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Prospects for a socially responsible *and* enterprising country: emerging from the crisis and getting back to work on the way to 2020

Taking and fulfilling responsibility, creating and utilising opportunities

1. Vision

Rebuild trust...

Economically speaking, the Netherlands is having a very difficult time. The situation is extremely grave, giving rise for serious concern, but it is definitely not hopeless. The Netherlands can and will emerge from the current recession. We – all of us – must return to prosperity, and all of us will have to work hard to make that happen. Businesses and employees want to contribute to these efforts, and they will do so. To that end, their central organisations are reaching agreements (laid down in this document) for taking a focused approach to the crisis and are proposing fundamental and sustainable reforms. All of these agreements and proposals are based on a Netherlands that is both socially responsible *and* enterprising. These parties are willing to take responsibility in this respect, and they will do so. The time for creating new opportunities and rebuilding society's trust has arrived.

That trust must provide a new impetus for employees, job seekers, the self-employed and entrepreneurs to effect changes and improvements. Trust in the economy, perspective on work and income, and the striking of a careful balance between flexibility and security in employment relationships will be important to turning the economic tide and permanently reversing the downward spiral. Tomorrow, the Labour Foundation's Crisis Action Team will begin its work towards this goal.

...by offering employees and businesses realistic prospects...

Employees and job seekers must focus, and stay focused, on sustainable participation in the employment process and, if necessary, on an adequate income safety net. It is absolutely crucial that the rights and protection of employees who have flextime employment relationships ('flex workers') should be improved and that every possible means should be used to combat unfair flextime schemes. It is just as important that everyone who is capable of working should work as much as they can, each in accordance with his or her own skills. This is a responsibility that every citizen bears, and one with which society can offer assistance if necessary. Sustainable employability must be a permanent goal.

Enterprises must focus, and stay focused, on making maximum use of the economic opportunities offered by both domestic and foreign markets. While exporting companies continue to keep the Dutch economy stable, the domestic market still has to recover its development and dynamic. Consumer trust is vital to this. Companies must be able to view the Netherlands as a desirable location for a branch office, one that offers a well-educated population and returns on investments. That has always been the Netherlands' strength, and that tradition must be continued. Government policy will have to bolster entrepreneurship and investments aimed at innovation and sustainability. This will benefit companies' international competitive position and the growth of the Dutch economy.

What the country needs is solid, stable anchors that offer everyone a handhold for dealing with changes. For the average citizen, these will take the form of temporary income protection and good, accessible public facilities. For employees, these will be tools for retaining and improving their own job market positions. For businesses, such a handhold – including returns on investments – can be offered by a good, stable and predictable business climate.

...acknowledging the gravity of the crisis...

The economic crisis has left deep scars. Companies are having a difficult time, barely keeping their heads above water, cutting back on investments and filing for bankruptcy more often. This has not left employees and the self-employed untouched: unemployment is dramatically increasing and the self-employed are finding new contracts harder and harder to come by. Newcomers on the job market, including young people, are having an increasingly difficult time finding a job. For those who have become unemployed or are in a vulnerable position on the job market, it has become difficult, or even impossible, to find another job.

For employees, job seekers and the self-employed, job and income security are becoming a thing of the past. Entrepreneurs are less certain that their efforts to manufacture goods and provide services will meet with success. Many people – too many people – have major, realistic concerns and a grim view of the near future.

In practice, the current system of employment contracts and the related laws are, in certain respects, throwing progress increasingly off track and producing subpar results for the economy as a whole. One example is the ever more frequent use of bogus schemes whose sole purpose is to side-step collective agreements and rules. Excessive flextime arrangements are on the rise.

How did things get this bad? Not all of the blame can be laid on the global economy. The Netherlands is struggling with structural problems that are only making poor economic development worse. As a result, our economy is more sensitive to international circumstances than the economies of neighbouring countries.

Part of the cause for this is the interplay between the housing market, the banking industry and the pension system. These fields are so inextricably linked to one another

that the problems in one field negatively reinforce the problems in the other two. One obvious example of this is the continued drop in house prices, the problems that SMEs (small and medium-size enterprises) are having with obtaining financing, and the decreases of pension benefits that are going hand in hand with increases in pension contributions. Meanwhile, the national budget is being subjected to enormous scrutiny that could very well result in even more cutbacks.

The measures that are under consideration will do nothing to provide more security to individuals and businesses, and that is leaving aside the uncertainty-ridden changes and dynamics in the rest of Europe and the world.

The ability of companies and employees to accept and adjust to continuing deterioration in difficult times has been severely overtaxed. They have no more to give. Rising unemployment and increasing uncertainties have brought the levels of trust amongst businesses (manufacturers) and citizens (consumers) to their lowest point ever, with a downward spiral an ever-present possibility on the horizon. The country is in jeopardy of being swept along in a vicious circle.

...and better prospects...

We cannot simply give up. The social partners are convinced that the country has enough opportunities and resiliency to pull itself out of its economic problems and to win back and rebuild trust. Despite the crisis and the aforementioned structural problems, the Netherlands is in a strong position to make such efforts. In terms of welfare, income and productivity, we are amongst the highest-rated countries in the world. This is partly due to the structural reforms that have taken place over the last few decades on the goods, services, and job markets – reforms that were largely based on the consultation economy. As a result, the Dutch economy is characterised by a highly trained workforce, stable employment relationships and a solid physical infrastructure. The social security reform that took place in the 1980s and 1990s has had a positive impact. Solidarity and reciprocal obligation are the core values that have contributed to the Netherlands' structural strength. It is our duty to continuously renew and reinforce this strong foundation for future generations.

...by taking and fulfilling responsibility for...

The Netherlands has a long tradition of social debate that has gotten our country through difficult times. The consultation economy will be entering a new phase, partly as a result of the current crisis. This will entail redefining the roles of both the government and the social partners. A sustainable reallocation of responsibilities will be necessary. The responsibilities relating to the job market – including protection against dismissal and social security – must be newly allocated in a way that is both future-proof and fair to both employers and employees. The parties who will benefit from solving problems must be put in charge of achieving such solutions. This will provide a new impetus to society's capacity for self-organisation and will motivate citizens and entrepreneurs alike to use their own strengths to take on this challenge. This will imply institutional reorganisation that will discourage institutions from 'passing the buck' and increase their effectiveness. This will also require a fundamental renovation of the social security

system and other job market institutions. In addition to ensuring socially responsible income protection, the social security system will also have to ensure that people will be able and willing to accept more risks and change jobs more easily, and that they are supported in maintaining their position on the job market throughout their working lives. Social security-related responsibilities must be allocated consistently, with clear distinctions made between national insurances [*volksverzekeringen*], employees' insurances [*werknemersverzekeringen*] (with salary-linked benefits), and social welfare provisions (with means-tested benefits). In this respect, employees' insurances will function as term insurances: they will initially focus on compensating losses suffered as a result of the occurrence and continuance of social risks such as unemployment and occupational disability.

...an action-oriented policy for the short and medium term.

In this approach, all of the parties are willing to work towards a basis for responsibly restructuring the social security system, a new foundation for rebuilding trust in a sustainably prosperous Netherlands, and a new basis for society.

To that end, they will accept both short- and medium-term responsibility for taking measures and promulgating policy. For the short term – up through the end of 2016 – it is essential that the negative spiral at home are stopped and that sectors and regions are afforded the necessary leeway for approaching the crisis. For the medium term – up to 2020 – the social partners want to work towards developing a new, sufficiently adaptable infrastructure for the job market that will offer everyone both the opportunity to participate *and* employment and income prospects. The government and the social partners would have different, but complementary, responsibilities in this new infrastructure.

Short term: focused approach to the crisis and stopping the negative spiral at home

In its recent macro-economic study entitled 'Dutch economy in calmer waters' [*Nederlandse economie in stabielere vaarwater*], the Social and Economic Council [*Sociaal-Economische Raad*] ('the Council') suggests that several structural problems may be exacerbating the recession. The Council refers to three 'keys' to stopping the downward economic spiral: The following actions must be taken simultaneously:

- reverse the five-year-long trend of house prices on the housing market (and thus the cause of the sharp drop in demand for construction projects and related job opportunities);
- rebuild opportunities for banks to grant mortgages and other loans;
- make the second-pillar pension system less cyclical by revising pension contracts. This would insulate pension contributions and benefits from financial market shocks.

It will take more, however, to effect the short-term recovery of the economy, capacity for growth, *and* trust. We have to invest in work and job opportunities *now*. We cannot afford to waste either the opportunities for developing specific job market policy for bridging the current crisis period *or* those for restoring the business climate and job market after the crisis is over. We must strive towards an intersectoral approach that

encompasses effective sector-wide plans and sustainable job opportunities. Even in times of crisis, people must be able to change jobs, both between and within sectors.

The Labour Foundation will be immediately deploying a Crisis Action Team to provide any needed support to decentralised parties to collective agreements in their approach to the crisis.

Medium term: new infrastructure for work and income...

There is a fair amount of uncertainty regarding both the quantitative and qualitative future demand for labour. The ageing of the population, technological changes, and increasing international job mobility will either create surpluses and shortages or will cause existing surpluses and shortages to continue. The Netherlands benefits from a dynamic job market, with all of its participants being prepared to change jobs. This is consistent with a changing society that has become increasingly characterised by autonomy, dynamism, and self-sufficiency. The job market is demanding more initiative and adaptability than it did in the past: grabbing new opportunities, utilising innovations, and entering new markets all require companies *and* employees to be highly adaptable.

A sustainable, stimulating job market also requires suitable support and guidance, as well as investments in job security. More and better possibilities and arrangements must be made available in these respects. These are necessary to getting a job, making a rapid and smooth transition from one job to another, and, if there is a threat of unemployment, being able to move from job to job without being dismissed. This will be true not just for job changes within sectors, but between them as well, including between sectors with a labour surplus and those with a labour shortage. Customised intersectoral job-to-job programmes (as well as facilities for training and employment services mediation), as well as better accessibility of regional job markets, will be essential to this endeavour. All of this will require a new infrastructure to arrive at a job market that forges reciprocal ties between an intersectoral approach by decentralised social partners with initiatives and policies for regional job markets, and vice versa. A modern infrastructure like this one, which offers everyone opportunities – which invites and motivates everyone – will require both input and supervision on the part of the government and the social partners.

