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IS THERE MORE TO THE DUTCH MIRACLE THAN A LOT OF PART-TIME JOBS?¹

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SOM-theme C: Coordination and growth in economies

draft, please do not cite; comments welcome

Abstract

The Netherlands is known for its rapid growth of part-time jobs, its strong wage moderation, and its low level of wage inequality. At the same time, the rate of unemployment has become favourably low, even below that of the US now. This is known as the 'Dutch miracle', in particular whilst in the early 1980s the Dutch labour market performed much worse than elsewhere.

The Netherlands is also known for its 'model', that is its institutions and the policies pursued. The consensus in policy making – involving government, trade unions and employers – appears to have enabled the prolonged wage moderation. The two aspects are often claimed to be systematically related, the miracle being the result of the model.

This paper aims to question Dutch performance and its relation to the model. We will examine the claims being made, having a good look at both the transformation of labour market and the evolution of the economy. Starting from the miracle the paper works its way via the policies to the model. We discuss the policies pursued and what the Dutch model stands for and whether the performance relates to this model of decision-making and the specific policies. Thus, the question is if the outcomes relate to conscious actions following indeed from the Dutch model and not, conversely, whether the Dutch model necessarily generates such policies nor whether other models could have generated the same results. Finally, what may have worked in the Dutch context may not do so in the future or in another country, and such issues should be considered as well.

As a result of this approach, the Dutch labour market success appears to lose some of its shine and also its relation to the policies, particularly to wage moderation, may be less straightforward than is often suggested. Also, the link between the policies and the model appears to be only partial. Finally, for drawing lessons for other countries as well as for the Dutch future one should be aware of the specific Dutch labour market situation at the outset, particularly the very low female participation of the 1970s.

JEL-codes:

E24, E64, E65, J21, J23, J31, J38, J50, J58, J68

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¹ The paper is a further developed and specified version of Salverda, 1998c.

Introduction

In a speech on the ‘*War of the models: Which labour market institutions for the 21st century?*’, Richard Freeman (1998, 2) called the Netherlands “the only part-time economy in the world, the new champion of the Continent, with a finger in the dike of unemployment”. Indeed, a quick look at the figures appears to confirm this. Wherever one looks – at employees or the self-employed, at male or female workers, at manufacturing or services – the Dutch rate of part-time work is very high by international standards and the average working week is rather low. The incidence of part-time work is considerably more than twice the European average (Table 1, see also Table A.1 for more details). The incidence of flexible work is more difficult to compare internationally. If defined as temporary work, the Dutch situation differs little from the European, although Dutch women have a relatively high incidence. These facts would not attract so much attention if at the same time the rate of unemployment had not been so favourably low compared to other countries, coming down from a peak in the 1980s that was higher than in most other countries (Figure 1)². In 1998, the standardised Dutch rate of unemployment (4.0%) was even below the American (4.5%) and was significantly less than half the European (10.0) level. The fact that this has been realised in an entirely different way from the USA – corporatism works?! – adds a very attractive flavour for many observers. Earnings inequality increased significantly in America but in the Netherlands it remained low and virtually unchanged while the incidence of low-paid employment is also still very modest (Table 2). German inequality is at a

² OECD figures, not corrected for breaks in the series. After an estimated correction, the Dutch Central Planning Bureau (1998) assumes a much more modest decrease in unemployment than shown here, from a maximum of 9.7 % in 1984 to 5.3 in 1997.

comparable level and French inequality also changed very little but it is significantly higher than in the Netherlands. British inequality, however, increased substantially – more than American – and the incidence of low pay is also high.

Each of these elements, part-time jobs, low unemployment, or low inequality, are found in other countries. Their successful combination, however, seems unique and makes up the ‘Dutch miracle’. This strongly contrasts with the previous situation of the 1980s that was perceived as the ‘Dutch disease’. The wonder seems to imply a significant redistribution of employment with a lowering effect on the level of unemployment. In spite of the literal sense of the word miracle as something unexplained coming out of the blue, it is thought to be the more or less deliberate result of a ‘model’. In a nutshell, the basic idea is that conscious efforts of government and the so-called social partners, focussed on large and lasting wage moderation, have resulted in a better employment performance than in most other countries, particularly neighbouring countries in Europe.

** Tables 1 and 2, Figure 1 **

By definition, miracles come out of the blue and do not result from conscious action and therefore should systematically be demystified to enable a proper consideration. To see if there are any lessons to be learnt for other countries, but equally for the future of the Dutch economy, three questions should be posed. First, it should be asked whether the Dutch labour market has indeed been transformed. Is it really so successful regarding employment growth as many think? The evolution of the Dutch labour market over the last two decades will be pictured to find out about this transformation. It will also be examined how this fits Dutch *economic* performance over the 1980s and 1990s. The second question is

However, I think this correction underestimates the increase of the early 1980s (cf. Salverda, 1992, Appendix A).

whether such a transformation has been the deliberate result of policies. Does it relate to a special model of policymaking and/or specific actions undertaken by the actors of the model? Thereto, we discuss the ‘model’ in some detail, and consider the most important policies and their connection, if any, to the ‘model’. The third question is to know whether such policies may be successfully copied in other countries or sustained in the future. Could the particular policies generate the same effects in other countries or would their success depend on also reproducing the wider context of decision-making? Or do the effects perhaps rest on the particular configuration of the Dutch economy or its change? Both options can make imitation or continuation difficult or forthright impossible. Some observations will be made regarding these issues by way of conclusion to the paper.

These questions naturally raise other questions in turn, but it is far outside the scope of this contribution to give a full description and evaluation of the Dutch economy over the last decades. The focus is how the outcomes relate to conscious actions following indeed from the Dutch model. The query is not to fully dissect the Dutch model and see neither whether it necessarily generates such policies nor whether other models could have generated the same results.

Before starting, it should be stressed that although the ‘miracle’ is a much debated issue in the Netherlands there are no clear, generally accepted answers to these questions – if they are asked at all, given the national euphoria about the situation, particularly in political circles. In that sense, the miracle is equally a riddle. The present argument intends to make a critical contribution to the debate. Two issues should be stressed. First, the starting point for singing the praise of the Dutch model is often chosen around 1983 or 1984. In those years, however, the Netherlands hit the lowest level of the deep economic decline that was triggered by the ‘second oil crisis’. Instead, I take my starting point before the crisis, in 1979,

when the economic cycle was better comparable to the present situation³. Starting the comparison in 1983 or 1984 is also pre-empting the discussion about the contributions of the Dutch model during the years preceding 1982. The latter year is frequently considered as the pivotal year because of the *Wassenaar Agreement*, concluded between unions and employers⁴. Note, however, that the country had exactly the same institutions before this. Second, I will draw the comparison to other countries as much as possible on a per capita basis. This serves to correct for the faster population growth in the Netherlands⁵ – actually, it was two times (11%) as fast as the EU average (5.5%) over the last two decades. Finally, the argument will generally focus on *dependent* employment and *gross* wages, for various reasons, such as the availability of data, the significant international differences in the employment share of the self-employed⁶ and, last not least, the role of policies, particularly wage moderation which does not affect the self-employed.

1. Transformations

The Dutch labour market has witnessed a strong growth of employment and a simultaneous increase in the incidence of part-time and flexible jobs while the number of full-time jobs fell slightly, with some cyclical variation (Figure 2). The three categories are defined depending on the person's labour contract. Full-time and part-time jobs concern workers with a permanent appointment (or a temporary contract with the legal promise of a permanent position) while flexible jobs are an altogether different category. They can either be of limited duration or have an indeterminate number of working hours and, therefore, they can be either part-time

³ Cf. Gorter and Poot, 1998, for a similar argument and an interesting comparison between the Dutch model and New Zealand.

⁴ Named after the place where it was concluded.

⁵ Krueger and Pischke, 1997, 6, discuss the importance of population growth for labour demand suggesting that it comes close to Say's Law.

⁶ In the European Union, ranging from 29 % in Italy to 9 % in Denmark.

or full-time in the sense of the number of hours worked per week. Naturally, part-time jobs may also be an important form of flexibility with a stimulating effect on productivity. They enable hiring labour at regular peak hours of demand, especially in services such as the retail trade or public transport.

Between 1979 and 1997 Dutch employment as a whole grew by 28 per cent, and particularly after 1983 its growth equalled the American employment miracle. On balance, all Dutch growth resided in part-time and flexible jobs, in a ratio of three to one. The former doubled in numbers, the latter increased by 150 per cent. Notably, the decline in employment of the early 1980s affected only full-time jobs (-9%). The growth in part-time and flexible employment is an ongoing process that already made itself felt in the 1970s. It did not step up its pace until after the mid-1980s. Part-time jobs showed an average annual growth of 4 % with little variation and only a slight acceleration after the mid-eighties. Initially, flexible jobs grew at a similar pace but since 1989 this has rapidly accelerated, with a relatively large cyclical fluctuation around 1993. Particularly in recent years, full-time jobs suffered a new decline (-5%) while part-time and flexible employment more than compensated for this.

It is important to note that among part-time jobs the very small jobs, of less than 10 or 12 hours a week, are a highly significant phenomenon, and were so over the entire period⁷. In the Netherlands, their incidence is very high by international standards (Table 1⁸). Leaving them out lowers the incidence of part-time jobs considerably, and also brings down the Dutch employees-to-population ratio from 68 to 61 per cent, a level close to that of various other European countries.

Average hourly pay for part-time jobs was 86 per cent of full-time pay in 1995. The actual differential is much smaller (an estimated 6 per cent below full-time pay) if we

⁷ The Dutch LFS documents jobs of less than 12 hours per week but leaves them out in the standard definition of the labour force. Including the self-employed their incidence was 9.5% in 1981 and still was 9 % in 1997 (private communication by CBS). Their share in hours worked is an estimated 2 to 2.5 %.

⁸ Eurostat definitions for full-time and part-time jobs include flexible jobs as they depend on hours worked and not on the contractual relationship.

account for personal and job characteristics such as the concentration of these jobs in young age groups and in low-paying industries like the retail trade⁹. In spite of the very high incidence of part-time work in the Dutch economy, employees often seem satisfied not to have a full-time job. Working part-time appears to conform to their tastes. In 1996 only 2.4 per cent of the total Dutch labour force (or 6 % of part-time workers) would have preferred a full-time job over their part-time employment against 3.1 per cent for the European Union as a whole (or 19 % of EU part-time employees)¹⁰. Naturally, the satisfaction mirrors the fact that often the earnings from a part-time job are the second income in a household, usually generated by the female partner. Evidently, this should not be taken to imply that these jobs allow economic independence. By contrast, average pay for *flexible* jobs is considerably below full-time earnings (57 %). Although, again, part of the pay gap may be explained by a high concentration among youth, flexible jobs do in fact have little quality in providing economic independence. Much of it is temporary work that is paid the statutory (youth) minimum wage. Their growing incidence therefore points to a qualitative deterioration of employment if viewed from the employee side, particularly for youths¹¹.

** Figure 2 **

Employment

The growing significance of part-time work, combined with the general reduction in working hours¹², has important implications for the evolution of the employment volume, both in a time perspective within the Netherlands and in comparison to other countries. Usually, the measurement of employment is a headcount of the number of *persons* having work. This is not without importance, particularly for the

⁹ Cf. Salverda, 1998b, for a further analysis of differentials.

¹⁰ Eurostat, *Labour Force Survey Results 1996*, Table 059.

¹¹ Cf. Salverda & Schonewille, 1998.

¹² Annual *full-time* hours fell by 6 % between 1979 and 1997.

participation of the labour force, but for an evaluation of the economics of the labour market a volume-count of the number of *hours* annually worked seems more to the point. Figure 3 shows how substantial the gap is between the headcount and the hours-count. Between 1979 and 1997, the former showed an increase by 28 per cent, the latter by only 9. The part-time share in hours worked went up from 9 to 19 per cent (in the headcount from 18 to 30 %) and the flexible share rose from 3 to 7 per cent (instead of 6 to 12). Obviously, the full-time share fell, from 88 to 74 per cent of all hours worked. Taken per capita, the employment volume initially fell considerably (1979-1984: -10%) and made only limited progress during the rest of the period. Consequently, its present level still remains below that of 1979. For the sake of comparison the graph also shows the evolution of US employment (headcount). In the US, hours worked per person tended to increase so the hours-count would be even more favourable.

** Figure 3 **

Now, how does Dutch volume growth compare internationally? OECD figures¹³ on annual hours worked enable only a limited and approximate comparison of the changes over time. On balance, Dutch per capita employment growth appears to be similar or only slightly better than in neighbouring countries like the UK and Germany (Figure 4). It was considerably better than in France, but startlingly worse than in the US¹⁴. Evidently, the usual headcount of employment is greatly flattering for the Netherlands compared to the volume-count.

** Figure 4 **

¹³ Cf. OECD, *Employment Outlook 1998* p. 207.

¹⁴ Norway and Sweden were similar to the Netherlands, Finland did worse than France.

Unemployment

Three remarks about unemployment may complement these observations on employment. First, the usual international comparisons as made by the OECD and the ILO relate the number of unemployed to the full headcount labour force. By contrast, if we would leave aside the very small jobs mentioned earlier¹⁵, the Dutch rate of unemployment rises from 5.5 to 6.1 percent in 1997 while the European rate increases relatively little (10.8→11.1). Also, the definition of the unemployed as persons willing and able to work on the condition that they have been actively looked for work over the last four weeks before the survey tends to keep unemployment figures down more strongly in the Netherlands than elsewhere. If, instead, we would also count those inactive persons who say they are willing and able to work, the Dutch unemployment rate would increase to 12.3 per cent and the European average to 15.7¹⁶ (see Figure 5). As a result, the distance between the two falls from to less than a quarter of the European level. Evidently, a larger proportion of those willing to work can afford to engage less actively in job search – the official criterion for the unemployment count – in the Netherlands than elsewhere¹⁷.

