibitive for employers of more senior/older workers, thereby discouraging the employment of older workers.

Risk of reinforcing labour market segregation: Where regulations do not take into account periods worked at other employers, seniority-based schemes can reinforce labour market segregation in contexts where shorter-term contracts or other atypical forms of work are on the increase.

Career breaks discouraged: Other forms of career break – taken by women with care responsibilities, for example – can attract penalties in seniority-based systems. Some regulations, such as collective agreements, acknowledge such periods in the calculation of seniority.

Employee mobility discouraged: One downside of the retention aspect is that employee turnover might be limited or too low: employees abstain from changing jobs if they feel they would miss out on seniority entitlements. It might also mean that companies retain low-performing employees who would not be able to secure more favourable conditions elsewhere. (However, systems in which SBEs are not only linked to the same employer but can also be transferred to others could counteract this.)

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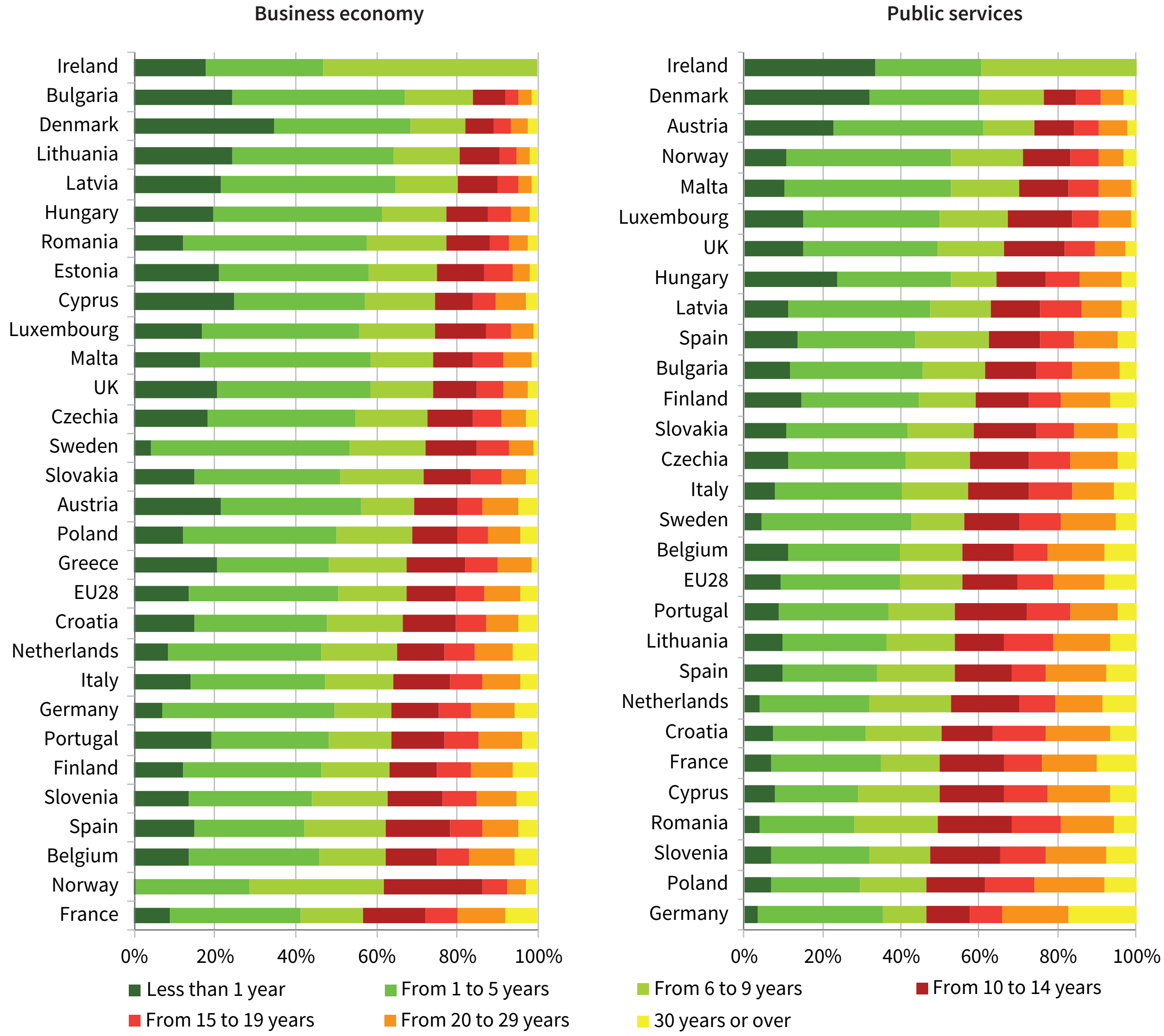
Annexes

Annex 1: Tenure, earning and employment rates

Employment by length of tenure

Figure A1: Number of employees and length of employment (years) in the EU28 and Norway