...that offers everyone opportunities to participate...

No one can be left behind. We must create a job market with a place for everyone. Caring for those who fall by the wayside or need protection will be the lynchpin of such an inclusive job market. Prosperity may only be experienced in its broadest sense if everyone is able to contribute their talents and capabilities. In particular, the sustainable job market participation of those with a limited capacity to work and disabled young people can and must be increased, including at SMEs. The collective efforts that this will require at the regional level from municipal governments and the social partners will be expressed in new, regionally organised Job Companies [*Werkbedrijven*] that will be responsible for the job market participation of people who are able to work and who receive a disabled young persons' benefit [*Wajong*] or a salary from sheltered employment [*WSW*]. Municipal aldermen and employers in the region will jointly bear

the responsibility of administering these agencies.

...and creates a new balance between flexibility and security on the job market...

The relationship between employers and employees will have to be reworked. A careful balance between flexibility and security must be struck in employment relationships. The ability to adapt to changing circumstances and offer prospects for work and income are important to both employers and employees; the inherent uncertainty of the future must be replaced with trust by striking a new balance between these two interests.

This will mean making adjustments that can only be made in tandem. Both employers and employees need the protection from dismissal to be revised and improved. Changes also need to be made to combat bogus and excessive flextime schemes. In order for self-employed persons who do not employ others [ZZP'ers] ('self-employed persons') to maintain a sustainable economic position and participate in the job market, the law should also provide a clearer definition of the term 'self-employed person', a measure proposed by the Council in its formal opinion entitled 'Self-employed persons in the spotlight' [*Zzp'ers in beeld*] (2010).

...reorientation towards future employees' insurances containing sound unemployment provisions...

A new perspective is needed on the functions that employees' insurances (starting with unemployment insurance) perform in the social security system, in addition to and distinguished from the functions performed by national insurances and tax-funded social provisions. Employees' insurances facilitate mutual investments and productive employment relationships between employers and employees because they are intended to offer security by making up for lost income during periods of unemployment, illness and occupational disability. For some time now, these benefits have been funded less and less from employer and employee contributions and more and more from tax revenue. Unemployment insurance must offer security against the consequences of unemployment, with solid policy conditions on which both employers and employees can rely. This must be accomplished in tandem with more investments in preventing unemployment (including through job-to-job programmes) in order to help the unemployed find work again (reintegration). With such an integral, chain-linked approach in mind, the responsibilities for employees' insurances must be decentralised within a national framework. The social partners will play a vital role in this endeavour.

...a sustainable pension system...

The second pillar pension system must be modified so that it no longer serves as a source of disquiet. It is precisely the possibility to share risks collectively that, on the one hand, ensures that responsible risks are run for a pension that retains its value and, on the other hand, absorbs developments on the financial markets while protecting pensions from the resultant shocks. This will require a revision of the current pension contract and an overhaul of the supervisory framework in the short term. Changes in tax treatment will have to continue to offer incentives for accruing an adequate supplementary pension.

...and 'calmer waters' for government financing.

The social partners believe that managing healthy government finances will contribute to a restoration of confidence. On the one hand, the goal is to stop, rather than inadvertently strengthen, the downward economic spiral on the domestic front, while constructively working towards a permanently balanced budget in the medium term. Government financing must also find calmer waters, an endeavour to which tempo and customised solutions will be important. Repeated ad hoc cost increases and austerity measures undermine confidence and may further hinder economic growth. On the other hand, 'sustainability' for the longer term is crucial; in other words, the burden must be fairly allocated amongst the generations, without deficits being shoved off onto future generations. The proposed structural reforms, which may require extra expenditures in the initial phases, will increase the sustainability of government finances and collective arrangements.

Finally...

Both entrepreneurial and employee organisations want agreements and proposals for a social *and* enterprising Netherlands filled with renewed zeal and confidence. They are fully committed to this endeavour, which is why they are setting – in an unstable context – a long-term goal that they will reach. They feel collectively responsible for further improving a sustainable level of prosperity and well-being, with adequate work for everyone, more leeway and chances for entrepreneurship and enterprising conduct, and increased social cohesion. The government will also be responsible for playing a role in this respect. The agreements and proposals constitute a first step that will be more detailed in the near future by the government, the Labour Foundation, the Association of Netherlands Municipalities [*Vereniging van Nederlandse Gemeenten*] ('VNG') and the Social Economic Council.

The social partners are urging that the bills that relate to the changes that they have proposed and agreed on flexible employment relationships, protection from dismissal and unemployment benefit, should be presented to Parliament simultaneously because these topics are so closely interwoven.

2. Medium-term approach for a better working and enterprising Netherlands

2.1 Towards a working infrastructure for the job market and social security

General

A balanced and dynamic job market where everyone can be employed sustainably demands a tailor-made infrastructure that works efficiently and effectively for employees and job seekers, as well as for employers and those who are self-employed. This infrastructure must contribute to job security, and it must focus on the sustainable participation of those with a limited capacity to work and disabled young people (through Job Companies), as well as on preventing unemployment (through job-to-job programmes) and helping the unemployed find work again (reintegration). To that end, this infrastructure must forge reciprocal ties between the intersectoral approach by decentralised social partners with initiatives and policies for regional job markets, and vice versa. It must also promote intersectoral mobility so that employees can transfer more easily from a shrinking sector to a growing one.

The system must be overhauled to create a simple and transparent structure. The responsibility borne by regional municipalities is increasing, creating a need to better structure the regional job market. These job markets are insufficiently equipped to be able to quickly and effectively translate the provisions of national sectoral collective agreements into a regional approach designed to prevent as much unemployment as possible. There may be only 35 regional job markets, but some 400 municipalities are responsible for taking the decisions affecting those markets.

A new structure for regional job markets and social security

The social partners will soon enter into partnerships with the other parties involved to develop a new, sustainable infrastructure for regional job markets. This must make it possible to easily translate national sectoral plans into regional and intersectoral needs and opportunities. Naturally, attuning supply to demand in regions and sectors is vitally important to the functioning of the job market.

The new, agreed job market infrastructure will also impact the social security infrastructure, particularly with regard to unemployment insurance. In this respect, the social partners' involvement in effectively reducing unemployment entails another statutory obligation, and efforts made regarding job-to-job programmes could reduce the amount paid out in unemployment benefit.

The mission of existing institutions must be changed and they must be redirected in the medium term: this will commence in 2016 and the changes will be finalised with effect from 1 January 2020, when governments and the social partners will jointly direct the job market.

Outline of the proposed infrastructure

Our goal is for our institutions to be more efficient while at the same time having an unambiguous mission. Over the course of time, that framework will comprise three

separate national agencies: one for the objective assessment of capacity for work and related issues, one for the effective and proper distribution of benefits, and one for verification.

Employers, trade unions and regional authorities share responsibility for ensuring that everyone who is capable of working (those receiving unemployment benefit or social assistance [WWB], as well as those who are ineligible for benefits), finds a job through the regional Job Centres [*Werkpleinen*] and for ensuring that those who receive a disabled young persons' benefit or salary from sheltered employment find work through the Job Companies.

The initial outline for this new infrastructure encompasses:

- Approximately 35 regional Job Centres where regional employers and trade union boards will work with the aldermen of the relevant municipalities to create a regional job market that will translate national sectoral agreements into regional implementation.
- Labour mediation will be premised on public-private cooperation.
- There will be 35 Job Companies formed from the current sheltered workshop companies, and these Job Companies will be responsible for assisting those who receive a disabled young persons' benefit or salary from sheltered employment find work. Regional businesses/businesspeople and aldermen will be closely involved with these Job Companies.
- The Employees' Insurance Agency [*UWV*] ('UWV') – which will be merged with the Care Assessment Centre [*Centraal Indicatieorgaan Zorg*, or *CIZ*] ('CIZ') – will be responsible for assessing the degree of individuals' capacity for work and their need for care and extra support in finding work (see more details in Section 2.3). The advantages of this newly formed governmental agency will be as follows:
 - a single point of contact for needs assessments for functional limitations;
 - a single medical dossier for all evaluations;
 - reduced number of mandated assessments for various benefits;
 - uniform level of quality;
 - reduced administrative burden for citizens.

Process

In the Workroom,¹ the social partners and the VNG will have three months to develop a design for this regional job market infrastructure. This design will lay down the details of the future of the 35 regional Job Centres, such as the management by, and allocation of responsibilities between, regional governments and market parties, financing sources, the involvement of regional employers, trade unions, and so forth. The discussion will also regard the structure, mission, financing and duties of the Job Companies.

Other parties will be intensively involved in shaping the proposed job market infrastructure, such as decentralised parties to collective agreements, the Ministry of

¹ On 14 March 2013, the VNG and the Labour Foundation agreed to intensify their partnership regarding regional job markets. Preparations for future agreements in this context will be made in the 'Workroom'.

Social Affairs and Employment [SZW] ('SZW'), education and training funds [*O&O-fondsen*], the VNG, the UWV, and similar institutions.

2.2 Build-up of intersectoral job-to-job facilities

Today's job market is demanding more initiative and adaptability than it did in the past, but it is also demanding more appropriate support, guidance, and investment in job security. More and better arrangements are necessary to getting a job, making a rapid and smooth transition from one job to another, and, if there is a threat of unemployment, being able to move from job to job without being dismissed. In short, there is a lot of work to be done to develop a cohesive, chain-linked approach that emphasises preventing unemployment (prevention) and, if that is unsuccessful, assisting job seekers with finding work (reintegration). Customised intersectoral job-to-job programmes (as well as facilities for training and intermediation), as well as better access to regional labour markets, will be essential to this endeavour. Job-to-job programmes and transitional schemes can also ensure the reassessment of professional skills and, if so desired, offer support to those wishing to start their own businesses.

In the context of employability policy, employers and employees share responsibility for sustainable employability. For that reason, the social partners advocate amending the Dutch Civil Code [BW] so that this responsibility is reflected in the statutory definitions of sound employer practice [*goed werkgeverschap*] and sound employee practice [*goed werknemerschap*].

The social partners agree that an infrastructure for job-to-job transitions for the medium term must be structurally organised. This will enable employees to continue their careers according to their own wishes and at their own initiative. Providing incentives for starting a business can also be part of this infrastructure. Trade union services may also play a significant role in this respect.

