



Bargaining *for* Productivity

National Report, THE NETHERLANDS

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Section 1.

Literature review on collective bargaining and labour productivity

Since 1980, labour productivity in the Dutch economy has stagnated. In this section, we summarise the literature that tries to explain this phenomenon in the context of institutions and practices in the Dutch industrial relations (IR) system. Before doing so, it is important to note that the context of this IR system seems to have had more impact than the behaviour of the stakeholders in the IR system itself. The context includes, for example, i) the relative growth in the service sectors and a decline in industrial production, ii) the use of IT applications in work processes and iii) the Europe-wide financial crisis since 2008 (Van Ark 2012, WRR 2013, SER 2015).

The academic literature on the relationships between IR and labour productivity in the Netherlands can be categorised into the following four themes:

- The effects of sectoral wage bargaining on labour productivity.
- The effects of collective bargaining in the high productivity strategy.
- The effects of works councils on labour productivity.
- The effects of innovations at company and workplace level on labour productivity.

1. Wage-setting institutions and their effects on labour productivity

In an international comparative perspective, the wage bargaining system in the Netherlands can be characterised as ‘intermediate centralized’ (Traxler, Brandl 2012). In the economic theory of Calmfors and Driffill (1988), this should imply the worst scenario for macro-economic performances in competitiveness and unemployment. First, because sectoral bargaining lacks the advantage of decentralised wage-setting in which labour cost developments can be attuned to specific business cycles and contexts of companies. Second, because it can externalise the negative external effects of too high wage agreements: unemployment. At least this second hypothesis is not supported by empirical evidence in the Dutch case. In the Netherlands, sectoral wage bargaining since WW II has gone hand in hand with a strong tradition and belief in the beneficial effects of wage constraints in a small open economy like the Netherlands, even after the

government withdrew from wage setting in the private sectors in 1982 (Tros 2000). Nowadays, there is still a quite high degree of inter-sector coordination in collective bargaining, leading to overall wage moderation (Keune 2016; Verhoeff 2016). The clearest illustration is the continuing practice of the largest confederation of trade unions in the Netherlands (FNV) of agreeing a maximum wage demand, which is followed up by the negotiators at sectoral and company levels. De Beer (2013, 46-51) points to the low productivity results of the Dutch trade-off between this limited wage growth and relatively low unemployment at the macro level during the last three decades.

Calmors and Driffil's first hypothesis – regarding the benefits of differentiation and flexibility in wage developments at company level – is still debated in the Dutch literature and by stakeholders in IR. The combination of IR practices of agreeing wage levels and collective wage increases at sectoral level, together with the legal extension mechanism in the Netherlands of making these agreements binding on all (including non-organised) employers, prevents individual employers from competing on lower wages. On the one hand, this system guarantees a certain level of labour productivity in companies. On the other hand, it can also have another (partly unintended¹) effect: it can limit productivity growth. Some economists have pointed to the low financial incentives for Dutch business to invest in innovation and to follow a higher productivity strategy in the context of a regime of wage moderation.² Buyse et al. (2015) show that wage restraints are not stimulating companies' R&D investments. More generally, one can posit the statement that old recipes for success (wage moderation during the first decades after WW II) are not automatically good policies in new economic and technological contexts.

In a recent publication by the central bank of the Netherlands (De Nederlandsche Bank, DNB), it is argued that there is reason for more sectoral differentiation in wage agreements (Eggelte et al. 2014). In the period 2000-12, wage differentials between industrial sectors remained very small, while sectoral productivity developments were very different (lower in construction sectors and service sectors such as retail, but higher in the export-oriented industry sectors; see also SER 2015). Therefore, the labour share in export-oriented industry sectors can be seen as being too low, also because of the negative effects on the disposable incomes of these workers and the expected lower growth in labour supply in the Dutch labour market. Social partners have different perspectives on this issue: trade unions see opportunities for wage improvements for at

¹ Wage stipulations in most collective agreements in the Dutch private sector have a minimum character, meaning that employers are allowed to pay higher wages or to deviate from the wage moderation strategy.

² A. Kleinknecht in newspaper *Trouw* (3 october 2012): <http://www.trouw.nl/tr/nl/7964/Schuldencrisis/article/detail/3325928/2012/10/03/Los-de-eurocrisis-eindelijk-op-stop-met-loonmatiging.dhtml>.

least some of their members, whereas employers fear making less profit.³ The government fears higher unemployment levels.

2. Bargaining beyond wages

Critical analyses on the continuing wage moderation strategy in the Netherlands have also become more relevant because of another IR trend in the 21st century. During the 1980s and 1990s, moderate wage agreements could be traded-off with some productivity-enhancing provisions in collective agreements, such as flexibility in working hours and fund investments in training & education at sector and company levels (Van den Toren 1996; Tros 2000). Nevertheless, collective bargaining practices that can support a high productivity strategy – for example investing in workers’ skills and competences – seem to have stagnated in the last 15 years (Nagelkerke 2005). Although some research shows an enrichment in the collective bargaining agendas since 2012 – regarding such issues as flexibility and workers’ employability (Harteveld 2012) – the meaning of these new regulations in the context of a lower or higher productivity strategy is unclear (Pot 2016). This report on Bargaining on Productivity provides more in-depth analyses of this (in section 3 and in the sectoral case studies).

3. Works councils’ effect on productivity

In a European comparative perspective, the Dutch IR system is characterised as having a strong system of worker participation at company level, especially in terms of formal rights and positions in strategic organisational issues (Van het Kaar 2008). Generally speaking, works councils are mostly argued to be effective in improving productivity or reducing labour turnover (e.g. Freeman, Lazear 1995). Remarkably, there is almost no empirical research in the Netherlands on works councils’ effects on labour productivity. The most substantial study to investigate the link between works councils and firms’ economic performances is that by Van den Berg, Grift and Witteloostuijn, published in 2011 (Smulders, Pot 2016). Van den Berg et al. (2011) conclude that the way in which management and works councils interact in the Netherlands, and hence the way in which codetermination is implemented, makes all the difference to a firm’s economic position. Their most compelling finding relates to the role of management: a positive attitude of managers towards the works council is positively associated with organisational performance, in both the private and the public sector. There is a more recent publication on a Dutch experiment whereby students pretended to be managers or

³ <http://www.dnb.nl/nieuws/nieuwsoverzicht-en-archieff/dnbulletin-2016/dnb340720.jsp>

works council members (Sapulete et al. 2011). The findings of this study suggest that works councils – independent of their commitment to a low cost or a high productivity strategy – do not have an autonomous power; they can even strengthen managerial preferences in the low labour costs strategy. However, this last-mentioned study has validity problems, because it involved students rather than real managers and works council members.

4. Innovations at company and workplace level

Regarding the assumptions about the relationships between IR and technological/social innovations, it is important to note Schumpeter's two models of business innovation (i.e. Kleinknecht et al. 2013). The first model deals with 'garage business' and goes hand in hand with high dynamics in start-ups and lifespans of organisations that require high labour market mobility (employment protection is seen as an institutional barrier). Silicon Valley illustrates this first model of innovation. Schumpeter's second model deals with the 'routine' of accumulating knowledge and skills, provided by long-term employment relations and powerful organisations (and more supported by strict employment protection). Professional R&D labs in the chemical or military industry – mostly enabled by a stable triple helix of business, knowledge institutes and governments – are examples of this second model. Both models can coexist in the same national IR system and relate to sectoral varieties.

The Dutch literature contains some articles on the importance of social or organisational innovation as a booster of productivity and competitiveness (Pot 2016, 2016a). Much of the national and international literature on innovation and productivity is focused on technological innovations, such as R&D investments. Volberda et al. (2013) concludes that technological innovations are not always productive because of the missing link of four types of social innovation: i) flexibility in work organisations, ii) dynamic management, iii) smart work processes and iv) good teamwork. Pot (2016, 2016a) points to the strategic choice options of social and organisational responses on technological innovation and practices of 'dubious' social innovations in a low productivity strategy.

Section 2.

Overview on labour productivity developments

On average, labour productivity per hour worked in the Netherlands increased by 1.1% annually between 1990 and 2015. This resulted in a total increase in labour productivity in that 25-year period of 29.3%. This increase was rather unevenly spread over the period (table 2.1). Almost two thirds of the increase in productivity was realised in the 10-year period 1995-2005.

Table 2.1. Cumulative increase in labour productivity in consecutive five-year periods (%)

Period	Cumulative increase (%)
1990-95	2.8
1995-2000	11.1
2000-05	7.3
2005-10	2.1
2010-15	3.6
1990-2015	29.3 ^a

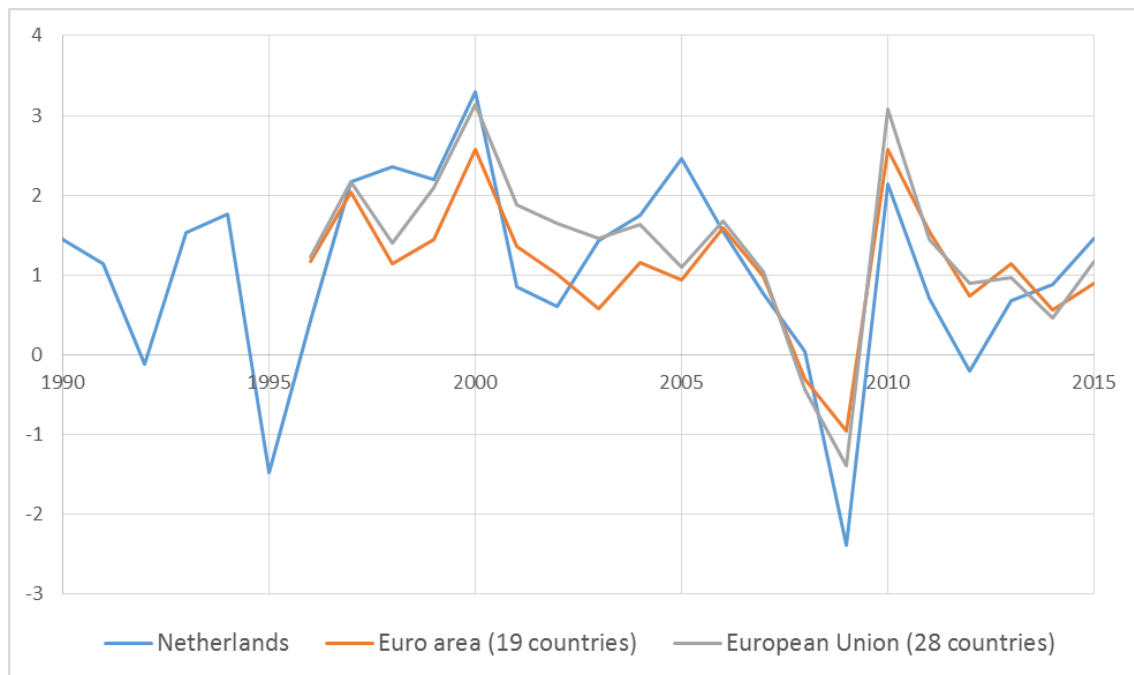
^a The total is not equal to the sum of the separate periods due to the differences in the base year between each five-year period.

