



COUNTRY REPORT

# THE NETHERLANDS

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University of Amsterdam

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## Introduction

Within the context of long-term wage moderation, wage inequality has now been on the rise in the Netherlands for some three decades. As demonstrated by De Beer (2014), since 1984 the Gini coefficient for wages of full-time workers has been increasing, rapidly until 1992 and more slowly since then, to more or less stabilize in the late 2000s (figure 1). The long-term increase in wage inequality has mostly been driven by stagnating wages at the bottom and strong wage growth at the top (ibid.).

**Figure 1.** Inequality of wages of full-time employees (to 2005) and the hourly wages of full-time employees and all employees (as of 2006) on the basis of the Gini coefficient and the Theil coefficient, 1977-2011



Source: De Beer 2014

In the shorter term, we can picture the development of wage inequality in a more nuanced way by looking at wage deciles (table 1). Between 2006 and 2013, in percentages, nominal wages increased most strongly in the second decile (19.1%), followed by the third to sixth deciles (between 17.2% and 17.6%). Growth has been the lowest by far in the tenth decile, where the average wage actually decreased by 2.2%, followed by the ninth decile (13.9%). In the first decile, growth has also been lagging behind somewhat at 15.6%. The relatively low growth in the upper two deciles points to a slight reduction in top level wages (in the tenth decile) and suggests a decline in wage inequality. The latter is supported by the development of the inequality measures that compared the tenth with the first decile and the ninth with the second deciles, both of which declined in the 2006-2013 period.

However, it would be a mistake to simply interpret this as a decline in wage inequality. First of all, in absolute terms, the higher the decile, the higher the increase of average wages over the 2006-2013 period. Hence, the distance between the deciles has increased in absolute terms, pointing to increasing inequality. The only exception here is the highest decile, where the absolute average wage slightly declined in this period. This was due to a very substantial decline in top salaries in the first years of the crisis, whereas before the crisis the top salaries had increased very strongly. There is no reason to believe that this one-off correction will have any durable consequences for the trend of the highest wages growing faster than the rest (cf. De Beer 2014).

**Table 1.** Hourly nominal de facto payment by deciles, 2006-2013

Deciles	2006 (€)	2013 (€)	Change (%)	Change (€)
1	4.62	5.34	15.6	0.72
2	8.97	10.68	19.1	1.71
3	11.29	13.24	17.3	1.95
4	13.29	15.57	17.2	2.28
5	15.47	18.2	17.6	2.73
6	17.76	20.82	17.2	3.06
7	20.22	23.52	16.3	3.30
8	23.47	27.16	15.7	3.69
9	28.88	32.88	13.9	4.00
10	59.95	58.62	-2.2	-1.33
9th/2nd	3.22	3.08	-4.3	-0.14
10th/1st	12.98	10.98	-15.4	-2.00

*Source: CBS, Spolisbus, own elaboration*

Trade unions and employers in the Netherlands are challenged by long-term – and to a lesser extent also short-term – increases in the earnings of top managers and the growing numbers of low-wage workers, including low hour part-time jobs, bogus self-employed and flexible workers. In addition, productivity growth has slowed since 2000. These developments have raised a number of issues related to wages, earnings and inequality.

A first question concerns the integration of the lowest and the highest salaried groups of workers into social dialogue and collective bargaining. At present, managerial staff, and in particular top managers, are normally not covered by collective agreements, while in many cases the lowest earners also fall outside such protection. Are employers and trade unions willing to expand the scope of their negotiations and agreements to include these groups, and for what reasons and with what objectives? If so, in which ways and through which wage setting mechanisms? Public opinion is clearly in favour of limiting the

highest wages, and in the public sector limits have already been defined by the government.

A second relevant topic for collective bargaining parties concerns their views on and strategies regarding the various payment principles that may have positive or negative effects on wage inequality in the Netherlands. In many collective agreements, salaries are currently dependent on job profiles, including education level, years of experience and sometimes age. The Dutch social partners are, however, debating other principles of payment, such as a closer relationship to company profits or the individual performance of employees. Related to these principles of payment and their effects on wage equality/inequality, the collective bargaining parties in the Netherlands are also debating issues such as how to define minimum and/or maximum wage levels, or whether to set collective wage increases as percentages or as absolute amounts.

A third question that is prominent in the present Dutch debate on collective bargaining and wage setting concerns economic pressure which, it is argued, pushes for more cross-sectoral wage differentiation, with the related rising inequality in the development of real wages between sectors and between companies within sectors.

### *Research approach*

In the following sections we will discuss the contributions of collective bargaining and other wage setting mechanisms to wage equality/inequality in the Netherlands. To this effect, we have analysed the existing literature, relevant documents, especially those sections relevant to wage determination in collective agreements, and new, unique real wage statistics in depth<sup>1</sup>. We focus on the following four sectors of industry: (i) banking, (ii) supermarkets, (iii) the metal industry and (iv) the education sector.

The combination of wage data and data on the collective regulations concerning the salary systems and payment principles in these four sectors of industry gives us a solid basis for analysis. We also involved trade unions and employers at cross-industry, sectoral and company levels, through in-depth interviews concerning the contributions and mechanisms of social dialogue, bargaining and collective regulations regarding wage inequality. The interviews also included the issue of atypical workers, who are at risk of not being protected by these collective agreements, and the issue of salaries and bonuses of top-level managers.

The structure of the report is as follows: in Section 1 we will briefly present the national wage setting institutions and discuss the role, influence and view of unions and employers concerning the wage setting process. In Section 2 we present a comparative analysis of the metal, supermarket, banking and education sectors. We will present comparative data on the content of the collective agreements in the four sectors, focusing on the stipulations that affect wage equality/inequality, with the aim of establishing the extent to which there is institutionalized wage inequality. We will then present comparative data on

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<sup>1</sup> In the NEWIN project, we analysed millions of administrative observations about salaries and wages in the Netherlands in the four sectors of industry which were selected.

collectively agreed and effectively paid wages in the four sectors to establish the outcomes in terms of wage equality/inequality, as well as the views and strategies of the social partners. In Section 3 we will present company case studies in the four sectors, while Section 4 presents our conclusions.