** Figure 5 **

Second, the decline in official unemployment has not equally benefited the so-called vulnerable groups in the labour market, such as ethnic minorities and the unskilled in comparison with the core group of prime-age males (Figure 6). These categories consistently have unemployment rates three to five times higher than the reference group, presented as concentration rates in the figure. Also, they tend to go up relative to the reference rate when the latter goes down.

¹⁵ To do justice to the fact that most of the unemployed questioned by the LFS wish for a substantial job.

¹⁶ Including the active willing to work in both unemployment and labour force, disregarding jobs of less than ten hours a week (Eurostat, LFS 1996).

¹⁷ The frequent combination of education with a part-time job may help to explain this.

**** Figure 6 ****

Finally, the relatively low levels of Dutch youth unemployment¹⁸, which naturally help to keep unemployment at a low level, do not rest on a solid growth of youth employment. Instead, the Dutch economy appears to profit from a strong demographic decline in the age group¹⁹ and a continuously increasing participation in education (like in many other countries). Their prolonged stay in education is going hand in hand with the increase in part-time and flexible work. At the end of the 1970s the incidence of part-time jobs in youth employment was significantly below average, now it is far above. They particularly often have a very small part-time job. One third of all employed youths work less than 12 hours a week; four times as often as adults. Recently, they also witness a high and extremely rapidly increasing incidence of flexible jobs. From 1992 to 1997, this grew spectacularly from a level of 16.5 to 27.5 per cent of all youths working 12 hours a week or more²⁰.

Economic performance

In addition to these labour market outcomes, we consider the economic results obtained by the Netherlands over the period.

**** Figure 7 ****

Figure 7 concisely shows the evolution of the most important economic variables, GDP, investment, private consumption, exports and imports. It pictures Dutch outcomes, measured by volume indices, relative to the average of the

¹⁸ In 1997, 8.2, 19.1 and 10.4 % for the Netherlands, the European Union and the USA respectively (OECD, *Employment Outlook 1999*, Table C).

¹⁹ Cf. OECD (1999), 86.

²⁰ Over the same period, the adult male incidence of flexible jobs increased from 3.3 to 4.8 % while the adult female incidence fluctuated between 10 and 11 per cent (head-count figures).

European Union and the United States taken together²¹. Table A.2 presents more details for the EU and the US separately, and for Belgium, Germany, the United Kingdom and France.

The increase in the per capita Gross Domestic Product (GDP) does not look special. 1989 and 1990 were the only years of Dutch growth exceeding any of the above countries. Something similar holds for exports, which is notable as the Dutch wage moderation was primarily meant to improve the international competitive position. By lowering wages compared to other countries, a country may attempt to improve its competitiveness and attract more product demand at the expense of the others. Thus unemployment would be exported, the well-known beggar-thy-neighbour policy. The unimpressive Dutch export performance, however, seems to imply the absence of such an effect. Also, the growth in private consumption is strikingly low and that of imports is lagging even more behind. Here the Netherlands are an outlier indeed. It appears to be falling imports, not spectacularly growing exports, which help to explain the remarkable long-standing Dutch balance of payments surplus. Finally, investment was often slack, particularly during the early 1980s but significantly also in recent years. It did not make a marked comeback after 1983 and was a repetitive cause of concern in the 1980s, inducing the then Prime Minister to sigh 'one can lead a horse to water but not make it drink.' Over the period as a whole, Dutch performance stayed behind all other countries mentioned for all five variables considered here, except for American GDP and German exports. The former difference seems to be of a structural nature and holds for many European countries. The edge over German exports, however, seems to be temporary, hinging on the period following German unification in 1989. It was overcome in recent years. A breakdown in four sub-periods shows that Dutch performance was pretty bad between 1979 and 1983, and average during the rest of the 1980s. Only between 1990 and 1994, and then only for GDP, the Netherlands were the best performer of the pack but this was not

²¹ Data were taken from OECD, *National Accounts* statistics.

systematically related to a high level of investments or exports. One can conclude that Dutch economic results are moderate to normal and not exceptional, not even after 1982.

Summarising, Dutch employment outcomes were rather spectacular from a labour force point of view, as so much more people found a paid job with which they seem to be content. The Dutch labour market certainly was drastically transformed. At the same time the results are not too encouraging from an economic point of view as the input of labour per head of the population has still not fully recovered from the inroads made during the crisis of the early 1980s. However, one can also conclude in a positive vein that, apparently, the labour market results could be achieved in spite of mediocre economic outcomes. Evidently, there was some leeway to develop a different set-up of the labour market without really damaging the economy.

2. Policies

The two most important policies that have been pursued in the Netherlands over the last decades are wage moderation and job flexibilisation. We will first put them in a broader perspective. Then we deal with wage moderation, including its possible relation to the above outcomes. By contrast, flexibilisation policies are more easily identified in the next section when we turn to discussing the model. In the Netherlands, one should note, not all policies are necessarily government measures and particularly flexibility measures are strongly connected to the behaviour of the social partners in the model and may serve to illustrate the workings of the model.

A set of policies

Observers often identify a broad set of five types of policy as typifying the Dutch measures. These policies have been actively pursued, supported, tolerated or simply not obstructed by each of the three partners in the Dutch model, employers, unions and government:

- the extensive and prolonged wage moderation,
- the flexibilisation of labour, including the general reduction of the working week, the increase in part-time work, and the growth of flexible labour contracts in the narrow sense of the word,
- the substantial lowering of public expenditure,
- the pegging of the Dutch guilder to the German mark,
- the policies directly aimed at lowering unemployment, including direct job creation (e.g. “Melkert”-jobs) and specific wage subsidies (e.g. SPAK).

We will be short on the last three types. The lowering of public expenditure was primarily realised through the wage restraint forced upon civil servants and on employees in the subsidised sectors like education and health care (further discussed below) and the accompanying restraint of benefits and state old-age

pensions²². Then there is the peg to the Mark. Germany is the Netherlands' most important trading partner for both exports and imports. There is little to say about the peg itself, not for lack of importance but for the monotony of the historical evolution. Since the Dutch government in 1983 decided to fix the guilder's exchange rate to the Mark, it has remained unaltered and now it has become part of the Euro. The implications are more interesting. Together with wage moderation the peg is often seen as the basis for the Dutch success as it helped to let wage moderation have full effect on Dutch exports to Germany²³. The mediocre Dutch export performance mentioned in the previous section casts some doubts on the effects. We can add that Dutch exports to Germany did not exactly reflect the increasing cost advantage enjoyed by the Netherlands. Since 1979 they have grown by +146%, lagging notably behind exports to other EU countries (+204%) and they grew only little more than German imports in general (+131%) – after 1982 alone they grew even less than these (+71% against +74%)²⁴. With the peg the Netherlands forced itself to follow German anti-inflationary policies, which it has done even more successfully than Germany itself. Average Dutch inflation fell from 6.8 per cent over 1970-1983 to 1.6 over 1984-1997 compared to a German decline from 5.1 to 2.6 per cent²⁵.

Active unemployment policies will be left aside in this paper. They became quantitatively more important in recent years only and their effects have been limited (see further Salverda, 1998a).

The five policies are mentioned as a matter of fact and do not necessarily constitute a coherent package. Naturally, they may have been mutually reinforcing

²² See Hartog, 1999, for more details.

²³ In principle, also on exports in competition with Germany to other countries.

²⁴ CBS Website 11/6/99, *StatLine, Tjdreksen handel binnen- en buitenland* and OECD, *National Accounts 1960-1997*, vol. 1, 137 (measured in value terms as , unfortunately, no volume data are available).

²⁵ Between 1979 and 1997 the Dutch price level (GDP) increased by 49 %, while the EU-US average rose by 124 %. OECD, *National Accounts* figures. For a further discussion see IMF (1999).

– e.g. the peg has gone hand in hand with the limiting of government spending – but it cannot be said *a priori* that they were all indispensable for the result.

Wage moderation

In the Dutch labour market there were two important developments during the 1980s and 1990s. First, substantial wage moderation was practised as an input for economic development including a very strong decline in the minimum wage. Second, as we have already seen, the job structure of employment rapidly became more flexible. We consider the former in more detail and come back to the latter in the next section.

Figure 8 shows the considerable decline in the average real wage²⁶ over the first half of the 1980s. In 1984 its level was five per cent below 1979. Between 1985 and 1992 it gradually rose to a level six per cent above that of 1979. Since then it has remained at that level, roughly speaking. The decline of the early 1980s occurred at the top as well as the bottom of the wage distribution, which explains the above-mentioned stability of inequality.

Government drastically lowered the statutory minimum wage. In real terms it fell almost every year of the period and fully missed out on the recovery of the average wage. Its real value²⁷ fell by thirty percent between 1979 and 1996, matching the notorious fall of the American minimum wage²⁸. The decline was not fully

²⁶ Hourly earnings calculated as total wages divided by total employee hours worked. Weekly earnings, found in the earnings surveys, behaved less favourably, because of shortening working hours. For full-time workers they fell by 11 per cent until 1985 and still are consistently below the level of 1979. Deflated by consumer prices, which, I think, leads to a real wage concept closest to the determinants of the behaviour of trade unions and policymakers. If deflated by GDP-prices the evolution of wages is less unfavourable (cf. Keese, 1999) In the Netherlands, there is a relatively large gap between consumer prices and GDP-prices compared to other countries.

²⁷ Average of adult minimum wages and youth minimum wages (for each year of age below 23, starting at 30 per cent of the adult minimum wage for the age of fifteen).

²⁸ The Dutch level is still considerably higher than in the US, both relative to average wages and absolute in terms of purchasing power. The youngest youth minimum wages in the

matched by the evolution of actual low earnings, partly because of the strong decline in youth employment (which took many of the lowest paid²⁹ out of the distribution) and partly because the lowest wage scales negotiated between the social partners did not always follow the lowering of the minimum wage (further discussed below).

**** Figure 8 ****

The disappointing evolution of the employment volume on the one hand and the steady growth in GDP on the other imply that there has been a large increase in productivity (GDP over hours worked³⁰), substantially exceeding the wage trend. The increase was comparable to that of neighbouring countries and superior to the US. Productivity showed no dip like most of the other economic variables. Between 1979 and 1997, hourly productivity rose by 36 per cent while the real hourly wage rose only by 6 per cent. Consequently, the wage fell by 22 per cent against productivity, of which 17 per cent occurred between 1979 and 1985. Productivity growth accelerated after 1983, in spite of the wage moderation. Over the period as a whole, we can speak of a general and extended moderation of wages because the average wage lagged so much behind productivity, and not only because of a decline in purchasing power (Figure 8).

The modesty of Dutch employment-volume growth in itself already puts a question mark behind the indispensability of the strong wage moderation as an input; the rather flat performance of Dutch investments points in the same direction. A comprehensive international comparison of wage moderation could add further

Netherlands, however, are much lower than the single American minimum wage which also applies to youth.

²⁹ Salverda and Schonewille, 1998. This also helps to explain why Dutch earnings inequality was so stable in spite of increased opportunities to pay low wages (cf. Salverda, 1998b).

insights. Is the Netherlands really the champion of wage restraint? Unfortunately, the lack of comparable data makes it rather difficult to pursue this systematically for the same set of countries discussed so far. Actually, it can be observed that the share of wages in GDP fell more in the Netherlands than elsewhere, particularly during the first half of the 1980s³¹. This decline, however, can reflect declining employment as well as declining wages. The most accurate data for a comparison, based on hourly wages and productivity as shown above, can be calculated for the US, West Germany and France only (Figure 9)³². It shows the steep decline in the Netherlands of the early 1980s but, interestingly, the French decline appears to almost equal the Dutch decline, on balance over the whole period. Also the German wages came close to the French trend over the last ten years. Strikingly, all three fell much more than American wages-after-productivity. This is an interesting observation because, as we have seen, American employment outperformed European by far. Evidently, wage costs are not the single dominant determinant of employment growth³³. Also, other data from Eurostat, albeit less adequate, do not exactly point in the direction of a Dutch wage moderation far in excess of other nations. Between 1980 and 1994, real average gross wages of male manual workers (GDP-deflated) in the Netherlands increased by 14 per cent, holding the middle between the UK (+27%) and Belgium (+1%), while French and German wages rose by 7 to 8 percent. Apparently, one has to be careful not to overestimate Dutch wage moderation vis-à-vis other European countries.

** Figure 9 **

³⁰ Hours worked include the self-employed. Their hours were estimated by the author as labour years worked by the self-employed times the average annual hours in a full-time employee job.

³¹ Adjusted wage share following *European Economy* no 65, 280. It fell from 59 to 50 % in the Netherlands, from 56 to 50 in the European Union as a whole. In the US the share stayed between 50 and 61%.

³² This amounts to economy-wide unit labour costs. Naturally, the current averages are sensitive to composition changes.

3. The ‘model’

In this context, the concept of a ‘model’ lends itself to two different interpretations:

- the institutional organisation of the economy, i.e. the structure of decision-making, or, alternatively,
- the type of policies pursued by these institutions.

International observers usually refer to the Dutch ‘consensus’ on policies but also seem to think that it needs a particular supporting organisation, certainly to keep consensus going for a prolonged period of time. Therefore I define the model as the institutional set-up of two intertwined elements: 1) the socio-economic governance of the Dutch economy and 2) the wage bargaining in this economy (see above and below the dotted line respectively in Figure 10). It is what Visser and Hemerijck (1997, 12) dubbed ‘the corporatist format of the Dutch economy’. I will present here only the essentials of the set-up and refer for further details to Visser and Hemerijck and to Teulings and Hartog (1998).