Source: OECD Statistics

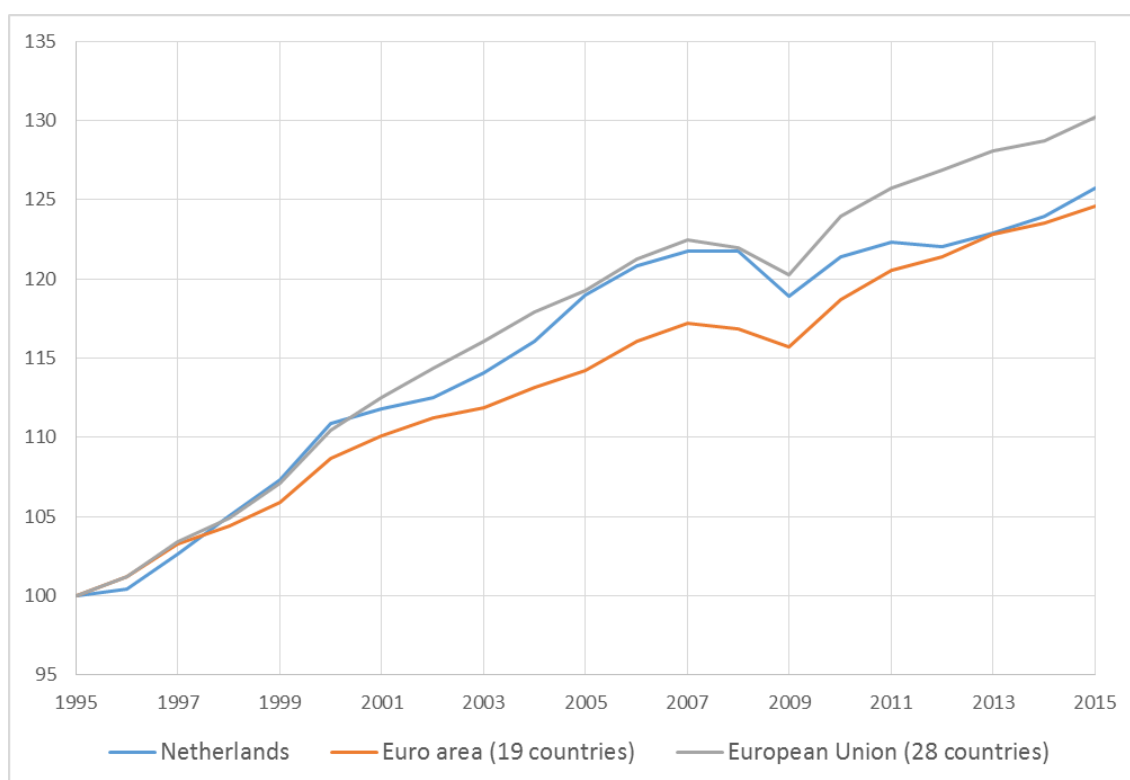
Figure 2.1 shows the annual increase in labour productivity per hour in the Netherlands compared to the average of the euro area and the EU since 1990. After a decrease in productivity in 1995, labour productivity grew quite strongly in the Netherlands from 1996 until 2006. The economic crisis resulted in a sharp fall in labour productivity in 2009, followed by a relatively strong increase in 2010, but rather sluggish productivity growth in the following years. Although the pattern of productivity growth and decline in the Netherlands is more or less similar to the pattern of the EU and the euro area, the pace of productivity growth differs, which is shown more clearly in Figure 2.

Figure 2.1 compares the cumulative effect of the annual changes in productivity in the Netherlands (since 1995) to the average of the euro area and the EU as a whole. Between 1995 and 2008, labour productivity in the Netherlands grew in tandem with the EU average, but considerably stronger than in the euro area. However, productivity in the Netherlands stagnated between the onset of the crisis in 2009 and 2013, and it only started to grow again in very recently.

Figure 2.1: Annual growth in productivity per hour worked (%)



Source: OECD Statistics

Figure 2.2: Productivity per hour worked (1995 = 100)

Source: OECD Statistics

The relatively good performance of the Netherlands in the period 1995-2005 is related to the internationally acclaimed success of the ‘Polder’ model. The Dutch economy weathered the international downturn of the mid-1990s better than most other EU member states. At that time, this was attributed to the Dutch system of consensus seeking by the government and the social partners, which resulted in a prolonged period of wage moderation, a relatively low unemployment rate, reform of the welfare state (in particular disability benefits) and reduction of the budget deficit (Visser, Hemerijck 1997). With hindsight, the success is also a result of the boom (or bubble) in the property market and the sharp increase in house prices (largely fuelled by mortgages and tax exemptions), which created a positive wealth effect for many households. Part of the productivity increase in this period may therefore have been artificial and/or unsustainable in the long run (Engelen 2016).

These positive effects disappeared with the credit crunch of 2008 and the ensuing economic crisis. The fall in productivity in 2009, followed by a roughly equal increase in 2010, can be explained by the delayed effect of the crisis on employment. In 2009, GDP fell by 4 per cent and as employment was not adjusted immediately, productivity rates also fell. In 2010, employment was adjusted downwards while GDP recovered somewhat, resulting in an increase in productivity. However, in the subsequent three

years (2011-13), productivity hardly grew at all (0.4% annually) and lagged considerably behind that in other EU countries. Most economists say that this sluggish recovery of the Dutch economy was caused by the severe austerity programme that was implemented by the government in order to reduce the budget deficit, which had exploded in 2009. An additional explanation may be found in the strong growth in flexible employment, which accelerated after 2010. This seems to be part of the low cost strategy followed by many companies, which means that they try to improve their competitiveness and to increase their profits by reducing labour costs by hiring employees on flexible contracts (such as fixed-term contracts, agency work and on-call contracts) and awarding contracts to the self-employed. This strategy amounts to increasing the labour intensity of production, hence reducing productivity growth, instead of capital deepening, which would boost productivity growth.

Section 3.

Analysis of economic and legal policies on labour productivity

1. National industrialisation policy (1950-80)

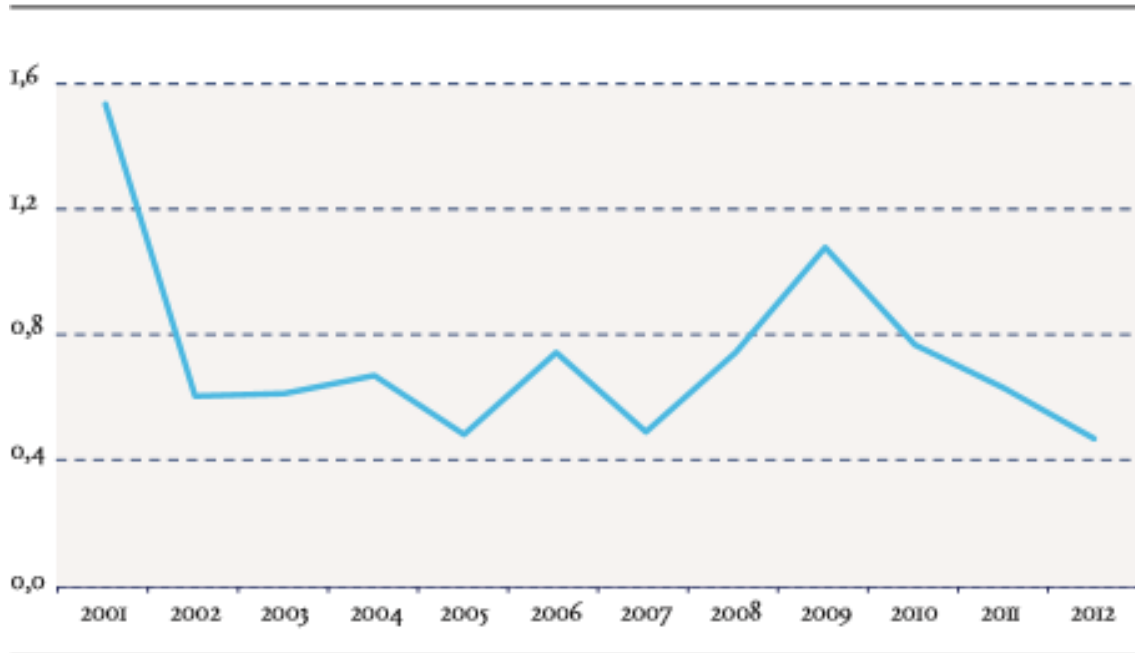
The Dutch government and the social partners in the Netherlands pursued an integrated industrialisation and labour productivity policy during the 1950s that effected collective bargaining till the 1980s. The tripartite Social-Economic Council developed an integrative approach at the national level to stimulate economic growth, to limit unemployment and to introduce productivity-enhancing innovations in work organisations. The bipartite Labour Foundation supported and implemented this policy through the instruments of wage control, the introduction of job classification systems and the development of vocational education systems in several industrial sectors. Collective bargaining practices in the sectors were highly coordinated by the peak organisations of employers and trade unions in the Labour Foundation, in close collaboration with the Social-Economic Council. During the 1970s, wage moderation and a national industrialisation policy appeared to be more difficult to implement in industrial sectors.

2. Social pact on wage moderation in the sectors (1982)

The year 1982 marked a turning point in the Dutch IR system. In 1982, the peak organisations of employers and trade unions in the Labour Foundation agreed on a national pact to strengthen the international competitive position of Dutch business through wage moderation and more tailor-made sector bargaining. Wage moderation is still seen as an instrument to promote productivity through competitive wage costs. Since 1982, however, collective bargaining parties in the industrial sectors have themselves pursued a strategy of wage moderation without intervention from the government and the Social-Economic Council in wage setting. This strategy has been complemented by agreements on working hours flexibility and education investments in the industrial sectors. Remarkably, tailor-made sector bargaining did not lead to higher differentiations in collective wage increases in the sectors. More differentiation can be seen in the agreements on working hours flexibility and education.

Figure 3.1 shows that at the beginning of the 21st century the differences between the collective wage increases are still very limited. The standard deviation between the wage increases negotiated at sector level has hovered between 0.5 and 1.0 for almost the entire post-2000 period.

