



Ministerie van Sociale Zaken en
Werkgelegenheid

The rise of precarious work – the Dutch perspective

Atie de Ruiter,
Elvira Wieland,
Koen van Schie-Akdağ

Ministry of Social Affairs and
Employment,

The Netherlands
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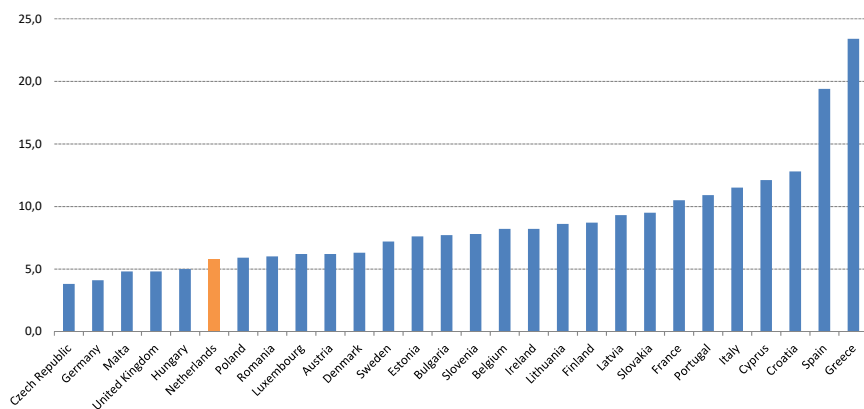
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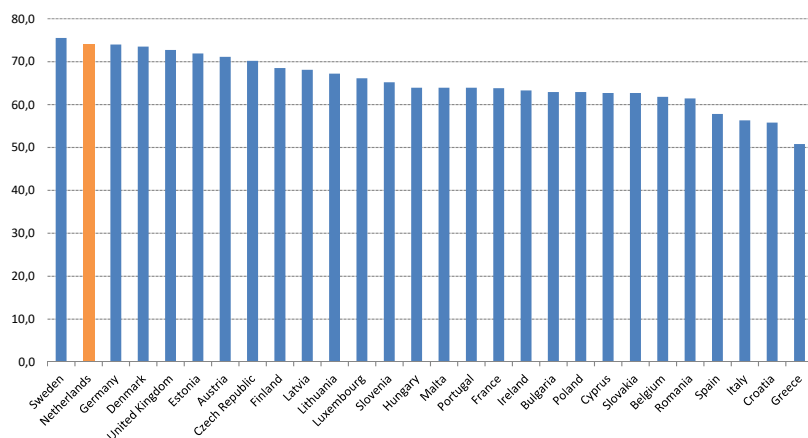


1. The segmentation of the labour market and the rise of precarious work

The Dutch labour market is in good shape: unemployment low



.. and the employment rate is high





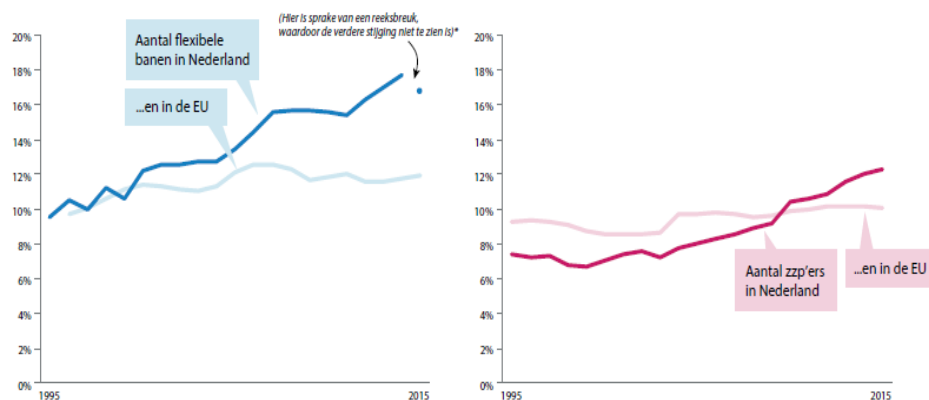
But ... the Dutch labour market fits all characteristics of a dual labour market

- Traditionally often an open-ended contract
 - that's no longer the case
 - but the idea is still present
- Segmentation is seen:
 - between flex/permanent contracts for employees
 - and a "gap" between employees and self-employed

