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INDUSTRIAL RELATIONS IN EUROPE

FOSTERING EQUALITY AND CROSS-COUNTRY CONVERGENCE?

CONFERENCE ORGANIZED BY THE INTERNATIONAL LABOUR OFFICE
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The Netherlands

Is long term income growth ensuring social convergence with better equality and redistribution?

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1. To converge or not to converge?
2. Bargained wages lag actual earnings and productivity growth, by far
3. The stunning Dutch *Flexplosion* ...
4. ... illustrates the demise of the full-time single-breadwinner model
5. Combining individual earnings into household incomes enhances inequality, but also complicates redistribution
6. Social dialogue is as weak as the weakest partner
7. Conclusions: individual entitlements to support social dialogue

See Chapter 8 for more.

1. Social convergence or divergence?

- The Netherlands is in many respects an above-average performer for the Pillar of Social Rights
- Employment performance overestimated due to the many part-time jobs
- But not all is well: Pay stagnates secularly, flexibility explodes
- And, the financial crisis has pushed many Dutch convergence scores downward, closer to the EU28 average.

Social convergence scores up to and in 2016

Dutch scores for most indicators are better than the EU average, but significant exceptions are found for

	<u>NLD</u>	<u>EU average</u>
• <i>full-time equivalent employment rate is low</i>	64% (77)	68% (71)
• <i>incidence of low-wage jobs is high</i>	19%	17%
• <i>gender gap in part-time employment is large</i>	53%	16%
• <i>unadjusted gender pay gap is substantial</i>	16%	15%
• <i>incidence of temporary contracts is becoming extreme</i>	20%	12%
• <i>transition from temporary to permanent contracts is minimal</i>	23%	34%

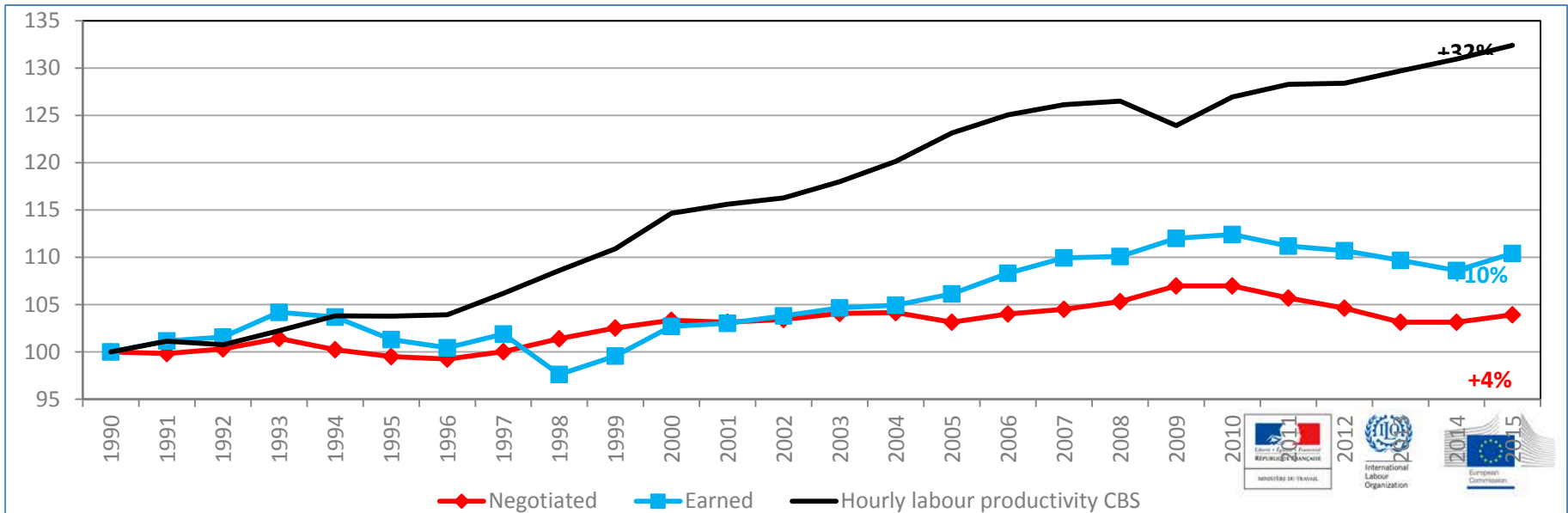
And also on a trajectory of decline between 2008 and 2016 for

