The Netherlands: Industrial relations profile

Facts and figures
Area: 41,543 square kilometres
Population: 16,728,091 (January 2012)
Language: Dutch
Capital: Amsterdam
Currency: Euro

Economic background

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>GDP per capita (2010)</strong></td>
<td>133</td>
</tr>
<tr>
<td>(in purchasing power standards, index: EU27=100)</td>
<td></td>
</tr>
<tr>
<td><strong>Real GDP growth (% change on previous year)</strong></td>
<td></td>
</tr>
<tr>
<td>1.8% (2008)</td>
<td></td>
</tr>
<tr>
<td>-3.5% (2009)</td>
<td></td>
</tr>
<tr>
<td>1.7% (2010)</td>
<td></td>
</tr>
<tr>
<td>1.2% (2011)</td>
<td></td>
</tr>
<tr>
<td><strong>Inflation rate</strong></td>
<td></td>
</tr>
<tr>
<td>(annual average rate of change)</td>
<td></td>
</tr>
<tr>
<td>1.6% (2009)</td>
<td></td>
</tr>
<tr>
<td>0.9% (2010)</td>
<td></td>
</tr>
<tr>
<td>2.5% (2011)</td>
<td></td>
</tr>
<tr>
<td><strong>Average monthly labour costs, in € (2010)</strong></td>
<td>4,456</td>
</tr>
<tr>
<td><strong>Average labour productivity</strong></td>
<td>n.a.</td>
</tr>
<tr>
<td><strong>Gross annual earnings, in € (2010)</strong></td>
<td>45,215</td>
</tr>
<tr>
<td><strong>Gender pay gap (2010)</strong></td>
<td>18.5%</td>
</tr>
<tr>
<td><strong>Employment rate (15–64 years) (2010)</strong></td>
<td>71%</td>
</tr>
<tr>
<td><strong>Female employment rate (15–64 years) (2010)</strong></td>
<td>63.1%</td>
</tr>
<tr>
<td><strong>Unemployment rate (15–64 years) (2012)</strong></td>
<td>6% (January 2012)</td>
</tr>
<tr>
<td><strong>Monthly minimum wage (2012)</strong></td>
<td>1,446.60 (gross, 1 January 2012)</td>
</tr>
</tbody>
</table>

Industrial relations characteristics, pay and working time

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Trade union density (%)</strong></td>
<td>21%</td>
</tr>
<tr>
<td>(Trade union members as a percentage of all employees in dependent employment)</td>
<td></td>
</tr>
<tr>
<td><strong>Employer organisation density (%)</strong></td>
<td>90% (estimate)</td>
</tr>
<tr>
<td>(Percentage of employees employed by companies that are members of an employer organisation)</td>
<td></td>
</tr>
<tr>
<td><strong>Collective bargaining coverage (%)</strong></td>
<td>84%</td>
</tr>
<tr>
<td>(Percentage of employees covered by collective</td>
<td></td>
</tr>
</tbody>
</table>
### Agreements

| Number of working days lost through industrial action per 1,000 employees | 1.018 (2008)  
| | 0.0007 (2009)  
| | 0.009 (2010)  
| Collectively agreed pay increase, in % | 3.1% (2009)  
| | 0.8% (2010)  
| | 1.5% (2011)  
| Actual pay increase (%) (annual average 2010–2011) | n.a.  
| Collectively agreed weekly working hours | 37.4  
| Actual weekly working hours | 39.6 (estimate; around 35% of employees regularly work overtime. For these employees the number of extra hours per week is 6)  

### Background

#### Economic context

The Netherlands is a relatively homogeneous country. From an economic point of view, the western part is the most important and most affluent (the so-called Randstad), while the northeastern and southeastern parts in particular are less well developed. National policy is dominant, with regional policy in some areas playing a part. Services dominate the economy. Traditionally the Netherlands has hosted a relatively large number of multinationals (Philips, AkzoNobel, Unilever, Shell). Rotterdam port is of major importance, not only for traditional imports and exports, but also as a distribution centre for re-exporting. The financial sector is relatively large, concentrated in the Amsterdam area.

