

Contribution of the Dutch social partners to National Reform Programme within the context of the Lisbon Strategy

update 2007/2008

Foreword

Every year, the EU member states report in their National Reform Programme (NRP) and National Strategic Report on Social Protection and Social Inclusion (NSR) on the progress they have made towards achieving the Lisbon targets.

The Dutch Government gives the social partners the opportunity to provide feedback on its draft versions each year. It is, however, the government that bears full responsibility for the content of the NHP and NSR.

The Labour Foundation also reports on its contribution to achieving the Lisbon targets each year. The social partners make a particular contribution to achieving these targets in their policy on employment terms and conditions, which include the Foundation's recommendations. The Labour Foundation and the Social and Economic Council (SER) also contribute by advising the Dutch Government on social and economic policy.

This progress report 2007/2008 is an update on previous memoranda.¹

¹ Contribution of the Dutch social partners to 2005-2008 National Reform Programme within the context of the Lisbon Strategy, September 2005

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

Contribution of the Dutch social partners to 2005-2008 National Reform Programme within the context of the Lisbon Strategy, update 2006/2007

1 Employment terms and conditions: negotiated wage rises, recommendations and advisory reports

1.1 Negotiated wage rises

In view of recent economic trends, the social partners saw no reason to negotiate central agreements with the Government on wage/labour cost movements for 2007 or 2008. Negotiated wages increased by an average of 1.8% in 2007. The provisional estimate for 2008 is 3.25%. Inflation (derived) was 1.5% in 2007, forecast to rise to 2.5% in 2008.²

1.2 Tackling low literacy and promoting education and vocational training

On 11 September 2007, the State Secretaries of Social Affairs and Employment and of Education, Culture and Science, the Minister for Youth and Family and the chairpersons of the Labour Foundation signed the agreement *Structurele aanpak laaggeletterdheid in de samenleving en het bedrijfsleven 2007-2015*, setting out a long-term approach to low literacy in society and in trade and industry. In the agreement, the government and the social partners set themselves the goal of reducing the number of low-literate employed persons (currently approximately 420,000) by 60% to a maximum of 168,000 in 2015. The same percentage applies for unemployed low-literate persons. In early January 2008, the Foundation published a model collective agreement as a guide for local collective bargaining. A number of collective agreements have now been concluded that include low-literacy arrangements.

Following a memorandum drawn up in 2007 reviewing the position and effectiveness of the Education & Development [O&O] funds, the Labour Foundation published its recommendation *De inzet van gelden uit sector-/O&O-fondsen en niet aan (sector)fonds gebonden ondernemingen* [The use of monies from sector/O&O funds and companies not tied to sector or other funds] on 23 July 2008. In this document, the Labour Foundation recommends that collective bargaining partners should discuss whether it is desirable and possible to agree on using monies drawn from sector/O&O funds in companies not tied to sector or other funds for *Van Werk Naar Werk* [From Work to Work, VWNW] programmes. The agreements would apply to programmes either within the bargaining partners' own sector or to programmes focusing on other sectors (intersector mobility). A further recommendation was to promote job-specific and career-specific training, including a possible transition to business ownership.

Discussions were held with a number of organisations in the education sector concerning the need for teacher traineeships. As it is vital for teachers in vocational education to have the necessary experience in the field for which they are training young people, the Labour Foundation issued the recommendation *Docent in het bedrijf, praktijkopleider in de klas* [Teacher in the company, practical trainer in the classroom] on 8 July 2008.

² Macro Economic Outlook 2009, Annex 7

1.3 Regional labour market policy

1.3.1 Participation Summit

The 'Participation Summit' took place on 27 June 2007, with the social partners, the Dutch Government and the Association of Netherlands Municipalities [VNG] considering how to marshal their forces to improve the economy and the labour market. The VNG was invited to attend because the municipal authorities play an important role in the regional labour market and in efforts to reduce the number of unemployed persons with serious disadvantages.

