



**Contribution of Dutch social partners to National Reform Programme
2005–2008 in context of Lisbon strategy**
update 2006/2007

Foreword

EU Member States report each year in their National Reform Programme (NRP) and National Strategic Report on Social Protection and Inclusion (NSR) on the progress made in achieving the “Lisbon objectives”. The Dutch Government gives the social partners the opportunity each year to comment on its draft version but the content of the NHP/NSR is entirely the responsibility of the Dutch authorities.

The Labour Foundation [*Stichting van de Arbeid*] also draws up its own annual progress report on its contribution to achieving the Lisbon objectives. That contribution is provided primarily through the policy on terms of employment pursued by the social partners, which includes the recommendations made by the Foundation. The advice on socio-economic matters provided to the Government by the Labour Foundation and the Social and Economic Council of the Netherlands [*Sociaal-Economische Raad*] (SER) are also of assistance in this regard. The present progress report for 2006/2007 is a supplement to the two memoranda that have already appeared.¹

¹ *Contribution of the Dutch social partners to the 2005-2008 National Reform Programme in the context of the Lisbon Strategy, September 2005*
Contribution of the Dutch social partners to the 2005-2008 National Reform Programme in the context of the Lisbon Strategy, update 2005/2006

1. Contribution in area of terms of employment; rises in negotiated wages, recommendations and advice

Participation Summit

The “Participation Summit” was held on 27 June 2007, with agreement being reached between the Government, the Labour Foundation, and the Association of Netherlands Municipalities (VNG) on how to bring about a structural improvement and increase in labour participation. In order to achieve this objective, the Government and the Foundation have set up an ambitious programme, implementation of which will be vital to achieving the Lisbon objectives.

The agreement specifies three important strategic challenges:

- *to increase the effective supply of labour* so as to obviate the risks of both cyclical and structural shortages on the labour market and to increase the basis for prosperity;
- *to create opportunities for vulnerable groups* so as to increase economic participation and reinforce social cohesion;
- *to strengthen the ability of the labour market to adapt* so as to meet the new needs that arise due to the ageing of the population and the challenges resulting from globalisation and technological developments.

In its medium-term advisory report of 20 October 2006 *Increasing prosperity by and for everyone* [*Welvaartgroei door en voor iedereen*]), the Social and Economic Council proposed aiming for a participation rate of 80% in 2040. The Labour Foundation and the Government assume that the Participation Summit can make a substantial contribution to achieving that target so as to shape an innovative and competitive economy in which everyone participates economically or socially.

Progress will be monitored on an annual basis, with the results being placed on the agenda for the spring budget discussions.

Rises in negotiated wages

The prevailing economic trend meant that there was no reason in either 2006 or 2007 for social partners to make centralised agreements on wage trends. The average rise in negotiated wages in 2006 was 2%. The provisional figure for 2007 is estimated as 2%.² Inflation (derived) for 2006 was 1.5%. For 2007, inflation (derived) is also expected to be 1.5%.³

² Source: Statistics Netherlands (CBS): *Socialeconomische trends*, 2007, instalment 3 and Statline, 24 September 2007

³ Source: Macro-Economic Outlook (*MEV*) 2008, appendix A6

Recommendations, agreements, and advice

Attention for vocational education

In the past year, the social partners focused mainly on creating the right preconditions for promoting sustainable employment in the Netherlands. This resulted in a great deal of attention being paid to improving vocational education. A “quality code for recognising competencies acquired elsewhere” [*Kwaliteitscode EVC*] was signed in November 2006, with the Foundation as one of the signatories. December 2006 saw the production of a “service document on traineeships in senior secondary vocational education” [*Service document stages in het MBO*] as an aid to drawing up traineeship contracts.

