

**MUTUAL LEARNING PROGRAMME:**  
**PEER COUNTRY COMMENTS PAPER – THE NETHERLANDS**

Going Dutch?

A comparison of the more restrictive Dutch approach to short-time  
work with the French Partial Activity scheme

Peer Review on “Employment measures to tackle the economic downturn: Short time  
working arrangements / partial activity schemes”

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A paper submitted by ReflecT, Tilburg University, Tilburg The Netherlands

Prof.Dr. Ton Wilthagen

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## 1. LABOUR MARKET SITUATION IN THE NETHERLANDS

*This paper has been prepared for a Peer Review within the framework of the Mutual Learning Programme. It provides information on Bulgaria's comments on the policy example of the Host Country for the Peer Review. For information on the policy example, please refer to the Host Country Discussion Paper.*

During the economic crisis, as Figure 1 (see Annex III for all Figures in this paragraph) shows, the decline of the GDP in the Netherlands, as in many European and non-European countries, has been steeper, significantly more than the drop in employment (both general employment and employment without the segment of flexible labour). The changes in employment typically take place later when we leave out the segment of flexible (temporary or otherwise) employment.<sup>1</sup>

As figure 2 reveals, added value (based on the contribution of respective sectors to the GDP) has notably decreased in the construction sector. This sector has been hit the hardest by the crisis in the Netherlands.

Figure 3 displays the development of unemployment in the Netherlands compared to the EU 15 average and to Belgium, Denmark, Germany and France. Throughout the crisis, Dutch unemployment rates have remained the lowest in Europe.

As figure 4 indicates, the unemployment among Dutch men (working predominantly and traditionally in sectors sensitive to the international business cycle and in the building sector) has remained above that of women. Convergence of gender specific unemployment rates during the crisis is notable.

Figure 5 shows that the average number of working hours is surprisingly stable, despite the extended use of short time work arrangements. The long-term trend in general is moderately downward, but this has not changed during the crisis years. Also the (typically Dutch) relatively high share of part-time workers responsible for the low average number of working hours, has remained fairly constant.

Over the last decade there has been a considerable increase in the share of temporary contracts in the Netherlands, as is shown in Figure 6. During the crisis years, this share has stabilized at a level of about 18 per cent.

Also, the share of self-employed in total employment has increased in the Netherlands during the crisis. Whereas the share of self-employed employers is relatively stable, the increase is mainly caused by self-employed without employees (Figure 7). There is no evidence of this trend reversing during the crisis.

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<sup>1</sup> The expert thanks the following colleagues for their input into this paper: Ronald Dekker, Nuna Zekic, Helen Frenzel, René Voogt and Nadine Gugelot.

## 2. ASSESSMENT OF THE POLICY MEASURE

Like France the Netherlands have had a short-time work scheme for many decades. This scheme was laid down in the 1945 Decree on Extraordinary Labour Relations<sup>2</sup>. This scheme is referred to as the Regulation of Short-time Work (Werktijdverkorting). It includes a ban (in article 8) for employers to unilaterally reduce workers' working hours (unless the salary level remains unaffected). Employers can file a request to the ministry of Social Affairs and Employment to get an ad hoc excuse and lift this ban. The regulation aims at facilitating employers in 'bridging' a period of temporary backdrop in demand for the firm's products and services caused by extraordinary circumstances that do not constitute normal entrepreneurial risks, without making workers redundant.

If the request is approved, the employee receives unemployment benefit from the social security authority as a compensation for the reduced working hours. The unemployment benefit provides an income replacement rate of less than 100 percent (currently 75 percent in the first month, subsequently 70 percent), but in practice employers in many sectors agree to compensate fully from their resources for the wage reduction. Importantly, and this also applies to the new schemes (see below), the costs of the unemployment benefits are deducted from the worker's unemployment benefit entitlements. Therefore workers who are on shorter working hours lose their entitlements for the hours not worked. All in all, the way that the regulation is financed differs strongly from the multi-layered and rather complex basis in France. Compared to many other European countries, including France, the Dutch scheme has been used in a rather restrictive way in the recent past - in more recent years (e.g. in the travel agency sector in the wake of the 9/11 attacks and the bird flu).

