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Employment and labour laws newsletter

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Operational restructuring and employment termination: a cross-jurisdictional analysis for a global workforce (part II)

In labour markets around the world, terminations based on operational or economic grounds rank among the most legally delicate and strategically challenging actions an employer may undertake. Although the driving factors are often similar – declining markets, organisational restructuring, automation or shifts in customer demand – the legal frameworks regulating these dismissals differ significantly from one country to another. These variations influence not only whether restructuring initiatives are feasible, but also their duration, documentation requirements and the level of litigation risk associated.

In a period of continued economic uncertainty, operational restructuring poses particular challenges for multinational employers. Redundancies and dismissals based on objective business grounds must be managed within diverse regulatory systems, each imposing distinct procedural requirements. These may include mandatory consultation processes, defined selection criteria and judicial scrutiny of possible alternatives such as redeployment. As a result, implementation timelines, compliance costs and litigation risks can differ substantially from one country to another. A thorough understanding of these divergences is therefore essential for effective cross-border legal advice, enabling practitioners to anticipate jurisdiction-specific constraints, co-ordinate compliant restructuring strategies and mitigate the risk of unforeseen disputes.

Building on the initial comparative analysis prepared by Baker Tilly member firms in Belgium, France, Germany, Spain and the UK, this newsletter broadens the perspective to include contributions from member firms in Austria, Italy, the Netherlands, Poland, Romania and Switzerland. It highlights key distinctions in evidentiary thresholds, employee protections and restructuring safeguards, and concludes with a comparative overview of the respective legal approaches.

Flexibility contained by social and procedural restrictions

Austria

Redundancies exceeding certain thresholds (approximately 5% of the workforce in businesses with more than 20 employees) require prior notification to the employment office, triggering a 30-day waiting period during which unilateral terminations by an employer are null and void.

An employer must also consult with the works council (where established) and discuss measures that aim to avoid or reduce the number of redundancies, mitigate the consequences of collective terminations and shape the outcome of their talks into a social plan. The conclusion of a social plan is mandatory if a 'considerable number of staff' in businesses with at least 20 employees is affected. There is no statutory guidance as to when this threshold is met, but one third of staff is generally deemed sufficient to trigger the social plan-mechanism. If employer and works council fail to reach an agreement on the terms of such a social plan, either can call on a special judicial committee set up at the labour court that would then decide on the terms of the plan.

Absent any clear statutory guidance, it is up to employer and the works council to reach an acceptable compromise, taking into account the economic clout of employer and the social situation of staff adversely affected. Measures under a social plan often contain both financial and non-financial benefits (voluntary severance pay, outplacement assistance, personal counselling and retraining), and relevant social aspects are commonly reflected in a formula allocating points based on age, years of service and number of children. It is also advisable and quite common for an employer to afford the benefits under a social plan only for those employees who, in exchange, agreed to a mutual termination of their employment relationship. A separation agreement essentially bars an employee from challenging their termination before court, in particular by asserting a lack of social justification.

For this reason, employers usually offer voluntary severance payments and other benefits in exchange for a mutual termination also in businesses where a works council has not been established and where a plant agreement (social plan) on mitigating the 'social cost' of redundancies is thus not an option.

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Clear redundancy rules with repechage duty and seniority priority

Italy

In Italy, redundancy is one of the reasons that allows an employer to dismiss an employee for 'justified objective reasons'.

This refers to dismissal for reasons related to production, work organisation and the smooth running of the business (Art. 3 Law 604/66).

Dismissal is considered legitimate if the employer demonstrates:

- the reasons (cause) leading to the elimination of the position (effect)
- the causal link between the reasons and the dismissal of that worker
- the inevitability of the dismissal, i.e. the impossibility of assigning the employee to different tasks, even inferior ones, and even in other locations of the company (so-called 'repechage').

The judge can only review the validity of the reasons and the causal link between the reasons and the job loss, not the merits of the employer's choices.

