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INCLUSIVE GROWTH THROUGH COLLECTIVE BARGAINING IN THE NETHERLANDS

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Introduction

In recent years, there is a growing interest in the relationship between economic growth and inequality. More and more it is recognised that economic growth has not equally benefitted all and has been translated in growing differences in income and wealth (e.g. Piketty 2014; OECD 2017a, b; Nolan et al. 2014). For example, the OECD argues that whereas globalisation and technological change “have been a source of prosperity”, the benefits of these processes have been unevenly shared, producing high levels of inequality (OECD, 2017b). Indeed, the dominant growth model has not only failed to prevent the crisis, but also to prevent the increase of inequalities (OECD, 2017a). At the same time, there is a growing realisation of the problematic effects of inequality on economy and society alike (Atkinson 2015; Wilkinson and Pickett 2009; Nolan et al. 2014; Berg and Ostry 2011).

With these observations, the call for inclusive growth is strengthening. Inclusive growth is defined as “economic growth that creates the opportunity for all segments of the population and distributes the dividends of increased prosperity both in monetary and non-monetary terms, fairly across society” (OECD, 2015). Inclusive growth should both be productive and reduce inequalities, as well as sustainable. In the debate on how to create inclusive growth, attention is given to factors like globalisation, technological change, education, tax systems, etc.

Relatively little attention is given to the role of wages and labour market institutions (Álvarez et al. 2018). This issue is the focus of the CAWIE3 project of which the present study is part. The project includes eight countries: Belgium, the Netherlands, Italy, France, UK, Finland, Spain and Denmark. It asks the questions how wages relate to growth, i.e. is wage growth a result of economic growth or can it also be a source of it; how wage setting, and in particular wage setting through collective bargaining, influences inequality; and what the respective objectives and strategies of trade unions and employers’ organisations are. We consider those questions in this paper for the Netherlands, discussing the entire economy in general and giving special attention to two sectors: the metal sector and the retail sector.

The structure of the paper is as follows. In the next section we discuss overall developments in the bargaining system. Then we focus on four types of inequality, their relationship with collective bargaining and the respective objectives and strategies of unions and employers’ organisations. In section 3 we discuss the functional income distribution, in section 4 wage inequality, in section 5 inequality in the distribution of insecurities and in section 6 income inequality. Section 7 concludes.

1 Developments in the Dutch collective bargaining system

1.1 Collective bargaining institutions¹

The Dutch collective bargaining system is part of a broader set of institutions and practices that together make up the Dutch neo-corporatist model, sometimes referred to as the ‘poldermodel’. This model was established at the end of the Second World War and some of its elements date back to even earlier in the twentieth century. It is a model that as far as the institutional make-up is concerned exhibits a lot of stability and continuity. At the same time, as will be argued, the way actors deal with each other within this institutional context, as well as the outcomes that the model produces, has been changing substantially in recent decades (de Beer and Keune 2018a).

At the national level, Dutch neo-corporatism is characterised by two main institutions. In the Socio-Economic Council (SER, established in 1950) the main national employers’ organisations (mainly VNO-NCW and MKB), trade union confederations (FNV, CNV, VCP) and independent experts proposed by the government and appointed by the king (‘crown members’) discuss, analyze and negotiate about a broad range of socio-economic issues (and in recent years also increasingly issues like the environment, energy, etc.). They aim to reach agreements among the unions and employers (the ‘social partners’) and to provide solicited or unsolicited advice to the government on its policies. In the Labour Foundation (STAR, established in 1945), employers’ organisations and trade union confederations deliberate in a bi-partite manner, exchange information and opinions, and negotiate agreements. These national-level institutions have been active for many decades now and play a central yet decreasing role in the Dutch labour relations. They form the basis for the many Social Pacts that have been negotiated in the Netherlands (Hemerijck and van der Meer 2016).

The backbone of the neo-corporatist system is formed by the collective bargaining system. The legal foundations of the system date back to before the Second World War and consist of the Law on the collective agreement of 1927 and the Law on the extension of collective agreements of 1937. Yearly, hundreds of collective agreements are negotiated at sector and company level. The sector level is the dominant level and sector agreements are negotiated continuously for larger (e.g. construction, primary education, large metal) and smaller (e.g. roofers, flower bulbs wholesale) sectors. These agreements are negotiated between sectoral employers’ organisations and sector representatives of the main trade union confederations and/or independent sectoral or occupational unions. Most of these agreements are then extended to the entire sector by the Ministry of Social Affairs and Employment, i.e. declared generally binding for all companies operating in the respective sector, even if they are not member of the employers’ organisation that negotiated the sector agreement. Such an extension is granted semi-automatically when the employers involved in the original agreement cover at least 55 percent of the employees in the sector.

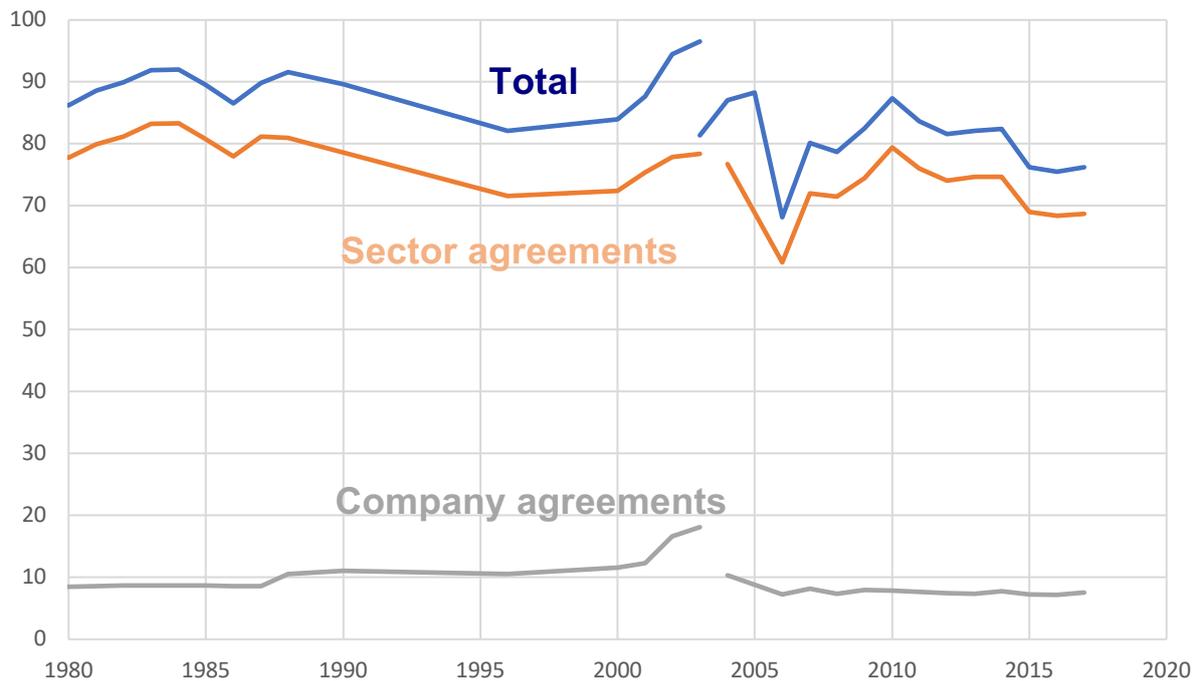
¹ This section is based on de Beer and Keune (2018a) and Been and Keune (forthcoming)

There are no representativeness criteria for trade unions and employers can negotiate sector agreements with any union they like. Company-level agreements also exist, mainly in a series of large manufacturing companies, but their coverage is limited. When such a company is located in a sector with an extended collective agreement it has to get dispensation from this agreement to be able to negotiate a company agreement.

Sector agreements, extensions and company agreements together result in a high and fairly stable coverage of collective agreements (Figure 1). Since the mid-1970s the coverage rate has been 80 percent or higher, with a few dips in the past 15 years, with sector agreements being responsible for some 70-75 percent coverage and company agreement for only 10 percent. The high coverage rate gives employers and unions a key role in the regulation of work and in the setting of wages and working conditions. Through the extension, the state supports this role and give unions and employers ample freedom to negotiate the terms that they see fit. Indeed, since 1982, the state has left wage bargaining to the unions and employers and has not imposed wage norms anymore. The exceptions here are (i) the minimum wage, which is set by the government and includes youth minimum wages below the adult minimum wage for the 15-21 years old; and (ii) the public sector, where the state acts directly as the employer or influences wage setting through regulations and the setting of budgets for sub-sectors and activities. There have been important changes in these two areas in recent years, as will be discussed below.

At the same time, some 20 percent of employees, often active in private services, is not covered by collective agreements and in that sense outside the direct sphere of influence of unions. Also, the rapidly growing segment of self-employed without personnel, at present making up some 12 percent of the working population, falls outside the scope of the collective agreements.