## 1. Wage bargaining in the Netherlands

The Dutch ‘Polder Model’ of industrial relations can be characterized by an orientation towards consensus, a high coverage of collective agreements, concerning approximately 80% of employees, and also through their extension by the Ministry of Labour and Social Affairs, as well as the involvement of peak trade unions and employers’ organizations in social dialogue, including regular social pacts (Keune 2016). Through these institutions, which have been in place for many decades, the Netherlands has traditionally followed relatively egalitarian policies concerning income distribution. For example, in 2013 the Gini coefficient for income inequality was 0.278. This is lower than the average Gini coefficient of 0.315 in OECD countries (OECD 2015: 56). Moreover, although a slight increase in the Gini coefficient can be observed since 1990, it has consistently remained between 0.27 and 0.29 (Salverda 2012)<sup>2</sup>. In the 1970s and 1980s, a substantial increase in the Gini coefficient did occur, from below 0.25 to over 0.27 (Salverda et al. 2013). In addition, the average income in the upper five deciles grew considerably during the period 1977-2011, while the lower five deciles declined at the same time (Salverda 2014: 40).

Firstly, this can be explained in terms of the decline of the traditional *breadwinner principle* in the 1970s and the massive entry of women into the labour market, moving from unpaid to paid work. It was not seldom the case that the ‘second’ earners in higher educated households displaced the ‘first’ earners in lower educated households in the labour market<sup>3</sup>. Secondly, women in lower educated families worked fewer hours than women in higher educated families. Finally, a third explanation of greater inequality at the household level is related to the growth in wage inequality in the Netherlands.

In this report we will look into the wage inequality issue in greater depth, as wage inequality is on the rise. While the recent crisis has led to a decline in the payment levels for top earners, current wage inequality between the very highest and the very lowest is still at a far higher level than in 1990 (Salverda 2014: 59-60). There are also signs that top earners in the private sector are again increasing their earnings disproportionately. This is but one of the signs that the traditional Dutch orientation towards the promotion of equality is under pressure.

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<sup>2</sup> In the 1980s, a substantial increase of the Gini coefficient did take place, from below 0.25 to over 0.27 (Salverda et al. 2013).

<sup>3</sup> The ‘first’ earner is the household member with the highest salary (usually men).

## **1.1. The wage effects of IR institutions in the Netherlands**

From an institutional perspective, there has been an ongoing process of decentralization in wage setting over the past seven decades. Here we will briefly describe the history of wage setting since the Second World War because many basic rules – and their related value and norms about efficiency and equity, payment principles and wage equality/inequality established then – are still visible in the Dutch practice of collective bargaining and HRM. Regulations concerning wages in collective agreements show a high degree of institutional path dependency. However, they are not written in stone, and apparent institutional stability hides important changes in the functioning and outcomes of institutions (cf. Streeck and Thelen 2005). Also, the traditional institutions have come under question in recent years, and in certain parts of the labour market attempts have been made to modify them or to avoid their control.

### **1.1.1. Wage control at the national level**

After the Second World War, the Dutch neo-corporatist system was established, with trade unions and employers' organizations playing an important role through the tripartite Socioeconomic Council (SER), the bipartite Labour Foundation (STAR) and a system of mainly sectoral collective agreements covering the large majority of employees. During the period 1945-1964, the freedom of associations to negotiate in the Netherlands was restricted by Dutch law. In this period, a government commission produced annual decrees determining wage increases. The social partners in all sectors of industry and in all companies had to implement these decrees, giving the government strict control over wage developments. In the same period, detailed models of job classifications and their related salary levels were developed in all collective agreements. Both the detailed salary levels in collective agreements, as well the implementation of the national decrees on wage developments, were part of a strategy aimed at strengthening international competitiveness through the control of labour costs, and in particular wage moderation, which was expected to lead to growing employment. These salary systems in sectors of industry and larger companies were based on the following payment principles:

- 1) the required education level
- 2) the years of tenure
- 3) the degree of responsibility associated with the tasks in the work organization

This combination of highly regulated payment systems in the collective agreements with the annual central decrees on collective wage increases resulted in a very limited differentiation of wages between sectors of industry.

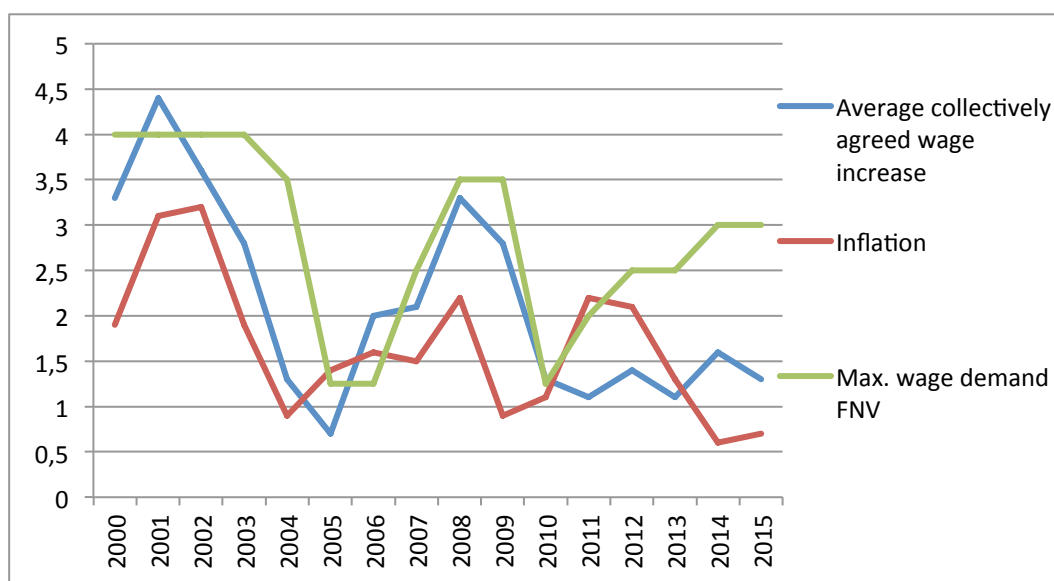
In the period 1964-1982, the social partners were given somewhat more freedom to conclude their own collective agreements, but the government continued to intervene regularly to block 'excessive' wage increases. The year 1982 was a turning point in the Dutch industrial relations system as it marked the shift of wage setting away from the state towards the social partners. In the Akkoord van Wassenaar, the social partners – at the national level in the Labour Foundation – agreed to take responsibility for wage