If the redundancy is partial and concerns positions occupied by employees who perform the same functions, the choice of the employee (or employees) to be dismissed is not free and must be made taking into account firstly the length of service and secondly family responsibilities. Thus, when choosing between two employees who perform the same duties, the one with the greater length of service retains their job and, if the length of service is the same, the one with the greater family responsibilities retains their job.

Without prejudice to these criteria, if the redundancy involves more than 5 workers to be dismissed within 120 days in a company with more than 15 employees, the law provides for a preliminary procedure, which requires notification to the trade unions of the redundancy and the company's need to reduce staff, a joint review and an attempt to reach an agreement.

If an agreement is reached, it may provide for a reduction in redundancies or financial incentives for workers who accept dismissal. If no agreement is reached, and in any case 45 days after the date of receipt of the notification to the trade unions, the employer is free to proceed with the dismissal notifications.

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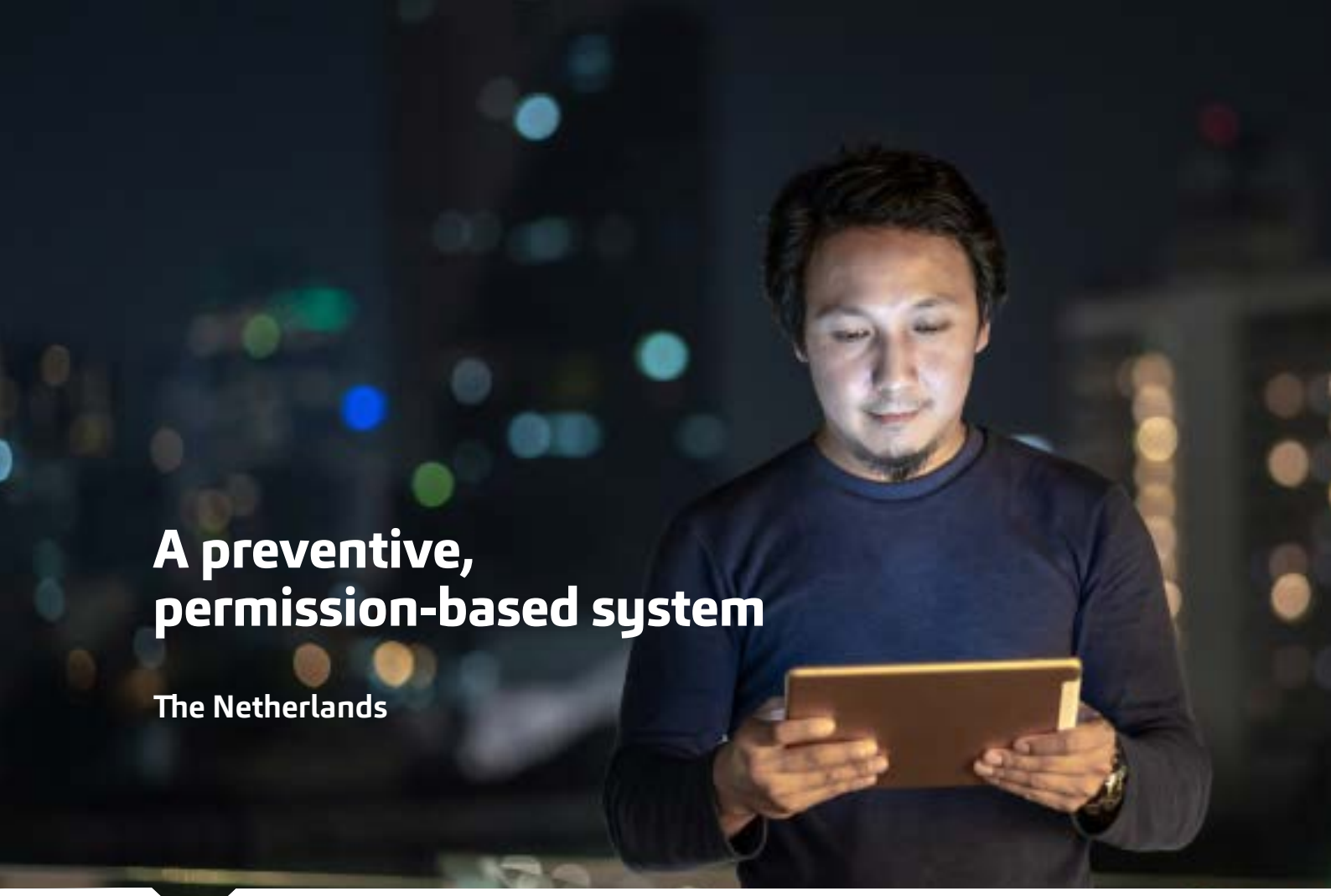