Employees will become more resilient, their ability to adjust to the job market will increase and, ultimately, lower amounts will be paid out in welfare benefits. This is premised on employers being partly responsible for investing in their employees throughout their careers. In the case of a transition (forced or otherwise), knowledge, experience, skills and rights that have been accrued will be recognised and transferable to the next job.

A key point in this respect is that education and training funds will have to cooperate intersectorally to enable employees to more easily obtain support when transitioning from sectors that are shrinking to those that are expanding. In that vein, consideration may be given to converting the education and training funds into transition funds, or to establishing transition funds alongside education and training funds that could be involved in discussions about regional Job Centres. One of the first specific questions that must be answered in these discussions regards the creation of a sound job-to-job approach.

For example, perhaps employers who are not parties to collective agreements containing agreements on this approach could pay their way into the system. Such innovative, permanent social plans or transition funds could be formed by expanding the duties and

financial basis of existing education and training funds, but could also be achieved by adding to the education and training structure, particularly in sectors that do not have education and training funds.

It is important that both the tax base and the access to facilities are expanded to include temporary or flexible employees in businesses or sectors. Opportunities must also be created, subject to certain conditions, for self-employed persons to utilise education and training funds and the future transition funds based on a financing model that will be fleshed out later. Because this would also provide self-employed persons with access to support with schooling and career orientation, it would make them less vulnerable on the current job market, which has also been tough on them. This issue will have to be worked out in more detail in consultation with organisations of self-employed persons.

All in all, the formulation of this approach will be an important task for both centralised and decentralised parties. To that end, there are currently several initiatives underway, such as C3, the mobility centre/transition fund for the graphics sector, which in 2011 was successful in assisting more than 80% of its candidates in changing from their current jobs to new ones, either within or outside the sector. There is also an initiative to create a transition fund for the engineering sector. Another initiative is the negotiation agreement on social policy in the national sector between the government as an employer and the government agencies that have observed that, over the course of time, redundant civil servants will have to be assisted through job-to-job programmes. Progress can continue to be made using these types of initiatives as a foundation.

2.3 Jobs, even for those with limitations

General

As noted, we must create a labour market with a place for everyone. Social security will have to contribute to this. As far as social security is concerned, expenditures on welfare, unemployment and occupational disability benefits have stabilised in the recent past. This stabilisation is partly thanks to the reforms initiated by the social partners. With regard to the position of disabled young persons, however, it has been observed that an unchanged policy for the coming decade is expected to result in a substantial increase in the number of young persons with a functional limitation ('functionally limited young people'): from more than 200,000 in 2013 to more than 400,000 in 2040.

This increase must be curtailed; the current system of providing a minimum-level benefit to employees, can no longer be maintained, particularly when that benefit is often received for life. First, this curtailment is in the best interests of the employees in question. Working offers an increased level of independence, contributes to self-esteem and provides a social network. From an economic standpoint, as well, it is important that those with functional handicaps are able to work – with support. The return on the investment represented by the costs of support and guidance will be the reduction in benefit costs.

New laws regarding employment for persons with functional limitations will enter into effect on 1 January 2015. From then on, the responsibility for helping functionally limited young people and those eligible for sheltered employment will be borne by 35 regional Job Companies. Aldermen and regional employers will be responsible for managing these facilities. The Labour Foundation will appeal to employers to make agreements regarding the management commitment. The Job Companies must assist functionally limited young people and those eligible for sheltered employment find jobs, whether they are assigned to traditional employers or hold traditional jobs with extra supervision.

The national government will provide municipalities with a total budget for implementing programmes for social assistance, sheltered employment and functionally limited young persons. They will use these funds to pay their share of the activities performed by the regional Social Security Agency. This will not only eliminate the benefits to be had from shifting the financing for one benefit scheme to another, it will also provide an unambiguous statement of responsibilities for the supporting organisations, with the involvement of the regional agencies responsible increasing the chances for partially occupationally disabled persons to find a job.

The focus of special education programmes will also have to shift more towards educating people so that they have a better chance than they now have of making a sustainable place for themselves on the job market. To accomplish this, special education programmes will have to be involved at an early stage when limiting the influx of those eligible for disabled young persons' benefit or sheltered employment.

This will require preventive measures and stringent assessment standards. The UWV will periodically assess students' possibilities for employment. Cooperation between the UWV, special education programmes and the students themselves could result in realistic career chances being assessed at a much earlier stage than is currently the case.

Specific outline

In addition to the outline for a new job market infrastructure (regarding Job Centres, labour mediation, Job Companies) provided above, the following is a specific outline of the proposed structure focusing on jobs for those with functional limitations:

- The financial resources for functionally limited young people and those eligible for sheltered employment and social assistance will be combined into a single total budget; this will put the complete budgetary responsibility on municipalities' shoulders and eliminate the possibility of filing ex post claims with the national government, as well as discourage referring young people who receive welfare benefit to the disabled young persons' programmes. That will not diminish the fact that a significant part of the total budget will be intended for financing the activities of the Job Companies for the target group.
- An important point requiring attention in regard to the aforementioned discussions with the VNG regarding the Job Companies will be how Job Companies can be stimulated to devote equal amounts of attention to assigning employees who are difficult to place and assigning those who are relatively easy to place.
- A collective agreement will continue to apply to employees who work for the Social Security Agency at a sheltered workshop or who are assigned to a traditional job. The current collective agreement for sheltered employment may, in time, be converted into a new collective agreement for Municipalities/Job Companies.
- Those currently eligible for sheltered employment will be able to transition to the new scheme on a voluntary basis.
- The Job Companies will be charged with:
 - creating sheltered employment for eligible employees;
 - helping partially occupationally disabled employees who are eligible with finding a job at a traditional employer on the basis of an assignment with the designated level of supervision at the workplace; and
 - assigning (to the extent possible) partially occupationally disabled employees who are eligible to traditional employers. The Social Security Agency will 'relieve' the employer. In other words: the Social Security Agency will provide supervision and support (job coaching), a no-risk policy for employee's potential sick leave and a salary subsidy that will enable the amount the employer pays the employee to be commensurate with the employee's productivity. The salary subsidy – the difference between the wage value and the statutory minimum wage – will be borne by the government. If the salary required by a collective agreement is higher than the statutory minimum wage, the employer will bear the difference.

The UWV's duties and assessments

As noted in Section 2.1, the social partners propose that the UWV (which will be merged with the CIZ) should be the new national agency responsible for the assessments that

determine the degree of occupational disability (if any) and the need for extra support/care for people with a potential limitation. Having the assessments performed by a single agency would help eliminate ambiguity, provide more transparency and reduce the number of exceptions made to benefits rules.

The following is an outline of the assessment that would be performed for people with a limitation:

- A determination is made of the types of work the person is able to do. The assessment is important not only for determining the amount of any benefit, but also for determining the amount of any salary supplement [*loonaanvulling*], the administrative costs that would be associated with assigning the person to an employer, and the costs for support, such as the fees for a job coach that would work with the person being assigned.
- The assessment will be stringent, unambiguous and transparent. The assessment will establish whether a person is fully and permanently occupationally disabled or, in the case of partial occupational disability, whether the person in question was eligible for sheltered employment or could work for a traditional employer.
- Reassessments will take place periodically. The following categories would be used for reassessments:
 - Assessed as permanently occupationally disabled: reassessment every five years.
 - Assessed as partially occupationally disabled, but eligible for sheltered employment or assignment through a Social Security Agency: reassessment every three years.
 - Assessed as partially occupationally disabled, but able to work at a traditional job: wage value determined annually.
- The UWV will engage special education programmes at an early stage to periodically assess students' earning capacity and employment possibilities. Based on these assessments, a follow-up programme will be designed for these special education students that will reduce the chances of those students later receiving disabled young persons' benefit.

Salary and benefit amounts

Below is an outline of the salary and benefit amounts:

- Assessed as permanently occupationally disabled: benefit in accordance with the current disabled young persons' benefit amount (75% of the statutory minimum wage).
- Assessed as eligible for sheltered employment or assignment through a Social Security Agency: salary of 100% of the statutory minimum wage with the possibility of pay rises up to 120% of the minimum wage, to be achieved by no later than age 67. The municipalities will finance these salaries.
- Assessed for placement at a traditional employer with supervision: upon placement, the partially occupationally disabled person will receive a salary commensurate with the collective agreement applicable to the employer. The employer will pay salary costs equal to the wage value established for the person in question. The Social Security Agency will pay the costs of the salary subsidy linked to the employee being placed, as well as the administrative and supervision costs. The salary subsidy will be capped at 70% of the statutory minimum wage. The salary subsidy – the

difference between the wage value and the statutory minimum wage – will be borne by the government. If the salary required by a collective agreement is higher than the statutory minimum wage, the employer will bear the difference.

The Labour Foundation will recommend that the parties to collective agreements investigate whether their collective agreements contain salary scales that fall between the statutory minimum wage and 120% of the statutory minimum wage. If they do not, the parties will be asked to include such provisions in their collective agreements.

- Assessed for placement at a traditional employer, but still seeking a job: benefit equal to 70% of the statutory minimum wage. The Labour Foundation will ask the government for a partial exemption from verification for specific cases.
- The changes will apply to new benefit recipients under the new law. Current recipients of disabled young persons' benefit may still be subject to reassessment.

Goal

The goal of having more functionally limited young people participate on the job market is absolutely dependent on traditional employers' willingness to give them a chance. They are the ones with access to employment, and it will only be with their cooperation that functionally limited young people will be able to increase their economic independence.

The business community and employers in the public sector (excluding the government) will undertake to place 2,500 young people (either through supervised work or assignment) in 2014. In 2015, the agreements officially enter into effect, and 5,000 young people will be assisted with finding work; this figure will gradually increase to a permanent figure of 10,000 by 2020 (which will then increase to 100,000 in 2025). In this way, the social partners will achieve the quantitative goal in obligatory agreements, which will also lead to agreements being made in collective agreements and at company level.

Compliance with these agreements will be strictly monitored. If, at the end of 2016, the results of monitoring indicate that the agreed goal will not be achieved and that there are no external factors to which this failure can be attributed, a mandatory quota will be imposed in consultation with the social partners. This quota would have to be premised on the aforementioned goal. The social partners would then enter into discussions with the government regarding the exact form of any quota to be imposed.

