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Working poor in Europe – Netherlands

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The concept of working poor is of minor importance in the Netherlands. This is because the definition of the concept, as it is understood in the Netherlands, falls below the Dutch median or 'modal' wage level. All wages of employees aged 23–65 years are higher than 40% of the median earnings of those in full-time employment; only the wages of young persons may be lower. However, some discussion takes place regarding the current minimum wage level.

Definitions and aims of study

The '[working poor](#)' are a section of the population that is difficult to define not only due to a lack of specific data but also because the concept combines two levels of analysis: the working status of individuals and the wages that they earn from employment (individual level), and the extent to which they have a poverty-level of income within the household context (collective level).

The aim of the comparative analytical report is fourfold:

- to obtain an insight into the extent of in-work poverty in different European countries and the characteristics of those affected;
- to examine policies in place to tackle the problem of people in work on low levels of income and any assessments which have been carried out into the effectiveness of such policies;
- to consider the views of social partners towards the working poor;
- to investigate the effect of the current economic recession on the scale of in-work poverty.

For the purpose of the study, the working poor are defined in the same way as the indicator used by the European Commission to assess and monitor in-work poverty. Therefore, the working poor are those who are employed and whose disposable income puts them at risk of poverty. The expressions 'working poor' and 'in-work poverty' are thus used interchangeably.

'Employed' is defined here as being in work for over half of the year and 'risk of poverty' is defined as having an income below 60% of the national median. Income is measured in relation to the household in which a person lives and covers the income of all household members, which is shared equally among them after being adjusted for household size and composition. Accordingly, if persons are at risk of poverty, this may not be simply

because they have low wages but because their wages are insufficient to maintain the income of the household in which they live at a certain level. Equally, a person can earn a very low wage but not be at risk of poverty because the income of other household members is sufficient to raise the overall household income above the poverty threshold. The study covers people on low wages, or low earnings in the case of self-employed persons. Low wages, defined in an analogous way as low income – that is, below 60% of the median earnings of those in full-time employment – potentially put individuals at risk of poverty. The risk is likely to increase in the current economic crisis as companies introduce various measures to try to cut wage costs while keeping people in employment by reducing their working hours, giving them extended leave or simply cutting wages.

The characteristics of the people concerned are also important, particularly their age, with young people and, in some cases, older workers being more likely to be employed in low-paid jobs. Women are more likely than men to be employed in low-paid jobs, even allowing for the relatively large number of women working part time. However, the statistics show that, if they are in work, women are on average across the European Union less likely than men to live in households with a poverty-level of income. Nonetheless, they are more likely than men to live in circumstances which put them at particular risk of poverty, such as being a lone parent in many countries. In addition, migrants are particularly vulnerable to being among the working poor, since they tend to combine various adverse characteristics, such as working in low-skilled jobs with low rates of pay and living in single-earner households.

A set of tables containing the data available at EU level on the working poor and on people with low wages was included in an annex to the questionnaire (see Annex 1 of the overview comparative analytical report). The data concerned derive from the EU Statistics on Income and Living Conditions ([EU-SILC](#)) for 2007, which are the latest available data and relate to the position in 2006. The national correspondents are asked to comment on the table findings for their country and to supplement the data included with data from national sources where possible and where these help to interpret the situation or add to the information included in the tables. The EU-SILC tables, for example, do not cover the position of migrant workers. The correspondents are also asked to specify the source of any additional data and the definitions used where these differ from those on which the table is based.

1. Scale and nature of in-work poverty

1.1 Please comment on the figures for the working poor for your country shown in the attached tables and what they indicate about the scale and nature of this. Please refer to any additional data available from national sources or any studies which have been undertaken if these provide additional information in this regard and help to give an insight into the issue.

