

# Chapter 3

## Control Over Income



The Netherlands does not top international tables when it comes to the quality of work.<sup>1</sup> Compared to many other countries, the Netherlands has low unemployment, which remained the case in the wake of the 2008 financial crisis and the recent Covid-19 crisis. Security of employment – a person’s general employability or chance of having a job – is relatively high. Statistics Netherlands reports that many jobs have been created in recent decades, and that the Dutch have never worked so much as now.<sup>2</sup> The quantity of work does not seem to be a problem.

The Netherlands’ middling position with regard to the quality of work is mainly due to the flexibility of its labour market. While jobs exist, they are increasingly insecure. This chapter delves into the workings of the Dutch flexible labour market, including security of employment, opportunities for training and professional development, social security and wages. What has changed in recent decades? How have new technologies and flexible contracts affected income security? Have identifiable groups of workers been affected differently?

### 3.1 Insecure Work

Just under two-thirds (64%) of all Dutch workers have permanent contracts; just over a third (36%) have some form of flexible work. The pre-pandemic economy was generating both permanent and temporary jobs, most notably on-call and casual work. The number of self-employed persons (those without employees of their own) was also rising, albeit at a slower pace than a few years ago. In 2018 there were 1.1

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<sup>1</sup> OECD (2016a), Eurofound (2017).

<sup>2</sup> CBS (2019a).



**Fig. 3.1** Working people by type of contract, 2010–2018

Source: CBS StatLine

million self-employed persons in the Netherlands.<sup>3</sup> About half of them also had income from a pension, benefits or a job with an employer (Fig. 3.1).<sup>4</sup>

While more and more people across the board find themselves in the flexible labour market, temporary contracts – especially agency and on-call work – tend to be concentrated in specific groups: the young, the less skilled, women and people with migration backgrounds.<sup>5</sup> Insecure work is thus distributed unevenly; the higher one’s level of education, the more likely one will have a permanent contract (Fig. 3.2). The gaps are also widening: while a quarter of high school graduates had flexible contracts 10 years ago, by 2018 it was more than one-third (35%). For those with higher education, the corresponding figures were 11% and 15%. The recent rise in permanent employment has mainly benefited the highly educated.<sup>6</sup>

A higher proportion of high-school graduates are employed in the Netherlands than in Germany or France.<sup>7</sup> Nevertheless, this group remains on the margins of the economy and are the first to lose their jobs in a downturn. Temporary workers,

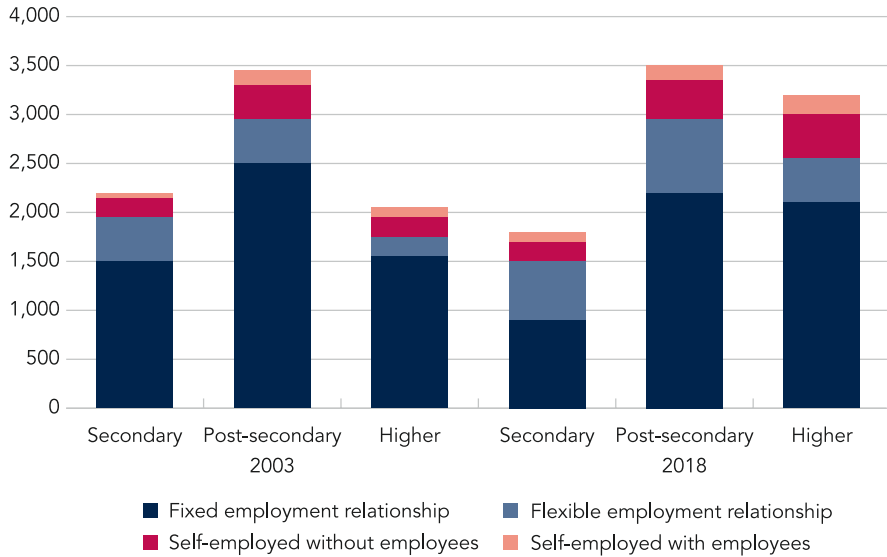
<sup>3</sup>These are people whose primary occupation is classified as “self-employment without staff”. When those who undertake freelance or similar work for extra income are included, the number is 1.5 million.

<sup>4</sup>CBS StatLine; Kremer et al. (2017c).

<sup>5</sup>Kremer et al. (2017c), van Echtelt et al. (2016), Euwals et al. (2016), Wennekers et al. (2019). Men, people with migrant backgrounds and the lower skilled are also more likely to remain on temporary contracts for extended periods (Bolhaar et al. 2016).

<sup>6</sup>CBS (2019c, May 29).

<sup>7</sup><https://data.oecd.org/unemp/unemployment-rates-by-education-level.htm>



**Fig. 3.2** Form of employment by level of education, 2018 versus 2003 (x 1000)

Source: Commissie reguleren van werk 2019

especially those employed through agencies, are less happy with their work and lives than the workforce as a whole; the vast majority would prefer a permanent contract.<sup>8</sup>

In contrast, the self-employed tend to be content with their work. Although it was not always their choice to start out on their own, over time most are happy to be their own boss.<sup>9</sup> They particularly value the freedom and autonomy that accompanies self-employment, working in a way and at a place and time of their own choosing (see sect. 3.2). Self-employment is also democratizing, with people from all walks of life setting up on their own. Nevertheless, the typical self-employed person remains highly educated, male and aged over 45.<sup>10</sup> There are considerable differences within this group. The IT consultant who goes freelance at the age of 55 with a substantial pension pot and home equity, a working partner and his previous employer as customer cannot be compared to a self-employed builder or an up-and-coming freelance talent in music or journalism. The differences in income and asset base between self-employed individuals are huge – far larger than those between employees.<sup>11</sup> While no category of worker is as diverse, the self-employed,

<sup>8</sup> van Echtelt et al. (2016), CBS (2017b, October 24).