moderation through self-regulation in an autonomous collective bargaining process, maintaining the objectives of improving the overall competitiveness of Dutch industry and combating unemployment. From 1982 onwards, the government stopped intervening directly in wage bargaining, although it still did so indirectly through, for example, tax policies or the ‘shadow of hierarchy’, which still exercises substantial influence. Collective sector agreements became the principle instruments of wage setting (and in some cases company-based collective agreements), complemented by company policies but within the confines of the sector agreements. From 1982, the Labour Foundation – composed of the peak organizations of employers and trade unions – coordinated wage setting by agreeing annually, or every two years, on central guidelines regarding ‘affordable’ wage increases, which were then supposed to be followed by the collective bargaining parties at the sector and/or company levels. In order to guarantee free collective bargaining, the Labour Foundation gave ‘recommendations’ to the collective bargaining parties at the more decentralized levels. The employers’ organizations and trade unions thus applied soft methods of internal coordination to limit cross-sector differentiation in wage developments and guarantee wage moderation (Tros 2000: 78-88). The history of wage moderation in the Dutch ‘Polder Model’ is still visible today, although the practice of joint central guidelines has been terminated. Its clearest illustration is the continuing practice of the largest confederation of trade unions (FNV) agreeing on a maximum (!) ‘wage demand’, which their negotiators in the sectors and companies are expected to follow. This maximum level is based on national macro-level analysis by the Bureau for Economic Policy Analysis (CPB), which plays a key role in the Polder Model by producing generally accepted data and predictions<sup>4</sup>. In fact, the actually bargained wage increases largely followed the maximum FNV demand in the 1990s as well as in the 2000s (figure 2). It has only been during the crisis that the two have substantially started to deviate, pointing to difficulties on the side of the unions to translate their demands into effective agreements. Another noticeable feature of the figure is that in most years the average agreed wage increase has been close to the level of inflation, in most cases just above the inflation level; however, in several years it has also been below this level, pointing to a clear wage moderation strategy.

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<sup>4</sup> However, recently the CPB has been regularly questioned about the assumptions it uses in its economic analysis and its failure to correctly predict future economic developments.

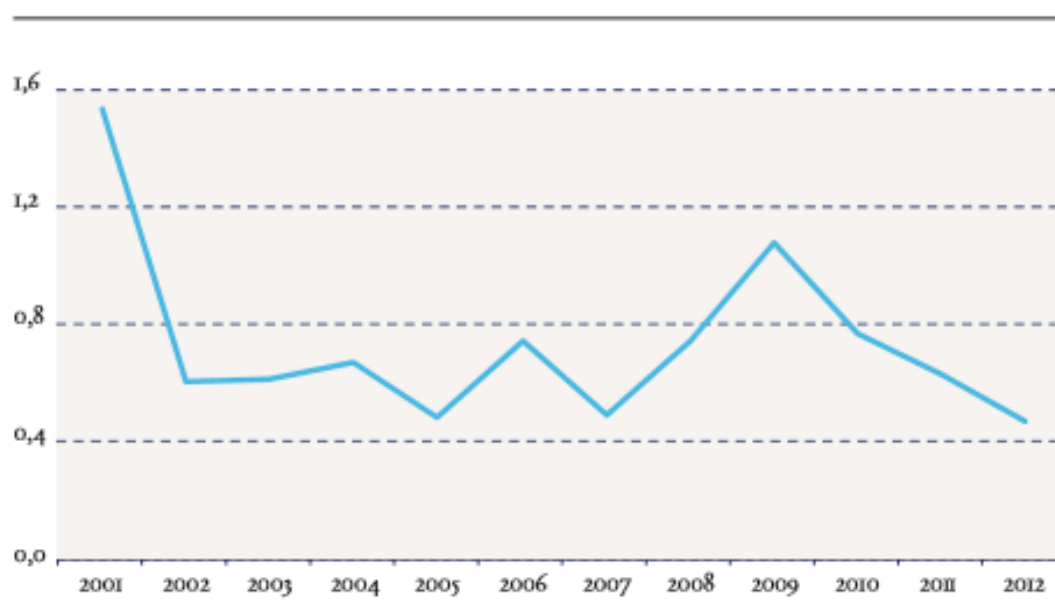
**Figure 2.** Average collectively agreed wage increases, inflation and the FNV maximum wage demand, 2000-2015



Source: Verhoeff 2016

Surprisingly, the formal withdrawal of the Dutch government from wage setting in the private sector in 1982 has led to little differentiation in collectively agreed wage increases between sectors compared to the 1970s (Tros 2000: 81-88; de Beer 2013: 19). This can be at least partly explained by the continuing orientation of the social partners towards wage moderation and the respective internal coordination within employers' organizations and in particular the trade unions.

The differences between the wages collectively agreed by sectors are limited by this coordination. The standard deviation between the wage increases negotiated at sector level has hovered between 0.5 and 1.0 for almost the entire post-2000 period (figure 3). Nevertheless, there is some differentiation if we look not only at yearly changes, but also at the cumulative effect over a longer period. Looking to the cumulative figures for the period 2005-2014, we see the highest increases in the agreed wages (21%) in the industrial and construction sectors, and the lowest (14.5%) in the agriculture sectors (SZW 2015: 7). Also, as we will see below, there are very substantial sectoral differences in absolute wage levels, which are only further strengthened by the similarity in relative wage increases.

**Figure 3.** Wage differentiation between sectors: standard deviation of collectively agreed wage increases, 2001-2012

Note: Excluding public administration, education, health and other non-commercial services

Source: Eggele et al. 2014

A peculiar feature of Dutch wage legislation, which creates legal inequality, is the existence of youth minimum wages. Minimum wages for people below 23 years old are less than the ‘adult’ minimum wage, starting at 30% of the adult minimum wage for 15 year olds and then increasing gradually (table 2). This system of youth minimum wages, and the inequality it creates between age groups, is currently heavily disputed, in particular by the FNV and its youth movement, Young & United, leading the parliament to change the law in the coming years.