As in France, the Dutch government decided to respond to the crisis by rethinking the current regulation on short-time work. On 30 November 2008, when the economic crisis became manifested, a Special Working time reduction scheme came into effect based on, but not replacing, the long-standing arrangement. This was a temporary measure, less limited in access than the existing scheme. Companies could apply for working time reduction until March 20, 2009. This scheme made it possible for employers with significant decrease in demand/turnover to ask for permission allowing them to reduce working hours of their employees. The following criteria had to be met:

1. a decrease in business results (turnover) for at least 2 months since September 1, 2008 until the date of application,
2. the decrease being at least 30 percent within a period of 2 months.

The scheme also applied to employees with fixed term contracts. However, working time reduction could be granted only for the duration period of the contract.

Normally, the working time reduction could be held for six weeks with a maximum of three extensions upon request providing up to 24 weeks of duration. Lower working hours are compensated by the government from the unemployment benefit fund. A total of 853 employers (companies) applied for this benefit scheme, and a total of 810 339 hours were paid out. The last benefit was provided on the April 3, 2009 and the programme was terminated.

Like in France, new follow up measures were adopted in the Netherlands, but the measures again differed substantially from the French ones. The special short-time work regulation was replaced by a new temporary Part-time unemployment benefit scheme (Deeltijd WW), so it is not called "partial activity" as in France. The aim of this new measure was to support

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<sup>2</sup> Buitengewoon Besluit Arbeidsverhoudingen, modeled after a regulation issued by the occupier during the Second World War

those companies which are sufficiently economically viable to survive the crisis, despite the lack of orders and turnover, by helping them to retain their skilled and productive staff, vital to the company's future. This focus met with criticism of employers and trade unions that it is hard to identify which workers were indispensable to companies. In general, companies preferred to include their entire staff into the part-time unemployment scheme.

The maximum budget for the scheme was initially set at 375 million Euros and later on extended to 950 million. This scheme applied to all employers, not only for companies that met the more strict criteria of the previous working time reduction scheme. Employers can reduce the number of working hours by a maximum of 50 percent. During this period employees receive an unemployment benefit for the hours that they are not working. If an employee loses his or her job in the period of part-time unemployment or in the 3 months thereafter, the employer is obliged to reimburse half of the unemployment benefit that was paid while the employee was partially-employed. If a company applies for the part time unemployment scheme there must be an agreement with the unions or representatives of the employees. Furthermore, there has to be an agreement on the provision of training (by the employer to the employees) during the periods that they are not working

In general, a person that receives a regular unemployment benefit (*WW-uitkering*), has several obligations. Some of these requirements do not apply to employees in the part-time unemployment benefit scheme, in particular:

- These employees are not obliged to apply for a job.
- They do not have to register as a jobseeker at the job centre (*UWV WERKbedrijf*).
- They do not have to accept other (part time) work other than work which is offered by their current employer.
- They do not have to participate in courses or training other than what the employer provides.

The part time unemployment benefit initially applied for 13 weeks, but could be extended four times (for a maximum of 65 weeks). The scheme was closed on June 23, 2009 because the budget was exhausted. On July 20, 2009 the scheme was prolonged and at the same time eligibility conditions were further restricted. Employers, (e.g in the construction sector) and trade unions, were strongly advocating the need for another extension. On the other hand, some large companies that received part-time unemployment benefits have opted out and have started hiring new staff. During the heavy frost period in the beginning of 2010 the government introduced a special "frost unemployment benefit" for construction companies that were unable to continue their activities (with idle workers), due to the weather conditions.

The prolonged scheme was to end on the 1st of April 2010. As some sectors of industry, such as the construction sector, are characterized by long-lasting commissions and have only been recently affected by the economic crisis, the Dutch government decided for a temporary prolongation of the already adjusted part-time employment scheme until 1 July 2011. Only companies that have not used the scheme before are now eligible.<sup>3</sup>

Compared to France, the Dutch government started to restrict and "roll back" the short-time work arrangements when signs of economic recovery emerged. This underlines the more restrictive Dutch approach requiring that no company should be supported that is either not economically vital or should be considered self-supportive (so-called dead weight effect).