• <i>real disposable household income fell more than EU</i>	-7%pt	+3%pt
• <i>impact of transfers on poverty declined</i>	-5%pt	-3%pt
• <i>risk of poverty and exclusion increased</i>	+2%pt	--
• <i>pension replacement rate shrunk</i>	-2%pt	+6%pt
• <i>participation in activation policies fell substantially</i>	-20%	-5%
• <i>employment rate fell (full-time equivalent)</i>	-2%pt (-5)	-- (-4)
• <i>particularly for youth (full-time equivalent)</i>	-10%pt	-6%pt
• <i>early school-leaving fell more slowly</i>	-3%pt	-4%pt
• <i>involuntary part-time employment per capita grew</i>	+2%pt	+1%pt
• <i>temporary contracts increased fast</i>	+3%pt	+1%pt

Based on Social Pillar headline and secondary indicators and additional EU indicators.

Note that EU policy making and the Pillar put their trust in the social dialogue but maintain no indicators for this

2. Real bargained (hourly) wages virtually flat, and lagged actual earnings and productivity growth, by far



3. The Dutch *Flexplosion* is stunning

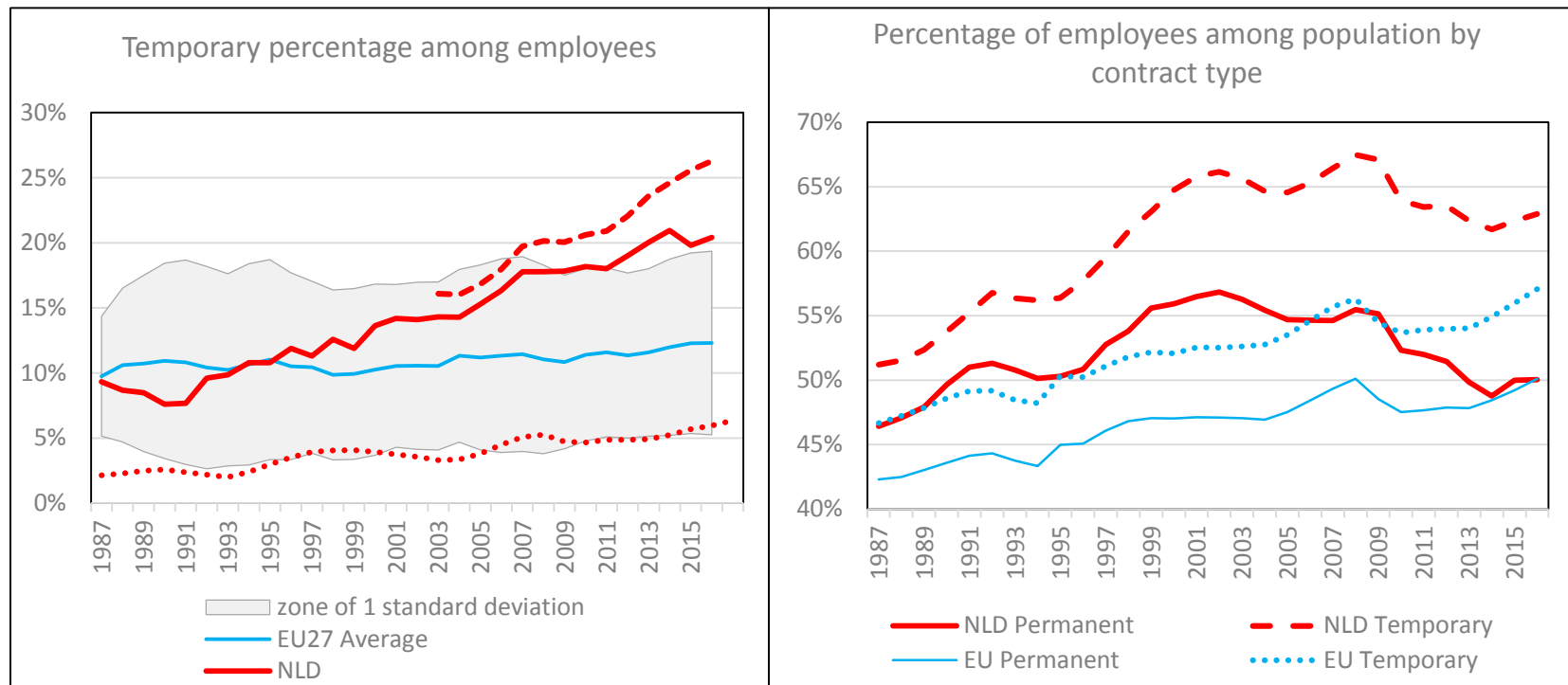
- The most important exception concerns temporary employment contracts. These show rapid growth, especially during the period covered by the indicators above. This has led the country on a swiftly diverging path up and away from the EU average.
- Flexibility growth has reached ‘escape velocity’ and left the EU orbit
- It has strongly expanded in all dimensions: age, education, weekly working hours, occupation, industry, and men have almost closed the gap to women.
- This is unravelling the permanent labour contract, starting from youths but now affecting the entire economy