Figure 1: Coverage rate of collective agreements (% of total employees), 1980-2017



Source: de Beer and Keune (2018a)

1.2 Trends and debates

Growing power differences, problems with representation and conflicts

In spite of the stable context of national and sectoral neo-corporatist institutions, within this context important changes have been taking place in the past 15-20 years concerning the main actors in the model and their interaction (de Beer and Keune 2018a; Keune 2016). Trade union density has been in continuous decline and has dropped from around 30 percent in the early 1990s to some 19 percent today. This has negatively affected their representativeness, power and legitimacy. The FNV, by far the largest union confederation with over one million members, also went through a deep internal crisis in recent years, resulting in a profound reorganisation and democratisation, less power for the central leadership and changes in the main orientation of the confederation, as will be discussed in this paper. Employer density has been relatively stable and is estimated around 70 percent (De Beer 2016). As a result, the power balance between employers and unions has been shifting slowly but surely in favour of the former. This even though there is an increasing differentiation of interests among employers between large and small companies and between domestic and multinational companies. One of the effects of the declining union power is that employers increasingly feel free to negotiate collective agreements without the largest trade union, the FNV, with the argument that the FNV does not want to modernise the agreements and demands too much from the employers. The FNV experiences more and more problems in imposing itself on the employers. Also, it has become more and more difficult to negotiate collective agreements and negotiations take longer and longer. The traditional consensus relationship between employers and unions is becoming more and more

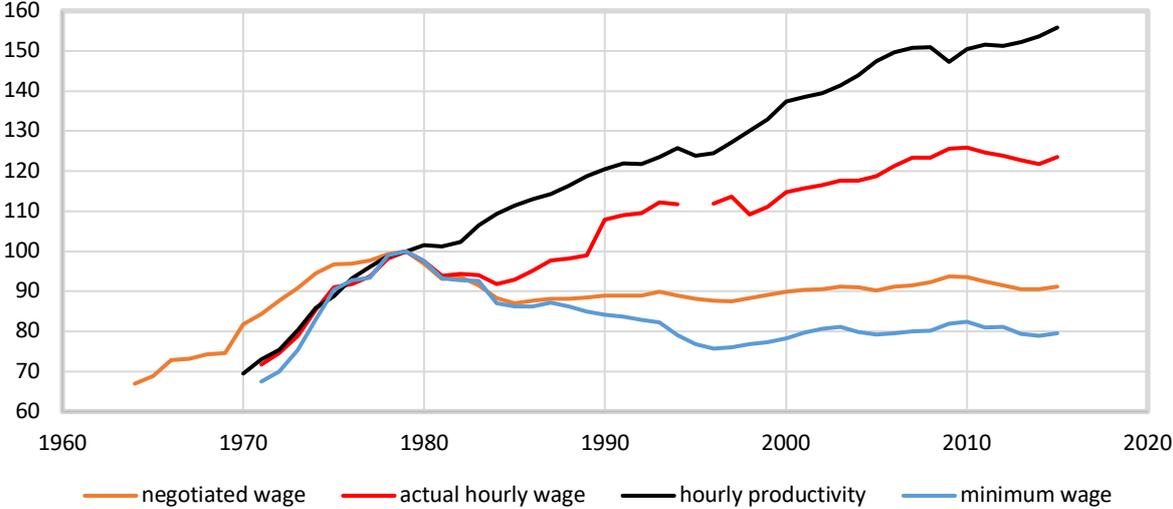
conflictive. And even when agreements are reached, there appear problems with the implementation. The most noticeable example of this is the 2013 social pact in which employers and unions agreed that an excessive flexibilisation had taken place in the labour market and that this trend should be reversed. In practice, flexibilisation has accelerated as employers increasingly use flexible contracts and self-employed at the expense of permanent contracts.

Wage moderation

Since the Wassenaar agreement of 1982, one of the characteristics of wage bargaining in the Netherlands has been wage moderation. Wage increases negotiated in collective agreements have consistently been below productivity increases since the late 1970s (Figure 2). Moreover, the real increase of negotiated wages has been around zero percent in the last 30 years. The Wassenaar agreement formalised wage moderation and offered workers working time reduction in exchange, however, soon working time reduction disappeared from the agenda but wage moderation continued until today (de Beer and Keune 2018a). The effectively paid wages did experience some 30 percent real growth since 1982. This pales however by the almost 60 percent growth of hourly productivity as Figure 2 shows.

The Dutch employers have consistently and successfully argued that wage moderation is imperative to maintain international competitiveness and to create jobs. The unions for a long time accepted these arguments and focused more on enlarging the cake to be distributed, by cooperating with the employers to achieve growth. In recent years, however, in particular the FNV has abandoned this position and is rather demanding a fair share for workers, rejecting further wage moderation, although for now with little result. This issue will be further discussed in section 3.

Figure 2: Adult minimum wage, average contractual wages and actual wages, hourly labour productivity, 1964-2016 (wages with CPI deflator, productivity with GDP deflator; 1979=100)



Reading note: In 2015 hourly productivity is 56% above the level of 1979.

Note: Hourly wage: OECD Economic Outlook no 99 wage, rate corrected for the latest number of employees published by CBS

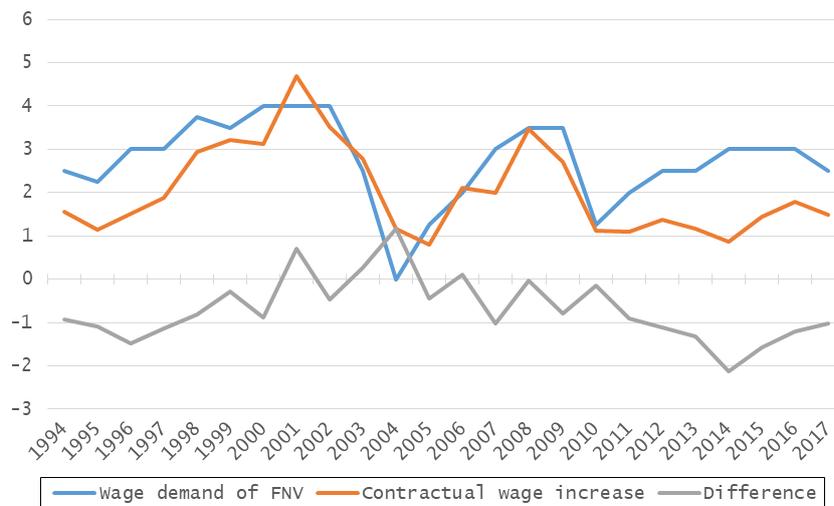
Source: de Beer et al., 2017

Original source: CBS (Statline); Ministry of Social Affairs and Employment

Coordination of wage bargaining

In the 1980s, employers’ organisations and trade unions aimed to coordinate wage growth by jointly determining the desired annual wage increase to be agreed upon in collective agreements. In the early 1990, the employers abandoned this practice, claiming that coordination was no objective anymore. The unions, and in particular the FNV, continued to coordinate wage bargaining by determining every year what they called the maximum wage demand, composed roughly of productivity and (producer price) inflation, and applying to all sectors. This maximum wage demand and actual negotiated wage coincide quite clearly for many years, demonstrating the demand’s coordinating capacity (Figure 3). The occurrence of coordination is further demonstrated by the act that, since the early 1990s, the contractual wage development between industries has diverged only slightly, with some incidental exceptions (De Beer and Keune 2018b). Only in 2013 did the FNV abandon this practice when it decided to reject wage moderation and to bargain for a fair share for the workers.

Figure 3: Wage demands of the FNV, contractual wage increases and difference, 1994–2017 (%)



Source: de Beer and Keune 2018b. Original sources: CBS (Statline); Rojer (2002); FNV.

Public sector wage setting during the crisis

With the onset of the crisis in the late 2000s, wage setting in the public sector has seen important changes. Since 2010, public sector wages have been affected profoundly by the austerity policies of the various governments (Stiller and Boonstra 2018). Governments have explicitly and unilaterally frozen or reduced the funds available for public sector wages to address the budgetary problems caused by the crisis. Collective bargaining was not abandoned in this period but its influence on actual wages was clearly reduced. For example, in 2009-2016, wage increases in hospitals were limited to between 1 and 2 percent annually, barely making up for inflation (ibid.). In the same period, workers in the municipalities experienced a real wage decline following two years (2011 and 2013) in which nominal wages were reduced (ibid.). Similar developments, including real wage decline, can be observed in education (ibid.). As a result, public sector industrial relations have also become more conflictual in recent years as unions oppose these developments but can exert little influence through the traditional bargaining and social dialogue channels.

Decentralisation of collective bargaining

Company collective agreements cover only some 10 percent of employees. The limited incidence of company agreements can to a large extent be explained by the dominance of extended sector agreements. However, it also stems from the fact that trade unions represent workers at the sector and national level, while at the company level worker representation is mainly the task of works councils, which do not have formal bargaining competencies (Ibsen and Keune 2018). At the same time, an ongoing process of organised decentralisation can be observed (Ibid.). First, sector agreements increasingly provide possibilities for the setting of standards at the company level. For example, in 2014, 48 percent of sector agreements were minimum agreements, leaving the setting of actual standards to a large extent to company level actors (often management and individual workers), and also in the other sector agreements some space for local deviations exists (van den Ameele and Schaepe 2014). Furthermore, as argued in Ibsen and Keune (2018:

21), since 2014, “... almost all sector collective agreements one way or the other assign a role to the works council in agreeing with management on issues like working time, working schedules, holidays and holiday bonuses, and in some cases also with the level and increases of wages (Jansen and Zaal 2017).” In addition, since the 1990s, sector collective agreements increasingly provide for individual choice options through à-la-carte systems or personal choice budgets (PCBs). These allow individual workers to make certain choices, within clearly defined limits, between, for example, wages, free time, pension payments and training opportunities (Harteveld et al. 2013; van Lier and Zielschot 2015). The impact of such schemes should however not be overestimated. For example, the average yearly value of the most common type of PCB is €683.

2 Functional income distribution

2.1 Developments and debates

For a long time, the functional income distribution, i.e., the distribution of income between capital and labour, expressed as the wage share of total income, was not debated much in the Netherlands. Social partners, government institutions and (most) economists agreed that it was stable and just. However, in recent years this situation changed. After a rather technical discussion on the exact method of measurement of the wage share a more fundamental discussion on the distribution of the fruits of the economy followed. The result of this debate is that it's now officially recognised that the labour share is not stable, but declining, and much lower than than previously assumed. The political debate on the causes and effects of the distribution of income has however not yet led to any substantial policy changes.