A preventive, permission-based system

The Netherlands

Dutch law takes a strict approach to business-economic redundancies. Termination must either occur with the employee's agreement through a mutual termination agreement, or, if the employee does not consent, by obtaining a dismissal permit from the Employee Insurance Agency (UWV). The UWV route is mandatory for economic dismissals and functions as a preventive review of the employer's justification and process.

In the UWV procedure, the employer must substantiate three elements. First, the business-economic grounds: the employer must demonstrate why the jobs in question are (becoming) redundant. Second, the reflection principle, a statutory selection method applied to all employees in interchangeable positions, based on age categories and length of service. The purpose of this system is to keep the age distribution of the remaining workforce as close as possible to the original composition. Third, the redeployment obligation: the employer must show that no suitable alternative position is available within the company, in the Netherlands or elsewhere if applicable, within a reasonable period of time. If any of these elements is insufficiently demonstrated, the UWV will deny permission.

In cases where 20 or more redundancies are intended within a three month period in the same geographical area, the Collective Redundancy Notification Act (WMCO) applies. The employer must notify the UWV and the relevant trade unions before taking any steps and must consult with trade unions if they respond in time. If a works council exists, the employer must also discuss the intended dismissals with the works council, which has a right to advice. In larger restructurings, employers often negotiate a social plan, which may include enhanced severance formulas, redeployment support and other mitigating measures.

If the UWV grants permission, the employer may terminate the contract by giving notice, observing the applicable notice period minus the duration of the UWV process, with at least one full month remaining. The employee is then generally entitled to the statutory transition payment from day one of employment. If the UWV refuses permission, dismissal is not allowed through this route. In practice, however, employers usually seek to resolve business economic redundancies through a mutual termination agreement, because this avoids a time consuming and costly UWV procedure. Such agreements commonly include enhanced severance, reimbursement of legal fees and/or outplacement support, and release from work duties during the notice period.

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Procedural intensity and selection criteria across employer sizes

Poland

Under Polish law, termination of employment for reasons not attributable to the employee, such as organisational restructuring, cost reduction or technological change, is permissible but subject to differing legal regimes depending on employer size. The key dividing line is whether the employer engages fewer than 20 employees or meets the statutory threshold triggering the application of the Act on Special Rules for Termination of Employment Relationships for Reasons Not Attributable to Employees (the Act).

For employers with fewer than 20 employees, redundancy dismissals are governed solely by the Labour Code. While this framework does not impose a statutory severance obligation, it requires that the reason for termination be specific, genuine and objectively verifiable. Where only one of several comparable positions is eliminated, well-established case law requires the employer to demonstrate transparent and non-arbitrary selection criteria. Courts have consistently indicated that such criteria may include in particular, professional qualifications, length of service, quality or efficiency of work, versatility of skills or employee availability, provided they are applied consistently and without discriminatory effect.

