

## Contribution of the Dutch social partners to the National Reform Programme within the context of the EU 2020 Strategy

April 2011

#### • Foreword

In 2010, the European Union (EU) introduced the 2020 Strategy as a follow-up to the Lisbon Strategy. The EU 2020 Strategy focuses on the promotion of sustainable, inclusive and smart growth, i.e. growth that is driven by knowledge and innovation. The aim of this strategy is to pull the European Union out of the economic crisis at a faster rate and achieve a high level of employment, social cohesion and productivity.

These priorities have been distilled into five headline targets and ten guidelines on the basis of which the member states must determine their own national goals which will accomplish the EU 2020 Strategy by 2020.

When the guidelines were adopted it was decided that they should be established annually. However, at the same time, it was determined that the guidelines must remain stable until 2014 so that all attention can be focused on implementing them.

The five headline targets for 2020 are:

- The employment participation rate to be increased from 69% to 75%;
- R&D expenditure to be increased from 1.9% to 3% of GDP;
- The 20/20/20 objectives: CO2 emissions, renewable energy and energy efficiency;
- School drop-out rates to be reduced to 10% and the percentage of 30-40 year olds completing third level education to be increased to 40%;
- The number of people in or at risk of poverty to be reduced by at least 20 million.

What remains is the National Reform Programme (NRP) in which, each year, EU member states report on the progress they have made towards achieving, formerly, the Lisbon objectives and, since autumn 2010, the EU 2020 Strategy. Each year, the Dutch Government discusses its draft version of the NRP with the social partners but the content of the NRP is entirely the government's responsibility.

However, the date on which the NRP is sent to the European Commission has changed. Henceforth, this document will have to be sent off in the spring.

A report on the *Contribution of the Dutch social partners* to achieving the European targets was always appended to the NRP. This will remain the case. This report contains the main joint contributions made by the social partners as a result of consultation by the Labour Foundation [*Stichting van de Arbeid*] and the Social and Economic Council (SER). Contributions

that the social partners have made separately to achieving these targets are outside the scope of this report.

In autumn 2010, the social partners decided – on account of the introduction of the EU 2020 Strategy and the formation of a new government and because the guidelines were not finally adopted until October 2010 – to report on only a few major issues in their *Contribution* for 2010 such as impending (youth) unemployment as a result of the financial and economic crisis and the Spring 2010 Pension Agreement [*Pensioen Akkoord Voorjaar 2010*]

In this *Contribution* it has been decided to report on the contributions towards achieving the Lisbon objectives and subsequently the EU 2020 Strategy for the period October 2009<sup>1</sup> to April 2011.

There has been a further change in relation to the previous *Contributions to the Lisbon objectives*. In previous years, the first section dealt with the contribution that the social partners made via the Labour Foundation. The second section dealt with advice given by the social partners in the SER. With effect from 2011, it has been decided to link the contributions of the social partners to the five headline targets and ten guidelines of the Europe 2020 Strategy. For each theme – clustering guidelines on the basis of the European Commission's ten-point plan for growth analysis – the report will focus on the social partners' contribution made to it via the Labour Foundation and via the SER during the period under review.

Of course, many of the social partners' recommendations and advisory reports pertain to several headline targets and guidelines. Where this is the case, the contribution concerned is not repeated in respect of several guidelines but has been placed with the most suitable guideline. For example, the pension recommendation concerning young people with a disability and employees eligible for sheltered employment with wage dispensation applies both to the promotion of participation in the labour market and to social inclusion. This contribution has been placed under *Guideline 10: Promoting social inclusion and combating poverty*.

Finally, it should be stressed that the central and local social partners are responsible for interpreting the EU 2020 Strategy mainly through their policy on conditions of employment in which recommendations and advisory reports of the Labour Foundation and the SER are evident.

<sup>&</sup>lt;sup>1</sup> The last regular report dates from 23 September 2009.

#### 1. Macro-economic and financial stability

Guideline 1: Ensuring the quality and the sustainability of public finances

**Guideline 2: Addressing macro-economic imbalances** 

Guideline 3: Reducing imbalances in the euro area

The main responsibilities in terms of achieving these three guidelines rest with the government. The principal role of the social partners in this regard is the development of negotiated wages and pensions.

#### • Rises in negotiated wages

The wage cost negotiations during the period October 2009 - April 2011 have been marked by the implementation of the collective agreement policy which was agreed between the social partners in spring 2009. "The present situation requires us to put work above income. Wage movements will be differentiated, but modest across the board. That applies to everyone in the company, including those who earn the highest incomes. The main aim is to preserve the purchasing power of private-sector and public-sector employees and benefits recipients.

Agreements to stimulate employment will be made in a broad spectrum of fields – including training – at sector and company level, and wage movements will be negotiated to match the level of inflation, provided that no additional tax or social insurance payments are imposed, either nationally or locally, that undermine purchasing power. Where more money is available, it will be used for jobs, training, trainee places for young people or for those retraining to work in labour shortage sectors, and for pensions."

The Netherlands Bureau for Economic Policy Analysis (CPB) has calculated a 2.7% movement in negotiated wages for 2009 and 1.0% for 2010. The CPB is forecasting a 1.75% wage movement for 2011. In 2010 inflation stood at 1.3% and the inflation forecast for 2011 is  $2\%^3$ .

#### • Reforming the pension system

The financial crisis of 2008-2009 had a devastating effect on the Dutch pension system. A large number of pension funds have gone into deficit and are required to draw up a recovery plan to comply with statutory regulations, which must be approved by the Dutch Central Bank [De Nederlandsche Bank (DNB)].

On top of this, the pension system is confronted with the financial consequences of people living longer. In 2009, Statistics Netherlands (CBS) noted an acceleration of the "longevity trend". Not only is life expectancy gradually increasing but, more importantly, the life expectancy of older people appears to be increasing rapidly. Until now, the financial consequences of this have been funded from increased contributions and/or by allowing the rise in pension liabilities to feed through into lower coverage ratios. When combined with the consequences of the financial crisis, this is no longer sustainable. A reform of the pension system is badly needed. That is the unanimous conclusion of the social partners in the Netherlands.