First, the concept of the national median wage level in the Netherlands must be explained. Here, the term 'modal' wage is often used, which is the gross wage value just below the maximum wage level of the Health Insurance Law. This is a yearly indexed value based on the average contract wage level in private companies. It is different from the national median wage level, which is defined as the most prevalent wage level. The gross modal wage in the Netherlands was €31,000 in 2008, including a vacation allowance. In 2007, it was €30,000 and for 2009 and 2010 it is estimated at €32,500, according to [forecasts \(in Dutch\)](#) of the Central Planning Office (Centraal Planbureau, CPB). The national gross median wage level in 2005 was €40,300 (Van den Brakel and Moonen, 2008).

The government sets the minimum wage levels every six months; this information can be found on the website of the Dutch Social Security Authority (Uitvoeringsinstituut Werknemers Verzekering, [UWV](#)). On 1 January 2010, the gross minimum wage level was set at €16,891 a year for people aged 23–65 years. Employers are legally obliged to pay their employees this wage. Younger employees aged 15–23 years receive a minimum youth wage that is 85% of the national minimum for those aged 22 years, 72.5% for

those aged 21 years, 61.5% for those aged 20 years, and a stepwise reduction until a minimum of 30% for those aged 15 years. Most wage-related discussion takes place in the negotiations between the social partners. Trade unions claim that so far the negotiated wage levels are at least 5% higher than the minimum wage levels and even higher for young employees. According to the Dutch Trade Union Federation (Federatie Nederlandse Vakbeweging, FNV), 36,000 Dutch employees have a wage under the minimum level; this represents about 0.5% of the total employed population. Most of these employees are young, women, low educated, work part time, have a small number of years of employment and are often employed in the economic sectors of wholesale and retail trade, and hotels and restaurants.

The conclusion drawn from the above is that the minimum wage levels are more than 40% of the national gross modal wage level (40% of €32,500 is €13,000) and the national gross median wage level (40% of €40,300 is €16,120). The concept of the working poor as it is understood in the Netherlands thus only applies to part-time workers and young workers. Most of these workers live in households with one or more other wage sources. However, for the purposes of this comparative analytical study, a 60% rather than 40% threshold applies, which considerably changes the reference point: 60% of €32,500 is €19,500, while 60% of €40,300 is €24,180. In this scenario, the €16,891 gross minimum wage level falls somewhat short and therefore more people may be understood as working poor.

Klein Hesselink et al (2008) estimated that about 11.2% of all employees earned a wage of €500 or less a month and 19% earned a wage of between €500 and €1,000 a month (net wage levels, see table). Predominantly employees with a temporary job and temporary employment agency workers earn low wages; these people are mostly young. When the household wage is included, 2.7% of the households earn a net monthly wage of €500 or less and 5.3% earn a wage of between €500 and €1,000. This again is related to households with employees with a temporary job or temporary employment agency workers, which are often single-earner households, because they are young and have a part-time job while pursuing their studies. If workers receive a wage lower than the minimum wage level, they can claim the difference from the municipality and it will be supplemented to the level of the Dutch social security minimum wage (see also the answer to question 2.2).

Personal and household wage levels of five groups of employees

	Employees on temporary contract	Temporary agency workers	Independent contractors	Entrepreneurs	Employees on permanent contract	Total group
Income respondent						
- under €500	15.9%	31.6%	9.0%	6.1%	3.6%	11.2%
- €500 to €1,000	23.2%	31.2%	17.5%	12.6%	14.8%	19.0%
- €1,000 to €1,500	33.4%	22.3%	19.3%	16.0%	28.7%	26.2%
- €1,500 to €2,000	18.9%	9.0%	23.3%	14.9%	31.4%	22.0%
- €2,000 to €2,500	6.1%	3.4%	12.6%	17.6%	13.1%	10.7%
- more then €2,500	2.5%	2.5%	18.3%	32.8%	8.4%	11.0%
Total household						

income respondent						
- under €500	4.9%	6.0%	1.7%	1.4%	0.9%	2.7%
- €500 to €1,000	7.5%	15.9%	4.1%	0.5%	2.5%	5.3%
- €1,000 to €1,500	20.0%	22.5%	12.0%	10.1%	9.5%	14.2%
- €1,500 to €2,000	24.1%	20.6%	17.0%	14.4%	21.4%	20.4%
- €2,000 to €2,500	15.9%	16.1%	23.6%	12.9%	26.5%	20.1%
- more then €2,500	27.7%	18.9%	41.5%	60.7%	39.2%	37.2%
Total number of respondents	502	203	251	251	502	1709