The three parties reached agreement on tackling three key strategic targets:

- *to increase the effective supply of labour* so as to obviate the risks of both cyclical and structural labour market shortages and to increase the basis for prosperity;
- *to create opportunities for vulnerable groups* so as to improve economic participation and social cohesion;
- *to enhance the labour market's ability to adapt* so as to meet the new needs arising from the ageing of the population and the challenges resulting from globalisation and technological advances.

The more than 100 agreements – a mixture of new policy and reaffirmation of existing policy – should ensure that the strategic targets are met (by and large) during the present Government's term. The agreements are extremely varied in nature. They include: making part-time jobs of more than 20 hours a week more attractive for women; extending the working week to 40 hours so that those who wish to may work longer hours; reducing the number of unemployed persons with serious disadvantages (to an estimated 200,000 persons) by creating 'participation places' and 'participation jobs'; encouraging employees to continue working until the age of 65; reforming existing 'leniency' measures for older workers or including them in the options established by collective agreement based on agreed conditions; promoting a flexible working week within the context of the Working Hours Act (ATW); encouraging part-time pensions; allowing employees to obtain an entry-level qualification by means of APL programmes; making work placements available; improving employees' employability so that they can move into other jobs more easily in the event of redundancy; and combating discrimination in the labour market.

In the course of this year, the social partners turned many of these agreements into recommendations for local collective bargaining and consultation. At local level, the social partners will be considering how best to incorporate these recommendations into their collective agreements in the period ahead. It has been agreed that the parties involved will monitor progress on an annual basis. The first evaluation will take place during the 2008 autumn talks between the Government and the social partners.

Concrete steps after the Participation Summit

It was decided to give private intermediaries an important role in promoting the *regional labour market policy* in addition to the municipal authorities. The first steps in this direction were set in the spring of 2008.

In July 2008, the Labour Foundation adopted the draft recommendation *Mobiliteit en Telewerken* [Mobility and Teleworking]. In this document, the Foundation describes how flexible working practices, including teleworking, can contribute to increasing the employment participation rate (especially among women).

In order to promote the integration into the workforce of ethnic minority employees, the Foundation presented its *Verklaring over het bevorderen van diversiteit binnen en buiten de onderneming* [Statement concerning the promotion of diversity within and outside the company] during the spring talks between the social partners and the Government on 23 April 2008. In this document, the Foundation calls on politicians, policy-makers and leaders of public opinion, ethnic minority organisations and the employers, employees and their representative organisations to back this initiative. It also asks them to help devise and build a forward-looking approach to living and working together in the Netherlands.

The employment participation rate among the partially disabled was once again a major topic of concern within the Foundation. Research (*Regioplan*) showed that in 2007, 62% of employees with a disability of less than 35% were in employment. That is a major improvement on 2006 (46%), but it also falls short of the 2005 agreement to keep the ‘less than 35%’ group in employment. On 6 March 2008, the Labour Foundation published *Praktische conclusies en aanbevelingen naar aanleiding van de rondetafelgesprekken over re-integratie en behoud van werk voor werknemers die minder dan 35% arbeidsongeschikt zijn* [Practical conclusions and recommendations following the roundtable discussions on reintegration and retention of work for employees with a disability of less than 35%]. A growing number of collective agreements now include arrangements concerning this group.

On 23 April 2008, the Labour Foundation also published its *Aanbeveling gericht op de bevordering van de participatie van jongehandicapten in het Nederlandse bedrijfsleven* [Recommendation on promoting the participation of young disabled persons in Dutch trade and industry].

1.3.2 Evaluation of Cooperative Framework for enforcing the rules on cross-border work

With a view to the free movement of employees from Central and Eastern Europe in the Dutch labour market, the Labour Foundation and the Government agreed in January 2007 on a *Samenwerkingskader ten behoeve van de handhaving van regelingen bij grensoverschrijdende arbeid* [Cooperative Framework for enforcing the rules on cross-border work]. The free movement of employees and cross-border services should naturally be accompanied by properly structured sector and other labour markets. In the Cooperative Framework, government and the social partners indicate how they intend working together to promote compliance with employment-related legislation and regulations, with each party bearing its own

responsibility. One important agreement is that collective agreements stipulating that employers may only do business with NEN-certified temping agencies may be declared generally applicable.