In the Spring 2010 Pension Agreement [Pensioen Akkoord Voorjaar 2010], the social partners reached agreement on the principles of a review of the Dutch pension system so that the financial consequences of increased longevity can be taken into account and employment-based

<sup>&</sup>lt;sup>2</sup> Social Agreement dated 25 March 2009.

<sup>&</sup>lt;sup>3</sup> CPB, CEP 2011, Moderate economic growth, Recovering public finances, April 2011.

pensions can be made more resistant to financial shocks. In addition, the social partners propose raising the official retirement age from 65 to 66 with effect from 2020, with adjustments every five years to take account of increasing life expectancy.

The main preconditions for reforming employment-based pension schemes in the Netherlands are:

- a more robust adjustment of the basic pension to reflect the wages earned;
- a real improvement in the participation of older people in the labour market;
- a tax framework known as the "Witteveen framework" that allows people to use for their pension any savings in pension costs, resulting from e.g. an increase in the pension computation age or because of very favourable investment results;
- updating of the Financial Assessment Framework (FAS) to take account of the new type of contract containing only conditional pension arrangements.

As far as employment-based pensions within the second basic component are concerned, it is ultimately the local social partners who have to arrive at a balance between certainty and price for the various employment-based pension arrangements, with specific agreements regarding the allocation of risk. Based on its responsibility for ensuring effective coordination of the proposed changes to the Dutch pension system, the Labour Foundation intends to provide the local parties with a set of guidelines for dealing with the change. Following the conclusion of the Pension Agreement, the social partners have been engaged in working out the basic principles. It is their intention that the details – set out in the form of a memorandum – should provide proper guidance for local consultation, so that the new pension contracts can come into effect by 1 January 2013.

#### • Recovery plans for pension funds

On 1 January 2011, some smaller pension funds with a coverage ratio of less than 90% had to implement a cut in pensions. In early 2011, over 300 pension funds evaluated their recovery plan for 2010. In May 2011, the Dutch Central Bank is expected to publish a list of the funds that may have to make cuts by 1 April 2012.

#### • Advice on pension legislation

Decision on new pension parameters as a result of advice from the Don Committee

On 4 March 2010, the Labour Foundation asked the Minister of Social Affairs and Employment, when taking a decision on new pension parameters, to take account of the fact that crisis year 2008 counts as the last year of the series and that if the year 2009 is added (1900 – 2009) the average long-term return on shares works out 0.3 of a percentage point higher. It appears from the decision taken by the minister that he did respond to some extent.

Use of cushioned cost-covering contribution, even in the event of slow recovery

On 19 October 2010, the Labour Foundation wrote to the Minister of Social Affairs and Employment concerning a problem with which part of the pension sector is likely to be confronted. The Dutch Pensions Act [Pensioenwet] explicitly states that pension funds are permitted to cushion the cost-covering contribution in order to avoid extreme volatility in contributions. Even in the event of a shortfall, they are explicitly allowed to continue to cushion the contribution as part of a long-standing policy. However, it appears that DNB is applying the policy rule that the recovery plan must also be based on contribution income and that means

that in the event of a low interest rate it is no longer permitted to cushion contributions with an average interest rate. A substantial number of funds would be forced to increase contributions by 20%-30% or else they would have to take the decision to make a temporary substantial reduction in the accumulation of pension entitlements.

This request by the Foundation was granted by the minister shortly afterwards.

#### • Response to the European Commission's Green Paper on Pensions

On 15 November 2010, the Labour Foundation published its response to the European Commission's *Green Paper on Pensions*. The Labour Foundation considers it important to respect the diversity of Europe's pension systems. This does not detract from the fact that there are good reasons for adopting a joint approach to issues and problems that reach beyond the borders of the member states. The *Green Paper* rightly refers to ensuring accessible, adequate and sustainable pensions as an important common objective within the EU.

The Foundation endorses the Dutch Government's response which, on the one hand, subscribes to the underlying principles and, on the other, makes some critical remarks regarding the fact that in a number of respects the Commission's aim is to bring about greater coordination at European level. There is tension between, on the one hand, the objectives of a sustainable and adequate pension – which require there to be scope for collective and solidarity-based pension schemes with flexible types of risk sharing – and, on the other, the Commission's expressed aim of ensuring greater competition between pension institutions on the basis of conditions that also apply to commercial insurance companies.

The Foundation goes on to emphasise that the Solvency II buffer requirements are not suitable for pension funds that can ultimately pass on risks to participants. Other elements of Solvency II can in fact be applied to pension funds, such as supervision based on risks, market valuation, and transparency. More generally, one can say that certainty costs money and that too much certainty can mean that it becomes impossible to achieve the objective of an adequate pension at affordable cost.

#### • Consultations with the Minister of Economic Affairs, Agriculture and Innovation

On 23 March 2011, consultations on the 2011 EU Spring Summit were held between the Minister of Economic Affairs, Agriculture and Innovation (Verhagen) and a SER delegation.

During this meeting, the focus was mostly on the package of measures submitted to strengthen the economic direction of the Economic and Monetary Union (EMU). These measures mainly involved tightening up the Stability and Growth Pact, strengthening competitiveness and creating mechanisms for coming to the aid of countries in difficulties in the euro zone under certain conditions.

The minister explained the importance of taking additional measures in our approach to the current financial and economic crisis. Short-term measures must be in line with policy to promote long-term growth. This requires improved coordination of economic policy. The frameworks and guidelines for this are laid down centrally and must be implemented locally by each member state. It was stressed that the national member states still retained the scope for policy-making in their own territory.

The SER delegation raised the following points: the interest that the Netherlands has in a stable euro for the entire euro zone, the importance of a distinct social dimension as part of the European project and the importance of the Netherlands telling its own story in Brussels and not just responding to proposals from the big countries.

