

# The Netherlands: Evolution of Wages during the Crisis

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## Trends and relations with other working conditions

*The financial and economic crisis has affected the wage development in The Netherlands. Wage growth has slowed down, but not completely disappeared; mainly the wage drift has disappeared. Sometimes trade unions were capable of exchanging working time reduction for less wage growth. But in general, the wage 'crunch' was not followed with more wage inequality or lessened working conditions.*

## Questionnaire

### Block 1: Wage trends 2006-2010

**1.1.a Please provide annual statistics on average gross monthly earnings or yearly average wages by gender, occupational category (ISCO), part-time/full-time in your country from 2006 to the latest available year.**

<b>Table Title – 1. Employed working population: average income</b>						
Table Summary – Average personal primary income (x 1000 euro)						
	2006	2007	2008	2009	2010	Comment
<b>Total</b>	39,5	40,6	41,6	42,2	42,6	(1)
<b>By gender</b>						
<b>1. Male</b>	48,2	49,8	50,9	51,7		(1)
<b>2. Female</b>	27,6	28,4	29,3	30,2		(1)
<b>By ISCO occupational classification</b>						
<b>1 Managers</b>	56,6	59,6	60,5	59,4	63,0	(2)
<b>2 Professionals</b>	53,3	55,0	56,9	57,5	56,7	(2)
<b>3 Technicians and associate professionals</b>	40,5	41,4	42,5	43,4	42,9	(2)
<b>4 Clerical support workers</b>	30,2	30,5	30,9	31,7	31,9	(2)

.						
<b>5 Service and sales workers</b>	22,6	23,3	23,3	23,5	23,7	(2)
.						
<b>6 Skilled agricultural, forestry and fishery workers</b>	25,0	25,2	25,6	25,3	26,8	(2)
.						
<b>7 Craft and related trades workers</b>	36,5	37,4	38,1	38,0	38,4	(2)
.						
<b>8 Plant and machine operators, and assemblers</b>	37,6	38,6	38,8	39,4	39,7	(2)
.						
<b>9 Elementary occupations</b>	21,6	21,1	21,5	22,2	21,7	(2)
.						
<b>By contract type</b>						
<b>1. Full-time</b>	48,7	50,5	51,8	52,8	53,5	(7)
<b>2. Part-time</b>	24,2	24,8	25,5	26,1	26,5	(7)

*Notes:*

*Enquête beroepsbevolking (EBB) with income data from the Income Statistics (Statline): average personal primary income (x 1000 euro); figure 2010 is an estimate by CBS.*

*Figures delivered by CBS.; ; figure 2010 is an estimate by CBS.*

*Full-time = 35 hours or more; Part-time = 12 to 34 hours; figure 2010 is an estimate by CBS.*

*Source: CBS, Statline.*

### **1.1.b Please provide the following methodological information on the provided statistics:**

- Definition of the earnings (what components are included or excluded?): in this table, you can find year statistics on the average personal primary income of the employed working population.
- Personal primary income (PPI): the PPI is the sum of income from labour and income from own undertaking ('eigen onderneming'). Because income from wealth cannot be accounted in a clear way to separate individuals in a household, this part of personal income is excluded from analysis. Income from labour consists of wages, salaries, tantième (share of profits), wage savings ('spaarloon') and from labour which has not been executed during a 'normal' contract ('dienstbetrekking'). Also, income in kind (for example, the value of the private use of the car leased by the employer) are accounted to PPI. Income from labour also consists of wages which are received from

other countries. The amount shown is inclusive the employer and employee social security payments. Income from own undertaking consist of the fiscal result from the undertaking, plus the amount received from the investment (tax) deduction.

- Personal income (PI): the PI consists of the personal gross income, minus the premiums for income insurances, but premiums for social security ('premies volksverzekeringen') are excluded. The PI is not reduced with premiums for health care insurances, taxes on income and personal wealth. The reason for this is that these parts cannot easily be accounted to separate persons in a household.
- Coverage (sectors excluded, if any; type of employees): "employed working population (werkzame beroepsbevolking)". Persons (15 to 65 years of age) who live in The Netherlands and have paid work of 12 hours or more a week.
- Constant or current prices (real or nominal terms): real prices.
- Source data (for example administrative data; national accounts or specific survey): CBS Statline. These data have been collected through the Survey of the Working Population ("Enquête Beroepsbevolking") and have been 'enriched' with income data from the Income Survey. The income data are specified in according to position in the employment situation ('werkkring'), sex, working time duration, age, nationality, educational level, position in the household and professional level.

**1.2.a Please provide for the selected sectors, when available the following annual trend statistics on average gross monthly earnings and important context variables. The time period is 2006 until the latest available year.**

	2006	2007	2008	2009	2010	2011	Comment
<b>Annual average gross monthly earnings</b>				2681	2729		(1)
<b>Annual average gross monthly earnings, Male</b>				2945	3000		(1)
<b>Annual average gross monthly earnings, Female</b>				1717	1750		(1)
<b>Total employment</b>				794	767		(2)
<b>Total full-time equivalent</b>				713	689		(3)
<b>% yearly change weekly working time</b>	0,1	0	0	0	-0,2	0,2	(4a)
<b>Average weekly working time</b>				35,4	35,3		(4b)
<b>% Productivity yearly increase</b>	1	1,4	-0,6	-1,5	2,3	1	(5a)
<i>% Productivity yearly increase</i>	4,3	3,6	-2,5	-4,6	8,1	4,3	(5b)
<i>% Productivity yearly increase</i>	2,9	3,3	-0,8	-8,9	6,4		(5c)
<b>Collectively agreed pay yearly increase in percentage</b>	1,9	1,6	3,8	2,8	1,1	1,5	(6)
<b>measure for wage dispersion - Theil-coefficient</b>				0,16			(7)

Notes:

(1) The average monthly income is the agreed upon gross wage, from which special payments are excluded. Included are the tax value of non-cash extra fees and paid overtime wages. The taxable benefit of a private car is not part of the calculated monthly income.