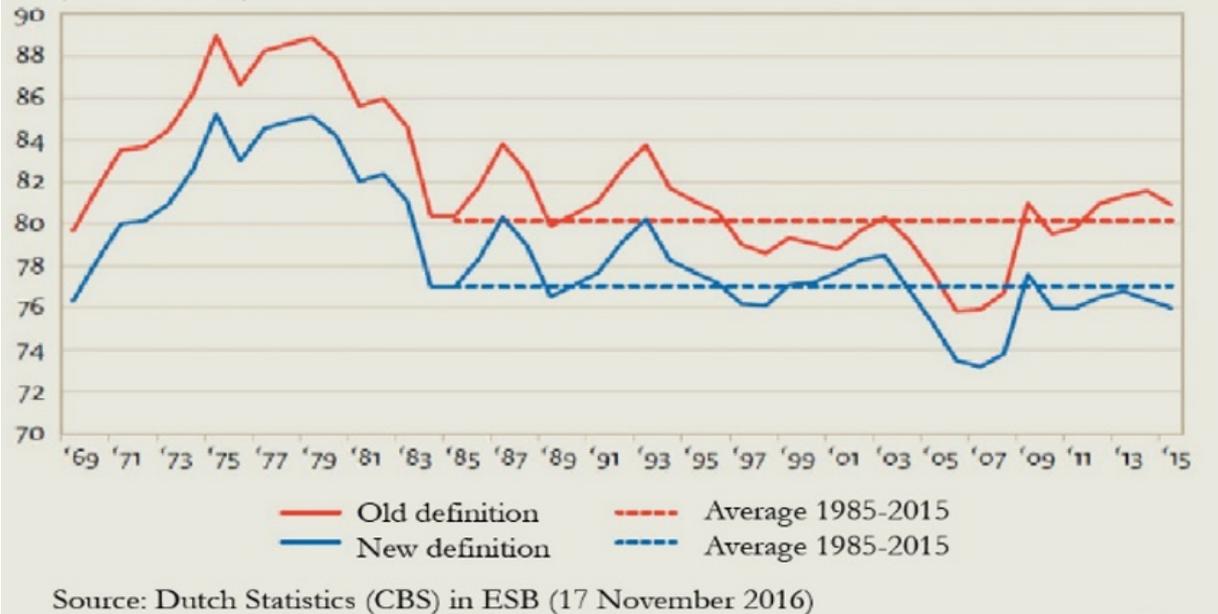
The current debate on the functional distribution started in 2014, when the CPB (the Bureau for Economic Policy Analysis) published an overview in which it shortly addressed the income of self-employed workers: should this be seen as wages or profit? And what about the influence of the financial sector on the labour share? The CPB calculates three alternatives to the traditional functional distribution, and concludes that the alternative shares are also relatively stable between 1990 and 2014, just like the traditional labour share between 1970 and 2012 (CPB, 2014).

It was probably the first time in years that an official institution acknowledged different ways to calculate the functional income distribution. The issue revolves around the appreciation of the income of self-employed workers. This used to be treated as a fictional income based on the average income of wage earners, but due to a massive increase in the number of self-employed workers this approach does not hold anymore. In April 2016 the Dutch central bank (DNB) presented an alternative calculation for the labour share in which she uses the mixed income of all self-employed workers. The situation in the construction industry that in 2016 counts 25 percent self-employed workers versus 12 percent in 2003 serves as a good example of the change this implies. The then official labour share in this sector was more than 100 percent while the alternative labour share comes to 85 percent for 2015 (CBS, 2016).

The adaption of the definition of the wage share by all three major economic institutions in the Netherlands was finalised by June 2017. The wage share that was deemed stable and relatively high by all Dutch major institutions and economists since decades turned out to be considerably lower, and more in line with international measures and outcomes (see Figure 4). Although you can question the relevance of the labour share and the methods by which it is calculated (Van Bavel, 2016, Salverda, 2018) the rather technical

discussions on definitions did spur a much broader debate within the Dutch society about fairness, the distribution of income between capital and labour and the policy of wage moderation, as will be discussed below.

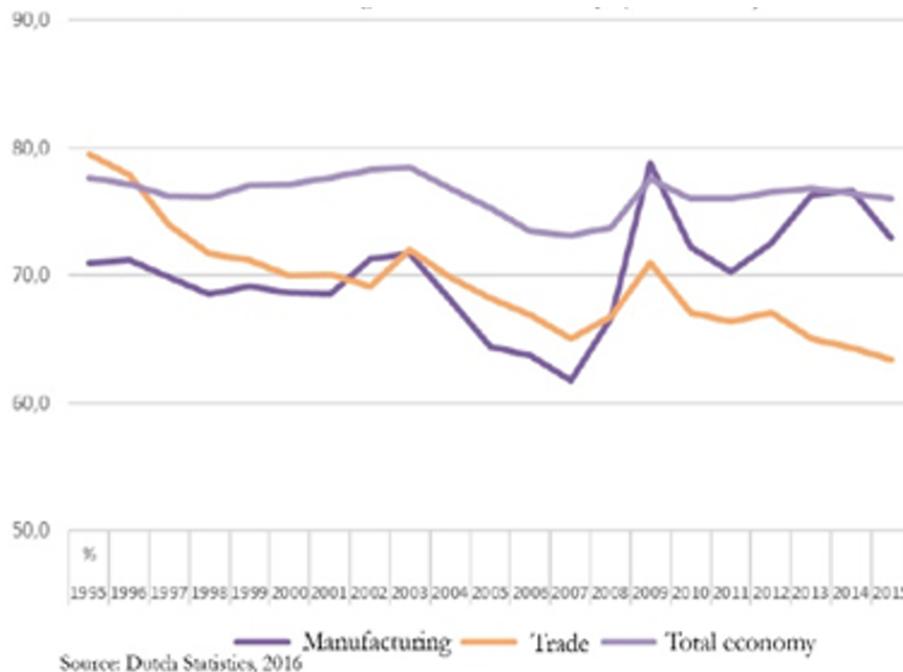
Figure 4: Old and new functional income distribution (%) (1969-2015)



Let us first have a look at the labour share at industry level. The sectoral functional distribution seems to be strongly dependent on the production structure. A capital-intensive sector like oil and minerals has almost per definition a low labour share and likewise labour-intensive sectors like construction and business services a much higher share. But what we are most interested in is the development over time. For lack of more detailed data, Figure 5 presents data for the manufacturing industry, the trading industry and the entire economy.

It is telling that the trading sector, a labour-intensive sector with a low capital intensity, the wage share has been falling rapidly, from 79% in 1995 to 64% in 2015, with a short-lived upturn at the beginning of the crisis (Figure 5). A national officer of the employers’ association in the retail industry summarises the general attitude towards wages and macro developments as follows: “In a sector like ours, where we are confronted with an enormous pressure on sales, you cannot escape the fact that micro developments are decisive. I sometimes think that if we pay higher wages it would be good for our retail industry; it would mean more purchasing power for the employees, who will – at least partly - spend it in our sector which will be beneficial for the whole economy as well. We could do this, because of the extension of our collective bargaining agreements to the whole sector. But I do not think we could convince our members to do so, because they experience a lot of pressure on their revenues and mainly act on that. So, all policies are turnover-driven and we do not get to the level of tackling macro-issues.”

Figure 5: Functional income distribution (new definition) for retail, manufacturing and total economy (%) (1995-2015)



The development in the manufacturing industry is different. Starting from a lower level than in trade in 1995, here the labour share also declined until the crisis, but then the upturn has been much stronger than in trade as production declined but employment remained relatively stable. Today then the wage share is substantially higher in manufacturing than in trade.

A national representative of the metal federation responded to the question whether the notion of inequality plays a meaningful role in the industry’s wage negotiations: “no, not really, that is a macro-level discussion. We want to pay fair wages, we do not have the ambition to be a zero-line industry.” He continues: “I also get the impression that there are different, quite opposite outcomes to the inequality debate. Whether there is a growing economic division in the Netherlands is under debate, isn’t it? Either way, I do not have the impression that we are increasing the economic inequality with the wages we are paying. Our wages follow a stable non-cyclical path; during the crisis years we paid more than could be expected from us and now with the booming economy we will probably pay a little less. We believe in a well-balanced wage development. And also in being cautious as we are very exposed to the global market.”

2.2 Discussion among social partners

In September 2016 a round table was organised in the Parliament on the issue of wage developments and the functional income distribution. Interestingly both the employers’ associations and the FNV stressed in the debate and their respective position papers that the wage development of employees is not the issue at stake. The FNV writes: “Their [employees] share of the labour income ratio has remained constant over the years at around 67 percent [...]. Even if we look at the development of wages [...] it appears that they are more or less in line with the development of the labour productivity plus the producer prices. Contract wages have risen by more than 50 percent in the past twenty years and incidental wages (wage rises as a result of extra periodicals and higher educated personnel entering the labour market) by more than ten percent. Together these two constitute the gross wage increase, which is roughly the same as the increase of productivity and inflation combined.” This is echoed by the employers’ associations present at the debate. They do differ though in their analysis of the current situation of the economy and labour market.