The minister and the SER delegation both referred to the importance of continuing to seek public support for the European project.

## • SER advisory report on shrinking regions and population shrinkage<sup>4</sup>

With the Parkstad Limburg region as the front runner, an increasing number of regions in the Netherlands are having to deal with a declining population. Unless there is a change of policy, they will be confronted both with properties lying empty and homes being poorly maintained and with a diminishing supply of schools, medical care and shops. The shrinking regions are undergoing a process of transition in which they have to learn to remain vital with fewer people. This transition is usually accompanied by substantial restructuring but also offers new opportunities.

The government must create the right conditions. However, it is mostly the business community - both business owners and employees - civil-society organisations and citizens who in day-to-day practice ensure the sustainable development of the region. This requires scope for experimentation. Provinces must give direction by developing a long-term strategy and see to it that municipalities in shrinking regions start cooperating with each other.

The SER regards population shrinkage as a process of transition towards establishing a new balance with sufficient economic support for high-quality public facilities, for people to live and work in pleasant conditions and for businesses to invest successfully in new activities. There is no blueprint for this – all of those involved have their own area of responsibility. What is most important is innovative entrepreneurship that actively responds to the new circumstances. Examples of new business activities in rural areas constitute multi-functional entrepreneurship, such as social care farms, agrotourism and agricultural nature management. In some shrinking regions, new activities are being created around the bio-based economy.

#### • SER symposium: how do we keep long-term care affordable?

On 6 October 2010, the SER organised a symposium on the cost of long-term care to mark its 60th anniversary. The key issue was what the Netherlands can learn from Germany's experience in making long-term care more future-proof.

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SER advisory report Bevolkingskrimp benoemen en benutten [Naming and using population shrinkage], The Hague, 2011.

### 2. Growth capacity, sustainability and innovation

Guideline 4: Optimising support for R&D and innovation, strengthening the knowledge triangle and unleashing the potential of the digital economy

Guideline 5: Improving resource efficiency and reducing greenhouse gas emissions Guideline 6: Improving the business and consumer environment and modernising the industrial base

The social partners have discussed, particularly in the SER, what they can contribute to the desired changes in these areas.

## • SER advisory report on market regulation and public interests<sup>5</sup>

Public interests are interests that should be promoted for the good of society as a whole and with which politicians therefore concern themselves. Examples include quality, accessibility and efficiency. Ultimately, it is up to the politicians to define public interests. They could be based on social considerations, consumer protection or countering the market power of providers. In addition, politicians have to be aware that it is also possible for government to fail. Protecting public interests is not simply a matter of choosing between "market" and "government". Market and government complement each other. The challenge is to find the combination of policy instruments for each situation that best protects public interests and public prosperity. To achieve this, careful preparation is essential.

The SER has organised an effect analysis for the preparation of regulatory policy which could be helpful in this regard. This is because it is important to prepare policy thoroughly in case there are fundamental changes in regulatory policy. The effect analysis makes it possible to ask the right questions at the right time. The SER calls for specific attention to be paid to the position of employees who are affected by a change in regulatory policy.

## SER advisory report on sustainable growth<sup>6</sup>

Until now, the Netherlands has had relatively little success with eco-efficient innovation. Because of this, it is in danger of missing out on one of the biggest global growth markets, even though it has a large number of companies eminently well positioned to lead the worldwide market in clean technology. The SER regards improvement in technology and innovation as crucial.

The social partners and nature conservation and environmental organisations also want to actively adopt this approach themselves by making ambitious agreements with the new government on achieving sustainability within different sectors of the economy.

A new "structured, innovative approach to sustainability" should focus on:

- developing a key area strategy for sustainability, identifying economic focus areas and optimising cooperation between public and private initiatives;
- raising the Dutch business community to a position of leadership in the world market for clean technology;
- preparing employees to meet the knowledge and skills requirements of a sustainable economy;

SER advisory report Overheid én markt: Het resultaat telt! [Government and market: The result says it all!], The Hague, March 2010. An English abstract is available.

<sup>&</sup>lt;sup>6</sup> SER advisory report *Meer werken aan duurzame groei* [Making sustainable growth work], The Hague, May 2010.

working towards consumption and production choices that fit within the limits of sustainable development.

Sustainable development requires us to make choices. It is important to use the right prosperity indicators when making these choices and consider them in context. Nowadays, there is too much emphasis on national income and economic growth. The SER believes that policy makers should also place greater emphasis on environmental, social and economic indicators. The SER concludes that current sustainability policy is managed from many locations and institutions, at the risk of insufficient streamlining and coherence. It advocates streamlining the various policy programmes and bringing them into line with European sustainability and innovation programmes. The Netherlands' comparative advantages should take precedence in this process. The Innovation Platform has identified those advantages in its key area strategy.

## SER advisory report on the bio-based economy<sup>7</sup>

If the Netherlands invests in the bio-based economy now, there are a lot of opportunities for economic growth and making society sustainable. The SER is in favour of promoting the idea of making biomass sustainable, encouraging innovation on an ongoing basis, choosing high-quality products and preparing employees properly for new ways of working.

The transition to a more biomass-based economy involves making clear choices. The SER believes that the emphasis must be placed on high-value chemical and material products. That is where the economic opportunities lie for the Netherlands. The current incentive policy mainly focuses on energy-related products, such as biofuels, neglecting higher-value products. What is more, the cultivation of biomass for biofuels often has negative consequences for food production and biodiversity.

The SER believes that the Netherlands must continue to support international sustainability agreements. Supplementary policy will be needed in the short term. This can take the form of increasingly strict European sustainability standards for biomass and a commitment by industry to apply supplementary sustainability criteria. The government must provide supplementary policy in cases where sustainability criteria are not sufficient to reduce risks.

In order to ensure that there is a smooth transition to a more biomass-based economy, the social aspects must be involved in the process. This may involve properly guiding employees to new jobs and new working methods. Social conditions must also be taken into account in the production chain.