Notes: *No other breakdown is available. Data refer to the 'Business economy': NACE B-N, for workers in companies with more than 10 employees. Ireland: the last category is 'more than 6 years'.*
Source: *Eurostat, SES (2014) [earn_ses14_31]*

Aggregate earnings–seniority curves, country data

Table A1: Private sector earnings (% of < 1-year baseline)

	< 1 year	1–5 years	6–9 years	10–14 years	15–19 years	20–29 years	30+ years
Group 1: Flat earnings – Median	**100**	**104**	**110**	**114**	**118**	**116**	**112**
Finland	100	101	109	114	119	117	110
Sweden	100	107	110	115	118	115	113
Group 2: Seniority with flattening or declining at late stage – Median	**100**	**117**	**136**	**143**	**154**	**153**	**144**
Hungary	100	119	140	141	151	145	152
Belgium	100	114	128	137	144	153	151
Croatia	100	127	145	163	165	146	147
Slovakia	100	124	139	150	162	158	144
Latvia	100	116	145	143	154	161	150
Czechia	100	120	135	142	154	156	147
Denmark	100	120	142	151	156	158	152
Estonia	100	106	116	122	134	132	110
Lithuania	100	117	136	143	168	163	140
Norway	100	117	111	133	138	142	130
Bulgaria	100	113	136	147	171	173	142
Poland	100	112	130	144	154	153	143
Slovenia	100	116	128	140	139	143	128
Group 3: Continuous seniority – Median	**100**	**116**	**136**	**144**	**158**	**171**	**186**
France	100	118	131	139	147	159	165
Austria	100	106	130	142	155	167	198
EU28	100	120	140	155	168	185	194
Germany	100	112	144	164	174	188	199
Italy	100	116	128	141	150	162	174
Luxembourg	100	116	124	141	152	160	194
Malta	100	110	115	128	143	129	181
Netherlands	100	120	153	161	174	184	187
Romania	100	111	140	147	161	175	168
United Kingdom	100	127	150	159	171	181	185
Group 4: Continuous and strong seniority – Median	**100**	**122**	**144**	**165**	**184**	**218**	**229**
Portugal	100	134	157	174	199	229	219
Cyprus	100	127	149	183	194	241	272
Greece	100	117	138	155	174	207	239
Spain	100	116	130	144	164	186	208

Notes: *No comparable data for Ireland.*
Source: *Authors' compilation based on Eurostat, SES, 2014*

Table A2: Public sector earnings (% of < 1-year baseline)

	< 1 year	1–5 years	6–9 years	10–14 years	15–19 years	20–29 years	30+ years
Group 5: Flat earnings – limited seniority – Median	**100**	**104**	**107**	**111**	**115**	**110**	**115**
Sweden	100	97	101	102	106	105	105
Lithuania	100	105	108	118	113	107	111
Malta	100	103	106	105	101	100	113
Estonia	100	109	118	126	119	113	117
Finland	100	110	116	121	126	123	118
Italy	100	103	106	102	118	113	120
Group 6: Continuous seniority with delayed increase – Median	**100**	**103**	**112**	**122**	**126**	**131**	**139**
Lativa	100	100	121	130	129	129	125
United Kingdom	100	101	107	117	123	131	127
Netherlands	100	103	113	117	121	127	131
EU28	100	103	111	116	122	132	147
Romania	100	104	108	126	140	150	153
Germany	100	104	131	142	154	164	167
Group 7: Flattening seniority – Median	**100**	**114**	**122**	**126**	**134**	**133**	**135**
Croatia	100	116	122	125	123	126	127
Slovakia	100	118	122	125	136	135	135
Denmark	100	113	122	127	128	130	135
Bulgaria	100	116	126	129	131	128	135
Slovenia	100	107	113	125	137	136	137
Poland	100	113	126	141	144	141	142
Group 8: Continuous and strong seniority – Median	**100**	**118**	**126**	**140**	**150**	**159**	**169**
Czechia	100	121	131	141	145	154	161
France	100	111	117	126	138	150	168
Spain	100	118	126	139	150	159	169
Hungary	100	145	151	158	165	171	188
Cyprus	100	111	119	140	164	186	206