**Table 2.** Legal hourly minimum wages by age, 1 January 2016

Age	36 hours per week	38 hours per week	40 hours per week
23 and older	€ 9.78	€ 9.26	€ 8.80
22 years	€ 8.31	€ 7.87	€ 7.48
21 years	€ 7.09	€ 6.72	€ 6.38
20 years	€ 6.02	€ 5.70	€ 5.41
19 years	€ 5.14	€ 4.87	€ 4.62
18 years	€ 4.45	€ 4.22	€ 4.01
17 years	€ 3.87	€ 3.66	€ 3.48

16 years	€ 3.38	€ 3.20	€ 3.04
15 years	€ 2.94	€ 2.78	€ 2.64

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

## 1.2. Declining influence of wage setting through collective bargaining

This section discusses two potential drivers of increasing wage inequality in the Netherlands by addressing the following two questions:

- 1) Is there a decreasing coverage of the social partners in wage bargaining with respect to total employment?
- 2) Are collective wage agreements becoming less influential in determining the level and distribution of effectively paid wages?

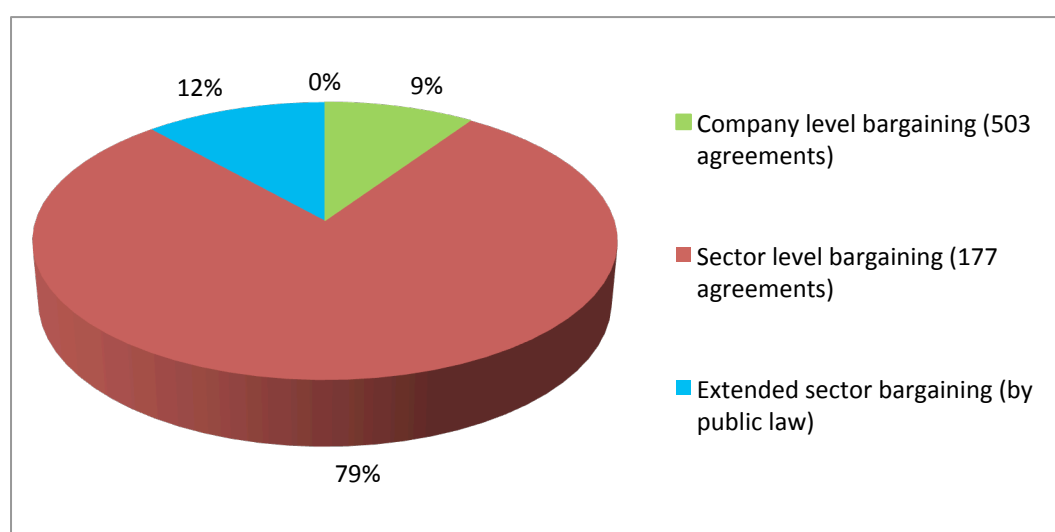
### 1.2.1. Collective bargaining coverage under pressure

In 2015, a total of 177 sector agreements and 503 company agreements were registered by the government. There were 522,600 workers covered by company agreements, while the sector agreements covered a total of 4,963,800 workers: 4,327,800 directly through their employer's membership of an employers' association in the sector that negotiates the collective sector agreement, and 636,000 indirectly through the extension of the agreement to the entire sector by the Minister of Labour and Social Affairs (figure 4)<sup>5</sup>.

The most recent figure of 83% regarding the coverage of collective bargaining for employees in the private sector comes from 2013 (ICTWSS database 5.0). This percentage has not been so high since 1960 (*idem*). In the public sector, the bargaining coverage was 96% in 2013. Thus, in terms of coverage there is no evidence that the collective bargaining parties are losing influence in the Netherlands.

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<sup>5</sup> The stipulations on collective wage increases and salary systems are included by making sector agreements generally binding for whole sectors.

**Figure 4.** Collective bargaining in the Netherlands 2015 (% of all employees)

Source: Ministry of Social Affairs and Employment

Nevertheless, it is also important to note that collective agreements in principle only cover employees. This is important considering that the number of self-employed is rising rapidly in the Netherlands (table 3). Part of this population can be considered *bogus* self-employed because they have only one client and/or are not fundamentally more independent than employees, and should in fact be covered by collective agreements. Also, the FNV has published disturbing reports about the emergence of new types of employment relationships, such as payrolling, contracting, dubious types of posted workers or labour migration, that aim to circumvent labour laws and social security laws and stipulations in collective agreements, including agreements in the temp agency sector (FNV 2015b).

**Table 3.** Numbers of self-employed and on-call workers 2010-2014

	2010	2011	2012	2013	2014
Self-employed without personnel	705,000	728,000	752,000	784,000	808,000 (+15%)

Source: Statline, CBS (January 2016)

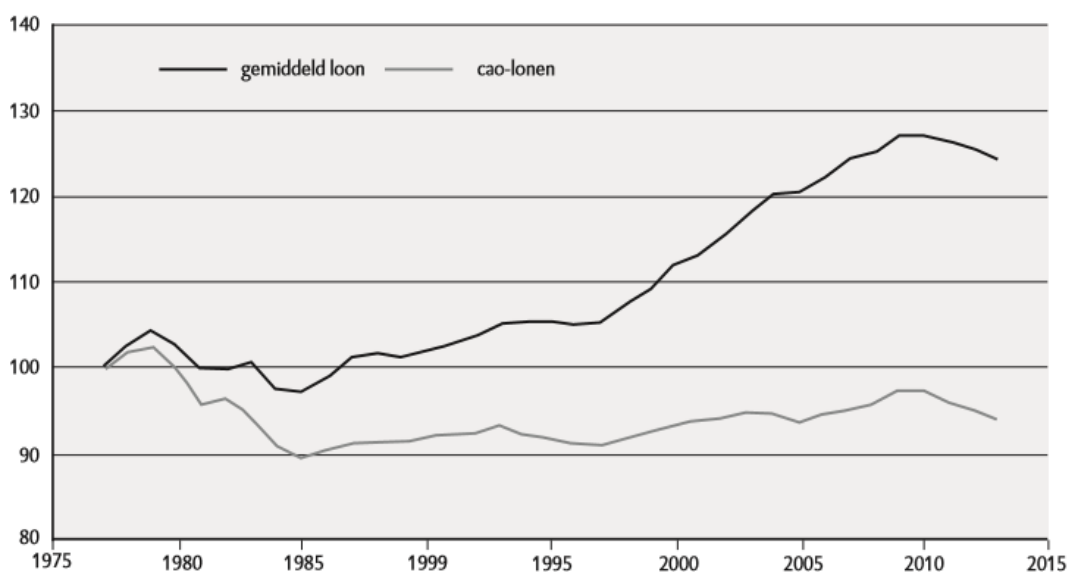
The self-employed ('zzp' in Dutch) run a high risk of precariousness as many combine high uncertainty with low pay. Half of the self-employed in the Netherlands earn an hourly wage below 130% of the legal minimum wage standard (CPB 2015: 41-43). Another study concluded that one-third of the self-employed without personnel in the Netherlands earn a monthly net income of less than euro 1,250 (Hoevenagel 2015: 5). They often find themselves forced to accept low fees because competition is fierce, both

between the self-employed and between the employed and the self-employed. Those who work with very competitive rates often also lack insurance against loss of income in the case of sickness, disability or unemployment, as well as pension provisions (*idem*). The hourly rates of self-employed workers are the lowest in agriculture, the construction industry and the manufacturing industry (Hoevenagel 2015: 5).

