

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

update 2008/2009

Foreword

EU Member States report each year in their National Reform Programme (NRP) on the progress made in achieving the “Lisbon objectives”. Once every two years, they also draw up the national Strategic Report on Social Protection and Inclusion (NSR). This year, it is only the NRP that has been drawn up.

The Dutch Government gives the social partners the opportunity each year to comment on its draft version but the content of the NRP is entirely the responsibility of the Dutch authorities.

The Labour Foundation [*Stichting van de Arbeid*] also draws up its own annual report on its contribution to achieving the Lisbon objectives. The social partners pursue those objectives primarily through the policy on terms of employment, which incorporates 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) also makes a contribution in this regard.

The present progress report for 2008/2009 is a supplement to the memoranda that appeared in previous years.¹

¹ *Bijdrage van de Nederlandse sociale partners aan het Nationaal Hervormingsprogramma 2005-2008 in het kader van de Lisbonstrategie, September 2005*

Bijdrage van de Nederlandse sociale partners aan het Nationaal Hervormingsprogramma 2005-2008 in het kader van de Lisbonstrategie, update 2005/2006

Bijdrage van de Nederlandse sociale partners aan het Nationaal Hervormingsprogramma 2005-2008 in het kader van de Lisbonstrategie, update 2006/2007

Bijdrage van de Nederlandse sociale partners aan het Nationaal Hervormingsprogramma 2005-2008 in het kader van de Lisbonstrategie, update 2007/2008

1 Contribution as regards terms of employment; rises in negotiated wages, recommendations and advice

1.1. Rises in negotiated wages

The economic trends in the course of the past year led to the social partners and the Government conducting intensive discussions on how to achieve wage restraint; this was done both during the 2008 autumn talks and the spring talks in 2009.

The credit crisis had just commenced at the time of the autumn talks in 2008, when the far-reaching consequences of the crisis for the economy were not yet apparent. On 7 October 2008, the Government and the social partners considered the issue of how to prevent a wage/price spiral. With a view to wage restraint, the unions agreed that in the coming year the wage target set out in collective labour agreements would be in line with the level for 2008.² In its turn, the Government also agreed that during its term of office the VAT rate would not be increased and that in 2009 the unemployment benefit contribution would be reduced for employers and set at zero for employees. The Government and the social partners assumed that all this would make balanced purchasing power policy possible.

By the spring of 2009, future economic trends had become clearer. Concern about this led to the social partners stating during the spring discussions on 25 March 2009 that “the current situation makes it necessary to give work precedence over income. Wage trends will be differentiated, but still modest overall. That in fact applies to everyone within an enterprise, including senior executives. The main aim is to maintain purchasing power for employees in the market sector and the public sector, and for those receiving benefit. In sectors and enterprises, broad agreements on jobs will be concluded, including training, and the results of wage negotiations will be around the level of inflation, assuming that no measures are introduced that impose an additional burden, including at local level, and that consequently have a negative effect on purchasing power. Where greater scope is possible, it will be devoted to work, training, positions (including work placements) for young people or people who are being trained to take up jobs in sectors with a shortage of qualified labour or for pensions.”³

Figures published by the Netherlands Bureau for Economic Policy Analysis (CPB) show that the wage trend is rapidly adapting so as to be in line with the changing economic circumstances. The CPB settled on a 3.5% change in negotiated wages for 2008. For 2009, the CPB foresees a change in negotiated wages in the market sector of 3% and for 2010 1.5%.⁴ In their initial comments on collective labour agreements, the social partners at local level state that, as a result of the newly negotiated collective labour agreements, the change in negotiated wages in 2009 will probably be less than 3%.