Between April 2009 and April 2010 the Part-time Unemployment scheme was used by 69,000 employees and 6,700 companies. The number of full-time equivalents is not known. According to the Host Country Discussion Paper in France – which has a much larger working population than the Netherlands (approximately 4:1) - 400,000 workers participated in the Partial Activity Scheme, but only 49,000 full-time equivalent jobs were supported.

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<sup>3</sup> See [http://home.szw.nl/index.cfm?menu\\_item\\_id=16452&hoofdmenu\\_item\\_id=13826&rubriek\\_id=391818&link\\_id=185294](http://home.szw.nl/index.cfm?menu_item_id=16452&hoofdmenu_item_id=13826&rubriek_id=391818&link_id=185294)

Therefore the actual outcomes might not differ so significantly in France and the Netherlands.

In the Netherlands only one out six workers covered by the scheme was female. This is related to the fact that the largest share of these workers was employed in the metal industry (43 percent), the sector most affected by the crisis. Also the retail sector and business services sectors had a significant share in the scheme (both 12 percent of total workers).<sup>4</sup> As the industries most exposed to international competition and developments are located in the south-east of the Netherland, this region submitted the highest numbers of requests for support.

544 workers were fired after having being included in the scheme; 306 companies have to pay back the benefit for this reason.<sup>5</sup> According to the FNV Trade Union Confederation (the largest trade union) the scheme has proved to be successful since majority of workers in the scheme saved their jobs. At an early stage (July 2009) it was expected that 4 out 10 jobs in danger would be saved due to the Part-time Unemployment schemes.<sup>6</sup>

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<sup>4</sup> Chkalova, K. (2010), Deeltijd-WW in beeld. Voorburg: CBS Statistics Netherlands 2010  
<http://www.cbs.nl/NR/rdonlyres/696D113D-38F4-488B-BB09-54FABF1FB906/0/2010k3v4p15art.pdf>

<sup>5</sup> Letter to Parliament from Dutch Minister of Employment of Social Affairs, 30 Augustus 2010,  
[http://docs.minszw.nl/pdf/34/2010/34\\_2010\\_3\\_14432.pdf](http://docs.minszw.nl/pdf/34/2010/34_2010_3_14432.pdf)

<sup>6</sup> De Klaver, P.M. and L.S. de Ruig (2009), Deeltijd-WW en het behoud van werkgelegenheid  
Een quick scan. Zoetermeer: Research voor Beleid. 24 juni 2009  
[http://www.stvda.nl/~media/Files/Stvda/Nota/2000\\_2009/2009/20090625\\_volledig\\_rapport.ashx](http://www.stvda.nl/~media/Files/Stvda/Nota/2000_2009/2009/20090625_volledig_rapport.ashx)

### 3. ASSESSMENT OF THE SUCCESS FACTORS AND TRANSFERABILITY

The partial activity scheme in France differs in various ways from the Dutch scheme.

First, the French partial activity scheme and the changes introduced in the scheme are of a permanent nature, while the Dutch part time unemployment scheme is only temporary. It is expected that no further extension will take place, since there are signs of modest improvements in the economy and an increased demand for workers. One of the largest Dutch trade unions (the FNV Bondgenoten) has, however, advocated for a structural extension given the success of the scheme. Yet, there are no plans to make the scheme permanent, therefore what will be left after the crisis, is the 1945 short-time work scheme.

