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Socio-economic policy 2021-2025

After the March 2021 elections, the Netherlands has been forming a new government. This SER advisory report is directed at that new government and the policy it should be pursuing in the period 2021-2025. The SER would advise any new government to invest heavily in broad welfare, i.e. in security of employment and income, in future earning capacity, in strong public services and a sustainable living environment.

1. Growth in broad welfare

The SER notes that the Netherlands is a prosperous country and that most people are happy with their lives. At the same time, there is growing insecurity, increasing inequality, differences in the opportunities for people to share in economic growth and public discontent simmering below the surface. The coronavirus crisis has exacerbated a number of structural problems, such as insecurity in the labour market, shortages in social sectors and overdue maintenance in public services.

At the beginning of 2020, the economic signals were still at green: increasing purchasing power for most people, low unemployment and low government debt. However, knowledge institutions and advisory bodies had already identified a growing poverty gap, declining quality of work and falling educational performance. In addition, the Netherlands is vulnerable in terms of natural capital (environment, climate, nature) and is at the bottom of the European league table when it comes to achieving the necessary sustainability.

The major transitions - energy transition, transition to a circular economy and the digital transition - will require the Netherlands to be highly adaptable. In order to properly manage these transitions as a society and address the structural problems, we need an ambitious programme to strengthen the agility and resilience of our economy and to provide people with greater security. This advisory report contains proposals for this. The SER recommends investing in broad welfare, in the public sectors and in the future earning capacity of the Netherlands.

2. Acute labour market problems

The SER notes that many people in the Netherlands have a sense of losing control of their future and their living environment. Insecure jobs and flexible employment contracts are a major factor in this, as a result of which employees experience loss of security and perspective. The proposals below represent a first step on the way to addressing these acute problems and providing employees with more job and income security. In these proposals, the SER applies the following principles:

- In principle, permanent jobs should be organised on the basis of permanent employment contracts.
- While flexible employment relationships have a place in the labour market, they should not be used to compete on terms of employment.

- Permanent employment contracts must be made more attractive to employers so that companies can be flexible without affecting their employees' job and income security.

Recommendations for regulating types of temporary contracts and triangular relationships:

- Three temporary contracts should be allowed over a maximum of three years. The interruption period should be abolished by law and should only be possible for seasonal work and for school pupils and students.
- On-call and zero-hour contracts should be replaced by basic contracts with at least a standard number of hours per quarter, which would give employees greater income security. There should be an exception to this for school pupils and students.
- The position of temporary agency workers should be improved. The first phase of temporary work, in which no work means no pay, should be reduced from 18 months to one year, and for the second phase a maximum of six temporary contracts should apply over two years. The interruption period in the second phase should be abolished, with the exception of seasonal work and school pupils and students.
- Temporary agency workers should be hired on at least equal terms of employment as those applicable in the company that hires them. Pensions in the temporary employment sector should progress to a level that is in line with the market and has the same waiting period as in other sectors.
- With the introduction of a code of responsible employment conduct, the social partners would focus on both the price and quality of work in a broad sense in contracting and other forms of triangular relationships, including social policy. To that end, there should be a Code Chamber with an independent chair.

Recommendations aimed at self-employment:

- The self-employed allowance should be reduced. It should only apply to self-employed workers who actually take a risk with their own investments.
- There should be compulsory insurance against incapacity for work in order to prevent unfair competition and excessive income risks for individuals.
- A social safety net should be provided for specific and unforeseen circumstances for self-employed workers. Self-employed workers would contribute to this themselves.
- Pension accrual by self-employed workers should be better facilitated.
- The options for expanding collective bargaining should be explored.
- There should be a presumption that self-employed workers earning less than 35 euros per hour are employees. Enquiries should be made to ascertain whether a web module can help obtain legal certainty about an employment relationship. Enforcement by the Tax and Customs Administration should focus in particular on cases at the bottom end of the labour market and suspicions of malicious intent.