² *Samen doen wat mogelijk is*, Tripartite Autumn Agreement [*Tripartiete Najaarsakkoord*] 7 October 2008

³ *Sociaal Akkoord*, 25 March 2009

⁴ *Centraal Economisch Plan 2009*, CPB, March 2009

1.2 *Measures to prevent unemployment as a result of the credit crisis*

- *Reduction in working hours and part-time unemployment benefit*

In the course of the past year, the social partners have made strenuous efforts to persuade the Government to introduce sufficient effective measures to prevent large-scale redundancies as a result of the crisis. There will, after all, be a major need after the crisis is past for trained employees who can be deployed immediately. Efforts must be made at all times to prevent employees becoming unemployed for the long term, making it difficult for them to find work even if we soon have a tight labour market.

Since the end of November 2008, companies have been able to make use of the Special Regulations for Reduction in Working Hours; on 1 April 2009, these were replaced by the part-time unemployment benefit system. On certain conditions, employees receive benefit while still employed by their company. The hours when they are “unemployed” are then taken up by training and/or by their being seconded elsewhere. Because the part-time unemployment benefit system is new and has been amended a number of times, the Labour Foundation now has a constantly updated FAQ on its website for employers and employees.

- *Tackling unemployment and “from work-to-work”*

In the agreement concluded on 25 March 2009 between the Government and the social partners [*Sociaal Akkoord*], the social partners undertook to make efforts to get people who lose their jobs due to the economic crisis back into work as soon as possible. Sectors and companies have therefore joined with the authorities to set up mobility centres. The social partners consider public-private co-operation to help people find work to be very important in preventing long-term unemployment; sectors and employers have been asked to provide as much information as possible on job vacancies to the Social Security Agency [*UWV*] and private intermediaries. They have also asked training and development funds to use money to train employees whose jobs are at risk for their own occupation or sector or specifically for work in another sector or occupation. The Labour Foundation has also asked the parties to collective labour agreements at local level to prevent the effects of the crisis having a disproportionate effect on weaker groups within the labour market such as flexi-workers. This will involve additional arrangements in collective labour agreements regarding training for flexi-workers and dropping the non-competition clause in the contracts of such employees.

Last winter, the social partners explored the conditions for setting up local “work-to-work” programmes. The basic principle here is to prevent unemployment or, if that is not possible, to minimise the length of time someone is out of work. The social partners also explored the role that public-private co-operation can play in this context. The same applies to the role that the national and regional authorities can and should play.

1.3 Regional labour market policy

- *Creating opportunities for people “distanced” from paid employment*

The poor economic prospects for 2009 and 2010 will make it very difficult to achieve the intention expressed during the 2007 Participation Summit of helping jobseekers find long-term employment when they are currently “distanced” from employment. Such jobseekers include not only those who are entitled to supplementary benefit, unemployment benefit, or young disabled persons benefit but also non-entitled jobseekers and immigrants who are in the process of integration and actively seeking work. The current economic situation also makes it difficult to create larger part-time jobs for women who currently do not work or who only work for a few hours a week.

But despite the poor economic prospects, the Labour Foundation has looked closely at how jobseekers who are distanced from employment can find work. In collaboration with the Ministry of Social Affairs and Employment (SZW), the Foundation has carried out an analysis of the sectors and occupations that currently offer the best chance of finding a job. It has also specified the conditions that are necessary in this regard, for example creating work placements or programmes to prepare jobseekers for work, analysing their competencies by means of “APL” (Accreditation of Prior Learning), or public-private co-operation between the benefits agency and bodies that help people find employment. In a working document on *Creating Opportunities for People Who are Distanced from Paid Employment*, the Foundation provided details of all this for the social partners at local level and for labour market intermediaries. During negotiations on collective labour agreements, the social partners at local level – particularly in the “shortage sectors” – will attempt to incorporate these recommendations into the agreement concerned.

- *Tackling youth unemployment*

The social partners see preventing unemployment among young people as an important objective for the near future. It is crucial to ensure that as many young people as possible remain involved in the labour market. The social partners are therefore collaborating with national and local government to develop methods for preventing youth unemployment. The approach involves providing a work placement or apprenticeship for every school-leaver who fails to find work within three months. To finance this plan, the municipalities and national government have agreed to provide money to pay and otherwise assist the young people concerned, with the social partners providing money (via the training and development funds) to train them.

