

STATEMENT REGARDING THE 2004-2005 NEGOTIATIONS ON TERMS AND CONDITIONS OF EMPLOYMENT

The central organisations of employers and employees represented in the Labour Foundation (Stichting van de Arbeid):

- noting that the Netherlands finds itself in a continuing negative economic situation, as is shown by its deteriorating international competitiveness and employment levels, disappointing innovative capacity and productivity, and a continuing major increase in unemployment;
 - considering that, in order to ensure renewed economic growth and employment in the long-term, it is necessary to strengthen the country's competitiveness and that to do so requires all parties to make efforts to increase productivity and innovation;
 - having noted the Cabinet Statement of 18 November 2003 (see Annex 1);
1. urgently call on the parties involved in collective bargaining not to include any contractual pay increases in the collective agreements which are to be revised for 2004 and to agree on a contractual pay increase for 2005 which is virtually zero.¹ One-off, performance-related forms of reward should, however, remain possible. The latter may be paid in the form of a percentage payment or a nominal payment or some combination of the two;
 2. agree that the implementation of the above recommendation for wage increases in 2005 will only apply if the Cabinet and the two sides of industry reach agreement by no later than April 2004 on the overall fiscal facilitation of early retirement/pre-pension and the proposed lifecourse scheme, with such measures taking effect on 1 January 2006, together with any transitional measures;
 3. recommend that similar restraint should also apply to pay that is not covered by a collective agreement;
 4. implement, in the light of the Cabinet Statement of 17 October 2003 with respect to disability benefit, points 1 to 4 and the following concluding paragraphs of the Statement issued by the Labour Foundation on 22 March 2002 (see Annex 2).

¹ In the context of this Statement, any agreements that may be made regarding contributions to medical expenses are not included in the determination of the contractually agreed pay.

The Hague, 18 November 2003,

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G.J. Doornbos

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Cabinet Statement 18 November 2003

1. In view of the difficult economic situation the Cabinet believes that long-term wage moderation is of great importance. Employers' associations and trade unions have a responsibility in this regard. The Cabinet therefore attaches great importance to the declaration by the Labour Foundation dated 18 November 2003 with regard to wage developments.
2. In the light of this important development, the Cabinet is willing to make a number of concessions to meet the wishes of employers and employees regarding adjustments to the Cabinet policy as previously announced. These concessions are as follows.
3. Early retirement (VUT)/pre-pension/lifecourse

The measures incorporated in the 2004 Tax Plan abolishing the fiscal facilitation of early retirement (VUT)/pre-pension and introducing the proposed lifecourse scheme will be delayed.

The Cabinet and the Labour Foundation will enter into further consultations on the entire system of fiscal facilitation of VUT/pre-pension and lifecourse schemes with a view to achieving a consensus in April 2004 on the system to be introduced on 1 January 2006, as well as any transitional arrangements.

The Cabinet is working on the basis of a financial envelope of EUR 510 million in 2006, EUR 410 million in 2007 and a structural sum of EUR 250 million to finance the new system to be introduced on 1 January 2006. The resources currently being budgeted for the lifecourse facility and for the existing leave savings scheme may also be addressed for this purpose. The Cabinet realises that there are no guarantees that this budgetary framework will be endorsed by employers' and employees' representatives .

Available funds (x EUR million)

	2006	2007	Struct
Envelope	510	410	250
Lifecourse	200	200	200
Leave savings	160	150	150
Total	870	760	600

The definitive structure of the package may be set out in the 2005 Tax Plan to be adopted in 2004.

4. Linkage between pay and social benefits
 - a. With effect from 1 January 2006 the link between pay and benefits will be restored. On the basis of the original grounds for exceptions from this linkage as set out in the Wage-Benefit Linkage and Exceptions Act (WKA), benefits will be frozen in 2004 and 2005.
 - b. In 2004 and 2005 the Cabinet will take a zero contractual pay increase as a starting point for contractual pay increases for the public sector. With effect from 1 January 2006 the usual reference model will be applied for pay negotiations in the public sector.