Judicial review in these cases does not extend to assessing the business merits of workforce reduction itself. Instead, courts focus on whether the dismissal was implemented in a fair and coherent manner. Generic references to 'organisational changes' or 'headcount reduction' are typically insufficient where other employees continue to perform substantially similar duties.

Employers with at least 20 employees are subject to a more formalised regime. The Act applies both to collective redundancies and to certain individual dismissals, provided that operational reasons constitute the sole basis for termination. Collective redundancies trigger consultation and notification obligations and entitle affected employees to statutory severance payments of up to three months' remuneration, depending on length of service. Established judicial practice requires the selection of employees for dismissal to be based on objective and equitable criteria, particularly where multiple employees perform comparable roles.

Overall, the Polish framework preserves managerial discretion in workforce restructuring while subjecting its execution to meaningful judicial scrutiny. In practice, the defensibility of redundancy dismissals (regardless of employer size) depends on careful preparation, clear documentation and a fair selection process.

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Genuine organisational grounds and strict procedural compliance

Romania

Romanian law treats dismissals for business or operational reasons as a distinct category of termination unrelated to the employee's conduct or performance. The framework is primarily governed by the Labour Code and combines a substantive requirement, namely a genuine organisational need, with strict formal and procedural safeguards. Courts exercise scrutiny over such dismissals, focusing on the authenticity of the restructuring and the effective elimination of the position.

Firstly, the employer must demonstrate that the job position has been abolished as a result of economic, technological or organisational changes. The elimination must be effective, meaning that the role genuinely disappears from the employer's organisational structure and is not merely renamed or redistributed to another employee performing substantially similar duties. Typical triggers include financial difficulties, loss of contracts, restructuring, outsourcing or technological transformation.

Secondly, the measure must be based on a real and serious cause. While courts do not question the business opportunity of the employer's decision, they do assess whether the restructuring reflects an objective organisational need rather than a disguised attempt to remove a specific employee. Romanian law does not require the employer to prove that dismissal was the last possible measure, but the coherence of the decision and the consistency between the stated reasons and the organisational changes are closely examined.

Unlike some continental systems, Romanian law does not impose a general statutory obligation to redeploy the employee to another position prior to dismissal. Nevertheless, if suitable vacancies exist, the failure to offer them may be relevant in litigation, particularly where internal rules or collective agreements provide for such measures.

Where multiple dismissals occur within a 30-day period, collective redundancy rules apply once statutory thresholds are met. These thresholds vary according to the size of the workforce and broadly mirror the framework established by EU law. In such cases, the employer must initiate consultations with trade unions or employee representatives in due time and with the genuine aim of avoiding or reducing the number of dismissals and mitigating their consequences. The employer is required to provide extensive written information, including the reasons for the restructuring, the number and categories of employees affected, the selection criteria and the proposed timetable.

In addition, the employer must notify the labour inspectorate and the employment agency. Following the consultation phase, a formal notification must be submitted at least 30 calendar days before the issuance of dismissal decisions. Authorities may intervene to adjust this period in certain circumstances. Employees dismissed collectively benefit from a priority right to re-employment if the employer resumes the same activity within a short statutory period.

Employees dismissed for operational reasons are entitled to a minimum notice period of 20 working days, during which the employment relationship continues. The dismissal must then be formalised through a written decision containing mandatory elements, including the reasons for termination, the notice period and, in collective cases, the selection criteria applied. The termination becomes effective upon written communication of this decision to the employee.

Romanian law does not provide a universal statutory severance entitlement for redundancy dismissals. Compensation typically arises only from collective bargaining agreements, individual employment contracts or negotiated social plans, although dismissed employees may access unemployment benefits under public law.

Romanian courts exercise rigorous review over both the substantive justification and the procedural compliance of redundancy dismissals. If a dismissal is found unlawful, the primary remedy is reinstatement accompanied by payment of lost wages from the date of termination until reinstatement, which can represent a substantial financial exposure. Romania therefore offers a legally structured regime in which restructuring is permissible but must be implemented with careful planning, coherent justification and strict adherence to statutory procedures.