Monitoring and evaluation

In principle, the effectiveness of the total package will be monitored annually, with the final evaluation taking place in 2020. The infrastructure for helping young people find work – in other words, the functioning of the Job Companies as well as the 'relieving' of employers – will have to be discussed now, at the outset of the reforms. Given this, reason dictates that the first evaluation of whether the achievement of the aforementioned goal of employing 11,000 young people by the end of 2016 not be

performed until then. The Labour Foundation will be closely involved in this monitoring process.

2.4 Reviewing employees' insurances and the Unemployment Insurance Act [Werkloosheidwet]

2.4.1 Important Council perspective on the future of social security and unemployment insurance

The proposed infrastructure for the job market and social security will only function effectively if clear distinctions are made between the various parts of the social security system: national insurances, employees' insurances (with salary-linked benefits) and social welfare provisions (with means-tested benefits). Each of them have their own background, logic, rationale, function and division of responsibilities. The employees' insurances, in particular, are a shared responsibility between employers *and* employees.

In practice, the social partners have established that the boundaries between employees' insurances, national insurances and social welfare provisions are becoming increasingly blurred. This creates a diffuse division of responsibilities, with the result that some responsibilities are going partly or entirely unfulfilled or are being passed on to others.

2.4.2 Unemployment insurance structure

Given the complexity of this issue and its close connection with government finances, the social partners will, in response to the government's request for specific advice, collaborate on formulating advice for the consistent organisation of social security-related responsibilities. This advice will be issued before 1 May 2014. In this advice, the social partners will also discuss the future structure of unemployment insurance, particularly its management and financing, their ideas for which are outlined below.

Reordering unemployment insurance-related responsibilities

As an employees' insurance, unemployment insurance is a term insurance that initially focuses on compensating for the loss incurred as a result of becoming and remaining unemployed.

The design of a new infrastructure for social security and unemployment insurance is premised on the three functions of unemployment insurance: offering income protection and ensuring a standard of living when too few jobs are available, being a stabilising factor during times of economic crisis, and ensuring that the job market is accessible to everyone; all of this subject to the prerequisite that the unemployment insurance is also aimed at motivating and engaging.

Unemployment insurance will be premised on employees receiving a benefit for as short a time as possible and returning to work as quickly as possible. The latter objective cannot be met without the thorough involvement of the social partners.

In order to achieve these objectives in practice, the social partners want to reallocate the public and private responsibilities relating to unemployment insurance (both in terms of

what the law requires and efforts that go beyond mere compliance). This reallocation will regard the management and financing of unemployment insurance (and other employees' insurances), as well as the policy conditions (particularly the benefit accrual and benefit pay-out periods). The social partners advocate that this reordering should be irrevocably linked to their proposals and agreements regarding both the new job market infrastructure (Section 2.1) and the effective and successful use of job-to-job facilities (Section 2.3) focused on actually preventing unemployment and on rapidly reintegrating those eligible to receive unemployment benefit.

Approach to managing and financing employees' insurances: broad support

The social partners wish to restore unemployment insurance's character as an employees' insurance. The financing and implementation have become more and more a matter of national government in recent years. This means that employers have borne the full brunt of the 2009 reduction of the employees' premium to nil and the recent total elimination of that premium. Moreover, this financing has increasingly become part of broader political considerations regarding general expenditure. The premiums paid for unemployment insurance are currently being used for a number of purposes.² As a result, the levy of unemployment insurance premiums has become more and more open-ended, which poses the risk of driving up salary costs.

What is needed is the reaffirmation that employees' insurances (unemployment insurance and insurances under the Work and Income (Fitness for Work) Act [WIA] ('WIA benefit') and the Return to Work (Partially Disabled Persons) Regulation [WGA] ('WGA benefit') are part of the social security system, accompanied by a review of the division of responsibilities.

As of 1 January 2020, the social partners will be responsible for the policy on prevention, support, mediation and reintegration (unemployment insurance management). Between now and then, there will be leeway for experimenting with the division of responsibilities in several pilot sectors where this new division will initially be developed.

In this respect, the social partners see the role of trade unions as that of an implementer, providing unemployment insurance-related mediation, support, competency assessment centres, mobility centres, career support, etc., at regional Job Centres. The trade union centres [*vakbondshuizen*] to be set up by the Netherlands Trade Union Confederation [FNV] will also play a role in this regard.

Employers and employees will finance unemployment insurance and the WGA by paying a cost-covering premium for these insurances. The term 'cost-covering' as used here refers to the costs of benefits, implementation and reintegration, and prevention in the broadest sense of the terms. The General Unemployment Fund [*Algemeen Werkloosheidsfonds*] ('GUF') will be used to absorb fluctuations in the economic cycle. The premise is that in 2020, employers and employees will each pay half of the

² More than EUR 2.5 billion is being used to finance benefits under the Sickness Benefits Act [*Ziektewet*] and the costs of child care.

premiums, with this objective to be achieved in such a way that will leave purchasing power unaffected. Employees will begin paying unemployment insurance premiums on 1 January 2016, resulting in a gradual accrual. These premiums will be paid from the employees' gross salaries.

Within this framework, the recovery of WGA premiums, which is now done on a net basis, will either be eliminated or be done on a gross basis. The social partners are urging that the Social Insurances Financing Act [*Wet financiering sociale verzekeringen*] and the Uniform Wage Definition Act [*Wet uniformering loonbegrip*] should be amended to facilitate this.

Unemployment insurance accrual and term

The social partners aim to continue to base unemployment insurance on the current policy conditions. Within the framework of a new division of responsibilities, they consider it possible that collective agreements will play a greater role in insuring against unemployment. If the statutory, public portion of unemployment insurance is subjected to limitations on accrual and term, private supplemental insurances at the collective agreement level could keep benefits at the current level and for the same benefits period. The social partners have agreed to achieve this by no later than 1 January 2020. The government will be requested to declare that collective agreement provisions on this topic will be generally binding.

2.5 Responsible use of external flexibility and flexible employment contracts in labour organisations

2.5.1 General

In its memorandum entitled ‘Flexibility and Security’ [*Flexibiliteit en zekerheid*] (April 1996), the Labour Foundation outlined a framework for the relationships between employers and employees. Since then, the number of people with a flexible employment relationship has undergone a dynamic increase.

In a general sense, flexible employment relationships can be an appropriate means to offer the business community adaptability and offer employees the opportunity to customise their employment conditions to their personal preferences. Flexible employment contracts must also be viewed in conjunction with the structure of the dismissal system (Section 2.6) and the leeway that labour organisations permit for internal flexibility (working hours). It must be viewed as a whole that, when well-balanced, can serve the interests of both employees and employers. The need for flexible employment is shared by employees – the ‘New Way of Working’ [*Het Nieuwe Werken*] is designed to strike a balance between employees’ personal and professional lives – and employers, and it can often be arranged in permanent employment relationships by adding flexibility regarding working hours, workplace, and other employment conditions. As the Council noted in its advice entitled ‘Time and Society’ [*Tijden van de samenleving*] (2010), this is something which requires both parties to be flexible. In this context, the social partners are calling on decentralised parties to collective agreements to increase their efforts to formulate collective agreement provisions that support the combination of work and care. The flexibility of an employment relationship may not, however, lead to risks being unilaterally shifted to employees: this would be unfair to the employees and detrimental to the job market as a whole.

The social partners have established that, in practice, a large percentage of flexible employment relationships fulfil an important role and that the lion’s share of employment agreements are still permanent ones.

At the same time, we must recognise the fact that there are increasing instances of ‘excessive flexibility’ – employment relationships which may not actually require flexibility and/or in which virtually all of the benefits of flexibility accrue to the employer. Bogus flextime schemes are more frequently being used for the sole purpose of avoiding collective agreement obligations. There is also an increasing incidence of excessive use of temporary contracts, ‘zero hours’ contracts and min/max contracts. These ‘flexible employment relationships’ do not provide the balance between permanence and flexibility that the social partners envisaged in the aforementioned ‘Flexibility and Security’.

The social partners propose six methods for the responsible use of external flexibility and flexible employment contracts:

1. combat unfair use of flexible employment relationships: bogus schemes, using a foreign intermediary or hiring foreign employees;
2. enforcement and compliance;
3. better allocation of responsibilities when contracting to perform work;
4. combat excessive use of legal forms of flexible employment;
5. organise a better system to handle triangular employment relationships; and
6. invest in employability/training of flexible employees.

The social partners explain these methods below.

2.5.2 Methods for the responsible use of external flexibility and flexible employment contracts

Re 1. Combat unfair use of flexible employment relationships

a Bogus schemes – general

Employment relationships that are structured to appear as something other than what they really are – and that thereby violate rules and employment benefit agreements – infringe people's rights and create an undesirable disruption of the competitive relationships that exist between businesses. In current practice, we are seeing an increase in such schemes, which often involve hiring foreign employees or structuring employment relationships through foreign companies. Combating these bogus schemes is in the best interests of employees, the functioning of the job market, and the economy as a whole. The social partners are already cooperating with the government to take measures in many sectors that are susceptible to bogus schemes. Those activities deserve support, but even greater efforts are needed.

Some sectors of the economy are particularly susceptible to evasion of rules and employment conditions. The transport sector is one example of this. For that reason, the Labour Foundation notes that a customised approach should be taken to these sectors in particular.

b Problems

The Labour Foundation has identified the following problems.

1. Bogus self-employed status

Relationships that are interpreted as a company engaging the services of a self-employed party but which are actually employer-employee relationships – relationships that are subject to labour law, tax laws applicable to employer-employee relationships and provisions on employment conditions – infringe the regulation of such relationships as designed by the legislature and the relevant social partners. This denies employees their rights and infringes the competitive relationships that exist between businesses. The misuse of existing legal constructions and flexible employment relationships through such means as

bogus self-employment and international schemes such as the Cyprus route or the Poland scheme must be intensively combated, regardless of whether they involve the deployment of foreign employees.

2. *Evading the minimum wage*

Bogus schemes are sometimes used to evade the minimum wage or to improperly reduce salary costs to the minimum wage level, such as by paying tax-free expense allowances and similar arrangements.

3. *Evading premiums*

Locating a company's registered office abroad purely as a matter of form is sometimes used as a method for evading the withholding of premiums.