Figure 3.1. Wage differentiation between sectors: standard deviation of collectively agreed wage increases, 2001-12



Note: Excluding public administration, education, health and other non-commercial services

Source: Eggelte et al. 2014

3. Labour Foundation's report on productivity (2005)

In 2005, the Labour Foundation agreed on a report titled *Op weg naar een meer productieve economie* ('Towards a more productive economy'). In this document, national peak organisations of employers and trade unions recommended measures to be agreed in sector agreements that aimed to promote productivity growth. Without giving detailed directives to the collective bargaining parties, the Labour Foundation agreed on the following five productivity enhancing themes:

1. Working hours flexibility;
2. Modernisation of labour relations (cooperation, trust, innovation-enhancing climate);
3. Education and employability;
4. Performance-related pay;

5. Policies on sickness absence.

This report has had a low to moderate impact on collective bargaining practices in the industrial sectors. In response to the unexpected Europe-wide financial crisis in 2008, the social partners in the Netherlands switched their attention from productivity to part-time/temporary unemployment schemes to maintain jobs, job-to-job policies to prevent unemployment and structural reforms of pension systems.

4. Social partners' manifesto 'Towards new labour relations' (2011)

The 2008 financial crisis had relatively large impacts on contract flexibility in the labour market and on pension reforms in the Netherlands. Three years later, trade unions and the national employers' association AWVN jointly called for work on stabilisation of the trust relationships between the social partners (the relationships were assumed to have been somewhat damaged during the first years of the crisis) and new strategies for economic growth.⁴ Productivity growth should be based on investments in workers and in commitments and relationships. Keywords in this manifesto are sustainable employability, social innovation, co-creation (based on constructive cooperation and not only on distributive bargaining) and sustainable flexibility.

Compared to the approach and recommendations of the Labour Foundation in 2005, we see a continuing focus on the themes of the modernisation of labour relations and investments in employability as instruments for promoting labour productivity. The themes of performance-related pay and sickness absence, which were promoted in 2005, are not mentioned in the manifesto of 2011.

5. Diversity charter (2015)

The themes of diversity and inclusion are not mentioned in the Labour Foundation's report on productivity and the social partners' manifesto 'Towards new labour relations'. Nevertheless, inclusion and diversity have recently been put on the social partners' agenda by the launch of the Dutch Diversity Charter in The Hague in July 2015 by Lodewijk Asscher, minister of Social Affairs and Employment, along with 22 employers from the public and private sectors. The Diversity Charter is an essential part of the Labour Foundation's project Diversity at Work.⁵ The aim of this project is to support employers and employees in the public and private sectors in their efforts to increase diversity in their businesses and work towards a more inclusive environment. The two pillars of the Charter are i) non-discrimination of workers on grounds of

⁴ AWVN et al. 2011.

⁵ <http://diversiteitinbedrijf.nl/>.

disability/chronic diseases, gender, age, LGBT, ethnicity or religion, and ii) the productivity-enhancing effect of mixing workers with different identities, experiences and competences at the workplace (Stichting van de Arbeid 2015).

6. Implementations in collective agreements

There is some evidence that the topics of sustainable employability and flexibility have been implemented to a greater extent in social dialogue and collective bargaining at sector level since 2009 (Harteveld 2012; SZW 2017, 86). There is less evidence of growing implementation regarding the issue of performance-related pay (SZW 2017, 62-65) and that of social innovation and co-creation. The interviews with social partners in the four sectors in this study confirmed that there are difficulties in translating social innovation into collective bargaining or collective agreements. Nevertheless, in the four sector studies (section 4) we found two examples of social innovation in 2015/16. First, the collective bargaining parties in a department store agreed on co-creation with the works council and personnel in preparing a new collective agreement (see section 4, Part A, § 4). Second, the social partners in the metal- and electro-technical industry (including the automotive industry) agreed on starting a social dialogue on the relationships between technological developments and social issues.

Section 4.

Collective bargaining and labour productivity in four sectors

Because of the elaborate and imperative nature of sector bargaining in the Netherlands, this section is focussed on meso-level analyses. As a rule, companies that are covered by sector agreements in the Netherlands no longer bargain with trade unions about terms and conditions of employment or other HR policies.⁶ In the case of legally extended sector agreements, company agreements are possible only with ‘dispensation’ from the bargaining parties at sector level.

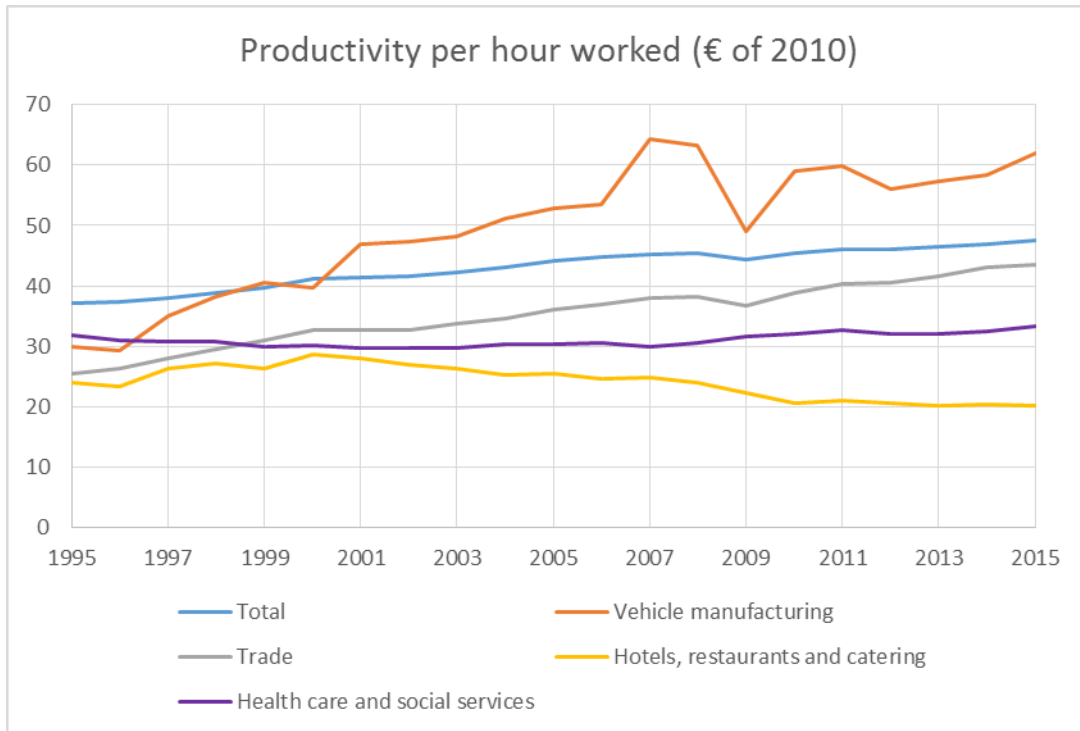
The findings from the content analysis of the regulations in the main collective agreements in the four sectors are categorised in uniform tables. In the agreements, we systematically looked for regulations on:

- Minimum wage levels;
- Variable pay and other relevant payment principles;
- Skills promotion and related job classification systems;
- Flexible labour contracting;
- Working time flexibility;
- Flexibility in the job, ‘internal functional flexibility’ within the company;
- Inclusion and diversity (age groups, disabled persons, migrants, etc.);
- Participation and involvement of workers at company and/or workplace level.

Figure 4.1 shows the evolution of the productivity levels in the four sectors that we focus on and for the whole Dutch economy. Productivity is measured as value added in constant euros of 2010 divided by the total number of hours worked in each sector. Figure 4.1 shows that productivity levels in the four sectors diverged strongly between 1995 and 2015. In 1995, the productivity levels ranged from € 24 per hour in hotels, restaurants and catering, to € 32 per hour in health care and social services – a difference of one third. In 2015, the range was much wider, namely from € 20 in hotels, restaurants and catering, to € 62 in vehicle manufacturing. Thus, productivity in the latter sector was more than three times as high than in the former sector. In the following parts we try to explain these divergent developments and relate them to specific clauses in the collective agreements in these sectors.

⁶ Trade unions only have legal rights for company bargaining in the case of collective dismissals and related large restructuring processes.

Figure 4.1: Productivity per working hour in four sectors and for the total Dutch economy, euros (of 2010) per hour worked, 1995-2015

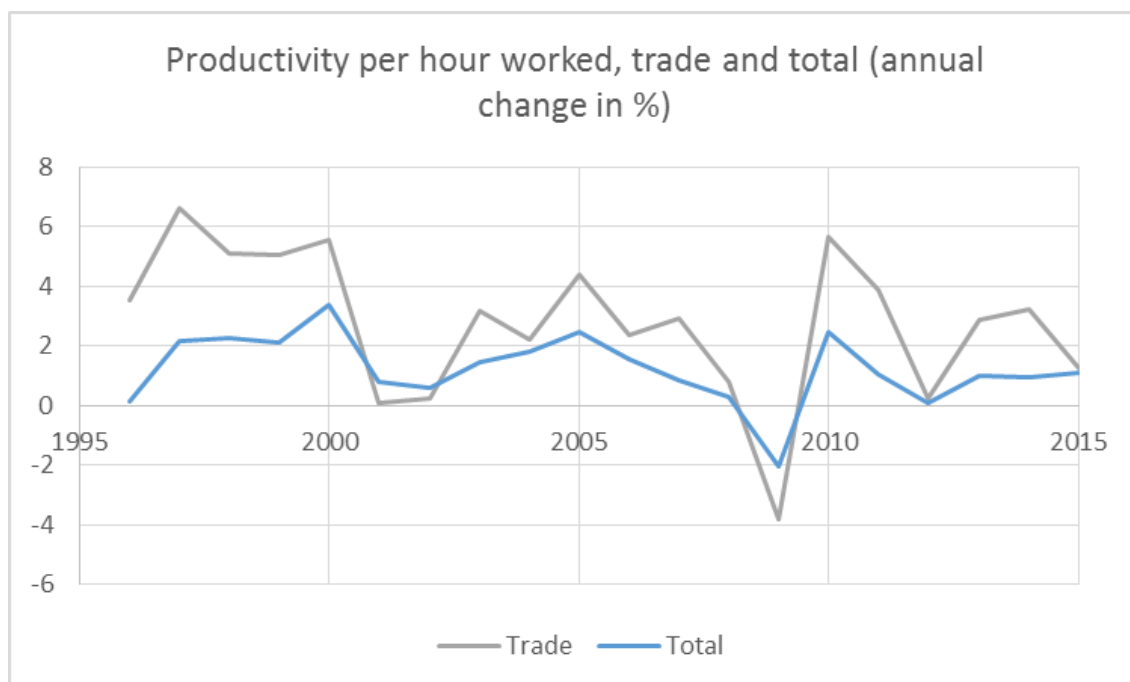


Source: CBS StatLine; calculations by the authors

Part A. Retail

1. Labour productivity developments

Figure 4.2: Productivity per working hour in trade and total NL, annual changes in percentages, 1995-2015



Source: CBS StatLine

Since there are no figures available for the value added of retail trade, we can only present figures on productivity in the whole trade sector, including wholesale. Overall, productivity in trade increased more strongly than the productivity level of the whole economy. Only in the recessions of 2001/02 and 2009 did productivity in trade lag behind overall productivity growth. This is probably due to the cyclical sensitivity of trade. Whereas trade volume declines more strongly during a downturn than the overall economy, the staffing is not immediately adjusted downwards, resulting in a decline in productivity.

