



# Wages, inequality and industrial relations in the Netherlands

NEWIN - Negotiating Wage (In)equality is a project co-funded by the European Commission, DG Employment, Social Affairs and Inclusion, budget heading VS/2014/0538, Industrial Relations and Social Dialogue. The presentation reflects only the author's view. The Commission is not responsible for any use that may be made of the information contained.

Further information is available at <http://moodle.adaptland.it/newin>



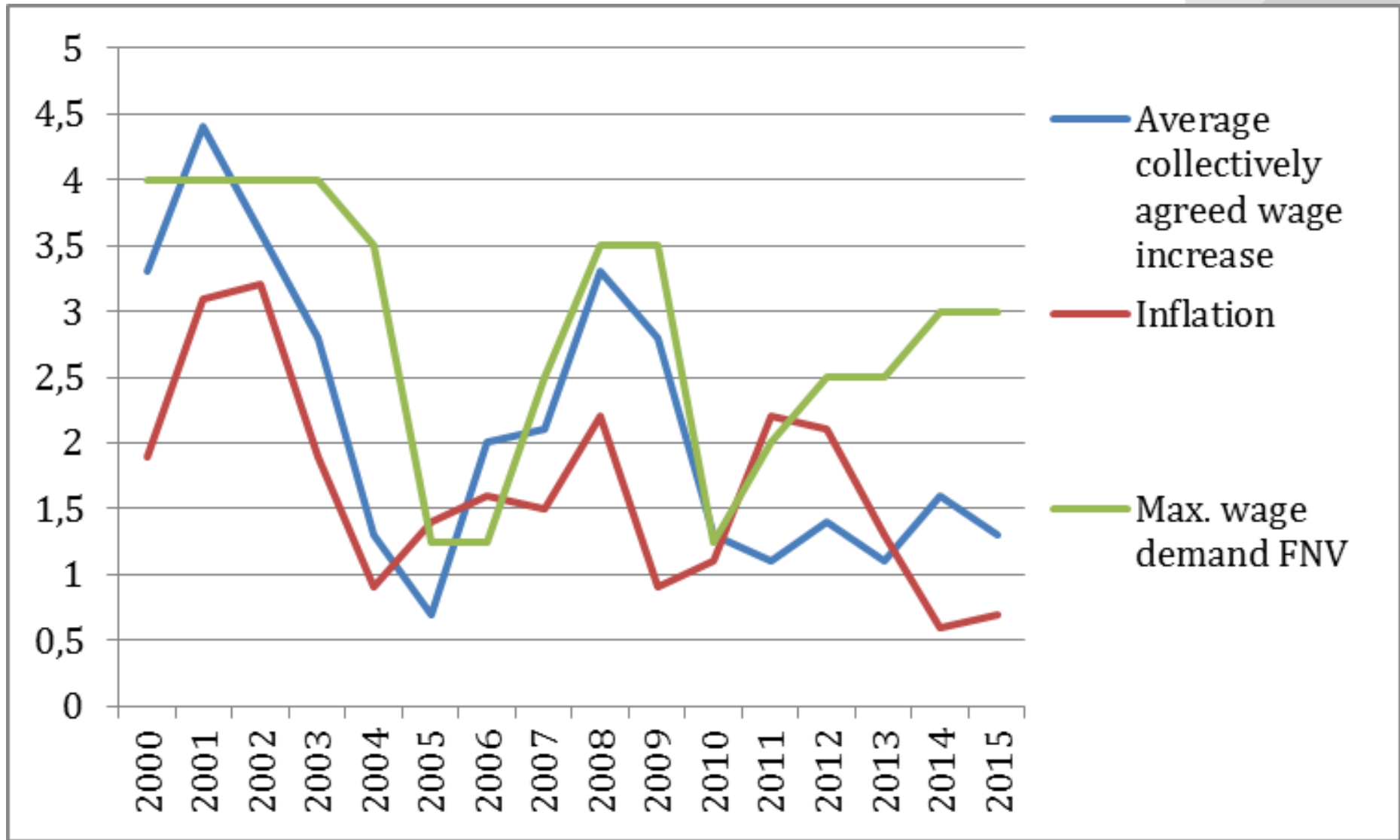