4. *Evading collective agreements.*

5. *Problems in the transport sector.*

c Action plan

The social partners are asking the government to formulate an approach that includes specific measures for protecting these areas of the Dutch job market against the undermining of the rules and agreements that they consider to be the pillars of a well-functioning job market. Those measures must not only be codified in law, efforts will also have to be made to enforce them.

There is no avoiding the fact that some of the problems with bogus schemes will be tackled through agreements and cooperation at European level and through bilateral arrangements with a number of European Member States. The Foundation is calling on the government to make these international efforts. A dialogue between the governments of various Member States and the social partners in those states can play an important supportive role in this endeavour.

The Foundation is in any case requesting the Dutch government to implement the following specific measures:

1. *Promoting sustainable self-employed status and combating bogus self-employed status:*

- Implementation of the proposals the Council made in 2010 in its advice on self-employed status. These primarily regard supporting those who are genuinely self-employed in determining their position in respect of the Dutch Tax and Customs Administration [*Belastingdienst*] and the parties who engage self-employed persons' services.
- Labour law measures to prevent those who should, in practice, be considered employees from being treated as self-employed persons.
- When checking the applicability of the statutory minimum wage to people who have contracted to perform work, a check must also be made of whether they have genuine self-employed status.
- To join forces with the social partners to carry out an informational campaign regarding the difference between genuine and bogus self-employed status.

2. *To prevent statutory minimum wage evasion:*

- Restrict, to the extent possible, the use of tax-free expense allowances as a salary element in order to fulfil the requirement to pay the statutory minimum wage.
- Clarify the definition of ‘statutory minimum wage’ to promote enforcement without raising costs for businesses that currently have sound reasons for believing that they are meeting their minimum wage obligations.
- Improve enforcement by combating payment in cash, provided that this does not result in an undesirable administrative burden for legitimate businesses.

3. *To combat premium evasion:*

- The social partners are asking the government to intensify enforcement efforts and to facilitate the exchange of information with other countries and between various relevant parties.

4. *To combat collective agreement evasion:*

- Expand vicarious tax liability to include salaries stipulated in collective agreements. This will promote compliance and enforcement.
- The social partners agree that there is a need to reinforce cooperation between the SZW Inspectorate [*Inspectie SZW*] (‘I-SZW’) and parties to collective agreements.
- The social partners also believe that an intensification of the enforcement efforts made by enforcement agencies is absolutely indispensable to overcoming this problem. Specifically, the I-SZW will cooperate with the relevant parties to collective agreements to support enforcement activities relating to collective agreements and that the I-SZW’s capacity will have to be adjusted to facilitate this.

5. *Customised approach to the transport sector*

The Labour Foundation believes that additional liberalisation of the European transport market would be undesirable at present and that, in this context, the Dutch government must involve itself on the discussions regarding cabotage legislation. What is needed is an unambiguous interpretation of all of the laws and regulations applicable to the transport sector, including cabotage legislation.

The Foundation requests the government to complete the following actions:

- Reinforce cooperation between all of the relevant inspection services, as well as the Central Unit [*Landelijke Eenheid*] and the National Police [*Nationale Politie*] to promote compliance and enforcement of the laws and regulations that apply specifically to the transport sector.
- In tackling bogus self-employed status, expand the scope of the Carriage of Goods by Road Act [*Wet Wegvervoer Goederen*] (‘WWG’) so that the load capacity for which a permit is required is reduced from 500 kilograms to 0 kilograms.
- The Labour Foundation urges the government to make agreements on the minimum conditions that temporary employment agencies must meet, with their

compliance subject to verification before they are issued a designation order under the WWG.

Re 2. Compliance and enforcement

With regard to enforcement, the aforementioned plan on the part of the government should include provisions on the following:

- Better enforcement of collective agreement provisions (including those pursuant to the Terms of Employment (Cross-Border Work) Act [*Wet arbeidsvoorwaarden grensoverschrijdende arbeid*, or *WAGA*] Placement of Personnel by Intermediaries Act [*Wet allocatie arbeidskrachten door intermediairs*, or *WAADI*]).
- Joint informational campaign between the social partners and the government.
- A larger role for the I-SZW:
 - More frequent and stricter controls to increase the chance of catching violators.
 - Reinforcement of the I-SZW's support with enforcing universally binding collective agreements; employers have already promised their support for such enforcement efforts.
 - Joint compliance campaign by the government and social partners through the I-SZW, employers and employees, regionally and/or sectorally integrated teams.
 - Setting up one or more parity-based intersectoral collective agreement compliance agencies that will work with the I-SZW to verify and promote compliance with collective agreements. This will require an improvement in the information exchange between the I-SZW and parties to collective agreements.
 - Reinforcement of trade unions' legal authority regarding compliance with collective agreements and preventing situations involving illegal labour.
 - Apply the country of employment principle more strictly to the levy of taxes and social security contributions.

Re 3. Tenders

- The responsibilities and regulations relating to tenders must be better organised: both the principal and the recipient must be liable and responsible.
- The Foundation endorses the expansion of the Code on Responsible Market Conduct [*Code verantwoord marktgedrag*] to include other sectors under transparent conditions.
- In the case of tenders, outsourcing or bogus bankruptcies, the employees that do the relevant work would follow the work while retaining their employment benefits. An investigation will have to be made of whether, and if so how, the Enterprise Transfer Act [*Wet overgang van onderneming*] will have to be amended.

- Application of the ratified ILO Convention No. 94. An investigation must be made into how the inclusion of employment conditions at the usual collective agreement level can be promoted in situations involving public tenders.
- Where tenders are concerned, the use of zero-hours contracts must be limited to exceptional situations. (See more under min/max and zero-hours contracts.)

Re 4. Combating excessive use of legal forms of flexible employment

- ***Temporary contracts***
 - No non-competition clauses in temporary contracts, except in certain situations involving obvious grounds for inclusion.
 - One-month notification period for terminating temporary contracts with a term of six months or longer.
 - No trial period in temporary contracts with terms shorter than six months. If another contract immediately follows, that contract will also be subject to this exclusion of a trial period.
 - Reduction of long-term use of temporary employment contracts by amending Section 668a of the Dutch Civil Code (rules on consecutive temporary employment contracts [*ketenregeling*]). This means that the Dutch Civil Code's current provision on consecutive temporary employment contracts must be amended such that three consecutive contracts can be concluded that, together, cover a period of no more than two years. A new 'sequence' will begin if a contract term commences at least six months after the end of the previous contract.

Exceptions to these rules can be made in collective agreements if there are adequate grounds for doing so, in which case the maximum would be set at six contracts in four years. These grounds must include the fact that the nature of the work in the sector or enterprise in question makes it necessary to deviate from the rules. A general exception will be made in consultation with the relevant social partners with regard to professional football.

- ***Exception for young people under age 18 who work only a few hours a week***

The social partners consider the position of young people under age 18 who work less than twelve hours a week to be different than that of employees who are permanently on the job market. These young people are still subject to compulsory education [*leerplicht*] or the rule mandating that young persons who have not earned a basic qualification must stay in school until they reach age 18 [*kwalificatieplicht*], and they generally work these jobs while they are still in school. There would be no purpose served in paying these young people a transition allowance after a contract term of at least two years (see Section 2.6). There would also be no purpose served by restricting these individuals' possibilities for concluding consecutive temporary employment contracts. The social partners are proposing a scheme that would permit the accrual of a transition allowance starting on the young employee's 18th birthday (so that they

would not be able to claim the allowance until after their 20th birthday after having been contracted for a term of two years). The term for the provision on consecutive temporary employment contracts would also start on the individual's 18th birthday.

What the social partners want for young persons under age 18 who fall within the aforementioned exception is for their 'after-school jobs' to better contribute to their future on the job market. Ideas for consideration include issuing work experience certificates or providing assistance with securing internships. The Labour Foundation will develop additional proposals in this respect. This will also apply to reducing the administrative expenses that employers have in respect of these after-school jobs. These measures will include simplifying the rules for withholding taxes and social security contributions. The Foundation will soon begin working with the government to develop proposals in this area to achieve these goals as soon as possible.

- ***Temporary employment***

The Dutch Civil Code (Section 7:691) contains special rules for temporary work that make it possible to flexibly deploy temporary employees for longer periods of time without being subject to the regular rules on temporary contracts and dismissal. For example, Section 7:691(1) directs that the rules on consecutive temporary employment contracts enter into effect only after the employee has worked for more than 26 weeks. Moreover, Section 7:691(2) permits a 'temporary employment clause' [*uitzendbeding*] to be included in the temporary employment contract, which allows the contract to be terminated if the recipient terminates its engagement with the temporary employment agency. Pursuant to Section 7:691(3), this clause can be used up until an employee has worked 26 weeks. Collective agreements can deviate from these rules without limitation (pursuant to Section 2:691(7) of the Dutch Civil Code). The Foundation is asking the government to limit this possibility such that the terms in Section 7:691(1) and (3) can be a maximum of 78 weeks worked.

- ***Min/max and zero-hours contracts***

With budgets running low, employment conditions are coming under pressure in tender procedures in the public sectors, with the salary level dropping to a minimum. This pressure (also known as the 'tender dilemma') is particularly obvious in the health care sector. The social partners want to reduce the misuse of tenders by implementing measures applicable to tenders (see 'Re 3 Tenders') and through agreements on zero-hours contracts.

The Labour Foundation is calling on parties to collective agreements to restrict the use of zero-hours contracts to exceptional situations and to make specific agreements when using them. These agreements must also include possibilities for organising internal flexibility, such as flexible working hours.

The following measures are also being proposed:

- The obligation to continue to pay salary [*loondoorbetalingsplicht*] can be excluded after half a year. The Labour Foundation proposes to attach a condition to this possibility for deviating from the obligation: the parties to the collective agreement must provide substantiation for the deviation based on the nature of the work in the relevant sector. The Labour Foundation will formulate a method for working out this condition in more detail.
- The social partners will carry out a joint informational campaign to make both employers and employees aware of the statutory possibilities and impossibilities regarding min/max and zero-hours contracts, devoting particular attention to the legal presumption of the average number of working hours and the mandatory three hours of pay for each time on-call employees are called out.

Re 5 Organising a better system

New forms of flexibility, such as a contract for services [*overeenkomst van opdracht*], payrolling, contracting and secondment must be applied in the existing labour law system so that there is complete transparency with regard to the question of whether these employment contracts can be offered and, if so, under what conditions.