#### • SER working conference on the bio-based economy

In connection with the above advisory report, the SER organised a working conference on 6 April 2011 to find ways of making a biomass-based economy as sustainable as possible in the key sectors of chemicals, agro-industry, paper, logistics and energy. The aim is to draw up a quality agenda in which agreements are made on subjects such as ensuring job quality and guiding employees to new working methods.

<sup>&</sup>lt;sup>7</sup> SER advisory report *Meer chemie tussen groen en groei: De kansen en dilemma's van een biobased economy* [More chemistry between green and growth: Opportunities and dilemmas of a bio-based economy], The Hague, December 2010. An English abstract is available.

### • SER advisory report on self-employed persons with no employees<sup>8</sup>

Self-employed persons with no employees (own-account workers) contribute to Dutch society and the Dutch economy in a large number of fields and to a varying extent, and thus to the country's socio-economic dynamics. The advent of the own-account worker requires a change of policy in a number of areas. This applies in particular in the case of occupational incapacity, working conditions, training and pensions. The system of labour relations, taxation and social security will have to be better tailored to cater for an increasing variety of employment relations.

The SER defines an own-account worker as someone who is deemed to be an entrepreneur for income tax purposes and does not employ any staff. This includes both "classic" own-account workers — with their own shop, farm, or lorry — and "new-style" own-account workers who primarily sell their own labour, expertise, and skills. According to this definition, the Netherlands had 675,000 own-account workers in 2010.

Own-account workers are a very heterogeneous group, working in a variety of sectors and often combining entrepreneurship with paid employment. Over the past 15 years, the proportion of own-account workers has risen from 6% to over 8% of the working population. However, apart from a few specific sectors, this rise does not indicate a significant trend or an upheaval in the labour market as a whole. The overwhelming majority of the population still consists of employed persons, and the proportion of such persons remains relatively constant.

The SER has made a number of proposals for improving the socio-economic position of own-account workers. Own-account workers need to be able to insure themselves against the risk of occupational incapacity, if they so wish. Some amendments are needed to the Decree on Assistance to the Self-Employed [Besluit bijstandsverlening zelfstandigen (Bbz)] and the Income Provision for Older and Partially Incapacitated Former Self-Employed Persons Act [Inkomensvoorziening oudere en gedeeltelijk arbeidsongeschikte gewezen zelfstandigen (IOAZ)]. The SER also believes that own-account workers should have the same opportunities as employed persons to accrue a pension and join a group pension fund. Also, policy on lifelong learning should explicitly take account of the position and needs of these workers.

## • SER advisory report on the consumer climate<sup>9</sup>

The SER Committee for Consumer Affairs (CCA) is recommending to the government that it should take urgent steps to introduce simplified court proceedings for straightforward civil cases. Consumers and traders will then be able to resolve their disputes more quickly, more simply and more cheaply.

The CCA drew up proposals about this as long ago as 2007. The fact that such proceedings are still not available is starting to become a real obstacle. All the more so as the government has announced measures which could affect access to the courts, such as cost-covering court registry fees and cuts in legal aid funding.

Simplified and fast-track proceedings for small claims have been in existence for cross-border disputes since 2009. The government does not intend to make a start on developing the simplified proceedings for disputes in the Netherlands, based on a report dating from early 2008,

SER advisory report Zzp'ers in beeld: Een integrale visie op zelfstandigen zonder personeel [Own-account workers under the spotlight: An integrated view of self-employed persons with no employees], The Hague, October 2010. An English abstract is available.

SER advisory report *Toegang tot het recht voor de consument en de ondernemer* [Access to the law for consumers and traders], The Hague, March 2011.

until more is known about the cost of building a digital infrastructure. This has created a situation where a consumer or trader can obtain justice quickly and cheaply in the event of a cross-border dispute in Europe but not in the event of a dispute in the Netherlands.

#### 3. Operation of the labour market, employment and social inclusion

# Guideline 7: Increasing labour market participation, reducing structural unemployment and promoting job quality

#### • Equal Pay Day 2011

Each year, at the end of March, the *Equal pay network* organises an *Equal Pay Day* in association with the Ministry of Social Affairs and Employment. The Labour Foundation participates on an informal basis.

On 31 March 2011, this day was devoted to unequal careers for men and women and differences in negotiations between male and female employees.

#### • Health & Safety catalogues

The social partners at local level are keen to improve working conditions in businesses and sectors of industry. The Labour Foundation facilitates these sectoral activities. In the period just ended (2007-2010), the Labour Foundation has encouraged the production of health & safety catalogues through the Health & Safety Catalogue project, with a subsidy from the Ministry of Social Affairs and Employment.

The amended Working Conditions Act [Arbowet] (2007) includes an option for employers and employees to set out in their own Health & Safety Catalogue how to achieve the targets set in the Act in their own sector. The project came to an end on 1 January 2011. Of course, it is still possible to add to or draw up a Health & Safety Catalogue but the subsidy is no longer available from the Ministry of Social Affairs and Employment.

#### • RI&E Centre

In 2003, a start was made on digitising the industry-specific RI&E instruments. The aim is to increase awareness of the RI&E and encourage the development and recognition of industry-specific RI&E instruments and their use.

At the request of the Ministry of Social Affairs and Employment, the Labour Foundation has been responsible for the RI&E Centre since 1 January 2011. The use of RI&E by small businesses is one of its priorities.

#### • Putting vitality policy on the map

In partnership with the Healthy Weight Covenant, the Labour Foundation organised a symposium on *The healthy workplace: right or duty?* on 11 October 2010. The aim of the symposium was to promote vitality policy in businesses. Employers and employees were called upon to make vitality a permanent part of their policy. Vitality is a shared responsibility of employers and employees.

In addition, a brochure entitled *Maak werk van vitaliteit* [Make work of vitality] was published by the Healthy Weight Covenant and the Labour Foundation as part of this symposium. This brochure is about promoting a healthy lifestyle in the work place. Guidance and inspiring practical examples are also provided.