In March 2007, the Foundation presented Princess Laurentien with the first copy of the recommendations on “a future for persons with low-level literacy skills, a challenge for business and industry” [*Toekomst voor laaggeletterden, een opdracht voor het bedrijfsleven*]. In this document, the Foundation expresses its clear desire to tackle the problem – up to now underestimated – of one-and-a-half million young adults having low-level literacy skills, with all the ensuing consequences as regards participation. Six months later, these recommendations received an excellent follow-up when, on 11 September, the Labour Foundation and the ministries of Education, Culture and Science, Social Affairs and Employment, and Youth and Families signed the agreement on a “structural approach to low-level literacy skills in society and business and industry” [*Structurele aanpak van laaggeletterdheid in de samenleving en het bedrijfsleven*]. The aim of the agreement is for the ministries to jointly work towards ensuring a 60% reduction by 2015 in the number of persons in the Netherlands with low-level literacy skills, whether in work or unemployed. Even more important is perhaps the agreement that the “supply” of new persons with low-level literacy skills is coming to an end: from 2011 on, young people will no longer leave school with such a low level of literacy.

There has been intense debate in the course of the past year regarding competency-oriented vocational education. That debate required input from the social partners; it was they, after all, who originally demanded this type of educational innovation. The employee of tomorrow needs to be more independent and more demand-oriented. In June 2006, the Foundation concluded in its memorandum on competency-oriented vocational education [*Competentiegericht beroepsonderwijs*] that – with all its faults – this new kind of education is of great importance for both pupils and business and industry.

Increased labour participation

One important item as regards increasing labour participation is the free movement of workers within the EU. In order to prevent undesirable competition regarding terms of employment, it is necessary for employees to be able to rely on equal treatment as regards terms of employment, working conditions, and proper accommodation. In the summer of 2006, the Foundation made recommendations to the parties to collective agreements at local level regarding the rules on terms of employment for cross-border labour.

Agreements were necessary on compliance with these rules before the borders were thrown wide open to workers from the new EU Member States. The “Framework for collaboration on enforcement of rules on cross-border work” [*Kader voor samenwerking ten behoeve van de handhaving van regelingen bij grensoverschrijdende arbeid*], drawn up by the Labour Foundation and the Ministry of Social Affairs and Employment, is the result. With effect from 1 May 2007, the borders were opened up “without restrictions” to workers from most of the new Member States. The opening up of the borders will be subject to an initial evaluation at the end of 2007.

Reintegration of employees who are only partially disabled is one of the constant concerns of the Foundation. The Foundation has a special responsibility for employees who are less than 35% incapacitated.⁴ The social partners have agreed, in the context of the new “WIA” legislation, that efforts should be made to enable such persons to continue to work. Initial assessment (January 2007) of reintegration measures showed, however, that the results were not in line with this agreement and that most of these people remained outside the work process. The Foundation therefore decided to investigate the reasons and to try to identify lessons for the future. The results are expected towards the end of 2007.

The three-year project on “health and safety catalogues” [*arbocatalogi*], which commenced in April 2007, is intended to give a boost to good working conditions. By taking up this project, which is organised by the Labour Foundation, social partners can show clearly that ensuring healthy working conditions requires joint efforts. The aim of the project is to introduce health and safety catalogues throughout business and industry within the next three years. The catalogues are intended to prevent unnecessary loss of employees as a result of working conditions. The project is being financed by government.

Increasing labour participation involves all of us, and for that reason alone it is necessary to prevent discrimination on the labour market. Discrimination is undesirable from both the human and economic perspectives. The relatively high level of unemployment among ethnic minorities shows that there is still a great deal to be done in this area. For that reason, the Foundation once more pointed this out to those it represents early in 2007.

Finally, on 30 August 2007, the Labour Foundation published an advisory report on the Government’s proposals, entitled “outlines for reconsidering the law on collective labour agreements and dismissal” [*Hoofdlijnen heroverweging arbeidsovereenkomstenrecht en het ontslagrecht*]. The authors, however, were very much divided. The Social and Economic Council had also failed, in late 2006, to achieve agreement on reforming the law on dismissal (see 3.2).