### 1.2.2. Declining influence of social partners on effectively paid wages?

A second indication of the loss of influence of collective bargaining on wage setting is the growing discrepancy between collectively agreed wages and effectively paid wages (figure 5). Effectively paid real wages increased by approximately 25% between 1977 and 2013, while the real collectively agreed wages decreased by approximately 6%. This can be explained by the growth of what are called ‘incidental’ wages, such as job promotions or higher real payments than those collectively regulated<sup>6</sup>. These factors do not automatically lead towards more inequality but are likely to contribute to it, whether between sectors, within sectors or within companies.

**Figure 5.** Development of real collectively agreed wages and average effectively paid wages, 1977-2013 (1977=100)



Source: De Beer, 2014

Indeed, when we consider the allegedly growing practice of variable pay systems, such as profit sharing and individual bonuses, then more differentiation at both sector and

<sup>6</sup> Many collective regulations on salary levels are not ‘standardized’, but set minimum levels of payments (SZW 2015: 105).



company level is expected. There is, however, little empirical evidence of structural growth in a company or individual performance being related to pay increases other than at the top. A representative panel study among employers in the Netherlands revealed that 25-27% used company performance, and 32-36% used individual worker's performance as a payment principle during the period 2003-2013 (SCP 2015: 51-54). The same study concluded that these practices were not unequally distributed among the different salary levels of employees, although it is likely that higher paid employees earn higher percentages and/or amounts of money than lower paid employees in the variable pay systems (*idem*).

### **1.3. Social partners' views and responses on wage inequality**

#### *VNO-NCW interview*

For a number of years, the VNO-NCW, the main representative employers' organization in the Netherlands, has not aimed to play a role in coordinating wage developments and wage inequality, leaving it primarily to decentralized sectoral actors. It explains the small differences within and between comparable sectors not so much to be the result of active coordination but due to mimicking of employer behaviour. It sees some differentiation in wage growth between the export and non-export sectors, but this is not great. Moreover, it emphasizes the fact that wages and wage growth do not reflect all remuneration factors, as other elements such as free time, pensions and flexibility are often part of the wage package. At the same time, they argue that a discussion about wage increases is not the same as that about wage costs. According to the VNO-NCW, the latter is, in many cases, more important than the former and includes flexibility, free time, additional payments for seniority, etc. The employers' organization argues that wages and wage costs should follow the developments in the sectors, differentiating according to the different conditions in the sectors. In addition, they consider that sector agreements should be framework agreements that set basic standards, while the details should be agreed at the company level.

The VNO-NCW also argues for a new wage logic, in which wages are set more on the basis of what you do and how you do it, and less on the basis of being present, getting older or acquiring more seniority, although they also recognize that this makes negotiations and HRM at company level more complicated. It is their view that the wage scales as they are used now do not function well: there is no downward movement, there is too little performance-related pay and there is *de facto* seniority pay. There should be a stronger link to both the company's and the sector's circumstances; to the development of workers and the responsibility workers take for their own development in terms of learning; and to the extent to which workers are flexible enough to be available when needed, etc. For example, they argue that, today, older employees are not protected by their own competences but by institutions. When their company gets into trouble they will lose this protection and be left with no career prospects if they have not developed

their competences. Individuals, in other words, should be responsible for their own career.

The VNO-NCW also wants differentiated wage increases in collective agreements for different categories of employees, depending on their contribution to the company's results. They believe that some departments or groups are more important than others and that more wage inequality is therefore needed. While unions bargain for their members and do not want changes such as options for demotion, according to the VNO-NCW, such measures are required.

Legal minimum wages for youth that are below the adult minimum wage are acceptable to the employers' organization. The reasoning is that young people should be in school and do not have to be economically independent. Moreover, it was argued that employers cannot be responsible for the societal position or societal goals of everyone.

The VNO-NCW also argues that top incomes should be determined within companies or organizations, by the board of the company and other stakeholders. They should not be subject to legal limits or regulations; they should also take the risk of the non-performance of top managers duly into account, as well as the possible damage to the image of the company when it agrees on top salaries. Moreover, they should be able to publicly explain why high salaries are appropriate in the particular company.

The employers cherish industrial peace and stable industrial relations, including collective bargaining with traditional unions. They note that the unions have few members but represent most of the workers. However, some of the new collective agreements have been concluded without the largest union, the FNV, because it does not accept employer demands. They consider that the FNV is demanding unreasonable wages and working conditions. However, generally, the employers prefer agreements that can be extended to an entire sector to create a level playing field between companies.

#### *FNV interview*

According to the FNV, inequality is growing and undermines solidarity. The self-employed receive tax advantages but cannot use them for education or insurance. Instead these advantages flow to the employers, who employ them on low fees. The EU borders are open but there are no guarantees for equal pay for equal work. Workers who are posted elsewhere and migrant workers should receive the same pay and additional payments for holiday, pensions, etc. There is a push for the individualization of pay, as if every individual is in a position to be able to negotiate for themselves.

Also, according to the FNV, there is an increasing trade in labour, for example, by temp agencies, which is not always very 'human'. These agencies also place self-employed individuals as though they were employees, for very low fees, leading to low incomes for unprotected self-employed and unfair competition with 'normal' employees. Moreover, employers, and in particular temp agencies, are continuously searching for new forms to employ people in cheaper ways, also through dubious employment constructs that they offer to employers, including payrolling, posting and contracting. Central and Eastern European migrants are also employed cheaply, by avoiding, among other things, social contributions, while some Dutch truck drivers are paid through Cyprus, giving them a

slightly higher wage but meaning they also miss out on the payment of social contributions.