#### • Continued payment of wages after 104 weeks' sick leave and resumption of work

On 4 March 2011, the Labour Foundation once more asked the Minister of Social Affairs and Employment for a legal income provision for employees who after 104 weeks of sick leave have been declared less than 35% incapacitated on resuming their original job for reduced hours or starting a different job (suitable work) and falling ill again. Because it is usually unclear whether the suitable work (due to the passage of time) can be regarded as the stipulated work, the Labour Foundation advocates a no-risk policy arrangement. In that case, the employer is under an obligation to continue paying wages, which are compensated by the sickness benefit scheme. The employee can also be given a right to sickness benefit. This obviates the risk for employers of a new obligation to continue paying wages and reduces the likelihood of those who are less than 35% incapacitated being dismissed. However, this proposal has not yet resulted in the desired solution.

#### • Evaluation of the WIA

The Labour Foundation finds that the position of those less than 35% incapacitated on the labour market is improving, with the percentage of these workers in employment increasing. The Work and Income (Capacity for Work) Act [Wet werk en inkomen naar arbeidsvermogen, WIA] entered into force on 1 January 2006. The aim of the WIA is, on the one hand, to reduce the inflow into incapacity schemes and, on the other hand, to encourage employees to continue or start work according to their ability if they do enter WIA schemes. In this way, more employees will be available for the labour market. In addition, the WIA must provide income protection in the event of occupational incapacity. In the final report on Research into the evaluation of the WIA, the effectiveness and the effects of the Act in practice were examined. On 11 April 2011, the Labour Foundation, presented to the Dutch parliament its response to the results of the evaluation of the WIA and the response of the government.

The Labour Foundation is calling attention to the group of employees who, despite having been declared less than 35% incapacitated, find themselves in a vulnerable starting position for resuming work because of substantial labour restrictions. It also calls attention to the inflow of employees who are fully but not permanently incapacitated and those in the safety net (sick people who do not have an employer to re-integrate with) into the WIA schemes. This involves much higher numbers than expected. It recommends that additional measures be introduced for these groups. The Foundation has also commented on the implementation of the WIA, the performance of the tasks of the Ministry of Social Affairs and Employment and the view that the government's response to the ILO expert report on the conflict of the WIA with Treaty No. 121 should be included in the evaluation of the WIA.

To further strengthen the position of employees less than 35% incapacitated, the Labour Foundation has adopted *Supplementary conclusions, recommendations and advisory reports on employees less than 35% incapacitated* which it has included as an appendix to its response to the Dutch parliament.

#### • Mobility and teleworking

In October 2009, the Labour Foundation published the *Recommendation on Mobility and Teleworking*. By doings so, it wished to encourage employers and employees to consult each other at local level. On the one hand, the intention was to produce a mobility policy and mobility agreements that would reduce congestion and improve the accessibility of regions and

businesses. On the other hand, it was to help to coordinate the work-life balance, with particular regard to the combination of work and care. According to the Labour Foundation, this can be achieved by linking mobility management at company level to working time management, for which teleworking could be an important tool. A potential workforce that declines to take part in the employment process because of travelling times can be mobilised through working time management and teleworking. This encourages women in particular into employment and could help to enlarge small part-time jobs. If the labour market in the Netherlands becomes tighter again, a higher degree of employment participation by women, in terms of both numbers and hours, will be of vital importance. More people with disabilities will be able to participate in employment by teleworking.

#### • Part-time unemployment benefit scheme

The Labour Foundation would, in particular, like to see the part-time unemployment benefit scheme continuing for as long as the consequences of the financial and economic crisis are still noticeable and cause temporary loss of employment <sup>10</sup>. Because the Minister of Social Affairs and Employment decided to end the scheme on 1 January 2010, the Foundation wrote him a letter on 4 December 2009 with an urgent plea to continue the scheme. The Foundation finds that the use of the part-time unemployment benefit scheme enables healthy businesses to withstand the decline in orders resulting from the crisis and means that they do not have to needlessly dismiss their skilled employees.

Following an extension to 1 April 2010, the Minister of Social Affairs and Employment decided to extend the scheme to 1 July 2011, depending on the percentage of employees who take advantage of the scheme, or earlier if the budgetary ceiling (EUR 660 million gross) has been reached.

According to the most recent reports, it is mostly companies in the construction and steel industries that are still using this scheme.

#### • Promoting part-time plus

On 12 January 2010, the Labour Foundation and the Part-Time Plus Taskforce jointly organised a symposium entitled *More time for part-timers – How part-time workers can work more hours*. As the title suggests, the question discussed was which obstacles at company level have to be cleared away in order to motivate more part-time workers to start working more hours. That afternoon, employers and employees learned lessons from the pilot projects organised by the Taskforce.

At the Taskforce's closing conference (March 2010), a number of recommendations were made to the Labour Foundation which were intended to enlarge small part-time jobs. The Foundation is currently considering the implementation of these recommendations.

Part-time unemployment benefit has been available since 1 April 2009. Part-time unemployment benefit means that working hours can be cut by a minimum of 20% and a maximum of 50%. The employer is only liable to pay for the hours worked. The employee receives part-time unemployment benefit for the hours not worked. Part-time unemployment benefit is intended to provide financial support for employers who are having to cope with a temporary downturn in their business activities in order to defray the cost of the under-utilisation, thereby retaining skilled employees. For employees, part-time unemployment benefit means that they retain their employment relationship despite being unemployed for part of their working hours.

#### • Framework Agreement on Inclusive Labour Markets

In March 2010, EU social partners established the *Framework Agreement on Inclusive Labour Markets*<sup>11</sup>. An inclusive labour market is defined as a market in which everyone of working age has the opportunity to do paid work. To this end, the social partners, government and other actors must provide a framework that favours and is conducive to the creation of an inclusive labour market.

The social partners are actively working in the area of training and deployability and establishing supplementary labour market policy, including efforts to increase the participation of older employees.