** Figure 10 **

Governance structure

The thrust of the model is a tripartite and self-motivated involvement of unions, employers’ organisations and government in an institutional structure with relatively little antagonism between the three sides. The structure is amazingly steady. Essentially, it dates back to the post-war years and has continued without noticeable change during the 1980s and 1990s. This already illustrates that the

³³ Keese (1999) comes to the same conclusion using a comparable approach for a set of 18 OECD countries.

structure in itself is not a guarantee of little antagonism. During the 1970s there was much more conflict between unions and employers than today, or as Freeman (1998, 14) observes “The Netherlands ... has moved from disease to success, without changing its system of wage-determination or unionisation”. The structure may facilitate reaching consensus if sought but does not produce it automatically. Once consensus is reached, however, it can act very swiftly to change behaviour economy-wide. One may better regard the structure as reflecting the generally low levels of antagonism in Dutch labour relations. The incidence of strikes is low. There may be an important relation also between this lack of antagonism and the nature of the political system of equal representation. No single party attracts more than one-third of all voters or gets more than one-third of the seats in Parliament. Dutch government always runs on coalitions of different parties and there is a permanent need for compromise. Compromise itself, however, seems less important than the fact that, as a result, the government may, in the long run, be a more reliable partner for negotiations than in many other countries. In more polarised political systems where two major parties alternate, views on the economy may differ more strongly and, after elections a winner-takes-all attitude may encourage the winning party to dismantle the accomplishments of its predecessor.

At the top of Dutch corporatism there is the government on the one hand, and employers and unions on the other (Figure 10, upper half). The fact that Dutch employers are relatively well organised, making them a relatively reliable partner too, is another major contribution to the model. The two main trade union confederations, FNV and CNV, and the employers’ confederation VNO-NCW are the major representatives of the social partners. Together the social partners meet in the Labour Foundation, which they established in 1945. Here they discuss any issue that they agree to address, ranging for example from stimulating part-time work to preventing racial discrimination in the labour market. The social partners

also meet with each other as well as with independent, government-appointed experts in the Social and Economic Council. In addition, a government delegation comprising the relevant ministers and the Prime Minister meets twice a year, in the so-called Spring and Autumn Meetings, with the Labour Foundation to discuss the claims and outcomes of collective bargaining and relevant policy measures. The government also seeks the formal advice of the Social and Economic Council on many issues relevant to socio-economic policy making, particularly including social security. These can be of a very general nature, such as European integration, or rather detailed, for example the increase of the minimum wage. The Council also heads a range of corporatist institutions at the industry level which play a regulatory role, including the setting of wages in various branches in the absence of collective agreements.

Formally, the role of the Foundation and the Council, and of the social partner organisations behind them, is rather limited. They agree (or not) on recommendations to government and to the individual unions and employers who are the independent contractors in collective bargaining. However, before doing so the top-level institutions – nowadays more than before – consult their supporters and thus manage to exert a strong influence in practice. An important illustration of the workings of the system is offered by the agreement that was reached between the unions and the employers in the Labour Foundation in March 1996 in the *Memorandum on Flexibility and Security*. It was a trade-off between the application of flexible work in enterprise on the one hand and the flexible workers' entitlements of social security on the other. '*Flexicurity*' is the magic word. It led to a detailed proposal for legislation, which was accepted by the government and led to new legislation that has been applicable since 1 January 1999. Interestingly, industry-level negotiations were part and parcel of the central agreement. In the sector of temporary work agencies, which is a fully developed industry in the Netherlands, an agreement was simultaneously reached to improve the legal position of temporary workers, which enabled the unions to agree with increasing flexibility in the central

agreement. Both sides made concessions. On the one hand, the maximum duration of stay of a temporary worker on the same job was abolished, and, on the other, a dismissal procedure remained, in a simplified and shortened version. Behind the agreement was a changing view on the role of the temp agencies, not in the least among these agencies themselves. For example, in the biscuit industry (11,000 employees), an agreement was concluded at the time which set an example for other industries. Facing major reorganisations, employers agreed with a union proposal to involve one of the major agencies. The agency hired as ordinary employees, that is not as temporary workers, the people that become redundant in the industry and attempted to find them a suitable employment, preferably in the biscuit industry.

Now *Flexicurity* may be the smoothest and most important example, but it should be perceived against the background of drastic changes set in motion in the early 1990s by the preceding government. This changed social security rather drastically, ousting the social partners from its organisation structure. They were evicted from the boards of the social security funds, which determine the enforcement of social security regulations and advise the government about the level of social insurance contributions to be paid from the wage. The social partners' behaviour was considered as part of the problem of the high incidence of social benefits and concomitant expenditures. Being actors in company-level reorganisations they were perceived as passing on their problems to the general public. Presumably, they sent redundant workers into disability instead of unemployment because of the much better benefit entitlements. The unlimited duration of disability benefits, however, would prevent an improvement of employment prospects from bringing about a lower incidence of benefits related to unemployment. Although significant in itself, the change in the institutional set-up of social security was of secondary importance for the governance structure of the economy and the labour market.

With the start of the new 1994 government, the labour-liberal ('violet') coalition, the existing political pressure risked to spill over into the very playing field of the unions and the employers themselves: collective wage bargaining. There was a serious political threat from the government to abolish the mandatory extension of collective agreements. Such extension compels the enterprises from the same trades, who are not a member of the negotiating, industry-level organisations, to pay the same wages. This prevents wage underbidding. The mandatory extension is a purely formal prerogative of the Minister of Social Affairs, which however, in 1994, threatened to get real leverage. It shown in the lower left-hand corner of Figure 10. These pressures have certainly stimulated employers and unions to decide about their own ideas, reach as much of a consensus as possible between themselves and subsequently try and convince the government coalition. To get away with it, they had to promise to include so-called 'good causes' in their collective agreements. These comprise training for workers and employment programmes for vulnerable groups (financed at the expense of the wage increase), and particularly the (re-)introduction of wage scales with lower levels of pay which are closer to the statutory minimum wage. The achievements of the collective agreements were systematically discussed by government and the social partners at the Spring and Autumn Meetings. After some time, the results were considered sufficient for removing the political threat. Paradoxically, these pressures have considerably increased the influence of the social partners on policymaking as was illustrated by the *Flexicurity* deal.

Wage bargaining

The second part of the institutional set-up regards the specific rules governing collective bargaining (see lower half of Figure 10). Some ten years ago the Dutch bargaining structure was supposed to combine the worst of two worlds. Wage bargaining should be either conducted at the national level or fully decentralised to

individual enterprise, ‘Sweden or the US’ so to speak³⁴. In a fully centralised system all effects external to incumbent workers or insiders, such as unemployment, would be taken into account through negotiations. In an entirely decentralised system, labour market competition between enterprises would prevent any rent seeking. By contrast, industry level negotiations, which are predominant in the Netherlands, would allow insiders to seek wage increases above the level of competitive wages causing sub-optimal employment. In the economists’ debate, however, it’s now dawning that, contrary to these expectations, the decentralised American way of wage bargaining may allow substantial rent-seeking through large inter-industry wage differentials (not necessarily union differentials). By contrast, European corporatism often appears to lead to much smaller non-competitive wage differentials, that is to outcomes which are more in line with the basic premises of mainstream economic theory. In the Netherlands, as in various other European countries, inter-industry wage differentials are very small compared to the US³⁵. See Teulings and Hartog for an important new contribution to this debate³⁶.

To this can be added that in Dutch collective bargaining there appear to be very few rules. Employers are free to accept any union that presents itself as a partner for negotiations, and conversely any union is free to present itself as such without first having to comply with eligibility rules through elections etc.. In addition, a wage bargain struck between an employer and any one union is binding for all other unions. Finally, wages apply to all workers in the enterprise irrespective of their union membership. Confederations have no formal role in the bargaining at all. Nevertheless, they are very active co-ordinators of wage demands and offers respectively. This generates an in-built tendency towards wage moderation to prevent them from losing their positions. Through the combined

³⁴ Cf. the hump-shaped curve of Calmfors and Driffill, 1988.

³⁵ E.g. Salverda, 1998b.

³⁶ See also Freeman, Hartog and Teulings, 1996, and Hartog, 1999. Many of the details of Dutch wage bargaining presented in this paper, and more, are found in these publications.

set-up of governance and bargaining, Dutch unions manage to negotiate wages for the greater part of the economy in spite of the relatively low union density. Union membership is about a quarter of the labour force while collective agreements are covering three quarters.

It should be noted that the experience of the 1980s and 1990s is that, although the national social partner organisations deal with a broad range of economic issues, their actual influence is heavily focussed on wage formation. Little success has been booked for the above 'good causes', and a host of other recommendations hardly ever reached the negotiations between individual unions and employers³⁷. With respect to wage formation, however, as we will see, their behaviour can be rather effective, much more than corporatist structures are typically thought to be able to act.

4. The model and the policies

We have seen that the employment results of the Dutch model seem to be less outstanding than is often assumed in spite of the rather substantial wage moderation. Indeed, employment-volume growth was very modest and *prima facie* evidence that moderation was the single driving force behind this growth is lacking. Wage moderation and flexibilisation were the main inputs from the side of labour but how far were they indeed an accomplishment of the model? In other words, to what extent can their evolution be linked to Dutch socio-economic governance and wage bargaining?

The evolution of actual earnings is not immediately connected to the model itself but one step away from it. The bridging link are the wage rates which

³⁷ Compare Van Heertum-Lemmen and Wilthagen, 1996, and Salverda and Beukema, 1996-97.

result directly from the collective wage bargaining between employers and unions. These rates, in turn, are the point of departure for individual wage formation in enterprise, between the employer and the individual worker. Nevertheless, the rates are particularly important for the increase of earnings over time also for the individual³⁸. We find a decline in the rates (Figure 11) that largely parallels that of actual earnings³⁹. It is important, however, to have a closer look at the early 1980s. In November 1982, the famous *Wassenaar Accord* was concluded which is usually given all the credits for wage moderation. The agreement was reached between the social partners under the threat of wage intervention by government. It comprised a trade off between, on the one hand, wage moderation, aimed at increasing profitability, and, on the other hand, a general shortening of the full-time working week from 40 to 38 hours, aimed at lowering unemployment by a redistribution of paid work. The credits given to the Accord conflict with the fact that both wage rates and actual earnings had already been falling considerably in real terms before that time. ‘*Wassenaar*’ is supposed to have put an end to the automatic price-indexation of wages but evidently this had already happened in 1980.

** Figure 11 **

It is also important to note that the factual decline after 1982 primarily concerned government wage rates (also indicated in the figure). Civil servants’ rates lost an amazing 25 per cent of their purchasing power between 1979 and 1985. Up to 1979 the evolution of private and public rates had been almost identical. After 1979, however, government rates underwent the same nominal lowering and prolonged freeze as the minimum wage⁴⁰. Naturally, this enabled

³⁸ Two-thirds of all workers who stay with the same employer, have wage increases identical to what is collectively contracted (Teulings and Hartog, 1998, 272).

³⁹ Wage rates in Figure 9 regard weekly and monthly wages and should be compared with the less unfavourable evolution of hourly earnings mentioned in footnote 26.

⁴⁰ This also helps to explain the stability of wage inequality as many civil servants are found at the upper end of the wage distribution.

lowering public expenditure and, through taxation, gross wage costs. By contrast, rates in the private sector had most of their decrease in purchasing power already behind them in 1983. Between 1979 and 1982 they fell by 5.4 per cent, the subsequent decline in 1984 and 1985 was only 3.4 per cent and after 1985 they tended to increase. In a similar fashion, youth rates fell drastically while adult rates lost only very little. Basically, the wage restraint practised for adult workers in private enterprise since 1983 was not a decline in purchasing power but a strong lagging behind the increase in productivity. It appears that the 1982 Accord deserves less credit for starting the wage moderation than for continuing it, and for continuing it primarily for specific categories of workers. There was a renewed wage moderation in the 1990s, towards the end of the period. This time the model deserves more credit as the instigator (Figure 12). In 1992 and 1993 employer and union confederations agreed on two recommendations, called '*Breathing Space*' and '*New Course*'. These advocated that unions and employers restrain wage increases in the new collective agreements. The effect was immediate and also affected the work force more equally than had been the case after 1982, as government rates and youth rates evolved in much the same fashion as the rest. Also, the timing was much faster in relation to the risks of increasing unemployment than in the early 1980s.

** Figure 12 **

A particular element of wage formation that has received much attention in the political debate in the Netherlands, is the extent to which the social partners in their wage negotiations have endorsed the lowering of the statutory minimum wage by government. Pure minimum wage employment has been declining almost continuously and the government blamed this on the behaviour of the social partners. Presumably, they had put the lowest wage scales well above the minimum wage creating a gap that prevented applying the statutory minimum. The

famous example cited was a 20-per cent gap in the building trade. However, many industries, including the building trade, never paid wages close to the minimum. By contrast, the collective agreements in the retail trade and similar industries that used to apply the minimum wage as a starting wage already before its lowering, did faithfully copy the decrease of 1984 and the subsequent freeze into their collective agreements until the end of the 1980s⁴¹. Although since then these particular rates have increased relative to the minimum (+ 8% in 1996), they have lagged even further behind average wage growth (-9%). Under pressure of the government – the above threat to abolish the mandatory extension of collective agreements – the social partners have slowly put the minimum scales closer to the minimum wage in recent years, also in industries where it is irrelevant. It is difficult to establish the employment effect of this. First, minimum wage statistics changed in 1995, so any comparison over time must be limited to the years starting in 1995. We find an increase of the share of people earning exactly the minimum wage in 1996 compared to 1995 (4.7 → 5.3%) but also a lowering in 1997 (to 5.1%)⁴². In the band just above the minimum wage, workers earning up to 110% of the minimum wage, the employment share is constant. This conflicts with other evidence showing that in this adjacent band the lowering effects on wage scales in collective agreements were strongest⁴³. The inquiry is also complicated by the fact that in 1996 also a widely used subsidy on low wages (SPAK) was introduced⁴⁴.