In addition to this difference in the time frame, it must be observed that the Dutch and the French schemes differ considerably in terms of institutional settings. The French 'partial activity allowance' is based on a relatively complex combination of three levels of compensation (including statutory schemes and collective agreements). In the Netherlands the unemployment benefit funds have been used to reduce the financial burden of both the employers and the employees. Until March 2009 (during the operation of the special working time reduction scheme), many employers continued paying the full salary to their employees. They could have their expenses partially reimbursed. When the Part-time unemployment benefits scheme came into force, the employees received unemployment benefits for the hours that they were not working (with a maximum of 50 percents of the working hours). This means that the workers drew on their unemployment insurance entitlements. The general Social Insurance Administration Office (UWV Werkbedrijf) is responsible for determining whether an employer qualifies for the scheme and is in charge of the payment of the unemployment benefits. Only employees who qualify for unemployment benefits under normal circumstances, can benefit from the scheme.

In France, collective agreements at company or sectoral level can secure more favourable conditions than those stipulated by law, so that companies can pay employees on short-time work up to 90 percent or 100 percent of the missing net income, but without extra financial support from the state. In the past, Dutch trade unions demanded supplementation of the insurance benefits for workers who are part-time unemployed (by topping up benefits to equal 100 percent of the salary level), but the employer organizations were unhappy with these demands.<sup>7</sup> Different opinions have been expressed at the Labour Foundation (Stichting van de Arbeid, STAR), a national bi-partite consultation body of the main employers and trade union organizations, but this has not resulted in an agreement. In practice, though, many employers compensate for the lost income.

The French national multi-sector agreement of 1968 is applicable to a large majority of employers. In the Netherlands it is not possible to conclude collective agreements at national level. Collective agreements can only be concluded at sectoral or company level. Furthermore, in France a new national multi-sector agreement has been signed in October 2009 to allow employees of independent professions to benefit from a conventional allocation. The Netherlands does not have a tradition of concluding collective agreements for the independent professions. Tariff agreements set by self-employed workers are viewed as a violation of pro-competition regulations.

The measures taken in both countries have wide coverage in terms of sectors and employees. However, temporary agency workers did not benefit from the schemes or any

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<sup>7</sup> EIROnline newsreport: Trade unions place new demands on part-time unemployment scheme, July 13, 2009, <http://www.eurofound.europa.eu/eiro/2009/05/articles/nl0905029i.htm>.

specific training measures, despite the fact that they were the main victims of job losses. The workers with a fixed-term contract represent another group that has been severely affected by the crisis in the Netherlands. In the Netherlands additional measures have been taken to assist the workers that are made redundant in their search for a new job. A national network of 'mobility centers' has been established, usually residing within the already existing job centres (UWV Werkbedrijf). The aim of these temporary mobility centers is to bring together all regional public and private parties involved, including temporary working agencies, in some regions in close cooperation with specific sectors. Here people can discuss their personal career paths and get assistance in applying for training or finding a new job. The government and the social partners also focused on wage reductions in their collective bargaining rounds in 2008 and 2009, in order to decrease costs for the companies in difficulty and maintain the competitive power of the Dutch economy. The French report does not discuss such measures.

In addition, it should be highlighted that compared to the French schemes, the Dutch schemes put more emphasis on assessing the performance of companies, namely assessing the extent of production loss of the company.

The revelation of the structural shortcomings of the training market in the provision of training services and the lack of employers' will to invest in the general employability of employees in France (and to a lesser extent also in the Netherlands) are factors to be considered in future policy making in this area.

## 4. QUESTIONS

Any particular aspects of the policy measure for which the Peer Country would like further information or clarification.

1. What was the reason for introducing different levels of allowance (reimbursements)?
2. Is the allowance considered to be salary (because the employer pays it to the employees) or benefit? Is the allowance more or less generous than general unemployment insurance?
3. Why was training not made compulsory when the new scheme was introduced (the long lasting partial activity in February 2009)?
4. How are employees, whose training is being funded from the Joint Fund for securing career paths, selected for training? Can they, for instance, apply for training themselves?
5. In regards to funding the training programme FPSPP that was created especially for the crisis, on what general idea has it been based and where does the rest of the funding come from? How does the system of funding of the OPCA work? How do the OPCA and FPSPP connect to each other, do they fund specific kinds of training each, or are they complementing?
6. How much control has been exercised by the public employment service or regional government in order to test the sustainability of the jobs that are affected by shorter working hours as well as the training opportunities that could have been used?
7. What are the best practices from the regional initiatives concerning training? Are there statistics available on the working time reductions for workers per category? Is there a difference in the allocation of the allowance for blue collar and white collar workers?
8. Has the scheme proven to be effective in preventing or slowing down the (process of) redundancies?
9. How have the number of jobs saved through the short-time work scheme been calculated?
10. How will the French government continue with the scheme in view of the fact that it has only been modestly used by employers compared to other labour market strategies?