<sup>9</sup> According to the TNO Self-Employment Survey (Van der Torre et al. 2019), one in ten of these people would prefer conventional employment.

<sup>10</sup> CBS (2018g).

<sup>11</sup> Rijksoverheid (2015), Kremer et al. (2017c), CBS (n.d.). According to Statistics Netherlands, the incomes of the self-employed in 2019 were “clearly more skewed” in their distribution than those of working people (<https://longreads.cbs.nl/welvaartinederland-2019/welvaart-van-werkenden/>)

compared to their employed counterparts, all share one thing: less income security. The market in which they specialize may collapse, think about the effects of the Covid-19 pandemic, or they may be struck down by illness or their partner might leave them.

### 3.1.1 Insecurity

Insecurity is the price many flexible workers pay. Research by one of the authors of this book (Kremer) amongst self-employed individuals and employees on temporary contracts shows that this phenomenon means different things to different flexible workers. It sometimes has a positive ring to it.<sup>12</sup> High-earning professionals who turn freelance towards the end of their careers and recent university graduates who have landed their first temporary contract may well experience insecurity as *expectant tension*. Not knowing what is coming is preferable to stone-cold certainty

#### Box 3.1 Insecure Work with Online Platforms

Online platforms such as the taxi-hailing app Uber and Werkspot, an app for jobs about the house, claim that workers are free to use them or not. While the idea is that people can work on their own terms, when and where they want, in practice this is not always the case. People are often judged by their availability, the ability to refuse work can be limited, and reviews by sometimes fickle customers can result in jobs no longer being offered. The fear of losing work is stress-inducing and leads to exceedingly long working days. There is never a guarantee of work, never mind how much – less of a problem for people who do platform work on the side than for those trying to live on it.<sup>13</sup>

For people struggling to start out, platforms can be a relatively easy way to access work. But there is considerable controversy over the quality of much of this work. Legal proceedings about the rights of platform workers are underway in many countries, with local and national governments occasionally stepping in to regulate services. Some platform workers have begun organizing themselves<sup>14</sup> to fight for more rights and greater security. These groups also give platform workers a venue to share their experiences and to support each other. When your boss is an algorithm, there are no opportunities to meet colleagues around the coffee machine or water cooler.

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<sup>12</sup> Kremer (2017).

<sup>13</sup> Gray & Suri (2019).

<sup>14</sup> See, for example, Arets & Frenken (2019).

about what they will be doing a year from now – “my worst nightmare” according to one young woman. Uncertainty for these people means “change”, which gives them the feeling of personal growth.

But insecurity certainly has its downsides, too. Insecurity for many people means *financial stress*. Will there be food on the table tomorrow or in 6 months’ time? Such uncertainty can affect sleep and mental health, but can have broader economic impact by for instance postponing consumer spending.<sup>15</sup> If one is unsure about one’s income 6 months from now, buying a new TV or booking a holiday is no easy decision.

Work-related insecurity also leads to *life-course insecurity*. People want to look ahead and make plans for the future, but this can be difficult for freelancers and temporary workers. People in the Netherlands typically think about starting a family from about age 25, but this is usually beyond the means of young self-employed or temporary workers.<sup>16</sup> A German government minister once described flexible work as the best form of contraception, and this also applies to the Netherlands. Particularly women in temporary employment tend to postpone having children.<sup>17</sup>

Finally, uncertainty often means *lack of recognition and appreciation*. Colleagues and especially employers often treat flexible workers differently than permanent employees, a phenomenon known as flexism. Examples include being denied training or access to important workplace meetings. In the Dutch political debate, employability has long been seen as more important than job security.<sup>18</sup> But for many workers, a permanent contract has not only practical value – it allows one to rent or buy a home – but symbolic significance. When it means moving from one temporary job to the next, flexible contracts give people the feeling that they are expendable: “If you go, there are ten people waiting to take your place.” In the words of a temporary healthcare worker: “I’m a puppet and if I’m sick or can’t come into work, someone else will. That has opened my eyes.”<sup>19</sup>

Most people value security – a crucial feature of good work. But there is a significant gap between most people’s wishes and reality.<sup>20</sup> While the flexible labour market may help more people find work, especially temporary and on-call work clearly have adverse social and economic consequences (see Chap. 2). These range from discouraging innovation in the workplace because people have scant incentive to take initiative, to putting off starting a family and general societal dissatisfaction.

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<sup>15</sup>Dekker and Vergeer (2007) show that greater job insecurity leads to lower or postponed consumer spending as well as slower economic recovery after a recession.

<sup>16</sup>van der Klein (2017).

<sup>17</sup>Chkalova & van Gaalen (2017).