It was shown in the previous section that the model also promoted flexibilisation in the labour market. First, the *quid pro quo* for the unions in the *Wassenaar Accord*, in exchange for wage moderation, was a shortening of the full-time working week, generally from 40 to 38 hours. This was endorsed economy-

⁴¹ Salverda, 1998a, Table 6.

⁴² Cf. CBS, Sociaal-economische Maandstatistiek 1999/2, 31 ff.

⁴³ Author's calculation on data concerning collective agreements by level of lowest wage scale, weighted by the number of employees covered by the agreement. (data kindly provided by SZW, Arbeidsinspectie).

⁴⁴ Cf. Mühlau and Salverda, 1998.

wide, often by increasing holiday entitlements. In the 1990s there was a new union attempt to drive the working week down, now to 36 hours. This time the implementation was much more a piecemeal process, and is still not fully realised, and then only in exchange for an increased flexibilisation of the full-time working week over (parts of) the year to facilitate the adaptation of labour efforts to the demands of production. By implication, the definitions of overtime hours and pay have become less strict.

Secondly, part-time work was encouraged, first in a government memorandum of 1987, which was later followed by a social partner recommendation in 1989. The stimulus was more a matter of attitudes – adapting the labour process – than of pay, the part-time differential already being relatively small. The legal position of part-time workers was improved on various occasions. Since 1993 those on very small jobs (of less than about 13 hours a week) have also been entitled to receive (an equivalent part of) the statutory minimum wage while before they were not covered. In addition, any discrimination by length of the working week, for pension rights etc., has been formally banned. Also, there has been a long political debate about giving employees the right to change their job from full-time into part-time with the same employer, within certain limits. The idea behind this, based on surveys, is that many full-time workers would prefer to work part-time and thus more jobs could be created. So far attempts to adopt a bill have failed but before long some rules will be enacted.

Thirdly, attention was paid to the position of workers on flexible jobs in the narrow sense of the word, such as temporary work, on-call contracts etc.. On this we already discussed the March 1996 *Flexicurity* deal of the social partners – which, by the way, only became affective as of 1 January 1999. As we have seen, a large increase in this type of jobs had already realised been between 1993 and 1996, before the time of the deal. In the year after the deal, 1997, flexible work grew relatively little. So, again, we do not find much of an independent stimulating effect on employment growth of the actions undertaken by the ‘model’. They

sanctioned a change that was well under way. To this it should be added that the growth of both part-time and flexible jobs was equally rapid before and after the year 1982 and showed no particular effect of the *Wassenaar Accord*.

5. Any lessons?

After a synopsis of the results found above, I will tentatively evaluate the possibilities to reproduce the performance of the Dutch model in other countries or to sustain it in the Netherlands itself. It remains tentative not only because various pieces of the Dutch puzzle are still missing but also because it depends on the circumstances elsewhere, which necessarily are outside the scope of the paper.

Summarising the above findings, we can state that:

- the economic accomplishments of the Netherlands (per capita growth in GDP, investment and exports) since 1979 have not been outstanding compared to other countries,
- imports and consumption have significantly lagged behind other countries,
- the growth in the number of people with a paid job has been spectacular,
- but it was fully concentrated in part-time and flexible jobs,
- and the employment volume (number of hours worked) has declined (per capita) and developed in line with that of several other countries,
- there was little direct stimulus from the ‘Dutch model’ on the growth of part-time and flexible jobs; once under way, it was sanctioned and supported with an improvement of entitlements and legal status,
- the decline in unemployment did not equally benefit the vulnerable groups in the labour market,

- wage moderation in terms of real income has been considerable and prolonged, particularly compared to productivity growth,
- wage moderation in private enterprise before the 1982 *Wassenaar Accord* of the social partners was more important than thereafter,
- wage moderation in the public sector after the Accord was substantially more important than in the private sector,
- initial wage moderation was large in the Netherlands, during the first half of the 1980s, but there is reason to doubt whether, on balance between the 1970s and the 1990s, it significantly exceeded that of other European countries

Clearly, there are pros and cons in this evolution. First and foremost, the redistribution of paid jobs has worked amazingly well. Even if it did not help to increase the total volume of employment available it helped many more persons to find a job. What objections could one raise to having a “part-time economy” (Freeman) and still realise normal economic growth? (apart from the possible increased stress of producing more in less time) It illustrates that even in a very open economy with average economic growth the structure of employment can be changed rather drastically to better suit the preferences of a large part of the labour supply.

It should be realised, however, that the redistribution was effected in a specific way. Part-time and flexible employment increased but these types of employment primarily suit the needs of two particular groups in the labour market: women, who seek to provide a second income in the household, and youths, who aim to combine some paid work with their prolonged stay in education. The compensation offered by a second income implies that the wage moderation for households was less than for individual workers (which may explain the lack of resistance to the moderation). Youths in the Netherlands earn a very low wage by international standards and have continuously increased their stay in education. Given that situation, flexible work appears to suit their needs. The increased level

of flexible work may be well adapted to the much higher participation in higher education of the present and the future and in that sense it is also a positive achievement. The other side of the coin, however, appears to be the continuing plight of the unskilled, or people from ethnic minorities for that matter, who do need a full-time job to earn a living instead of part-time or flexible employment.

In exchange for the employment result, and also to restore profitability, labour has strongly mitigated its wage demands. The relation of the pace of wage restraint to the 'model' appeared to be only partial. Wage restraint was also practised for more than fifteen years after the war. During much of the 1960s and 1970s, wages rose strongly with the very same model in place. However, the question should be asked whether the employment results really hinge upon a moderation of such large magnitude. In spite of the extensive moderation the Dutch investment and employment performance was not significantly better than elsewhere. Could moderation not have been less for the same employment effect? It did not really help to foster export growth any better than elsewhere. Perhaps part of the effects was eaten away by a stronger currency, that is by the effective revaluation of the Dutch guilder? Was it really necessary for redistributing the shrunken volume of employment to more workers? The growth of the two vehicles of redistribution, part-time and flexible jobs, did not change its pace under the influence of the wage moderation of the 1980s.

There may again be another side of the coin, in that the protracted moderation may even have had negative effects on employment growth. The present and future employment growth appears to occur mainly in services, including (low-paid) consumer-oriented services. In the Netherlands, the demand for these services may, however, have been restrained by the internationally exceptional decline in Dutch consumption, which seems to have come along with the decline in real wages. The role of consumption for employment growth receives amazingly little attention in the debate. It may be a major driving force

behind recent Dutch employment growth. Lately, the possible effects on economic growth of the increased consumption caused by the considerable wealth effects of the rapidly increasing housing prices (+ 50% 1993-98) alone were estimated at 3.5 per cent over recent years⁴⁵.

It is tempting to conclude that the main lesson from the Dutch experience is that a strong growth in the number of employed persons can be realised, particularly by stimulating part-time work. Part-time work seems to be fitting the future structure of employment, of steadily declining manufacturing and increasing services, quite satisfactorily. A very rapid growth in the number of employed women was realised (+ 63%, employees only). In terms of hours worked, the increase was substantially less (+ 33%, +17% per capita) but still considerable. It is, however, very important to realise that the change came about in the Netherlands starting from one of the lowest levels of female labour market participation in the industrial world. At present, the level of participation among Dutch prime-age women is above the EU average. This may have important implications for the future growth of part-time jobs in the Netherlands itself. In recent years, the growth in the employment share of regular part-time jobs (non-flexible) has come to a standstill among both sexes. Increasingly, part-time workers may prefer to work longer hours. The extent to which this can be realised will depend on the possibilities to open up other industries for part-time jobs. Here the future will decide whether the explosive growth of part-time jobs during recent decades is more than the modern form of low Dutch labour force participation, this time expressed in terms of hours worked rather than persons on a job.

This brings us to a question not yet asked which is important for imitating the Dutch labour market transformation in other countries. The absence of a strong connection between the Dutch evolution and the Dutch model, to which we

⁴⁵ *NRC-Handelsblad* 13/7/1999. This is consistent with the parallel decline and growth of private consumption and GDP shown in Figure 7 (naturally, causality can run both ways).

concluded before, would in itself facilitate the copying. However, labour supply may act as a constraint for two interrelated reasons. First, in the Netherlands, the high incidence of part-time and flexible work seems to correspond to personal preferences but these may be lacking elsewhere. Secondly, even if the preferences are similar, the transformation may be well-nigh impossible in countries which already have comparable or higher levels of participation than the Netherlands, such as Denmark, Germany, Austria, Portugal, Finland, Sweden and the United Kingdom. They would risk to turn full-time jobs into part-time, which would lower economic growth and household income. Figure 13 illustrates that although Dutch headcount employment has overtaken the European level, volume-count employment is still lagging behind, in spite of significant growth.

** Figure 13 **

Summing up, it seems that there is not much more to the model's unemployment performance than its particular labour market set-up of a great many part-time jobs, many of which are very small. The country has lowered unemployment to remarkably low levels through the creation of part-time jobs, and it has enabled a sharp increase in the presence of women in the labour market and a significantly increased overlap between education and paid labour. There is little objection to all this as long as people are happy with it. For the sake of discussion, I have been rather critical of the economic rationale of the transformation. Socially, however, it may make much more sense. Especially given the situation of very low female labour force participation which the Netherlands still had twenty years ago. It is difficult to say, however, how the same changes will work out in a setting where female participation is much higher and there is no demographic decline in the youth population. When female participation is already high, earnings compensation at the household level will be more difficult. On the other hand, if it would turn out that the strong lowering of wages was largely redundant

for the employment redistribution, the Dutch example might be easier to imitate. In that case, the backing by a model geared to consensus might also be dispensable. This, finally, might be a relief as 'models' rapidly go in and out of fashion, e.g. the Swedish, the American, the Austrian, or even the German for some time (vocational training). It would be a relief because scientific observers increasingly come to the conclusion that one cannot simply single out an institution, let alone an entire institutional structure, and successfully copy this elsewhere. The copying of policies may, however, be more successful.

Table 1 Part-time work, temporary* work and average working time, 1997

		<i>Employment share (%)</i>						<i>Employment Rate</i>	<i>Total Average Working Time</i>
		<i>Total</i>		<i>Men</i>		<i>Women</i>		<i>% 15-64</i>	<i>Hours/week</i>
		**	**	**	**	**	**	**	***
Netherlands	part-time	38.4	(31.0)	16.7	(11.5)	68.1	(61.4)	68.1 (60.7)	26.3 (27.9)
	temporary	11.4		8.8		14.9			
France	part-time	17.6	(16.1)	5.6	(5.1)	31.6	(29.3)	59.7 (58.6)	29.2 (31.4)
	temporary	13.0		12.1		14.2			
Germany	part-time	17.6	(17.9)	3.7	(7.1)	35.2	(30.3)	64.3 (61.8)	29.2 (30.2)
	temporary	11.6		11.4		11.9			
United Kingdom	part-time	25.3	(20.7)	8.3	(6.0)	44.1	(38.3)	70.8 (66.6)	32.7 (33.4)
	temporary	7.3		6.4		8.3			
European Union	part-time	17.7	(14.8)	5.5	(4.1)	33.1	(28.9)	61.0 (58.9)	n.a.
	temporary	12.1		11.5		13.0			
United States	part-time#	15.7		8.3		19.5		73.5	37.8 (37.8)
	temporary								

* including probationary period; ** between brackets: per cent point share excluding very small jobs of 10 hours or less per week; *** actual average annual hours worked divided by 52 weeks, 1997 figures, between brackets including self-employed. # defined as usually working less than 30 hours/week.