The employers' organisations VNO-NCW, MKB and AWWN collectively make the argument that the labour share is not a good indicator (anymore) to judge wage developments. By this they implicitly refer to the decision made in the early 1990s within the social economic council SER. The then representatives of employers and workers together stated that the achievements of the wage moderation in the 1980s, including "a strong improvement of the returns of companies" and "an important drop in the labour share (from 91,8% in 1980 to 79,1% in 1989)", should be preserved (SER, 1991). The arguments presented in their recommendation on the midterm economic development 1991-1994 for the preservation of the 1989 wage share level concerned its supposed positive effects on the level of unemployment, the preservation of a stable profit margin and the containment of government expenditure. Today the employers argue that a centralised wage policy as a derivative of the national wage share is not any more desirable. They argue that the differences between industries have become too big to pinpoint one development as the starting point for a central wage demand or development. They also argue for a decentralised approach for wage setting which is more adaptable to changing needs. Besides this more principal argument against the wage share as a relevant measurement they pointed out in their position paper and during the debate that there is no problem with the present wage development. They give several arguments: more free time or access to training and education are part of working conditions too but they are not reflected in the level of wages; labour costs have not followed the same development as productivity; the stagnant level of purchasing power of workers is due to government policy instead of limited wage growth; demand is volatile nowadays and differs strongly per sector; and the income of self-employed is more volatile than that of employees. "The real route to higher wages", they argue, "is only realised by an increase in productivity and higher structural economic growth. This can only be realised by more investment and some necessary transitions"² (VNO-NCW, 2016). A board member of VNO-NCW adds to this in an interview in 2018: "We agree, of course, with the notion that increasing purchasing power is good for economic development. But our major concern is the development of the average labour costs. These have to be in line with productivity increases and have to support our international competitiveness, and we think that the current situation is a good reflection of both. If the government is really concerned about the purchasing power of workers they should try to lower the tax wedge."

The biggest union confederation FNV has a different interpretation of current events. They do still think that the wage share is a telling measurement and they do observe a falling wage share. They attribute this mainly to the rise of the number and change in the composition of self-employed workers and of other flexible workers. In order to stop the downward wage pressure and labour cost competition, they call upon the government to restore the level playing field between employees and self-employed workers in order to stop the downward competition on labour costs between the two groups. They argue for laws that strengthen the position of self-employed and flex workers towards employers, the right for collective bargaining for the self-employed and the extension of agreements on tariffs for self-employed workers in collective bargaining agreements³, a collective solution for pensions and disability insurance for the self-employed, an increase in the price of flexible labour and a best practice for governments institutions in all their procurement procedures. "This", they write, "will raise the labour share again up to normal levels. (...) Companies will feel an incentive to invest instead of an incentive to lower costs. The Dutch economy will

² These transitions were presented in the campaign of VNO-NCW called NL Next Level in which they propose an investment fund of 7,5 billion euro publicly financed on a yearly basis and 100 billion euro privately financed to deal with the upcoming energy transition, the circular economy, the redefining of the lay-out and use metropolitan areas, etc.

³ The FNV is engaged in several law suits to gain the right to make tariff agreements for self-employed workers within collective bargaining agreements since 2014. This has led to the verdict that tariff agreements are forbidden because of laws against cartels with the exception that if the actual work situation of a self-employed worker resembles that of an employee (i.e. bogus self-employment), which is measured by the amount of authority the client has to determine working hours, working method etc. of the self-employed worker.

See: https://www.acm.nl/sites/default/files/old_publication/publicaties/16978_leidraad-tariefafspraken-voor-zzp-ers-in-cao-s-2017-02-24.pdf

benefit, and labour productivity will improve which leads to economic growth. And, last but not least, a level playing field on the labour market combined with a higher labour share and an increased productivity serves the public finances well.” (FNV, 2016). The smaller protestant trade union confederation CNV more or less echoes the position paper of the FNV by stating as well that a level playing field on the labour market concerning self-employed and flexible workers is the main answer to the present questions.

Other voices in the public debate and during the round table discussion add different causes, namely globalisation, robotisation, financialisation, the EU policy of free movement of labour and the tightly maintained policy of wage moderation from about 1980 onwards (Van Bavel, 2016; Storm and Naastepad, 2016). The lack of interest by the social partners to look into these additional causes shows that their political agenda’s play a significant role in their appreciation of the current affairs. The FNV started their campaign against the “exorbitant flexibilisation of the labour market” in November 2013 and stopped using its traditional formula to determine the ‘wage space’ in 2014 and since then poses a central wage demand based (more or less) on a notion of fairness. VNO-NCW on the other hand campaigns for tax cuts for business, notably to decrease the tax wedge, to stimulate the economy.

In February 2018 DNB, the Dutch central bank, published a report on the causes of the changing wage share. They’ve looked into eight industries over the period 1996-2015 and conclude that the decrease in the labour income share is related to the increased flexibilisation of the labour market, besides globalisation and changing technologic change: “a possible explanation for this is the weaker negotiating position of workers in the flexible sector compared to employees with a permanent contract.”⁴ (DNB, 2018). Causes mentioned are government policy, including the difference in dismissal costs and the fiscal stimulus for self-employed workers, and a lower organisation rate among these workers. They conclude that “an increase of one percentage point of the number of flexible workers is accompanied by a decrease of the labour share of 0,23 percentage point. This negative correlation is stronger for employees with a temporary contract than for self-employed workers. (...) More than half of the falling wage share can be attributed to the increase of the flexible workforce.” (DNB, 2018).

The DNB-report once again fuelled the debate about the wage share and lead to another public hearing in Parliament in May 2018. The three employer organisations had, again, a collective contribution which is a repetition of their earlier response: the wage share today is the same as its pre-financial crisis level; the wage share today is at the same level as in 1960, which means that there is – in opposition to the situation in other countries, like the US – no significant long term change; wages do follow productivity gains contrary to popular belief; the biggest problem concerning wages is not the gross labour costs but the lagging behind of the purchasing power of workers because of the increased tax wedge, and; part-time work is, besides a cultural phenomenon, stimulated by the high marginal tax burden (VNO, 2018). They also ask a pertinent question: if in the whole industrial world, the functional distribution shifts in favour of capital and if the development of flexible contracts is typical for the Netherlands, why would this feature have such an explanatory value?

The FNV on the other hand embraces the DNB’s conclusions and aims at “a healthy wage share of 80 percent in the market sector” realised by implementing the earlier-mentioned proposals plus some extras like limiting the legal possibilities of using temp work and increasing the tax burden for businesses (FNV, 2018). It fits neatly into the main objective of the FNV that centres around “real jobs and purchasing power”

⁴ These outcomes are congruent with the then long-awaited position paper of the Ministry of Finance on self-employed workers in 2015 that concluded, among many other things, that the bargaining power of self-employed workers is probably smaller than of employees which – together with a supportive fiscal regime – could be the main reason why self-employed workers are cheaper for employers than employees (Ministry of Finance, 2015).

since 2014. The conclusion of DNB is used to once again bring forward their demand to increase the costs of flexible work. We will elaborate further on this below.

2.3 Conclusion

We can conclude that the analysis of both the employers' organisations and the trade union movement concerning wages and economic growth has not fundamentally changed the last two decades: both say that higher wages are the result of economic growth which is realised by investments and productivity gains, not vice versa. They differ though in the appreciation of the current facts. In 1991, both said that wage growth had to be moderate in order for companies to be able to invest, which in turn would spur economic growth. The wage share thus had to stay on its 1990s level. The employers stuck to this analysis and to the recipe of moderate wage growth, but now reject the wage share as a macro-economic policy instrument. The last years they have intensified their argument that the real problem in the Dutch economy is government policy: the risks for entrepreneurs and the tax burden are both too high. The FNV on the other hands has kept – or rediscovered – the wage share as a beacon and points towards the low investment rate, the high profit rate and the institutional differences between fixed and flexible contracts favouring flexible work. It states that only altering the rules of the labour market will stop the current race to the bottom which will in turn raise the wage share 'back to normal'. By demanding an increase of the wage share, the FNV has effectively abandoned its wage moderation strategy of the past decades. Whereas it used to focus more on enlarging the cake to be distributed, now it is demanding its fair share of that cake.

What changed as well is the tone of the debate. On both sides it's sharper in 2018 than in 2016 and incomparable to the early 90s when social partnership was at its high. But even though public opinion on wages and the necessity of wage moderation and flexibilisation seems to be shifting and even though the prime minister has called upon employers to increase wages (but forgets to do so in the collective agreement for civil servants) as has the president of the central bank and international bodies alike, employers hold on tight and the contractual wages have not caught up and only seem to have risen above because of the historical low interest rates. The tone may have become more bitter, the public opinion may have shifted in favour of the demands of the unions, but the balance of power has not.

3 Wage inequality⁵

A second form of inequality, next to inequality in terms of the functional income distribution, is wage inequality, how this is increased or decreased by collective bargaining and what unions and employers consider to be proper and fair levels of inequality. In the Dutch system the key questions here concern the coordination of wage setting and the issue of the lowest and highest wages. With the signing of the Wassenaar agreement in 1982, the peak employers' organisations and union confederations started a period of joint coordination of wage growth. In the Labour Foundation they (bi-)annually agreed on joint guidelines for wage increases for the entire economy, without distinguishing between sectors. This form of soft central governance left intact the formal freedom of collective bargaining at lower levels but had a strong steering capacity. The recommended wage increase for all lower level wage bargaining had a strong limiting effect on cross-sectoral differentiation of wage developments and guaranteed wage moderation across the

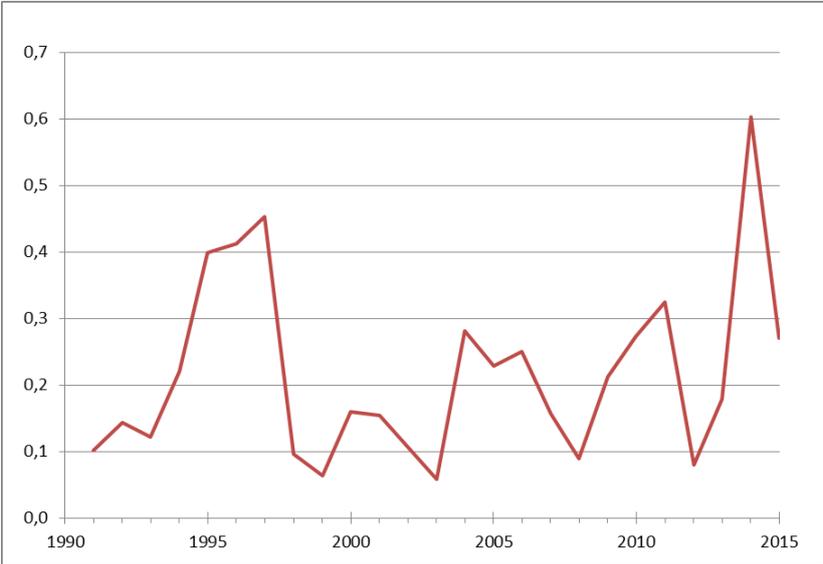
⁵ This section is to a large extent based on Tros and Keune (2016), updated where necessary.

economy (Tros 2000: 78-88). To be sure, this type of coordination did not address wage differences between sectors but assured that wage growth was similar across sectors.