<sup>18</sup>WRR (2017).

<sup>19</sup>Kremer (2017: 107).

<sup>20</sup>Conen (2020).

## 3.2 Social Security and Insecurity

The safety net provided by the Dutch social-security system has been steadily withdrawing its protections against personal financial insecurity. Although the self-employed can claim basic subsistence benefits, these are much lower than the work-related benefits employees contribute to. They can only be accessed after 3 months without work, and only when the applicant has neither assets nor an earning partner. Self-employed individuals are also entitled to a basic state pension, but not to disability benefits or a state earnings-indexed pension.<sup>21</sup> While many European countries wholly or partly exclude the self-employed from such schemes, the Netherlands is among the countries with the fewest statutory provisions for this group. In Belgium the self-employed must join a social insurance fund of their choice; in Germany they can join sector-specific disability insurance schemes.<sup>22</sup>

Self-employed persons in the Netherlands have generous tax allowances, designed to stimulate entrepreneurship and to allow them to individually cover themselves against occupational risks.<sup>23</sup> In practice, few take out private disability insurance. This is not because the self-employed are foolhardy<sup>24</sup> – many are deeply worried about incapacity to work – but because they are deterred by high premiums (due to negative selection), strict acceptance criteria and the small print in available policies: “Will I actually be paid if I become unable to work?”<sup>25</sup> There are few alternatives to the commercial insurance market. A tiny proportion contribute to “mutual aid funds” (see Box 3.2); others are saving towards a private pension. Few make use of opportunities to join existing pension initiatives.<sup>26</sup>

Self-employed individuals without their own insurance cover and savings thus rely on the public purse when they are no longer able to work. Once they reach retirement age, they can draw a basic state pension although this on its own is barely enough to keep them out of poverty. In the event of unemployment or disability, they can only apply for a basic subsistence benefit if they have no earning partner to support them.<sup>27</sup>

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<sup>21</sup> Goudswaard & Caminada (2017).

<sup>22</sup> See also European Commission (2017).

<sup>23</sup> Rijksoverheid (2015).

<sup>24</sup> Conen & Debets (2019); see also Kremer (2017).

<sup>25</sup> According to the TNO Self-Employment Survey (Van der Torre et al. 2019), four in ten have no unemployment or disability risk cover of any kind: they are not insured, do not deposit money in a mutual aid fund and have no investments or savings. The great majority cite high costs. Sufficient assets or the ability to fall back on a partner’s income are rarely mentioned (Rijksoverheid 2015).

<sup>26</sup> Berkhout & Euwals (2016), Goudswaard & Caminada (2017).

<sup>27</sup> Self-employed persons with assets can claim basic welfare benefits more easily than employees; there are special arrangements for this group (Self-Employed Workers Benefit Decree).

### **Box 3.2 Mutual Aid Funds: Insurance for the Self-Employed**

Local mutual aid funds have recently emerged to provide independent entrepreneurs with an alternative to expensive private insurance against disability. Membership is limited to a maximum of 50 people, each contributing a small sum each month (between €34 and €112). The idea is that this keeps the arrangement transparent because everyone knows each other. In case of a member falling ill, the fund usually pays a modest amount (between €750 and €2500) per month for a maximum of 2 years. The first mutual aid fund was set up in 2006; there are now about 500 across the Netherlands, with a total of more than 22,000 members.<sup>28</sup>

The Dutch interdepartmental policy study *Self-Employed Persons without Staff* concluded in 2015 that this group's distinctive tax arrangements and exemption from social insurance premiums sets them apart from regular employees. This applies at all income levels. A self-employed person with gross earnings equivalent to the national minimum wage will retain 87% of this income after statutory deductions, an employee just 72%. At twice the national average (modal) income, the self-employed retain 55% and employees, 46%. This does not take into account amounts reserved for private pension contributions and sickness or disability insurance, which are voluntary for the self-employed. But even when these are included, a self-employed person with a modal income retains approximately €11,000 a year more than an employee. On the other hand, the self-employed must offset potential loss of income during periods when they have no assignments. For their clients, using freelancers can have significant cost benefits; calculations by the OECD<sup>29</sup> show that doing so can reduce labour costs by up to 37% – although the actual amount depends on the individual entrepreneur's bargaining position and can thus vary considerably. For those at the bottom of the market, it is the employer who most likely benefits. At the top of the market, the advantage lies with the supplier.<sup>30</sup>

According to the interdepartmental policy study, the rapid growth of Dutch self-employment may well have been fuelled by these tax and social insurance differentials. Depending on who is best able to take advantage of the arrangement, issuing and taking on assignments on a self-employed basis can be financially attractive for clients, workers, or both. The study concludes: "On balance, the effect upon the government finances of the growth in the number of self-employed persons without

<sup>28</sup> ten Houte de Lange (2018, July 3); van der Meer (2017); [www.broodfonds.nl](http://www.broodfonds.nl)

<sup>29</sup> OECD (2019a).