In June 2008, the relevant parties evaluated the Cooperative Framework for the first time and concluded that it is serving its purpose.

1.3.3 Health & Safety catalogues

The three-year Health & Safety Catalogue project commenced in the spring of 2007. The purpose of the project is to encourage as many sectors and industries as possible to create a health & safety catalogue. The Foundation's brochure *Wat is een arbocatalogus?* [What is a health & safety catalogue?] describes what it believes such a catalogue should contain and what can be done with it. In May 2008, it published the guidelines *Bedrijfshulpverlening* [Staff emergency response] and *Zwangerschap en arbeid* [Pregnancy and working]. These guidelines help sectors and industries incorporate the targets specified under the *Arbowet* [Working Conditions Act] and *Arbobesluit* [Working Conditions Decree] in their health & safety catalogue.

2 *Employment-based pensions*

The topic of employment-based pensions is an important one in social and economic policy, certainly in view of the ageing of the population. The actual content of the pension facilities and how they are financed affect both economic growth and social cohesion.

The EU has decided on an ‘open coordination method’, with government being responsible for drawing up a National Action Plan on Pensions (NAP-P) and updating it at regular intervals.

In the Netherlands, government bears primary responsibility for the statutory old-age pension (aow), the initial basic component, and for pension regulations. The regulations ensure that the employment-based pension commitments – the second basic component – are in fact met, even in the longer term.

The social partners consult regularly at central level in the Labour Foundation about new trends and problems. Their consultations focus on influencing government policy and supporting local pension-related consultations. The key aim is to ensure sound and affordable pensions for all employees.

The social partners bear primary responsibility for the content of employment-based pension schemes at local level. Pensions are covered in the negotiations concerning wages and other employment terms, in many cases within the context of collective bargaining.

With respect to the regulations on employment-based pensions in the second basic component, the phased introduction of the new *Pensioenwet* [Pensions Act, PW] commenced on 1 January 2007. Some components of the PW – the financial assessment framework, provision concerning employee participation in decision-making and pension fund governance – were developed in consultation with the social partners over the past few years. The most important developments of the past year are:

- the gradual introduction of the PW and the first update of the law in a new Act of Parliament (the ‘*Veegwet*’);
- development of an indexation label giving pension fund members and pensioners a better idea of the indexation quality of their pension schemes;
- preparations to introduce a general pensions institute (API) as an added pension administration vehicle in accordance with the EU’s IORP Directive;
- closer definition of the conceptual framework for the consistency requirement, partly in relation to the possible effect on the pension contribution of the release of buffered assets;
- continued efforts on the part of government, the social partners and pension industry umbrella organisations to defend the Dutch solidarity-based pension system against the negative impact of international accountancy standards (IFRS, Solvency II);
- evaluative research on the effect of the pension fund governance principles embedded in the PW on pension scheme administration and employee participation in the relevant decision-making;
- efforts in the pension sector to introduce a national pensions register.

3 Contribution of the social partners via Social and Economic Council advisory reports

The social partners have also contributed to implementing the Lisbon Strategy through their participation in the Social and Economic Council. The Social and Economic Council advises the Government on its overall social and economic policy. In the past year, however, its focus has been on topics in which overall social and economic policy plays less of a role. It has produced relatively few advisory reports on macro-economic policy and employment.

3.1 Consultations on EU Spring Summit 2008

On 14 February 2008, the Social and Economic Council met with the Minister for Economic Affairs, Maria van der Hoeven, and the Minister for European Affairs, Frans Timmermans, in order to prepare the Dutch position for the EU Spring Summit of 13 and 14 March 2008. The meeting focused on the Presidency agenda for the Spring Summit and the process of European integration in general.

3.2 Globalisation

In its advisory report *Duurzame globalisering: een wereld te winnen* [Sustainable globalisation: a world to be won], the Social and Economic Council makes proposals for boosting the position of the Netherlands in the globalisation process. Its advice clearly touches on the national and Community Lisbon Strategy.