5. Unemployment benefits
- a. The measures announced to prevent ‘cumulative unemployment benefit’, under which redundancy payments by employers were to be deducted from the unemployment benefit received by laid-off employees, will be scrapped completely. The possibility will remain of topping up unemployment benefit with redundancy payments by the employer (individually and collectively).
 - b. The Cabinet will not table any new bills concerning the referral requirement and short-term unemployment benefits before the Social and Economic Council (SER) has been given an opportunity to publish its advisory report on unemployment benefit before 1 March 2004, of which the Cabinet will take careful note.
6. Incapacity Insurance Act
- a. Contrary to the Cabinet plans, people with a partial incapacity for work who are not in employment will continue to receive benefit after expiry of the period of pay linkage, which will not be tested against any income received by the claimant’s partner. This benefit will amount to 70 percent of the statutory minimum wage, multiplied by the percentage incapacity for work.
 - b. The two following measures will be achieved provided two conditions are met:
 1. The number of people moving on to the new scheme for people with a full long-term incapacity for work has actually been kept to the currently budgeted figure of 25,000 on a 12-month basis since 1 January 2006¹. This will be determined in August 2007 on the basis of the figures that are available in July 2007.
 2. The intention of the Labour Foundation not to agree any supplements to the continued payment of wages at 70% in the second year of the employee’s illness has actually been implemented by the bargaining parties.
 - c. Under the new system, the benefit for people with a full long-term incapacity for work will be increased with retroactive effect from 1 January 2006 by 5 percentage points, calculated on the basis for the statutory benefit.
 - d. The Disability Insurance (Premium Differentiation and Market Forces) Act (PEMBA) will also be repealed with retroactive effect from 1 January 2006.
 - e. The Cabinet will not introduce any regulations to ensure that continued payment of wages in the second year of illness does not exceed 70 percent of previous salary. The Cabinet is confident that the Labour Foundation will realise its own intentions on this point, namely no continued payment of wages above 70 percent.
 - f. The cost associated with benefits payable under the Partially Fit for Work (Resumption of Work) scheme will be borne by both employers and employees.
 - g. The Cabinet will seek the advice of the Social and Economic Council (SER) on a number of specific themes, namely the Employment Disability (AO) criterion, the proposed Occupational Risks Additional Guarantee Scheme (EGB), the position of employees with a flexible employment contract and the position of military personnel. The SER will publish its advisory report in January 2004. If it seems feasible that the Employment Disability criterion proposed by the SER can be made operational and offers the prospect of achieving the budgeted fall in the number of people moving on to disability benefit to 25,000 on a permanent basis, the Cabinet will seek to adopt that criterion.

¹ In assessing the figures for the number of people moving on to the scheme, allowance will be made for any startup problems in implementing it.

7. Youth unemployment

The creation of additional jobs and work experience placements for young people is a crucial element in tackling youth unemployment. Employers' associations have stated that they require support in creating these additional jobs and work experience places. A study is under way to determine whether the Centres for Work and Income (CWI) would be able to provide the envisaged support for all industries and sectors. Each CWI is given a budget averaging EUR 1,000 per client to smooth the path to work by funding short-term projects intended to lead to rapid placement in employment or a work experience place.

The Cabinet takes the view that young people will be able to take up trainee placements without sacrificing their benefit, provided such work is temporary and is conditioned by training, or else offers the prospect of appointment at the end of the traineeship. The Cabinet will consult further on this with the Labour Foundation.

8. Regularisation of subsidised employment

The Cabinet will begin urgent discussions with the Association of Netherlands Municipalities (VNG) and employers' and employees' representatives on achieving the aims of the covenant, including the risk of compulsory redundancies.

