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**Contribution of the social partners in the Netherlands
to the National Reform Programme 2005 - 2008
in the context of the Lisbon strategy**

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1. General

This memorandum explains how the social partners in the Netherlands are contributing to the implementation of the National Reform Programme 2005.

Like the National Action Plans in preceding years, the National Reform Programme 2005 is based on the general economic and employment guidelines laid down by the European Union with a view to achieving the objectives of the Lisbon strategy. This memorandum describes the specific input of the social partners in the Netherlands to the effort to meet those objectives.

The National Reform Programme (NRP) as such sets out the Dutch government's ideas and views and the measures it plans to take. The government has held consultations with the social partners on the content of the programme and to a certain extent taken into account their comments. However, sole responsibility for the final content of the NRP rests with the Dutch government and not with the social partners, who, separately or jointly, have some criticism of certain elements of the NRP.

The social partners have written this separate memorandum outlining their input because they wish to make an active contribution to delivering the Lisbon objectives by developing activities in the policy areas for which they, as social partners, bear responsibility.

The contribution they can make to achieving the specific objectives mentioned by the European Commission, which are to promote employment and economic growth, must also be viewed in relation to the social and economic policy pursued by the Dutch government.

In this regard, it should also be noted that the social partners are of the opinion that promoting employment and economic growth must clearly also be seen in the context of other objectives such as the promotion of social cohesion and sustainability.

¹ The social partners in the Netherlands collaborate in the Labour Foundation (*Stichting van de Arbeid*), a private-law national consultative body, whose members are the main employers' associations and trade union federations in the Netherlands. The organisations represented in the Labour Foundation are: the Confederation of Netherlands Industry and Employers [*Vereniging VNO-NCW*], the Royal Dutch Association of Small and Medium-sized Enterprises [*Koninklijke Vereniging MKB-Nederland*], the Dutch Organisation for Agriculture and Horticulture [*Land- en Tuinbouw Organisatie Nederland*], the Netherlands Federation of Trade Unions [*FNV*], Netherlands Federation of Christian Trade Unions [*CNV*], and the Trade Union Federation for Intermediate and Higher Employees [*MHP Vakcentrale voor Middengroepen en Hoger Personeel*].

The social partners contribute to achieving these objectives in two ways:

- a. by coordinating their own policy on collective agreements with the government's social and economic, fiscal and budgetary policy wherever possible, and,
- b. by advising the government on important aspects of social and economic policy such as social security, labour market policy, and healthcare through their participation in the Social and Economic Council and the Labour Foundation.

2. Coordination of policy on terms of employment and government policy

2.1 Establishing terms and conditions of employment / employment terms policy

The aim of seeking to reconcile the policy on terms and conditions of employment with the government's social and economic, fiscal and budgetary policy is to promote balanced economic growth together with growth of employment as well as a right functioning of the labourmarket.² These efforts to coordinate the policies are not always successful however. In September 2003, for example, the government announced measures that would lead to a deterioration of the social security system and pre-pension schemes which the social partners opposed.

After lengthy negotiations, the government and the social partners represented in the Labour Foundation finally reached agreement on partial amendment or postponement of some of the announced measures in November 2003. In conjunction with that agreement, the social partners then issued a separate Statement of their own calling on the parties to the collective bargaining in sectors and companies not to agree any contractual wage increase in 2004.

This Statement also recommended that the contractual wage increases for 2005 should be 'virtually zero' and said this provision should also apply to wages not covered by collective agreements on the assumption that further negotiations between the government and the social partners would lead to agreement on the future system of pre-pension schemes and a system that allows employees to save for extended periods of leave throughout their working lives (known as the 'life-span scheme').

After intensive talks between the employers and unions themselves and with the government, however, it emerged on 18 May 2004 that no agreement was possible on the subjects in question. This sequence of events led the trade unions to announce in June that the conditions stipulated in the Statement issued towards the end of 2003 had not been met and that the agreements concerning contractual wage increases in 2005 could therefore also not be implemented. In September 2004 the government announced further measures in its budget for 2005, including the abolition of tax facilities for pre-pension schemes.

² Labour Foundation, Policy document on Flexibility & Security; 3 April 1996 – publication no. 2/96.

Partly in response to massive demonstrations by employees against these plans in early October 2004, the discussions with the government gradually resumed. These deliberations eventually led to a new Statement from the government on 5 November 2004, in which it announced that a number of the proposed measures would be either mitigated or withdrawn on condition that the social partners would be ‘very restrained’ with regard to wage developments in 2005.³ The government was willing to take this step in light of a new, complementary Statement by the employers and unions represented in the Labour Foundation devoted mainly to the policy that would be pursued with respect to benefit payments to and the reintegration of disabled employees.