(2) These data are based on the Registry of Polisses ('Polisadministratie'): this registry is managed by the Employment Office (UWV) and is filled with employee data from the income reports which employers need to submit to the Tax Office ('Belastingdienst'). This registry contains all employees with a job at companies or organizations in The Netherlands with income tax or premium obligations. Source: CBS Statline. Employment; jobs, wages, working time, SBI 2008, core figures (Werkgelegenheid; banen, lonen, arbeidsduur, SBI2008; kerncijfers)..

Definitions:

- Job: an explicit or implicit labour contract between a person and an economic unit in which is regulated that labour will be executed for a (financial) reward.
- Employee: an employee is a person who makes an agreement in a labour contract with an economic unit to conduct labour for a financial reward.
- C Industry: this sector consists of the mechanical, physical or chemical transformation of inputs, materials or parts into new products. Used materials, fabrics or parts come from agriculture, wood farming, fisheries or mining; or are (half) products from the Industry itself. The demarcation between Industry and other sectors in the nomenclature is not always very precise. The Industry is oriented at transforming materials into new products. New products are produced, but the definition of what is a new product is not always very clear. There are some activities which supply new products, but which are not counted under the Industry.

(3) CBS Statline. Nationale rekeningen 2009; Arbeidsrekeningen. Arbeidsvolume werkzame personen. (Labour volume of working persons). See 2a for clarification.

- Labour volume of working persons: the amount of labour which has been allocated in specific period. The labour volume can be expressed in number of jobs, working years or worked hours.

(4a) CBS Statline. Cao-lonen, contractuele loonkosten en arbeidsduur. Jaarmutatatie. (CLO-wages, contractual labour costs and working time duration. Yearly changes)

(4b) CBS Statline. Employment; jobs, wages, working time, SBI 2008, core figures (Werkgelegenheid; banen, lonen, arbeidsduur, SBI2008; kerncijfers). Statistics on wages and employment. Figures are from the Polisadministration, the register data from the Employment Office.

(5a) CBS Statline. Groeirekeningen; kerncijfers. (Growth accounts; basic figures). Official CBS calculations: productivity on the basis of production; multifactor productivity development; %. This figure contains the (at moment only experimental) results from Dutch growth accounts. The growth accounts show what the input is of the different production sources to economic growth. The multifactor productivity is that part of growth (of production or added value) which cannot be accounted to any of the other separate production sources. Multifactor productivity is the most important indicator for productivity in a sector. Because the indicator accounts for all other inputs into the production processes, the

multifactor productivity gives a broader picture of productivity than the other traditionally use indicators such as labour productivity.

(5b) CBS Statline. Groeirekeningen; kerncijfers. (Growth accounts; basic figures). Official CBS calculations: productivity on the basis of production; Labour productivity development; %.

(5c) CBS Statline. Industry (construction industry excluded); production, turnover, sales, SBI 2008. Development of production; %.

(6) CBS Statline. Collective Labour Agreement (CLO)-wages per month, special income included. Yearly changes. For 2011: based on 89% of concluded CLO's. For the remaining years: 100% of concluded CLO's.

(7) Theil-coefficient: see Brakel, M. van den. (2011). Inkomensverschillen op de werkvloer. *Sociaaleconomische trends*, 4e kwartaal, 7-14. (Income inequality on the factory floor)

A well-known and much used indicator for income inequality is the Theil coefficient (Figure 1). This coefficient takes into account the separate inequalities between all incomes in a population. More specific: the coefficient T is equal to the average of the logarithm of all relative income shares, weighted with the income shares:

**Figure 1: Theil coefficient**

$$T = \frac{\sum Y_i}{\mu} \sum \ln \left( \frac{Y_i}{\mu} \right)$$

With  $y_i$  as the income of person  $i$  and  $\mu$  as the average income of the population (here: the employed working population). The degree in which income inequalities become bigger, the higher the Theil coefficient. The lower limit of the Theil coefficient is equal to 0 (at that moment, everybody has the same income), the upper limit (in this case, all income is in the hands of one person) depends on the number of persons in the used sample. This approach is helpful in this sense that in a population of two persons, total inequality would mean something different then if you would compare this population to a larger group of (e.g.) ten persons. If in the ten persons, only one person would have all the income, this would be seen as less unequal than in a group of two persons. However, if the Theil coefficient is divided by its maximum value, then the value of the coefficient varies between 0 and 1. See Van den Brakel-Hofmans (2007) for more information.

	2006	2007	2008	2009	2010	2011	Comment
<b>Annual average gross monthly earnings</b>				2961	2973		(1)
<b>Annual average gross monthly earnings, Male</b>				3096	3113		(1)
<b>Annual average gross monthly earnings, Female</b>				1756	1764		(1)

<b>Total employment</b>				385	372		(2)
<b>Total full-time equivalents</b>				350	339		(3)
<b>% yearly change weekly working time</b>	0,6	0	0	0	-0,5	0,5	(4a)
<b>Average weekly working time</b>				36,9	36,6		(4b)
<b>% Productivity yearly increase</b>	0,2	1,6	0,4	-0,7	-4,3		(5a)
<i>% Productivity yearly increase</i>	1,6	4,2	2,1	-3,1	-8,5		(5b)
<i>% Productivity yearly increase</i>							(5c)
<b>Collectively agreed pay yearly increase in percentage</b>	2,1	1,5	3,7	3,7	0,9	1,2	(6)
<b>measure for wage dispersion - Theil-coefficient</b>				0,13			(7)

Notes:

Definition:

F Construction industry: this industry contains all general and specialized construction or ground works ('civieltechnische werken'), the building installation and the finishing of buildings. The sector contains all new constructions, repairs, smaller rebuilding, the construction of prefabricated buildings or constructions; or constructions which are local or temporarily in nature. These constructions can be on own account or for a fixed price or on contractual basis. A part of work or even all activities can be outsourced to contractors.

(6) CBS Statline. Cao-lonen per maand incl.bijz.beloningen. Jaarmutatie. Voor 2011: gebaseerd op 98% van afgesloten cao's. Voor overige jaren: 100% afgesloten cao's.

(6) CBS Statline. Collective Labour Agreement (CLO)-wages per month, special income included. Yearly changes. For 2011: based on 98% of concluded CLO's. For the remaining years: 100% of concluded CLO's.