Recommendations aimed at making permanent contracts more attractive to employers:

- Employers should be able to (temporarily) reduce the number of working hours by a maximum of 20 percent in the event of commercial circumstances that would otherwise lead to redundancy. A compensation scheme should be introduced by government to cover some of the wage costs. The scheme should not be at the expense of the unemployment benefit entitlements of the employees involved.
- In the event of imminent redundancy, the employer and the employee may, by mutual consent, opt for termination of the employment contract, including a from-job-to-job route. In that case, the transition payment need not be paid.
- Anyone who can no longer reintegrate with their own employer after one year of sick leave should receive guidance on how to reintegrate elsewhere. This should clarify the position for the employer after a year. The current two years of continued

payment of salary with a reintegration requirement in the event of illness remain unchanged.

- The position of workers on incapacity benefit should be improved by lowering the threshold for this benefit from 35 to 15 percent and basing the method of determining incapacity for work on jobs that are actually feasible for the worker.
- The SER will advise on ways of streamlining the current forms of leave of a social nature (maternity leave, compassionate leave, etc.) and make proposals for a balanced method of funding them.

3. A proactive labour market infrastructure

The Netherlands lacks an infrastructure that ensures that people continue to develop and work throughout their lives. This has been sorely missed during the coronavirus crisis but is also very important in view of the ageing population and the transitions in order to create a better match between supply and demand in the labour market.

At the same time as addressing the acute labour market problems mentioned above, the SER therefore proposes to work step-by-step towards developing the labour market of tomorrow. Over a period of eight to ten years, a comprehensive service provision for job-to-job (VWNW) routes must be created, linking smoothly with the life-long development approach (LLO). The social partners should take the initiative and exert control in this, playing an active, strong executive role. To this end, they should extend the roles and responsibilities they already have. In addition, employers should connect with each other by setting up employer networks, making it easier for employees to switch from job to job. In addition to market players, trade unions should play an important role in providing the services required to guide people to a new job.

The infrastructure for life-long development is still fragile, but in recent years steps have been taken in this direction in the Netherlands. In order to promote LLO, an integrated approach with a national strategy and direction is needed. Other proposals include facilitating (private) learning accounts, widening access to the full range of educational options and organising more customised solutions, developing a uniform skills language and personal skills passports, and facilitating career aptitude tests.

The social partners and the government should make joint arrangements as part of a multi-year programme to structure, phase in and roll out this comprehensive offer. The first four years (next term of government) should focus on structuring and rolling out the comprehensive provision of VWNW and LLO packages. Subsequently, the permanent funding structure and any incentives to cooperate in this system should also be considered. Public funding to create this missing system in the Netherlands is justified because of its social significance.

4. Employment services to specific groups

In the Netherlands, benefit claimants and others without work are dependent on public employment services. The infrastructure to guide them into work consists of too many ill-defined responsibilities, administrative barriers and considerable fragmentation. The Employee Insurance Agency (UWV) and municipalities lack the resources to formulate a more activating employment policy. Stable funding is needed for guidance, training and matching; services should be more focused on the individual, with finding work as soon as possible being subordinated to the aim of a sustainable return to work. The SER recommends setting up service points where those in work and job seekers can go if they want or need to change jobs.

Specific attention is needed for vulnerable groups and the consequences of the coronavirus crisis for them. The Participation Act is not producing satisfactory results: job opportunities have not increased enough and there is often no question of sustainable job retention. Employers have agreed to provide more jobs for people with an illness or disability. This is successful in the business world, but even better results can be achieved if it becomes more attractive for people to start working straight from being on benefits and improve their financial situation.

Finally, a balanced social infrastructure is needed. This requires an approach that focuses on providing tools for employers and development programmes for employees. Social development companies should be used to implement this. Jobs must be created for the long-term unemployed to supplement the existing range of tools.

5. Income distribution and equal opportunities

There is increasing inequality in the Netherlands. Not everyone can participate and not everyone has equal opportunities. The SER considers it very important to close the opportunity gap, starting with young people.