- *Explanation with the recommendations regarding benefit for young disabled persons*

During the spring discussions on 23 April 2008, the Labour Foundation provided the Government with its *Recommendations on Improving Participation in Dutch Trade and Industry by Young Disabled Persons*. On 4 December 2008, the Foundation provided an *Explanation* to accompany that document. The Explanation gives details of the arrangements that can be made by the parties to collective labour agreements, management, and works councils to help young disabled people into regular work, or to provide them with work

placements or secondment places. It also indicates the facilities that can be deployed in order to do so. It would now appear that, despite the economic crisis, a number of measures have been introduced and action taken to improve the employment prospects for such youngsters. The number of relevant provisions in collective labour agreements has increased considerably, for example, namely from 5% to 21%.⁵

- *Study and conclusions regarding people less than 35% incapacitated*

A study by the Regioplan commercial research firm, commissioned by the Labour Foundation, showed that an increasing number of employees are working who have been declared by the Social Security Agency to be less than 35% incapacitated, meaning that they do not receive benefit.⁶ That number has increased each year, from 51% at the end of 2006, to 57% at the end of 2007, and to almost 62% at the end of June 2008. Despite this positive trend, the Foundation considers a further increase in labour participation to be necessary and the aim is for those who start work again to remain in work for the long term. Particular attention will be paid to sectors in which reintegration efforts have hitherto had little effect. The category of 35% incapacitated includes people with significant limitations as regards how much they can in fact work. At the request of the Foundation, the work placement division of the Social Security Agency [*UWV WERKbedrijf*] is currently analysing the consequences of tightening up the Occupational Disability Acts Assessment Decree [*Schattingsbesluit*]. At the request of the Foundation, the Council for Work and Income (RWI) is studying the relationship between (perceived) state of health and resumption of work.

- *Comprehensive approach to cross-border work*

With a view to the free movement of workers from Central and Eastern Europe onto the Dutch labour market, the Labour Foundation concluded the *Framework for Collaboration on Enforcement of Rules on Cross-Border Work* in January 2007. The free movement of workers and cross-border freedom of services need to be accompanied by effective arrangements for the labour markets in the various sectors. The Foundation therefore pressed politicians several times last year to ensure a comprehensive legal approach to tackling the problem of employment agencies engaged in malpractice. This means that the enforcement bodies should have sufficient manpower and resources and that there should be an effective system of penalties. Companies that take on workers from certified employment agencies should not just be indemnified up to the statutory minimum wage but also in respect of taxation and social security contributions, and there should also be liability on the part of employers who take on temporary workers from non-certified agencies. The Foundation considers this approach to be an effective way of tackling the problem of fraudulent employment agencies because it will act as a reason for genuine agencies to acquire certification and will encourage companies to only take on employees from certified agencies. The Government has not yet implemented these proposals.

⁵ Letter from the Ministry of Social Affairs and Employment to the Lower House of Parliament, 15 July 2009, *Aanpak werk voor Wajongers*, and the associated memorandum *Aanpak werk voor Wajongers*

⁶ Regioplan, *35-min op weg naar werk; de arbeidsmarktpositie van 35-minners sinds 2006*, February 2009

1.4 *Promoting training for those in work and for jobseekers*

- *Learning is worth it*

Increasing workers' employability is essential, particularly in the current economic climate. Ongoing training – and refresher training – keeps people active on the labour market. When the labour market picks up again, a number of sectors will be faced by a shortage of workers, while the number of unemployed will have increased. The important thing in this situation is to ensure that both employees whose jobs are threatened and jobseekers who are distanced from employment remain – or become – employable by undergoing training. Training is vital in order to be able to key into the trends within occupations and at companies. In the working document *Learning is worth it*, the Labour Foundation has therefore formulated agreements and proposals aimed at these target groups so as to encourage training and ensure that it is viewed as an essential component of a person's career.