## The Polder model

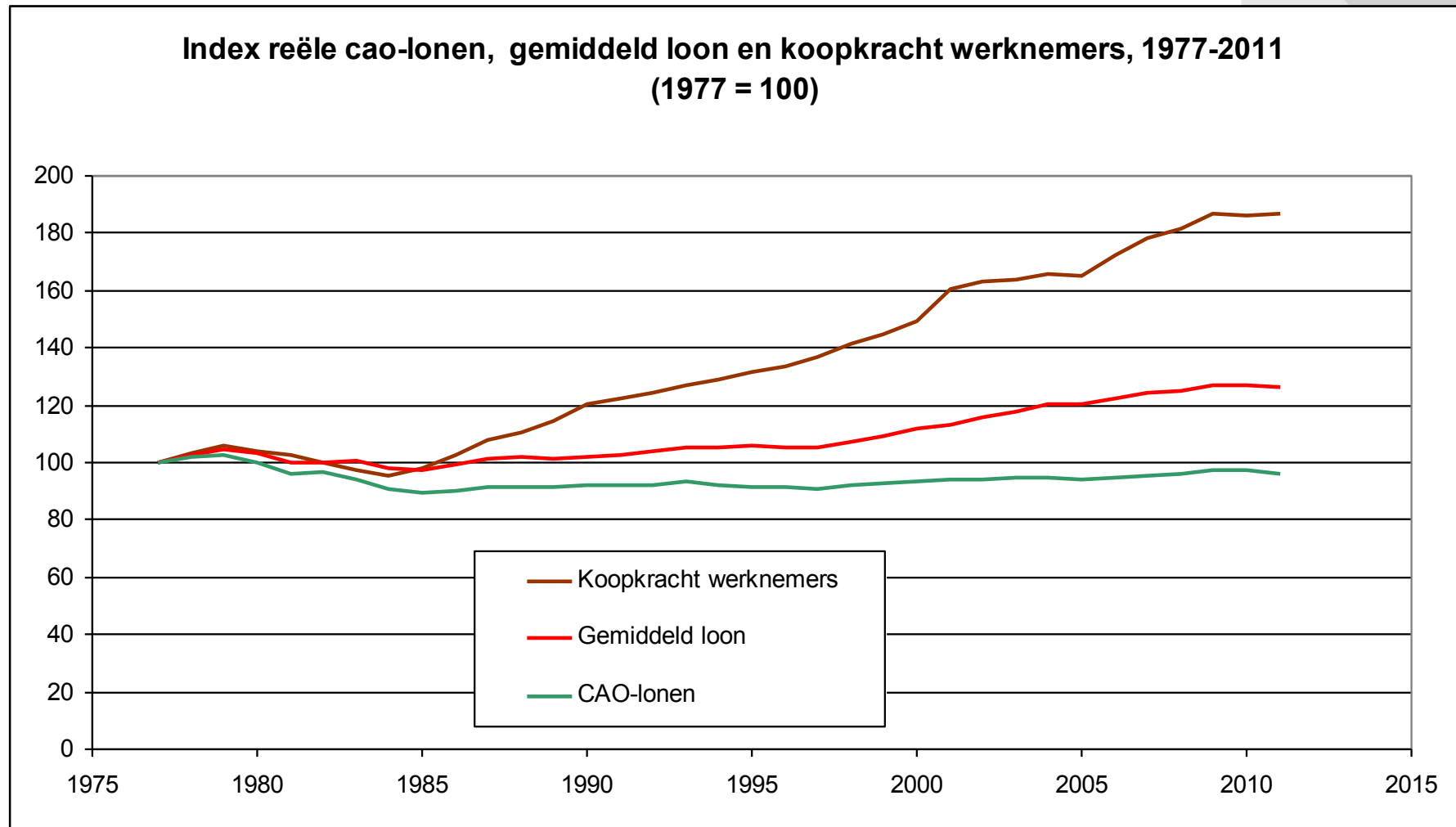
- Highly organized neo-corporatist system with key role of trade unions and employers' organizations: social dialogue and collective agreements
- Wage moderation key since WWII, first with state control, then through collective bargaining and coordination, extensions
- Detailed function classification for control and predictability of wages in sectors and companies
- Legal minimum wage
- Traditionally egalitarian wage and incomes policies, Gini 2013: 0.278