9. Work and Welfare

As the Cabinet was requested in motions tabled during the passage through Parliament of the Work and Welfare Act (*Wet werk en bijstand*), the Cabinet, in conjunction with employers' and employees' representatives, will review ways in which extra attention can be given to integrating national assistance benefit claimants, the disabled and the chronically ill into the employment process.

10. Medical expenses

A one-off government contribution of EUR 200 million will be paid to the Compulsory Health Insurance Act (ZFW) in order to limit the nominal compulsory health insurance contribution for 2004.

**STATEMENT BY THE CENTRAL ORGANISATIONS OF EMPLOYERS AND
EMPLOYEES REPRESENTED IN THE LABOUR FOUNDATION**

The following central organisations of employers and employees, represented in the Labour Foundation (Stichting van de Arbeid)

* assuming:

- that the main points in the Social and Economic Council's advisory report of 22 March 2002 on the restriction of absenteeism due to illness and of the number of persons receiving disability benefit will be implemented;
- that this Statement only applies if that is the case;

* emphasise that the Council's advisory document is based on the following considerations:

- that social and economic reasons require that absenteeism due to illness be prevented, that participation in employment by persons who have work-related limitations caused by health problems be encouraged, and that a substantial reduction be made in the number of persons making use of the facilities applying to industrial disability;
- that employers and employees jointly bear the primary responsibility, at local level, for making optimum use of the work capacity of employees with work-related limitations;
- that the government is responsible for protecting the incomes of persons with a full long-term incapacity for work;
- that the structure of the various relevant systems should be such that, on the one hand, it encourages employees – in accordance with their ability and taking account of their work-related limitations – to work or continue to work and, on the other hand, encourages employers to keep on employees with work-related limitations or to take on such employees;
- that in general an effective reintegration policy is necessary in this respect, one which creates the necessary conditions and provides the necessary facilities;

- * in the light of this, agree on behalf of their membership that:
1. it is desirable that, in the course of local negotiations between employers and employees, additional initiatives should be taken and facilities provided with a view to preventing absenteeism due to illness or industrial disability and to reintegrating employees with work-related limitations caused by health problems. This might involve a system of terms and conditions of employment aimed at encouraging reintegration that relate to both the first and second year of illness. Prevention and a timely approach during the initial period of absence due to illness demand, in particular, the attention, quality and coordination of the services provided by health and safety organisations and reintegration companies;
 2. the continued payment of wages during the sick employee's second year of illness should be restricted to the statutory 70% of the employee's pay, with the existing provisions relating to terms and conditions of employment being amended to that effect where necessary;
 3. it should be in the context of the local negotiations between employers and employees that decisions are taken – or existing decisions amended to take account of the new system – on the following matters:
 - A. the possible provision of supplements over and above the statutory requirement with respect to the statutory obligation to continue to pay wages during the first year of illness (in this case 70% of the employee's pay from the third day of illness);
 - B. the possible temporary provision of supplements over and above the statutory requirement with respect to:
 - disability benefit from the point that the employee begins to receive it;
 - the benefit that unemployed persons with work-related limitations or full temporary incapacity for work receive under the terms of the Unemployment Insurance Act (*WW*) or the scheme at minimum level without a means test or test of the partner's income;
 - C. surplus schemes;
 - D. the accrual of a supplementary pension in the event of industrial disability;
 - E. sector-specific schemes to insure against occupational hazards;
 4. where employees are concerned with minor work-related limitations (35% or less), it should be the employing organisation concerned that should produce tailor-made solutions, including deciding on the employee's pay in relation to his/her work capacity. It should be the parties at local level which determine whether or not to reach agreement regarding the provision (perhaps temporary) of a level of income amounting to at least 70% of such employees' last-earned pay.

The Labour Foundation intends to keep track of the implementation of the above agreements.

Finally, the Foundation considers it necessary that any insurance arrangements with respect to the second year of illness (see point 2 above) should be restricted to the statutory continued payment of 70% of the employee's wages. It intends discussing this matter with the insurance organisations.

The Hague, 22 March 2002

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