#### • Encouraging older employees' participation in employment

When preparing the *Spring 2010 Pension Agreement*, the social partners focused in depth on ways of encouraging older employees to participate in employment by pursuing a targeted policy at central, sectoral and company level. Because this is one part of the Pension Agreement as a whole, it should be published if there is also agreement on all of the other issues to be worked out.

#### • Whistleblowers

In the spring of 2009, the Foundation and the Council for Public Sector Personnel Policy [Raad voor het Overheidspersoneelsbeleid, ROP] advised the Minister of the Interior and Kingdom Relations to set up an advice and referral centre for whistleblowers. The reason for this is that it is very important to prevent abuses and be able to report any that do arise in order to have a properly functioning business sector and trustworthy government.

When the Ministry's initial proposals were published in a letter to the Dutch parliament (14 December 2010), the Foundation and the ROP once more drew attention to their plan for a dedicated, independent agency for whistleblowers. They are continuing to do so in meetings and correspondence with the Ministers of the Interior and Kingdom Relations and of Social Affairs and Employment, most recently in a response to the draft general order in council setting up a Whistleblower Committee.

It is very important for the social partners that the future agency does not direct whistleblowers but encourages them by providing suitable support.

## • SER advisory report on time and society<sup>12</sup>

An increasing number of people are experiencing considerable time pressure when it comes to combining work with private life. Working hours and the times at which people use public services are not always well-coordinated. Nowadays, the problem of time pressure is often solved by women working part-time. This also maintains the traditional division of time between men and women, which comes at a cost to society.

The SER finds that working people come up against time bottlenecks in education, childcare, healthcare and local public services. A more modern and time-efficient arrangement of the day is required for children aged 4 to 12 in education and childcare. The main principle is that

Framework Agreement on Inclusive Labour Markets, 25 March 2010. The agreement [in Dutch] can be downloaded from www.stvda.nl

<sup>&</sup>lt;sup>12</sup> SER advisory report *Tijden van de Samenleving: Slimmer organiseren van tijd en plaats van arbeid en dienstverlening*, [Time and Society: Smarter organisation of time and place of employment and services], The Hague, April 2011.

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school and nursery opening hours should fit in with working hours and that the best use should be made of the options provided by a full school week in which Wednesdays and Fridays are also considered regular working days.

In the healthcare sector, general practitioners should make more use of telephone surgeries and digital services. Hospitals must reduce waiting times and coordinate services better. The SER advises municipalities to continue to invest in providing digital services, in supplying information via websites and in reducing waiting times. Public offices should be open one evening a week from 7.00 to 9.00 pm.

The SER regards the improved coordination and smarter organisation of the time and place of employment and services, using technologies such as ICT, as a form of social innovation, which can help to increase more sustainable employment participation, thereby guaranteeing the future prosperity of the Netherlands.

## • SER advisory report on job-to-job mobility<sup>13</sup>

It must be made more normal and easier for working people to voluntarily change jobs or switch to another sector. Employers, employees and government must therefore invest in the training and deployability of employees. Changing jobs more often benefits employees and employers and ensures a properly functioning labour market. It is primarily up to employers and employees to encourage and facilitate mobility.

The SER is formulating recommendations along three main axes. First, employers and employees must become more aware of the benefits of changing jobs more often. Job mobility must play a bigger part than it does now in the personnel policy of organisations, e.g. by providing promotion options and developing career paths for employees. Personnel policy should also focus specific attention on providing options for older employees. Second, the SER also calls for the continued development of a personal budget which employees could use to attend training courses in order to advance their career within the sector. In some sectors, arrangements have already been made to provide personal financing. It is up to the social partners at industry level to continue this trend. Equally important are opportunities to retrain for a job in other sectors. The SER calls on training and development funds to work together and make money available for this purpose. Third, the SER believes that access to labour market information could be improved. The supply of vacancies and jobseekers must be transparent in order to ensure a good match and faster placement. Better use could be made of the existing network of consultants, Learning-Working Desks, sector service points and the Social Security Agency. The SER believes that mobility centres should be given a place in this network and that funds should continue to be available for this purpose. The new social media should also be given a major role.

The SER notes that these measures will create a culture in which it is normal to change jobs more often.

SER advisory report Werk maken van baan-baanmobiliteit [Making work of job-to-job mobility], The Hague, April 2011.

## • SER advisory report on equal working conditions for all workers 14

The SER believes on principle that all working people, employees or own-account workers should have the same working conditions. This means that the same health and safety limits, such as those for noise or physical strain, should apply to everyone who works.

Following this principle, own-account workers should be covered by two general health and safety provisions (the general duty to provide good working conditions and the risk inventory and evaluation). Own-account workers are themselves responsible for implementing these provisions. They should be aware of the risks to which their work could give rise so that they can take preventive measures in time.

However, the SER does not consider it necessary for own-account workers to carry out an extensive RI&E, such as the Working Conditions Act lays down for employees, as the preparation of an RI&E comes under the employer's duty of care for his employees.

Guideline 8: Developing a skilled workforce responding to labour market needs and promoting lifelong learning

Guideline 9: Improving the performance of education and training systems at all levels and increasing participation in tertiary or equivalent education

#### • Low literacy skills

Concluded in September 2007, the agreement on a structural approach to lower-level literacy skills [Convenant Laaggeletterdheid] contains arrangements between the social partners and the Ministries of Education, Culture and Science, Social Affairs and Employment and Youth and Family to combat low literacy levels in industry. The Labour Foundation is making every effort to bring this issue to the attention of local parties to collective agreements, mainly by encouraging them to set out in their collective agreements an approach to low literacy levels. With the labour market becoming tighter, it is important for everyone to be and remain employable. Education in the area of language skills forms the basis for improving employees' position on the labour market.