Income distribution

There is increasing income inequality that is largely compensated by redistribution in the Netherlands. The SER is calling for a step-by-step, integrated review of income policy so that everyone can earn a sufficient income and working more pays off. In this context, the SER advocates using collective agreements to achieve a greater balance in the wage structure, applying result-dependent forms of remuneration and/or financial participation, increasing the minimum wage for employees while retaining the link with benefits, introducing encashable tax credits and reducing the tax burden on labour. Finally, the additional earning options in the Participation Act and the incapacity schemes should be widened and the cost-sharing standard abolished.

Talent development

By making equal opportunities a reality, we can optimise everyone's talents and make the best possible use of everyone's creativity and productivity for the benefit of society and the labour market. It is important to start this as early as possible. In this context, a coherent system of child services is needed that provides additional support for children who are (potentially) disadvantaged. In addition, a boost is needed to improve basic education, with a specific focus on equality of opportunity. With 2.5 million people with low literacy skills in the Netherlands, further structural efforts are needed and public investment must be at least doubled in order to effectively combat low literacy. Finally, focusing on the various talents, wishes and needs of employees is an essential precondition for achieving a more balanced participation in the labour market.

6. Labour productivity and earning capacity

Economic growth must be productive, sustainable and welfare-enhancing. This means that companies are given the leeway to innovate and invest in order to increase labour productivity. A substantial investment boost by the business community in a multitude of sectors would lay the foundations for welfare growth for all of us and create opportunities for the future earning capacity of the business community. The government must create and manage the right conditions for creating the desired broad welfare. The major sustainability challenges facing the Netherlands (and the rest of the world) and the opportunities offered by the digital transition will also determine the direction of research and investment challenges.

Increase in R&D expenditure

The SER advocates a step-by-step increase in Dutch R&D expenditure. This is the joint responsibility of the government and the business community. Additional resources are needed to strengthen the broad basis of the research and innovation system, including talent development in knowledge institutions, strengthening of applied and practice-oriented research, research infrastructure and untied research. In the Netherlands we also do not get enough value from the knowledge that is being developed. Valorising knowledge is therefore an important task for the business community.

Social innovation

Effective use of research and technical innovation requires that they are fully integrated into the labour organisation, with employees being involved. This brings together technological and social innovation. Social innovation centres on the renewal of the labour organisation and the maximum use of skills aimed at improving business performance and developing talent. Essential requirements for social innovation are an open corporate culture, good internal employment relationships, full employee participation and skills development for workers (including lifelong development and learning at work).

The green transition

The green transition means: (1) combating climate change; (2) strengthening the transition to a circular economy; (3) making agriculture and land use sustainable; (4) restoring and improving biodiversity.

The SER has formulated the following main recommendations to accelerate the approach to sustainability challenges:

- Make progress on fulfilling the Climate Agreement, anticipate tightening the goals in line with the European Green Deal.
- Make decisions quickly and facilitate the timely creation of the energy infrastructure for electricity, heat, hydrogen and carbon storage.
- Provide suitable and properly funded financial instruments sufficient to facilitate the transition, with social innovation being fully guaranteed.
- Direct and implement the desired speeding-up of the transition process towards a circular economy and involve stakeholders in this process.
- Ensure a rapid and permanent solution to the nitrogen crisis by investing in nature, space for development for the economy and an economic and sustainable perspective for the agricultural sector.
- Work towards effectively equipping the civil service (at national and regional level) to implement the necessary control, coordination and management of the related sustainability challenges.
- Make it clear how public support for the Climate Agreement is to be obtained, including a fair distribution of burdens.

The digital transition

Robotisation, artificial intelligence and other digital applications can increase welfare growth. They offer great opportunities for productivity gains, quality improvement, new markets and products and changing value chains. Digitalisation can also help to improve quality and control costs in the service sector, including healthcare, and support the energy transition.

At the same time, we also need a policy that responds to the risks, as the potential of digital technologies can only be exploited if people have the right digital skills. In so far as natural monopolies are involved, the dominant position of large tech companies can have a major negative social impact. Furthermore, public interests must be properly safeguarded (privacy, data management, cybersecurity). Finally, the public must be able

to trust implementing bodies to exercise care when using and applying digital applications.