- *Tackling low-level literacy skills*

The agreement on a “structural approach to lower-level literacy skills” [*Convenant Laaggeletterdheid*] concluded in September 2007 comprises arrangements made by the social partners and the ministries of Education, Culture and Science (OCW), Social Affairs and Employment (SZW), and Youth and Families (J&G) regarding how this problem should be tackled within companies. In this context, agreements have been concluded at regional level between municipalities, companies, and Regional Education Centres (ROCs) to allow employees who find reading and writing problematical to take courses to improve their literacy skills.

The Labour Foundation has undertaken to bring this problem to the attention of the parties to collective labour agreements at local level, pointing out the possibility of setting out the approach to low-level literacy skills in collective labour agreements. It is essential – precisely in the current economic climate – to ensure that the weakest groups within society are not left behind. Training in literacy skills is the basis for improving such people's position on the labour market.

- *Promoting vocational education*

One reason why young people drop out of education (including vocational education) without gaining basic qualifications is because they manage to find a job; this is sometimes referred to as “plucking the unripe fruit” [*groenpluk*]. At their request, the Labour Foundation sent a memorandum to the Minister and State Secretary for Education, Culture and Science in October 2008 setting out how the social partners intended tackling this reason for dropping out of the education system. The memorandum stated that employers who take on young people with no basic qualifications must make efforts to enable them to gain those qualifications after all, for example by means of work-and-study schemes. Such an approach will improve the position of this vulnerable group on the labour market. The social partners have also pointed out that “plucking the unripe fruit” is a problem for which

it is not only businesses that are to blame; there are many facets to this problem and it demands a varied joint approach on the part of schools, the authorities, and trade and industry.

In some sectors, the crisis would seem to be leading to a reduction in the number of work placements because the companies that offer them are in difficulty. The social partners have agreed to make maximum efforts to prevent young people being unable to gain their diploma because no work placement is available.

The current *Innovation Arrangements Scheme* runs until the end of 2009. It is intended to promote and assist innovation within and from vocational education. In the first half of 2009, the Ministry of Education, Culture and Science decided to extend the scheme for another year. In order to guarantee innovation in vocational education, the Labour Foundation and the Platform for Vocational Education and Training pressed State Secretary Marja van Bijsterveldt for the scheme to be continued after 2010 and for its continued existence to be guaranteed by means of a long-term budget. According to the social partners, this would make it possible to focus more precisely on innovation within companies, to which vocational education makes a contribution.

1.5 *Employment-based pensions*

- *Effects of the financial and economic crisis on pensions*

At the beginning of 2008, the average coverage ratio of the pension funds was still 140%, and here and there one even heard optimistic talk again of “catch-up indexation”. Towards the end of the year, everything changed extremely rapidly: the financial and economic crisis hit the great majority of pension schemes hard. Towards the end of 2008, the average coverage ratio had even fallen to below 100%. For most pension funds, this meant that there was not only a reserve shortfall but also underfunding. The reason for this lay in the combination of much lower share prices and the much lower long-term interest rate. As a result of this trend, the cost of meeting pension obligations increased greatly, while the major losses sustained on investments in marketable securities meant a large reduction in the funds’ asset position.

For the great majority of pensioners, the main direct effect of all this is that for several years it will not be possible for their pension to be indexed. For a large number of those who are still working, the pension entitlements that they have built up will remain frozen. In some cases, it is even possible that they will be unable to avoid their pensions and pension entitlements being reduced.

From the very start of the economic downswing, the Labour Foundation has been in close touch with the Dutch central bank (DNB) – which acts as the main supervisory authority for the pension funds and insurance companies – and with the Minister of Social Affairs and Employment. On 15 October, the Foundation – in line with statements by the DNB – called on the boards of pension funds and the parties involved in pension schemes to make careful use of the opportunities offered by the *Financial Assessment Framework* (FTK) to pursue a stable policy on contributions and indexation. In cases where indexation policy is determined by the coverage ratio at the end of September, consideration could be given to

postponing any decision on indexation. The serious economic decline means that this did not lead, as was hoped, to a more favourable situation as regards indexation. As a result of this trend, more than 300 pension funds found it necessary early in 2009 to prepare a recovery plan which – after a blanket extension allowed by the DNB – had to be submitted before 1 April 2009.