Only employees are considered here – but there is also a strong growth in so-called self-employment

Textbook case of social dialogue: Social partners literally wrote the legal rules.

Flexicurity Social Pact 1996 (Temp agencies collective labour contract), turned into Flexicurity Law 1999; EU Directive Temporary work 1999/70; EU Directive Temporary work agencies 2008/104; WWZ law restrictions on temporary contracts 2015.

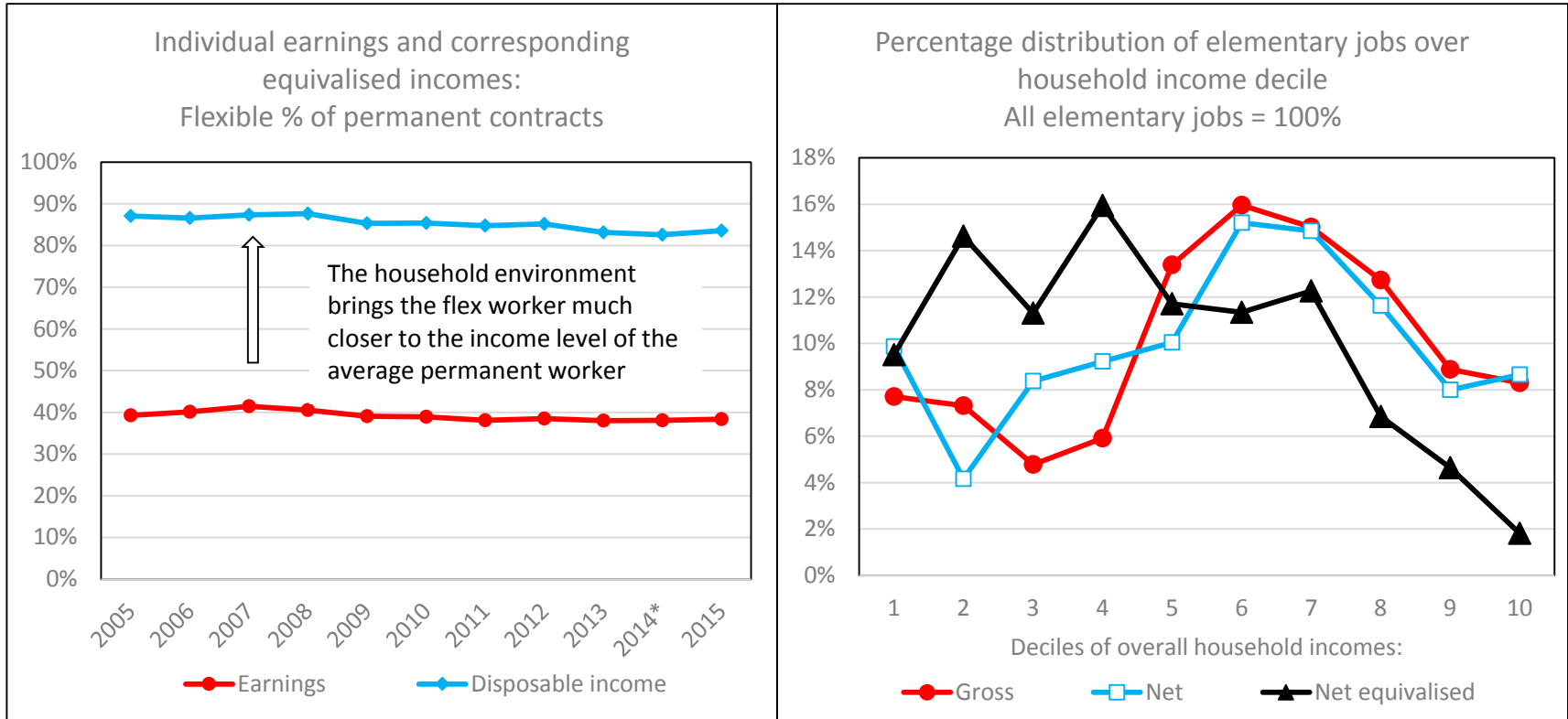
Effects only in a relatively more restrained growth of temp agency work. Dutch job 'advantage' reduced to temp contracts only (head count).