2.2 Specific activities within the framework of employment terms policy

In addition to the contribution made by the employers and trade unions in the Labour Foundation through general social and economic policy, they also attempt to make a contribution on specific aspects of policy with their policy on terms and conditions of employment.

The specific policy areas concerned are:

1. tackling youth unemployment;
2. promoting labour participation among the elderly;
3. promoting labour participation among women;
4. promoting labour participation among ethnic minorities;
5. employability/training; and
6. increasing productivity.

Measures taken on points 1 to 4 contribute to raising labour participation rates, while measures taken on points 5 and 6 contribute to increasing labour productivity.

By formulating specific recommendations on these subjects for employers’ organisations and trade unions engaged in collective bargaining at sector level and in companies the Labour Foundation in fact gives effect to the objectives and measures called for in several of the EU’s employment guidelines.

Examples in that context are:

- a. increasing the knowledge intensity of the economy (e.g. Guidelines 18, 23 and 24);
- b. improving the functioning of the labour market (e.g. Guidelines 18, 20 and 21);
- c. establishing a social security system that encourages people to work (e.g. Guidelines 2, 3 and 8) and
- d. cushioning the consequences of the ageing of the population – in particular the working population (e.g. Guidelines 2, 17 and 19).

³ It has since emerged (situation as of July 2005) that the average contract wage rise in the collective agreements concluded up to then was approximately 1%.

The social partners also recognise in a general sense that targeting the different groups referred to above creates the risk of complicating efforts to achieve the varying objectives for the different groups concerned. On the other hand, a common policy benefits all of the groups to some extent. For example, promoting training and increasing employability is important for anyone who lacks proper qualifications for the labour market, regardless of which group they belong to.

The following section will briefly describe the activities of the Labour Foundation in relation to the six topics referred to above.

2.3 Increasing labour participation

Social partners stress the importance of a further increase of labour participation as aimed at in the context of the Lisbon strategy. The need for such an increase is urged both by social and economic factors like the ageing of the population and the need for an increase of the financial base of society. Such efforts should be directed partly on specific groups like women, older people, youth and ethnic minorities.

Apart from measures designed for specific groups, in April 2005 the social partners represented in the Labour Foundation adopted a 'Recommendation on the prevention of unemployment and the reintegration of unemployed workers'⁴. The recommendation advises parties to collective agreements to respond to the threat of unemployment by establishing sectoral funds and using other resources to improve the employability of workers (also including, if necessary, the use of supplements to statutory benefits and redundancy payments), to make maximum use of work-to-work programmes, to join local or regional initiatives wherever possible and to collaborate with public agencies with responsibilities in the labour market. This recommendation formed an appendix to an advisory report of the SER which contained proposals for reform of the system of unemployment benefits.⁵

Tackling youth unemployment

In January 2004 the social partners issued a recommendation urging collective bargaining partners, sectors of industry and companies to take additional measures to combat unemployment among young people.

Specifically it recommended that they maintain, and where possible create, practical training places and places in work experience programmes for young people, increase their employability through training/education and create more jobs for young people, for example by making use of the preliminary salary scales established in the collective agreements.

The recommendation is primarily intended to help young people who have been unemployed for only a brief period to keep their labour market qualifications up to date through work experience.

⁴ Labour Foundation, *Aanbeveling ter bevordering van preventie van werkloosheid en reïntegratie van werkloze werknemers*, April 2005 – publication no. 4/05 [no English translation available].

⁵ SER advisory report, *Toekomstbestendigheid van de Werkloosheidswet*, April 2005 – publication no. 05/05 [no English translation available].

For the purposes of the employment terms policy in 2006 the social partners intend to produce an updated recommendation urging intensification of the effort to combat youth unemployment.

Promoting labour participation among the elderly

For many years the social partners in the Netherlands have devoted a great deal of attention to the position of the elderly in the labour market, and specifically to increasing the participation of older workers. Particularly in the last few years, the voluntary early retirement schemes (known as VUT schemes) that were financed on the basis of the pay-as-you-go system have been converted into pre-pension schemes that are financed on the basis of the fully-funded system.

This change in the method of financing has had a positive effect in the sense that older workers are retiring later and consequently the level of participation among older workers has risen.

This effect is further reinforced by the fact that in most cases the average age at which employees can retire has risen by several years in relation to the retirement age that applied in most early-retirement schemes.

The basic conditions for accruing rights to a flexible pre-pension in the future have been defined in more detail following the previously mentioned agreement reached between the government and social partners on 5 November 2004.