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Procedural intensity and selection criteria across employer sizes

Switzerland

Swiss employment law is characterised by a relatively liberal approach to termination. Employment contracts of indefinite duration may generally be terminated at any time provided that the applicable notice periods are respected. These may arise from the employment contract, a collective bargaining agreement or alternatively the law and usually depend on the length of employment. The reason for termination only needs to be stated if the employee explicitly requests such information. Furthermore, the employment relationship may be terminated with immediate effect at any time for good cause. If the employer dismisses the employee with immediate effect without good cause, the employee is entitled to compensation for what they would have earned if the employment relationship had been terminated in accordance with the notice period, plus compensation of up to six months' salary.

Despite this flexibility, terminations are not entirely unrestricted. First, employers must respect periods of protection against dismissal (e.g. due to pregnancy, illness), which apply from the end of the probationary period and vary in length depending on length of service. A termination issued during such a protected period is void. If the termination has already taken place, it is valid, but the notice period is extended by the duration of the period of protection.

Second, a dismissal may be deemed abusive in certain cases specified by law (e.g. termination based on personal characteristics, retaliation for exercising statutory rights) or if it violates the principle of good faith. If a termination is found to be abusive, the employment relationship still ends, but the employer may be ordered to pay compensation of up to six months' salary. Collective bargaining agreements may further restrict freedom of termination.

Within this general framework, terminations for economic reasons - such as restructuring, reorganisation, downsizing - are generally permissible under Swiss law. Economic reasons are considered legitimate grounds for termination and, as a rule, do not constitute abusive termination. In practice, Swiss courts grant employers a relatively broad margin of appreciation when restructuring measures are economically motivated, which provides helpful planning certainty in organisational transformation.

Swiss law does not impose a general obligation to pay severance upon termination. Severance payments may, however, arise from individual employment contracts, collective bargaining agreements or social plans.

Special rules apply in the case of mass redundancies. A mass redundancy occurs when an employer dismisses a certain number of employees within a 30-day period for reasons unrelated to the individuals concerned. In such cases, employers have a duty to inform and consult the employee representatives or, if none exist, the affected employees and to notify the competent cantonal employment authority in advance. In certain cases, there is an obligation to negotiate a social plan with employee representatives.

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Comparative table

Severance and notice periods (based on provided presentations only)

Country	Severance / redundancy payment	Notice period
Austria	• No statutory obligation to pay severance (for employment relationships that started after 31 December 2002). • No statutory formula/algorithm on mitigating measures; negotiations between employer and works council (social plan) or with employees (absent a works council).	• Statutory minimum notice periods depend on years of service (from 6 weeks to 5 months after 25 years of service), effective as at the end of a calendar quarter, unless the 15th or last day of the month has been contractually agreed (common).
Italy	• Mandatory Trattamento di Fine Rapporto (TFR): Annual salary / 13.5, plus 1.5% per year of service and inflation adjustments. • Paid upon any termination. • No specific redundancy premium beyond TFR, unused holidays, and pro-rata payments.	• Varies by collective agreement, role, and service length. • Typically, 15–60 days for blue-collar/ white-collar. • Up to 6–12 months for executives (e.g., 6 months <6 years' service, scaling to 12 months >15 years). • Can be replaced by payment in lieu.

The Netherlands	• Statutory transition pay: 1/3rd gross monthly salary (including holiday allowance, 13th month pay, bonus payments and other relevant wage components) for each year of employment.
	• When terminating by mutual agreement, employers often offer, in addition to the statutory transition pay, a period of garden leave, enhanced severance, reimbursement of legal fees and/or outplacement support.
		• The statutory notice period for the employer depends on the years of service of the employee:
		  • < 5 years: 1 month
		  • 5-10 years: 2 months
		  • 10-15 years: 3 months
		  • > 15 years: 4 months
		• For employees who have reached the aow retirement age: 1 month.
		• If an alternative period is agreed, the length of notice to be given by the employer must be at least double the length of notice to be served by the employee (which may not exceed six months). If this is not the case, the notice period for the employee may be reduced to one month. A collective labour agreement may contain different arrangements.