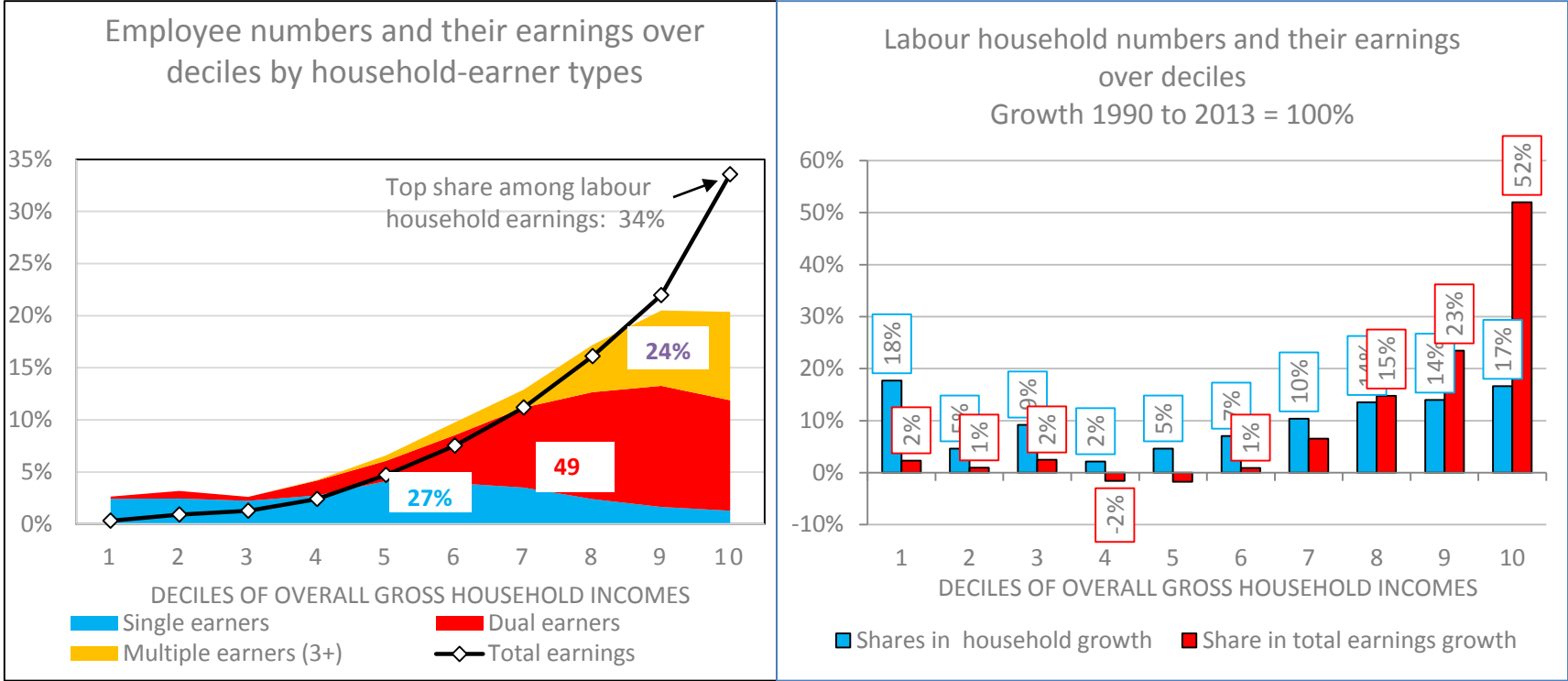
For EU average the number of countries hardly matters (1983:8, 1995:15; 2003: 28), and levels are almost identical for EU28, EU15 and EA19.