## ANNEX I: SUMMARY TABLE

<b>Labour market situation in the Peer Country</b>
<ul style="list-style-type: none"> <li>• Dutch unemployment has remained the lowest among EU countries, also during the crisis.</li> <li>• Increasing unemployment has brought the unemployment rate of men and women closer.</li> <li>• As in other countries, the Netherlands has experienced much less growth in unemployment than was expected on the basis of lack of economic growth.</li> </ul>
<b>Assessment of the policy measure</b>
<ul style="list-style-type: none"> <li>• The way the Dutch regulation is financed differs strongly from the multi-layered and rather complex basis in France.</li> <li>• Compared to many other European countries, including France, the Dutch scheme has traditionally been used in a rather restrictive way over time.</li> <li>• The actual outcomes in France and the Netherlands, in terms of supported full time equivalent jobs, may not differ as significantly as one might expect.</li> <li>• The latest Dutch scheme on Partial Unemployment is not likely to be given a permanent status.</li> </ul>
<b>Assessment of success factors and transferability</b>
<ul style="list-style-type: none"> <li>• In France, collective agreements at company or sector level, can fix more favourable conditions than those stipulated by law, so that companies can pay employees on short-time work up to 90 percent or 100 percent of the missing net income, but without extra financial support from the state. No such agreements have been made in the Netherlands, though, in practice many employers do compensate for the lost income.</li> <li>• Compared to the French schemes, the Dutch schemes put more emphasis on assessing the performance of companies.</li> <li>• The revelation of the structural shortcomings of the training market and lack of employers' will to invest in general employability of employees in France (and to a lesser extent also in the Netherlands) are factors to be considered in future policy making in this area.</li> </ul>

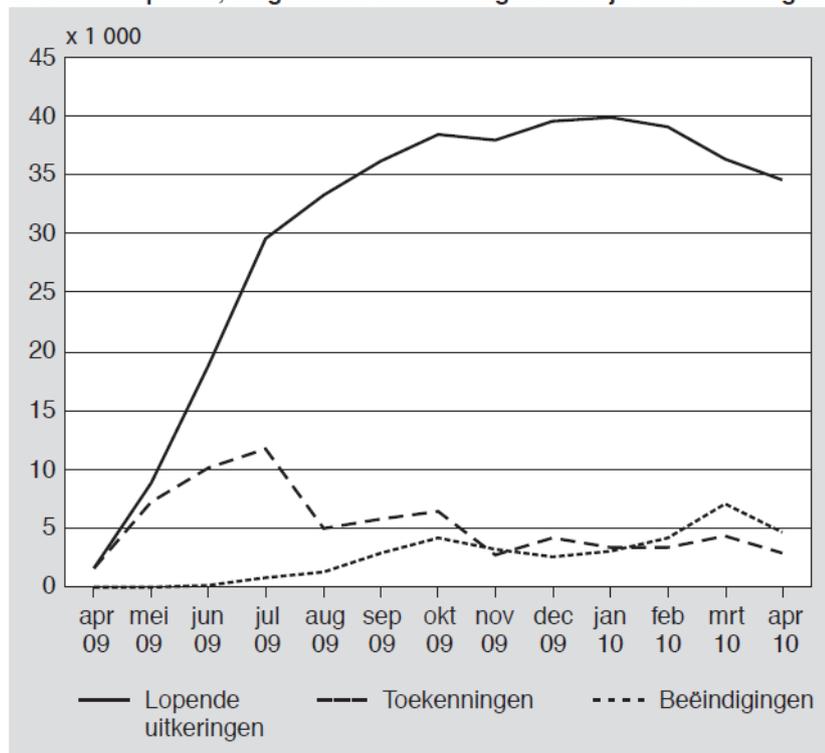
### Questions

- What was the reason for introducing different levels of allowance (reimbursements) in France?
- Why was training not made compulsory when the new scheme was introduced (the long lasting partial activity in February 2009)?
- How are the employees, whose training is being funded from the Joint Fund for securing career paths, selected for training? Can they, for instance, apply for training themselves?
- How will the French government continue with the scheme in view of the fact that it has only been modestly used by employers compared to other labour market strategies?