**Table 4: Sector I – Accommodation and food services (Hotels, restaurants and catering, HORECA)**

Table Summary: Average personal primary income

	2006	2007	2008	2009	2010	2011	Comment
<b>Annual average gross monthly earnings</b>				937	949		(1)
<b>Annual average gross monthly earnings, Male</b>				1128	1139		(1)
<b>Annual average gross monthly earnings, Female</b>				766	776		(1)
<b>Total employment</b>				318	324		(2)
<b>Total full-time equivalents</b>				163	167		(3)
<b>% yearly change weekly working time</b>	0	0	0	0	0	0	(4a)
<b>Average weekly working time</b>				19,7	19,7		(4b)
<b>% Productivity yearly increase</b>	0,2	-0,4	-1,3	-3,1			(5a)

<i>% Productivity yearly increase</i>	1,1	-1	1,7	-5,9			(5b)
<i>% Productivity yearly increase</i>							(5c)
<b>Collectively agreed pay yearly increase in percentage</b>	1,5	1,2	2,3	3,6	0,9	1,3	(6)
<b>measure for wage dispersion - Theil-coefficient</b>				0,24			(7)

Notes:

(1) Horeca.

(2c) Horeca

(3b) Horeca.

(5a) I Horeca

(5b) I Horeca

(6) CBS Statline. Collective Labour Agreement (CLO)-wages per month, special income included. Yearly changes. For all years: 100% of concluded CLO's.

	2006	2007	2008	2009	2010	2011	Comment
<b>Annual average gross monthly earnings</b>				3474	3568		(1)
<b>Annual average gross monthly earnings, Male</b>				4395	4484		(1)
<b>Annual average gross monthly earnings, Female</b>				2381	2469		(1)
<b>Total employment</b>				269	261		(2)
<b>Total full-time equivalent</b>				237	230		(3)
<b>% yearly change weekly working time</b>	2,2	1,8	3,5	2,3	1	1,4	(4a)
<b>Average weekly working time</b>				33,2	33,3		(4b)
<b>% Productivity yearly increase</b>	0,9	2	4,6	-0,9	2,6		(5a)
<i>% Productivity yearly increase</i>	3,2	4,6	10,2	-0,7	4,7		(5b)
<i>% Productivity yearly increase</i>							(5c)
<b>Collectively agreed pay yearly increase in percentage</b>	0	0	0,3	0	0	0	(6)
<b>measure for wage dispersion - Theil-coefficient</b>				0,23			(7)

**Table 6: Sector O – Public administration**

Table Summary: Average personal primary income (x 1000 euro)

	2006	2007	2008	2009	2010	2011	Comment
<b>Annual average gross monthly earnings</b>				2946	2965		(1)

<b>Annual average gross monthly earnings, Male</b>				3265	3269		(1)
<b>Annual average gross monthly earnings, Female</b>				2437	2485		(1)
<b>Total employment</b>				512	524		(2)
<b>Total full-time equivalents</b>				463	475		(3)
<b>% yearly change weekly working time</b>	0	0	0	0	0		(4a)
<b>Average weekly working time</b>				33,4	33,4		(4b)
<b>% Productivity yearly increase</b>	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	(5a)
<i>% Productivity yearly increase</i>	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	(5b)
<i>% Productivity yearly increase</i>	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	(5c)
<b>Collectively agreed pay yearly increase in percentage</b>	3,2	2,8	3,6	2,2	1,9	3,2	(6)
<b>measure for wage dispersion - Theil-coefficient</b>				0,07			(7)

**1.2.b Please provide again the following methodological information on the provided statistics:**

- Definition of the earnings (what components are included or excluded?): see notes above.
- Coverage (sectors excluded, if any; type of employees): see notes above.
- Constant or current prices (real or nominal terms): see notes above.
- Source data (for example administrative data; national accounts or specific survey): see notes above.
- Definition of the labour productivity data: see notes above.

**1.3 Please provide for your country the available statistical insights/studies on the following wage-related trends, briefly commenting: the period 2006-2010.**

1. Wage drift: differences between the actual wage increase and the collectively agreed wage increases; Are there also remarkable sector differences in this regard? (cf. the 5 selected sectors)

The amount of information on this subject is quite limited. Wage drift contains the information of the about wage increases of workers which do not fall under the CLA's (collective labour agreements). This wage drift is shown under the term "other effects" in the CBS-statistics for Incidental wage development. The following table shows the information for 2003-2005.

<b>Development yearly wages</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>
<b>Total (The Netherlands)</b>	1.1	0.9	0.7
<b>ndustry</b>	1.2	0.2	1.4
<b>Construction industry</b>	1.4	0.7	1.1



<b>Horeca</b>	3	-1.6	2.9
<b>Financial services</b>	-0.8	2.7	2.8
<b>Public administration</b>	1.6	0.8	0.7