Source: Eurostat, Labour Force Survey 1997, Tables 51, 64 and 78, and OECD, *Employment Outlook 1999*, Tables B, E and F for USA and working time (Dutch hours including self-employed kindly provided by Mark Keese)

Table 2 Wage inequality and low-wage employment, 1979-1994

	<i>Wage inequality ratio of ninth to first decile</i>				<i>Low-wage employment: % earning less than two-thirds of the median wage</i>
	<i>1979</i>	<i>1985</i>	<i>1989</i>	<i>1994</i>	<i>1994</i>
Netherlands	*2.47	2.51	2.61	2.59	11.9
France	3.24	3.12	3.28	3.28	**13.3
Germany		2.62	2.46	***2.31	13.3
United Kingdom	2.79	3.06	3.28	3.31	**19.6
United States	*3.73	*3.87	*4.04	4.35	25.0
* author's estimate on the basis of same tabulated data as used by OECD; ** 1995; *** 1993 OECD, <i>Employment Outlook 1996</i> , Tables 3.1 and 3.2					

Table A.1 The Dutch labour market, 1997

	<i>total</i>	<i>men</i>	<i>women</i>	<i>youth (15-24)</i>
	<i>numbers (x1000)</i>			
15-64	10563	5354	5209	1913
inactive but desiring work and able to start soon	339	112	227	54
labour force incl. jobs <12hrs/wk	7632	4387	3246	1257
working <12 hrs/wk	794	244	550	379
official labour force	6838	4143	2696	878
unemployed	438	192	246	89
working	6400	3951	2450	789
12-19 hrs	455	72	384	83

20-34 hrs	1396	344	1052	189
35+ hrs	4549	3535	1014	518
self-employed	757	523	233	25
employees	5644	3427	2216	764
regular	5077	3175	1902	554
flexible	566	252	314	210
unskilled job	443	249	195	97
no education	471	324	147	60

Source: CBS, Labour Force Survey 1997

Table A.2**The Dutch economy internationally compared (per capita), 1979-1997**

	<i>index</i>	<i>average annual growth</i>				
	1997	1979-96	1979-83	1983-90	1990-94	1994-97
	1979=1000					
<i>Gross Domestic Product</i>						
Netherlands	1340	1.57	-0.3	2.6	1.6	2.5
Germany*	1334	1.64	0.7	2.6	1.3	1.6
Belgium	1353	1.62	1.1	2.5	1.0	2.1
United Kingdom	1371	1.72	0.5	2.9	0.5	2.8
France	1259	1.26	0.7	2.1	0.6	1.7
European Union (15)	1348	1.64	0.8	2.7	0.9	2.1
United States	1295	1.29	-0.4	2.4	0.8	2.6
<i>Private consumption</i>						
Netherlands	1227	1.09	-1.3	2.0	1.9	2.0
Germany*	1367	1.84	0.3	2.9	2.2	1.0
Belgium	1294	1.40	0.6	2.3	1.3	1.4
United Kingdom	1518	2.27	1.3	3.9	0.4	2.8
France	1257	1.34	1.2	1.9	0.7	1.0
European Union (15)	1367	1.74	0.8	2.9	1.1	1.6
United States	1365	1.64	0.7	2.5	1.0	2.3
<i>Gross fixed capital formation</i>						
Netherlands	1276	1.24	-3.5	3.9	-0.3	4.3
Germany*	1268	1.54	-1.2	3.3	3.3	0.3
Belgium	1308	1.51	-5.5	7.5	0.2	2.2
United Kingdom	1376	1.81	-1.2	5.8	-2.2	2.8
France	1096	0.63	-1.6	3.8	-1.7	0.5
European Union (15)	1256	1.29	-1.4	4.3	-0.6	2.1
United States	1325	1.40	-3.5	2.3	1.4	6.9

<i>Exports of goods and services</i>						
Netherlands	1960	3.69	1.0	5.0	3.5	5.8
Germany*	1851	3.09	4.1	4.1	-0.6	7.4
Belgium	2036	4.07	2.8	4.9	3.6	5.7
United Kingdom	1953	3.61	0.4	4.4	3.9	7.6
France	1999	3.49	1.7	4.3	3.4	7.2
European Union (15)	2100	3.92	2.3	4.6	3.4	7.6
United States	2582	4.81	-1.9	7.4	5.4	11.0
<i>Imports of goods and services</i>						
Netherlands	1701	2.84	-1.1	4.8	2.3	6.1
Germany*	1809	3.09	0.4	4.5	3.0	6.2
Belgium	1773	4.68	1.5	6.3	4.3	4.9
United Kingdom	2152	4.20	1.2	6.5	1.8	6.5
France	1916	3.51	0.8	6.2	2.3	5.5
European Union (15)	2023	3.75	0.2	6.1	2.9	6.7
United States	2877	5.57	2.3	6.6	5.0	11.4
* throughout including East Germany						
Source: OECD, <i>National Accounts 1a960-97, Main Aggregates</i> , Volume index numbers						

**FIGURE 1 OECD UNEMPLOYMENT RATES
% LABOUR FORCE**

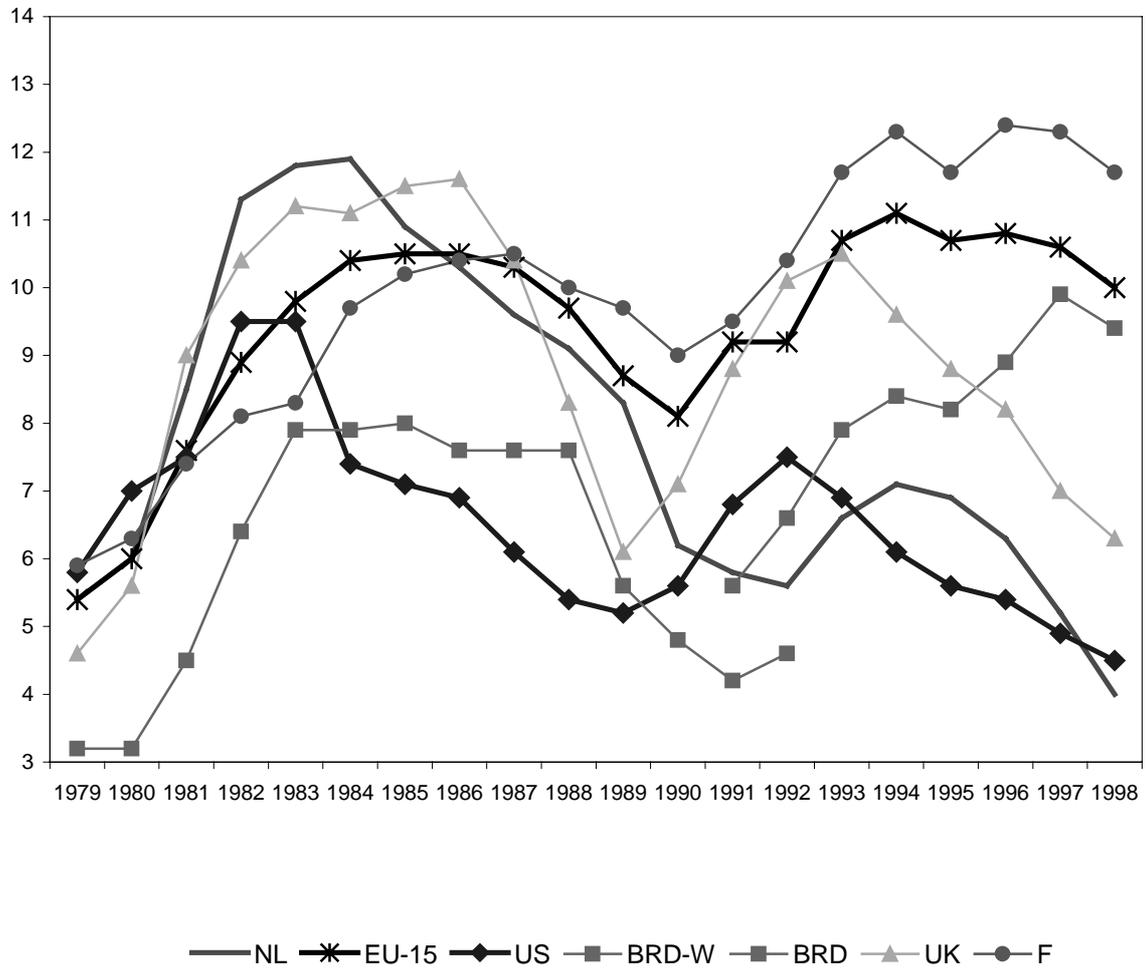
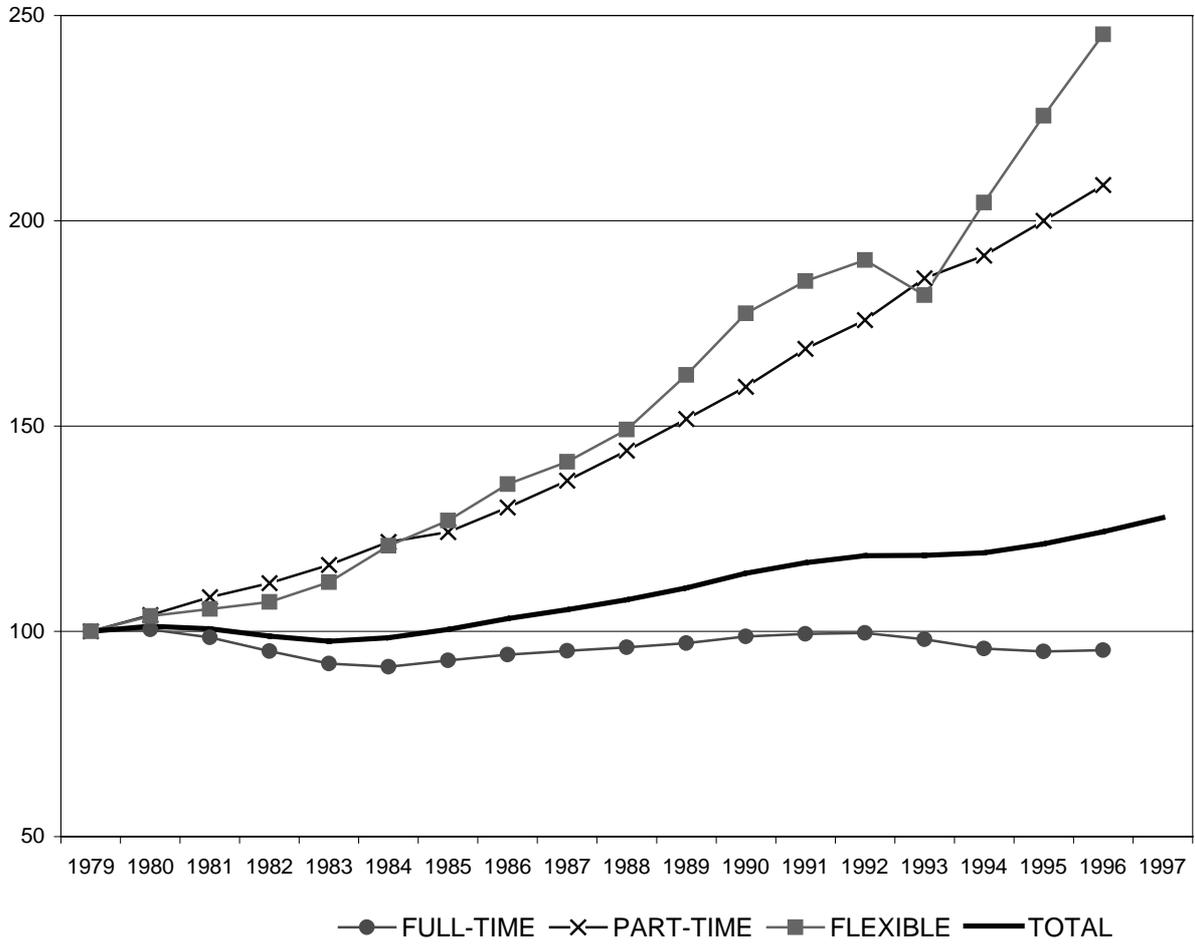