⁴ This means employees who have been off work for a long period and who have been classed, by means of the an examination pursuant to the Act on Work and Income by Labour Capacity [*Wet Werk en Inkomen naar Arbeidsvermogen, WIA*], as less than 35% incapacitated, measured according to their earning capacity.

2. Employment-based pensions

2.1 Introduction

The ageing of the population means that the policy field of employment-based pensions is an important component of socio-economic policy. The substance and financing of pensions affect both economic development and social cohesion.

The EU has decided on and “open coordination method” in which it is the duty of government to draw up a National Action Plan on Pensions (NAP-P) and to periodically update it. In the Netherlands, government is primarily responsible for the statutory old-age pension (AOW), the initial basic component, and for pension regulations. The regulations ensure that the pension commitments made in the context of terms of employment – the second basic component – are in fact complied with in the longer term.

As far as the regulations on employment-based pensions within the second basic component are concerned, 1 January 2007 saw the start of the step-by-step entry into force of the new Pensions Act [*Pensioenwet, PW*]. The Financial Assessment Framework (FAS), the provisions regarding employee participation in decision-making, and pension fund governance had been developed in consultation with the social partners. They form part of the Pensions Act; certain provisions of these components already entered into force on 1 January 2007. The social partners have primary responsibility for employment-based pension regulations at local level. Consultations on pension schemes are part of negotiations on terms of employment, in many cases negotiations on collective agreements.

At centralised level, the social partners negotiate regularly on new trends and problems through their representatives within the Labour Foundation. This involves, on the one hand, exerting an influence on government policy and, on the other, supporting pension negotiations at local level. The main objective for the social partners is to ensure the provision of high-quality affordable pensions for all workers.

2.2 Financial Assessment Framework and development of an indexation label

The Financial Assessment Framework (FAS) came into effect on 1 January 2007, doing so in the context of the Pensions Act. It was developed over the past few years jointly by government, the social partners, and the central bank of the Netherlands (DNB), which acts as the supervisory body. One component of the FAS is the “supplementary benefits matrix” that pension administration agencies are required to use in order to provide transparency regarding consistency between the level of ambition, financing efforts, and communication, in particular with pension fund members and pensioners. Considerable effort is currently being put into developing an indexation label, in order to implement the statutory obligation in the 2007 Pensions Act, specifically with a view to communication with pension fund members and pensioners. The label is intended to clarify the quality and risk of the indexation regulations – which are often conditional –

for in-payment pensions and for the pension entitlement that has been built up by pension fund members who are still working. In mid-September 2007, the Labour Foundation and the four umbrella organisations of pension scheme administrators (VB, OPF, UvB and Verbond van Verzekeraars) requested the Minister of Social Affairs and Employment, Piet Hein Donner, to test out the label not only on users but also on the administrators before actually introducing it. It has now become clear that the introduction date mentioned in the Pensions Act, 1 January 2008, is not feasible; introduction has therefore been postponed by a year.

2.3. Principles for Good Pension Fund Governance

As a result of a joint request by the Labour Foundation, the organisations of pension scheme administrators, and the collaborating pensioners' organisation, the Pensions Act includes a provision for introducing the Principles for Good Pension Fund Governance [*Principes voor goed pensioenfondsbestuur*] agreed on by these organisations. The obligation to apply these principles came into force on 1 January 2007, but the parties have been given a year to actually implement them. Evaluation will take place in mid-2008, with the reference date being 1 January 2008.

2.4 Joint decision-making on pensions administration

The result of the brief survey in 2005 of the new agreement on joint decision-making concluded in 2003 between the Labour Foundation and the collaborating pensioners' organisations (CSO) was disappointing. In the light of that survey, the parties to the agreement requested the Minister of Social Affairs and Employment to make the arrangements and recommendations in the agreement mandatory in the new Pensions Act (this being in accordance with the arrangement arrived at previously by the parities). The minister complied with their request and the relevant provisions of the Pensions Act came into force on 1 January 2007. Evaluation will take place in mid-2008, with the reference date being 1 January 2008.