The FNV attempts to ensure that collective agreements include stipulations that outline the conditions under which different types of external flexibility can be used. The best way to raise wages, especially for the lowest paid, is to increase the share of permanent contracts. They are also very happy with the new law on chain responsibility. Their goal is decent jobs for all and to make flexible arrangements the exception rather than the rule. Moreover, they focus on the bottom of the labour market, where the quality of jobs is very low.

According to the FNV, the youth minimum wage is used too extensively, and has become a business model, especially in the supermarkets. Young people are also doubly disadvantaged since they also almost invariably work on flexible contracts or with on-call contracts. The FNV is attempting to raise the youth scales in collective agreements to improve youth wages and has managed to do so in quite a few agreements but definitely not all.

In the eyes of the union, the employers are overly focused on lowering costs, not on quality and productivity. However, the union argues that we cannot survive international competition based on low wages, not to mention the fact that it undermines social cohesion. Employers also want to put the entrepreneurial risk increasingly on the shoulders of the employees or the state. Cost pressures and, therefore, pressure for low wages are also created by third parties that tender on projects in construction or contracts for cleaning companies or home care. Here, also, the state plays an important part.

For top wages, the FNV has a rule of thumb that the highest earner in a company should not earn more than 20 times the wage of the lowest earner. It also favours limits to dismissal premiums for highest earners. However, these goals are difficult to realize in collective agreements, and to date have only worked in a few sectors. Nevertheless, they are useful tools in the public debate and public opinion is putting increasing pressure on companies to moderate the wages and bonuses of those at the top.

The FNV's policy is that differences between the top and bottom should become smaller and that the bottom should be raised. However, the lower wage groups are growing, and the minimum wage is increasingly treated as the norm, not as the minimum. The employers want to include lower scales in collective agreements, while the FNV wants to get rid of them, except for special groups, such as people who have disabilities, who can be integrated in this way.

The FNV is continuing to pursue its central wage demand to demonstrate that there is room in the market. However, at the moment, most of the money goes to shareholders rather than employees. For example, the supermarket giant Ahold pays euro 1.6 billion to its shareholders but claims that it will go bust if they have to spend euro 40 million to improve the wages of young workers and bring them up to decent standards.

The FNV sees that linking any part of a wage to performance creates problems in labour relations in companies, leading to many questions in HRM policy. It is for this reason that also many employers do not want to consider performance, and would rather have an equal wage for equal work, with those who perform better moving forward in their careers to undertake the best paying tasks. The FNV considers that motivation can best be

stimulated by binding workers to the organization, while bad performance is also the responsibility of the organization, not only of the worker.

## 2. Inequality in wages within four sectors

This section presents wage outcomes in the four sectors mentioned above, based on microdata from CBS/Spolisbus. Table 4 presents the basic contractual hourly wage (gross) without incidental payments per decile for the four sectors in 2013. Table 5 presents the effectively paid hourly wage (gross) plus incidental payments such as overtime, inconvenient hours, performance related payments and severance payments.

**Table 4.** Comparative hourly contractual wage (without incidental payments) in deciles, 2013, four sectors, the Netherlands

	<b>Metal industry</b> <sup>7</sup> N = 140,720	<b>Large retail</b> <sup>8</sup> N = 454,130	<b>Banking</b> N = 118,360	<b>Education</b> N = 55,385	<b>Total NL</b> N = 8,406,150
1	6.19	3.22	8.04	9.85	4.27
2	12.85	4.47	13.76	14.28	8.54
3	14.53	5.33	16.31	15.92	10.47
4	15.77	6.35	18.28	17.49	12.14
5	17.02	7.88	20.43	19.53	13.95
6	18.48	9.67	23.17	21.32	15.82
7	20,29	11.08	26.64	22.88	17.83
8	22.82	12.18	30.76	24.97	20.48
9	27.07	14.16	36.86	28.61	24.53
10	42.35	24.36	59.08	38.96	40.87
9th/2 <sup>nd</sup>	2.11	3.17	2.68	2.00	2.87
10th/1 <sup>st</sup>	6.84	7.57	7.35	3.96	9.57

N = the number of individual workers

Source: CBS, Spolisbus

<sup>7</sup> Not including workers that are employed in the electro-technical industry. Section 3.1 refers to both the metal industry and electro-technical industry because the collective agreement in the Netherlands covers both sectors. Another discrepancy relates to people who work in micro and small companies in the metal industry. They are included in this table, but not in the qualitative research in Section 3.1.

<sup>8</sup> The data do not offer the opportunity to divide up the large retail sector into supermarkets and other subsectors.

**Table 5.** Comparative hourly de facto payment, including incidental payments in deciles, 2013, four sectors, the Netherlands

	<b>Metal industry</b> <sup>9</sup> N = 140,650	<b>Large retail</b> <sup>10</sup> N = 454,090	<b>Banking</b> N = 118,140	<b>Education</b> N = 547,350	<b>Total NL</b> N = 8,391,020
1	8.05	4.28	10.42	13.35	5.34
2	16.77	5.82	19.58	19.20	10.68
3	19.11	7.07	23.80	21.40	13.24
4	21.03	8.63	26.90	23.75	15.57
5	22.97	10.84	30.01	26.61	18.20
6	25.13	12.89	34.18	28.72	20.82
7	27.71	14.54	39.40	31.17	23.52
8	31.36	16.23	46.00	34.86	27.16
9	37.62	19.74	56.07	40.65	32.88
10	66.73	41.93	101.36	58.91	58.62
9th/2nd	2.24	3.39	2.86	2.12	3.08
10th/1st	8.28	9.79	9.73	4.41	10.98

N = the number of individual workers

Source: CBS, *Spolisbus*

On the basis of table 4 and table 5 we can make a number of important observations. Firstly, the contractual wage and the de facto payments are the highest in the banking sector, with the exception of the first and second deciles, where education pays better. The higher the decile, the more banking outperforms the other sectors. Education is the second best paying sector. The metal industry is the third sector. The large retail sector is far behind the other three sectors, with the average payments in the first four deciles below euro 9.00 per hour, and in the first seven deciles below euro 15 per hour. In all other sectors the average payments in the second decile is already above the eighth decile (!) of the large retail sector. This can, to a significant extent, be explained by the low average age in the sector, combined with the existence of youth minimum wages. However, the upper two deciles also lag far behind the other sectors, suggesting that other factors, such as skills or low pay strategies, also play an important role.