FIGURE 2 NUMBER OF JOBS BY TYPE
1979=100



**FIGURE 3 DEPENDENT EMPLOYMENT
PERSONS WORKING VS HOURS WORKED
1979=100**

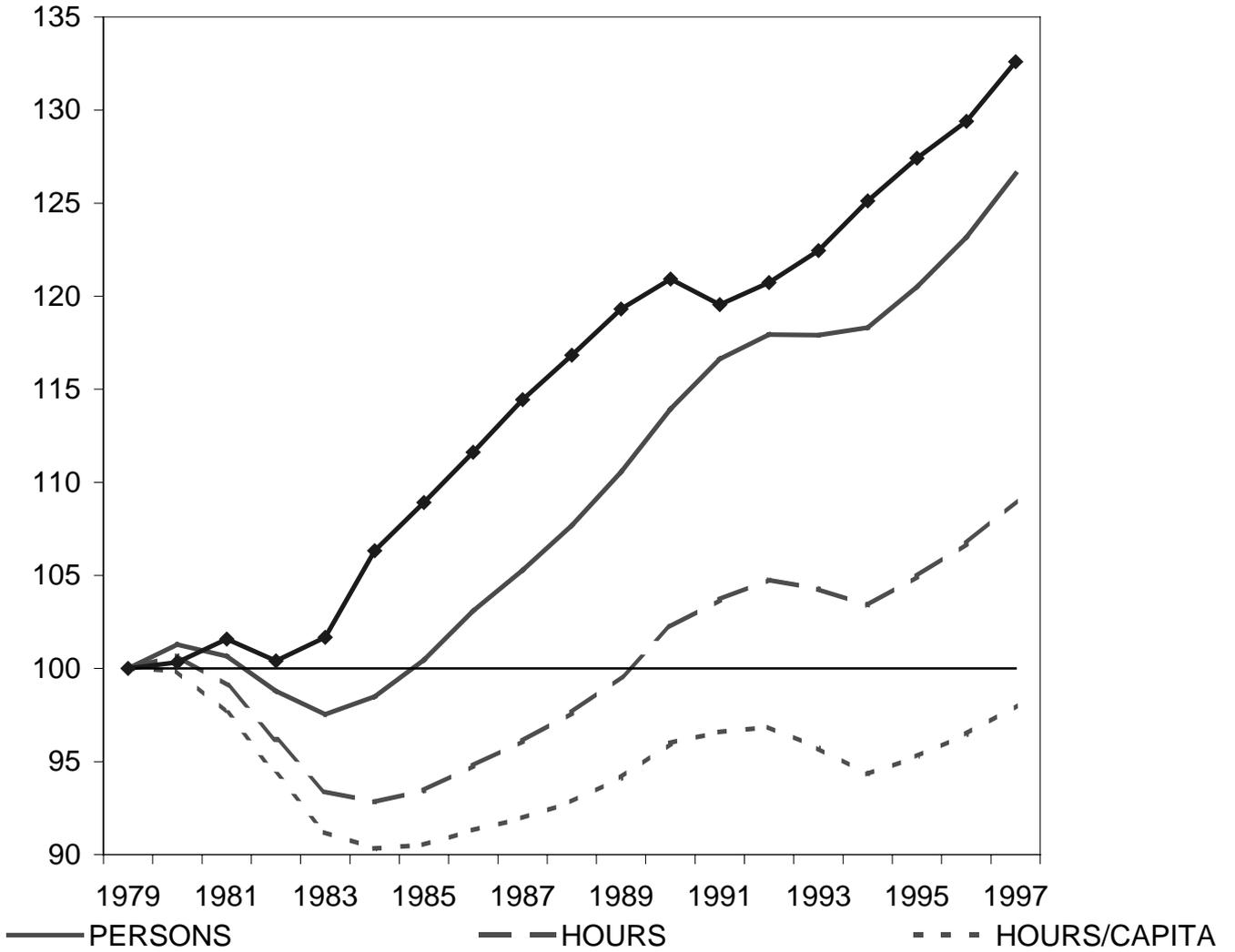


FIGURE 4 EMPLOYMENT VOLUME (HOURS WORKED) PER CAPITA, 1979-1996
1979=1000

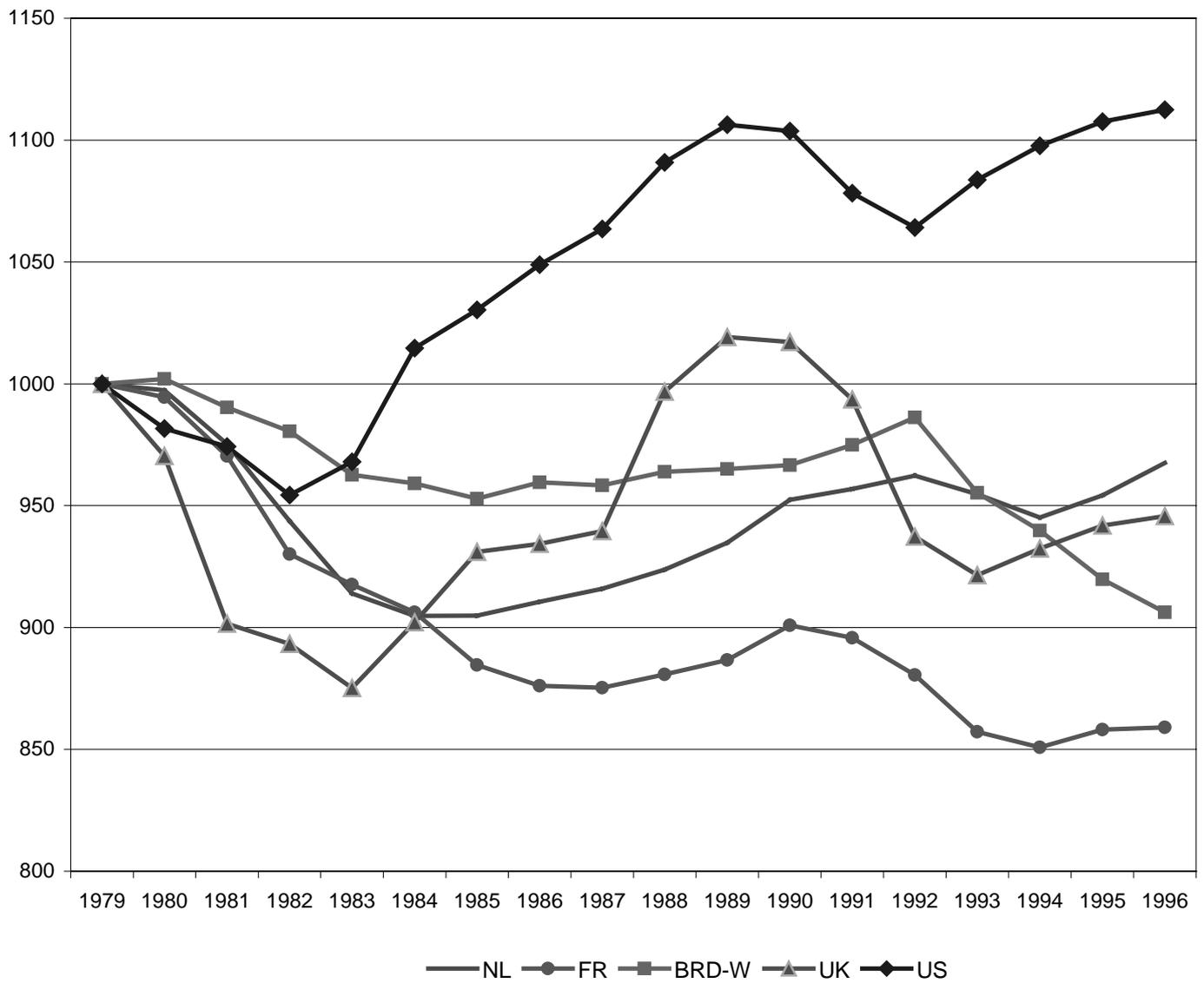
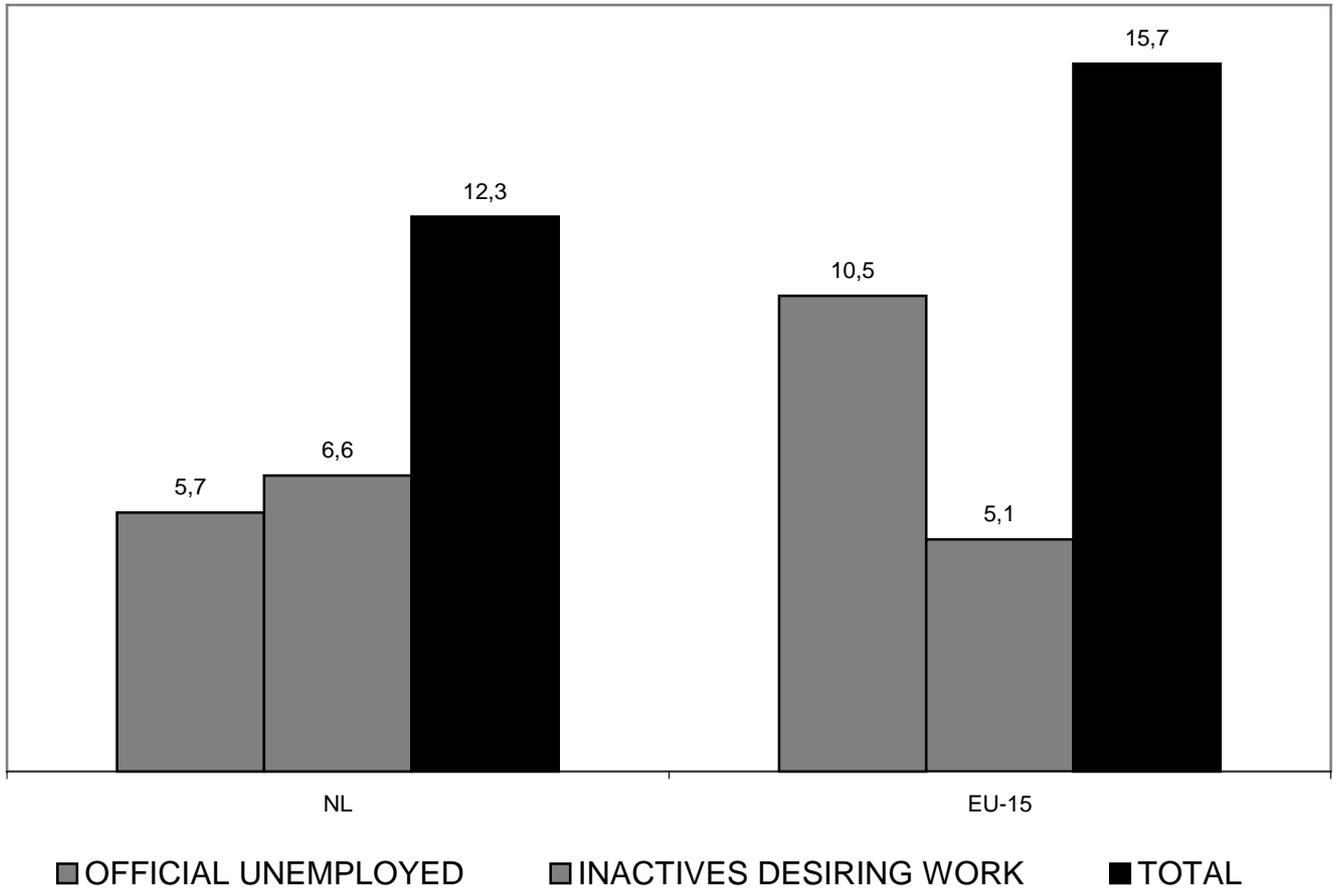
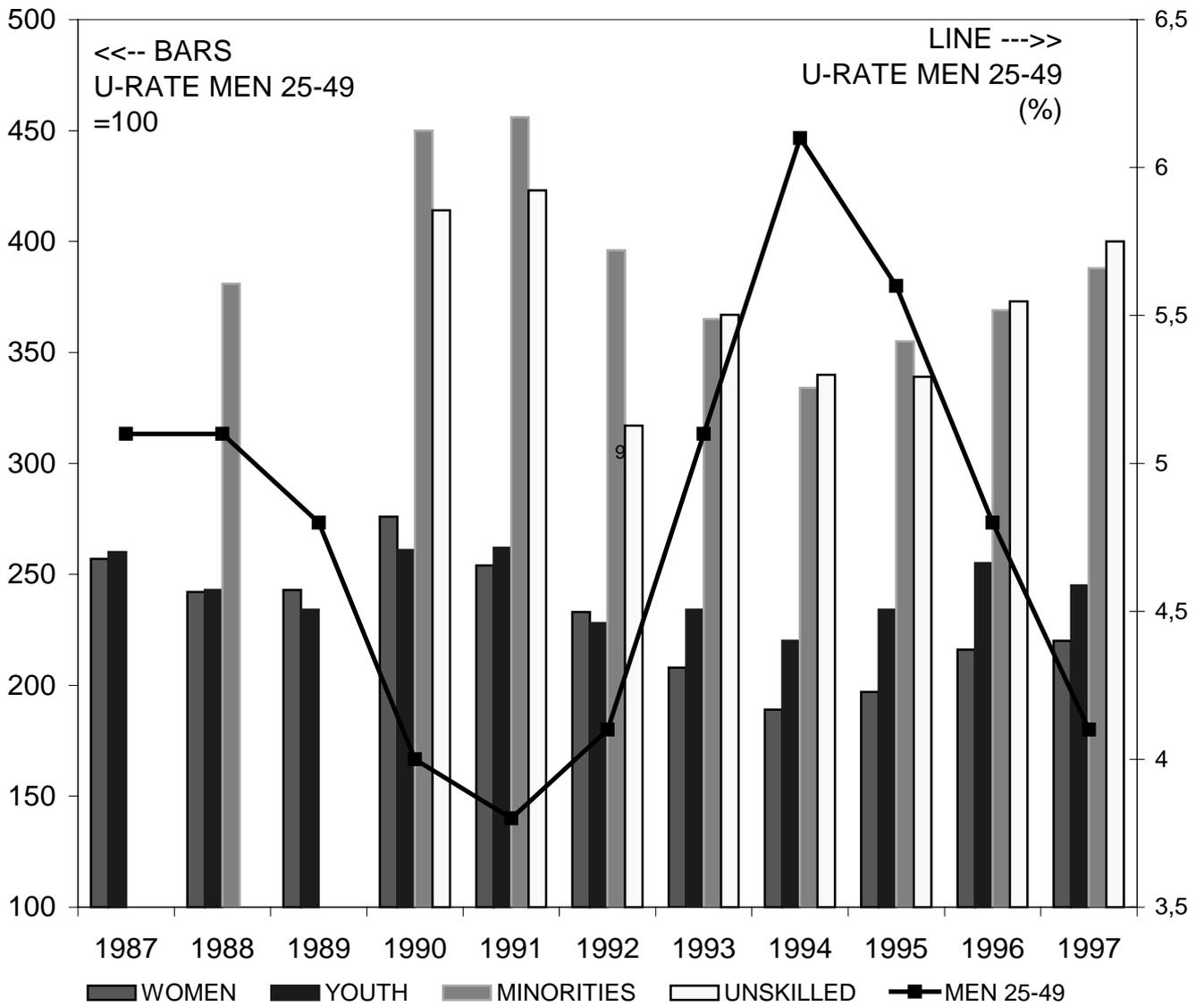