2.5 Improving the expertise of pension fund administrators

The increasing complexity of pensions administration (regulations, asset management, pension fund governance) has led to a need to invest more time and energy in improving the expertise of pension fund administrators and members of other organisations in this area. The Foundation and the CSO made a call for such investment to the three umbrella organisations of pension scheme administrators (VB, OPF en UvB) and this was signed on 13 December by the chairpersons of the Foundation and the chair of the CSO.

The purpose is to give an additional boost to improving the expertise of pension fund administrators, members of members' councils, and members of accountability bodies. It will also indicate to the legislature and the supervisory body (the DNB) that the pensions sector considers self-regulation to be extremely important in this area also.

The three umbrella organisations of pension scheme administrators were called upon:

- to specify levels of expertise for managers, member of members' councils, and members of the accountability bodies that must be set up in the context of pension fund governance;
- to determine quality requirements for providers of courses;
- to provide information for interested parties;
- to maintain contact with the DNB regarding relevant developments.

This statement of intent also called upon the umbrella organisations of pension scheme administrators to commence discussions on drawing up "final attainment aims" for the expertise of pension fund managers.

2.6 Draft of EU directive on portability of pension rights

The social partners within the Labour Foundation were greatly concerned in 2006 about the developments regarding the proposed European directive on improving the cross-border portability of supplementary pension rights. The reason for this was discussion in the European Parliament of the draft report by the committee chaired by MEP Ria Oomen. The Foundation informed the Minister of Social Affairs and Employment of its concerns on 10 July 2006, having already told him on 9 December 2005 that it believed that the proposed directive would lead to a deterioration in the situation as regards the Netherlands.

The Foundation's criticism focused on the fact that the proposed directive would offer no solution to the primarily tax-related problems regarding the cross-border portability of supplementary pension rights. The Foundation also noted that the directive would only be applicable to a very small number of Member States, including the Netherlands, and that it would remain extremely difficult for workers to determine whether the international transfer of their existing pension rights would be favourable as regards their personal pension accrual. The Labour Foundation recommended that the directive should be rejected. The Minister was also requested to determine whether it would be possible for the European Commission to eliminate the obstacles that have been identified by means of a "recommendation" over a transitional period of perhaps five years.

In May 2007, the Minister, Mr Donner, threatened to exercise the country's veto because the potential risks for the Netherlands that would arise from the introduction of the directive would be too great. Amongst other things, those risks concern the room for interpretation of the concept of "fair treatment". The European Parliament has since gone forward with its discussion of the proposed directive, with a large number of changes being made by means of amendment procedures.

2.7. It should also be noted that:

- a. The Dutch government has made a proposal for maximising the extent to which pension contributions are tax deductible. There are major objections to that proposal, both regarding principles and practicalities, and both inside and outside Parliament;

- b. A study was carried out in 2007 at the request of the Lower House of Parliament to investigate the options for pension accrual by self-employed persons with no staff (“*ZZP-ers*”). The Minister of Social Affairs and Employment concluded on the basis of the study that sufficient options already exist;
- c. Discussion is ongoing in the Netherlands regarding the issue of modernising the way pension schemes are implemented.

3 Contribution of social partners via SER recommendations to implementing the Dutch Lisbon strategy

3.1 Introduction

The Social and Economic Council has once more given expression to the involvement of the Netherlands in the Lisbon strategy. In November 2006, for example, the Council's Committee on International Socio-economic Matters (ISEA Committee) listed the proposals in the programme of the European Commission that merit more detailed advice being given. One of those proposals concerns evaluation of the internal market.