Source: Klein Hesselink et al, 2008

Looking at the Dutch figures in the EU-SILC tables on working poor in Annex 1 of the comparative analytical report, the low rate of 5% for employed people in Table A1 is explained by the above discussion. Employees by definition receive the minimum wage level and only certain groups – young, single or part-time workers – may receive lower payment. The unemployed groups in Table A1 may include persons with an income below the social minimum level but the rates seem to be high. The personal characteristics in Tables A2 and A3 in Annex 1 of the comparative analytical report also reflect the relatively few people living below the social minimum. The rate of 22% in Table A3 for single parents with dependent children reflects the situation of one-earner households with part-time workers. Perhaps this rate is due to the correction for household size, but may also be explained by the fact that the social security income level for single parents is only 70% of the minimum wage level of €16,891 a year (see answer to question 2.2).

The rate of 16% in Table A4 in Annex 1 of the comparative analytical report for self-employed persons is unexpected but no doubt reflects the difference between the 40% threshold measured in previous Dutch research and the 60% threshold applied in the EU-SILC. Using the lower threshold, it should be closer to 5.8% (Klein Hesselink et al, 2008, see Table 5). In addition, the disparity may be partly explained by the correction for household size. Perhaps spouses as second wage earners – often with low wage levels – are also included in this figure. In Table A5, the low minimum wage levels of employees aged 18–24 years is clearly visible. The higher proportion of women reflects the many part-time jobs of women in the Netherlands, if this is related to the personal wage level. Again, the high proportion of self-employed people at risk of poverty is surprising. Table A6 shows that self-employed people with low earnings from their work are more likely to have other income sources. This is to a lesser extent also the case for employees aged 25 years or more.

1.2 Please comment on recent trends, giving any data or other evidence available to indicate whether the number of working poor has tended to increase or decline, between 2000 and 2007, especially considering women, young and older workers, self-employed, migrants.

Dominant trends in 2000–2007 are that more women and older workers entered the labour market (Borghouts-van de Pas et al, 2009). The number of part-time jobs also increased. Another trend is that the number of workers with a temporary employment contract and the number of independent contractors increased (Klein Hesselink et al,

2008). However, the wage effect is unknown. The increase in part-time working women in the labour market may be compensated by the women already active in the labour market who increased their number of hours worked, which compensates the lower mean wage level of the influx of part-time workers.

This also happens in the case of temporary jobs, which are often stepping stones to permanent jobs. The increase in low-paid temporary workers is compensated by other temporary workers getting a permanent job. The increase in the number of older workers also means that the relative rate of young workers is declining; at the same time, the absolute number of younger workers is decreasing (Borghouts-van de Pas et al, 2009).

In 2000–2008, there was a labour shortage in the Netherlands, which generally means that insecure jobs tend to become more secure and well paid. Wage growth in the country in the periods 2000–2002 and 2004–2006 was above inflation. The growth was highest in the low wage groups (Bekker et al, 2009). Migrants however seem to have benefited least from the economic upturn in 2000–2007 (Borghouts-van de Pas et al, 2009).

1.3 Please outline the main findings of any research studies which have been undertaken in your country on the working poor or on low pay, more generally, and what they reveal about the characteristics of the people concerned and the jobs that they do and how these might be changing over time.

No studies exist on the concept of the working poor, because the definition of the concept as understood in the Netherlands falls outside the definitions of the Dutch median or modal wage level. Only the wages of young employees and employees working part time may be lower. It appears however that early career non-standard work often acts as a stepping stone towards a better labour market position (Steijn et al, 2006). The reason for this is that many young employees work to fund their studies and have a good employment perspective (Klein Hesselink et al, 2008). Only early career unemployment acts as a potential poverty trap (Luijkx and Wolbers, 2009; Steijn et al, 2006).