In the past the social partners represented in the Labour Foundation have also made various recommendations for companies to pursue an age-conscious human resources policy by adopting measures relating to working conditions, additional training, career guidance, job changes, etc. that would enable older workers to continue working for longer. The SER recently published another advisory report with recommendations designed to strengthen the position of this category of employees in the labour market.⁶

In the near future the social partners intend to review which of the recommendations in that SER advisory report can be adopted for the purposes of the collective agreement negotiations. They will include in their considerations the recent request from the Minister of Social Affairs and Employment for advice on the removal of any provisions in existing collective agreements that may prevent employees from continuing to work beyond the age of 65 if they so wish.

Promoting labour participation among women

In 1999 the Labour Foundation issued a recommendation designed to promote agreements on child care in collective agreements, partly with a view to increasing the possibilities for women to return to the labour market.

⁶ SER advisory report, *Van alle leeftijden* [no English translation available].

The number of collective agreements that contain arrangements on that subject has risen sharply since then. 89% of the larger collective agreements currently include arrangements for child care, while at the same time there has been a dramatic increase in the number of child care places provided by employers.

In anticipation of the entry into force of new legislation on the financing of child care on 1 January 2005, the Labour Foundation published an updated Recommendation on Child Care in 2004. During the Spring Consultations with the government on 7 July 2005 the social partners urged the government to increase its funding of child care in light of a number of problems that had emerged in relation to the operation of the new Basic Child Care Facilities Act.

Furthermore, employers' organisations and trade unions recently adopted a Framework of Actions as part of the European Social Dialogue which contains a great many recommendations aimed at increasing the labour participation rate among women. Special attention was devoted to the creation of conditions that would enable women to enter or re-enter the labour market.

The social partners represented in the Labour Foundation will consider how they can bring these recommendations to the notice of the collective bargaining partners and help to ensure that the recommendations are in fact implemented.

Promoting labour participation among ethnic minorities

At the end of 2002 the parties in the Labour Foundation reached agreement for the third time on a recommendation designed to strengthen the position of ethnic minorities in the labour market. This agreement expired on 1 January 2005. The Labour Foundation is currently reviewing the extent to which further policy is needed to increase labour participation among ethnic minority groups.

The Labour Foundation has already specified a number of priorities in this regard which will shortly be fleshed out in more detail.

2.4 Increasing labour productivity

Stimulating training/education and increasing the employability of workers

In many sectors of industry the social partners have jointly set up Training & Development funds which are financed by companies in the sector concerned.

These funds provide education and training facilities for employees working in the companies concerned and also develop sector-wide labour market projects which can also be financed from the European Social Fund (ESF).

The social partners are in favour of developing an employability policy at a sector and company level designed to raise the competencies and qualifications of employees. Such a policy should be based both on the future needs of the different sectors and businesses in terms of the necessary qualifications and the actual training needs of the employees. The aforementioned Training and Development funds could play a key role in this.

Increasing productivity through the employment terms policy

A structural increase in labour productivity in the long term is an important instrument for achieving both economic growth and a balanced labour market, in the context of the Lisbon strategy and also from the perspective of the anticipated ageing of the labour force and stagnation in the growth of the working population.

The employers and trade unions represented in the Labour Foundation recently adopted a recommendation designed to provide collective bargaining partners and companies with guidelines on how employment terms policy can be used to increase productivity and promote innovation in social policy.

The recommendation calls for a policy designed to increase productivity through management of working hours, modernisation of labour relations, training and employability, the introduction of forms of performance-related remuneration and a policy for preventing absenteeism.

In addition, a number of individual employers' organisations and trade unions produced a publication intended to encourage bargaining partners to reach agreements that would increase productivity in business sectors and companies.⁷

3. Advice via the Social and Economic Council

3.1 General

Through their input to advisory reports of the SER the social partners have made their position clear on progress with the Lisbon strategy at national and European level. A number of these advisory reports include opinions about the general policy that should be pursued. Examples include the various reports on policy for the medium term, the report evaluating the Lisbon strategy and the advisory report on the national strategy for sustainable development. Many other advisory reports have addressed specific aspects of the Lisbon strategy.

The following section provides a brief and general overview of the views of the SER (and hence of the social partners) on the Lisbon strategy and on six specific themes:

- a. strengthening the knowledge economy;
- b. anticipating the ageing of the population;
- c. improving the functioning of the labour market/reform of social security to encourage people to work;
- d. competition/regulation; and
- e. sustainability and the environment.