- ***Payrolling***

The position of the social partners is that, to an increasing degree, issues are arising regarding the outsourcing of work (through contracting) and the assignment or reassignment of employer status (through payroll constructions, but also through secondment) that require urgent solutions.

In addition to the questions that arise primarily on the side of the trade unions regarding the legitimacy of these products on the job market due to their asserted lack of legal protection of the employees involved, there is in any case a shared wish on the part of the parties in the Labour Foundation to promote the clarification of reciprocal rights and obligations and to arrive at a clear framework for the increasing prevalence of triangular employment relationships in the existing system of employment relationships and conditions. Preventive measures must be taken to ensure that these constructions are not used to infringe employees' legal rights or to evade or avoid employment conditions, whether or not such rights or conditions are stipulated in collective agreements.

With regard to payrolling, the social partners' position is that the UWV's exceptional policy rules regarding payrolling must be scrapped. They also believe that it is in the best interests of both the employees involved and the companies who hire and supply those employees to provide complete clarity and transparency regarding the essential elements of the employment relationship, in particular with regard to who employs the payrolled employee. They propose amending the Dutch Civil Code to make the conclusion of a written employment contract mandatory in payrolling arrangements, with the essential terms of such employment contracts

being included in the contract for payroll services. Failing to provide a written contract would result in the presumption that the hiring company, and not the payroll company, is the employer of the employee in question.

- ***Organising a system for triangular employment relationships***

The social partners note that the other issues relating to triangular employment relationships will require a more comprehensive assessment of the problems and, possibly, advice for solving them. Within the Labour Foundation, the social partners will soon establish a working group involving the relevant decentralised parties, who will be charged with ascertaining how triangular employment relationships develop on the Dutch job market (using the relevant information from SZW), what experiences employers and employees have had with these relationships, and how a situation can be created where sustainable employment relationships include prospects for meeting the justified needs of both employers and employees. Advice regarding the desired solutions will be issued to the cabinet before 1 October 2013. If desired, recommendations based on that advice will be issued to the decentralised parties.

Re 6 Investing in employability/training of flexible employees

Employers are partly responsible for employees having at least a basic qualification. The following measures are being proposed with investments in the employability/schooling of flexible employees in mind:

- Offer flexible employees schooling to obtain at least a basic qualification is one way of offering more security.
- Provide equal access to schooling in the company/sector and an equal right to utilise job-to-job programmes and transitional provisions.
- Have temporary contracts that, taken together, involve a term of two years or longer confer a right to a transition allowance (see also Section 2.6).

2.6 Reorganising protection from dismissal

2.6.1 Objectives

The social partners consider an adjustment to the system of protection from dismissal – an adjustment that would be fair to both employers and employees – to be necessary to achieving a sustainable job market. Their proposed adjustment will be based on the following objectives:

- Retain a system of adequate protection of rights in the case of involuntary dismissal.
- Increase the system's emphasis on preventing unemployment by providing incentives to invest in employability and job-to-job programmes.
- Simplify procedures and increase their transparency.
- Provide for greater predictability of obligations and outcomes, including minimising resorting to the courts (and avoiding the associated costs).
- Eliminate the current unequal treatment of employees resulting from the method of dismissal chosen.
- Dejuridify without losing quality.
- Implement a system that is legally proper.

2.6.2 Process

- Maintain the current rules governing dismissal, but move them from the Extraordinary Decree on Labour Relations [*BBA*] to the Dutch Civil Code.
- Dismissals that lack a consent order from the UWV are void.
- If the UWV denies the consent order, the employer cannot simply dismiss the employee, but may approach the sub-district court for permission to do so. If the UWV grants the consent order, the employer can simply dismiss the employee, but the employee may appeal the dismissal to the sub-district court.
- In the case of dismissals for economic reasons (and dismissals relating to an employee being occupationally disabled for two years), dismissal through the UWV will be mandatory.
- In situations involving collective agreements, the law will make it possible, subject to conditions to be determined later, to establish special sectoral committees that will decide on dismissals in that sector instead of the UWV. This will offer various sectors, primarily those comprising a large number of SMEs, the opportunity to create a simple, low-threshold provision at company and employee level to assess (in particular) dismissals for economic reasons. Further investigation will be needed to determine if this potential route for SMEs would also be available in cases of dismissal for reasons attributable to the person being dismissed.
- In cases of dismissal for reasons attributable to the person being dismissed (poor performance, etc.), dismissal through the sub-district court will be mandatory. In cases involving a sectoral committee, this type of dismissal can also be accomplished through that committee.

- The statutory terms of notice will remain the same. The time consumed by the UWV and sub-district court proceedings will be offset against the term of notice, on the understanding that the remainder will always be a term of notice of one-month.
- All dismissals through the UWV (i.e., those for economic reasons) will be subject to appeal to the sub-district court (application proceedings). All dismissals through the sub-district court (i.e., those for personal reasons) will also be subject to appeal, to the court of appeal. The court of last resort in both cases will be the Dutch Supreme Court [*Hoge Raad*].
- The settlement agreement may remain the same, although a two-week reconsideration period [*bedenktijd*], which is consistent with consumer law, will be implemented. During this period, the employee can seek advice and can withdraw his or her consent to the agreement. If the parties conclude a settlement agreement, the dismissal will be by mutual consent and the transition allowance (see below) will not apply (this will not eliminate the ‘shadowing effect’ of the new rules regarding the allowances). The current rules regarding access to unemployment insurance will remain unchanged, even if a settlement agreement is concluded.
- An employer obligation (good employment practice) to invest in employees and provide facilities for future mobility (voluntary or involuntary) to other employers will be introduced in the Dutch Civil Code. A reciprocal provision will also be included: employees will also be obliged to invest in their own employability.
- Collective agreements will be able to deviate from the principle that dismissals must be effected equally among all employee age groups [*afspiegingsbeginsel*] (‘the age group principle’) under conditions to be established later.
- The UWV’s more prominent role must be accompanied by an increase in quality and the expansion of the UWV’s role as a service provider/service desk (at regional level in the 35 regional Job Centres) for employers (particularly SMEs) and employees who want information and advice about the dismissal procedure and the rules governing allowances, etc.

2.6.3 Transition allowances and severance payments

- A distinction will be made between a transition allowance for everyone whose employment is terminated (regardless of whether this is involuntary) and a severance payment,³ which is either an addition to or a deduction from the transition allowance amount if the dismissal is due to severely culpable conduct on the part of one of the parties (either the employer or the employee).
- The following arrangements will be made regard to the right to a transition allowance:
 - Every employee will have the right to a fixed transition allowance upon the termination of his or her employment. The employer’s efforts to increase the employee’s employability or facilitate a job-to-job transition can be deducted from this allowance, regardless of whether those efforts are made on an individual or collective basis.

³ This ‘severance payment’ should be referred to by another name, to distinguish it from the current system of severance payments upon dismissal.

- In any case, additional rules must be formulated (on the recommendation of the Labour Foundation, in consultation with the Association of Sub-District Court Judges ('ASCJ') [*Kring van Kantonrechters*]) for cases involving these efforts and for cases in which the provisions are adequate (i.e., situations involving deviation in collective agreements and accrual of job-to-job programmes and transition provisions).
 - The following rules will govern the amount of the transition allowance:
 1. one third of the monthly salary for each year of service if employed less than 10 years, one half of the monthly salary for every year of service if employed 10 years or longer;
 2. a maximum of EUR 75,000 or one year's salary for those with incomes higher than EUR 75,000;
 3. a hardship clause stipulating that the obligation to pay a transition allowance can be either reduced to set at nil if the payment of the full allowance would endanger the employer's business continuity. This would also apply if the consequence of paying the allowance would be a greater number of dismissals, provided that the employer has engaged in good employment practice in respect of promoting the sustainable employability of the employees involved.
 - A transition scheme will be available for those who have been employed for ten or more years, or who will be at least 50 years old by 1 January 2016.
 1. the transition scheme will apply until 1 January 2020;
 2. during the transition period, employees who are more than 50 years old upon their dismissal will receive a transition allowance of one month's salary for each year they worked after reaching age 50;
 3. SMEs with fewer than 25 employees will be exempt from the transition scheme. This will have to be worked out in more detail, either through a dispensation scheme, a compensation scheme, or a scheme as part of the most relevant sectoral funds, including the express possibility to opt for a mix of measures;
 4. The transition scheme will not be subject to a maximum of EUR 75,000 or one year's salary for those earning more than EUR 75,000.
 - All schemes regarding the allowance will be 75% mandatory [*driekwart dwingend*]: collective agreements and social plans may deviate.
 - The social partners are asking the government to provide businesses and institutions with a tax incentive to be able to save tax-free funds for transition allowances that will be paid in future.
- The following rules will govern severance payments:
 - No separate standard will be formulated for payments made when a person is dismissed for reasons attributable to him/her.
 - The sub-district court judge will be able to grant a higher or lower payment, but exclusively in cases of severe culpability and/or situations that can be characterised by the fact that the termination of the employment relationship is exclusively, or largely, the fault of just one of the parties.
 - The law will not limit the court's ability to adjust this amount.

2.6.4 Effective date / transition period

- Transition to the new dismissal law system will occur on 1 January 2016.
- To make the accrual of transition provisions possible as of 1 January 2014, the good employment practice standard (i.e., the obligation to make provisions) will be codified beforehand. In that case, therefore, the transition allowance will not yet be owed; this will not be the case until the new system is implemented on 1 January 2016.
- Perhaps simultaneously with the good employment practice standard, a provision could be made that schooling and other efforts designed to promote mobility and transition may be eligible for offset against the applicable severance payment (with a recommendation of the Labour Foundation and/or ASCJ on the application of this provision).
- The effective date of the new payment system will be 1 January 2016, assuming that, in connection with adjustment of the job-to-job funds, etc., a period of two to three years will be needed to implement the transition allowance and accrue the related provisions. This will enable employers who wish to do so, particularly SMEs, to prepare themselves for the impending obligation to pay transition allowances.
- The maximum transition allowance of EUR 75,000 or one year's salary (whichever is higher) will be introduced on 1 January 2016.