The fact that productivity growth in trade exceeded overall productivity growth in most years may be explained by technological progress. This probably primarily affected productivity in wholesale and distribution, rather than productivity in retail.

2. Collective bargaining

Trade union membership in the trade sectors (including wholesale) in the Netherlands has been estimated to be 12 per cent, according to Statistics Netherlands (CBS) (Steege et al. 2012). Retail employers in the Netherlands are traditionally organised around two binaries: (1) food versus non-food and (2) large companies/store chains versus SMEs. In the supermarket sector, collective bargaining has already been integrated between SMEs and large companies. In 2017, large and smaller employers in non-food retail (textile, clothes, furniture) aim to integrate collective agreements. Social partners' relations in supermarkets,⁷ and in non-food sectors,⁸ are polarised. In recent years, FNV has not agreed with several collective agreements, such as those for supermarkets (since 2013) and fashion shops, and supported some public campaigns to combat the business models in the whole retail sector that are based on low youth wages, on-call work and poor working conditions.⁹

3. Sector agreement

Table 4.1 shows the findings of the content analysis of the largest agreements in the retail sector, namely for supermarkets (CAO Grootwinkelbedrijf in levensmiddelen), agreed by the employers' association of large retailers in food (VGL) and the Christian trade union (CNV). This agreement covers 14 supermarket chains, including the mega stores of Albert Heijn, Jumbo, Lidl and Aldi.

Table 4.1: Stipulations in the collective agreement for supermarkets in the Netherlands

Topic	Supermarkets collective agreement 2013-17	Remarks on productivity issues
1. Employee rewards		
Collective wage increases	Percentages for all	
Minimum wage level ¹⁰	Per month: € 1860.22 (= 119.9% of legal minimum wage) Youth wages from € 3.45 per hour/€ 599.73 per month for 15-year-olds	Low incentives for investments because of low wage jobs for young workers (highly used in

⁷ See Tros, Keune (2016, 32-36) on the controversial issue of low youth wages and the debate on wage inequality in the supermarket sector.

⁸ Interviews with Raad Nederlandse Detailhandel, Inretail, CNV, FNV.

⁹ Interviews with FNV and CNV.

¹⁰ Minimum gross wage in 2017 (reference = legal minimum wage level: € 1551.60 per month in 2017).

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		practice)
Opening clauses allowing for higher wages	Yes: at company and individual level	
Opening clauses allowing for lower wages	No	
Payment principles, related to productivity	Job classification (9 levels) Years of experience (0-5 steps) No profit sharing No direct performance-related pay	
2. Skills		
Job classification	9 levels	
Training measures and skills development	Informing workers regarding sector-level facilities Optional issue in performance appraisal (individual worker level) Announcement of study on competence management in the sector	Low incentives for skills investments
3. Work organisation		
Types of contracts	Temporary contracts Part-time contracts On-call workers/stand-by workers must be paid for 2 hours or more per call and cannot be forced to be available	High flexibility
Working time	Working hours must be announced at least 1 week in advance	High flexibility
Flexibility in the job	-	
Flexibility in dismissal	Regulated by law	
4. Inclusion and diversity		
Age management	Lower wages for youth aged 15-22 years No arrangements for senior workers	Youth are overrepresented and older workers are underrepresented
Disabled workers/long-term unemployed	Investigating local policy initiatives to include people 'at a distance' from the labour market Lower wages for the long-term unemployed	
Migrant workers	-	

5. Participation and involvement		
Facilities for trade unions/participation rights for trade unions at company level	Opportunities for trade unions to communicate with workers. Leave facility for trade union members.	
Extra participation rights for works councils	Scheduling of leave days for full-time workers	
Involvement of trade unions in this agreement	CNV is involved. No involvements of FNV	Discontinuities and polarisation

In the collective agreements for large retailers in textile, retailers in fashion, sport and lifestyle, and retailers in furniture, we see similar stipulations: low wages for young people, no workers' rights to training and education, and no sector funds for education or labour market facilities. Also in the non-food retail sector, FNV has not signed the current large sector agreements.

4. Company agreement on a different model

In 2015, the employer of a large department store¹¹ in the Netherlands initiated a different model of promoting labour productivity through collective bargaining. The employer agreed the following with both FNV and CNV:

- (i) Introduction of a new model in preparing collective bargaining with participation of the works council and individual employees. Investigating the wishes and needs of the company's employees (including the non-trade union members) regarding the terms and conditions of employment, is seen by this employer as productivity enhancing.¹² FNV contests the assumption of the employer that members of trade unions would have other preferences than non-members, but cooperated in this co-creation process.¹³
- (ii) Introduction of performance-related payment principles at company level and individual workers' level.
- (iii) Investments in individual workers' budgets (up to an annual € 500 for full-time employees) aimed at promoting the employability and vitality of workers (including training and education).

¹¹ 2800 employees in 7 shops and 1 central office in the Netherlands.

¹² Interview with manager of Labour Affairs and the employer's negotiator.

¹³ Interview with representative of FNV Handel.

The conditions in this company case have been more favourable than the sector cases in supermarkets and fashion shops to follow a less low-productivity strategy. In this case, FNV agreed to some modernisations in the collective agreement, on condition that they were not driven by austerity alone. The employer agreed that salary levels would not be lowered for anybody. In the same package of new variable payments and individual workers' budgets, the low youth wages were abolished. A more controversial issue for FNV is co-creation with all employees in the negotiation processes. In contrast to the management of the company, FNV argues that members of trade unions have no other benefits or preferences than non-members.¹⁴

Table 4.2: Stipulations in the collective agreement for a department store in the Netherlands

Topic	Chain of department stores collective agreement 2015-17 (new regulations)	Remarks on productivity issues
1. Employee rewards		
Collective wage increases	Percentages for all	
Minimum wage level ¹⁵	Per month: € 1571.01 (=101.3% of minimum legal wage) (also for 18- to 23-year-olds)	Abolition of low youth wages
Payment principles, related to productivity	Job classification (12 levels). Profit sharing: Bonus in the case of certain results of the company (2-6%) Individual performances (0-3%) Extra individual performances higher-level workers (0-12.5%)	New payment principles aimed at enhancing labour productivity
2. Skills		
Job classification	12 levels	
Training measures + skills development	Employee-related 'vitality budget' of € 500 per year (pro rata for part-time employees)	Individual workers' rights aimed at enhancing productivity
3. Work organisation		
Types of contracts	Temporary contracts Part-time contracts	
Working time	High flexibility in working time	

¹⁴ Interview with representative of FNV Handel.

¹⁵ Minimum gross wage in 2017 (reference = legal minimum wage level: € 1551.60 per month in 2017).

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	schedules Pilot study with trade unions aims to better predict working hours schedules for workers	
Flexibility in the job	-	
Flexibility in dismissal	Employer's notice periods 1-4 months	
4. Inclusion and diversity		
Age management	Abolition of youth wages for 18- to 23-year-olds Extra leave for workers older than 57 years	More age diversity in the workforce
Disabled workers/long-term unemployed	Creation of jobs in lowest wage scale	
5. Participation and involvement		
Facilities for trade unions	Trade union opportunities to present themselves and be involved in personnel meetings Leave facilities for trade union members	
Extra participation rights for works councils	Regarding working hours schedules	
Involvement of trade unions in this agreement	Involvements of FNV + CNV in co-creation with works council and employees	Continuity and modernisation

5. Conclusions

The productivity strategy of employers in the retail sector is based on low wages and extremely high flexibility in employment contracts and working hours. Sector bargaining has not resulted in examples of strategies aimed at skills formation or in social innovations focused on the longer term or the high productivity strategy.¹⁶ FNV has not signed the recent collective agreements in the supermarket sector and the non-food retail sectors because of their disagreements regarding i) the low wages, ii) the austerity measures that have reduced compensation for inconvenient working hours and iii) the widespread business model of using young workers working for low wages.

¹⁶ Confirmed by interviews in the food and non-food retail sectors with two large employers' associations and two trade unions.

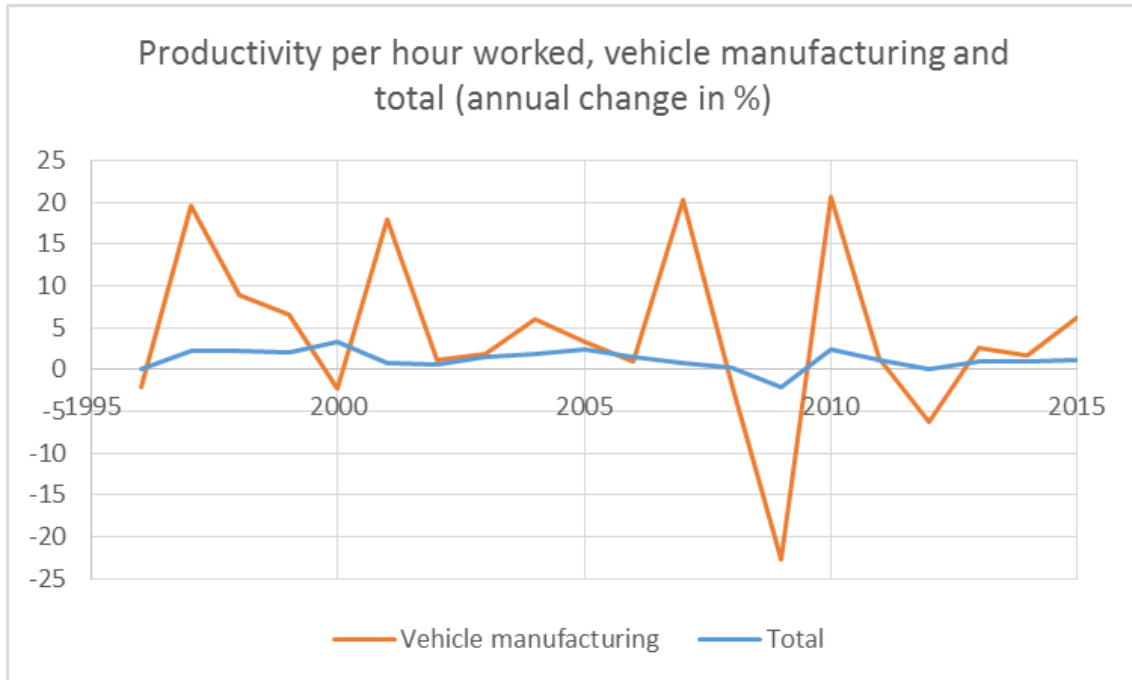
According to FNV, ‘The high ruinous costs competition will lead to a race to the bottom in the whole retail sector’ in the trade sectors in the Netherlands.¹⁷ In the non-food retail sector there are the same kinds of conflicts in sector bargaining, namely pressure to lower labour costs and no agreements on productivity-enhancing investments in skills and longer working careers. The contrasting company case in the non-food sector (see § 4 in this part) shows that a less low productivity strategy is conditioned by a more quality-based and a less austerity-based view of the employer.