Besides the involvement of the social partners in previous advisory reports from the SER, it is relevant that the government asked the SER for its advice on Dutch social and economic policy in the medium term. The subjects on which its advice was

⁷ This is an initiative of the General Employers' Association AAVN and the trade unions FNV Bondgenoten, CNV Bedrijvenbond and De Unie: '*Aan de slag met slimmer werken*' [No English translation available]

requested are closely linked to the challenges the Netherlands is facing in implementing the Lisbon strategy up to 2010.

This section first discusses some of the main advisory reports relevant to the Lisbon strategy that the SER has published. Section 3.4 looks at projects that are already underway or that have been announced.

3.2 The general Dutch Lisbon strategy in SER advisory reports

The SER has endorsed the merits of the Lisbon agenda from the very outset. The Lisbon strategy is the European plan for delivering sustainable economic growth in the face of overriding trends such as ageing, globalisation, the growth of the information society and individualisation. Sustainable economic growth calls for balanced consideration of economic, social and ecological interests. This is a consideration that has to be made at the level of the EU, the member states and individual companies.

In its report *Evaluation of the Lisbon strategy*⁸ the SER called for the focus of the Lisbon agenda to be tightened without losing sight of the fact that the three pillars are equally important. This tighter focus should come from a clear definition of the respective responsibilities of the EU and the member states. The European Union should be given expanded opportunities to create a European Research Area and to complete the internal market. The member states should accept responsibility for the national aspects of the Lisbon agenda and in the process seek consensus with the social partners in the relevant policy areas.

In an earlier advisory report, *Social and economic policy coordination in the EU*⁹ the SER addressed the issue of policy competition and policy coordination at a European and national level and the role of the social partners in that context.

3.3 Specific themes

Strengthening the knowledge-based economy

The social partners have repeatedly referred to the importance of the knowledge-based economy in SER reports, for example in the advisory reports on medium-term policy since the mid-1990s. These reports devoted a great deal of attention to measures to promote increased productivity and improve the quality of the working population. These topics were also addressed in the SER's advisory reports on vocational and higher education.

The notion that investing in knowledge and skills is the key to increasing productivity and participation was fully endorsed in recent SER advisory reports. The purpose behind all these reports is to transform the Dutch economy into a competitive knowledge-based economy that can continue to generate a high level of prosperity in the future.

⁸ SER advisory report no. 04/10.

⁹ SER advisory report no. 00/01.

A factor that needs to be considered is that in shaping the knowledge-based economy the government must always pay sufficient attention to the educational level of the working population as a whole. In other words, it should not concentrate solely on the sciences. This is true not only for initial education (the basic qualifications), but also for the opportunities for life-long learning later in life. The Dutch government appears to be leaving too much of the responsibility for life-long learning to the social partners.

SER advisory reports that are relevant in this context include:

- a. *Evaluation of the Lisbon strategy*,¹⁰ in which the interaction between knowledge creation at a national and European level and the European Research Area is discussed;
- b. *The New Learning*,¹¹ a report that calls for the creation of an open, demand-driven training market, recognition of Validation of Prior Learning and an action plan for people with no basic qualification;
- c. *Steering a course for innovation in vocational education*,¹² which contains proposals for improving the exchange of knowledge between vocational education and the business community.

Anticipating the ageing of the population

One of the challenges that have to be met if the Lisbon agenda is to be realised is the need to anticipate the ageing of the working population. This calls for a long-term strategy for the EU and its member states. Elements of this strategy include healthy government finances (creating a buffer for the future costs of ageing), increasing labour participation, raising labour productivity and modernising the healthcare, pension and social security systems.

With regard to these latter systems, the social partners have published interesting (and unanimous) advisory reports. The value of these reports was sometimes underestimated because of political stalemates, which caused unnecessary damage to the relations between politicians and the social partners.

The objectives of the strategy on ageing also concern the social partners. For example, increasing labour participation rates among older workers, women and minorities.

Relevant SER advisory reports in this context include:

- a. *Advisory report on the medium- and long-term senior citizens' policy in the Netherlands*,¹³ which recommends a forward-looking policy for the elderly in areas such as work, income, pension and healthcare;
- b. *Ageing population and the EU*,¹⁴ which addresses the need for a coherent strategy to cushion the effects of the ageing of the population.

¹⁰ SER advisory report no. 04/10.

¹¹ SER advisory report no. 02/10.

¹² SER advisory report no. 02/12.

¹³ SER advisory report no. 05/02.

¹⁴ SER advisory report no. 02/02.

Improvement of the functioning of the labour market/ a social security system that encourages people to work

A properly functioning labour market is an essential condition for sustainable economic growth. At the same time, a balance has to be found between rights and duties, between opportunities (training, coaching) and risks (less job security) and between social cohesion and economic dynamism.