<sup>30</sup> The OECD calculates in its report for the Netherlands Independent Commission on the Regulation of Work: "Considering an unmarried individual without children and earning the gross average wage for employees, the firm could pay a total employment cost of EUR 40,911 (with a payment wedge of 22%) for an unincorporated self-employed contractor instead of EUR 64,960 for a standard employee (with a payment wedge of 51%). This represents a total labour cost saving for the firm of 37%" (OECD 2019a: 21).

staff is very likely to be negative.”<sup>31</sup> Although this group currently makes scant use of the benefits system, this could change in the future. As this would undermine public support for the system, there is no justification for retaining differential treatment. As the same study points out, “From the protection point of view, in many cases there is little reason to treat self-employed workers and employees differently. The self-employed, like employees, run health risks at work and experience similar problems in assessing their sickness, disability and longevity risks.”<sup>32</sup> The exclusion of the self-employed from the Dutch social-security system – that is, up until the Covid-19 pandemic – not only affects them as individuals; it may prove detrimental to the system’s long-term solidarity and financial sustainability.

### 3.2.1 *Workers on Temporary Contracts*

Are workers on temporary contracts better covered by the Dutch social-security system? While they have proportional access to its provisions, the rules around benefits and incapacity insurance are insufficiently geared to today’s fluid and hybrid labour market.<sup>33</sup> If on-call workers have monthly fluctuations in their earnings – sometimes placing them above subsistence level and sometimes well below it – they face bureaucratic hurdles when applying for benefits to supplement their income. Similarly, those who go from one temporary job to the next and claim benefits between contracts must face labyrinthine rules that generate a great deal of uncertainty. The social-security system seems incapable of providing the level of flexibility needed to cope with the fickleness of temporary work.

While temporary workers have a full package of rights on paper, things are not always so clear-cut in practice. Take expectant parents: they have a legal right to parental leave but their temporary contracts are not automatically extended for the period of leave.<sup>34</sup> Employees on extended sick leave are entitled to assistance reintegrating into the workplace, but only for the duration of their contracts. What is the chance that their employer will keep them on once the contract has expired? In practice, formal legal equivalence is often not what it seems.

The social-security rules are often cited as a reason for the burgeoning flexible labour market in the Netherlands.<sup>35</sup> The prevalence of temporary work, for example,

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<sup>31</sup>“The emergence of individual self-employment has, to a limited extent, been accompanied by positive external effects. On the other side of the coin, however, are lower tax and national insurance yields and higher expenditure on tax allowances. On balance, the effect on the public finances of the growth in the number of self-employed individuals is very likely to be negative” (Rijksoverheid 2015: xiii).

<sup>32</sup>Rijksoverheid (2015): xiii.

<sup>33</sup>See, for example, Bannink (2018).

<sup>34</sup>Plantenga (2017).

<sup>35</sup>The prospect of entitlement to a state pension or benefits can make individual self-employment an attractive option. See Kremer (2017), Conen & Debets (2019).



is often attributed to the country's stringent rules surrounding sickness and incapacity.<sup>36</sup> When workers with permanent contracts fall ill, employers must continue paying their salaries for 2 years and help them to reintegrate into work. While this arrangement has cut the incidence of long-term sick leave, it also makes especially small and medium-sized enterprises hesitant about hiring people on a permanent basis. While research commissioned by the Ministry of Social Affairs shows that 75% of employers are insured against long-term sick leave, 45% still see it as an obstacle to recruitment<sup>37</sup> – the financial obligations less than the labyrinthine paperwork and the reintegration requirement. This then begs the question why it is mainly larger companies that make use of flexible contracts.<sup>38</sup> Having studied all the possible explanations for the Netherlands' leading position in flexible work, Paul de Beer concludes that it is mainly because companies copy each other.<sup>39</sup>

For all workers in the Netherlands, the social-security system itself has become a source of insecurity.<sup>40</sup> Compared to other countries, the Netherlands has sound arrangements for unemployment – albeit primarily for the first years of joblessness; the longer-term unemployed are better off in Belgium, Germany and Sweden.<sup>41</sup> But in recent decades, every change to the Dutch social-security system has reined in its provisions.<sup>42</sup> The changes have also been continuous: the rules around occupational disability benefits alone underwent 16 major revisions between 1995 and 2010.<sup>43</sup> However justified some of these amendments may be, for ordinary citizens they reduce the continuity and predictability of their social rights. Each incoming government has announced the further retrenchment of social-security along with stricter rules.

### 3.3 Repair or Revise

The flexibilization of work, in particular the rise of individual self-employment, has brought renewed urgency to the long-standing debate over the need for a social-security system better suited to the modern labour market. There are essentially two options: repair the current system or completely revise it. Which is preferable largely depends on how one sees the growth in the number of the self-employed. Are these 1.1 million largely uninsured independent workers an unintended consequence of recent laws and regulations, so that it should be possible through legal

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<sup>36</sup> OECD (2018a).

<sup>37</sup> Brummelkamp et al. (2014).

<sup>38</sup> See Koster (2020).

<sup>39</sup> de Beer (2018b); see also Dekker (2017) and Chap. 7.

<sup>40</sup> van Lieshout (2016).

<sup>41</sup> OECD (2015c).

<sup>42</sup> See also ter Haar (2017, February 2).

<sup>43</sup> Vrooman (2010).

restrictions, stricter enforcement and the elimination of tax advantages to reduce their numbers? If so, the favoured option might be to repair the system, for instance by requiring the self-employed to insure themselves against incapacity. Here the Netherlands could follow the Belgian example. There was such a requirement for a brief period around the turn of the millennium,<sup>44</sup> abolished as the costs were perceived to be too high. It could perhaps be reinstated in some form.