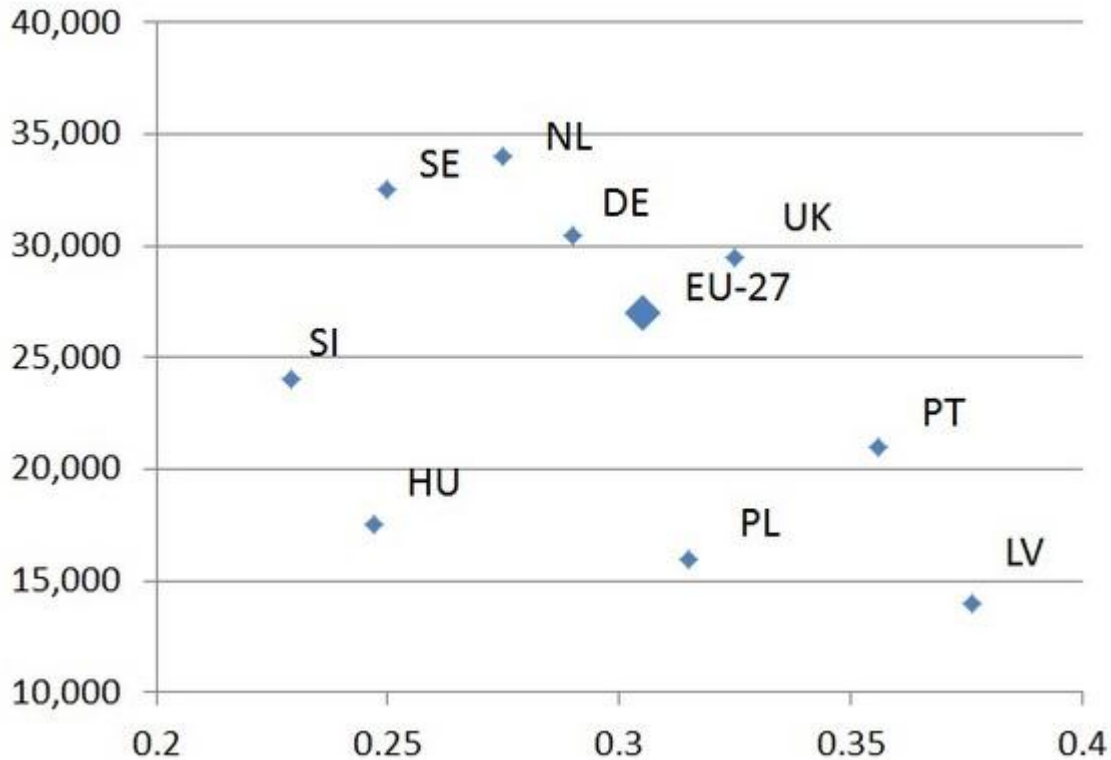
The wage drift for this period is about 0.7 to 1.1 percent per year. The financial services show higher wage drift than other sectors. Remarkable is that the actual wages in the Horeca are lower than CLA's obliged workers to have. For 2004, the actual wages were 1,6% lower than what was agreed upon between collective partners.

In Figure 3 (see under 2.1a) we have more information about the incidental wage component of which the wage drift is a part of. The figures for 2003-2005 (reported in the previous table) are not completely the same as in this figure. For the period 2008-2010, the actual wage drift would be negative to zero. This would mean that the room for further improvement of wages has dissipated during the crisis. It would even seem that on an individual basis, a correction was implemented for the CLA's which promised higher wage rises than was seen reasonable in the context of the unexpected financial crisis.

1. Wage inequality or dispersion: differences between highest and lowest wage categories; the % of low-wage workers; Are there also remarkable sector differences in this regard? (cf. the 5 selected sectors)

In Figure 2, the total inequality of wages in the Dutch labour market is compared to other countries in the EU. The Dutch incomes are ranking in the lower third of the Gini-coefficients in Europe. The average income is the highest in Europe, in this graph. So, the image is that the Dutch labour market is capable of delivering very high incomes without producing major inequalities.

**Figure 2: The average income related to wage inequality in some of the countries of the EU, 2009. (in euro's and in Gini-coefficient. (Source: Eurostat, 2011).**



These results are confirmed in other studies. Groot & De Groot (2011) have made an in-depth analysis of the wage dispersion over the last decade. Their conclusion is that (real pre-tax) wage inequality has increased slightly across different dimensions, especially at the top of the wage distribution. They warn that these changes are, however, mostly the result of composition effects: changing composition with respect to age, resulting in decreasing inequality; and a changing skill composition resulting in higher inequality. Changes of wage inequality are moderate in the Netherlands, compared to the other EU27-economies. It is shown, however, that this is in fact the net effect of counteracting underlying changes.

A more precise insight at the sectoral level, is found in the Theil-indices included in the tables 2-6. The Theil-index shows the wage dispersion within the employed persons (See Van den Brakel-Hofmans (2007)). We see that the financial services and the HORECA show the biggest dispersion. The Public administration shows nearly no inequality in wages.

For the comparison between low and high wage categories, the following table shows the inequality situation, but then at the household level. This is not completely what we are looking for, but this can give some insight into the Dutch situation. The top quarter of the households earn four times more than the lowest quarter of the households. This disparity has not changed in the period between 2001 and 2009.

**Table 7: Average income and rise of purchasing power in Dutch households, 2001-2009 (in indexes and percentages)**

	average income in 2001 (index)	average income in 2009 (index)
<b>total</b>	<b>100</b>	<b>100</b>
<b>First quarter</b>	49	47
<b>Second quarter</b>	77	78

<b>Third quarter</b>	103	103
<b>Fourth quarter</b>	172	172

*Average income of the total population =100*

*Source: Bijl e.a., 2011.*

1. The use of variable pay and financial participation; Are there also remarkable sector differences in this regard? (cf. the 5 selected sectors)
  1. Variable pay

The most traditional ‘extra pay components’ are allowances for shift work, bonuses, 13<sup>th</sup> month or year-end bonuses:

- In 2008, some 13 percent of workers received some allowance for shift work, as agreed upon within CLA’s. The percentage varies strongly between sector. Health care and cure sectors, transport sectors show high use of such payments. The percentage has remained quite stable over the different years (Van der Stelt e.a., 2010).
- The bonus, the 13<sup>th</sup> month and year-end bonuses seem to become more important each year. In the 1990s, the percentage of workers receiving such a bonus was under 30 percent. Health care and cure, education, public administration use such a system quite commonly. Construction industries only rarely use such a system. In 2008, the percentage was 58 (Van der Stelt, e.a., 2010).

**Table 8: Additional wages elements in 2008: sex, age, educational level, sector (percentage of employed workers having the wage element)**

	<b>bonus/ 13e month /year-end bonus</b>	<b>profit-sharing or tantième</b>
<b>Total</b>	<b>57</b>	<b>14</b>
<b>Sex</b>		
<b>Men</b>	56	21
<b>Women</b>	58	8
<b>Age</b>		
<b>16-24 years</b>	32	6
<b>25-34 years</b>	57	17
<b>35-44 years</b>	55	17
<b>45-54 years</b>	63	13
<b>55-64 years</b>	65	13
<b>Educational level</b>		
<b>Primary school</b>	42	5
<b>Professional education</b>	40	14
<b>Secondary school (not professional)</b>	53	16
<b>Higher professional schooling (colleges,</b>	71	12

<b>high school)</b>		
<b>Academic education</b>	67	17
<b>Sector</b>		
<b>Total</b>		14
<b>Industry</b>		33
<b>Construction</b>		24
<b>Trade, horeca, repair</b>		19
<b>Commercial services</b>		27
<b>Public administration</b>		1

Source: Van der Stelt e.a., 2010.