¹⁷ Quotation from representative of FNV Handel.

Part B. Automotive

1. Labour productivity developments

Figure 4.3: Productivity per working hour in manufacturing of motor vehicles and total NL, annual changes in percentages, 1995-2015



Source: CBS StatLine

Productivity development in vehicle manufacturing fluctuates strongly with the business cycle. This is due to the strongly cyclical character of demand in this sector. When demand drops in a downturn (such as in 2000 and 2009), the result is an immediate reduction of production, but not of the workforce, and hence a decline in productivity. When the economy recovers again, production increases without an equivalent increase in staff, resulting in a steep increase in productivity, such as in 2001 and 2010. Moreover, average productivity growth is high as a consequence of technological innovation, for example investments in robots.

Companies in the automotive sector in the Netherlands are small global players in niche markets. Nevertheless, they can be important links in industrial value chains in both the Netherlands and abroad (VNO NCW 2016). There are quite a lot of suppliers in the

Netherlands for car manufacturing companies in other countries.¹⁸ Dutch production plants for cars and trucks are relatively small in size. The largest manufacturing companies are DAF Trucks (around 5000 workers), VDL NedCar (around 4500 workers) and Scania (around 2000 workers).

2. Collective bargaining

Trade union memberships in the Dutch manufacturing sector is estimated to be 24 per cent (Steege et al. 2012). There are two broader sector agreements in the Netherlands that include the automotive sector. The largest (the one focused on in this report) is the Metalektro sector agreement. FME is the employers' association. Smaller companies in the automotive sector (< 32 workers) are covered by the Metaal & Techniek sector agreement; Werkgeversorganisaties Techniek is the employers' association here. Trade unions FNV, CNV Vakmensen and De Unie are involved in both sector agreements. Labour relations in the Metalektro sector have been quite discordant in recent years (Tros, Keune 2016, 26-32). In 2015, DAF Trucks was targeted by FNV's demands for higher wages and better working hours regulations in the sector.

3. Sector agreement

Table 4.3: Stipulations in the collective agreements for the metal and electro-technical industry in the Netherlands

Topic	Metal and electro-technical industry collective agreements (regular agreement 2015-18 and specific agreement on labour market and education 2016-19)	Remarks on productivity issues
1. Employee rewards		
Collective wage increases	Uniform percentage for all companies and employees in the sector	Employment in the sector requires minimum level of productivity growth
Minimum wage level ¹⁹	Per month: € 1838.46 (=118.5% of	Relatively low incentives to

¹⁸ 'Mirror Controls International', 'TomTom', Inalfa Roof Systems', 'Power Packer', 'Brinks Metaalbewering', 'Brabant Alucast', 'Bosal', 'Apollo Vredestein', 'Voestalpine Polynorm Group', 'Nedschroef', 'Koni', 'Bosch Transmission Technology' (VNO NCW 2016, 19).

¹⁹ Minimum gross wage in January 2017 (legal minimum gross wage level = € 1551.60 per month in 2017).

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	legal minimum wage) Youth wages start at € 1365.22 per month for those younger than 20	follow a low productivity strategy by employing young workers
Clauses allowing for higher wages	Yes, possible (just minimum levels, no standards)	
Clauses allowing for lower wages	No	Limits wage flexibility at company level
Payment principles, related to productivity	Job classification (10 levels + 6 levels for higher paid workers) Years of experience (1 to 10 steps) No profit sharing No direct performance-related pay	No agreements on variable pay
2. Skills		
Job classification	10 levels (+ 6 levels higher paid workers)	
Training and skills	Bipartite fund for training and labour market institutes/facilities in the sector, funded through employer's premium of 0.3% (2017) and 0.4% (2018) of total wages € 2 million for individual workers' training budgets Financing of projects on sustainable employability Workers have the right to 2 days (16 hours) of education a year Refund costs of competence-based certifications for workers	Skills investments are also initiated at sector level
3. Work organisation		
Types of contracts	Temporary contracts through certified and registered agencies Part-time contracts paid pro rata Atypical labour contracting is possible under max. 10% deviations in payment levels	
Working time	Model of 1712 working hours a year by full-time worker with flexibility in the implementation at company	Regulated flexibility

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	and workplace level	
Flexibility in the job	Social dialogue on social innovation in the sector, especially on the impacts of new technologies (digitalisation) on work, organisation and workers' competences	High impact of new technologies in the sector
Flexibility in dismissal	-	
4. Inclusion and diversity		
Age management	Youth wages are relatively high Guaranteed salary levels for workers older than 59 years Recommendation to companies regarding integrated senior policies	Awareness of age-related issues
Disabled workers/long-term unemployed	Start-up salaries between 100-120% of legal minimum wage levels for target group in <i>Participatiewet</i> (public subsidies for those with limited productivity) Recommendation to companies to pay attention to issues of disabled workers	
Migrant workers	Recommendation to companies to pay attention to issues of migrant workers	
5. Participation and involvement		
Participation rights for trade unions at company level	In general: the sector agreement provides for local bargaining to make local adjustments to sector regulations More specifically: profit sharing; individual performance-related pay systems; new systems of shift work	Trade unions find low access for local bargaining with automotive companies
Extra participation rights for works councils	Lowering of wages for workers' groups Implementation of job-classification in the company Profit sharing arrangements at company level Working hours schedules	

	General policy regarding temp agency work	
Involvement trade unions in this agreement	<i>FNV, CNV, De Unie</i>	Continuity in sector agreements; discordant bargaining practices

4. Conclusions

Wage increases and payment principles in automotive companies are largely set at sector level. The social partners agreed some years ago on structural wage increases for youth because of the need for young skilled workers in the whole metal and electro-technical industry. The highest flexibility demands *and* the flexibility opportunities in the automotive industry concern working hours: schedules can be highly dependent on yearly, monthly, weekly and daily production demands of automotive companies and their customers. This accords with the just-in-time production concept in the automotive industry.

The bipartite sector fund for labour market policies and skills development in the metal and electro-technical industry is quite substantial. This collective fund is financed by all employers in the sector and is governed by both employers and trade unions. In recent years, companies in the automotive sector have received funding from this sector fund in the following fields²⁰:

- (i) Compensations for traineeships and work-training trajectories in medium and higher levels of vocational education;
- (ii) Advisory support in HR policies on sustainable employability (career coaching, job-to-job policies, etc.);
- (iii) Pilot projects on innovations in ‘working patterns’ (including self-rostering) to provide for flexibility, employability and individual workers’ work-life balance.

In 2016, the employers’ association FME and the trade unions in the metal and electro-technical industry agreed to start a social dialogue project on social innovations in the sector. Technological developments – such as the digitalisation of work and the introduction of robots in manufacturing – have impacts on the organisation of work, job quality and the required workers’ competences, and on the more flexible terms and conditions of employment.

Interestingly, the sector agreement provides for a regulative framework for company-level bargaining to make adjustments and derogations from sector standards in

²⁰ Interview with representative of A+O Metalektro (= sector fund for labour market and development in the metal and electro-technical industry).

payments and working hours. However, this seems an unused opportunity in practice. Trade union CNV Vakmensen claimed in the interview that companies in the sector are quite unresponsive to the idea of starting social dialogue or additive negotiations with the trade unions at company level: ‘In theory, the sector agreement indeed facilitates bargaining at company level, but it is not working like this in practice’.²¹ Trade unions especially want to discuss new regulations for workers who have too unpredictable and too long working hours schedules and/or too insecure labour contracts in manufacturing companies. Traditions and current practices in social dialogue and negotiations are, however, located at sector level and not at company level.

In sum, the sector agreement – and the bipartite fund – incentivises the automotive industry to follow a high productivity strategy.

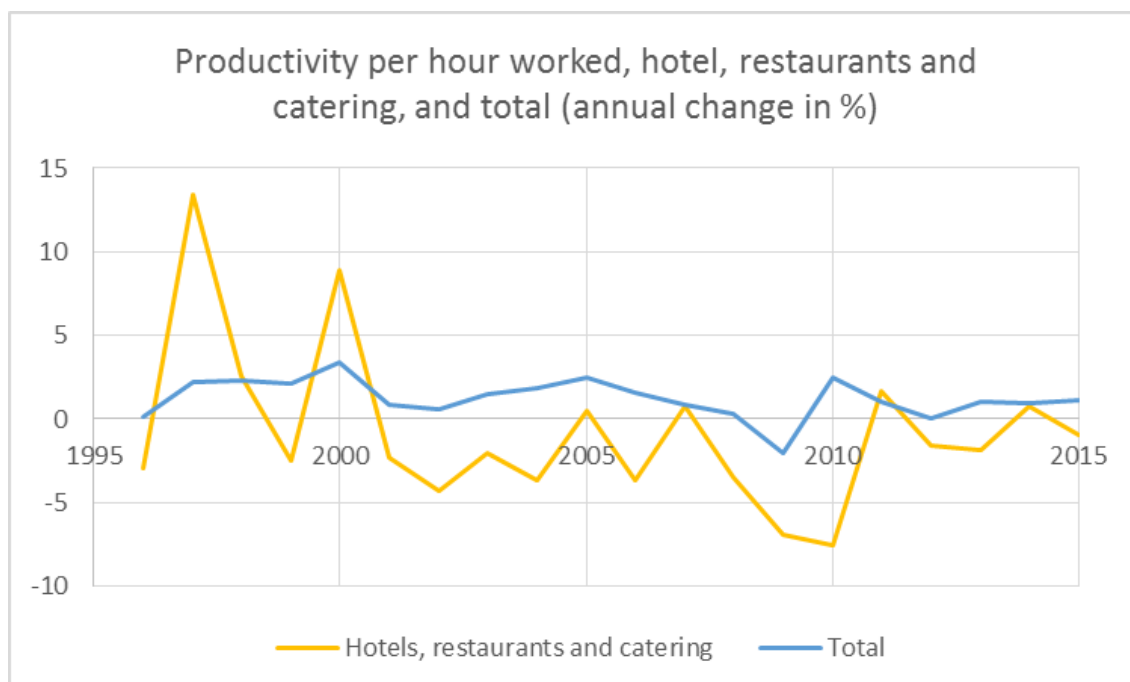
²¹ Interview with representative of CNV Vakmensen (negotiator in the metal and electro-technical industry).