At the emphatic request of the Labour Foundation, supported by the whole pensions sector, the Minister of Social Affairs and Employment decided in February 2009 to extend from 2 to 5 years the period allowed for bringing the coverage ratio back up, in the context of a recovery plan, to at least 105% of the pension obligations. Just prior to the 1 April deadline, 350 pension funds had submitted a recovery plan to the DNB. Only a few pension funds failed to submit their plan before that date. On the basis of a quick survey of some 150 pension funds, the DNB asked for more information and worked hard during the summer of 2009 to assess all the recovery plans.

The coverage ratio for most pension funds increased significantly, particularly in the second quarter of 2009, with this being the result of both the rising long-term interest rate and a clear improvement in prices on the financial markets. The question is whether this recovery will continue in the coming years. Mid-2010 will be an important point for the Minister of Social Affairs and Employment to assess whether the recovery in the coverage ratio for Dutch pension funds will in fact be achievable within the extended recovery period of five years. It is important in this regard that the system of rules – the FTK – that forms the basis of the DNB's financial supervision of the pension funds will itself be evaluated in 2010.

The Labour Foundation has emphatically recommended to the Minister of Social Affairs and Employment that the Foundation should be involved along with the authorities in carrying out that evaluation. Basically, the Foundation believes that it is it and the authorities that have primary responsibility in the context of constitutional law for the content of those supervision rules and not the supervisory body itself.

- *Impact of the principles for good pension fund governance and final evaluation of the agreement on joint decision-making on implementation of pension schemes*

At the end of March 2009, the Social and Economic Council published the results of a study of the impact of the *Principles for Good Pension Fund Governance* and a final evaluation of the agreement concluded in 2001 between the Labour Foundation and the Coordinating Body of Associations for the Elderly (CSO) regarding improving the way that participants have in the implementation of pension schemes by pension funds.⁷

The study by the Social and Economic Council shows that most pension funds⁸ that participated in the study had succeeded in introducing two of the main principles: more than 80% had set up an accountability body and almost 80% had arranged for internal supervision, with most pension funds choosing to be assessed by an external review committee. Given the relatively short length of time since the principles came into force, it

⁷ These principles were established by the Labour Foundation in late 2005 in consultation with the pensions sector and the CSO. They were then incorporated into the Pensions Act [*Pensioenwet*] and made mandatory for all pension funds and pension insurance companies on 1 January 2007.

⁸ Some 80% of participants and pensioners are members of these pension funds.

is still too early to make any judgment regarding the functioning of accountability bodies or internal supervision, for example.

There was also criticism. Many respondents said, for example, that it was difficult to find suitable candidates for membership of the various bodies. Smaller pension funds, in particular, found it difficult to implement the principles. All in all, the majority of the sector nevertheless said that introducing the principles could be expected to have a positive effect on how organisations function.

Final evaluation of the agreement on joint decision-making on implementation of pension schemes⁹ consisted of two components: a study of the quality of joint decision-making (carried out by TNS NIPO) and a study of the quantity (carried out by the DNB in collaboration with the Pensions Committee of the Social and Economic Council). The quantitative study considered 67 sectoral pension funds (BPFs) and 198 company pension funds (OPFs). The response was 75% and 55%, respectively. The response for the qualitative study was lower, with 63% of BPFs and 49% of OPFs completing the questionnaire.

The study looked not only at whether participants in fact had any say in how their pension scheme was implemented but also at what such joint decision-making involved. The study revealed that 98% of company pension funds had some type of joint decision-making. In the case of sectoral pension funds, the figure was 95%. It was also established, however, that not all of the funds have in fact implemented all components of joint decision-making according to the provisions of the agreement and the Pensions Act. Of the company pension funds, 68% meet those requirements; for sectoral pension funds, the figure is 72%.