SER advisory reports that covered these themes include:

- a. *Labour Mobility in the EU*,¹⁵ which discusses the removal of outstanding barriers to labour mobility (such as loss of pension);
- b. *Advisory report on the government's disability insurance policy*,¹⁶ which addresses reform of the disability insurance scheme from the perspective of increasing labour participation;
- c. *Toekomstbestendigheid van de Werkloosheidswet* [*Future-proofing the Unemployment Insurance Act*],¹⁷ which includes recommendations for reform of the system of unemployment benefits;
- d. *Services in occupational health and safety*, which presents a vision on the future occupational health and safety-system.¹⁸

Competition and regulation

The importance of a properly functioning internal market for achieving the objectives of the Lisbon strategy is evident. Government regulation must ensure that as far as possible there is a level playing field for suppliers in different countries. This applies just as much for the competition between public institutions and private enterprises. A good example of the SER's attention to this subject is its recent advisory report on the EU's Directive on services in the internal market. The social partners endorse the effort to create an internal market for services through the Directive, although they feel that additional guarantees are needed to prevent social dumping.

The social partners are of the opinion that there is room for improvement in Dutch policy towards competition and regulation since, among other things, the government is too slow in transposing the directives concerning the internal market into national legislation. This undermines the position of Dutch business in the internal market.

¹⁵ SER advisory **report no. 01/04**.

¹⁶ SER advisory report no. 04/02. The Labour Foundation published in addition to this SER-advice a statement with recommendations as to preventing occupational disability.

¹⁷ SER advisory report no. 05/05 [no English translation available].

¹⁸ SER advisory report no. 04/03. The Labour Foundation also has published several statements and recommendations on working conditions, safety and health i.e. 'En morgen gezond weer op!' a brochure on health-policies in companies and the relation between companies and occupational health and safety services. See also Preventing absence because of illness and occupational disability by collective bargaining; publication nr. 4/04.

The SER has expressed its viewpoint on this subject in publications such as:

- a. *Evaluation of the Lisbon Strategy*¹⁹
- b. *The Directive on services in the internal market*,²⁰ in which it suggests that the Services Directive should be supplemented with safeguards to prevent social dumping.

Sustainability and the Environment

As already mentioned, the social partners feel that promoting employment and economic growth must also be explicitly seen in the context of other objectives such as the promotion of social cohesion and sustainability.

At national level, the social partners wholeheartedly support the transition to a sustainable society, which involves aspects such as a sustainable energy supply, sustainable mobility, sustainable agriculture and the preservation of biodiversity. However, despite the large degree of unanimity on these topics it nevertheless seems difficult to make any real progress.

Creating a sustainable society requires more than just sustainable production; that sustainable production must also be able to count on demand from consumers with strong purchasing power. However, although the average citizen feels sustainable production is important, they often fail to support it as a consumer. In recent SER advisory reports the social partners have drawn attention to this conundrum. The government therefore needs to develop policy to improve the fit between supply and demand for sustainable products, something that is still lacking in the Netherlands.

Among the SER advisory reports that discuss these topics are:

- a. *Towards a more effective, environmentally sustainable EU agricultural policy*,²¹ which called for agricultural policy to be dedicated to sustainable production and for the stimulation and rewarding of ‘green’ services within the framework of EU policy;
- b. *Quality labels and sustainable development*,²² which contained a call for transparent environmental quality labels given their importance for sustainable consumption and production.

4. Current projects

The government has asked the SER to give its advice on socio-economic policy for the medium term before the end of 2005. The request for advice contained a list of questions on institutional issues that are relevant for the second half of this decade. Those issues include the structural reforms that are needed to increase the economy’s

¹⁹ SER advisory report no. 04/10.

²⁰ SER advisory report no. 05/07.

²¹ SER advisory report no. 03/07.

²² SER advisory report no. 04/05.

flexibility and its ability to adapt to social developments as well as to strengthen the economic base required to finance social services and healthcare.

To a large extent the request for advice expands on a number of themes, the knowledge-based economy, social innovation and accepting and sharing responsibility.

The request for advice fails to make the connection with the National Reform Plan for the Lisbon strategy. This is possibly due to the difference in timelines; the NHP spans the period 2005 to 2008, while the advisory report on policy for the medium term has a longer horizon, from 2005 to 2010. There are however so many similarities in terms of content that the final report on medium-term policy, which will be published early in 2006, can also be regarded as a contribution by the social partners to the Netherlands' National Reform Programme for achieving the goals in the Lisbon strategy.