PBR and Performance Related Pay schemes are used in the Dutch situation, but it is not easy to find data that differentiates between the two kinds. The Social and Cultural Planning Bureau (Josten e.a., 2012) has some figures on variable pay. Their figures are global, and not specified towards type of performance pay: it includes bonuses, piece wages, provision for sales personnel and the change of fixed wage rises for a rise linked to individual performance. In 2001, some 30% of employers had some form of performance pay. This has risen to 37% in 2007 and has remained stable during the crisis of 2008/10. This figure is confirmed by the CLA-research of the Labour Inspectorate (Arbeidsinspectie 2002; SZW 2007, 2010). It is unclear why this percentage has stabilized. The following figures shows the change in use of performance related pay over time.

	<b>is used</b>	<b>among directors and topmanagers</b>	<b>among other high-level jobs</b>	<b>among middle level jobs</b>	<b>among low-level jobs</b>
<b>2001</b>	30*				
<b>2003</b>	32	16*	18*	21*	19*
<b>2005</b>	33	21*	22	24	21
<b>2007</b>	37	25	28	28	23
<b>2009</b>	36	26	26	26	24

The figures for 2003, 2005 and 2007 have been compared to 2009. Statistically significant different results are marked with a \* ( $p < 0.05$ ).

Source: Josten e.a., 2011.

Performance related pay is now more common in all job categories. It appears from the research that performance related pay is used by employers to attract new personnel. This would mean that this payment system is not so much a substitute for fixed pay systems, but rather a small extra to attract new personnel. The Social and Cultural Planning Bureau (SCP) finds that employers with low-skilled jobs, tend to use such a system somewhat more. This

might indicate the difficulty for these employers to attract candidates for their jobs. The performance pay helps to make jobs more attractive.

The following table, shows the use of performance related pay in different sectors. Some 36% of employers use some kind of performance related pay (2009). Public administration is the highest user of performance related pay; the other sectors are about the same.

	<b>is used</b>	<b>among directors and topmanagers</b>	<b>among other high-level jobs</b>	<b>among middle level jobs</b>	<b>among low-level jobs</b>
<b>Total</b>	36	26	26	26	24
<b>Industry</b>	34	23	22	23	24
<b>Construction</b>	35	19	20	22	29
<b>Trade, horeca, repair</b>	42	31	30	29	24
<b>Commercial services</b>	41	31	34	33	26
<b>Public administration</b>	59*	50*	51*	55*	57*

Source: Josten e.a., 2011

### 3.2 Financial participation

In 2008, some 14% of employees could receive some form of profit sharing or tantièmes. In the following table, you can see the differences between sectors. Financial participation is more common in the industry, the construction industry, in commercial services and transport. Braam and Poutsma (2010) have studied the influence of financial participation by management and workers on the performance of companies. Their analysis delivers some more insight. This analysis is limited to companies listed on the stock exchange (1992-2009). This report gives some insight into the use of variable pay and financial participation. The following table shows their results:

	<b>Number of companies</b>	<b>Shares</b>		<b>Profit sharing</b>		<b>Options</b>	
		<b>With FP for top managers</b>	<b>With FP for whole of company</b>	<b>With FP for top managers</b>	<b>With FP for whole of company</b>	<b>With FP for top managers</b>	<b>With FP for whole of company</b>
<b>Industry</b>	54%	60%	56%	47%	68%	52%	48%
<b>Trade</b>	17%	15%	12%	9%	16%	19%	6%

<b>Services (not incl. ICT)</b>	17%	18%	16%	22%	7%	22%	13%
<b>ICT</b>	10%	5%	7%	0%	5%	6%	31%
<b>Other</b>	2%	1%	9%	22%	4%	2%	3%
<b>Total</b>	100%	100%	100%	100%	100%	100%	100%
<b>Number</b>	2196	292	211	45	247	953	423

Source: Braam e.a., 2010

Sadly, we cannot relate to the precise sector distinction required. About 40% of companies (on the stock exchange) give options to top managers. 20% do this for all employees. Shares and profit sharing are less prominent as a policy. The distribution per sector does not seem to be too distinguishable from the total of companies. Profit sharing for all workers is somewhat more prominent in industrial companies.

## Block 2: Studies on the relationship with working conditions

**2.1.a (a) Please provide information on relevant studies or statistical findings which show how trends in employment creation or destruction explain possible negative wage trends during the current the crisis in the country. (b) Is there for example playing a composition effect: higher paid industry jobs are cut and partly replaced by lower-paid service jobs? (c) Is it a question of shorter working hours, less overtime?**

(a) The Dutch labour market and pay situation during the crisis has been quite different from what happened in other European countries, after the start of the Great Recession of 2008. The economy shrank 3.5% in 2009 (after an average economic growth of 2.2% per year between 1999-2009), but unemployment only rose from 3.8% in 2008 to 5.4% in 2010. The CPB examined in detail which factors contributed to this unexpected and extraordinary result (De Jong, 2011). Tijdens et al. (2011) used seven surveys to see how employees experienced salary changes and job creation/destruction.

In the following table, the major economic performance information for The Netherlands is shown.