If such a system is introduced, all self-employed individuals would have to pay into it and fulfil its other obligations. Social insurance of this kind only works with a viable level of participation and a fair spread of good versus bad risks; even those with a relatively low chance of becoming incapacitated would have to contribute, precluding any kind of voluntary opt-out arrangement – which would also be unwise for psychological reasons. In *Why Knowing What to Do is Not Enough*,<sup>45</sup> the WRR outlined human limitations such as foresight, assessing risks and converting knowledge into action – limitations that also apply to the self-employed. Solidarity among the self-employed would also be undermined if participation in a national disability insurance scheme were voluntary.

This combination of financial, psychological and social factors lend support to the second option: revising the social-security system to make it universal, covering all workers and citizens regardless of employment status so that the self-employed participate as a matter of course.<sup>46</sup> This is the alternative most likely to be favoured by those who consider the 1.1 million self-employed as a more or less inevitable (and irreversible) product of the contemporary labour market. As more and more people alternate between or concurrently juggle temporary contracts, self-employment, part-time work and care responsibilities, a social-security system geared solely to contracted employment is even less appropriate; the system needs to be realigned to accommodate all working and life situations (see Chap. 5). Changes to the location, organization and meaning of work all call for a form of social security no longer determined by one's source of income or contractual arrangements. The diversity of work in today's world requires a universal base of certainties.

“Contract-neutral” social security could be achieved through a system in which everyone participates in the most basic forms of social provision. It would involve a minimum level of government-organized insurance and investment applying to all citizens – not just the active workforce – to protect them financially against illness, disability and unemployment, to provide them with a pension, to enable them to

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<sup>44</sup>The 1997 Self-Employed Persons' Disability Insurance Act applied to everyone in this category, whether or not they employed staff of their own. The statute was repealed in 2004.

<sup>45</sup>Keizer et al. (2019).

<sup>46</sup>This is the option preferred by the membership of ZZP Nederland, an association representing the individual self-employed. More than 82% of its membership is against compulsory occupational disability insurance; 90% would rather see basic provision for all workers so that the self-employed can take out optional supplementary insurance if they wish. See [www.zzp-nederland.nl/nieuws/achterban-zzp-nederland-geen-aov-plicht-maar-positief-over-basisvoorziening-arbeidsongeschiktheid-voor-werkenden](http://www.zzp-nederland.nl/nieuws/achterban-zzp-nederland-geen-aov-plicht-maar-positief-over-basisvoorziening-arbeidsongeschiktheid-voor-werkenden).

organize their care responsibilities and to allow them to pursue training to strengthen their position in the labour market. On top of these standard statutory arrangements, people could take out supplementary insurance according to their own wishes and possibilities. Self-employed workers who cherish their autonomy would retain the freedom to make their own choices, as would all other workers. As it consists of a basic product with additional options and toppings, this variant of social security is also known as the “cappuccino model”.<sup>47</sup>

Any future reset of the social-security system would require further elaboration of its financing and of the roles played by employers’ organizations and trade unions, which could focus more on personal development, learning on the job and better reintegration following long-term sick leave. A further advantage of a reset is that it could address other urgent issues in the labour market, such as intergenerational solidarity, migration and the burden of social premiums.

### 3.4 Security of Employment and Professional Development

Learning on the job is necessary to improve both security of income and employment. In workplace training and professional development, the Netherlands compares reasonably well to other European countries; only the Scandinavian countries tend to score better.<sup>48</sup> Workers undergo training and attend courses fairly frequently, often paid for by the employer: four in ten have done so recently.<sup>49</sup> Informal learning is often more important than formal instruction; professional development is not just about returning to school or following compulsory courses, but about developing one’s abilities in the workplace: learning by doing, through peer advice and feedback from managers and colleagues.<sup>50</sup> Such informal learning, however, seems to have declined slightly between 2004 and 2017.<sup>51</sup> According to the OECD, it is doubtful whether Dutch workers’ professional development is sufficient for an advanced knowledge economy.<sup>52</sup>

While lifelong learning has been on the Dutch agenda for five decades, participation in courses and training has levelled off since the beginning of the century. At present, there are some 140 training and development funds in more than 100

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<sup>47</sup>The “cappuccino model” and its variants have been debated for some time. For their advantages and disadvantages, see Geleijnse et al. (1993), CPB (2005). For a discussion of its underlying principles, see Van der Veen (2016). The Netherlands Bureau for Economic Policy Analysis has described several variants from a flexible labour-market perspective (Euwals et al. 2016). The IBO report (Rijksoverheid 2015) also describes several variants, including a system that begins with the worker’s degree of self-reliance.

<sup>48</sup>Eurofound (2017).

<sup>49</sup>van Echtelt et al. (2016).

<sup>50</sup>de Grip (2015, June).

<sup>51</sup>de Grip et al. (2018).

<sup>52</sup>OECD (2017).

sectors, contributing financially to the professional training of workers and sometimes also offering courses and training projects themselves. Take-up on the good schemes is about 45%; on the bad ones, it is virtually zero, with very few people even being aware of their existence.<sup>53</sup> In the context of lifelong learning, it is crucial that training can facilitate movement between sectors. In 2019, the Dutch government allocated more than €200 million to provide everyone in the country with a personal development budget.