The peak-level employers then abandoned this practice and the objective of coordinating wage bargaining in the early 1990s. Since then they have been arguing for more differentiated wage developments in function of the conditions of individual sectors, companies or persons. They see sector collective agreements more and more as framework agreements that set basic standards. At company level the details of such agreements should then be determined, including space for differentiation between (groups of) workers. They argue that wages should be set more in function of what you do and how you do it instead of on the basis of having a certain position, being present or getting older (see Tros and Keune 2016).

The FNV did continue to coordinate wage bargaining at the national level, as mentioned in section 1, setting every year their maximum wage demand (productivity plus producer price inflation) for all sectors alike. This maximum wage demand continued to have substantial coordinating power, shown among other things by the fact that the variation of wage increases between sectors has been quite limited in the past 25 years (Figure 6). And when the FNV abandoned the setting of the traditional maximum wage demand in 2013 and to replace it by a wage demand based on fairness rather than productivity plus inflation, it continued to apply the same wage demand to all sectors. This may well lead to more differentiation between sectors in the near future, however, since in the eyes of many employers the new type of wage demand is far above what is reasonable, and it will depend on the bargaining power of the unions in the sectors what results will be achieved. And as mentioned earlier, with average union density now below 20%, in many sectors the FNV, although by far the biggest union confederation, has a very low membership and experiences difficulties to back up wage demands by power and mobilisation capacity. The fact that more and more collective agreements are concluded without the FNV is symptomatic of this.

Figure 6: Coefficient of variation of contractual wage increases by sector



Source: De Beer and Keune 2018b based on CBS (Statline).

For the FNV, similar wage developments across sectors are one way of strengthening solidarity and equality. It wants to avoid that wage differences between workers in the different sectors widen too much and that workers in certain low paid or badly organised sectors fall further and further behind the rest. It wants all workers to benefit equally from the growth of the national economy. Its concept of fairness is therefore not simply based on individual or company performance but on the collective performance of the economy. It sees that solidarity and equality are under pressure from a number of developments, including the cost-

based competition between self-employed and employees, and the growing use of flexible types of employment (temporary contracts, temp agency work, posted workers, etc.). It wants to use collective agreements to stipulate the conditions under which such types of employment can be used and what the respective wages or fees should be. It also argues that employers are excessively focused on cost reduction instead of strengthening productivity and innovation. The latter are in the union's eyes the way to deal with international competition and to achieve wage growth (see Tros and Keune 2016). Also, the FNV wants to strengthen fairness and equality by raising the lowest wages. One issue here is the youth minimum wage, against which the FNV's youth movement Young and United launched a campaign two years ago. The argument here is one of fairness and equal pay for equal work: why should young people receive lower wages than adults for the same work? The Young and United campaign did result in some improvement of youth minimum wages but did not manage to achieve its abolishment. The other issue are the lowest wage scales in collective agreements. Also, here the FNV aims to improve the wages of in particular young workers. It has managed to do so in quite some agreements but failed to do so in many others. It faces employers who often rather want to expand the lower wage scales for trainees or workers with disabilities.

Apart from low wages, in recent years also the issue of top incomes has entered the national debate. This followed public outrage concerning in particular the high salaries and bonuses of top managers of banks who are seen at the same time as having a major responsibility for the financial crisis and for the enormous amounts of public money that have been spent to save the major banks from going bankrupt. This has spurred a broader debate on the fairness of top incomes. In the public sector this has resulted in regulations that set the salary of the prime minister as the maximum salary for all public managers. In the private sector no such regulation exists. The employers argue that the level of top managers' salaries is the responsibility of the boards and stakeholders of companies. They do underline that companies should be able to explain the level of top managers' salaries to the public at large, to avoid damage to their image.

The FNV rather aims to reduce the differences between top and bottom, not only by raising the bottom but also by limiting the top. As a rule of thumb it argues that a top manager should not earn more than 20 times the wage of the lowest earner in a company. This is again a fairness argument, based on equality principles and on the view that the contribution of top managers to the success of companies should not be exaggerated and the contribution of the lower earners should not be downplayed. However, as top managers generally fall outside the scope of collective agreements, it is hard to achieve such a situation.

It should be clear, however, that the above-mentioned types of wage coordination concern wage growth, not wage levels or wage inequality within sectors. And indeed, there are major differences in this respect between sectors. Table 1 compares the actual wage levels in four sectors (metal, large retail, banking and education) in 2013 by deciles and shows that wages in banking are clearly the highest and in retail the lowest. Coordinated wage developments across sectors hence leads to similar wage growth across sectors but not to a reduction of absolute wage differences between sectors. On the contrary, absolute wage differences are only strengthened by this approach. It also shows that education is the sector with the lowest wage inequality (between higher and lower deciles) because of its flat wage distribution, whereas the low-paying retail sector is also the one where inequality is the highest (Tros and Keune 2016).

The national employers' and union positions are to a large extent echoed by the employers and unions in the metal sector. The metal employers' organisation FME criticises the uniformity of wages between companies and individuals as well as over time. It favours options to improve wages in good times but to limit them in bad times. It also favours more individualisation of de facto wages, based on performance appraisals. It sees the sectoral agreement as a minimum agreement with most employers paying substantially more than the rates in the agreement's salary scales, but it criticises to one-size-fits-all wage increases that do not differentiate between companies and individuals.

Table 1: Hourly de facto payment by deciles, 2013, four sectors, the Netherlands

	Metal industry ⁹ N = 140,650	Large retail ¹⁰ N = 454,090	Banking N = 118,140	Education N = 547,350
1	8.05	4.28	10.42	13.35
2	16.77	5.82	19.58	19.20
3	19.11	7.07	23.80	21.40
4	21.03	8.63	26.90	23.75
5	22.97	10.84	30.01	26.61
6	25.13	12.89	34.18	28.72
7	27.71	14.54	39.40	31.17
8	31.36	16.23	46.00	34.86
9	37.62	19.74	56.07	40.65
10	66.73	41.93	101.36	58.91
9th/2nd	2.24	3.39	2.86	2.12
10th/1st	8.28	9.79	9.73	4.41

Source: CBS, Spolisbus

The FNV metal rather emphasised equal pay for equal work, hence independent from individual performance or of the type of contract workers have. It also aims to level wages somewhat more within the sector by proposing absolute wage increase instead of a percentage, the effect of which is to reduce relative wage inequality. It also, successfully, argues against the use of the low youth minimum wages in the metal sector.

In the supermarket sector the situation is different. Here the youth minimum wages have become a key ingredient of the business model of the large supermarkets. The employers have no problem with the youth minimum wage and do not see it as unjust. Rather, they leave it up to politics to determine what is just. The young workers also normally have short-term contracts with hours being adjusted to the needs of the supermarket. According to the employers this fits the need of young workers who tend to still be in school.

The FNV in the sector think quite different. It considers the wages to be excessively low and unfair. It supports the national campaign of the FNV's Young and United movement against the youth minimum wage and argues for equal pay for equal work. It also refused to sign the recent collective agreement because of the low wage increase it offers, lacking the membership and power to push for a better agreement.

4 Insecurity and wages

4.1 Developments and debates

A large and growing flexible workforce is one of the main features of today's Dutch labour market. This raises the fundamental question of the distribution of uncertainties between employers and employees in regard to costs/wages. The discourse of employers' organisations and trade unions concerning the causes, benefits and constraints of the flexibilisation differs widely and so do their solutions. In this paragraph we will first describe the characteristics of the flexible workforce with a specific focus on the relationship between flexibility and wages, to then discuss the distribution of (in)securities between employers and workers.

If we define regular work as working with a permanent contract and a fixed number of working hours (besides the occasional overtime), 60 percent of all workers had a regular contract in 2015 and 35 percent a flexible working arrangement. The remaining five percent was either employer (with personnel) or a cooperating family member. The 35 percent with a flexible work arrangement consists of 12 percent self-employed workers and 23 percent workers with a fixed term and/or non-fixed hours contract. Table 2 shows *a complete overview* of the contracts and corresponding numbers in labour volume, persons and jobs (De Beer, 2017).

The Dutch flexible workforce has four characteristics worth mentioning. First, the Dutch labour market is known, since the early 1980s as a result of an agreement between the social partners, for its large amount of part-time work. In 2017, 51 percent of all employees worked part-time (less than 35 hours per week) and more than eleven percent worked fewer than twelve hours per week (Salverda, 2018). Secondly, the transition from temporary work to permanent employment is becoming more and more difficult. In the late 1990s, 43 percent of the employees with a fixed-term contract got a permanent contract within twelve months and in 2012-2013 this percentage had decreased to twelve percent (IISG, 2018). This situation of 'structural temporality' is a growing concern of trade unions and government institutions (WRR, 2017).