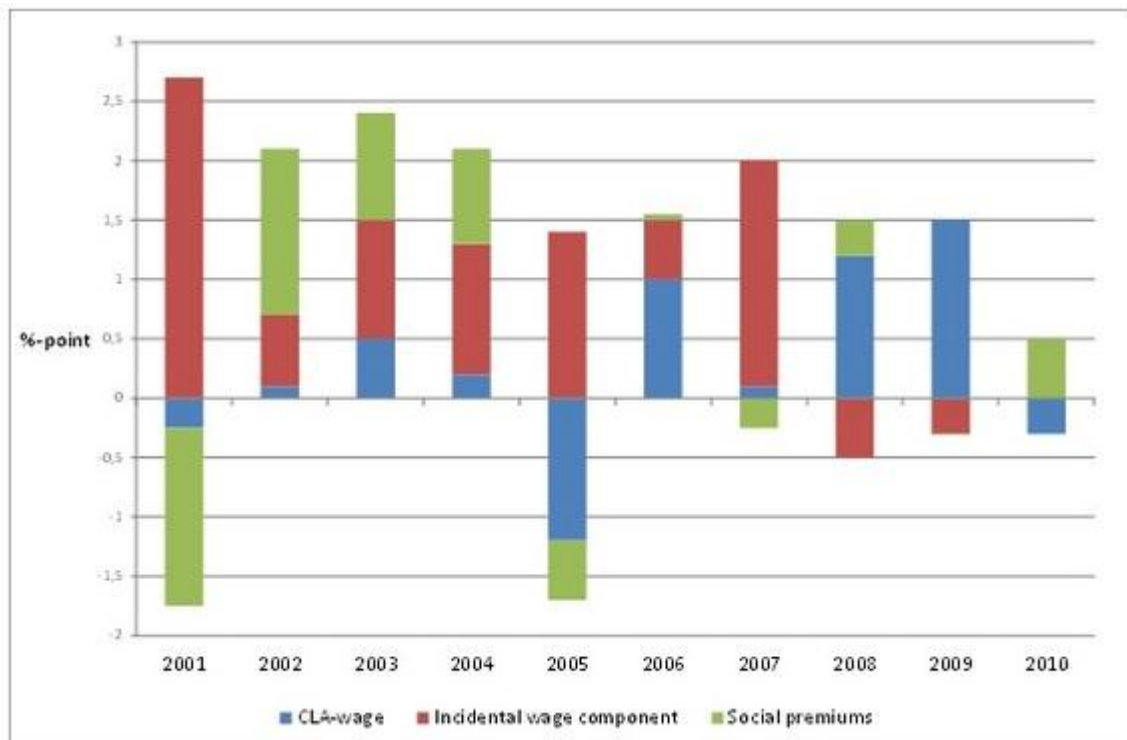
	Growth in %	Central Economic plan, 3/2009		Reality	
		2009	2010	2009	2010
<b>GNP</b>		-3,5	-0,25	-3,5	1,7
<b>Employment (number of working years)</b>		-1,2	-4	-1,1	-0,5
<b>Labour productivity</b>		-2,25	4,25	-2	2,4
<b>Wage level market sector</b>		4	3	2,25	1,5

<i>Change in 1000s persons</i>				
<b>Employed working population</b>	-75	-285	-32	-78
<b>Working population</b>	40	-30	45	-29
<b>Unemployment<sup>a</sup></b>	115	255	77	49

Source: De Jong, 2011.

The development of the wage components is visible in the following figures (Source: De Jong, 2011).

**Figure 3: Development of wages during the crisis**



From the CPB-report, we can also find the development of wages. During the crisis, wages have risen with 1% in 2008, 1.3%, in 2009, and 0.2%, in 2010. This was lower than planned for in each year, but higher than might be expected as such a crisis would normally do.

Economic growth was expected to shrink in the beginning of 2010 0.25%. In reality, there was an economic growth of 1.7%. According to the CPB, “More production is more jobs”. and therefore more demand for employees. According to Tijdens e.a. (2011), their data show that the crisis hit Dutch organisations to a much lesser extent, but that a recovery hardly took place in 2010.

Secondly, profitability remained high because wage and rental costs in 2009 and 2010 remained much lower than estimated. Wages rose lower than expected, mainly because of the limited change in the incidental wage-part (bonuses, profit sharing, overtime, ageing of work force) was not expected. In fact, the wage drift was quite low. The contractual rises of wages (corrected for inflation) was high because the CLA’s were written in 2008 and 2009: the

agreements counted on high inflation, so nominal wages were expected to rise accordingly. In reality, inflation dropped quite steeply. Also, the rise in social premiums was quite limited in 2008-2010.

Thirdly, employers had the possibility to limit the rise in the incidental wage-part: overtime was reduced, bonuses were reduced, profit sharing was quite limited. In 2008-2010, the rise was limited to 0.9%. During 2008 and 2009, the rise was even negative. This component reduced the rise with 1.1%.

All effects lead to less need for a reduction of personnel. Wage development has only partly been responsive to the economic crisis; and for the labour market, the crisis has shown a unique example of labour hoarding.

(b) On the question if in the Dutch labour market, compositional changes might be in order, it appears that not so much selection was important, but rather labour hoarding. This results not so much in changes in composition effects. Rather, because of shortages of highly skilled workers, high paid-high skill jobs are not replaced by low-paid service jobs (De Jong, 2011). The contrary is the case. Most low skilled are performed by highly educated workers. The Dutch labour market shows ‘displacement’ (verdringing) of low skilled (Salverda, 2012): low skilled workers have to compete with higher skilled workers for low skilled jobs.

In the study of Tjiddens e.a. (2011), more information about shifts is available. Their conclusion: “When focusing on the industries, the data also confirm the macro-economic findings. In Germany, the crisis has affected the manufacturing and construction industries substantially, whereas these effects are much smaller in the Netherlands.

When focusing on firm size, the data shows that size hardly matters in Germany, but that it does so considerably in the Netherlands, where small organisations are far less likely to be affected by the crisis”.

(c) Working times have not so much been reduced, overtime has reduced considerably. There seems to be a relationship between full time and wage adjustment. Tjiddens e.a. (2011) report that their analyses reveal that having a full-time job increases the likelihood of working for a crisis-hit organisation. When working in a crisis-hit organisation, full-time employees are more likely to be working in an organisation adjusting its permanent workforce and they are more likely to face a downward basic wage adjustment.