Part C.

Hotels, restaurants and catering

1. Labour productivity developments

Figure 4.4: Productivity per working hour in hotels, restaurants and catering, and total NL, annual changes in percentages, 1995-2015



Source: CBS StatLine

Since 2001, productivity growth in the hotel, restaurant and catering sector has mostly been negative and has lagged considerably behind overall productivity developments. The causes of this negative development are not clear. One explanation might be that the sector has embarked on a low cost strategy, hiring ever more flexible and low-paid workers, which may led to downward pressure on labour productivity. The fact that there has not been a collective agreement for the sector since 2013 may also contribute to this development. Regarding the contract catering sector, there is some overcapacity of personnel because of shrinking activities in works canteens.²²

However, an alternative and almost opposite and rather speculative explanation is that real value added in this sector is underestimated due to an increase in the quality of the services, which translated into large price increases. Indeed, the average annual price increase in this sector in the period 1995-2015 was 3.8%, double the overall price

²² Interview with representative of employers' association in contract catering Veneca.

increase. Since this price increase is used as a deflator in calculating the growth in real value added, it explains the downward trend of productivity. However, if the price increases had been caused by an increase in the quality of the services, something that is not measured by Statistics Netherlands, the actual (real) productivity growth would have been considerably higher.

2. Collective bargaining

Levels of trade union memberships in the hotels, restaurants and catering sector are the lowest in the Netherlands. They decreased relatively sharply, that is, from 15 to 7 per cent in the period 2001-11 (Steege et al. 2012). IR in the hotels, restaurants and party catering sector are polarised. On the initiative of the employers' association (Koninklijke Horeca Nederland), sector funds for education, training and other labour market issues have been abolished over the last 10 years. Since 2013, there has been no collective bargaining at all for the hotels, restaurant and party catering sector. Employers were strongly opposed to the new national legislation on limiting the use of flexible employment contracts. They could have negotiated liberalisations through collective bargaining, but 'feared' the costs of compensations required by the trade unions in this sector.²³ The employers argued that they want to continue the more flexible regulations in their older collective agreements.²⁴ The deadlock in collective bargaining finally resulted in the more strict legal standards on flexible employment contracts. Nevertheless, in practice there are alternatives to temporary employment contracts in the sector, namely through using contracts for on-call work and replacement work.

Collective bargaining in contract catering continued and IR are less polarised.²⁵ In this sector of the industry, business activities and working patterns are more predictable than in the hotels, restaurants and party catering sector. Employment contracts in contract catering tend to be of indefinite duration and workers stay longer in the sector. Contract catering workers automatically change employers if a client chooses to replace the caterer.

3. Sector agreements

Table 4.4 gives an overview of the regulations in the two sector agreements in the hotels and catering sector in the Netherlands. It is important to note that the analysis of the

²³ Interview with representative of FNV Horeca.

²⁴ Interview with representative of Koninklijke Horeca Nederland.

²⁵ Interviews with representatives of Veneca and FNV Horeca.

hotels, restaurants and party catering agreement is based on the years 2012-13, the last agreement to be made in this sector.

Table 4.4: Stipulations in the collective agreements for hotels and catering in the Netherlands

Topics	Hotels, restaurants and party catering sector agreement (most recent: 2012-2013)	Contract catering sector agreement (most recent: 2016-17)	Remarks on productivity issues
1. Employee rewards			
Collective wage increases	Percentage for those above minimum level	Percentage for all	
Minimum wage level	Legal minimum wage level	Per month: € 1776.54 (=114.5% of legal minimum wage) Youth wages: 30% (15 years) to 90% (21 years)	Incentives for low productivity strategy hotels, restaurants and party catering.
Opening clauses allowing for higher wages	Yes	Yes	
Opening clauses allowing for lower wages	No	No	
Payment principles, related to productivity	Job classification (11 levels) Individual performance-related pay (open scales to end salary level of job classification) No profit sharing	Job classification (9 levels) No profit sharing	
2. Skills			
Job classification	11 levels	9 levels	
Training measures and skills development	Obligation for companies to reserve 2% of total wage costs for training personnel	Sector fund for education and sustainable employability Premium of 0.4% of total wages (2017) 2/3 rd paid by employers and 1/3 rd	Very modest incentives for skill development

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		<p>paid by workers</p> <p>Workers' right to individual development plan, including education needs</p>	
3. Work organisation			
Types of contracts	<p>Maximum chain of 6 temporary contracts within a 5-year period (followed by dismissal or contract for indefinite period). Opportunity for on-call contracts (min. 30 minutes have to be paid)</p>	<p>Maximum chain of 3 temporary contracts within a 2-year period (followed by dismissal or contract for indefinite period)</p> <p>Temp agency/payroll workers must be paid the same as directly employed workers</p> <p>Opportunities for zero-hours contracts and on-call contracts</p>	<p>Opportunities for flexible contracts</p>
Working time	<p>Working hours have to be communicated at least 2 weeks beforehand</p>	<p>Working hours have to be communicated at least 2 weeks beforehand</p> <p>Weekly flexibility - 20 to +20% of working hours (after 3 months, overtime has to be compensated by leave; guarantees of payments of contract hours)</p>	<p>In hotels, restaurants and party catering: high flexibility in working hours through labour contracting (on-call/min-max etc.)</p> <p>In contract catering: regulated flexibility in working hours</p>
Flexibility in the job	-	-	
Flexibility in dismissal	Legal standards	Legal standards	-
4. Inclusion and diversity			
General	-	<p>Clause on anti-discrimination (age, gender, sexual orientation, ethnicity, etc.), with complaints</p>	

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		office at sector level	
Age management	-	Extra leave for workers older than 54	Controversial among employers
Disabled workers/long-term unemployed	-	Employers' obligation to perform to the best of their ability regarding giving jobs to these workers groups	
Migrant workers	-	Employers' obligation to perform to the best of their ability regarding giving jobs to ethnic minorities	
5. Participation and involvement			
Facilities for trade unions/participation rights trade unions at company level	Leave opportunities for members regarding collective bargaining meetings and training	Membership of commission on too high pressure of work	
Extra participation rights for works councils	Extra terms and conditions for workers	Individual performance-related pay. Policy on sustainable employability	
Involvement of trade unions in this agreement	Till 2013: FNV, CNV, De Unie	FNV, CNV, De Unie	Disappearance of collective agreement/bargaining in hotels, restaurants and party catering Continuity in collective agreements/bargaining in contract catering

4. Conclusions

The strategy of employers in the hotels, restaurants and party catering sector is a low productivity strategy, namely i) abolition of the sector fund for skills and labour market measures, ii) aversion to collective bargaining because of the push for higher labour

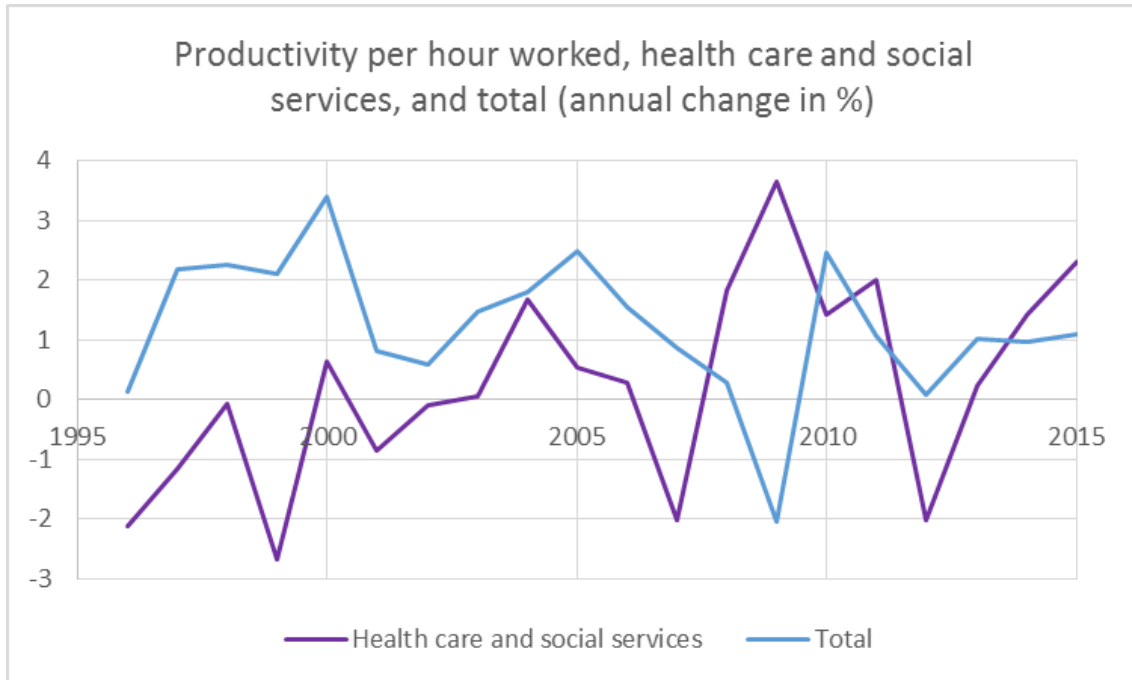
costs and iii) the use of on-call work and replacement work to undermine the more strict legal standards on temporary employment contracts. High numbers of young people with jobs on the side (and who leave the sector at an early age) and high numbers of flex contracts among younger *and* older workers seem to put downward pressure on labour productivity.

The agreement in contract catering, however, regulates more incentives towards a little higher productivity strategy because of continuing collective bargaining, higher wage levels, and a sector fund to finance sector training/education and projects on sustainable employability. In the slightly contrasting case of contract catering, the collective agreement also facilitates local bargaining on productivity through participation rights for works councils on employability and pressure on work. In this sector, there are more and longer open-ended employment contracts and fewer young workers with jobs on the side. The dissimilarities between the two sectors in collective agreements and views of the employers' associations can be understood by the dissimilarities in employment contracting in the two sectors.