3.2 Advisory report on mid-term socio-economic policy

The first half of the Advisory Report on Mid-term Socio-economic Policy (MLT) was adopted in October 2006. The scope of the report overlaps considerably with the Dutch Lisbon agenda. The previous update dealt on a theme-by-theme basis with the substance of the draft advisory report that had been drawn up. This involved the themes of reinforcing the knowledge-driven economy, preparing for population ageing, the operation of the labour market/a social security system that encourages initiative, competition and planning, social innovation, and sustainability and the environment.

The main message of the advisory report is that the Government must work seriously towards creating a stimulating participating society in which everyone participates according to their ability to do so. This will require a solid level of investment in people and scope for entrepreneurship, allowing economic opportunities to be utilised and social cohesion to be improved.

The parties within the Council have committed themselves to specific participation objectives. By 2040, the level of participation should be 80% if the Netherlands wishes to guarantee income protection for vulnerable groups and absorb the costs associated with the ageing of the population. That figure is substantially higher than the corresponding Lisbon objectives for 2010.

The original intention was to produce the second half of the MLT report by the end of 2006. That part of the report would deal with the themes of training, the law on dismissal, and unemployment benefit. It was not possible, however, to produce the report by that date because of the advent of a new government and, above all, disagreement on the merits of reforming the law on dismissal.

3.3 Consultation discussions

EU Spring Summit

Consultation discussions took place in January 2007 with the Minister of Foreign Affairs, Ben Bot. The discussions reviewed the substance and materialisation of the National Reform Programme (NHP) and previewed the position to be adopted by the Netherlands at the EU Spring Summit. Consideration was also given to the attitude that

the country should adopt regarding an alternative to the EU Constitution, which was rejected by a referendum.

Changes to European treaties

In June 2007, the ISEA Committee held discussions with the State Secretary for European Affairs on the involvement of the Netherlands in amending the European Treaties. One of the points discussed was the operation of the market and services of public interest.

3.4 Statement on fiftieth anniversary of Treaty of Rome

The Social and Economic Council published a statement on the occasion of the fiftieth anniversary of the signing of the Treaty of Rome. The Council has always had a positive attitude towards European integration. The increasingly close links at European and also global level mean that co-operation and coordination of policy within the EU in more and more areas are an elementary condition for greater prosperity.

The referendum result showed that there was a lack of support in the Netherlands for a European Constitution. If we are to advance the cause of Europe, government and Parliament must give a new impetus to public debate in this regard. As far as the Council is concerned, the most important thing is for amendment of the Treaty to place the EU in a better position to act forcefully in fields where the effects of scale and cross-border effects mean that a joint approach is valuable (in accordance with the principle of subsidiarity).

3.5 Contribution of major urban areas to Lisbon strategy

In a previous advisory report, the Council noted that national policymakers hardly view the Lisbon agenda as their own agenda. In order to dispense with this problem, the new 2005 version of the Lisbon strategy emphasised the importance of “ownership” on the part of the various authorities and other parties (including the social partners). Local authorities and interested parties also have a responsibility for working towards the ideal of a complete and living city that provides a high-quality living and working environment for its residents.

In the view of the Council, policy on major urban areas should focus on tackling the persistent and complex problems of certain city districts. At the same time, policy should also attempt to utilise opportunities that go beyond the level of individual cities and for which a special contribution is needed from central government. If cities are to be able to tackle their urban problems themselves, they must have the necessary funds to do so. But cities must also set priorities where a special contribution is needed from central government. Central government and the city concerned will need to conclude an agreement that links the performance to be provided by the latter with the contribution to be made by the former.

3.6 Advisory report on labour market situation of young people from ethnic minorities

There is an urgent need for improvement of the labour market situation of young people from ethnic minorities. They need to be better equipped for long-term participation in the labour market, above all by improving their level of education. This will require joint efforts and extra investment by all concerned: educational institutions, employers and employees (and the organisations representing them), municipalities, benefits agencies and employment agencies (such as the CWI and UWV), temporary employment agencies, and of course the young people themselves. The Government must ensure that the statutory frameworks provide sufficient scope for all this; where necessary, it should make additional funds available and adopt a proactive approach to its duties as a coordinator and facilitator. The youth organisations representing employers and employees – FNV Jong, CNV Jongeren, and Jong Management VNO-NCW – played an important role in drawing up the advisory report.