Comparative table

Severance and notice periods (based on provided presentations only)

Country	Severance / redundancy payment	Notice period
Poland	• Statutory severance applies in redundancies for reasons not attributable to the employee where the employer employs at least 20 employees, including collective redundancies and certain individual dismissals. • Severance amounts to one to three months' remuneration, depending on length of service, subject to a statutory cap. • No statutory severance obligation applies to employers with fewer than 20 employees, unless severance results from internal regulations or agreements.	• Notice must be in writing. • Statutory notice periods depend on length of service and range from two weeks to three months, with termination effective at the end of a calendar month (unless otherwise agreed). • In collective redundancies, the employer may shorten a three-month notice period to one month, subject to payment of compensation equal to the employee's remuneration for the remainder of the notice period.
Romania	• No universal statutory obligation to pay severance for dismissals based on business or operational reasons. • Severance may be due only if provided by an applicable collective bargaining agreement, individual employment contract, company policy or negotiated social plan. • Employees dismissed for such reasons may be entitled to unemployment benefits and active labour-market support under public law.	• Minimum statutory notice period of 20 working days for dismissals not related to the employee's person. • Notice must be granted prior to termination; the dismissal decision is issued after the notice period expires. • The notice period is suspended if the employment contract is suspended (e.g. Sick leave), except in limited statutory situations. • Termination takes effect upon communication of the written dismissal decision to the employee.

Switzerland	• No statutory obligation to pay severance.
	• Severance may arise from individual employment contracts, collective bargaining agreements, or social plans.
	• If a termination is deemed abusive, compensation of up to six months' salary may be awarded.
		• Statutory notice periods (if neither the collective bargaining agreement nor the employment contract stipulate otherwise):
		  • 1 month in the first year of service
		  • 2 months from the 2nd to the 9th year
		  • 3 months from the 10th year onward
		• Dismissal during protected periods is void; protected events during the notice period extend the notice period.

Conclusion: From strict procedures to pragmatic approaches

Although Austria, Italy, the Netherlands, Poland, Romania and Switzerland all acknowledge the need for workforce adjustments in response to economic realities, their legal treatment of redundancy dismissals differs markedly in terms of procedural intensity and employee protection. Italy stands out for its particularly stringent framework, characterised by mandatory redeployment (repechage) obligations, seniority-driven selection criteria, and trade union involvement in collective redundancies. The Netherlands similarly operates under a highly regulated model, requiring formal approval procedures and thorough assessments of redundancy and redeployment possibilities.

By contrast, Switzerland adopts a comparatively liberal approach to termination, granting employers broad discretion while maintaining defined statutory safeguards, notably with respect to protected periods and mass redundancy procedures. Austria also provides employers with greater flexibility, relying in many cases on social plans and limited statutory intervention. Poland and Romania, on the other hand, impose structured consultation requirements and substantiated justification thresholds, thereby increasing procedural and compliance demands.

For multinational employers operating across these jurisdictions, a uniform restructuring model is impractical. Effective implementation depends on jurisdiction-specific legal strategies, comprehensive documentation of objective business grounds, and early, constructive engagement with local consultation mechanisms to reduce litigation risk. A nuanced understanding of these national distinctions is essential not only for ensuring compliance, but also for maintaining operational agility within a fragmented international labour environment.

Overview: Employer of record

Employer of record in Poland: A model at the edge of compliance

Under Polish labour law, the Employer of Record (EoR) model is neither expressly regulated nor named in statutory provisions, which does not, however, mean that it may be applied freely. Polish labour law is based on a substance-over-form approach. The legal classification of an employment relationship is determined by the actual manner in which work is performed and the factual scope of managerial control exercised, rather than by the formal designation of the contract or the adopted contractual structure.