The Council argues that the Netherlands still has enough scope for policy to guide the globalisation process in the right direction. Indeed, national policy accents are becoming increasingly important. In order for a country to be well prepared for globalisation, it must clearly define government's primary tasks (a sound education system, a social welfare system that 'activates' the labour force, and safeguards for public interests). The purpose of such policy should be to exploit opportunities to expand production and employment via international trade and to redress the negative effects of the open economy as effectively as possible.

This led the Council to conclude that its medium-term policy advisory report *Welvaartsgroei door en voor iedereen* [Increasing prosperity by and for everyone] (2006) still contains the right ingredients. However, it also believes that parts of this agenda should be amended or intensified, in particular the knowledge-investment agenda, improving the business location (tax) climate and improving the efficiency of public administration.

In order to operate from a position of strength in the globalisation process, the Netherlands requires effective decision-making at European level. The new Lisbon Treaty offers a sound basis for proper decision-making on cross-border issues and for respecting the principle of subsidiarity in the exercise of shared powers.

3.3 *Evenly balanced corporate governance*

Questions have arisen in the Netherlands as to whether the Dutch corporate governance system is as evenly balanced as it should be, partly inspired by such phenomena as hedge funds and private equity parties. The Social and Economic Council published the advisory report *Evenwichtig Ondernemingsbestuur* [Evenly balanced corporate governance] on 15 February 2008.

Referring to previous advisory reports, the Social and Economic Council placed its advice on the position of employees in the company within the context of the stakeholder model, which has broad support in the Netherlands. The Council observes that overall, the Netherlands has ample regulations concerning employee participation in decision-making, compared with its European neighbours. At the same time, some of the important decisions taken at international corporate group level are not subject to the Dutch employee participation rules. The degree to which this is the case is not clear, nor whether it is a problem at all.

3.4 *Climate and energy policy*

Part of the Lisbon Strategy concerns Europe's contribution to tackling the global climate and energy problem. The key question is how the EU can lead the way in the climate debate and bolster its own economy at the same time.

The Social and Economic Council supports the European Commission's targets with respect to CO₂ reduction, renewable energy and energy efficiency. It believes that everything should be done to reach agreement in late 2009 in Copenhagen on worldwide CO₂ emissions targets for after 2012 (post-Kyoto protocol), in particular because Europe is responsible for only part of global CO₂ emissions.

Should these targets turn out to be unfeasible, then the EU must reconsider how it can achieve them or what unilateral targets can be justified in relation to the competitiveness of Europe's enterprises.

3.5 *Future energy supply*

On 14 March 2008, the Social and Economic Council adopted the advisory report *Kernenergie en een duurzame energievoorziening* [Nuclear energy and a sustainable energy supply]. The key question addressed in this report is whether nuclear energy can play a greater role in the process of making our energy supply more sustainable. Opinions differ within the Social and Economic Council about the desirability of this in the Netherlands. However, all the parties believe that the debate about the future role of nuclear energy must be placed in a broader context, with the focus being on such issues as climate change, reliability of supply, safety and affordability.

As part of government's assessment of its climate and energy policy in 2010, the Social and Economic Council advises the Government to investigate all the various electricity generation options, including nuclear energy, in detail, based on the criteria of reliability, environmental

pollution, safety and affordability. The Government should then draw on this investigation in its decision-making.

3.6 *Higher education, research and science policy*

In June 2008, the Social and Economic Council responded to the Government's memorandum *Het Hoogste Goed, de strategische agenda voor het hoger onderwijs-, onderzoek- en wetenschapsbeleid* [The Greatest Good, strategic agenda for higher education, research and science policy]. The Council agrees that an ambitious academic culture and excellent research climate are important, but also observes that the resources and measures undertaken will not be sufficient. There must be broader efforts to improve access to higher education for older students, with programmes tailored to their needs. Putting a good safety net in place for lifelong learning will increase the benefit to society of prior education.