In the light of the results of the final evaluation of the agreement, the Labour Foundation and the CSO came to the joint conclusion in April 2009 that there was sufficient reason to continue discussion of potential improvements. In accordance with what was previously arranged, the Labour Foundation and the CSO were to discuss how the objectives of the new agreement on joint decision-making could be achieved. The intention was to determine how the system of joint decision-making set out in the document *Principles for Good Pension Fund Governance* could be made an essential component of good pension fund governance.

A basic difference of opinion arose between the CSO and the Labour Foundation in May 2009. This concerned the issue of whether it was acceptable – while the parties were discussing improvements in the joint decision-making situation of pensioners as regards the implementation of their pension schemes, i.e. essentially on the basis of self-regulation – for the CSO to publicly express support for a legislative proposal by MPs Koşer-Kaya and Blok that involved top-down intervention in the joint decision-making situation of sectoral pension funds. The Labour Foundation considered this to be unacceptable, whereas the CSO did not find it problematical. This led to the consultations regarding the issue of joint

⁹ The agreement on joint decision-making dates from 2003. The Labour Foundation and the CSO concluded this new agreement with the aim of bringing about a qualitative improvement in the say that pensioners have in the implementation of their pension schemes, as regards both company pension funds and sectoral pension funds. The new agreement was subject to interim assessment after two years. This showed that the arrangements were not being complied with properly. The parties to the agreement consequently asked Parliament to incorporate the arrangements set out in the new agreement in the Pensions Act. That was done and the relevant provisions of the Pensions Act entered into force on 1 January 2007.

decision-making being abandoned at the initiative of the Labour Foundation. This does not apply to consultations regarding possible changes to the *Principles for Good Pension Fund Governance*. In that context, the CSO continues to be one of the Foundation's consultation partners, in addition to the umbrella organisations of pension scheme administrators and the Dutch Association of Insurers [*Verbond van Verzekeraars*].

2 The contribution by means of SER advisory reports

The social partners and consumer organisations also make a contribution to the Dutch Lisbon Strategy via the Social and Economic Council. We will briefly consider the main advisory products of the past year. These comprise consultation discussions, normal advisory reports, and an advisory report by the Council's Committee for Consumer Affairs (CCA).

2.1 Consultation discussions

- *EU Spring Summit*

On 17 March 2009, the traditional consultation discussions took place between the State Secretary for European Affairs, Frans Timmermans, and the Social and Economic Council regarding preparations for the EU Spring Summit. The main topics considered were how the credit crisis should be tackled and the progress of the Lisbon Strategy. Each of these topics has both a European and a Dutch dimension.

During the consultations, considerable attention was paid to the interaction between measures required to combat the crisis and the long-term priorities of the European and Dutch Lisbon Strategy. In this connection, there was discussion of the content of the Dutch Government's package of measures to tackle the crisis – including the operation of the automatic stabilisers – and the European Commission's recommendations to the Netherlands regarding labour participation and R&D.

A second perspective involved coordinating policy between the European Union and the Member States as regards properly managing the credit crisis (and in line with this the Lisbon Strategy). In that context, there was discussion between the EU and the Member States regarding coordinating incentive measures and the desirability of greater centralised supervision of financial institutions that operate across borders.

- *Works Councils*

On 3 July, consultation discussions took place regarding employee participation in decision-making between Secretary-General John De Leeuw of the Ministry of Social Affairs and Employment and the Social and Economic Council's Committee on Work, Enterprise and Worker Participation (AOM). The committee expressed its opinion that the Works Councils Act (WOR) is in many respects a success; it saw no reason for fundamental amendments. During the discussions, however, the committee did call attention to trends leading to a different and more flexible type of employee participation. It referred in that regard to employee participation in strategic and operational decision-making within large and complex enterprises and international groups of companies. The committee also made a number of other recommendations to the Council intended to improve the actual practice of employee consultation and to bring about more effective coordination between employee participation in decision-making and control of companies. The Minister of Social Affairs and Employment, Piet Hein Donner, intends using the results of the consultations in a

memorandum on the situation regarding employee participation which he will be submitting to the Lower House of Parliament at the end of 2009.