4. Flex case illustrates the demise of the single earner

Intra-household income support complicates fighting against Flex / low pay

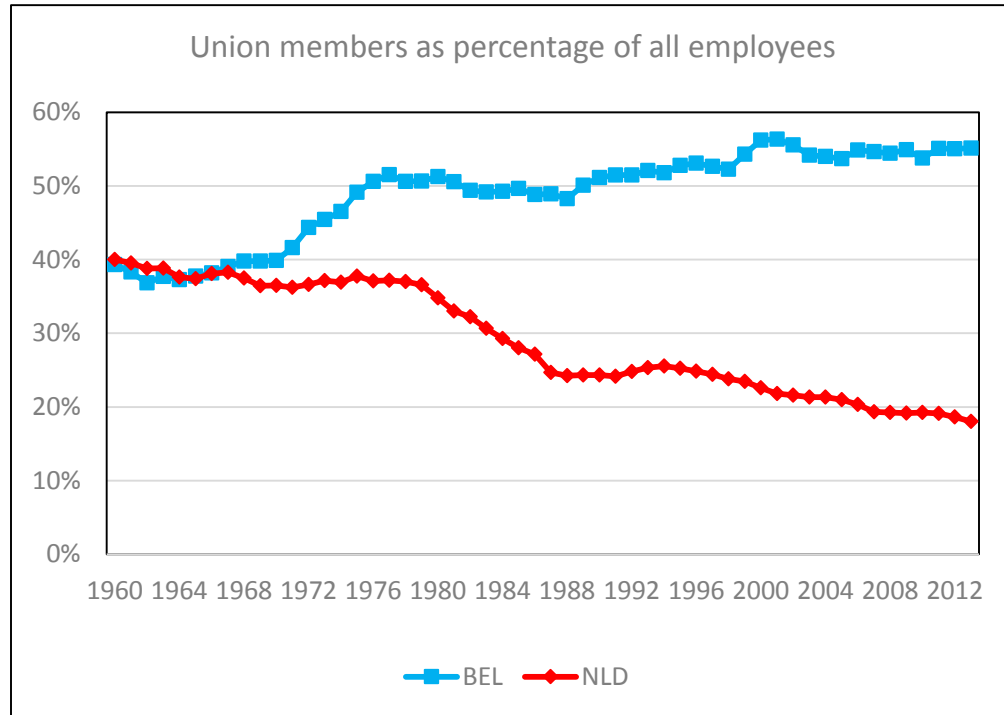


5. Combining individual earnings in household incomes enhances inequality, but also complicates redistribution



Percentages shown in boxes are for the shares of all employees in each the three household types

6. Social dialogue institutions are essential but the dialogue outcomes shift away from weakest partner



Belgium

- Low and non-increasing percentage of flexible contracts.
- Economy performs equally well.
- Same FTE employment rate, lower head-count rate.
- Very different labour-market structures: full-time, focus on ages 25-55, better earning women.
- Union density is high across the board (esp. women).

7. Conclusions

- Economic growth has benefited individual labour earnings barely
- Combining earnings in households has rapidly increased as a way around this
- However with the consequence of growing household earnings inequality, with a strong educational gradient, and difficulties of solidarity.
- The *Flexplosion* has added income *insecurity* to stagnating earnings.
- The new Social Pillar (art. 5) aims to reduce flexible contracting and insecurity – however, the lessons of the two EU directives in NLD are that this will be effective only if supported by individual legal entitlements which can act as a check on work-floor outcomes of social dialogue.
- Temporary contracts for temporary activities only.
- Wise to channel all temporary contracts via Temp agencies, as these can be better checked than the mass of individual employers.
- Institute a check on the weakness of the outcomes of social dialogue (add to SPR indicators)
- Account in the social dialogue for the replacement of the single earner world.

Thank you

Read this

- (with Stefan Thewissen) *How has the middle fared in the Netherlands? A tale of stagnation and population shifts*. Institute for New Economic Thinking, University of Oxford, Working Paper 2017-14. <https://www.inet.ox.ac.uk/library/view/920>
- Individual Earnings and Household Incomes: Mutually Reinforcing Inequalities? *European Journal of Economics and Economic Policies*, 12:2,190–203. 2015
- EU policy making and growing inequalities. *European Economy. Discussion Paper 008*. European Commission ECFIN. September 2015.
http://ec.europa.eu/economy_finance/publications/eedp/pdf/dp008_en.pdf
- And, naturally, Chapter 8.