Source: *Authors' compilation based on Eurostat, SES 2014*

Table A3: Employment rate (%) of older workers aged 55–64

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
EU28	42.2	43.3	44.5	44.5	45.9	46.2	47.2	48.7	50.1	51.8	53.3	55.3	57.1
Belgium	31.8	32.0	34.4	34.5	35.3	37.3	38.7	39.5	41.7	42.7	44.0	45.4	48.3[b]
Bulgaria	34.7	39.6	42.6	46.0	46.1	44.9[b]	44.6[b]	45.7	47.4	50.0	53.0	54.5	58.2
Czechia	44.5	45.2	46.0	47.6	46.8	46.5	47.7[b]	49.3	51.6	54.0	55.5	58.5	62.1
Denmark	59.5	60.7	58.9	58.4	58.2	58.4	59.5	60.8	61.7	63.2	64.7	67.8b	68.9[b]
Germany	45.5[b]	48.1	51.3	53.7	56.1	57.8[b]	60.0[b]	61.6	63.6	65.6	66.2	68.6	70.1
Estonia	55.7	58.4	59.9	62.3	60.3	53.8	57.5	60.5	62.6	64.0	64.5	65.2	68.1
Ireland	51.7	53.3	53.8[b]	53.8	51.2	50.2	50.1	49.3	51.2	52.6	55.4	56.8	58.4
Greece	42.0	42.5	42.7	43.0	42.4[b]	42.4	39.5	36.5	35.6	34.0	34.3	36.3	38.3
Spain	43.1[b]	44.1	44.5	45.5	44.0	43.5	44.5	43.9	43.2	44.3	46.9	49.1	50.5
France	–	-	-	-	-	-	-	-	-	46.9	48.7	49.8	51.3
France (metropolitan)	38.5	38.1	38.2	38.2	38.9	39.7	41.4	44.5	45.6	47.0	48.8	49.9	51.4
Croatia	32.1[e]	34.1[e]	36.6	37.1	39.4	39.1	38.2	37.5	37.8	36.2	39.2	38.1	40.3
Italy	31.4	32.4	33.7	34.3	35.6	36.5	37.8	40.3	42.7	46.2	48.2	50.3	52.2
Cyprus	50.6	53.6	55.9	54.8	55.7[b]	56.3	54.8	50.7	49.6	46.9	48.5	52.2	55.3
Latvia	48.3	53.4	58.0	59.1	52.5	47.8	50.5	52.8	54.8	56.4	59.4	61.4	62.3
Lithuania	49.6	49.7	53.2	53.0	51.2	48.3	50.2	51.7	53.4	56.2	60.4	64.6	66.1
Luxembourg	31.7	33.2	32.0[b]	34.1	38.2[b]	39.6	39.3	41.0	40.5	42.5	38.4[b]	39.6	39.8
Hungary	33.0	33.2	32.2	30.9	31.9	33.6	35.3	36.1	37.9	41.7	45.3	49.8	51.7
Malta	31.9[b]	30.7	29.5	30.1	29.1	31.9	33.2	34.7	37.1	39.5	42.3	45.8	47.2
Netherlands	46.1	47.7	50.9	53.0	55.1	53.7[b]	55.2[b]	57.6	59.2	59.9	61.7	63.5	65.7
Austria	29.9	33.0	36.0[b]	38.8	39.4	41.2	39.9	41.6	43.8	45.1	46.3	49.2	51.3
Poland	27.2	28.1	29.7	31.6	32.3	34.1[b]	36.9	38.7	40.6	42.5	44.3	46.2	48.3
Portugal	50.4	50.1	51.0	50.7	49.7	49.5	47.8[b]	46.5	46.9	47.8	49.9	52.1	56.2
Romania	39.4	41.7	41.4	43.1	42.6	40.7[b]	39.9	41.6	41.8	43.1	41.1	42.8	44.5
Slovenia	30.7	32.6	33.5	32.8	35.6	35.0	31.2	32.9	33.5	34.5	36.6	38.5	42.7
Slovakia	30.3	33.1	35.6	39.2	39.5	40.5	41.3[b]	43.1	44.0	44.8	47.0	49.0	53.0
Finland	52.7	54.5	55.0	56.5	55.5	56.2	50.0	58.2	58.5	59.1	60.0	61.4	62.5
Sweden	69.5[b]	69.6	70.0	70.1	70.0	70.4	72.0	73.0	73.6	74.0	74.5	75.5	76.4
United Kingdom	56.8	57.3	57.4[b]	58.0[b]	57.5	57.2	56.7	58.1	59.8	61.0	62.2	63.4	64.1
Norway	65.5	67.4[b]	69.0	69.2	68.7	68.6	69.6	70.9	71.1	72.2	72.2	72.6	71.9

Notes: *Description: The employment rate of older workers is calculated by dividing the number of persons in employment and aged 55–64 by the total population of the same age group. The indicator is based on the EU Labour Force Survey. Flag 'b': break in time series.*
Source: *Eurostat 2018 [tesem050]*

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Seniority systems – schemes that allot improving employment rights or benefits to employees as their length of employment increases – have not been widely studied. This report provides the first comprehensive study comparing the design and spread of seniority-based entitlements (SBEs) in Europe and mapping related policy debates. It is primarily based on contributions from the Network of Eurofound Correspondents, covering the 28 EU Member States and Norway, but also presents aggregate seniority-earnings curves for the EU based on data from the Structure of Earnings Survey. The aim of the report is to take stock of the currently existing different types of SBEs in the private and public sectors. It concludes that despite an obvious trend to remove them from regulations or reform them, a substantial amount of such entitlements is here to stay. Paradoxically, countries which have regulations on seniority pay in place tend to have flatter aggregate seniority-earnings curves than countries without such regulations.

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