2.7 Private pensions and the Dutch State Pension [AOW]

Striving for pension system stability

In 2015, a new pension contract will be implemented with a new supervision framework for the second pillar pension system. In the view of the Council,⁴ this supervision framework will make the pension system more stable, including by implementing a longer period for absorbing financial shocks. The current system is extremely cyclical, requiring severe cutbacks and contribution increases in bad times and excessive benefit payouts and contribution reductions in good times. The social partners endorse the Council's analysis.

To achieve greater stability in the pension system, the social partners are advocating for the following measures:

- The implementation of the new contract will be facilitated by the government with a statutory requirement to transfer existing pension claims so that pension funds are not divided. Clearer rules are needed to effect this transfer so that pension funds will be aware of what they need to do. Treating the rights of the various generations fairly will be part of this. As the supervisory authority, the Dutch Central Bank [*De Nederlandsche Bank*] ('DNB') will ensure that the rules are correctly applied during the transition to the new contract.
- The Council study notes that the stabilising role of supplemental pensions can be bolstered by applying a more stable discount rate. Whether it will be possible to apply a 'macro-stable' discount rate will be a subject for investigation. The current proposal contained in the 'Outline Memorandum' [*Hoofddlijfnota*] will be adapted. In addition and under certain conditions, a provision will be made for a mechanism to establish the discount rate that will be less susceptible to business cycles so that it can be applied in both good times *and* bad.
- A Financial Assessment Framework ('FAF') will be developed in order to prevent rigid delineation between nominal and nominal and real contracts. This means that the intended nominal FAF, which constitutes a serious contractual obstacle to indexation, can be scrapped. This must be done without delay when implementing the new pension contract by amending that FAF on several points to make the objective of flexible indexation a possibility.
- The implementation of the new FAF in 2015 has also resulted in the formulation of a supplemental package for the 2014 transition year. This package will, to the extent possible, prevent reductions in nominal value and contribution increases prompted by the policy rules. This will better pave the way for the transition to the new FAF. In order to 'pave the way' for the new contract, longer periods of time will be allowed for absorbing shortfalls and, to the extent possible, reductions of nominal values in 2014 will be prevented.

⁴ Council, 'Dutch economy in calmer waters' [*Nederland naar stabielere vaarwater*], a macro-economic study from April 2013.

Tax treatment

The government agreement [*regeerakkoord*] provides for the retrenchment of the Witteveen tax framework [*Witteveenkader*]. The government intends to reduce the tax facilities for pension accrual in 2015 by reducing the maximum permitted accrual percentage to 1.75% of the average salary for incomes of no more than EUR 100,000. The Labour Foundation disagrees with this proposal and requests that it be amended.

Lowering untaxed (i.e., deductible) pension contributions would result in significant savings (nearly EUR 3 billion in 2017), particularly for the short term. The benefits would be taxed at an earlier point in time, resulting in the a decrease in the savings achieved over the longer term.

Internationally speaking, the Netherlands' pension system has a relatively high funding rate [*kapitaaldekking*]. This translates into a significant potential tax claim in respect of the accrued pension capital and the annual pension contributions for new pension accrual. The government's proposal takes the decision to collect part of the tax claim on new pension accruals beforehand in order to make the Netherlands' budget deficit seem more balanced in comparison to those of other countries. Another consequence of this would be increased certainty that pensions would actually be taxed, even if the pension beneficiaries were to emigrate (temporarily or otherwise). However, these changes may not be implemented at the expense of pension quality (including the possibility to accrue adequate pension in terms of purchasing power). The social partners' Pension Agreement [*Pensioenakkoord*] was premised on contribution stabilisation, with the contract modernisation provided for in that Agreement continuing to make it possible for everyone to accrue an adequate pension, regardless of their income level. The Witteveen tax framework must continue to restore confidence in the pension system, not undermine it.

Next month, with this in mind, the social partners want to consult with the government to identify alternatives to the government's proposed amendment of the Witteveen tax framework. This endeavour will be premised on retaining tax rules that will enable those at each income level to accrue an equal amount in pension. To that end, at least the following two alternatives will be investigated, proceeding from the assumption that the maximum accrual percentage to be achieved will be 2%:

- the option of a net pension accrual facility in addition to the proposed limitation of the Witteveen incentive [*Witteveenruimte*], with an exemption from tax on imputed return on investment [*vermogensrendementsheffing*] in Box 3. It must be possible to accomplish this through a collective employment benefits agreement that can be made compulsory;
- the option to make part of the pension benefit taxable upon the date contributions are made, free of the aforesaid tax, instead of the entire amount of the benefit being made taxable upon receipt.

The overhaul of the tax framework for pension accrual must contribute to a stable, future-proof pension system and the contract modernisation needed to achieve this by the beginning of 2015. Before 1 June 2013, the social partners want to agree with the government on a choice from amongst the alternatives investigated.

Proposals for the Dutch State Pension

The social partners believe that the proposed temporary transition scheme relating to the raise of the ‘AOW age’ – the age at which those eligible to receive the Dutch state pension become eligible to begin receiving it – should be broadened. The threshold family income should be 300% of the statutory minimum wage for married couples/domestic partners and 200% – rather than the proposed 150% – for single people. This change would treat married couples/domestic partners and single people more equally. In addition, the scheme must come to a natural end. The termination of the scheme at the end of 2018 does not take into account the small group that will reach functional retirement age [*functioneel leeftijdsontslag*] after that age and be eligible for state pension. The advance payment scheme [*voorschotregeling*] must also be made permanent and reformed to introduce some flexibility into the state pension system (along the lines proposed in the Vermeij/Weijnenberg motion). The bonus for continuing to work after retirement age [*doorwerkbonus*] must also be broadened.

3. Investing in work

3.1 Tomorrow, we get to work!

Economically speaking, the Netherlands is having a very difficult time. The economic crisis has left deep scars. Things are rough for companies that are dependent on the domestic market, with fewer investments being made and bankruptcy filings on the rise. Unemployment is dramatically increasing right now, and the self-employed are finding new contracts harder and harder to come by. Newcomers on the job market, including young people, are also having an increasingly difficult time finding a job. For those who have become unemployed or are in a vulnerable position on the job market, it has become extremely difficult, or even impossible, to find another job. The tide must be turned, and trust in a better future must again become the norm. The social partners and governments will soon have to make joint efforts to rescue the economy from this downward spiral and create jobs.

To that end, the Labour Foundation has already established the Crisis Action Team [*Actieteam Crisisbestrijding*]. Members of this team include not only employers and employees active on national and sector levels, but also representatives from young persons' organisations, the VNG, UWV, the Ministry of Education, Culture and Science [*Ministerie van Onderwijs, Cultuur en Wetenschap*] ('OCW'), SZW and FORUM, as well as Mirjam Sterk, the ambassador recently appointed to tackle youth unemployment.

The team's job will be to offer support to sectors and regions who develop plans for dealing with the crisis, eliminate as many administrative and other obstacles as possible, and to assist sectors that are in a crisis situation but that lack a plan for dealing with it.

Naturally, an action team cannot do the work itself, but it can eliminate unnecessary obstacles so the regions and sectors can do the work themselves.

In the summer of 2015, an evaluation will be made of whether and, if so, to what extent, this joint approach to the crisis has been effective.

3.2 Crisis plan for the short term: the sectoral and intersectoral plan

Efforts for and by sectors

The social partners wish to assist those who are in jeopardy of losing their jobs by supporting sectoral/intersectoral mobility and schooling efforts. This will also offer support to those who are furthest from the job market, as well as offer young people access to valuable work experience and guidance. Such initiatives are sorely needed to keep the job market functioning in these uncertain times.

Unlike the previous crisis, this crisis requires a mix of measures and tools. These regard issues that the social partners can handle together, issues that the government can facilitate, and issues that require the government to eliminate obstacles. These are temporary measures that can be agreed for a period of three years (2013-2015) to gain the upper hand over the crisis.

For the short term – until 2016 – there is an urgent need to stop the downward domestic spiral and to develop a crisis plan for the sectors and regions that are suffering the most negative impact from this spiral. This must entail a specific job market policy in the form of a sectoral/intersectoral plan that will enable people to change jobs – either between or within sectors – even in poor economic times. Sectors that have been hit relatively hard by the economic crisis include the construction and retail sectors. Once demand returns, these sectors in particular will need access to qualified staff. Retention of employees in these sectors could play a central role in sectoral plans.

On 19 December 2012, the government set aside EUR 102 million for tackling unemployment amongst older and young persons. An extra contribution from OCW brought this amount up to EUR 117 million. On 12 and 22 February 2013, the social partners sent SZW a written plan for spending these funds. The Labour Foundation has been in discussions with the UWV for quite some time regarding an efficient approach to tackling unemployment amongst older persons. The Foundation has been involved to the same extent at national and regional levels in regard to combating unemployment amongst young people.

SZW has indicated that a sectoral/intersectoral plan to tackle unemployment will require extra funds to be made available to sectors who submit a substantiated proposal for that purpose.⁵

Job-to-job programmes

In addition to the crisis funds, EUR 300 million has been made available annually for 2014 and 2015 to increase job opportunities and the effectiveness of the job market through job-to-job programmes and intersectoral training. This approach must also continue after the crisis in order to prevent or shorten future unemployment as much as possible. The Labour Foundation is proposing that these funds be made available right

⁵ On 8 February 2013, SZW sent the Labour Foundation an initial proposal concerning the conditions for granting such a request.

now as co-financing for sectors that submit a substantiated proposal for a sectoral/intersectoral plan for employment. Below, the Foundation discusses the additional conditions that such proposals must meet.

The sectoral crisis plan must result in a job market policy that functions in such a way that it contributes to a reduction in unemployment and promotes sustainable participation and employment.⁶ In the context of the crisis plan, the social partners are asking the decentralised parties to collective agreements to develop a plan/tools in the near future that will:

1. be premised on the retention of work and/or offer prospects for sustainable employment. This can be accomplished through projects involving mentored jobs, internships, work experience placements in another sector, and similar efforts;⁷
2. offer opportunities for rejuvenating their branch of industry (retention and influx);
3. create links between sectors with shortages and sectors with surpluses; and
4. be 'generation-proof'.

Because the agreements will also have to be worked out at regional level, the regional and sectoral plans will soon have to be geared to one another, even if a regional infrastructure for implementing the plans is currently lacking. These parties can quickly tackle these issues in the Workroom [*Werkkamer*] set up by the Labour Foundation and the VNG.