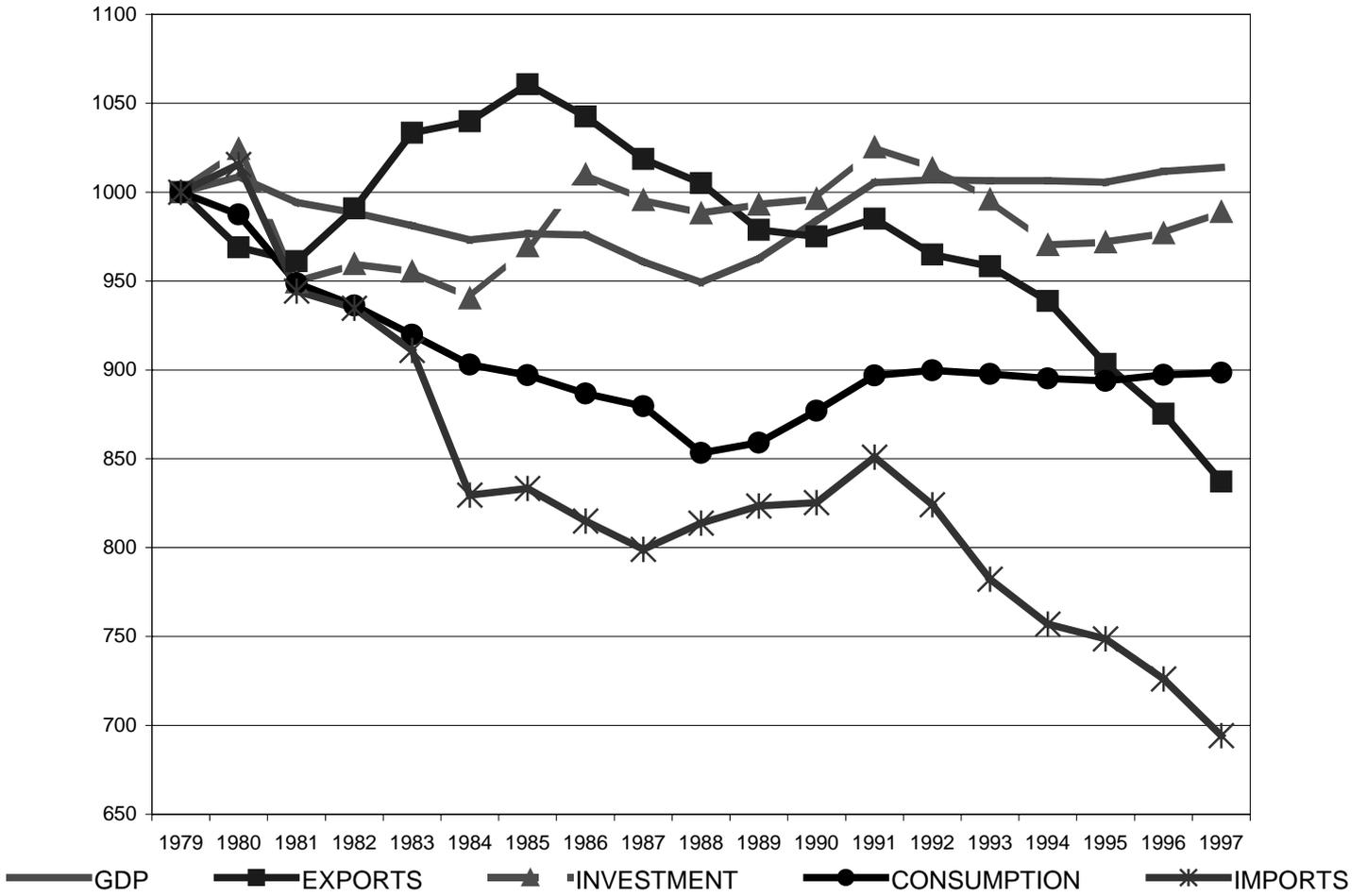
FIGURE 5 TWO FORMS OF UNEMPLOYMENT, 1997
% OF LABOUR FORCE (excl. <10hours/week)



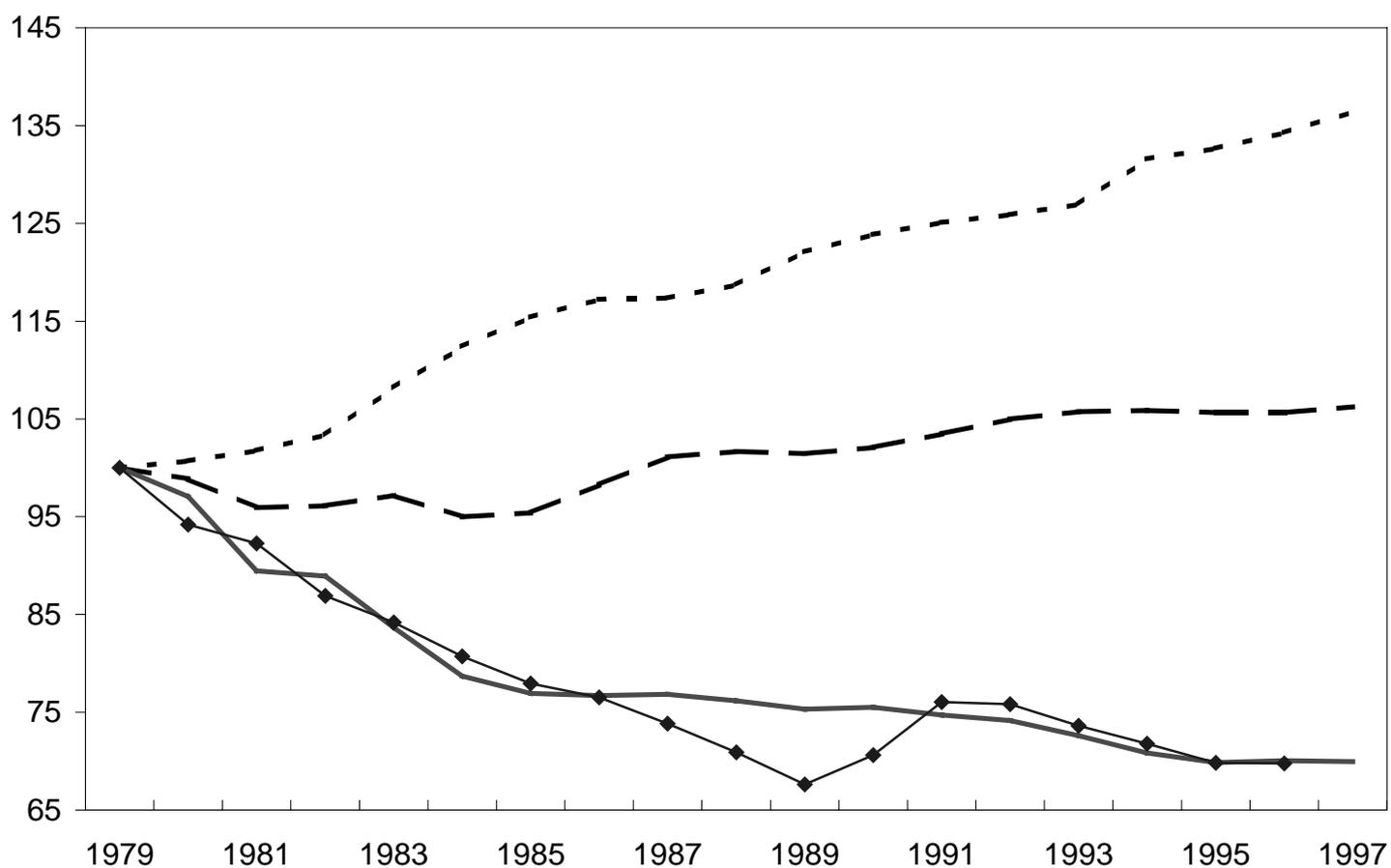
**FIGURE 6 UNEMPLOYMENT OF VULNERABLE GROUPS, 1987-1997
CONCENTRATION RELATIVE TO PRIME-AGE MEN**



**FIGURE 7 DUTCH RELATIVE ECONOMIC PERFORMANCE
COMPARED TO EU-US AVERAGE
1979=1000**



**FIGURE 8 REAL HOURLY WAGE EARNINGS, MINIMUM WAGES AND
PRODUCTIVITY
1979=100**



- - - PRODUCTIVITY — — — AVERAGE WAGE ——— MINIMUM WAGE —◆— US MINIMUM WAGE

**FIGURE 9 AVERAGE REAL HOURLY WAGE (GDP-DEFLATOR) TO GDP/HOUR
1979=1000**

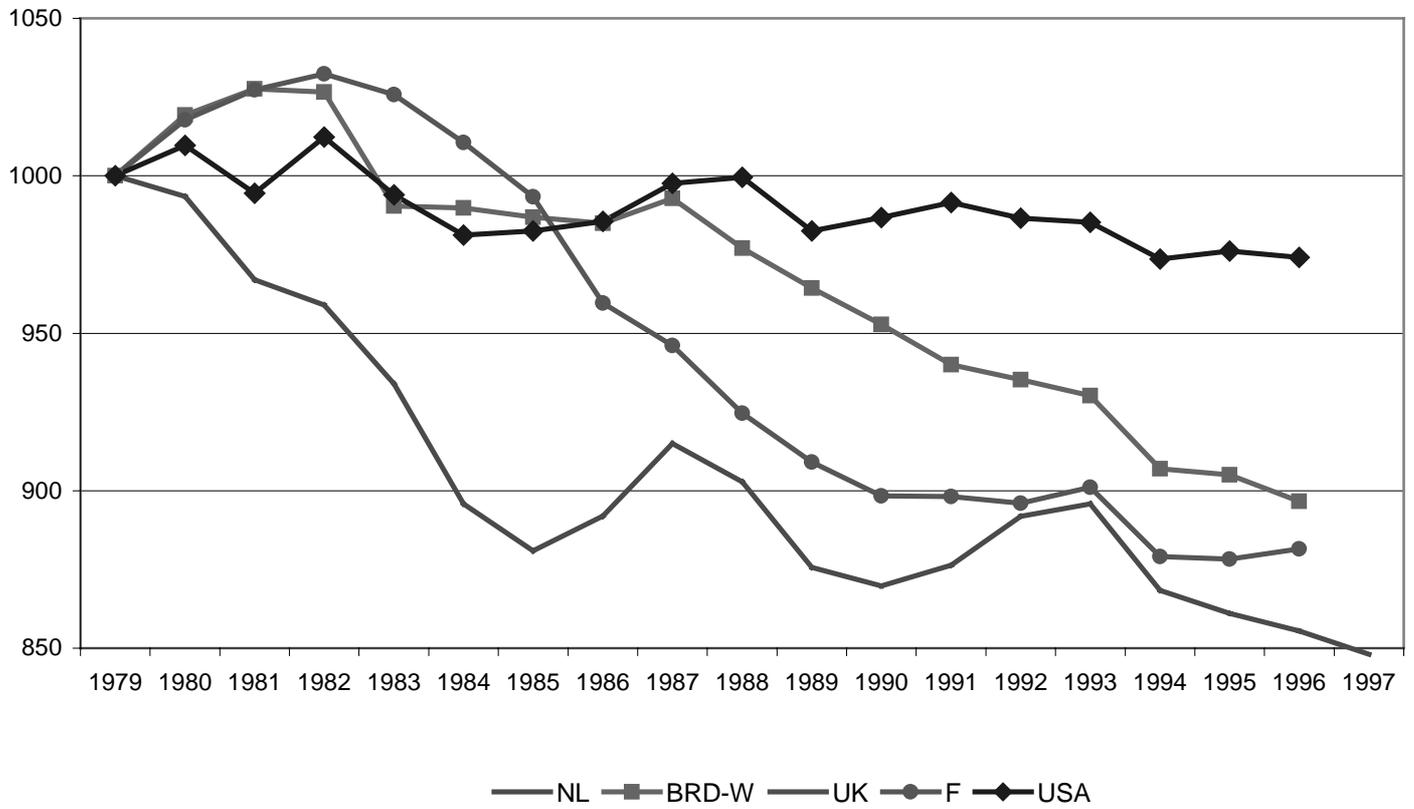
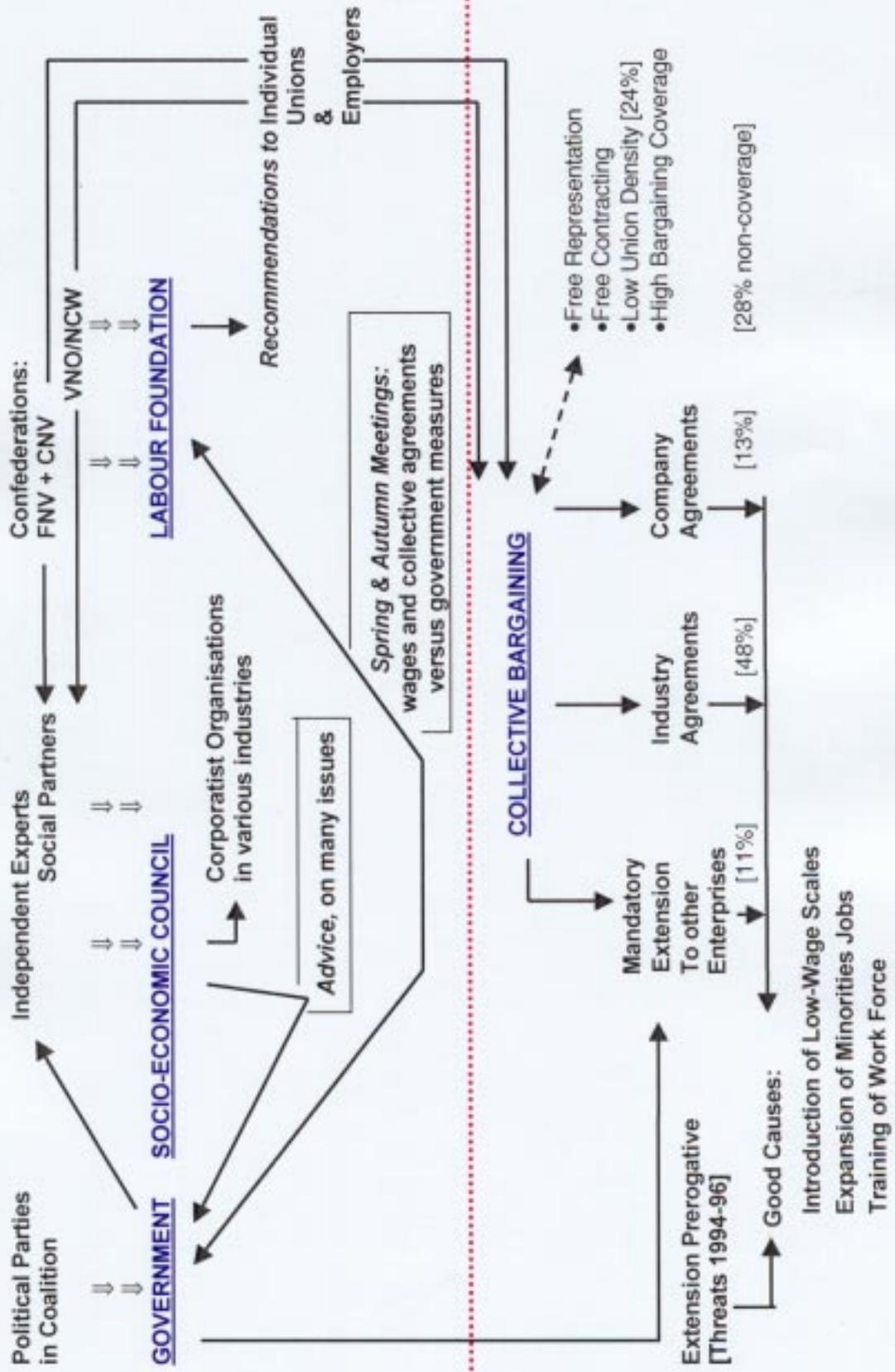