3.7 Advice regarding policy on labour migration

The Netherlands needs to adopt a more positive attitude to knowledge migrants from outside the European Union. Rather than saying “no, unless...”, its approach should be “yes, provided that...”. As regards labour migrants with only minimum qualifications, the current restrictive admission policy should continue to apply: such persons from outside the European Union should only qualify for a work permit if no supply of labour is available within the EU. In addition, admission procedures for labour migrants should be speeded up and made less bureaucratic, with the many different bodies involved operating from a single central point. This would be in the interest of both the individuals concerned and employers.

3.8 Advisory report on labour market situation of young people with a disability

The Invalidity Insurance (Young Disabled Persons) Act [*Wet arbeidsongeschiktheidsverzekeringen jonggehandicapten; WAJONG*] offers insufficient encouragement to finding suitable work. This should be improved by making greater use of a tailor-made approach, with the focus being not on the disabilities of these young people but on their talents.

In order to find suitable work for all those concerned, secondary education and vocational education should begin preparing young people with a disability for work at a very early stage and more extensively than is currently the case. This means, for example, an individual training plan, careers advice, assessments, specific training courses, and work placements. This will demand more effort on the part of the education system and greater investment by government. The regulations imposed by the various different ministries should be organised in such a way that they assist the young people concerned to make a smooth transition into work.

3.9 Advisory report on future energy policy

The transition to the sustainable provision of energy (reliable, clean, and affordable) will take many decades. The Social and Economic Council supports the broad outlines of the policy on energy transition. That policy must, however, enjoy public support and be consistent over the course of time. In order to guarantee continuity in the policy on energy transition, it is essential for government to reserve the necessary long-term funding. A forceful and proactive policy must be put in place to make the Netherlands an extremely attractive location for forward-looking activities in the energy industry in the northwest of Europe. This will create opportunities for new business and new jobs, not only in the Netherlands itself but also elsewhere. For innovative enterprises, there is great success in prospect given the rapidly growing demand for clean and energy-efficient products for generating power. The advisory report does not deal with nuclear energy; the Council will return to that topic separately at a later date.

3.10 Consumer policy and the internal market

Article 153 of the Treaty Establishing the European Community provides that the EU will contribute to protecting the health, safety, and economic interests of consumers. One of the tools for doing this is that of the directive. A directive is also aimed at harmonising legislation in the various EU Member States.

A number of directives on consumer matters have come into force since the 1980s. In some cases, they are sector-specific, for example those on electronic commerce and financial services; in other cases, they transcend individual sectors. The European Commission currently accounts eight directives as making up the “consumer acquis” (i.e. the relevant body of EU legislation); those directives cover such things as cold calling, package tours, unfair provisions in general terms and conditions, and timesharing. In the view of the European Commission, the consumer acquis needs to be revised, both as a whole and at the level of the individual directives, with a view to:

- linking up with new market trends, in particular technological developments;
- eliminating fragmentation of the regulations;
- restoring confidence in the internal market on the part of consumers and the business community.

The European Commission has produced a Green Paper with proposals for revising the consumer acquis. The Council’s Consumer Affairs Committee (CCA) has published an interim advisory report on this matter.⁵ The CCA explicitly focuses its interim report within the context of the internal market and better regulation (guidelines 12 and 14). The important thing is to maintain a proper level of consumer protection at both national and European level, combined with further expansion of the internal market. Revision of the consumer acquis must also bring about a simplification of the rules regarding consumer affairs, something that will benefit both consumers and the business community.

⁵ SER, CCA (2007) *advisory report Groenboek herziening van het consumentenacquis*, publication no. 07/05, The Hague.