A better understanding of job market shortages and surpluses is also needed. The social partners (including the Federation of Private Employment Agencies [*ABU*]), the UWV, SZW and SBB – the last of which is a cooperative association between vocational educators and the business community – will continue their cooperation to enable the UWV to provide more current and thorough job market information.

Conditions for co-financing

The points of departure that the Foundation has proposed for government co-financing of the sectoral/intersectoral plan are:

- the co-financing scheme must be implemented rapidly; the sectors must be able to begin working on plans starting in June 2013;
- this condition can also be met through activities aimed at the sector;
- an option will be offered that, under certain conditions, agreements made (in collective agreements and otherwise) can waive the age group principle in cases of dismissal;
- statutory and regulatory obstacles to an objective-oriented plan to tackle unemployment will be temporarily suspended;
- part-time unemployment benefits will be re-instituted under certain conditions;

⁶ In its Policy Agenda 2020 [*Beleidsagenda 2020*], the Labour Foundation extensively discusses the measures employers, employees and job seekers can take to make employment sustainable.

⁷ The Labour Foundation has developed detailed approaches for the crisis plans for both young and older persons.

- in specific circumstances and under certain conditions to be determined later, it will be made possible to use unemployment insurance funds effectively with the focus on retaining jobs;
- an unemployment benefit-related daily wage guarantee [*WW-dagloonggarantie*] will be provided for job-to-job transitions between related jobs so that employees are not forced to bear all of the consequences of accepting a lower-paying job;
- the tax rate of 52% imposed on those who take full or partial early retirement will be temporarily suspended;⁸
- the obligation over 60s have to apply for jobs [*sollicitatieplicht*] will be temporarily suspended, subject to certain conditions;
- the co-financing scheme will not necessary exclude temporary sectoral/intersectoral plans that include selective full or partial early retirement or reduction of working hours [*arbeidstijdverkorting*] provisions.

Another point that the Action Team must still work out with SZW regards the opportunity to submit a request under conditions to be determined later, which must also be made available to cooperatives of individual companies (at regional or sector level) to which no collective agreement applies. Employees' organisations will have to be involved in some way with this endeavour.

Plan for combating youth unemployment

When it comes to combating youth unemployment, the social partners want to take the following measures at national level so that the sectors can actually start tackling the problem.

- Promote school-to-work transitions by implementing the earlier Youth Guarantee agreements in combination with a plan for dealing with those who fail to register, in order to be able to reach all young persons eligible for the Youth Guarantee. This will be used to prevent young job seekers from being off the job market too long by offering them, within three months of the start of their unemployment or the completion of their education, either a job, additional education, training, or an internship. Municipalities can also hold a Starters Job Fair [*Startersbeurs*], aimed at jobless school leavers and by offering extended internships so that they can gain more work experience as part of an extended formal education programme. The Starters Job Fair must be structured to avoid displacement. This will not take the place of a benefit. Along with the benefit, this programme will last no more than six months.
- Ensure that more thorough information is provided to students choosing a course of study and to school leavers with few prospects who are changing programmes.
- Following up on the SBB internship offensive, which the social partners fully support, provide incentives for more companies to become accredited work-study providers and ensure that they actually offer internships and work-study placements. In dealing with insufficient day-release pathway [*BBL*] placements, two young people may be assigned to a single programme instead of one, and, when no other

⁸ Pursuant to Section 32ba of the Dutch Wage Tax Act 1964 [*Wet op de loonbelasting 1964*].

option is available, day-release pathway placements can be converted into vocational training [*BOL*] pathway placements. Stagger the commencement date of internships.

- Re-introduce the successful ‘School ex’ programme at senior secondary vocational schools [*MBO*’s] and introduce it at schools offering a higher professional qualification [*HBO*’s] (partly to avoid the displacement of senior secondary vocational school leavers who have completed their education), with the focus of the programme being the development of the participating youths.
- Promote flexible start dates for educational programmes.
- The government should contract for more work conditioned on social return, making it mandatory for young persons to be involved in the work.

Child care

The social partners consider good, accessible, and affordable child care facilities to be indispensable. In recent years, the government has been forced to reduce the child care allowance [*kinderopvangtoeslag*]. The use of child care facilities has dropped sharply as a consequence of these cutbacks and the economic crisis. This has negatively impacted the child care sector. Some child care centres have had to dismiss employees and the number of bankruptcy filings has increased. The significant decrease in use has resulted in the overestimation of future spending on child care allowance.

The social partners are calling on the government to make sustainable investments in child care. The funds that have been structurally released by the decrease in use should be used to improve the situation of working parents who use their child care allowance to purchase child care services. Funds can also be used for child care through other schemes for working parents.

Safety net for absences due to illness

On 6 September 2012, the Labour Foundation announced its objections to the measures contained in the Act on Limiting Absence Due to Illness and Occupational Disability by Safety Netters [*Wet beperking ziekteverzuim en arbeidsongeschiktheid vangnetters*] (“Safety Netters” being unemployed persons who report that they are ill, temporary employees who are ill, and employees who were on sick leave when their temporary employment contract ended). The Foundation is asking the government to amend this legislative package in accordance with the announced objections.

3.3 Stopping the negative domestic spiral

In its recent macro-economic study entitled ‘Dutch economy in calmer waters’, the Council refers to three ‘keys’ to stopping the downward economic spiral. The following actions must be taken simultaneously:

- reverse the five-year-long trend of house prices on the housing market (and thus the cause of the sharp drop in demand for construction projects and related job opportunities);
- opportunities for banks to grant mortgages and other loans;
- make the second-pillar pension system less cyclical by revising pension contracts. This would insulate pension contributions and benefits from financial market shocks (see Section 2.7).

Measures must also be taken to educate young people for certain professions which are expected to encounter employee shortages in the near future.

3.3.1 Housing market recovery

C. van Dijkhuizen’s study into allowing institutional investors to play a greater role in financing residential mortgages offers prospects for more stable and less expensive mortgage financing. This could reduce the relatively high mortgage interest rates in the Netherlands, with the reduction estimated at between 0.5% and 1%. The social partners are prepared to give favourable consideration to allowing pension funds the opportunity to participate in state-guaranteed bonds issued as part of the National Mortgage Guarantee Scheme [*NHG-obligaties*].

The combination mortgage, which offers the option of effectively repaying a maximum of 50% of a 100% annuity mortgage and an interest deduction, makes it possible for home buyers to spread their costs over a longer period of time. The leeway recently offered to mortgage providers to return to taking earning prospects (rather than just current income) into consideration when granting mortgages offers first-time buyers more possibilities in relation to the housing market.

In order to be able to invest in residential maintenance and energy savings over the coming years, it will be necessary to allow sufficient investment leeway for housing corporations to play an express role in formulating the landlord levy [*verhuurdersheffing*] being proposed by the government. To keep housing costs affordable for tenants, the approach to be taken must provide for differentiation in rent increases [*huursombenadering*] and must permit energy cost savings to serve as compensation in respect of an acceptable rate of rent increases.

The social partners take a positive view of the creation of a revolving fund for energy savings in 2013. They are also working with the relevant parties in the Council on a National Energy Agreement [*Nationaal Energieakkoord*] that would make energy savings in developed areas a top priority in order to achieve sustainable economic activities and employment in the construction and related sectors.

Promoting sustainability is also on the agenda for commercial buildings, including in the agricultural sector, where asbestos removal is an issue. Until 2024, this will involve a total surface area of 130 million square metres of roof and façade elements that contain asbestos. The goal would be to combine the removal with, for example, the installation of solar panels in the interests of increasing sustainability, energy savings, and energy generation.

New residential construction has largely come to a standstill, even though there is some demand for new homes. If improvements are made in opportunities for investing in rental properties for middle and higher incomes and in opportunities for obtaining mortgage financing, there will be sufficient demand for new homes. Newly constructed homes must satisfy the most stringent energy-efficiency requirements so that investment in new construction contributes to additional employment opportunities and to energy savings in developed areas.

3.3.2 SME financing problems

The solution proposed by Van Dijkhuizen would contribute to more secure financing of mortgages that are eligible for the National Mortgage Guarantee Scheme. This proposed solution is not, however, aimed at bolstering the capital position of banks and retaining and restoring their lending capacity. This last aspect is crucial when it comes to extending credit to SMEs. The social partners urge the government to join forces, in the near future, with banks, businesses and institutional investors to investigate the possibilities for improving the prospects for extending credit to SMEs. SMEs are, after all, vital drivers for the economy and job creation.

3.3.3 Human Capital Agenda

The social partners note that many of the parties involved are working hard in the context of the Engineering Pact [*Techniekpact*] and the Top Sectors Policy [*Topsectorenbeleid*] to develop an infrastructure for the fields that fall within the scope of the Top Sectors Policy. Naturally, these sectors must generate new jobs over the longer term. The trade unions have also recently become involved in these processes.

Many parties are also involved in implementing the Engineering Pact, which is intended to meet two goals: retaining professionals in the field and getting young persons enthused about working in these sectors. This is desperately needed. In 2012, the influx in day-release programmes (four days of internship work, one day of school) decreased by half. Transition measures must be taken in the near future to return this influx to its former level. In this respect, consideration should be given to some type of job guarantee for young people who are following day-release or vocational training programmes to work in the engineering sectors. There must be improvements made in the guidance provided to these young people, perhaps by matching them up with older employees to create ‘master-journeyman’ relationships.

The social partners do not want the attention devoted to improving education to be restricted to the engineering sectors. There are other sectors which will be encountering a scarcity of skilled workers in the near future – such as the health care sector – and students must be motivated to work in these sectors. The cutbacks in knowledge centres must therefore be reversed in order to reinforce the connection between education and the job market.

4. 2014 Budget

The social partners assume that the achievement of their agreements and proposals will result in social *and* economic recovery, as well as in the recovery of consumer, manufacturer, employee, and commercial confidence. In their view, the EUR 4.3 billion in measures introduced by the government in February 2013 with regard to the 2014 budget (including the zero line [*nullijn*] for the government and health care sectors, continued crisis relief for employers, and the deferment of public expenditures for infrastructure) are standing in the way of needed recovery and harming the economy. The social partners are asking the government to refrain from implementing these budgetary measures.