3.7 *Funding vocational education and training (VET)*

The quality of vocational education and training (VET) at secondary level is vitally important to a large group of young people and their ability to meet the demands of the labour market. The Social and Economic Council was asked to advise on how public funding of VET can contribute to improving the quality of teaching and help to prevent pupils leaving school before obtaining a qualification.

On 20 June 2008, the Council responded that the Government must study the effects of making the VET funding system more results-driven, for example by making the number of qualifications obtained at levels 3 and 4 a more important factor, or by examining the level of satisfaction in trade and industry with the educational institution concerned. Such efforts can contribute to the quality of education and prevent employers from offering work placement trainees jobs before they have actually obtained their qualification. The Council does not believe it is desirable to make the number of qualifications obtained at levels 1 and 2 a more important factor.

Practical vocational training (via work placements at host companies) has undergone a considerable expansion in scale in recent years. What must be avoided is for these programmes to devote more time to work rather than school and for host companies to expect more and more of their trainees. The advisory report supports the intention of using the funding system to make a sharper distinction between BOL programmes (where students spend 20 to 60% of their time in the classroom) and BBL programmes (where students spend relatively more time working as an apprentice for an employer).

3.8 *Work or study obligation for young people up to 27 years*

On 28 November 2007, the Social and Economic Council consulted with the State Secretary for Social Affairs and Employment, Ahmed Aboutaleb, about a work or study obligation for young people up to 27 years of age, in relation to the Employment and Assistance Act [*Wet werk en bijstand*]. The introduction of this obligation would mean that unemployed young people aged 27 and under would no longer be entitled to receive a social assistance benefit.

The Council and the state secretary discussed defining the target group and the risk that a growing number of unemployed young people will be excluded as a result of this measure. They also considered the position of the intended income provision within the context of fundamental rights and regulations under international law.

3.9 Reform of the Exceptional Medical Expenses Act

In April 2008, the Social and Economic Council published its advisory report *Langdurige zorg verzekerd: Over de toekomst van de AWBZ* [Long-term care insured: The future of the Exceptional Medical Expenses Act] at the request of the State Secretary for Health, Welfare and Sport. The report presents two clusters of proposals for major improvements to the Exceptional Medical Expenses Act [AWBZ] in the short term (until 2012). These are:

- improving the demarcation and limitation of the collectively insured package of long-term care (the claims) and improving the indication decision (access to care);
- completely reversing the present supply-driven approach to a demand-driven one when it comes to the provision of long-term care.

These measures should place the client more firmly at the centre of the care system and allow better control of AWBZ expenditure, making the system more future-proof in the long term.

3.10 The position of the Amsterdam/Rotterdam conurbation

The key point raised in the Social and Economic Council's advisory report *Zuinig op de Randstad* [Don't skimp on the Amsterdam/Rotterdam conurbation] of April 2008 is that the conurbation should be developed into a sustainable and competitive, top European region by 2040. That means investing in the quality of the area and of the people who live and work there. In this way, the Netherlands can create a self-sufficient, attractive climate for both individuals and companies, in keeping with the Council's broad definition of prosperity. A wide-ranging investment and innovation strategy is required to achieve this aim.

3.11 CAP reform and public services of agriculture

The Social and Economic Council's advisory report *Waarden van de Landbouw* [CAP reform and public services of agriculture] of May 2008 argues in favour of a thorough reform of European and Dutch agricultural policy. The idea would be to reward farmers for socially relevant performance, in so far as the market does not provide these services. The Social and Economic Council proposes replacing the present European system of single farm payments by targeted forms of payment for the production of services that society values and desires, with the member states bearing more responsibility for the related financing. This reform means gradually eliminating subsidies that have harmful consequences for the environment and that are incompatible with sustainable development.

The Council believes that the Netherlands can only retain its leading position in agriculture and horticulture if farmers continue to innovate. That applies not only to increasingly efficient business practices but also to better animal welfare, a reduction in environmental pollution

and better services for consumers. A policy of innovation and sustainability, both in Europe and in the Netherlands, is of vital importance in this respect.