The Labour Foundation has commissioned qualitative research into the efforts made by social partners, sectors and companies at national level to address low literacy levels among workers<sup>15</sup>. The research shows that specific arrangements have been made in five of the eight sectors surveyed, whether or not in a collective agreement, to improve employees' language skills. In other sectors, low literacy levels are (too) frequently perceived not to be a problem. On the other hand, there are individual companies within these sectors that do combat low literacy levels as a result of language related problems on the shop floor (in following instructions, safety rules, etc.).

#### • Traineeships in senior secondary vocational education

The Service Document on Traineeships in Senior Secondary Vocational Education [Service-document stages in het MBO] (2006) was jointly produced by the social partners, Colo, the MBO Council and JOB. It is a guide to drawing up a traineeship contract which is as simple and uniform as possible. This document was updated in December 2009 as a result of changes

SER advisory report Zelfstandigen en arbeidsomstandigheden [The self-employed and working conditions], The Hague, March 2011.

<sup>&</sup>lt;sup>15</sup> Research for Policy, Werken met taal – bestrijding van laaggeletterdheid door sectoren en bedrijven [Using language – the role of sectors and companies in combating low literacy levels], October 2010.

in the law<sup>16</sup>. It also provides details of the responsibility of institutions and training companies with regard to trainees.

#### • Strategy for training working people

On 4 December 2009, the Labour Foundation wrote a letter to the Dutch parliament in response to the advisory report "Tijd voor ontwikkeling" [Time for development] from the Learning and Working Think Tank (chaired by Roger van Boxtel). A key element of this advisory report is the encouragement of lifelong learning in the Netherlands. The Foundation subscribes to the view that it is necessary to reinforce the culture of learning among adults. However, the social partners do not advocate the introduction of a statutory training requirement as stated in the Think Tank's advisory report. Such a requirement is not productive, as training arrangements should be on the agenda for local collective agreements.

#### • Innovation package scheme

The Innovation package scheme [Regeling Innovatiearrangement] is intended to promote and facilitate innovation in and from vocational schools. In early 2009, the State Secretary for Education, Culture and Science took the decision to extend this scheme by a year to 2011. As a result of a joint request by the Labour Foundation and The Vocational Education Platform [Het Platform Beroepsonderwijs] on 6 November 2009, in early 2010 the state secretary agreed to convert the scheme for 2010 into a scheme for 2010 and 2011, in which the allocated subsidy of EUR 20 million would be spread over the two years. The social partners note that the focus can be concentrated on innovation in companies to which vocational education makes a contribution.

#### • Education budget of the Ministry of Education, Culture and Science

Education makes a substantial contribution to the development of the necessary basic skills, including reading, writing, arithmetic and digital skills. These basic skills are required to be able to function effectively and efficiently on the labour market. The municipalities are responsible for the education budget. However, this means that what happens to the budget depends on the individual policy of over 400 municipalities.

On 14 January 2011, the Labour Foundation urged the Minister of Education, Culture and Science to bring the education budget under the direct control of the ministry instead of the municipalities. This would make it easier to link education to vocational training and to make full use of the contacts that the Regional Education Centres and Agricultural Training Centres have with commerce and industry. It would also reduce the administrative burden both on municipalities and on training providers. The budget could also be used more effectively to combat low literacy levels among employees and prospective employees.

In her *Action Plan for Secondary Vocational Education 2011-2015*, which she submitted to the Dutch parliament on 16 February 2011, the Minister of Education, Culture and Science announced that the funds and with them the responsibility for adult education (VAVO) would

Reduction of Income Tax and Social Security Contributions Act [Wet Vermindering Afdracht loonbelasting en premie volksverzekeringen (WVA)]. The WVA for Education was extended on 1 January 2010. The reduction in contribution can be applied provisionally (in 2010) as regards raising employees' level of education. The WVA for Basic Qualifications, intended for former unemployed people who do not have basic qualifications (= Senior Secondary Vocational level), to help them obtain these qualifications, has been extended. The scheme now also applies to employees who have completed a re-integration programme. For employees who are changing training companies, the new training company can take advantage of the WVA to help the employee obtain basic qualifications.

be removed from the municipalities' education budget and brought under the ministry as of 1 January 2013.

#### Advisory report on Work Schools

In mid-November 2010, the Work Schools Committee published the advisory report *Zicht op werk* [Insight into work]. This report called for the introduction of the Work School, the aim of which is to build a bridge to the labour market. The Work School is intended for students without basic qualifications who cannot proceed to the next level of education and are unable to take the step to the regular labour market on their own. These are students from advanced special education (VSO), practical education and Assistant with Labour-market Qualification/Senior Secondary Vocational Education, Level 1, a total of around 75,000 young people. In a letter dated 16 December 2010, the Labour Foundation urged the Minister of Education, Culture and Science to adopt and facilitate the advisory report's coherent approach. The introduction of the Work School provides a young person with a place in which to learn and work instead of a benefit, the employer with a skilled employee in due course and the government with a greater return on less funds.

#### • School drop-out rates

In February 2010, the Minister and State Secretary of Education, Culture and Science sent a letter to the Dutch parliament with regard to figures and policy relating to school drop-out rates. The number of young people leaving school without basic qualifications fell from 46,800 in academic year 2007/2008 to 42,600 in 2008/2009. The government's objective is to further reduce the number of drop-outs to 35,000 in 2012. In spite of the observed fall in numbers, it remains concerned that a substantial number of young people, especially in vocational education (where the fall does not meet the objective), are leaving school without basic qualifications and therefore with little chance of finding a place on the labour market.

On 14 April 2010, the Labour Foundation wrote a letter to the Minister and State Secretary of Education, Culture and Science containing recommendations on reducing school drop-out rates. It calls for a reduction in scale in the current Regional Education Centres to increase the involvement of both students and teachers and reduce anonymity. In addition, it is essential to bring greater structure to the school week – more contact hours and more supervision – for this target group of 16 to 23-year-olds. In this context, the Foundation believes that it is important for educational institutions to devise ways of making more money available for the primary process, teaching, and less for management tasks.