## Collective agreements and workers

	2003		2015		2003 - 2015	
	No. CA's	No. workers (mln)	No. CA's	No. workers (mln)	No. CA's	No. workers
Company CA	519	0.65	503	0.52	-3%	-20%
Sector CA	193	5.12	177	4.96	-8%	-3%
Total	712	5.77	680	5.49	-4%	-4%



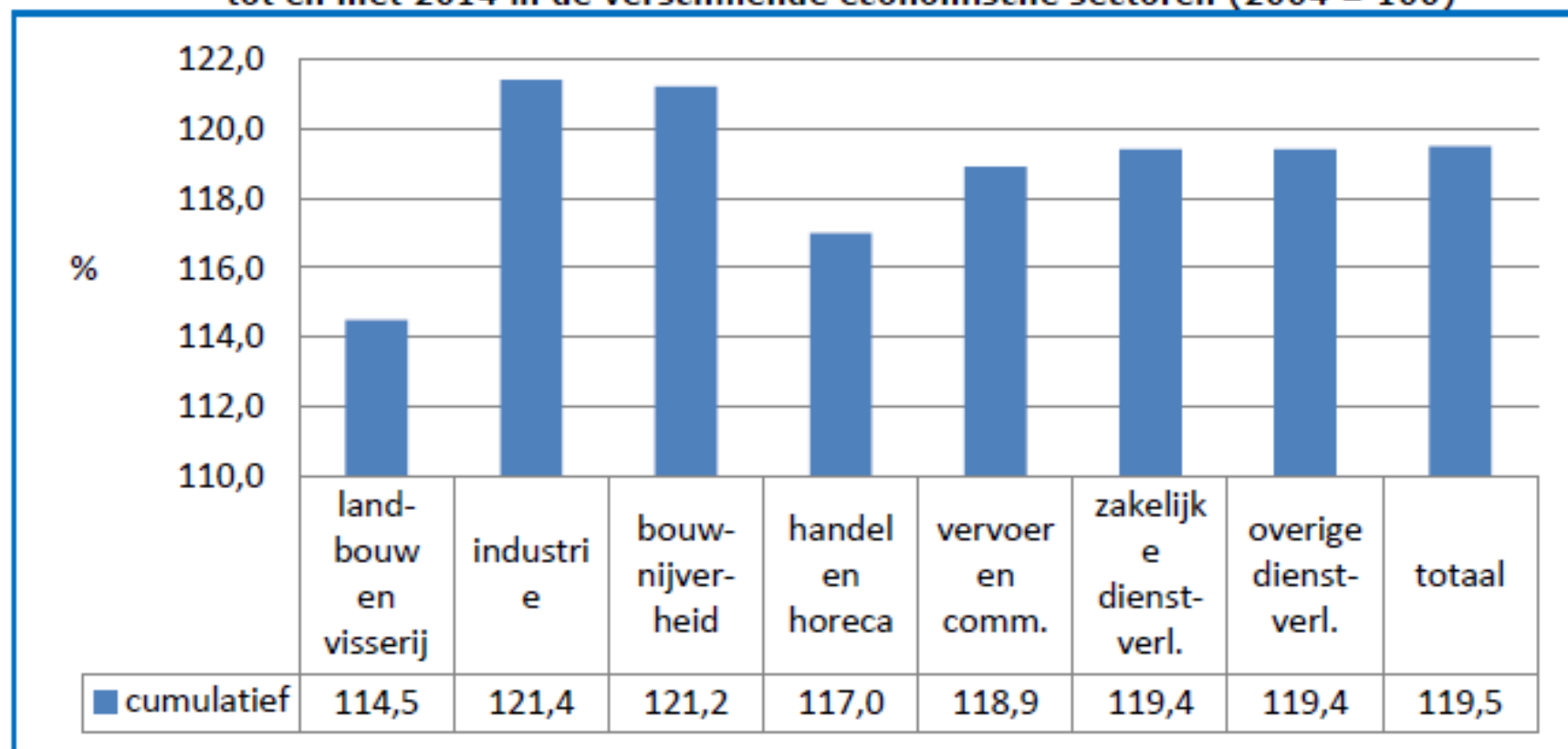




## Inequality

- Traditionally, strong wage coordination and very limited differences in collectively bargained wage increases between sectors. Recently, some differentiation.
- High coverage collective agreements (80%), extended in most sectors. Highly regulated pay systems in the collective agreements → limited differences between companies. Recently more and more space for local deviations?
- Growth low wage employment (wage, SE, migration) and of top incomes.