**2.1.b If there is no negative wage trend, please provide information on relevant studies or statistical findings which explain why wages in the country did not react in a negative way to this economic shock of the current crisis? Are trends in working conditions and employment included in these explanations?**

In 2008-2010, the wage growth slowed down because of the crisis. Wages still showed some upward movement, how deep the crisis might have been. The main reason was that employment stayed at the high levels as before the crisis. Only in 2010, official CLA-s did show a negative trend, but this was compensated by more income from social premiums (De Jong, 2011). This is shown in the following figure. For employment, the labour hoarding-effect was quite important.



Working conditions were not an issue in the studied period. The satisfaction of employees with working conditions remained at the high level of 77% of workers satisfied with their working conditions (2007: 73%). The experience of work stress, the number of working accidents and physical remained quite unaffected by the economic crisis (Bijl, e.a., 2011). So, a relationship with wages is very unlikely.

	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
<b>Satisfaction with working conditions</b>	73	76	74	77
<b>Assessment work- and job demands (%)</b>				
<b>always, most of the time too much work to do</b>	43	42	41	42
<b>always, most of the time working very fast</b>	34	32	32	34
<b>Accident (number per 100.000 employees)</b>	12190	14367	13077	13378
<b>Physical job demands during work (%)</b>				
<b>regularly using a lot of force</b>	18	21	18	22
<b>regularly needing to talk loud to be understandable</b>	7	7	6	7
<b>working in difficult postures</b>	11	11	10	10
<b>Emotional job demands (%)</b>				
<b>intimidation by manager or colleagues</b>	12	11	11	10
<b>bullying by manager or colleagues</b>	9	8	8	7
<b>bodily harm by manager or colleagues</b>	0,5	0,6	0,5	0,5
<b>Autonomy in job situations (%)</b>				
<b>selecting job sequence</b>	.	66	65	64
<b>self deciding how to execute job</b>	.	65	63	63
<b>determining own work tempo</b>	.	61	61	60

. = missing data

Source: CBS (NEA), 2011, in Bijl et al, 2011.

**2.2 Please provide information on relevant studies or statistical findings (current or from the past) on what effect a change in wages (increase, freeze or cut) has on the working conditions in the country or their outcome (job security, well-being at work and job satisfaction).**

In the previous table, job satisfaction results are presented. Job satisfaction seems not to be related to wage developments. A macro-economic study on this relationship has yet not been found. A relationship with wages is not available.

**2.3 Please provide information on relevant studies or statistical findings showing a trade-off effect between wages and other working conditions in the crisis. Possible other working conditions are other forms of rewards, job security, working time revisions, changes in work organisation, and training opportunities.**

The working conditions in The Netherlands have not drastically changed during the crisis (see table above). It would seem that the crisis has not led to some trade-off between these two dimensions.

The total number of persons registered in the disability social security systems (and not at work any more) has dropped during this period, but the main reason for this is that the WAO-persons (WAO = Wet Arbeidsongeschiktheidsverzekering; Law on Disability Insurance) are now gradually all approaching pensioning age. The influx into the new WAO-system, called the WIA (Wet Inkomen naar Arbeidsvermogen; Law Income in function of Capabilities), has seen a stronger influx in 2010 than was expected by the Inspection of Labour Laws (IWI) (Yearly report IWI, 2010). According to the Employment Agency (UWV), this rise has been explained by the UWV (the Employment Agency) with demographic changes: the number of older workers and women in the insured working population has risen, and these are the categories which run higher risks to get in the WIA. There is also an administrative reason for this higher number: there was a rise in re-submitted requests after a first rejection. Such changes do not relate to wage developments (Yearly report UWV, 2010). Other changes (forms of rewards, working time revisions, changes in work organization, training opportunities) have been very limited. Equally here, we cannot find sources which indicate such a relationship.

**2.4 Complementary to question 2.3, we have included in annex data of the EWCS 2010 for your country that compare access to training, feelings of job security and changes in working time for employees that have been experiencing a wage decrease, increase or no change in the year prior to the survey. These data are indicative for possible trade-off effects. Could you please have a brief look to these data and comment?**

The amount of employees having experienced a salary increase is clearly higher than in the rest of Europe. This rise was explained in this document. The main reason was a lagging effect of concluded wage agreements. Figure 3 confirms this result. This result is also found in the EWCS –data which helps to strengthen the reliability of this self-reported data.

The EWCS data also shows a very little association between having had training and having a salary increase. This association is too small to deduct any conclusion from. The amount of training has not changed significantly during the crisis: this would explain this limited association (Josten, e.a., 2012).

In what concerns changes in salary or income and fear for job loss, it is possible to see that there is a very slight relationship between wages and expectation of job loss in the next 6 months. Those employees declaring salary decrease are more seem to be more fearful of losing their jobs. Those employees with salary increase, experience less fear of losing their jobs.

As in other countries, there seems to be a relationship between increase/decrease in working time and increase/decrease of wages. Employees experiencing increase in working time experience increase in wages, and vice-versa. This would point to the economic situation of the company where the employees work: those companies still experiencing greater growth, try to solve this with rising working time and salaries.

There should be some research available on the direct relationship between wages and working conditions. The survey of Tijdens e.a. (2011) reports such questions. We haven't found a report showing these results.

### **Block 3: Relevant policy practices**

#### **3.1 Please identify and describe 3 key company or sector examples where a trade-off has been realised between wages and other features of the employment contractual arrangements during the crisis.**

1. Case Horeca (Sources: CNV-website; Min SZW, 2010; Moonen e.a., 2011)

In the HORECA, a CLA was concluded on April 1<sup>st</sup>, 2010, four months later than planned. The negotiations were quite difficult, because the employer side could not come to an agreement. In a study of CBS, the wages in the Horeca have slumped during the last decennium. Between 2001 and 2009, wages have only risen 21%. In all other sectors, the rise was 27% (Moonen, e.a., 2011). The position of the trade unions was to have a wage rise in 2010 and 2011. During the negotiations, it became quite clear that the employers were not prepared for any pay rise what so ever. In the end, an agreement was concluded for which a 0% rise was foreseen in 2010. At first, a 1% rise was concluded for 2010, but this was then changed into another proposal: 0.75 % January 2011 and 1% at July 1st of 2011. The trade unions were prepared to agree upon wage moderation. They wanted to give employers with difficulties, some more room for manoeuvre.