One problem is that those who are most in need of training are the least likely to receive it. Highly educated workers continue to have more opportunities for both formal and informal learning; people with the least schooling, on temporary contracts, ethnic minorities and those suffering health problems have fewer chances to develop professionally.<sup>54</sup> Particularly agency temps and on-call workers have virtually no chance to learn on the job. Flexible contracts have affected employers' willingness to invest in staff, especially for formal learning.<sup>55</sup> Employers may also be hiring workers on a temporary basis so they don't have to invest in them.<sup>56</sup>

Future-oriented learning is not about teaching everyone hard technological skills, but the human competencies needed to thrive in the service economy: how to solve problems, negotiate, persuade, deal with others, and to cope with one's own and other people's emotions. Although not everyone needs to learn to code, people need to know something about robots and artificial intelligence: what they can do, what they cannot do, and how people can work with technology. As tasks and duties will inevitably evolve, everyone needs to be able to learn on the job. Above all, people must learn how to learn (see Chap. 6).

It is a myth that the formally less educated are less able to develop in the workplace. Learning often occurs naturally as tasks and duties evolve. High-school graduates are often consigned to jobs with scant learning potential. But when managers believe they can do more and better, and support them in this, their performance improves and they are often just as satisfied with their work as their more highly educated peers.<sup>57</sup> Research has consistently shown that people, regardless of previous educational attainment, learn and develop more when the workplace is organized to support professional development.<sup>58</sup>

Learning on the job and professional development require good colleagues and supportive bosses as well as a sense that there is something to learn. Professional development should be seen as a means to gain and retain control over one's working life and as a way to bring out the best in people within the organizational setting rather than an obligation to bolster one's employability (see Chap. 4).

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<sup>53</sup> According to the Grip, "good" funds also "draw attention to the availability of that money and the possibilities". See Bouter (2019).

<sup>54</sup> van Echtelt et al. (2016).

<sup>55</sup> Boermans et al. (2017).

<sup>56</sup> See also Dekker (2017).

<sup>57</sup> Boermans et al. (2017).

<sup>58</sup> Gallie & Zhou (2013), Felstead et al. (2016).

### 3.5 Wage Development

Wages in the Netherlands up until the Covid-19 pandemic were rising after years of stagnation. Wage development depends on many factors, among them the relative strength of workers, employers and their representative organizations. International comparison reveals that strong trade unions bring higher wages and greater pay equality.<sup>59</sup> In many countries, however, organized labour has long been in decline and unions are struggling to attract young workers in particular. Union membership in the Netherlands has plummeted, from 37% of the workforce in the late 1970s to the current 18%.<sup>60</sup> According to Paul de Beer: “To attract more members, they have to show that they can do more for their members. But to be able to do that, they need more members. It is difficult for unions to work their way out of this situation... Recruitment is usually indirect: people join a union because they are asked by colleagues who are already members. As unions shrink, their presence in the workplace declines and that reduces their ability to recruit.”<sup>61</sup>

The weakening of the trade-union movement is a concern for employers’ organizations which see staff involvement and support as indispensable. The Dutch employers’ association AWFN is thus seeking to help unions recruit new members. In 2018, a think-tank organized by the AWFN, consisting of about 60 people from academia, politics, the trade-union movement and business, advanced ten proposals including “when signing their contract, new employees are offered trial membership of a union of their choice for a period of one year. Employers would encourage this by providing extensive information when hiring people.”<sup>62</sup>

Until the Covid-19 crisis, wages in the Netherlands were rising moderately, although not equally for all. According to Statistics Netherlands, the average disposable income of households with a high-school graduate primary breadwinner was recovering more slowly than in other households: “In 2016 they had average income 4.6% higher than in 2013. For households whose main breadwinner had post-secondary or higher education, those figures were 5.3% and 5.7%, respectively. More and more people have found or returned to work since the crisis. For those with post-secondary or higher education, that usually means a greater rise in income than for the less well-educated”<sup>63</sup>.

Wage inequality is not a matter of education alone. Wage differentials between professions are widening,<sup>64</sup> as was highlighted by primary-school teachers

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<sup>59</sup> Kalleberg (2018).

<sup>60</sup> de Beer & Berntsen (2019).

<sup>61</sup> van Agteren (2017, October 26).

<sup>62</sup> AWFN (2018).

<sup>63</sup> CBS (2018b, June 7).

<sup>64</sup> Bol (2017).

demanding salaries more in line with their secondary-school colleagues in their recent wave of industrial action. Wages particularly lag behind in jobs involving a lot of repetitive or closely supervised work.

### 3.5.1 *A Living Income*

According to a survey by the professional association v&vn,<sup>65</sup> more than two-thirds of nurses and social care workers in the Netherlands believe they earn too little. Many can only make ends meet with the premium they receive for working evening, night and weekend shifts.<sup>66</sup> Their work requires commitment and dedication, is essential for society, and is difficult or impossible to automate.<sup>67</sup> Feeling insufficiently valued and rewarded, some look for other jobs; important services and facilities are thus unable to find enough staff.