Consequently, the use of the EoR model entails significant legal risks arising from a substantive assessment of the real manner in which work is performed and the actual scope of activities carried out in Poland by the foreign entity. First, the EoR model may lead to increased tax risks, particularly those related to the potential recognition of a permanent establishment of the foreign entrepreneur in Poland. The mere use of an EoR does not, in itself, preclude a finding that business activity is being carried out in Poland within the meaning of tax regulations and the relevant double taxation treaties. If an employee formally employed by an EoR performs, in Poland, on a permanent and organised basis, key activities for the benefit of a foreign entrepreneur, the tax authorities may determine that such activity is in fact conducted in Poland. This risk is particularly high where the employee is involved in negotiating or de facto finalising contracts, even in the absence of formal authorisation.

Secondly, there is a risk that the employment relationship may be found to have been in fact established between the employee and the foreign entrepreneur exercising actual supervision over the employee, rather than with the EoR entity formally indicated as the employer. If the foreign entity effectively organises the work, issues binding instructions, determines the time, place, and manner of its performance, or carries out performance evaluations, it may be deemed the actual employer, irrespective of the formal wording of the contract. Such reclassification may result in labour law and social security obligations being imposed on the foreign entrepreneur, as well as liability vis-à-vis supervisory authorities.

Against the background of these risks, attention should be drawn to the regulations governing temporary agency work, under which the law permits work to be performed for the benefit of and under the supervision of a user undertaking, but only subject to the fulfilment of strictly defined formal requirements and time limits. Although functionally similar to the EoR model, this arrangement constitutes an exception expressly provided for by statutory law

Consequently, under the regulations currently in force in Poland, the safest options available to foreign entrepreneurs are:

- the use of temporary employment agency services
- the performance of specific processes under an outsourcing model.

Country	Poland
General stance	Lack of domestic regulations on EoR.
Key compliance triggers	Real exercise of managerial authority; permanent work in Poland; integration into core business.
Main risks	Reclassification of the foreign entity as the real employer. Establishment of a permanent establishment for tax purposes.

Updates

France: Rupture conventionnelle (mutual termination of a permanent employment contract) - practical guide and 2026 cost update

Under French law, an employer normally ends a permanent employment contract by dismissal, and an employee by resignation. Since 2008, France has also provided a specific and highly regulated mutual termination mechanism: the rupture conventionnelle. This is neither a resignation nor a dismissal. It is a negotiated exit, formalised in a statutory agreement and subject to administrative approval.

This distinction matters: outside this statutory framework, a so-called "mutual termination" agreement can be treated as an unfair dismissal, with the usual exposure that comes with it.

When properly implemented, the employee generally remains eligible for unemployment benefits, while the employer benefits from a structured route that usually reduces uncertainty compared with ad-hoc settlement arrangements.

The rupture conventionnelle is available only for an open-ended (permanent) employment contract. It cannot be concluded during the probationary period and does not apply to fixed-term contracts, agency workers or apprentices. It may, however, be used while the employment contract is suspended (for example during sickness or maternity leave), provided the employee's consent is genuinely free and informed.

In practice, the process starts with one or more meetings between employer and employee. The parties negotiate the key terms, including the termination date and the 'specific severance indemnity'. This severance must be at least equal to the statutory severance payable in a dismissal scenario (or a higher amount if the applicable collective bargaining agreement provides more). In many cases, employers agree to pay more than the minimum to secure a clean and predictable exit.

After signature, both parties have a statutory 15-calendar-day cooling-off period during which they may withdraw. Once that period has expired, the agreement must be filed online via the TéléRC website (paper filings are no longer processed). The labour administration then has 15 working days to review the file; if it does not respond within that timeframe, approval is deemed granted. The employment contract cannot end before the day after approval (express or deemed). In practical terms, even straightforward cases typically take around six weeks from signature to the effective end date.