For the new agreement (2012-2013), the same scenario is happening. The trade unions are prepared to accept some moderation, but want to have a guarantee that wages will follow inflation. The employers want to change the whole method of wage rises by linking any wage rises (even correction for inflation) to a performance assessment. If an employer does not carry out the assessment in the planned period, the worker should receive the 3% pay rise. The precise content of the proposal is not yet known.

1. Public sector: case of the Water Boards (Waterschappen)

During the crisis, the public administration still received a 2.0% wage rise. This result was the consequence of a lagging effect: the CLA for the civil service dated from 2007 and contained an agreement to improve the end-year bonus. Without the bonus, the pay rise was limited to 0.7% (Moonen e.a., 2011). The government started blocking most of the wage increases in the different sector of the public administration: this move blocked most of the negotiations. There are few examples of 'creativity to deal with the crisis'. One exception was the Water Boards. In December 2009, the CLA needed to be renewed. To escape the zero-rise policy which was the rule in the central government, trade unions proposed to employers to introduce a reduction in working time instead of pay rise. After difficult negotiations, employers accepted the following proposals:

- Rather than a percentual rise of wages, an agreement was achieved on a one-off gross rise of wages (400 euros). For lower paid workers, this was a 1% rise, which guarantees purchasing power in 2010.
- The request of employers to abolish the locally agreed public holidays was rejected. Rather, all local public holidays were harmonized to one day.

- To accommodate the request for more flexibility on a daily basis, the working day was broadened to 7.00 o'clock to 19.00 o'clock. This helped to reduce the number of overtime (with exceptions for shift workers).
- Also, to give more temporal flexibility, the working weeks could have a bandwidth of 30 to 42 hours. Employers were now allowed to use plus- and minus hour systems: employees can select the number of hours to work each week. In compensation, the possibilities for overtime pay were reduced. Employees have more possibilities to refuse requests for overtime. The objective is to have more balance between needs of employers and employees.

All agreements help to guarantee more employment in the sector.

#### 1. Industry ('kleinmetaal') and construction ('afbouw'): the example of "crisis-days"

In these two sectors, the amount of working time decreased slightly (0.1%) during the last couple of years for a stabilized income. The reason for this is that in these sectors, employers and trade unions agreed to switch wage rises for "crisis-days" (Moonen e.a., 2011). In the agreement of December 1<sup>st</sup>, 2009 (running until April, 1<sup>st</sup> 2011), the social partners agreed upon the principle that workers would receive an extra 3.5 days off. Employers can use these days for moments that there is insufficient work available. Employers having sufficient work, can decide to give workers 1.5% pay rise. If in 2011, the crisis-days were not used employees should receive a pay rise of 1.5% from February 2011 onwards.

**3.2 Please identify policies recently put in place to support vulnerable groups of workers who have been possibly most affected by the recent wage trends. Priority should be given to policies and measures put in place to support low-wage workers, working poor and women. Additional attention could be paid to young workers, elderly workers and migrant workers.**

In the Dutch situation, the current government believes that work in itself will help unemployed or vulnerable groups. The policy makers do not feel themselves responsible for the height of the wages. But the IWI has the responsibility to take care that wages are not paid under minimum levels. The only groups for which rule breaches are reported about, are mainly immigrant workers. The expectation of the government in 2010 was also that the purchase power of people would reduce only slightly (Ministry of Social Affairs, 2010).

The following policies were implemented in 2010:

- For vulnerable workers: In 2010, the rules for young persons with disabilities to apply for an income benefit changed. Benefits were replaced by a work support measure. The benefit only completes the wage of such a worker to 75% of the legal minimum wage. The ministry of social affairs also planned four pilot projects to improve chances of workers with a work handicap to have a job at a regular employer. Separate measures are oriented at employers with employees with a disability.
- For elderly workers: employers could receive financial incentive (€ 6.500 rebate on social premiums) for employing an elderly worker. Also, there already existed some support to employers for keeping elderly workers at work. These older rules will disappear in the future.

- For young workers: employers with young workers under 23 years of age and with a wage underneath 50% of minimum wage, can receive an exemption for several social premiums (WW, WIA/WAO, ZVW).
- For migrant workers: no new measures were introduced. The Labour Inspectorate found that employers are more eager to hire illegal workers and to underpay them (Yearly report 2009). The number of illegal workers reported during inspections rose with some 25% in 2009. A third of them came from Romania and Bulgaria. The Labour Inspectorate collected some € 26.5 million in fines. The problem of under payment seemed to be quite restricted: only one percent of companies showed an infraction in respect to the legal minimum wage. The policies did not change in this period. Only for Romanian or Bulgarian employed persons, a separate employment permit was required (Yearly report Labour Inspectorate 2009: <http://www.rendement.nl/hr/nieuws/id1718-meer-illegale-arbeid-en-te-laag-loon-in-crisis.html>).
- For low wage workers: no separate measures.
- For temporary agency workers: these workers can be confronted with under payment. Rules have been changed so temporary agency workers can make their employers liable for payment of the legal minimum wage and social premiums, if they were employed by a not certified temporary work agency.

## Commentary by the NC

The data on the wage development during the crisis lead us to the following observations:

Wage growth in The Netherlands has slowed down during the recession. Most sectors (mainly commercial sectors) have reacted immediately on the crisis. Contractual wage growth was reduced to a minimum. In the public administration, a bigger wage growth can be observed, but this effect can be explained as a lagging effect after CLA's of 2007.

Wage inequality has traditionally been quite limited in The Netherlands. This inequality has not changed. There are some small composition effects, relating to educational level and/or location (urban areas with higher wages).

The wage drift was reduced in the crisis years. The extra wage components even lead to negative trend in wages.

There are considerable differences between sectors in wage developments. The HORECA remain the sector with the lowest rise in wages. But this was already the case before the crisis. The construction industry experiences major economic turmoil with a severe crunch on wages. This trend was already started before the crisis. The financial services and industry have shown very moderated rises.

Overall, wage rises have been moderated to accommodate for the financial and economic crisis. A limited number of sectors have experimented with a trade-off between wages and working times. Trade-offs with working conditions couldn't be identified.

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