2.2 *Advice regarding the Lisbon Strategy after 2010*

In its advisory report *Europe 2020: The New Lisbon Strategy* [*Europa 2020: de nieuwe Lissabon-strategie*], the Social and Economic Council gives its views, as requested by the Dutch Government, on the form that the EU's socio-economic policy should take after 2010.¹⁰

- *General objectives*

In the opinion of the Social and Economic Council, the Lisbon Strategy should continue to contribute after 2010 to improving public prosperity. The opportunities for this to be done are very much dependent on increased labour participation and labour productivity. Up to now, the accent has mainly been on increased labour participation. In the coming period, the emphasis of EU policy should be shifted towards growth in labour productivity per hour worked. For this to be done, the Member States will need to make more effective use of the available options for European co-operation and integration.

The Council notes that the Netherlands is reaping the benefits of the EU's successful integration policy. Thanks to the larger domestic market, comprising almost 500 million consumers, Dutch companies can produce on a larger scale. The current crisis means that Europe has unavoidably been forced to accept reductions in the level of prosperity and the extent of labour participation. The crisis is also leading to a substantial increase in government debt in the Member States. As a result, the initial position at the start of the coming decade will be worse than was expected up until recently. That is not, however, any reason to change course. The important thing is to continue to work to increase labour participation. More emphasis should be placed on promoting greater labour productivity, partly in the light of the ongoing ageing of the population. This demands increased investment in knowledge and strengthening of innovation capacity.

- *Increasing labour productivity*

At EU level, the greatest improvement in labour productivity can be achieved by completing the internal market and creating a European "knowledge area". This means an internal market for knowledge, in addition to the markets for goods, services, capital, and manpower. To achieve this, it will be necessary

- to view the knowledge area as a knowledge triangle comprising education, research, and innovation; this demands greater attention from the education sector (specifically higher education) at EU level;
- to provide more funds within the EU's budget for this purpose;
- to promote innovation and entrepreneurship through proper functioning of the internal market;
- to further lower the administrative burden on businesses (specifically SMEs);

¹⁰ An English abstract of the report is available: *Europe 2020: The New Lisbon Strategy*.

- to pursue a favourable and supportive policy, assisted by the EU, for promising clusters and sectors.

Increasing labour productivity also demands a less noncommittal system of co-operation between the Member States as regards socio-economic matters. The “open coordination method” will need to be strengthened, however. This can be done by:

- making the strategy more specific, with appealing objectives and indicators, so that Member States can be more effectively held to account for their performance;
- making increased labour productivity per hour worked into a new umbrella objective, with attention being paid to the differences between Member States;
- setting country-specific employment objectives for which Member States must account not only vis-à-vis the other Member States but also vis-à-vis their national parliament;
- separating monitoring and learning from one another as regards policy. Learning from one another and lecturing one another are not really compatible!
- coordinating the national Lisbon cycle with the terms in office of national governments;
- retaining the current objective as regards R&D but taking greater account of the differences between developed and less developed countries.

- *Social policy*

The draft advisory report proposes that the distribution of powers and responsibilities between the EU and the Member States should be clearly defined in the European social policy agenda. It is also important for constant attention to be paid to social inclusion. This can be done by devoting greater attention to such matters as equality of opportunity and active integration.

As regards cross-border terms and conditions of employment (the Posted Workers Directive), the Council asks that attention should be paid to improving enforcement and supervision of compliance with the existing legislation. This is necessary in order to increase support for the further completion of the internal market. Matters requiring consideration in this context include:

- more detailed arrangements regarding administrative co-operation between the Member States;
- coordination of the various administrative procedures that apply in the context of EU legislation when employees are posted elsewhere;
- a more precise definition of what constitutes an “establishment” so as to exclude letterbox companies;
- greater clarification in national legislation of the distinction between employees and self-employed persons.