Part D. Health

1. Labour productivity developments

Figure 4.5: Productivity per working hour in health care and social services and total NL, annual changes in percentages, 1995-2015



Source: CBS StatLine

Between 1996 and 2007, productivity growth in health care and social services lagged behind overall productivity growth. Between 1996 and 2007, productivity even declined. However, since 2008 productivity growth has picked up again and was positive every year except 2012. The productivity decline between 1996 and 2007 is probably related to the strong growth in employment in the sector. The total number of hours worked increased by more than 40%. Apparently, the production of this sector did not grow in tandem with the number of staff. Between 2007 and 2015, total staff increased by less than 10% and after 2012 the number declined, which may have contributed to the increasing productivity.

However, just as with the hotel, restaurant and catering sector, the real value added of health care and social services is difficult to measure, since the quality of services is not directly observed. Between 1996 and 2003, the price level of the sector increased sharply, on average by 8.7 per cent annually. This may have been caused by an increase in the quality of the services due to an expansion of the staffing of hospitals, nursing

homes, etc. or to an increase in the quality of staff, brought about by hiring better skilled and higher paid employees.

2. Collective bargaining

Trade union membership in the health and social services sector is estimated to be 19 per cent, the same as the national average (Steege et al. 2012). There are many agreements in the sector for hospitals, nursing homes, homecare organisations, etc. Further on in this part we refer to collective bargaining practices and agreements in the mental health services sector (88,000 workers) with the involvement of FNV, CNV, FBZ (higher paid professionals' association) and NU '91 (trade union for nurses).

During the last 10 years, the Dutch government has strived to increase productivity in the health sector and social services through several measures. First, in 2006, the health insurance system in the Netherlands was privatised. The underlying policy theory is the assumption that better coordination between demand and supply sides in health provision and services should lead to more efficiency and lower costs. Second, the government cut public health budgets during the financial crisis. Third, the organisation and financial accountability of mental health services and social services providers in the Netherlands have been decentralised towards local governments in recent years. All three policy measures have led to more competition between health providing organisations. Theoretically, competition can lead to more quality and/or to cost reductions in health provision. It has certainly led to market-driven restructuring in work organisations and to deadlocks in collective bargaining in the nursing home and homecare organisation sectors.

In the mental health sector, the employers' association (GGZ Nederland) strove for more flexibility in terms and conditions of employment, as a response to both financial pressure from insurance companies and public budget cuts during the decentralisation programme.²⁶ After two years of no collective bargaining, the social partners made a new sector agreement in 2015. The social partners managed to reach a compromise between flexibility and security in employment contracts. They agreed that collective dismissals in mental health organisations and the use of temporary contracts are allowed only under certain conditions (see table 4.5). They also agreed that an HR approach of internal flexibility through investing in workers' skills and facilitating in job-to-job mobility within the organisation for workers with open-ended employment contracts is preferred to an HR strategy on external flexibility (= flexible labour contracting).

There is a trend of increased company-level bargaining in the sector because of restructuring processes and collective dismissals in organisations providing mental

²⁶ Interviews with employers' association GGZ Nederland, FNV Zorg & Welzijn, and CNV Publieke Zaak.

health services. At sector level, social partners try to coordinate and to influence bargaining processes on social plans in case of restructuring and/or collective dismissals through promoting HR staffing policies, job-to-job policies and education measures at company level.²⁷

3. Sector agreement in the mental health sector

Table 4.5. Stipulations in the collective agreement for the mental health sector in the Netherlands

Topic	Mental health services collective agreement 2015-17 (new regulations since 2015)	Remarks on productivity issues
1. Employee rewards		
Collective wage increases	Percentage for all	
Minimum wage level ²⁸	Legal minimum wage + annual bonus (7.75%)	Medium incentive towards high productivity strategy
Opening clauses allowing for higher wages	Labour market bonus	
Opening clauses allowing for lower wages	No	
Payment principles, related to productivity	Job classification (15 levels). Years of experience (10-18 steps). Labour market scarcity (till 10%). No profit sharing (only annual bonus). Opportunity to withhold seniority steps after performance appraisal.	Highly regulated job classification. Low opportunity for performance-related pay (employers' association aims to create more opportunities)
2. Skills		Quite developed
Job classification	15 levels	Incentives to certifications and education levels
Training measures	Vocational training of new labour market entrants with salaries.	

²⁷ Interviews with employers' association GGZ Nederland, FNV Zorg & Welzijn, and CNV Publieke Zaak.

²⁸ Minimum gross wage in 2017 (reference = legal minimum wage level: € 1551.60 per month in 2017).

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Skills development	<p>Sector fund (focused on innovation)</p> <p>Statements that education is important for internal functional flexibility and reemployment in case of dismissal</p> <p>Individual workers' right to a personal development plan</p>	
3. Work organisation		
Types of contracts	<p>On-call work under certain conditions</p> <p>Desired standard is open-ended employment contracts</p> <p>Temporary and other flex contracts are possible in the case of disputes, based on strategic staffing plans at company level</p>	<p>Focus on internal functional flexibility</p> <p>Incentive to professionalise HRM strategies</p>
Working time	Rules to protect against too much flexibility	
Flexibility in the job	Statement of importance of internal functional flexibility (to prevent dismissals)	
Flexibility in dismissal	Through social plans at company level, negotiated by trade unions	
4. Inclusion and diversity		
Age management	Sector wants to attract more young workers, possibly together with the replacement of older workers	
Disabled workers	250 new jobs for disabled in the sector in 2 years	
Long-term unemployed	-	
5. Participation and involvement		Quite developed
Facilities and participation rights for trade unions at company level	Bargaining on social plans regarding prevention of and workers' compensation in collective dismissals	
Extra participation rights for works councils	Budget and programme for education and training of personnel	

Involvement of trade unions in this agreement	FNV, CNV and two professional unions	Discontinuous agreements but cooperative
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4. Conclusions

The case in the mental health sector shows the highest number of new bargaining topics and new sector regulations. This is a result of increased pressure on productivity and reorganisation from national and local governments and insurance companies. This led to increased demands for restructuring and flexibility.

Compared with the other three sectors in this report, we see a relatively high level of incentives towards a higher productivity strategy, namely i) a sector fund for vocational education and workers' employability in the sector, ii) individual workers' rights to individual development/career plans and iii) a framework for company bargaining on social plans in which job-to-job guidance and related skills and education have to be financed. Both employers and trade unions are aware of the importance of discussing social innovation, that is, sustainable employability, self-rostering in working hours, and preventing too high workloads, and related administrative requirements of governments and insurance companies.²⁹ More generally speaking, social partners are aware of the effects of efficiency driven restructuring on lower quality of jobs/services in the sector. According to the employers' association in the sector, a weaker point in promoting labour productivity is related to the few opportunities for performance-related pay. Trade unions FNV and CNV in this sector argue that such financial incentives do not promote either faster or better work.

²⁹ Interviews with employers' association GGZ Nederland and trade unions FNV Zorg & Welzijn and CNV Publieke Zaak. See also policy report of GGZ Nederland 'Meerjarenvisie GGZ Nederland 2013-2020'.

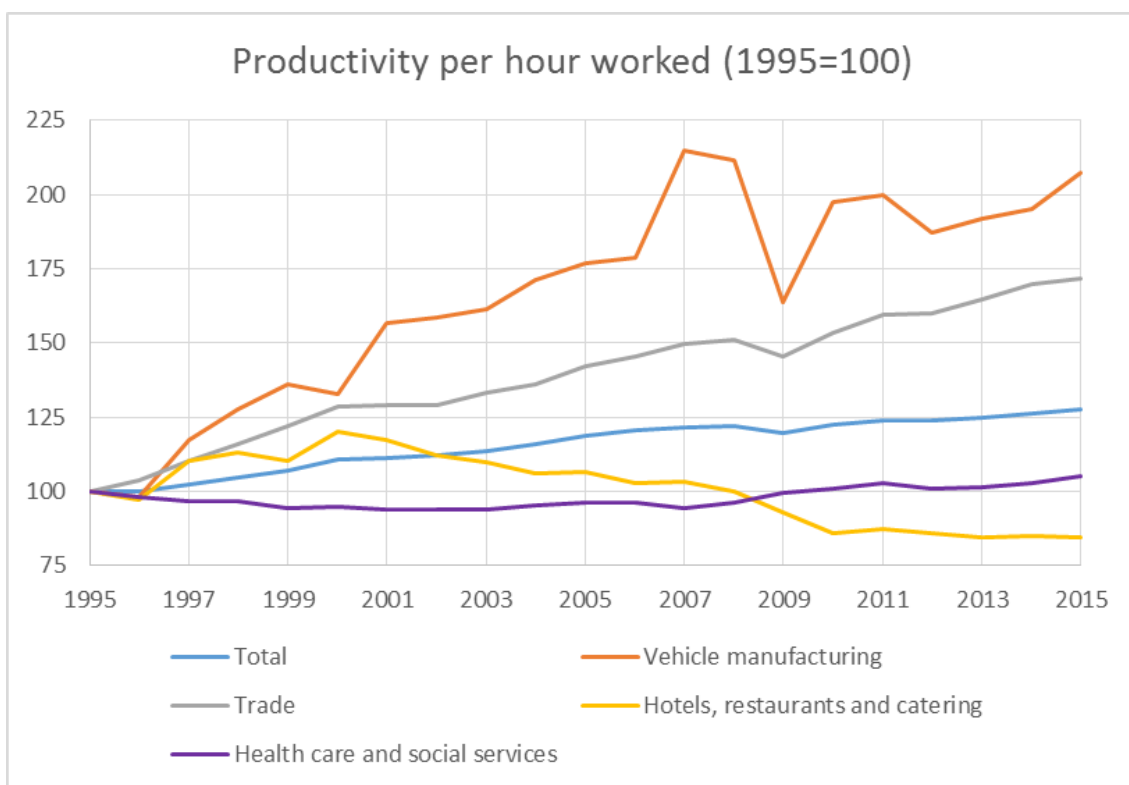
Section 5.