**Grafiek 1.4 De cumulatieve (%) contractloonmutatie op niveaubasis voor de periode 2005 tot en met 2014 in de verschillende economische sectoren (2004 = 100)**





<b>Legal hourly minimum wages by age, 1 January 2016</b>			
Age	36 hour per week	38 hour per week	40 hour per week
23 and older	€ 9,78	€ 9,26	€ 8,80
22 year	€ 8,31	€ 7,87	€ 7,48
21 year	€ 7,09	€ 6,72	€ 6,38
20 year	€ 6,02	€ 5,70	€ 5,41
19 year	€ 5,14	€ 4,87	€ 4,62
18 year	€ 4,45	€ 4,22	€ 4,01
17 year	€ 3,87	€ 3,66	€ 3,48
16 year	€ 3,38	€ 3,20	€ 3,04
15 year	€ 2,94	€ 2,78	€ 2,64

Source: <https://www.rijksoverheid.nl/onderwerpen/minimumloon/vraag-en-antwoord/hoe-hoog-is-het-minimumloon-per-uur>





## Peak employers organization

- No coordination on wage (in)equality
- Wage and wage cost developments should reflect sectoral conditions more.
- Wage should reflect individual characteristics and contributions more (and not age or seniority). More differentiation between groups.
- Sector CAs should be framework agreements
- Top incomes matter for stakeholders in company
- Youth minimum wages acceptable, should study



## Peak trade union

- Inequality is growing and undermines solidarity
- Equal wage for equal work
- Low wages through new constructions, migration
- Differences should become smaller and that bottom should be raised. Lowest groups priority
- Best way to raise wages for lowest paid, is to increase the share of permanent contracts.
- Youth min. wage outdated. Has become business model. Increase youth scales in CAs.
- Low wage strategies employers detrimental
- Limit top incomes



## Comparative cross-sector studies

- Content analysis collective agreements in the 4 sectors (degree of institutionalized inequality)
- Analysis administrative data: decile distributions in real wage levels in the 4 sectors (degree of real inequality)
- Interviews: opinions, policies and actions of social partners regarding wage (in)equality in in the 4 sectors



## **Content analysis collective agreements: inequality between companies & workers groups**

1. Collective wage increases
2. Range of salary levels
3. Opening clauses towards higher or lower wages than agreed at the sector level
4. Main payment principles ( job classification, years of experience, age, profit sharing, performance related pay)
5. Inclusion of flexible employment and precarious labour contracts



# Highest equalizing regulations and wage distribution in the education sector

- Both at company and workers group levels:
  - No opening clauses to higher wages (= standard wages)
  - Most elaborated salary system based on job classification and years of experience
  - Performance related pay till 15% (remarkably, more applied to lower job levels in education sector (SCP, 2015))
  
- Confirmed in data analysis of real wages !
  
- *Action: 1200 Euro's bonus for low level jobs in collective agreement*



## Lowest equalizing regulations and wage distribution in the supermarket sector

- Both at company and workers group levels:
  - Extreme low wages for high amounts of young workers (18-22 years!)
    - *FNV actions in politics and public campaigns on youth wages*  
(FNV is the largest trade union organisation in NL)
  - Little regulations for bonuses/extra allowances (and low level of application of performance related pay for low jobs in trade sector)
- Sector with highest inequality in real wages between 9<sup>th</sup>/2<sup>nd</sup> decile.



## Banking

- Highest elaborated collective regulations on payments, but quite high in-equalities in rules and practices.
- Excessive wages at the top.
- *Social partners' responses:*
  - *FNV public action: 'maximum ratio of 1:20 between the lowest and the highest paid employee in the financial sector'.*
  - *CNV policy: 'corporate social responsibility regarding the payments at the top'.*



# Metal

## ■ Paradox:

- The collective agreement does not arrange absolute wage levels for higher classified jobs, but
- real payments in the sector are quite equal.
- Why?





## Further research actions to do (interviews)

### ■ Sector level:

- Opinions, strategies, discussions and (bargaining) actions regarding wage inequality in the sector.

### ■ Company level:

- Collective regulations' effects on real wage inequalities in companies
- Trends in applied payment principles and their effects on wage inequality