The Dutch statutory minimum wage has been falling further behind average (modal) income for decades.<sup>68</sup> But compared to many other European countries, few workers in the Netherlands live in poverty: about 5.3% of the working population, or 320,000 in all.<sup>69</sup> Although this proportion has been growing steadily since 1990, it remains lower than in Germany (9.4%) or the United Kingdom (12.4%). But it is higher than in Denmark (3.5%) or Belgium (4.3%).<sup>70</sup> The working poor in the Netherlands are often poorly skilled and/or have migration backgrounds, and work mostly in catering, retail and transport, and sometimes in the public sector.<sup>71</sup> While their growing numbers can in part be attributed to their wages not rising as fast as the wages of other groups, the flexible labour market and the gig economy has created new groups of the working poor. More than one in nine self-employed persons are at risk of poverty.<sup>72</sup>

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<sup>65</sup> v&vn (2017).

<sup>66</sup> More and more people must work at night, which can be detrimental to their health and social life. The Netherlands Health Council observed in an advisory report (Gezondheidsraad 2017) that “Nearly 1.3 million people sometimes or regularly work at night. Night work disrupts the body’s circadian rhythm, which can lead to adverse health effects.”

<sup>67</sup> Graeber (2018) refers to the “caring classes”.

<sup>68</sup> OECD (2015b) and data from Eurostat ([https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Minimum\\_wage\\_statistics/nl#Algemeen\\_overzicht](https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Minimum_wage_statistics/nl#Algemeen_overzicht))

<sup>69</sup> Poverty is defined using the “modest but adequate” criterion formulated by the Netherlands Institute for Social Research. This is based on a “basic needs” budget to cover expenditures on essentials such as food, clothing, housing and insurance, plus a minimal amount for leisure and social participation. In 2014 the norm for a single person was €1,063 per month. The “working poor” are people in paid work living in a household classified as “in poverty”, excluding schoolchildren and students with a part-time job. See SCP (3 October 2018): [www.scp.nl/Nieuws/Aandeel\\_werkende\\_armen\\_in\\_Nederland\\_gegroeid\\_en\\_overtreft\\_dat\\_van\\_Denemarken\\_en\\_Belgi](http://www.scp.nl/Nieuws/Aandeel_werkende_armen_in_Nederland_gegroeid_en_overtreft_dat_van_Denemarken_en_Belgi)

<sup>70</sup> Vrooman et al. (2018).

<sup>71</sup> Snel (2017).

<sup>72</sup> CBS (2019e, March 5).

### 3.5.2 *How New Technologies and Flexible Contracts Affect Income*

Technological developments affect distinct groups in the labour market in different ways. Wages for jobs largely involving routine tasks are falling behind those that require problem-solving skills.<sup>73</sup> Wiljan van den Berge and Bas ter Weel<sup>74</sup> of the Netherlands Bureau for Economic Policy Analysis predict that some tasks now performed by the better-educated will also be replaced by new technology.

Job polarization can be exacerbated by the greater use of robots and artificial intelligence.<sup>75</sup> As some workers with post-secondary education face shrinking opportunities in the labour market, this puts pressure on workers with lesser qualifications – and their incomes. At the same time, new services and products are also increasing demand for less educated personnel.<sup>76</sup> Much also depends on the choices made by companies, institutions and governments about how technology is used: to complement or substitute human labour (see Chaps. 6 and 7).<sup>77</sup>

The flexibilization of labour puts pressure on wages. While economists often assume that employers pay higher wages for insecure work, this is rarely the case.<sup>78</sup> Not all self-employed individuals have the bargaining power to enforce fair fees for their labour, especially in times of high unemployment. This group also lacks collective means to enforce better pay. This is also true for temporary workers, for whom a succession of temporary contracts does not automatically lead to incrementally higher pay, as is generally the case in collective agreements covering permanent staff. The Dutch central bank, among many others, has concluded that the flexibilization of labour exerts downwards pressure on wages.<sup>79</sup>

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<sup>73</sup> Fouarge (2017).

<sup>74</sup> van den Berge & ter Weel (2015a).

<sup>75</sup> van den Berge & ter Weel (2015b).

<sup>76</sup> van den Berge & ter Weel (2015a: 107).

<sup>77</sup> “Unlike replacing technologies, which take over the tasks previously done by labor, augmenting technologies increase the units of a worker’s output without any displacement occurring, unless demand for a given product or service becomes saturated” (Frey 2019: 13).

<sup>78</sup> Kalleberg (2011).

<sup>79</sup> DNB (2018) writes on its website: “An analysis of data from eight Dutch industrial sectors over the period 1996–2015 shows that the fall in the wage share is linked to increased labour-market flexibility. One possible explanation for this is the weaker bargaining position of workers in the flexible shell, compared with employees on permanent contracts.”

### 3.6 Conclusion: Control over Income Requires More Security and Less Inequality

Control over income	The Netherlands in Europe	The Netherlands over time
Reasonable pay	Positive	Neutral
Employment security	Positive	Positive
Job security	Negative	Negative
Social security	Positive	Negative

■ Neutral   ■ Positive   ■ Negative

Income security is a crucial condition for good work. While work in the Netherlands is generally rewarded fairly, there are big differences in the financial value placed on various tasks and professions. These differences may be exacerbated by the automation and flexibilization of work; wage inequality may thus grow in the future. Although learning on the job and professional development are necessary for all workers to maintain their employability, they are still not the norm, most glaringly for workers who are already vulnerable. Despite the Netherlands' relatively low unemployment rate – which stood at 3% until the Covid-19 crisis – there remain concerns about income security, mostly centring on the rise of precarious work. Although employability in the Netherlands remains high compared to many other countries, job security is low – a product of the growing number of self-employed individuals and the expansion of temporary work and the gig economy.