Cost and structuring: anticipate the total cost early

The tax and social security treatment of termination payments is technical and should be assessed before the figures are finalised. In practice, the overall employer cost can differ materially from the headline severance amount.

From a tax perspective, rupture conventionnelle severance is subject to the same regime as redundancy compensation. It is exempt from income tax up to the higher of: (i) the severance amount provided by law or the applicable collective bargaining agreement; (ii) 50% of the total rupture conventionnelle severance paid, capped at six times the annual Social Security ceiling (plafond annuel de la sécurité sociale), i.e. EUR 288,360 in 2026; or (iii) twice the employee's gross annual compensation for the calendar year preceding the termination, capped at the same ceiling, i.e. EUR 288,360 in 2026.

From a social security perspective, the severance is exempt from social security contributions for the portion that is income-tax-exempt, up to a limit of twice the annual social security ceiling, i.e. EUR 96,120 for 2026. Any excess becomes subject to social security contributions. In all cases, if the severance exceeds ten times the annual Social Security ceiling, it is fully subject to social security contributions.

2026 employer cost driver: the 40% contribution

Beyond the negotiated severance itself, the specific severance indemnity is subject to an employer contribution on the part of the severance that is excluded from the social security contribution base. Since 1 January 2026, that employer contribution has increased from 30% to 40%. This materially changes the economics of negotiated exits and should be built into budgeting and negotiation strategy from the outset.

As part of the termination, employers should also account for the usual end-of-contract payments, including accrued but untaken paid leave, any pro-rated annual bonuses, and (where applicable) non-competition compensation in accordance with the employment contract.

Risk management and special cases

While the rupture conventionnelle is generally a robust mechanism, it is not litigation-proof. Disputes most often relate to consent (pressure, duress, harassment or misrepresentation) and to procedural discipline (deadlines, documentation, filing). Early advice is usually valuable for three reasons: to model the true employer cost, secure a compliant timetable, and document a clean negotiation process.

A special regime applies to protected employees (such as staff representatives). In those cases, standard administrative approval is replaced by prior authorisation from the labour inspectorate, usually with additional procedural steps. This typically increases both timeline and risk and should be prepared carefully.

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Poland: A fundamental shift in the calculation of employment seniority under Polish labour law

Effective the beginning of 2026, Poland has implemented one of the most significant reforms of employment seniority rules in recent years, substantially expanding the scope of professional experience recognised for employment law purposes. The amended Labour Code marks a clear departure from the traditional approach under which seniority was based almost exclusively on periods of employment performed under an employment contract.

Under the new framework, employment seniority now encompasses a broad range of professional activity beyond standard employment relationships. In addition to periods of employment, seniority includes time spent performing work under civil law contracts, operating a sole proprietorship, holding certain corporate roles, and performing paid work abroad. The reform reflects a policy shift towards recognising professional experience irrespective of the legal form under which work was performed.

The change has immediate and practical consequences across multiple employment entitlements. In Poland, seniority determines, among other things, the length of statutory notice periods, entitlement to annual leave, eligibility for severance payments and often an access to benefits provided under internal company policies. As a result, employees commencing employment in 2026 may qualify for rights traditionally associated with long-serving employees from the outset of their employment.

The reform does not operate retroactively. While earlier periods of professional activity are taken into account when calculating seniority going forward, they do not give rise to claims for benefits or entitlements for periods preceding 2026. Responsibility for documenting qualifying periods rests primarily with employees, with social security records playing a central role in evidencing prior activity.

From an international perspective, the Polish reform aligns employment protection more closely with modern, flexible labour market realities. At the same time, it introduces new compliance and workforce planning considerations for employers operating in Poland, particularly in relation to recruitment and the enforcement of internal policies.

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