Table 2: Share of flexible labour relations (x 1.000 and in % of total employment), 2015

	Persons x 1000	Persons upward of 12 hrs/wk	Jobs	Labour volume	Persons % of total	Persons upward of 12 hrs/wk	Jobs	Labour volume
Total	8.294	7.313	9.669	6.992	100,0	100,0	100,0	100,0
Employees	6.909	6.099	7.780	5.792	83,3	83,4	80,5	82,8
with a permanent contract	5.014	4.779	5.001	3.986	60,5	65,3	51,7	57,0
with a flexible arrangement	1.896	1.321	2.778	1.807	22,9	18,1	28,7	25,8
temporary, with the possibility of permanence	426	416			5,1	5,7		
temporary > = 1 year	163	136			2,0	1,9		
temporary < = 1 year	163	119			2,0	1,6		
temp agency worker	240	210	445	288	2,9	2,9	4,6	4,1
payrolling	50-194				0,7-2,3			
temporary, no fixed hours	218	117			2,6	1,6		
on-call / substitute worker	560	250	545	197	6,8	3,4	5,6	2,8
permanent contract, no fixed hours	126	72			1,5	1,0		
Self-employed workers	1.385	1.214	1.889	1.200	16,7	16,6	19,5	17,2
with personnel	316	311			3,8	4,3		
without personnel	1.022	871			12,3	11,9		
co-operating family member	47	32			0,6	0,4		
Total flexible labour force	3.281	2.535	4.667	3.007	39,6	34,7	48,3	43,0
Flexible labour relation	1.896	1.321	2.778	1.807	22,9	18,1	28,7	25,8
Self-employed workers	1.385	1.214	1.889	1.200	16,7	16,6	19,5	17,2

Source: De Beer Verhulp, 2017

Thirdly, employees working on a flex contract and self-employed workers have a lower income than permanent workers. The gross income of an average annual permanent employee in 2015 is 50.800 euro, of a temporary employee with prospects for permanent employment this is thirty percent lower, namely 35.800 euros. Temporary agency workers earn on average on a yearly basis 24.100 euros and permanent employees without fixed hours 23.400 euros. On-call employees have the lowest earnings at 9.300 euros annually, only 18 percent in comparison to the permanent employee. Half of all employees living in low-income households are flex workers (CBS, 2017a). These big differences can be explained by differences in age (flex workers are often younger, including youth in-education), in industry (the low wage service industry workers

are more often flex workers) in worked hours (flex work is more often not full-time employment) and by differences arising from the contract itself (CBS, 2016; CBS, 2016).

If we zoom in on the twelve percent self-employed workers, the first thing to notice is the huge amount of so-called 'hybrid workers'. In 2016, there were 1,5 million self-employed workers in the Netherlands and 650.000 of them only generate income out of their entrepreneurial activities while 850.000 also generate income out of an employment contract, pension or social welfare payment. The average annual income of the 650.000 'pure' self-employed workers averaged at 28.000 euros in 2016. For 548.000 self-employed workers their entrepreneurial work was additional to other main-income sources and averaged on not more than two thousand euros per annum. The remaining 256.000 self-employed workers do generate their main income out of their enterprise (average annual income of 20.000 euros) and receive on average 6.700 euros from other sources (pension, welfare, wage) (CBS, 2017b).

It is good to note two things when reflecting on these numbers. First, the income distribution among self-employed workers is much more unequal than among employees; the richest self-employed workers are much richer than the richest employees while the poorest self-employed are also much poorer than the poorest employees (Ministry of Finance, 2015). Second, the gross income of employees mentioned here cannot be compared to the income of self-employed workers as the latter does not include social insurance contributions and tax payments.

This leads to the fourth characteristic worth mentioning here: labour cost differences as an outcome of the flexibilisation of the labour market. If we compare an employee and a self-employed worker on minimum wage level, an employee is in 2015 43 percent more expensive than self-employed worker - provided he does not make reservations for pension and disability insurance, as is the case for the large majority (twenty percent of self-employed workers had a disability insurance and ten percent an annuity in 2017). If he does the labour cost difference is 24 percent. The difference in costs increases to respectively 78 percent and 43 percent on average income/cost level and eighty and 34 percent when both workers are compared on twice average income/cost level (Ministry of Finance, 2015). The two main reasons for these differences in labour costs are the obligatory social insurances for employees and the fiscal stimuli for entrepreneurship. Both seem to result in lower tariffs of self-employed workers and thus lower costs for clients, ascribed to their weaker bargaining power (Ministry of Finance, 2015; CBS, 2018).

Flex workers have a three times bigger chance of becoming unemployed and becoming poor, experience twice as often work-related stress and they follow/are offered less training organised by their employer (CPB, 2016). Workers who spent time as flex worker have less employment and job security (resp. the occurrence of unemployment and of job changes) and less income security than workers who have not experienced this. But, it is important to note, that this is especially true for people working for three years or more in such arrangements (CPB, 2016).

The degree of flexibilisation of contracts is also negatively correlated to the occupational level. The shift from permanent contracts to flexible work arrangements is most prominent at elementary occupational level (no or primary education), namely 14 percentage points. At the highest occupation level this is approximately 7 percentage points. It is noteworthy that at the highest occupational level the share of employees with a flexible employment contract increased as much as the share of self-employed workers. For the other occupational levels, the shift mainly occurred to employees with a flexible employment contract (DNB, 2016).

We have already seen that there is a rather large difference in pay between the different forms of flexible work. Research shows that employees with a temp contract without fixed hours and on-call workers earn the lowest wages. These workers are often under the age of 25 and in education. But the pay gap remains

when corrected for personal and characteristics through a multivariate regression analysis; also, then they earn less, that is 51 percent of that of a permanent worker (CBS, 2016). It is also these jobs with flexible hours (on-call, min-max, zero-hours) that have increased the most: between 2003 and 2015 their numbers doubled and account now for more than a quarter of all flexible work (De Beer, 2017).

If we zoom into the retail and metal industry it is noticeable that their workforce composition differs. The retail industry accounts for 870.000 jobs. Some 735.000 are employees and the others are self-employed or cooperative family members. 31 Percent of all retail employees has a flexible contract. The sales employees are 'hyper-flexibilised': fifty percent is on-call worker, seventy percent works part-time, often less than 12 hours and 38 percent is younger than 25 years (and often also in-education). Within retail, the supermarket sector (shops and distribution centres) is flex champion: 78 percent of all employees has a flexible contract and 45 percent is between 15 and 24 years. The 22 percent permanent employees are mainly managerial workers and professional specialists (Panteia, 2017).

The wages within the retail and the supermarket industry are low in comparison to other sectors and to the national average. The average hourly gross wage in retail is sixty percent of the national average (2014). Sixty-five percent of all employees in the supermarkets are in the lowest salary scale that starts (in 2015) at 585 euro for a fifteen-year old and ends at 1.814 euros gross per month for a 23+ years old for a 40-hour workweek (Panteia, 2017).

The retail sector is a low-wage sector that tries to keep competitive through the containment of labour costs (youth can be paid sub-minimum wages) and replacement of labour through automation. A national executive of Inretail, an employers' organisation that organises a significant share of the employers in the sector, says: "The last couple of years the margins were low and under pressure. We need modern working conditions that are flexible, modern and adapt to the business cycle. We know that our collective bargaining agreements are basic and that our wages are not very high. But we take good care of our employees and try to simplify life for our members by negotiating a minimum standard for the whole sector." When asked about whether fairness plays a role in their negotiations goals he adds: "If we talk about low wages, which does not occur very often, we approach it from a different angle: might it be a reason that our industry becomes less competitive and less attractive. Do people still want to work in retail? Should we make the industry more attractive by raising wages? Now that unemployment is decreasing, and the number of unfilled vacancies is increasing we notice that people look critically at our wage structure. In cleaning, for example, you can earn more nowadays, supermarkets as well. But I think that this is solved by our members by paying more. If I have to guess I would say that approximately forty percent of the salaries are higher than stipulated in the collective agreement."

The situation in the metal industry is quite different. A representative of the employers' organisation in the metal industry points out that the metal sector has 87 percent permanent contracts: "We have the highest percentage of permanent contracts and the remaining 13 percent is well-organised flex, not the abuses we see in other sectors. The unions will tell you otherwise, but that seems to me a national inspired agenda that has little to do with our sector. We are proud of our high percentage of stable employment." There is a big difference though between the sub-sectors: more than one third of all workers in shipbuilding, that employs a lot of migrant workers, has a flexible contract while in 'basic metal' where they manufacture primary metal products it is less than 16 percent (SEO, 2014).

4.2 Discussion among social partners

As already showed in the paragraph on the functional distribution, the flexibilisation of the labour market increasingly causes discussions and tensions. Besides the issue of the consequences of the distribution of

the national income is the issue of distribution of the labour market (in)securities between employers and workers. A national representative of VNO-NCW puts it as follows: “The consultations between social partners became more difficult in recent years, and I think there are several reasons. In general, I think you can say, and this is especially true for the FNV and is in part because of the make-up of their constituency, is that they have a deep yearning for the 70s and 80s; a stable economy with permanent jobs and strong certainties. We say that nowadays, confronted with globalisation, with the 24/7 economy and e-commerce and Deliveroo, that is no longer possible. The economy is highly dynamic, and we see a lot of volatility in consumer demand. They do not like flexible work arrangements like self-employed workers and attach great importance to organizing risks collectively. We think though that it is not possible anymore to organise social security through the labour contract and think we should find different ways of dealing with the uncertainties people face. It also has to do with how you look at society; who carries the risk and why? We say that the individual also carries risk.”