FIGURE 10 THE DUTCH MODEL: SOCIO-ECONOMIC GOVERNANCE & WAGE BARGAINING



**FIGURE 11 REAL NEGOTIATED WAGE RATES BY SECTOR
1979=100**

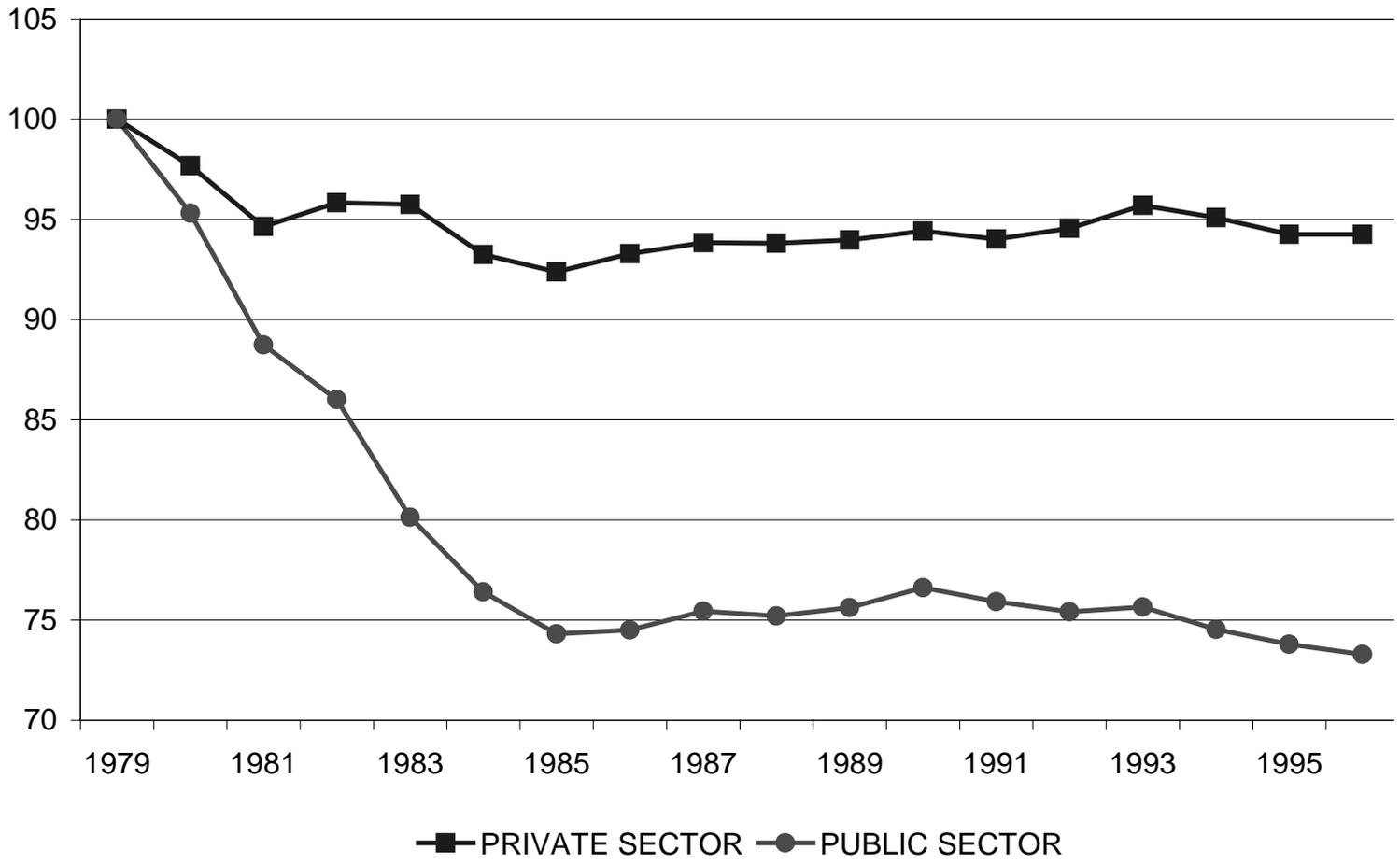
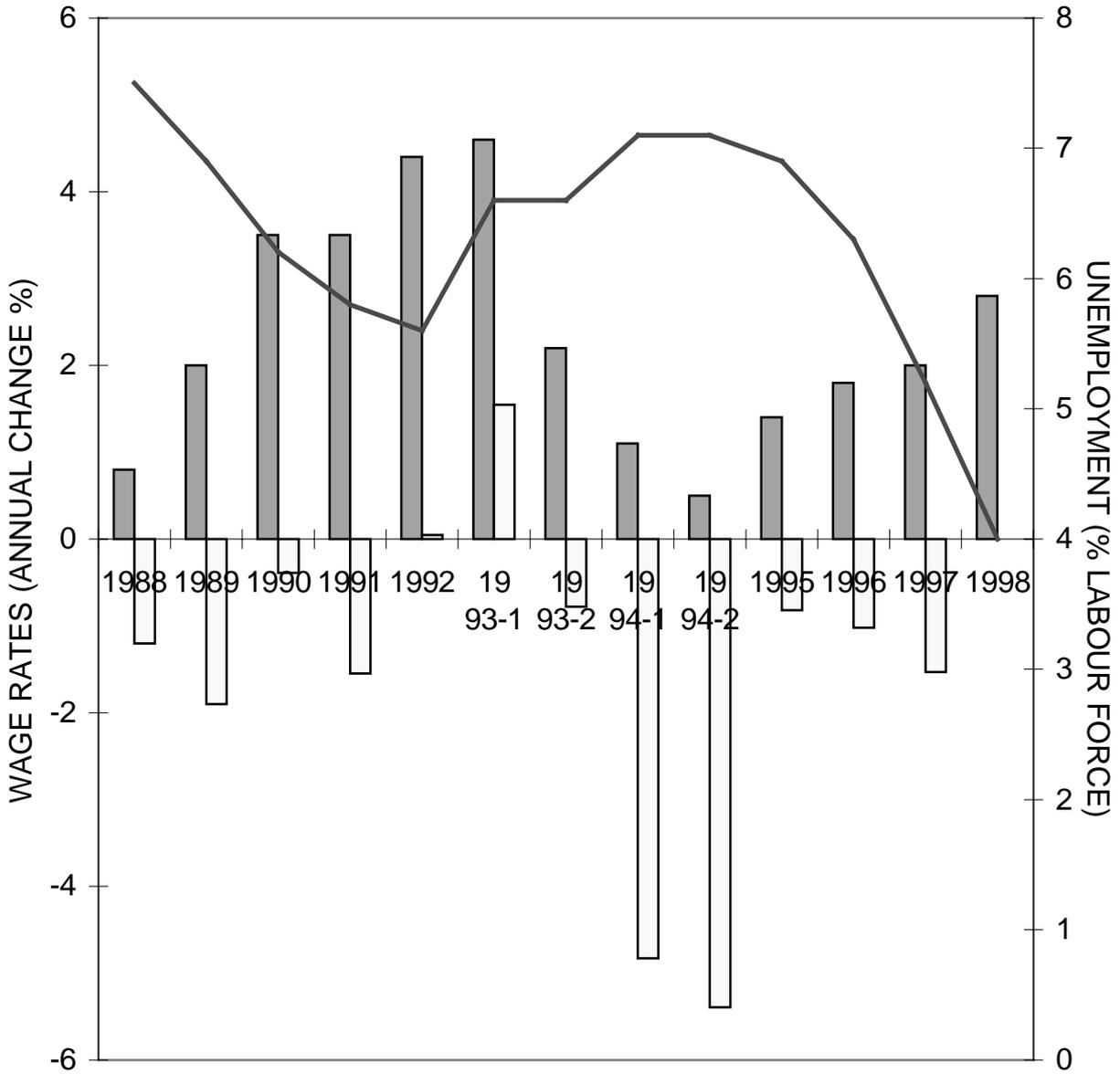


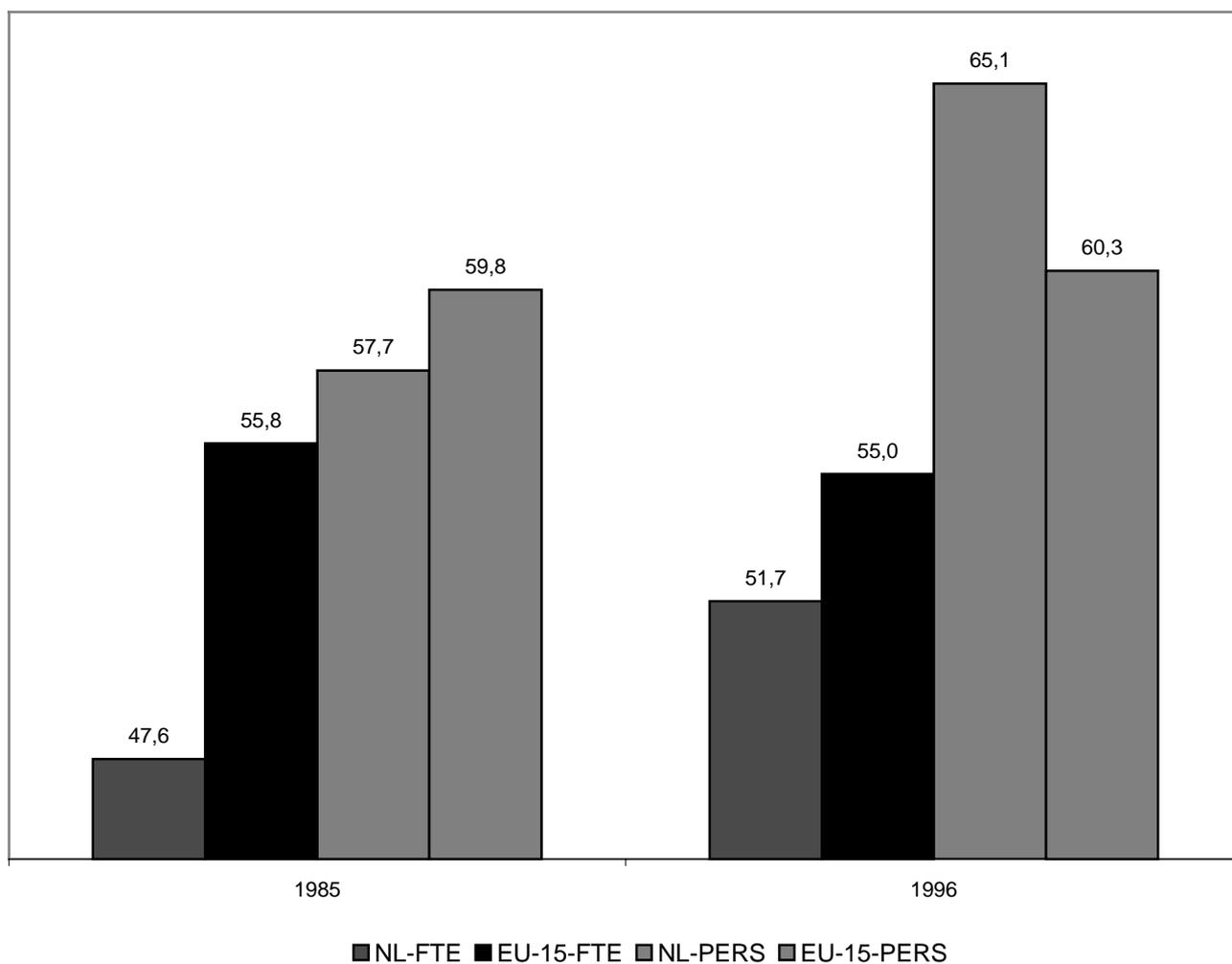
FIGURE 12 WAGES RATES AND UNEMPLOYMENT 1988-1998



1993-2 after "Breathing Space; 1994-2 after "New Course"

■ NOMINAL WAGE RATES □ RATES AFTER PRICES + PRODUCTIVITY — UNEMPLOYMENT

FIGURE 13 FTE- AND HEAD-COUNT EMPLOYMENT RATES, 1985/1996



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Data sources

Weekly Earnings: CBS, *Sociaal-economische Maandstatistiek*, corrected for changes by the author

Hourly Earnings: author's calculations from hours worked and GDP (see below)

Wage Rates, Figure 11: CBS, *Sociaal-economische Maandstatistiek* and communication to the author

Wage Rates, Figure 12: SZW, *Voorjaars- en Najaarsrapportages CAO-afspraken*

Persons Working: CBS, *Labour Force Survey*

Jobs by type: CBS, *Tijdreeksen Arbeidsmarkt*

Hours Worked, the Netherlands: CBS, *Tijdreeksen Arbeidsmarkt*

Hours Worked, other countries: OECD, *Employment Outlook 1998* (for Germany kindly provided by Mark Keese)

Unemployment Rates of categories, the Netherlands: author's calculations from CBS, *Labour Force Survey*, and Eurostat, *Labour Force Survey 1996*

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GDP, Exports, Investment, Consumption, Imports, Population: OECD, National Accounts