Compared to many other EU countries, the effects of the crisis have been relatively modest in the Netherlands, with the exception of the banking sector. Unemployment has remained below 6%. However, since mid-2011 the Dutch economy has been in recession, with the budget deficit rising to 4.6% and the national debt amounting to over 70% of GNP. After a first round of cuts in government spending, a second round of €156 billion was prepared in early spring 2012. The cuts will result in major job losses in the public and semi-public sector. GDP fell by 3.7% in 2009, but grew in 2010 and 2011 by 1.6% and 1.1% respectively. For 2012, 2013 and 2014 a small decrease is expected.

In the past decade the number of ‘flexible’ jobs (temporary workers, fixed-term contracts, etc.) has risen sharply, as has the number of self-employed. A quarter of the Dutch working population has a flexible job (self-employed, temp workers, fixed-term contract, etc.).

#### Legal context

Employment and industrial relations are regulated mainly by law, with the exception of industrial action (for which case law is the only form of regulation). Major legislative acts are Volume 7 of the Civil Code (regulation of individual employment contracts), the Act on collective agreements (in force since 1927) and the Act on the extension of collective agreements (since 1937), the Act on working time (amended in 2007), and the Act on works councils (in force since 1950, but in its
present form since 1979). EU directives are all implemented by way of acts (e.g. on equal
treatment, collective redundancies, transfer of undertakings, etc.).
A specific feature of the Netherlands is that employers need a permit from the public authorities
to be able to dismiss an employee. This has resulted in employers and employees often (around
50% of all dismissal cases) taking an alternative route, that is, to court.
With regard to individual and collective employment issues, the legal environment has been fairly
stable, with one exception: the 1996 Law on flexibility and security.
Major changes have, however, taken place with regard to the regulation of the social security
system. Rules covering unemployment benefits have continuously been made stricter (most
recently on 1 January 2009). The same is true for the regulation of sickness and disability. At
present, the employer is obliged to provide sick pay for two years. Both the employer and
employee have work together to get the worker back to work. Rules with regard to entitlement to
disability benefit have become stricter as well.

**Industrial relations context**
Since 1982 (the famous Wassenaar agreement between government and social partners, where
the employers agreed to working time reductions in exchange for wage moderation by the unions)
industrial relations in the Netherlands have been fairly stable. Unions and employers have a
strong presence at national level. The dominant level of collective bargaining is the sector. Union
presence at company level is (with some exceptions) rather weak. As in most EU countries, union
density has decreased to around 21%, but has remained stable for several years. The ageing of
union membership might pose problems in the future, however. In 2004 there was a major
conflict between the social partners on their reform of the pension system, but relations have
improved since, not least because of a common stand against the government on pension issues.
Collective bargaining coverage remains high (more than 80%). Collective bargaining has become
somewhat more decentralised, especially with regard to working time issues.
The strike level remains low by international standards.

**Main actors**

**Trade unions**
Trade union density is declining slowly but continuously. It went down from around 28% in 1998
to around 21% in 2011 (the most recent figure). Unions are active in trying to organise new
groups, especially those in the lower strata of the labour market (e.g. cleaners).

The most important trade union organisations are:
- Federatie Nederlandse Vakbeweging (Federation of Dutch Trade Unions) [www.fnv.nl](http://www.fnv.nl)
- Christelijk Nationaal Vakverbond (Christian Trade Union Federation) [www.cnv.nl](http://www.cnv.nl)
- Centrale voor Middelbaar en Hoger Personeel (Federation for Middle and Higher Personnel)
  [http://www.vakcentralemhp.nl/](http://www.vakcentralemhp.nl/)

In 2011 a major conflict arose within the largest federation (FNV) on the issue of the reform of
the pension system. The federation and most of the smaller unions supported the agreement
between the social partners, but the two main unions did not. In early 2012 FNV was working on
a complete overhaul of the federation.
**Employer organisations**

There are no official figures on employers’ organisation density, but it seems to be high and stable (estimate: around 90%).

The most important employers’ organisations are:
- **VNO-NCW** (for both large companies and SMEs)
- **MKB Nederland** (focusing on SMEs)
- **LTO** (for the agricultural sector)

The main development is the gradual merging of VNO-NCW and MKB into a single organisation.

**Industrial relations**

**Collective bargaining**

<table>
<thead>
<tr>
<th>Levels of collective bargaining</th>
<th>National level (Intersectoral)</th>
<th>Sectoral level</th>
<th>Company level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Principal or dominant level</td>
<td>x</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Important but not dominant level</td>
<td>x</td>
<td>x</td>
<td></td>
</tr>
<tr>
<td>Existing level</td>
<td>x</td>
<td>x</td>
<td>x</td>
</tr>
</tbody>
</table>

The coverage rate of collective agreements is 84%.