For part-time employees, the incidence of low pay grew in the Netherlands more than in other European countries (Lucifora et al, 2005). One particular way of combating this problem is the 'work first policy' that is gaining popularity in the Netherlands (Bruttel and Sol, 2006). This policy includes experiments on active labour market budgets, unemployment benefit systems, the definition of suitable work and the use of sanctions. Low-wage work increased strongly in the 1980s and 1990s in the Netherlands (Appelbaum and Schmidt, 2009). Such jobs are often found among nursing assistants and cleaners in hospitals, cashiers and stock or sales clerks in food and electronics retail trade, process operatives in meat processing and confectionery, housekeepers in hotels, and in-coming sales or service operators in call centres.

2. Policies towards working poor

2.1 Is the issue of in-work poverty seen as an important problem in your country for the government to address? Has the issue become more or less important in the policy debate over recent years? To what extent is there seen to be a conflict between reducing the number of working poor in your country and increasing the number of people in work?

At the moment, the issue of in-work poverty is not viewed as a significant problem and it does not play an important role in current policy debate. The reason for this perspective is the prosperous economy in the Netherlands in the past 10 years, with only a small economic decline in 2002–2004. A tight labour market has been more of an issue than reducing the number of working poor. However, discussion certainly takes place on the minimum (social security) income levels, which are considered as being too low in relation to daily living expenses (see under questions 2.5 and 3.1).

2.2 What kinds of policy have been devised to address the working poor issue in your country? On which particular area have national policies tended to focus on: labour market, social protection, fiscal policy or some combination of these policy areas? Which particular groups are policies targeted at: workers, employers, families?

See also the introduction to the answer to question 1.1. The Dutch government sets the levels of minimum wages, which can be found on the UWV website. Employer organisations and trade unions negotiate on higher levels of this minimum wage level for different economic sectors. The government also sets the levels of the minimum social security income (available on the UWV website). Non-working people aged 21–65 years receive the social security minimum level: 100% of the minimum wage level for partners, 70% for single parents and 50% for single people. This social minimum counts for all Dutch households and citizens.

2.3 Please describe the main measures taken for improving the income situation of the working poor. Are there any fiscal measures in place, in the form of tax credits, or in-work benefits more generally, for maintaining or raising the income of those in employment with low earnings? Are there any social transfer schemes in place to ensure that the income of households exceeds a minimum level, even if the people in the household are in work? If so, please outline their main features, including whether or not they apply to the self-employed as well as employees.

Municipalities are responsible for the administration of the Dutch social security. All Dutch citizens who live on the social minimum or on a certain limit above the minimum can ask for an additional income supply. There is a complex system of additional income-supply regulations, such as subsidies, tax regulations and childcare provisions.

2.4 Please assess the role that minimum wage legislation plays in limiting the number of working poor. Please indicate the nature of the regulation (statutory/legislative/collectively agreed/sectoral) in your country and how the minimum wage varies between different groups of worker.

Because the social minimum income level is defined as more than 40% of the national gross modal income level and the national gross median income level, the issue of working poor – as understood in the Netherlands – only concerns young workers and single parents with children. This is regulated by Dutch social security law. The collectively agreed income levels have to be at least at these minimum levels. The minimum wage levels are only lower for employees aged 15–23 years.

2.5 How effective are the policies in place for reducing the number of working poor? Please refer to any survey, research studies or policy evaluations which have been undertaken to assess the measures in place.

Municipalities are responsible for the administration of the Dutch social security, which also applies to non-working people and self-employed persons not earning a wage above the social security minimum level. Employers are responsible for paying their employees the minimum wage level. Municipalities can apply their own income rules, however, for instance when unemployed people do not apply (enough) for jobs. In 2007, about 2% of all households were in long-term receipt (four years or longer) of the social minimum level, according to the Statline database of the Central Bureau of Statistics (Centraal Bureau voor de Statistiek, [CBS](http://www.cbs.nl)).