## ANNEX II: GRAPHS AND TABLES FROM CBS REPORT

Figure 1 - Number of ongoing, granted and terminated part-time unemployment benefits

### 2. Aantal lopende, toegekende en beëindigde deeltijd-WW-uitkeringen



Source: CBS Statistics Netherlands, *Deeltijd-WW in beeld. The Hague 2010*

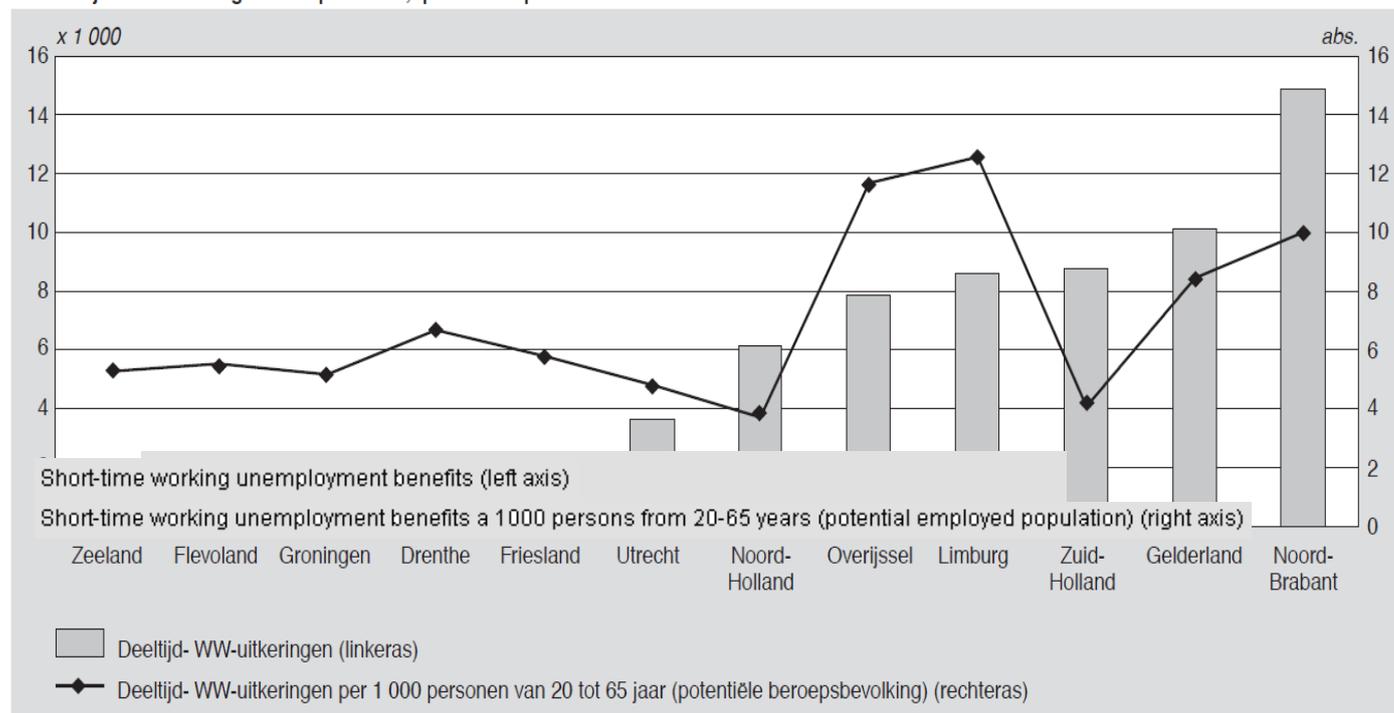
**Table 2**  
Short-time unemployment benefit recipients by age, sex, ethnicity and industry sector