Collective agreements are legally binding for the members of the unions who are party to the agreement. The same is true for the employer or employer organisation that is party to the agreement. The employer (organisation) is obliged to offer the same conditions to non-organised employees as to union members. These do not have to accept, but invariably they do.

Once agreed, the collective agreement is binding for the parties concerned (and their members).

In many sectors, the agreement is, on request by the respective social partners, extended to all employees by the Ministry of Social Affairs and Employment. This adds some 7 or 8 percentage points to the coverage rate of collective agreements (from 78% to the 84% mentioned above).

Some companies ‘follow’ other agreements voluntarily, but this is not a very extensive practice.

Most collective agreements contain opt-outs. They are rarely used.

There is no strict coordination mechanism, although the federations usually publish a bandwidth (or alternatively a maximum) percentage for the next bargaining round. It should be noted that since 1982 the Netherlands are characterised by relatively modest union demands.

There is some decentralisation, but it is taking place gradually:
- the number of company agreement is rising, but the sector level is still very much dominant;
- within existing sector agreements, centralisation takes two forms. One is creating different levels within the (sector) agreement. As an example: level A is fixed for all parties bound by the agreement, level B allows for deviations on the conditions that the contracting parties give permission and level C allows for deviations without permission when the works council at company level agrees. In the second form, there are no different levels, but arrangements (especially on working time) allow for deviations on company level when agreed with the works council;
• a third form of decentralisation exists in both sector and company agreements. A growing number of agreements allow, within certain limits, for individual choices (e.g. time for money). These are called cafeteria or à la carte agreements.

A new phenomenon is that the number of new agreements fell in 2011 and the beginning of 2012. In the meantime, the old agreements remain in force.

Other issues in collective agreements
Apart from the core issues (working hours and pay), the following issues are of high importance:
• work and care;
• employability
• reintegration
• flexibility
• variable pay
• working conditions (including stress).

These issues have gained importance in the last decade, as is shown by the biannual reports by the Labour Inspectorate on collective bargaining. Issues of gender equality are also addressed in collective bargaining to a growing extent.

Industrial disputes

Frequency of strikes
By international standards, the frequency of strikes in the Netherlands traditionally is very low. Every now and then there are exceptions, like 2002 (when there were major strikes in the public sector) and 2010 (a three-week long strike among cleaning personnel), but even then the figures were modest from a comparative perspective. In 2011, a major strike occurred among cleaning workers. This reflects a change in attitude in some unions towards organising. Because of the cuts in the government budget, the likelihood of increased industrial action in the public sector is increasing.

Sectors involved
In the period 2003–2008 the main sectors hit by industrial action were industry and construction, commercial services and transport and communication. The public sector is becoming more prone to disputes, largely because of cuts in the public budget that result in restructuring and a downward pressure on wages.

Main reasons for collective action
The main reasons mentioned by the Central Statistical Office (CBS) are ‘other’ and ‘collective agreement’. In practice, the main issue is pay. Sometimes strikes are directed against restructuring and collective dismissal.

Industrial dispute resolution mechanisms
In the majority of cases, conflicts are resolved by the negotiating partners themselves. Only in exceptional cases do mediators play a role. Sometimes, employers go to court to try (partly or completely) to stop industrial action.
Tripartite concertation

The most important tripartite body is the Social and Economic Council (Sociaal Economische Raad, SER), consisting of one-third employee representatives (the three main union confederations), one-third employer representatives (the three main employer confederations) and one-third independent members, appointed by the government.

Mention should be made of the bipartite Foundation of Labour (Stichting van de Arbeid, STAR), with an equal number of members from the social partner federations.

All major social and economic issues are covered by the SER, including worker participation, labour market, innovation, environment, social security, etc. On many issues, the SER is unanimous. This may result in a kind of proto-legislation: both the Law on working time and the Law on Flexibility and Security are closely modelled on advice issued by the SER.

In 2010–2011, a major social pact on pensions (second pillar) was agreed between the social partners.