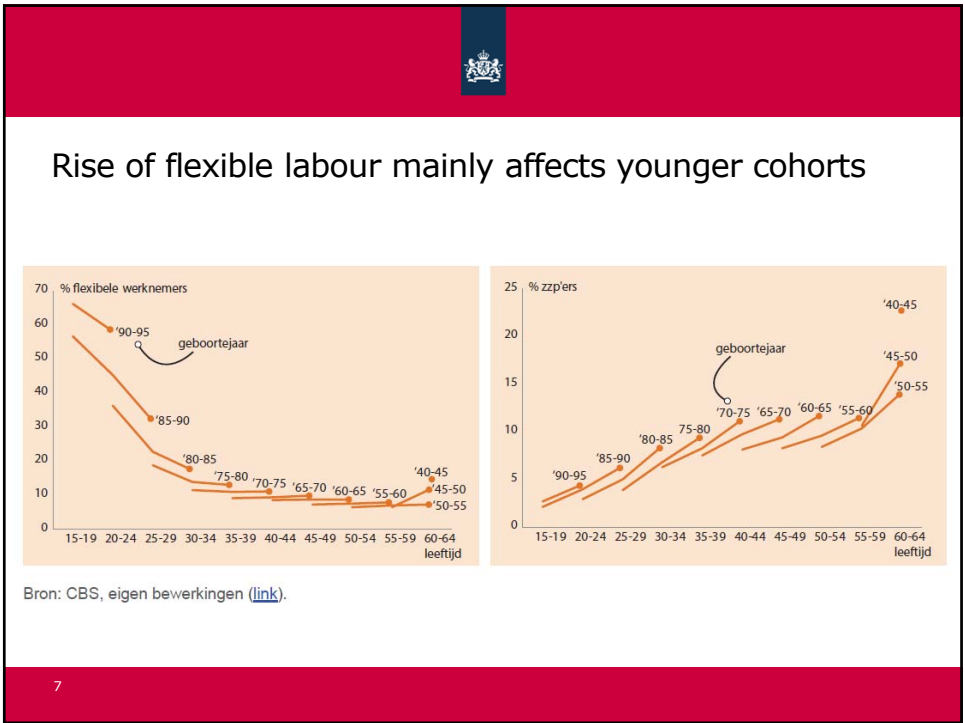
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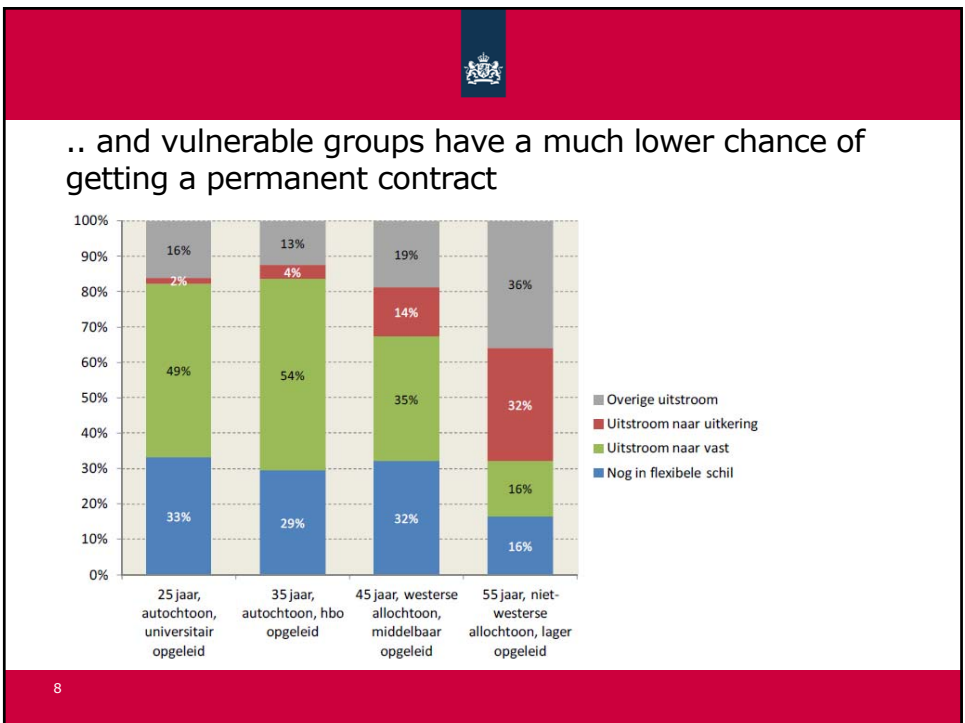
Flexible labour is outgrowing EU averages



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2. Possible causes

- 1) **Changed preferences** do not explain this phenomenon:
- 2) Nor does **technology or globalization**
- 3) Nor does the **economic business cycle**

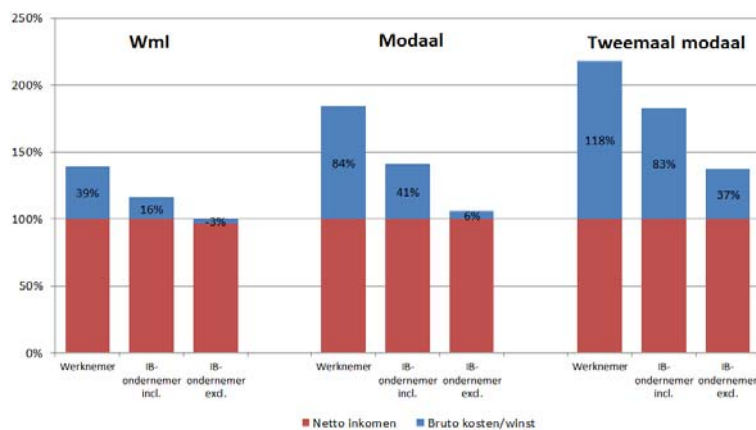
→ Which leaves *institutions* as explanation. Differences in:

- Taxation
- Labour regulation (employment protection)
- Social security obligations
- Pensions
- Regulatory framework (e.g. collective bargaining)

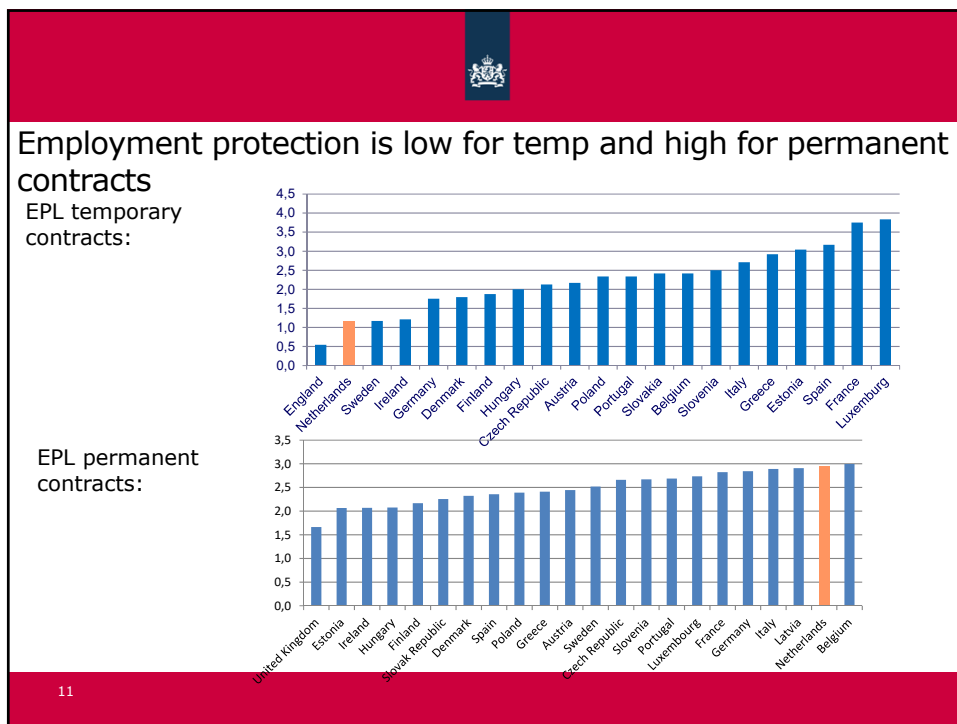
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Taxation and social security: costs of different workers for an employer, 2015



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3. Societal and political perspectives

- **In the 90s: spirit of deregulation.**
 - Focus on innovation, more participation.
 - Self employed and employees: separate groups.
 - Bogus self-employment: not a major problem.
- **Shift in 2010s:** more attention for bogus self-employed
- **Current situation:** Consensus on the problem, not on the solution.

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4. Our perspective and policy action: consequences current segmentation of the labour market

- **Weakest groups least protected**
 - employees on a flexible contract 2-3 more likely to be unemployed, in poverty, experience their job as a physically tough
 - consequences beyond work: personal life, mortgages, children, health
- **Employers use flexible labour for permanent work**
 - Underinvestment in schooling and suboptimal allocation of labor
- **Workers on flexible contracts are much more likely to draw benefits**
 - Pressure on the (financial) solidarity of social security

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How we view it

Perspective of policy makers

- Current situation is not desirable. No agreement about cause and solution.
- Level of protection is a political choice.
- Reducing differences between contract forms – better outcomes are likely
- Task policy makers: guard the cohesiveness of laws and regulation regarding the labour market.

Political situation

- Path dependency – self employed are a large and powerful interest group
- Little support for 'compromise' solutions.
- More research or reports pointing out the problem will do little to solve this.

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Policy action : Coalition agreement October 2017

Self employed:

Regulation

- A mandatory labor contract: for self-employed with a low hourly rate
- A possibility to opt out from social security schemes at a high hourly wage
- The assessment whether self employed are employees or not with be enforced when new regulation is in place.

Financial

- all deductions including those for self-employed will only be deducted at a low tax rate.

Long term

- Investigate whether an opt-out for all entrepreneurs from labour law is desirable.

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Policy action : Coalition agreement October 2017

Flexible contracts:

- Prevent competition on employment conditions with 'payrolling'
- premium differentiation regarding unemployment benefits
- prevent permanent availability of on-call workers

Long term:

- Review temporary agency/payrolling

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Questions?