Europe: A Snapshot of 2025's Key Employment Law Topics

As we progress through 2025, significant legal and regulatory developments are taking shape across the globe. This article provides an overview of key employment law trends across Europe, focusing on recent legislative changes and anticipated developments.

Belgium

- **Potential Simplifying of Belgian Labour Law**: the proposed reforms aim to modernise regulations in line with the needs of both employers and employees, including:

  - Allowing greater flexibility in defining working hours within the framework of EU legislation;
  - Enabling the transfer of unused vacation days;
  - Removing restrictions on Sunday, night, and public holiday work;
  - Relaxing rules on business operating hours and introducing a standardised, tax-favourable structure for overtime;
  - Streamlining regulations on the lending of personnel;
  - A review of the automatic indexation system linked to the cost of living;
  - An increase in the maximum value of meal vouchers (which are exempt from tax and social security contributions); and
  - Major reforms to the pension system.

- **EU Corporate Sustainability Reporting Directive (CSRD)**: although a draft bill to implement the CSRD was introduced at the end of 2023, its progress has been delayed due to the elections in June and October 2024. Business groups have urged lawmakers to avoid imposing additional administrative burdens on companies beyond what is strictly necessary.

- **Measures to Combat Rising Cases of Burnout and Long-Term Absence**: the growing number of employees on long-term sick leave has led to increased regulatory pressure on employers to take proactive measures. At the same time, there is a developing trend of former employees pursuing claims against their employers for failing to implement sufficient safeguards to prevent long-term illness. Companies should therefore review their current absence figures and evaluate whether their existing policies on workplace health and wellbeing are adequate to meet their legal obligations.

- **Preparation for the EU Pay Transparency Directive**: while not currently a major focus, as implementation is not required until 2026, it is a good idea for employers to start assessing their current pay transparency practices and prepare for compliance, based on their specific needs and goals.

Czech Republic

- **Significant Update to the Labour Code**: following the comprehensive update in 2024, a new amendment expected in spring 2025, introduces key changes to the Labour Code:

  - The notice period for dismissals due to poor performance or failure to meet job prerequisites will be reduced from two months to one. Additionally, notice periods will start on the actual date of delivery rather than the first day of the following month.
  - Maximum probation will increase to four months for regular employees and eight months for managers. Extensions up to these limits will be allowed by mutual agreement.
  - Employees on parental leave may continue working part-time or under alternative agreements without terminating their leave. Employers must guarantee their position until the child turns two.

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- Restrictions on renewals for employees covering maternity or parental leave will be lifted, enhancing flexibility.
- Compensation for employees dismissed due to occupational illness or work accidents will be covered by insurance rather than the employer, remaining at 12 times the employee's average salary.
- Under certain conditions, salaries may be paid in currencies other than the Czech Koruna.

- **Self-Scheduling of Working Hours**: as of 1st January 2025, employees can self-schedule their hours under a written agreement with their employer, either as part of their contract or a separate document. Employees must complete their weekly working hours within a 26-week balancing period (or 52 weeks under a collective agreement). Shifts cannot exceed 12 hours per day. The agreement can be terminated with 15 days' notice. Employers failing to comply may face fines up to CZK 300,000.

- **AI in the Workplace**: although no specific AI regulations have been introduced, its use in Czech workplaces is expanding. The EU AI Act will require businesses to implement transparency, accountability, and risk management measures in AI-driven HR processes. Employers should establish internal policies to protect data and prevent discrimination or privacy risks.

France

- **Business Immigration**: A new immigration law, has introduced measures for regulation and integration. From 2025, foreign employees can receive up to 80 hours of French language training as part of their working hours, limited to 10% of their weekly time. They must also sign a Republican Integration Contract. If using a personal training account, only 28 hours will count towards working hours. Employers face fines of up to €20,750 per unauthorised worker, including those with permits employed outside their approved region. Work permit applications require proof (from the past six months) of paid social security contributions.

- **EU Corporate Sustainability Reporting Directive (CSRD)**: the CSRD took effect in France on 5th January 2024. From 1st January 2025, it applies to non-EU companies listed on an EU stock exchange and EU companies meeting at least two of the following:

  (i) over 250 employees;
  (ii) a balance sheet above €20 million; or
  (iii) net turnover exceeding €40 million.

  Affected companies must publish a 2026 ESG report covering social, human rights, and governance factors, including sustainability risk management. From 2025, companies must also consult their Social and Economic Committee on sustainability as part of mandatory annual reviews.

  Employers are advised to establish an internal agreement in 2025 to define how sustainability issues will be addressed in consultations.