Strengthening industry and growth of SMEs

The SER believes that a strong industry in the Netherlands is of great importance to the earning capacity of the national economy and the resilience of the European economy. Industry can make a major contribution to the climate transition. This requires the energy infrastructure needed for electricity, heat, hydrogen and carbon storage to be available in good time. In order to achieve this, the necessary government funding must be put in place quickly.

Dutch SMEs are showing little growth, while innovation is also lagging behind. The SER advocates increasing the funding options available for SMEs, adapting policies (including tax incentives) to promote growth and redesigning the public and private services available to business owners to include sufficient scope to allow a personalised approach (good ecosystem for SME entrepreneurship).

Housing market

The SER reiterates the plea it made in 2020 to draw up a five-year plan for the housing market. This plea is all the more urgent given the difficulties experienced by younger generations in finding affordable homes. Better distribution of the population also requires ensuring good public transport links between regions, which will relieve the pressure on densely populated urban areas and make better use of agglomeration power. In order to strengthen the national and regional economy, it is important to focus on (European and regional) clusters and regional public-private partnerships.

7. The Netherlands in the European Union

Dutch welfare and earning capacity are largely dependent on European cooperation (standards and values) and the use of European economies of scale. The Netherlands needs the European Union to address a number of global challenges that will affect our future welfare, including climate change, the energy transition, migration, increasing protectionism, increasing international instability and digitalisation. The coronavirus crisis also illustrates the added value of joint European action. It is advisable to endeavour to create more robust supply chains and resources at European level to meet a sudden increase in demand for medical devices and medicines. More generally, a balance is needed between strategic autonomy and open trade relations. The Netherlands can also benefit from European recovery policy and the implementation of the Green Deal.

8. Public services

The coronavirus crisis has highlighted the importance of having a well-functioning public sector. Staff shortages and other vulnerabilities became manifest during the crisis. The sectors affected are education, healthcare and safety, as well as implementing bodies such as the Tax and Customs Administration, the UWV and the municipalities. Additional investment and government funding are needed to ensure there are sufficient staff, suitable support systems and facilities (equipment, materials), competitive employment terms and working conditions that do justice to the knowledge, insights and experiences of the public service providers and individuals (and/or companies/institutions).

Public services require a new perspective: a perspective of trust in the public and service providers (instead of dominant distrust, with a focus on manageability and verifiability), of freedom of action for the people on the ground (and the professionals) and the

implementing body, of a reliable system of checks and balances, and an integrated approach to policy with responsive and targeted public services.

9. Budgetary policy

Budgetary policy must contribute to broad welfare. The policy must both help the country recover from the coronavirus crisis and help stimulate the major transitions. Policy aimed at broad welfare growth requires a coherent policy mix which involves more than using public funds; legislation and tax incentives are also important in this respect (e.g. for the energy transition).

- Intensify and widen the scope of investments in broad welfare through the National Growth Fund as well as using the EU Recovery Facility.
- Continue state aid as long as the coronavirus crisis still leads to restrictions and tailor this aid to workers and businesses in line with the course of the pandemic and measures to limit contact.
- Be aware of companies' return to solvency and of solutions to the high debt burden.
- Protect productive government expenditure and investments. The task is to take them to a higher level and keep them there, making them less dependent on the state of the budget or the economic cycle.
- Avoid tax increases and austerity measures during the recovery phase.
- For sectors and companies in which mass redundancies are unavoidable, widen the options for agreeing voluntary schemes that encourage older staff to retire early to allow younger employees to stay on during the recovery phase.
- Prepare a plan to create new budgetary buffers for the period when the economy has recovered. In determining scale and timing, the Netherlands will also have to take into account the extent of overdue maintenance in the public and semi-public sector, the added value of productive investments, the necessity of the green transition, existing and new European agreements and the prevailing interest rate environment. Attention should also be focused on ensuring stable funding for local authorities.
- Tax revenues must be in line with the public desire to distribute income and assets in the Netherlands in a reasonable manner while at the same time ensuring an internationally competitive business and location policy without facilitating international tax avoidance.