Workplace representation

The main channel of employee representation is the works council. Union presence at workplace level is low by international standards. Works councils are obligatory when 50 or more employees are employed. The compliance rate is 71% (much higher in larger companies). In smaller establishments, mini-works councils may be established. Works councils consist of employees only and are elected by all employees. By international standards, they have extensive rights on a wide range of issues, including all major strategic company decisions.

The regulation of these bodies is codified by law (the Act on works councils, *Wet op de ondernemingsraden*).

### Main channels of employee representation

<table>
<thead>
<tr>
<th></th>
<th>Works council (WC)</th>
<th>Trade union (TU)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Most important body</td>
<td>*</td>
<td></td>
</tr>
<tr>
<td>2 Alternative body</td>
<td></td>
<td>*</td>
</tr>
</tbody>
</table>

Employee rights

There are no specialised labour courts in the Netherlands. There are different mechanisms, depending on the issue:

- with regard to all individual matters, individual employees have the right to go to court;
- when an issue is covered by a collective agreement, the unions may go to court as well;
- with regard to works council issues, the works council can go to court. Strategic issues (like mergers, restructuring, investments etc.) are handled by a specialised court (the Enterprise Chamber of the Amsterdam court);
- some issues (like minimum wage, working time and working conditions) are monitored by the Labour Inspectorate, which can issue fines to employers;
- discrimination issues (gender, race, disability, etc.) can be brought to court, but can also be brought to the Equal Treatment Board (*Commissie Gelijke Behandeling*), which however only has the right to give an opinion;
- in many collective agreements, employees can appeal at bipartite arbitration boards.
Pay and working time developments

Minimum wage
There is a statutory minimum wage.
For employees of 23 years and older the level is set at €1,469.40 gross per month, valid as from 1 January 2013. The legal minimum wage is changed every 1 January and 1 July, based on the wage developments in collective agreements.
The statutory minimum wage of younger workers is set lower than the general statutory minimum wage (ranging from 30% for 15-year-olds to 85% for 22-year-olds). In many collective agreements, minimum wages are agreed that are somewhat higher than the legal minimum wage. The government has started experimenting with deviating from the statutory minimum wage for some categories of disabled employees.

Pay developments
By international standards, collectively agreed pay increases in the Netherlands have been modest, especially in the period 2004–2005, when social partners agreed to a wage freeze. In the following years, actual pay increases were almost certainly higher, to a large extent due to the tight labour market in the period 2006–2008. In the first year of the crisis, collectively agreed pay still rose by 3.1%, mainly due to a spillover effect of existing agreements. Since then the trend has been downward.
The gender pay gap is quite wide in the Netherlands and is only decreasing slowly. In recent years, the gap has decreased from almost 22% to nearly 19%. Part of the gap can be explained (career breaks, education level, the very high incidence of part-time work among women, sectoral and occupational differences), but 7% remains unexplained.
The subject has become more important on the agenda of both the social partners and the government and is mainly reflected in clauses in collective labour agreements.

Working time

Statutory weekly working time
In 2007, the statutory working week was changed by amending the Act on working time. The maximum amount of hours per day is 12 (60 per week). These amounts are restricted by so-called reference periods. Unlike the former regulation, there is no longer a legal difference between normal working time and overtime (but most collective agreements do make a distinction on this point).
The length of the weekly working time has been stable for a long time. On average, collective agreements contain a 37.5-hour working week for full-time employees. By international standards, the average working week in the Netherlands is very short. This can be explained by the high incidence of part-time work. This type of work is exceptionally common in the Netherlands: almost 25% for men and over 75% for women. In 2010, 46.8% of the employees worked on a part-time basis. Increasingly, collective agreements do not prescribe a certain amount of hours per week, but start from a yearly amount of hours.

Working time as an issue in collective bargaining
Working time is not a major issue in collective bargaining, although in the years before the crisis there was some pressure from employers to lengthen the working week (back to 40 hours as was the rule before the shortening of the working week in the 1980s). The background was the tight labour market in the Netherlands.
Actual weekly working hours

The number of actual weekly working hours is on average somewhat higher than the collectively agreed number of hours. For an average full-time employee this would amount to a working week of almost 39 hours.

Bibliography and links

Statistics Netherlands (www.cbs.nl)
Labour Inspectorate (www.inspectieszw.nl)
Centraal Planbureau (www.cpb.nl)

Robbert van het Kaar, AIAS/HSI