In the ministry's reply to its letter, the Labour Foundation did not receive a specific response to its proposals. The problem is not being tackled at source, i.e. putting right the primary quality of the institutions. The institutions receive a great deal of money to tackle school drop-out rates and will have to account for how it is spent, according to the Foundation.

#### APL

APL stands for Accreditation of Prior Learning. APL is the subject of a great deal of interest and is on the move. It is a labour market instrument that employees can use to keep a record of what they have learned. The Accreditation may or may not lead to further training. In 2006, the Agreement on the APT Quality Code was drawn up by the social partners, education umbrella organisations, Colo, private providers and the government. However, it does not set out who is responsible for quality assurance. In late 2009, the parties to the agreement decided

that the government would take charge for three years in order to set the basic quality standard for APL and make satisfactory arrangements for quality assurance.

It was also decided to renew the agreement to which the Labour Foundation and the government are parties. In this way, the Labour Foundation can remain joint owner of the APL quality code. The quality code defines what APL is, determines who may offer it, sets a standard for good practice in implementing it and lays down the principles for assessing its quality. A renewed agreement provides the social partners with the opportunity to exert an influence on the contents of the quality code and formulate criteria for the quality of APL. The basic principle is that APL must be a labour market instrument used to strengthen the position of employees on the labour market in terms of their career and the possibilities for those in employment and jobseekers in terms of recruitment and career path.

The APL Knowledge Centre has joined forces with the Labour Foundation to review collective agreements that contain arrangements for APL and the benefits that they have delivered. On the basis of this information, a set of guidelines has been drawn up to show parties to local collective agreements how to include APL arrangements in the collective agreement.

## • SER advisory report on strategic agenda for higher education, research and science<sup>17</sup>

Having the right student in the right place requires an improvement in the information provided by educational institutions on fields of study and programmes, better preparation by students and matching and selection with an improved focus on matching students to courses. Greater differentiation is required in higher education to serve students and the labour market better, including the associate degree (two-year higher professional qualification) and more opportunities to achieve excellence. Fragmentation of the supply of courses must be reduced. The multiplicity of courses makes the selection process difficult for students and makes it difficult for employers to assess the value of a particular course.

In terms of both selection and financial measures, the situation must be monitored to ensure that access to higher education is guaranteed. The SER emphasises that higher education must continue to play a part in the process of lifelong learning.

Cooperation between employers' associations and higher education must improve, including with regard to the content of the courses. The most obvious strategy is to join forces with the nine top sectors. Campus developments provide institutions with an opportunity to establish themselves and raise their profiles within a region. Research and its applicable results are also of great importance to the position of the Netherlands as a knowledge economy and its competitive position, all of which requires a wide-ranging science and research policy as well as mass and focus.

The country's ambition to be among the top five knowledge economies calls for additional investment. The SER emphasises that the investment required must have a clear positive return for the individual but expressly also for the Netherlands. The SER calls for the more active policies proposed to be allowed to run in parallel with the cuts.

SER advisory report Strategische Agenda Hoger Onderwijs, Onderzoek en Wetenschap [Strategic Agenda for Higher Education, Research and Science], The Hague, April 2011.

#### • SER symposium on early selection in education

On 10 February 2010, the SER organised a symposium on early selection in education to mark its 60th anniversary. The Dutch education system has a reputation for early selection, where students choose widely differentiated directions in their education on their twelfth birthday. The OECD points out that countries where students do not choose until they are older fare better; more students go on to higher education irrespective of their socio-economic background.

During the symposium, the key question was whether the performance of Dutch education could indeed be improved if the system was reorganised. By way of comparison, the symposium looked at the reform of the Polish education system in 1998.

#### Guideline 10: Promoting social inclusion and combating poverty

# • Advisory report by the Labour Foundation on pension accrual for disabled young people and adults with wage dispensation

At the tail end of 2009, on 29 December, the Minister of Social Affairs and Employment asked the Labour Foundation to advise on the pension accrual options for disabled young people and adults when they are working for a regular employer and are covered by the wage dispensation scheme. Specifically, this concerns disabled young people and adults eligible for statutory sheltered employment (WSW) for which the government grants an exemption from the payment of the legal minimum wage (WML). The problem is that these employees can in principle join their employer's pension scheme but that, because their pay is below the WML level, they cannot in fact accrue a pension because in almost all cases the contribution-free amount is above the level of the wage that these people receive.

In its reply dated 8 July 2010, the Labour Foundation wrote that it had expressly requested all the parties involved in employment-based pension schemes, including parties to collective agreements, organisations of pension fund administrators and the Dutch Association of Insurers, to regard the part of the WML not paid by the employer as a part-time factor in the event of wage dispensation. This factor must then be applied to the contribution-free amount. (This approach is laid down by law in the case of part-time employment.) This means that these employees can accrue a pension on a pro-rata basis.

# • SER advisory report on the participation of young people with developmental or behavioural disorders 18

Young people with developmental or behavioural disorders need bespoke help to be able to participate in society. The entire regime of schemes and facilities is too complicated for these young people. What is needed is a single coordinating professional who can guide a young person through his or her "trek through the institutions". In the longer term, the government must review ways of structurally improving the cohesion of all the schemes and facilities.

The key question is how young people with developmental and behavioural problems or multiple problems can be supported and guided to help them participate in society and employment to which they are suited. The SER is making a number of proposals for the short term to strengthen young people's self-reliance and the position of professionals, including:

<sup>&</sup>lt;sup>18</sup> SER advisory report *De winst van maatwerk: je kunt er niet vroeg genoeg bij zijn* [The benefits of a bespoke approach: you cannot intervene early enough], The Hague, December 2009.

- more customised or demand-driven support rather than supply-driven support;
- a single coordinated care needs assessment for different facilities that may be required;
- improved cooperation between professionals from different organisations;
- more targeted emphasis on the prompt identification of problems in children;
- investing in strengthening the self-reliance of families;
- taking more account of the importance of participation in care.