- **Profit Sharing**: companies with 11 to 49 employees that recorded at least 1% net profit of turnover for three consecutive years (2022–2024) must establish a profit-sharing scheme by 30th June 2025, effective as of 1st January 2025. Funding can come from a company savings plan or a value-sharing bonus in 2025. This requirement applies until 30th November 2028 on a trial basis, with potential for permanence. Companies with 50 or more employees already have mandatory profit-sharing obligations.

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Germany

- **Streamlining of Bureaucratic Processes**: the Fourth Bureaucracy Relief Act took effect 1st January 2025, and is aimed at simplifying administrative processes. It has removed the strict "wet ink" requirement for certain documents, allowing electronic execution, including employment contracts. Exceptions remain for industries prone to undeclared work and for time-limited contracts. However, termination notices, agreements, and post-contractual non-compete clauses must still be in writing. Parental leave requests and temporary agency work contracts can now be submitted electronically. Job references can also be issued electronically with the issuer's authorized signature and employee consent.

- **Taxation of Severance Payments**: as of 1st January 2025, employers are no longer responsible for applying the "one-fifth rule" for extraordinary income (e.g., severance, stock options, bonuses). Previously, employers faced administrative burdens and liability risks in determining eligibility. Now this tax benefit applies only when employees file an income tax return. Employees should be informed of this change, and employers should avoid guaranteeing eligibility for the rule, particularly regarding income accumulation.

- **EU Corporate Sustainability Reporting Directive (CSRD) Implementation**: the CSRD is due to be implement but political delays have stalled progress. Although a draft bill was approved by the Federal Cabinet, its passage remains uncertain. The European Commission has initiated infringement proceedings already and new legislation is unlikely before autumn 2025. Until then, companies are not legally required to comply with CSRD. However, if enacted in 2025, all large companies may still need to prepare and audit sustainability reports for 2025.

Italy

- **EU Pay Transparency Directive Implementation**: while current legal framework already aligns with aspects of the directive, adjustments may be needed regarding equal pay and salary transparency in employment and recruitment. Currently, employers have discretion in setting pay, leading to potential disparities. Implementation may change this, requiring employers to disclose pay criteria, salary levels, and progression paths, ensuring gender neutrality. Candidates will also have the right to initial salary information without disclosing their own salary history.

- **Legislative Update**: A recent law introduces multiple changes to labour regulations. The main changes are:
  - absent without justification beyond the timeframe set by collective agreements or, 15 days otherwise, employees will be deemed to have resigned and will lose unemployment benefits.
  - Probationary periods must be proportionate to contract length.
  - Fixed-term contracts can now exceed 12 months, up to 24 months, under specific conditions, with an extension of this provision until the end of 2025.
  - Parental leave has been extended from two to three months with 80% salary coverage, while additional leave remains at 30%.

- **EU Corporate Sustainability Reporting Directive (CSRD) Implementation**: Italy has adopted new sustainability reporting requirements, replacing the previous non-financial disclosure framework. Companies must comply with expanded reporting standards, particularly in the social aspects of ESG, covering client engagement, business relationships, and employment conditions. Employers must also inform and engage with workers' representatives regarding sustainability matters.

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- **Definition of Disability and Reasonable Accommodations**: the definition of disability now includes long-term physical, mental, psychological, or sensory impairments that, in combination with barriers, limit full participation in professional life. Employers must provide reasonable accommodations that do not impose undue burdens, ensuring equal access to rights. Employees can formally request accommodations and participate in their assessment.

- **Case Law on Employee Reinstatement in Unlawful Dismissal Cases**: recent court rulings have expanded employee reinstatement rights. Dismissals for objective reasons found to lack a factual basis now qualify for reinstatement. Additionally, disciplinary dismissals must align with collective agreements, meaning employees cannot be dismissed if a lesser sanction applies. These rulings increase the likelihood of courts ordering reinstatement, impacting employer risk management.

Netherlands

- **Freelancers and Self-Employed Professionals**: as of 1st January 2025, the Dutch tax authorities will resume enforcement against false self-employment, targeting cases where individuals are misclassified as self-employed but function as employees. Corrections will only apply retroactively from this date unless there is evidence of deliberate non-compliance. While fines will not be issued until 2026, businesses should take steps to ensure compliance. The legislative proposal on Employment Relationships and Legal Presumption (WVBAR) aims to clarify this framework. The tax authorities will also cease approving model agreements, though existing agreements remain valid until 2029 unless they become non-compliant due to legal changes or court rulings.

- **EU Directive Implementation:** there will be key EU legislative changes expected in 2025, as the government will need strictly to implement the EU Pay Transparency Directive and the EU Platform Work Directive.