Nonetheless in 2013 a macro-level agreement between social partners is concluded. The agreement follows an intense period of conflict over pensions between the social partners that resulted in a deep crisis within the FNV and various predictions about ‘the end of the Poldermodel’. The goal of the agreement is to restore trust and jointly reconstruct the economy after the financial crisis. It also contains - for the first time - the recognition that the flexibilisation of the labour market has its limits. Under the title of ‘a new balance between flexibility and security’ both reaffirm that “flexible labour plays a useful role within society and that the majority of the workforce still holds a permanent contract” and both agree to relax the dismissal laws, increase the statutory rights of workers working flexible hours and deal much more stringently with sham arrangements in order to “tackle both ‘excessive flexibility’ in labour relations and ensure a balanced application of dismissal laws” (SER, 2013).

The 2013 agreement and the constant pressure of the FNV that has redirected almost all its work to the containment of flex work, result in several laws with the aim to limit the competition on labour costs: the law ‘work and security’ in 2015, the law concerning handling sham constructions also in 2015 and a law concerning the regulation of self-employed workers in 2016. Noteworthy is that only the law concerning handling sham constructions has not been adapted, postponed or bypassed by social partners and/or political parties since 2013. As noted before, the degree of flexibilisation of the labour market did not decrease the last five years.

Let’s have a look at the viewpoints of the labour movement concerning the current status of the labour market. According to the FNV the biggest problems of the flexibilisation of the labour market – which concerns almost forty percent of the labour force in 2018 - are the increased insecurity for workers, both in terms of income and working hours, and the competition on labour costs which leads towards a race to the bottom and lower wages. There is no detailed data available to get a clearer view on the issue of working hours, but we do know that in 2017 900.000 employees lack fixed workers hours and that in 2013 the average employee works three extra hours every week (De Beer, 2017; TNO, 2017). Income insecurity is having fluctuations in income, whether that is because of irregular hours, self-employment or temp work. The SCP characterises one third of male temp workers and half of female temp workers as ‘financially vulnerable’, while this only applies to ten percent of the people with a permanent contract (WRR, 2017). Flexible workers are also more often unemployed.

The main solution of the FNV is to convert flexible work into permanent contracts. They estimate that the differences in protection, in benefits and in wages can never be fully eliminated and that there for the best and most sustainable solution is an indefinite contract. They try to accomplish this by lobbying the government for tighter labour market regulation and by negotiating with employers.

The last couple of years they've added the demand to increase the price of flexible labour. Flexible workers not only earn less, because they are more often stuck in a lower pay scale than regular workers, either because the collective bargaining agreement (still) facilitates this or they lack progression because of their interrupted careers, they cost less as well on top of the often-lower wages. Downtime, sick leave and education is (often) not paid for by employers because of non-fixed hours, short-term contracts and the lack of a wage payment obligation for temp workers. Also, the costs of pensions - and in the case of posted workers the social security premium as well - is (often) lower than for regular workers. Thus, the FNV concludes, the cost of flexible work has to increase. Whether that means more expensive than it is now or more expensive than permanent work is not very clear. But the underlying idea is that if flexible work arrangements are no longer financially attractive as a low-cost strategy a substantial amount of flexible work arrangements will disappear. This in turn will improve the wages and the wage security of these workers – much more than a collectively bargained wage raise can ever accomplish. It will also - eventually - stop or diminish the downward pressure on wages for all workers. It wants to accomplish this by abolishing all disadvantageous arrangements for flex workers in collective agreements, by adding a premium for flexible workers through social security payments and by adding a premium to the gross wage for flex workers (as is agreed upon for payroll workers in the agreement for municipality workers).

Additionally, the FNV wants workers to have more say in (the organisation of) their working hours: their schedule as well as the total amount of worked hours. They acknowledge the fact that for a lot of people it is pleasant and often even a necessity to have a flexible work schedule. They do notice though that the last couple of years employers try to lengthen the negotiated working day to reorganise their workforce around production needs without paying the premium for irregular hours, try to avoid paying for idle time by cutting shifts in two or in three and increasingly demand permanent availability of their workers. It seems like on the one hand employers organise permanent work around long-term temporary contracts in order to avoid dismissal costs while at the same time (the same or other) employers organise (different parts of) their workforce with either short-term contracts or contracts without a minimum hour guarantee to minimise idle time. It does not become very clear how the FNV wants to accomplish a better control over working hours by workers.

The analysis of the employers' organisations is different. They do not agree with the labour movement that they try to avoid their responsibilities and entrepreneurial risks. On the contrary, they argue that the cause of the rapid increase of flexible work arrangement is - at least partly - because their burden as employers has increased dramatically the last decade. A board member of VNO-NCW tells us: "There are many risks nowadays for employers to hire personnel, although I admit these also partly in the eye of the beholder. But nevertheless, the threshold to hire people is very high in the Netherlands, and this is one of the reasons why the volume of self-employed workers and other flexible work arrangements has expanded as it has. If you look at the OECD's figures on the rigidity of our dismissal system for instance you see that there is room for improvement." Besides the rigid and costly lay-off procedures, VNO also argues against the act on wage payment under which they are obliged to continue paying the wage of a sick worker for 24 months before he or she can be fired, and are responsible for the re-integration of the worker. This, they argue, is unfair because often the employer has no stake in the illness but still has to pay. It is also too expensive, they argue, especially for small and medium sized businesses. MKB-Nederland, the employers' organisation for small and medium sized businesses, and VNO propose in 2015 several adaptations to lighten the financial burden, among them: shorten the responsibility for the re-integration period and the wage payment to 12 months, share the costs of the premium for the private insurance to hedge the risk by both employers and employees, and exclude sickness caused by activities outside the working hours of the act on wage payment (MKB, 2015).

4.3 Conclusion

Concerning the flexibilisation of the labour market, its effects on wages and the distribution of insecurities we can conclude the following. The first is that the number of working poor increased and that this is at least partly the result of the increase of flexible work. Secondly, on an individual level it is mostly the 'traditional weaker groups' that work in a flexible work arrangement: young people (even though the age factor is becoming less important), people with a migration background, women and low-skilled workers. The third conclusion is that there is a negative relationship between flexibilisation and wages: the more flexible a job, the lower the wage level. Another conclusion is that the appreciation of the distribution of insecurities on the labour market differs quite a bit between representatives of employers and workers organisations. There is no common understanding of the respective causes and consequences and a solution to the problem will probably have to consist of a trade-off between employers and workers proposals.

5 Income inequality

5.1 Developments and debates

The above-outlined discussions on the functional income distribution, wage inequality and the growing flexibilisation of employment and the distribution of risks, are embedded in an ongoing controversy about inequality. Is the Netherlands becoming less equal yes or no? In 2014 the WRR, Dutch scientific council for government policy, concludes their study on economic inequality with the following conclusion: "Compared with other countries, income inequality is relatively low in the Netherlands". But the study continues by saying that the gap between the top and bottom 10 percent is widening, that household income is stagnating and that the economic inequality is not growing because of (increasing) state intervention. This after-tax redistribution masquerades a gross market income Gini-coefficient of 0,57 - just as high as in the United States for the same period, namely the mid-2000s (WRR, 2014). There is, thus, a significant difference between inequality measured as the distribution of wealth and as the distribution of income.

In the beginning of 2017 another study confirmed that income inequality in the Netherlands is relatively stable between 1990 and 2014. Income differences increased slightly between 1990 and 2000 but are stable since then (till 2014) (Caminada, 2014). In June 2017, Dutch Statistics published data that show the same. They echoed the earlier conclusions by the WRR and Caminada, arguing that there are indeed substantial differences between the market wages of households, but that thanks to more redistribution and an increase in the participation of women on the labour market this has hardly any effect on disposable income. An implication of this is that the poorest households are becoming more dependable on protection by the welfare state – a vulnerable position in the present political and economic climate.

It has to be mentioned that the conclusion of Dutch Statistics was disputed. When the report of Dutch Statistics was published in 2017, Salverda and Van Bavel wrote an article with the stimulating title 'Dutch Statistics measures more inequality but sells it as less'. They criticised the technical aspects of data interpretation and gathering and conclude that the CBS study is indeed remarkable because it shows that income inequality is higher than expected (Salverda and Van Bavel, 2017).

Most researchers agree that the market wages are becoming less equal and that primary income inequality does grow (although some state that the growing primary income inequality is also an effect of the increased number of pensioners). Salverda attributes this to an increase of the incomes at the top of the wage division while others point towards polarisation between jobs and/or the effect of the wealth distribution on wage

developments and demographic changes like an increase in highly educated workers (Buitenhuis and Schulenberg, 2017).

Salverda also looked into the incidence of high pay and low pay as a measurement of inequality and finds that both incidences have grown. If we look at the data on household income, we'll have to bear in mind that in the Netherlands part-time work is very common. In the last quarter of 2016, 4,4 million people worked fulltime and 4,1 million part-time (35 hours or less per week) according to Dutch Statistics. Households also became smaller the last decades and – at the same time - the share of dual-earning households grew. These changes influence the distribution of income among households, just like the already mentioned redistribution effects of social insurances, taxes and pensions. In 2012 Salverda published an article in which he shows that “inequality in the distribution of household incomes from labour has increased continuously between 1977 and 2011” (Salverda, 2012). The economists of the Rabobank confirm this conclusion in the spring of 2018. They write that the purchasing power of households has not improved in the last 40 years. The purchasing power per person did grow, but this is offset by the decrease of the number of persons within one household and the growing costs of health care. Salverda shows a total stagnation of the purchasing power for the lower seventy percent of households between 1990 and 2014; only the highest 20 percent of households did increase their purchasing power.

If we combine the beforementioned flexibilisation of the labour market with household income Salverda shows us that 85 percent of flexible (and thus often low wage) workers are either partner in a couple or young adult within a household and that most flexible work is performed by workers that are part of a household with an income close to the average income. He writes: “this household background may go some way of explaining the low resistance of individual workers, and thereby perhaps also the unions, to growing flexibility – and to low-wage part-time employment too.” (Salverda, 2018). VNO-NCW looks at this differently: “The FNV says that flex is a revenue model and that it should stop. But in our view, a lot of flex work is done by students. They do not need training, they just need a work instruction. We do have to look specifically to the bottom of the labor market and solve that. But that is a much more limited problem.”