- *Environmental action programme as a framework*

Finally, the Council recommends that environment, climate, and energy problems should be anchored more clearly in the Lisbon Strategy and that cohesion between economic and ecological innovation should be promoted more systematically. By encouraging eco-efficient innovation, policy on the environment, energy, and climate can make a major

contribution to the productivity agenda. A clear link needs to be made between the new Lisbon Agenda and the forthcoming (seventh) Environmental Action Programme.

2.3. *Advisory report on staff diversity*

In its advisory report on *Staff Diversity* [*Diversiteit in het personeelsbestand*], the Social and Economic Council dealt with the importance of diversity policy for labour participation by groups that are disadvantaged or underrepresented on the labour market. This matter is clearly related to the country-specific recommendation that the Netherlands received from the European Commission in the context of the Lisbon Strategy.

The Council sets out the basic conditions and ingredients for a successful diversity policy at the level of individual companies. It then considers the extent to which the Government (or the authorities as an employer) can promote staff diversity within organisations, also given the positive effects that this has on labour participation by particular groups. The Council finds that a number of groups are still lagging behind as regards participation, above all non-western migrants and persons with a disability.

Women also constitute unused labour potential. Ensuring an effective work/life balance – and thus labour participation by women – is dependent on a large number of factors. These include the way care tasks are divided within the household; effective facilities such as the option of flexible working, both as regards working hours and the actual work location; leave in order to deal with temporary situations; changes in school hours; and wide-ranging high-quality childcare, with the concept of the community school being emphatically included. The number of women in senior and top positions is increasing, but from an international perspective the Netherlands is definitely not one of the leaders.

Against this background, the Social and Economic Council considers it important that the Government pursue an effective policy aimed at achieving its objectives regarding labour participation by specific groups. Reference can be made, for example, to the Government's target of 65% labour participation by women by 2010. The Council considers it desirable for the Government to adopt a similar target for non-western migrants. Formulating such targets and setting a specific deadline for achieving them is a way of establishing a clear ambition to be pursued. Needless to say, the most important thing is to ultimately achieve that ambition. It is therefore necessary to monitor the progress of the relevant dossiers. The Council believes that if the objectives envisaged are not in fact achieved, an investigation should be carried out to determine why that is so. Such an investigation may lead to the methods used being reconsidered. If that is necessary, the Council is prepared to consider what methods can make a more effective contribution to achieving the objectives set.

Where greater participation by women in top decision-making within the authorities and the business community are concerned, some members of the Council believe that legislation should already be prepared for if the Government's objectives are not in fact achieved; other members reject the necessity of preparing legislation.

2.4 Committee for Consumer Affairs' advice on Consumer Rights within the Internal Market

On 17 July 2009, the Council's Committee for Consumer Affairs (CCA) unanimously adopted its advisory report on *Consumer Rights within the Internal Market* [*Consumentenrechten in de interne markt*]. The report is a response to a request for advice by the State Secretary for Economic Affairs and the Minister of Justice; it concerns the European Commission's proposal for a new consumer rights directive. That proposal includes two significant elements:

- a. the new directive should replace four existing directives regarding consumer affairs;
- b. the new directive should involve full-scale harmonisation (whereas the four directives to be replaced involve only minimum harmonisation).

With the first of these elements, the Commission is aiming to simplify the rules and also to adapt the rules to electronic developments. By means of full-scale harmonisation, the Commission hopes to increase confidence in the internal market on the part of consumers and the business community and to promote cross-border trade.

The CCA can agree to full-scale harmonisation on condition that the new directive brings about a high level of protection for consumers (in accordance with the EC Treaty) and that it does not create any extra administrative burden for businesses. With the exception of a few components, the proposed new directive does not, in the opinion of the CCA, in fact bring about a high level of protection for consumers, for example as regards general terms and conditions. The CCA also favours there being fewer rules regarding the provision of information by businesses than the European Commission is proposing.