- **Statutory Severance Compensation Changes**: the statutory severance compensation scheme, introduced in 2020, may be abolished from 1 July 2026 for employers with 25 or more employees. If this happens, it could lead to an increase in dormant employment contracts, where employees who have been unable to work for two years due to illness remain technically employed but unpaid. Currently, employees in this situation can request to end their contract and receive severance pay, provided the employer can claim compensation from the Employee Insurance Agency (UWV). However, if the severance scheme is abolished, it is unclear whether employers will still be obligated to grant these termination requests

- **Stricter Regulations on Noncompete Clauses**: A legislative proposal seeks to balance employee mobility with employer protections by introducing stricter non-compete regulations, including:

  - A maximum duration of 12 months.
  - A mandatory geographical scope definition.
  - A requirement to justify the clause in all employment contracts.
  - Employers must invoke the clause in writing within a set timeframe.
  - Employers must compensate employees 50% of their last earned monthly salary for each month the clause is enforced.

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Poland

- **Various Legislative Updates**:
  - There will be an additional public holiday from 2025 onwards, Christmas Eve (24 December) will be recognized as a public holiday in Poland.
  - From March 2025 maternity leave will be extended. Parents of newborns delivered before 37 weeks of gestation or with a birth weight below 1kg will be entitled to additional maternity leave for each week their child remains in hospital.
  - The implementation of the new Collective Agreement Act, originally scheduled for early 2025, is now expected to be postponed until later in the year. The Act aims to streamline negotiations between employers and trade unions by clarifying the scope of collective agreements, simplifying registration procedures with the National Collective Agreements Register, providing mediation support for dispute resolution, defining maximum agreement durations, and setting rules for both withdrawal from and expansion of agreements.
  - The Polish parliament is considering revising the legal definition of "mobbing" (workplace bullying) due to concerns that the current wording is overly complex and hinders victims from asserting their rights. While the new definition is yet to be announced, once enacted, employers will be required to update internal policies on misconduct and ensure employees are informed, for instance, through training sessions.
  - Under the 2025-27 strategy of the State Labour Inspection, enforcement efforts will focus on verifying the legality of employment for both Polish and foreign workers, as well as their working conditions. Inspectors will assess whether employers are engaging in informal employment arrangements, underreporting working hours, or misrepresenting wages. Businesses should be prepared for increased scrutiny.
  - New regulations will introduce limits on maximum temperatures for both indoor and outdoor work environments.
  - New legislation set to take effect in 2025 will update sick leave provisions. It will specify certain occasional, incidental, or situational work activities that employees may perform while on sick leave without losing their social insurance benefits. Examples include signing invoices or handling shipments and documentation.

- **EU Corporate Sustainability Reporting Directive (CRSD)**: as of 1st January 2025, the CSRD has replaced the Non-Financial Reporting Directive (NFRD) in Poland, broadening non-financial reporting requirements. ESG reporting now applies to listed small and medium enterprises in the EEA and large corporations. By 2026, all large firms must comply, followed by listed SMEs in 2027 and non-EU parent company subsidiaries in 2028. Employers must focus on workplace well-being and consult employee representatives on sustainability reporting, who will provide input to supervisory boards where applicable.

- **Preparation for the Implementation of EU Pay Transparency Directive**: companies should begin developing clear pay structures and conducting regular audits to identify and address pay gaps.

Spain

- **Working Hours Reduction**: the coming year will see a significant reduction in the standard working week from 40 hours to 37.5 hours. The Spanish Minister of Labour plans to implement legislation requiring affected businesses to comply with these new rules by 31 December 2025. This reform is expected to benefit over 8 million full-time employees, who will see their daily working hours reduced by 30 minutes without any decrease in salary. However, the change will not apply to employees who already have a shorter working week, which is increasingly common in sector-specific collective agreements and the public sector.

- **Preparation for the Implementation of EU Pay Transparency Directive**: the new EU Directive will introduce additional obligations, such as:
  - requiring employers to disclose information about initial salaries, pay structures, and career progression;
  - granting job applicants the right to receive details on starting salaries and applicable collective bargaining agreements;
  - prohibiting employers from inquiring about an applicant's past salaries; and
  - shifting the burden of proof in pay-related disputes.

United Kingdom

- **Preparation for the Employment Rights Bill Obligations**: while the majority of the legislation from the Employment Rights Bill comes into effect in 2026, employers should be aware of the significant changes that will be taking place and considering the steps needed they need to take.

This is a high level general update only. Legal advice should be obtained on specific circumstances.

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