Table 4 and 5 also present two inequality coefficients expressing inequality within sectors, comparing the ninth to the second decile excluding the extremes, and the tenth to

<sup>9</sup> Not including workers that are employed in the electro-technical industry. Section 3.1 refers to both the metal industry and electro-technical industry because the collective agreement in the Netherlands covers both sectors. Another discrepancy relates to people who work in micro and small companies in the metal industry. They are included in the statistical analyses, but not in the qualitative research in Section 3.1.

<sup>10</sup> The data do not offer the opportunity to divide up the large retail sector into supermarkets and other subsectors.

the first decile comparing the extremes. Clearly, education is the most equal sector on both measures. It has the flattest wage structure with the highest average wage in the first decile and the one-but-lowest average wage in the tenth decile. On the first and the second coefficients, the most unequal sector is the large retail sector, in spite of the low wages it pays, although banking has almost the same inequality coefficient regarding the extremes.

Table 6 presents the same data for 2006. Most noticeable is the strong decline in the average salary in the tenth decile of the banking sector: from euro 127.60/hr in 2006 to euro 101.36/hr in 2013. Here the crisis, new European guidelines on variable pay in the financial sectors – and maybe also the protests against bonuses and excessive salaries in the sector – have had a strong effect.

**Table 6.** Comparative hourly de facto payment including incidental payments in deciles, 2006, four sectors, the Netherlands

	<b>Metal industry<sup>11</sup></b> N = 173,390	<b>Large retail<sup>12</sup></b> N = 338,860	<b>Banking</b> N = 169,810	<b>Education</b> N = 104,790	<b>Total NL</b> N = 11,263,530
1	7.37	3.49	9.30	10.48	4.62
2	13.89	4.53	16.86	15.84	8.97
3	15.82	5.51	19.98	18.12	11.29
4	17.36	6.88	22.40	19.83	13.29
5	18.93	8.81	25.01	21.82	15.47
6	20.73	10.72	28.23	24.38	17.76
7	22.95	12.10	32.30	25.85	20.22
8	25.97	13.42	37.61	28.46	23.47
9	30.86	15.94	45.84	33.17	28.88
10	63.73	37.72	127.60	46.80	59.95
9 <sup>th</sup> /2 <sup>nd</sup>	2.22	3.52	2.72	2.09	3.22
10 <sup>th</sup> /1 <sup>st</sup>	8.65	10.8	13.72	4.47	12.98

N = the number of observed individual workers

Source: CBS, *Spolisbus*

<sup>11</sup> Not including workers that are employed in the electro-technical industry. Section 3.1 refers to both the metal industry and electro-technical industry because of the collective agreement in the Netherlands covers both sectors. Another discrepancy relates to people who work in micro and small companies in the metal industry. They are included in this table, but not in the qualitative research in Section 3.1.

<sup>12</sup> The data do not offer the opportunity to divide the large retail sector into supermarkets and other subsectors.

This stability is demonstrated in more detail in table 7, which gives the two inequality coefficients in each of the four sectors in 2013 in comparison with 2006. First of all, we see that the ninth to second coefficient remained more or less stable over the seven-year period for the country as a whole and for the four sectors. The tenth to first coefficient, however, declined by 2.00 for the whole country and by 3.99 for the banking sector. The latter confirms the substantial decrease in wage levels in the highest paid decile in the sector. The average gross hourly wage in the tenth decile in banking decreased by 20.5% in the period 2006-2013. This moderation of very high pay levels for top-level bankers (i.e., ‘excessive’ bonuses) is confirmed by the two interviews in the banking sector (see Section 3.3).

In retail there was also an important decrease of 1.01, here driven more by an increase in the average gross hourly wage in the first decile of 23%, compared to 11% in the tenth decile. This does, however, not necessarily mean that inequality has decreased, since such a judgement depends on the way inequality is measured. Wages in the first decile may have grown faster percentage-wise than in the tenth decile, but the difference in average wage between the two deciles has nonetheless increased from euro 34.23 in 2006 to euro 37.65 in 2013. Also, recent data shows that the top is again increasing strongly and that it mainly suffered from a one-off dip at the start of the crisis (De Beer 2014; CBS 2016).

**Table 7.** Inequality coefficients in de facto payments, four sectors, the Netherlands, 2006-2013

	2006	2013	Change 2006-2013
<b>9th/2nd decile</b>			
Metal industry	2.22	2.24	+ 0.02
Large retail	3.52	3.39	- 0.13
Banking	2.72	2.86	+ 0.14
Education sector	2.09	2.12	+ 0.03
<b>Total persons NL</b>	<b>3.22</b>	<b>3.08</b>	<b>- 0.14</b>
<b>10th/1st decile</b>			
Metal industry	8.65	8.28	- 0.37
Large retail	10.8	9.79	- 1.01
Banking	13.72	9.73	- 3.99
Education sector	4.47	4.41	- 0.06
<b>Total persons NL</b>	<b>12.98</b>	<b>10.98</b>	<b>- 2.00</b>

Source: CBS, Spolisbus



### 3. Four sector studies

Sections 3.1 to 3.4 will analyse the bargaining strategies and practices, as well as the regulations included in collective agreements, in the four sectors: (i) the metal industry, (ii) supermarkets, (iii) banking and (iv) education.

The central question underlying this content analysis of collective agreements and the interviews in the four sectors is: ‘In what way do collective bargaining regulations and social partners’ strategies influence wage equality/inequality between companies and/or groups of workers in the sector?’

The content analyses of the recent collective agreements in the four sectors include:

- 1) Collective wage increases
- 2) Range of the regulated salary levels
- 3) Opening clauses that allow deviations at the more decentralized levels
- 4) Main payment principles, such as:
  - job classification (based on education level, task complexity, organizational responsibilities, etc.)
  - years of experience in the job
  - workers’ age
  - variable pay at the company level (e.g. profit sharing)
  - variable pay at the individual workers’ level (e.g. based on performance)
- 5) Inclusion of flexible labour contracts and precarious workers

The interviewees in the sector studies are negotiators for employers or trade unions in the collective bargaining process.