For additional income-supply regulations, such as subsidies, tax regulations and childcare

supplies, people have to contact the authorities. Many people do not master these regulations, however, so that the majority of the money is not spent; recurring estimates in the papers and other media calculate the unspent amount at 75%. The purchasing power of people living on the social minimum is not high and has been declining. A number of organisations – the Consumer Credit Counselling Service (Nationaal Instituut voor Budgetvoorlichting, Nibud), trade unions, legal assistance organisations and the Institute for Social Research (Sociaal en Cultureel Planbureau, SCP) – offer help to these people and put political pressure on the government.

3. Attitudes of the social partners to the working poor

3.1 What is the attitude of the social partners in your country to the issue of in-work poverty? Is there any debate on the relative priority to be given to the quality of jobs and working conditions as against the quantity of jobs? What has been the impact of the present recession on their positions and on the actions taken towards reducing in-work poverty?

There is no debate on in-work poverty. Trade unions recognise the relatively low level of the social minimum income in the Netherlands in relation to the basic requirements for daily living: house to live in, good food and clothing, telephone, television, computer, internet, recreation, vacation and membership of (sports) clubs. Too many people cannot afford these requirements, because of the structural problem of a relatively low social minimum wage. In the collective agreement negotiations on wage levels, trade unions traditionally strive for higher wages and employer organisations try to restrain this demand. However, due to the shortage of labour in many economic sectors in recent years, minimum wage levels are on average 5% higher than the social security minimum. The current recession does not seem to have influenced this, but employer organisations have called for moderating wage levels in these economically unfavourable times in the next negotiation rounds.

3.2 Do trade unions have explicit policy proposals for reducing the number of people on low wages? If so, please outline the main features of these. Do such proposals include complementary schemes on healthcare, pensions and family support to help increase the effective income of workers? Do trade unions see a specific role for themselves in implementing and managing such schemes? What level of importance is attached to reducing the number of working poor in relation to creating more jobs or keeping more people in employment?

No. The policy proposals of the trade unions are directed at all wage levels, with an emphasis on reducing the differences between low and high wages. No additional schemes are used solely for low wage levels in relation to healthcare, pensions and family support to increase the minimum wage levels. Sometimes, collective contracts are offered to all trade unions members, for instance advantageous healthcare contracts. In fact there is a low level of working poor in the Netherlands so the specific need for action is not much felt.

3.3 Do employers generally support measures for reducing the extent of in-work poverty? If so, indicate the principal measures they support and implement themselves such as respecting minimum wage levels, ensuring adequate basic rates of pay, paying suitable amounts for working overtime or in bonuses.

It is unknown if employers provide such measures. They are legally obliged to respect the minimum wage levels.

4. Effect of current economic recession on in-work poverty

4.1 Is there

any evidence that the number of working poor has tended to increase during the present recession (as a result of reduction in wages and/or working time)?

No, it seems that this is not the case. There is no reduction in wages and the current reduction in working time in some companies is compensated by unemployment benefits in exchange for education and training offered by the companies.

4.2 Have any surveys or studies been launched since the crisis started to assess the effect on the working poor and to monitor the numbers involved? Please give details of such surveys or studies (their objectives, the approach adopted, the institution in charge, the main findings and so on).

The FNV website reports that 36,000 Dutch employees have a wage below the minimum wage level, corresponding to about 0.5% of the total employed population. No information is available on how these figures are obtained.

4.3 Have any policy measures been taken to reduce the possible effect of the recession on the working poor?

No such measures are known.

5. Commentary

The concept of working poor and in-work poverty is of minor importance in the Netherlands, because almost all wage levels and social security benefits are above 40% of the national wage median. On the other hand, the reference point for this study is 60% of the median, so it may be argued that the issue is of greater urgency than thought. There certainly is a strong discussion on the level of the social minimum wage in relation to daily expenses in the Netherlands; however, this is not related to in-work poverty but to relative poverty in general.

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John Klein Hesselink, TNO Work and Employment

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