

Wage (In)Equality and Wage Setting – Challenges for the Netherlands

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Scope and reasons NL Country study

The Dutch ‘Polder Model’ of industrial relations can be characterized as having a relative egalitarian tradition in collective wage setting institutions and income distribution. Nevertheless, the social partners in the Netherlands are challenged by rapid increases in the earning of top managers and growing numbers of low-wage workers, including self-employed and flexible workers, in the last decade. A first relevant question in the Netherlands concerns the integration of the lowest and the highest salaried groups of workers in social dialogue and collective bargaining. Are employers and trade unions willing to expand the scope of their negotiations and agreements to include these groups that at present are not always covered, and for what reasons and with what objectives? And if so, in which ways and through which wage setting mechanisms? A second relevant topic for collective bargaining parties concerns their views and strategies on several pay principles that can have increasing or decreasing effects on wage inequality in the Netherlands. In many collective agreements, salaries are presently dependent on job profiles, including education levels, years of experience and sometimes age. The Dutch social partners are however debating other principles of pay, such as a closer relationship to company profits or individual performances of employees. Related to these principles of pay and their effects on wage (in)equality, the collective bargaining parties in the Netherlands are also debating issues like how to define minimum and/or maximum wage levels or if to set collective wage increases as percentages or as fixed sums at the sector level and the company level. A third question that is prominent in the present Dutch debate on collective bargaining and wage setting concerns the economic pressures that push for more cross-sectoral wage differentiation and the related rising inequality in the development of real wages between companies and sectors of industry.

Following the research design of NEWIN, case studies will be done in the metal sector, finance sector, retail sector and education sector in the Netherlands.

Examples of relevant actions in the Netherlands (first selection)

- New national legislation on maximum wages for top managers in the public and semi-public sectors in the Netherlands in 2015.

See:

<https://www.rijksoverheid.nl/onderwerpen/beloningen-bestuurders/inhoud/topinkomens-overheid>

- New collective agreements at the sector levels that strive for more wage equality through regulating fixed-sum wage increases.

See:

<http://www.fnv.nl/sector-en-cao/alle-sectoren/procesindustrie/nieuws/894042-fnv-zet-in-op-centen-procenten/>);

http://www.fnv.nl/site/over-de-fnv/acties-en-campagnes/901052/Arbeidsvoorwaardenagenda_FNV_in_Beweging_2015_def.pdf

- Trade unions' actions in influencing the public debate on moderating high salaries and bonuses of top managers in the private sectors. FNV¹ is suggesting a guideline of a maximum ratio of 1:20 between the lowest and the highest paid employee in the financial sector. CNV² is calling for a more general approach of corporate social responsibility behavior regarding the payments at the top levels.

See:

http://www.fnv.nl/sector-en-cao/alle-sectoren/finance/nieuws/1051315-salarisverhoging_bestuurders_fin_sector_terugdraaien_200415/

https://www.cnv.nl/fileadmin/user_upload/Nieuws/downloads/Arbeidsvoorwaardennota_definitief_december_2015.pdf

- Trade unions' actions that strive for abolition of the age related low minimum wages for the youth in legislation and in collective agreements (<https://www.fnvjong.nl/node/185>);

¹ FNV is the largest trade union federation in the Netherlands and with social-democratic backgrounds.

² CNV is the second largest trade union federation with Christian backgrounds.