The uncertainties associated with the flexible labour market are unevenly distributed: there are sharp divisions by education, age and sex. While almost everyone wants job security, the availability of secure positions has plummeted, especially for the less educated. Nor is the current social-security system equipped to deal with the uncertainties. The Netherlands needs a modern system incorporating risk-sharing and protection for all categories of workers; this means revisiting the responsibilities of employers, workers and the state (see the recommendations in Chap. 8).



### **A Day at Work: The Order Picker**

Consumers no longer need to leave the comfort of their homes to make purchases. Supermarkets and department stores have their empty shelves restocked automatically. Distribution centres – the large square sheds that have sprouted across the countryside – are the hubs in the enormous logistics operations that make this happen. Behind their anonymous façades, distribution centres are a hive of activity, with truck drivers delivering goods, unloaders taking them inside, stackers shelving the products and order pickers collecting items to be sent to customers.

Anke and Jos are order pickers at a distribution centre for a department store chain. Some 350 people are employed here, spread across two huge warehouses: one for large items, with electric pallet trucks whizzing around, and the other for smaller products.

Much has changed over the 20 years Anke and Jos have been picking orders here. At first they walked around with pen and paper; then came hand-held scanners. Now almost everything is automated. Each picker works in his or her allocated section of the aisle between the shelving racks. An automated system sends them crates. On their computer screen they see which articles to place in each crate, and in what quantity. Flashing red and green lights indicate where these products are located in the racks. At the touch of a button, the packed crate moves on and the next one appears.

“We don’t have to walk as much and this system is less prone to errors”, says Jos. “But it’s not as enjoyable. Having a quick chat or a joke with your workmates is almost impossible now.” This is tough for Jos because what he likes about work is the social contact. Now it is limited to three breaks per shift and further hindered by language barriers. As the centre increasingly employs people of different nationalities, speaking Dutch is no longer a requirement to work here. The products are all numbered and the headsets can be tuned to three languages: Dutch, English and Polish.

With all the changes, the workload has increased. There is a personal productivity target – 650 crates a day – and the computer can track everyone minute by minute. “Whenever there’s a mistake”, Anke says, “they can look back and see who made it.” The central display in the warehouse is showing that one employee has done nothing for 8 min. “Maybe he’s gone to the toilet”, comments Anke.

Prompters come around several times a day to tell workers how they are performing. While Jos can feel them watching, he claims it does not make him work faster. “Although of course I’d rather hear that I’m doing well than that I haven’t done enough.” Some companies pay a performance bonus, but not this one. The pickers earn the minimum wage, or not much more. Jos would not recommend this job to others. “You work yourself to death for a pittance. It’s hard to support a family on these wages.”

Anke and Jos both have permanent contracts, but these are now few and far between. All new staff are agency temps and are out if they do not meet their targets. If they perform well for some time, they can apply for permanent positions.

(continued)

The order pickers work morning and evening shifts, currently only on normal working days although there are plans to introduce night and Saturday shifts. There are no specific educational requirements. It is not a difficult job, says Anke, “but you do need a feel for it”. The work, however, is physically demanding. The pickers must still walk many kilometres a day and lift a lot – “it makes a difference whether you have to pick up tights or plates” – and the pace set by the red and green lights requires their full focus through each shift. At the end of the day they return home completely worn out. Many of their colleagues are seeing physiotherapists because of back, shoulder or wrist complaints.

Anke and Jos wonder whether they will make it to retirement age in this job. But even after all these years, Anke retains her enthusiasm. But she adds, “If I found something else less physically demanding tomorrow, I’d take it.” This is not a job you get better at the longer you do it, she explains. You learn it in your training period and it remains pretty much the same thereafter until at some point, as you get older, you start “sagging”. The system registers that you have slowed down. If you have been there for a long time and have a good reason to take it a little easier, the firm takes this into account. You can be put “on cardboard” (clearing away empty boxes) or the pallet trucks. But if your productivity decreases long-term, you must leave.

In the summer, temperatures in the warehouses can reach tropical levels. People sometimes pass out. With all her experience, Anke keeps an eye on the new workers. “They forget to drink because they’re so focused on hitting their target.”

*Order pickers are typically paid €1600-€2000 gross per month. The average (modal) income in the Netherlands in 2020 will be just over €2800 per month, excluding holiday pay. Most order pickers only have secondary education. There is a shortage of workers in this sector, attributable primarily to the physical demands and monotony of the work. The introduction of electronic monitoring systems has increased the workload. While automation is a long-term trend in the industry, the number of jobs is not declining proportionally. A large Dutch supermarket chain reopened one of its distribution centres at the end of 2018 as an almost fully-automated operation. Where once it had employed 450 people, there are now just a handful. But shortly afterwards, the same firm announced plans to build an entirely new distribution centre where, from 2020, 1000 order pickers will be needed to meet the growing demand for home deliveries.*

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