The conclusion of the Scientific council on government policy on the unequal distribution of wealth has not been contested. Everybody seems to agree that the distribution of wealth is considerably unequal and growing. Between 2011 and 2016 the Gini-coefficient grew from 0,84 to approximately 0,9 (Schulenberg 2018). Households up to the 98th percentile have all lost wealth and especially in the lowest 20 percentiles. This is mostly related to mortgages, writes Schulenberg (one third of all wealth in households in the Netherlands is in mortgages and due to the financial crisis, most houses lost quite a lot of value.) The richest two percent of households did increase their wealth, especially the highest 0,1 percent. This is due to a substantial increase in business assets (+11 billion euro) and interests (+21 billion euro) (Schulenberg, 2018). If we zoom in on the make-up of the wealth composition, we see that the poorest ten percent in terms of wealth mainly consists of households with a higher mortgage than the value of their house. This are not necessarily poor households in terms of income. The ten percent wealthiest households on the other hand own 89 percent of all business assets in the Netherlands, giving them substantial economic power (Reuten, 2018).

5.2 Discussion among social partners

The labour movement ‘welcomes’ the conclusions of the WRR on income and wealth inequality between households, while the employers’ organisations dispute the outcome. VNO-NCW, the national employers’ organisation, writes in a press statement that “the analysis of the Council is wrong on almost all elements” (VNO, 2014). They question the conclusion of the Council that wealth inequality is relatively high in the

Netherlands compared to other countries by stating that they used the wrong data. And, consequently, they do not support one of the policy suggestions of the Council, namely to tax wealth more and income from employment less. VNO published a background paper in which they look into the data used by the WRR to calculate the wealth distribution and conclude that the distribution is much more equal if the categories are chosen differently and mortgages and house ownership are dealt with differently. During a public debate the president of VNO said that “there is no problem with inequality, but by talking about it we create it.” Two days later he and the president of the association of small and medium-sized businesses wrote an article in a national newspaper in which they write: “The Netherlands does not have an inequality problem. If you use the right data you will come to the conclusion that the 10 percent of households with the most assets possess about twenty percent of the net assets. What the Netherlands does have though is a growth problem. In the past twelve years the collective burden and pension contributions have increased by 35 billion euros. As a result, consumption has decreased, causing the economy to shrink. So extra tax? No. Reduce costs? Yes!”

It’s remarkable that the employers’ organisation’s response was this intense. An explanation might be that they felt spoken to. There is a common understanding that the labour movement speaks on behalf of the workers and not-so-well-off, but an employers’ organisation is not seen as a class organisation, but merely as a representative of the business community. It might explain the quote in their background paper, that starts with summarizing the main conclusions of the WRR, on the relationship between power and wealth: “Possession leads to economic power, political influence and social possibilities, and its distribution largely determines the structure and functioning of our society.” And as we have seen it is mainly their constituency that holds this wealth.

In the spring of 2018 a board member of VNO has a milder tone when asked about the stance of VNO on inequality: “Inequality is an issue for us, not a main issue, but we do take it into account. If too many people are left behind, this can lead to political populism and instability – that is not in the interest of the business community. That’s why we need and have an interest in stability on the shop floor and stability between social partners. On the other hand: what does it mean exactly? I sometimes get the feeling that all this talk about inequality might also be just envy – isn’t it possible that somebody earns ten times more just because he or she works or because he educated himself? We do think though that inclusiveness is an important issue. ... The current situation poses questions: is employment rewarding or not? Is there enough incentive for people to work? We do not see enough dedication and too little financial stimulus for people to start working. We are committed to take care of the most vulnerable, but the people that are able to contribute need to be stimulated more to want to contribute.” The two representatives of sectoral employers’ organisations that were interviewed both state that inequality is a “macro-issue”. Inclusive growth on the other hand is on their minds. The representative of the FME, the metal federation says: “Yes, we think inclusive growth is important, but we do have our own interpretation. For us job security is the most important aspect as well as the question how our employees will keep their skills, knowledge and working capacity up-to-date. We have to organise access to training and skill development - continuous learning is the challenge of the future and we still have a long way to go. That’s why we have a fairly large training fund in our sector and pay a substantial amount to keep it funded; 0.4 percent of the wage sum in the industry. It should start with the employees; they need to feel it’s their own responsibility to keep their employability at a high level. We know that it is difficult to get employees motivated and it is therefore important that employers create a learning culture.”

As already mentioned, the trade union movement was quite pleased with the report. The vice-president of the FNV is quoted in a press statement the day the report is released, saying: “Nothing in our society justifies these enormous differences. It is very clear that inequality in the Netherlands is too big”. And in response to VNO’s stance: “The poor are becoming poorer and the rich even richer. It is incomprehensible within

this context that employers have the nerve to claim there is no inequality problem, but say it's a growth issue" (FNV, 2014). The FNV characterises a higher wealth tax as the Council proposes as "a good start" and presses for an increase in the corporate tax for multinationals that "enjoy the fruits of the Netherlands, but dodge taxes continually" (FNV, 2014). The FNV itself acts upon income inequality by arguing that part of the annual wage increase should be an absolute amount because people at the lower end of the income distribution will benefit more from this. Other solutions they propose are negotiated contributions to the monthly health insurance (which averages around 100 euro per adult per month), adaptations to the pay structure for the benefit of the lowest paid employees and at their congress in 2017 they have committed themselves to an increase of the social minimum.

5.3 Conclusion

For sectoral employers' organisations the development of income inequality is not an issue. It is not part of their coordination or of their language – it's an external issue. The stance of the national association of employers' organisations seems to have developed since 2014. At first, when the publication on inequality was published by the WRR, one of the most prestigious advisory councils of government – right after the massive success of Piketty's *Capital* – their reaction was extremely defensive. Since then they have changed their tone, probably under influence of the debates on stagnating wages, the labour share and tax scandals. Their policy does not seem to have changed: they continue to advocate for tax cuts, flexible working conditions and the continuation of wage moderation.

The main focus of the trade union movement is on wage growth with the collective bargaining agreement as their best instrument. They do act and speak out against growing inequality, the concentration of wealth and tax dodging and their main – only - strategy to realise this is the collective agreement. This is probably one reason why their analysis and discourse on issues like inequality often leads them to defend their central wage demand.

6 Conclusions

Increasingly, in academic and international policy circles there is acceptance of the need to change the approach to the issue of economic growth. This change concerns the sources of economic growth, its conceptualisation and its effects. In particular the relationship with inequality is central to this new approach. In this paper we rather focused on the role of collective bargaining institutions, wages and union and employer objectives and strategies.

There is little debate in the Netherlands on the issue of inclusive growth and unions and employers hardly ever use this term. At the same time, there is a debate on inequality and in particular the unions are changing their position in this debate. For many years, since 1982 or even earlier, the growth strategy as formulated by representatives of employers and employees was built on two pillars. One was wage moderation, expected to result in international competitiveness and jobs. This manifested itself in a structural lagging behind of wage growth to productivity growth.

Second was labour market flexibilisation: "The bi-partite Labour Foundation supports the government in their judgement that well-balanced, stable and flexible labour relations are the core of an economically competitive and socially responsible labour system" (Star, 1996). This starting point, that flexible work arrangements are a necessity for a healthy business environment and thus a thriving economy, was widely supported. All labour market policy was geared towards "the flexibilisation of the labour market [with the

aim] to improve the strength of the economy, [while] a rigid labour market with far-reaching protection of employees and high dismissal costs will generally leave little space for an innovative climate in which productivity enhancement and process innovation are central.” (CBS, 2004).

Hence, wage moderation and flexibility were seen as factors strengthening competitiveness, which would result in more growth, more jobs and eventually also better wages and working conditions, and higher well-being. Collective agreements were the preferred instrument to achieve these objectives, also because, with central wage strategies, they prevented inequality from increasing excessively. Collective agreements covered, and continue to cover, the large majority of employees, providing an apparent stability to the labour market.

However, the economic crisis of 2008, the subsequent debates on income inequality and the distribution of wealth, the excessive flexibilisation of the labour market, the continuing decline of membership, and the deep internal crisis of the FNV resulted in a different analysis and a different practice by the biggest trade union in the Netherlands. The FNV no longer believed that employers were willing to share economic gains fairly and no longer saw employers as their ally in improving labour standards and working conditions. It abandoned the wage moderation policy and started to demand a reduction of flexibilisation. Indeed, the *quid pro quo*-arrangement of the neo-corporatist model has come under serious pressure. A more confrontational and less consensus or compromise-oriented FNV approach is the results. At the same time, membership losses also make it more difficult for the FNV to achieve its objectives.

Employers’ organisations on the other hand have not changed their analysis. They continue to argue that their competitiveness is the key to prosperity and that competitiveness is to a large extent based on moderate wage developments and flexibility. To achieve this, they have changed their practices within the field of labour relations, aiming to side-line the FNV where collective bargaining is conflictive and concluding collective agreements with other, smaller trade unions with no or hardly no members, or concluding agreements with work councils on wages and labour conditions.

Clearly, today the ‘social partners’ do not share a common overarching story on the development of the Dutch economy and the labour market anymore. Their views differ on a lot of issues or as an interviewee of the peak employers’ organisation expressed it: “The bottom line is that we do not hold the same vision of the future and that’s why we do not make any progress.” For the time being, however, the employers are more successful in achieving their objectives because of their stronger bargaining power, their possibilities to side-line the FNV and the support they receive from the respective governments.

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