	Metal Industry	Wholesale and retail trade	Business Services	Other	Total
<b>Total</b>	30 070	8.390	8.410	22.300	69.170
<b>Age</b>					
15-30	3 870	1.490	1.870	4.730	11.960
31-45	13 160	3.980	4.220	8.800	30.160
46-55	9.300	1.990	1.670	6.100	19.060
56-65	3.730	920	660	2.680	7.990
<b>Sex</b>					
Male	27.660	5.270	5.790	19.400	58.130
Female	2.400	3.110	2.620	2.900	11.030
<b>Ethnicity</b>					
Native	23.930	7.290	7.280	19.160	57.660
Non-western immigrant	3.330	360	420	1.540	5.660
Western immigrant	2.800	740	720	1.600	5.850

Source: CBS Statistics Netherlands, *Deeltijd-WW in beeld. The Hague 2010*

3. Short-time working unemployment benefits by province, april 2009 – april 2010

3. Deeltijd-WW-uitkeringen naar provincie, april 2009–april 2010



Source: CBS Statistics Netherlands, *Deeltijd-WW in beeld*. The Hague 2010

## ANNEX III: GRAPHS: LABOUR MARKET SITUATION IN THE NETHERLANDS 2000-2010

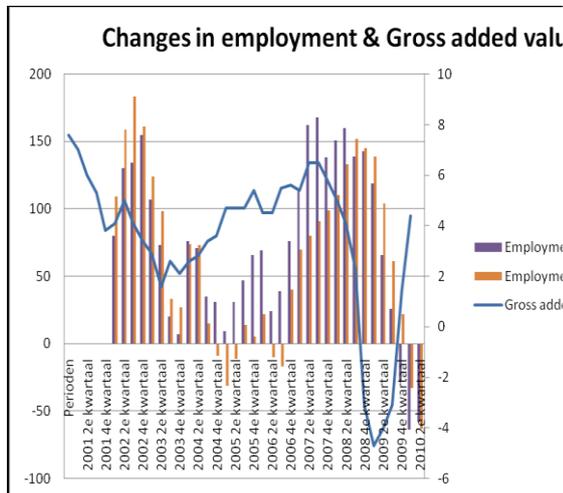


Figure 1

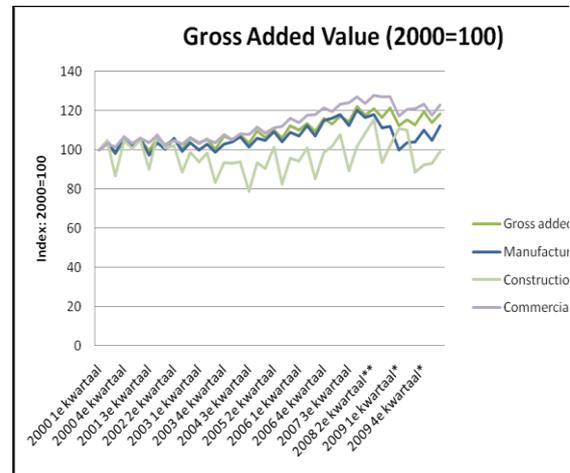


Figure 2

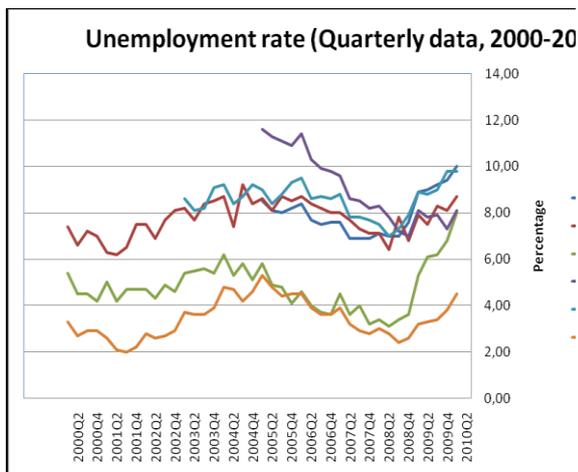


Figure 3

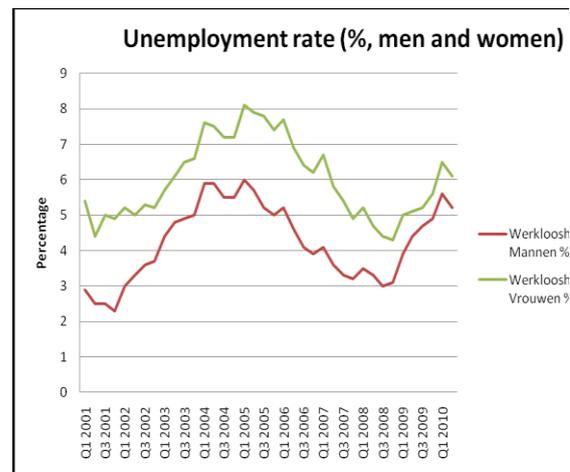


Figure 4

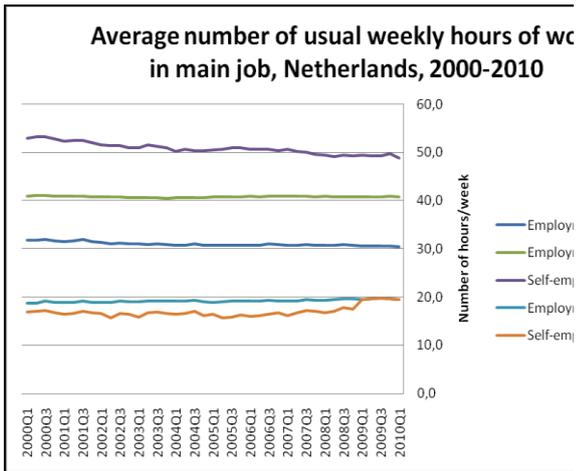


Figure 5

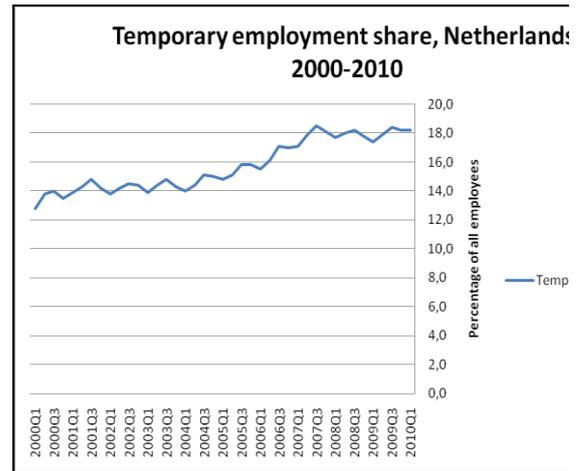


Figure 6

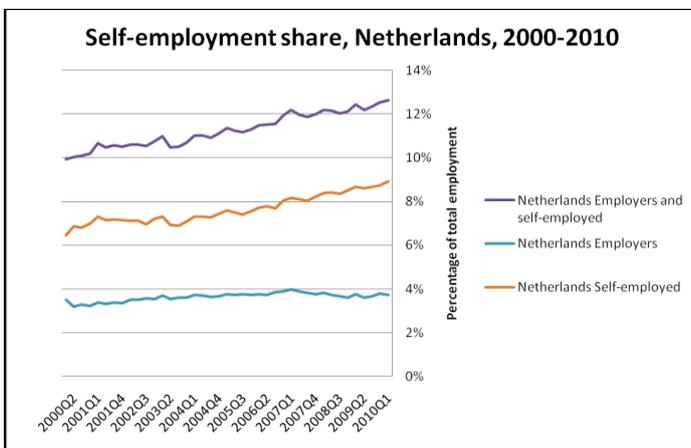


Figure 7