The rise of precarious work – the Dutch perspective

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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

Flexible labour is outgrowing EU averages
Rise of flexible labour mainly affects younger cohorts

.. and vulnerable groups have a much lower chance of getting a permanent contract
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)
Employment protection is low for temp and high for permanent contracts

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.
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 job
  - 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

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.
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.

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
Questions?