Comparison of sector analyses

1. Comparison of labour productivity in the four sectors

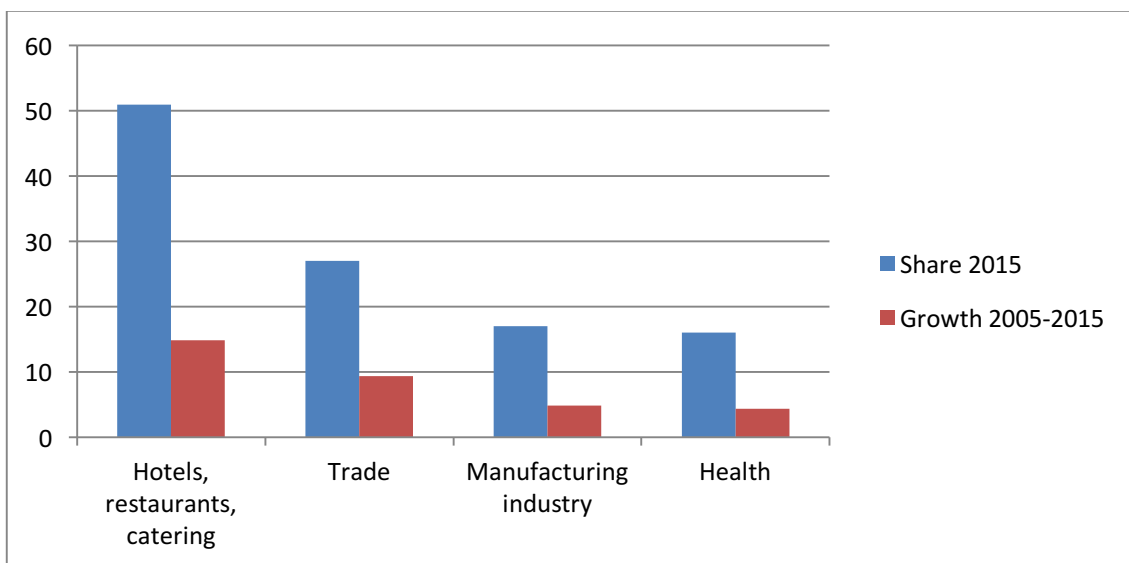
Figure 5.1 shows increased differentiation between the four sectors regarding the developments in labour productivity in the last 20 years. Technology investments and capital intensity do matter a lot: these are high in the high productivity sector of vehicle manufacturing and low in the low productivity sector of hotels, restaurants and catering. Furthermore, the employment contracting practises in the sector also seem to matter. Figure 5.2 shows extremely high share/growth figures for flexible employment contracts in the low productivity sector of hotels, restaurants and catering, and low share/growth figures for flexible employment contracts in the high productivity manufacturing industry.

Figure 5.1: Annual developments in productivity, 1995-2015, total NL and the four sectors studied



Source: CBS StatLine

Figure 5.2: Share of and growth in flexible employment contracts in four sectors in the Netherlands, last quarter of 2015 and growth in 2005-15 (in percentages)



Source: Scheer et al., CPB, 2016

2. Sector agreements on productivity-related issues

2.1. Wages and employee rewards

Across most of the sectors, we found similarities in the continuing strategy of collective bargaining parties to agree upon minimum wage standards and collective wage increases for the whole sector. Employers in the hotels, restaurants and party catering sector reflect an atypical feature of the Dutch IR system by their resistance to bargaining at sector level. As a consequence of wage setting at sector level, employment requires a minimum level of productivity. Because of the legal mechanism of making sector agreements generally binding on all the employers in sectors, SMEs are included in this incentive in organising jobs that can produce minimum levels of productivity. High employment of young people in large retail and in hotels and catering, for whom substantially lower (legal and bargained) wages apply, are undermining this strategy to a certain extent.

We found no (or merely ‘crumbs’ of) regulations on performance-related pay in the four sectors. The contrasting company case study in the retail sector is an example of recently agreed variable payments that are aimed at enhancing productivity.

More in general, it can be concluded that the recommendation of the Labour Foundation in 2005 to invest in performance-related pay as an instrument to promote labour productivity in the Netherlands, has not been followed by the collective bargaining parties in the industrial sectors (Stichting van de Arbeid 2005; SZW 2017).

2.2. Skills and work organisation

Generally speaking, the government and the social partners in the Netherlands see investments in skills, in sustainable workers’ employability and in ‘regulated flexibility’ in employment, as productive approaches and issues for integrated collective bargaining (Stichting van de Arbeid 2005; AWWN et al. 2010). The issue of sustainable employability has been added quite broadly to the agendas of collective bargaining parties (SZW 2017; Harteveld 2012). ‘Sustainable employability’ refers to intentions/measures that are intended to promote good health, education and labour market participation during the whole working life.

The sector studies in this report show variety in the intensity of regulating skills and work organisation. On the one hand, employers in the hotels, restaurants and catering sector abolished the sector fund for education and labour market policies and show resistance to sector bargaining. Furthermore, there are low incentives in this sector to invest in sustainable employability because of the employment of many temporary workers in hotels and restaurants and because the sector has many early leavers. On the

other hand, two sectors – automotive and health – continued their sector funds for financing apprentices and workers’ education and introduced at the same time dialogues on social innovations. Case studies in one department store and in the mental health sector found new agreements on employability, education and career planning. Furthermore, the mental health sector agreed on new regulations to limit the use of flexible contracts and to promote professional staffing and job-to-job policies at company level.

2.3. Inclusion and diversity

The issues of inclusion and diversity are not integrated in the productivity approach of the social partners in the Netherlands. In the Labour Foundation’s 2005 report on productivity, the issues are not even mentioned. It can even be argued that these issues can be at odds with the aim of productivity growth regarding the intended labour participation of workers at ‘a distance’ from the labour market, such as the long-term unemployed or people with disabilities or chronic illnesses.

All sector studies show quite low activities regarding inclusion and diversity, although some modest regulations on low-paid jobs for the disabled and the long-term unemployed can be found in most of the cases. The social partners in only the mental health sector regulated a target (albeit a modest one) in the creation of jobs for disabled people. Further, the agreement in the metal- and electro-technical industry (including automotive companies) recommends companies to make integrated senior policies to prevent the involuntary early retirement of older workers. At the same time, both social partners in this sector recognise the importance of attracting new skilled young workers to the sector, by offering attractive youth wages and vocational educational training.

2.4. Workers’ participation and involvement at decentralised levels

Social partners at the national level recognise workers’ participation and involvement at company and workplace level as productivity enhancing factors (Stichting van de Arbeid 2005; AWWN et al. 2011). The case of the automotive sector shows the most elaborated participation rights for trade unions and works councils at company level, followed by the contract catering sector and the mental health sector. It is important to note here that dialogue and bargaining practices and the power of works councils are quite heterogeneous between sectors and between companies. Participation rights for trade unions regarding dialogue and/or bargaining that are agreed in sector agreements often appear difficult for trade unions (i.e. in the automotive companies) to realise.

3. Best cases

In the sector studies, we found three best cases of bargaining and social partners' approaches in a high productivity strategy.

First, the automotive sector. This concerns the combination of i) relatively high wages, including those for younger workers, ii) workers' rights to education, iii) framework agreements on flexible working hours, and iv) the use of sector funds to support the apprenticeship system and HR policies on sustainable employability and flexible working hours. The social partners in the broader metal- and electro-technical industry have also started dialogues on social innovations in the context of technological developments. It is too early to evaluate their impacts.

Second, the mental health sector. The agreement in the mental health sector in 2015 combines i) a sector fund for apprenticeships and sustainable employability programmes for workers and institutions in the sector, ii) workers' rights to individual development/career plans, and iii) a framework for bargaining about social plans in the case of restructuring and collective dismissals, including job-to-job and education policies. The statement by the social partners in this sector that they support employment contracts of indefinite duration and want to limit flexible labour contracts, can be also interpreted as an indicator of a high productivity strategy.

Third, a company case in the retail sector. A department store agreed with trade unions to implement three innovations in 2015 with the aim of promoting labour productivity: i) individual workers' participation and codetermination by the works council of the process of modernising the collective agreement; ii) the introduction of performance-related pay and iii) the introduction of individual workers' budgets for their investments in employability (including health).

4. Concluding remarks

This country report for the Netherlands can be summarised by three main conclusions. The Netherlands has a high degree of sector bargaining coverage compared to other EU countries: for the majority of workers, basic salaries, wage increases, payment principles, working hours regulations, and other terms and conditions of employment, are set at sector level. We found an overall continuity of collective bargaining and wage setting at sector level in the Netherlands. This is supported by the state through the legal instrument to make sector agreements generally binding on all employers, including SMEs and those unorganised. Nevertheless, this study also found pressures on this system and some instabilities and temporary discontinuities in sector-level bargaining and wage setting at sector levels. Since 2013, there has been no collective bargaining at all in the hotels, restaurants and party catering sector. Further, the largest trade union (FNV) has not been involved in the sector agreements in the retail food and the retail

non-food sectors since 2013, and even in the health sectors there have been periods of not having a collective agreement because of disagreements between the social partners. The increased instabilities and discontinuities in social dialogue and collective bargaining in the Netherlands in recent years are barriers to bargaining for productivity, first because of limiting the mechanism to make labour at least productive at minimal wage levels, and second because of its negative effects on the conditions for integrated bargaining, namely trust-based relations and long-term approaches.

Second, there is increased differentiation in labour productivity levels between the sectors and this is related to the trend of differentiation in collective agreements and in social partners' strategies at sector level. There is some evidence of a divide between low productivity sectors (hotels, restaurants and catering) and high productivity sectors (automotive). At the same time, however, institutional differences are limited and cannot explain the large differences in labour productivity levels. Especially technological investments and degrees of capital or labour intensity are an important explanatory variable.

The third conclusion refers to the concepts of 'distributive bargaining' and 'integrative bargaining' (Walton, McKersie 1965). Distributive bargaining assumes zero-sum game negotiations, while integrative bargaining assumes positive-sum game negotiations. In the Netherlands, distributive bargaining concerns the interests of social partners to agree on a sector agreement that will provide for labour stability and a minimum wage increase to distribute the 'pie' between workers and employers/shareholders. The short-term interests of employers and trade unions are the main drivers for social partners in distributive bargaining: guaranteeing industrial peace in the sector and influencing wage setting at a minimum level. Practices in integrative bargaining – aiming for a kind of win-win outcome in a long-term perspective by increasing productivity that can be distributed at a later time – appear more difficult to realise in the four sectors. Investments in skills, sustainable employability or social innovations will not directly lead to better performances, but can pay off in the form of higher productivity in the longer term. Such a high productivity strategy requires trust relationships between the social partners and a long-term approach, and has to overcome the collective action problem among individual companies in the sector.

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In total, sixteen interviews were held with representatives of companies, employers' associations and trade unions in the large retail, automotive, hotels, restaurants and catering, and health sectors.

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