#### 3.1. Metal industry

Employment contracts in the metal industry in the Netherlands are covered by the collective agreement of the ‘Metal and electro-technical industry’ (abbreviated below as ‘Metalectro’). This agreement not only covers companies in the metal industry, but also, as the title suggests, companies in the electro-technical industry. The collective agreement in the Metalectro sector is made generally binding for all companies in the sector that pay for more than 1,200 working hours a week<sup>13</sup>. In total, around 140,000 workers are covered by this agreement, including those affected by the government mechanism which

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<sup>13</sup> This implies that employment contracts in small metal companies are not covered in this collective agreement. Instead they are covered by the sector agreement for ‘Metaal en Techniek’. We have not analysed this agreement in detail. According to the FNV, the employment conditions in both agreements are almost the same.

extends this agreement to companies that are not members of the FME-CWM (the employers' association in the metal and technological sectors in the Netherlands).

The Metaelectro industry is still a significant sector in the industrial relations system in the Netherlands. Wage increases – and other changes in the collective agreement – in the metal industry are the result of periodic bargaining rounds between the FME-CWM and the FNV, CNV Vakmensen<sup>14</sup> and De Unie trade unions<sup>15</sup>. The agreements on relative wage increases cover employees in the metaelectro industry receiving a gross annual wage of up to euro 91,000 (around euro 7,000 a month). However, *absolute minimum salary levels* in the sector's job classification system stop at euro 3,450 gross per month. Around 18% of the total workforce in this sector is not covered by the sector's salary system because they are classified at a higher level job (according to the FME).

The salary levels that are agreed in the collective agreement are *minimum standards*: higher salaries are allowed at the company or individual level. Downward flexibility in wage increases or in the salary levels, however, is not permitted. If the employer wants to lower wages, trade unions have consultation rights (this is also the case when these wages are set at higher levels than the minimum standards). Apart from the job classification system, wage standards in the collective agreement are based on job tenure. Lower wages are allowed for traineeships among young workers. Extra remuneration in the case of shift work, overwork and inconvenient working hours/working conditions are also payment principles within the sector (see table 8).

The negotiations for the latest agreement were not straightforward. In 2015, there were a number of local strikes in some of the companies during the negotiation period, when the employers maintained that union wage demands were too high.

**Table 8.** Wage stipulations in the Collective Agreement in the Metaelectro industry in the Netherlands

<b>Topic</b>	<b>Collective Agreement Metaelectro sector 2013/2015</b>	<b>Reference to the Collective Agreement (Section numbers)</b>
Collective wage increases	Increases in percentages for all. Above € 91,000 a year excluded from collective wage increases	10.9 <i>9 (HP)</i> <sup>16</sup>
Range of salaries	€ 1,778-3,450 per month is specified (job levels A-K)  No absolute pay levels agreed for higher paid personnel (L-Q)	4.5

<sup>14</sup> CNV is the second largest trade union in the Netherlands, with a Christian pillar background (usually more modest in their demands on employers).

<sup>15</sup> De Unie is a small trade union for medium and higher paid employees with a more individualistic and liberal ideology than FNV and CNV.

<sup>16</sup> HP=Collective Agreement for Higher Paid Personnel in the Metaelectro sector.

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Opening clauses allowing for <i>higher</i> wages	<i>Yes</i> . More favourable wages are allowed at local/individual worker levels	1.4.1
Opening clauses allowing for <i>lower</i> wages	<i>No</i> . Sectoral wage increases and minimum salary levels cannot be reduced in decentralized agreements	1.4.2 10.9
Other flexibility clauses	Lowering the salaries of groups of workers, although still above sectoral minimum levels, is only allowed after consultation with trade unions and Works Council  Local deviations regarding a selected number of stipulations are allowed after agreement with trade unions	1.4.3  So called ‘B’ stipulations
Job classification ISF	10 job levels: A to K 6 levels for higher paid personnel: L to Q Systems other than ISF are allowed after consultation with sectoral bargaining parties  Classification in company only after consultation with Works Councils	4.1 8 (HP)  4.3
Years of experience	Dependent on the job level: 1 to 10 steps of yearly increments (A to K)	
Age	Specific minimum levels for youth aged 15-22, dependent on their education level (4 levels)  Guarantee 60+ workers in job level	4.4  4.9.4
Profit sharing	Consultation rights for trade unions and rights of approval for Works Councils regarding adoption or alteration of profit sharing arrangements	9.4
Performance-related pay	Can be part of salary systems (above the regulated wages) or profit sharing systems after consultation with trade unions	9.4.2
Other payment principles	Shift work/overtime/inconvenient hours Heavy working conditions	4.12/4.14/4.16 5
Inclusion of flexible employment and work contracts	Certified and registered temp agencies are permitted Max. 10% deviations allowed in pay levels and other remunerations for workers not employed by the company (= temp	9.1 9.2

	agencies + other labour contracting)	
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### 3.1.1. Interviews employers' association (FME-CWM)

#### *Fundamental criticism of the collective agreement*

The criticism made by the employers regarding the collective agreement in the Metalectro industry is more fundamental than that of the trade unions. They find the agreement far too extensive, too detailed, and also quite difficult to understand if the reader is not an HR specialist or legal expert. Furthermore, they think that the text is overly concerned with the potential mistrust between the employer and worker, while modern labour relations are based more on trust between employers and workers: 'The collective agreement should not be an instrument to control, but an instrument to facilitate'. According to the FME, they have a new shorter and leaner version of the sectoral agreement ready, although they accept that on some points it will be hard to come to an agreement with the trade unions. They also mentioned that their experiences during the most recent negotiations between the FME and the trade unions over the collective agreement for 2015-2018 were quite discordant and difficult. In addition, according to the FME, conflictual relationships between the FNV and individual metal companies seem to point to an environment in the sector that is not beneficial for structural innovation in the collective agreement. In the words of one of the FME negotiators: 'Sometimes the FNV blocks innovation at the company level over issues that are found reasonable by the whole workforce in the company involved'.

Nevertheless, the FME interviewees were 'not unhappy' with the new collective agreement. They gave four reasons:

- 1) 'In itself, it is good to have an agreement' so as to better understand each other after the conflict during the negotiation processes.
- 2) The long duration of the agreement will give sufficient time to improve the quality of industrial relations in the Metalectro.
- 3) It is good that the social partners in the sector made an agreement on debating 'social innovations' in employment relations in the sector.
- 4) It is good that the abolition of provisions for older workers has started (these provisions are costly and are overly based on a 'relief approach' to the older workers).

#### *Employers desire more pay flexibility*

The FME is critical of both the level and the uniformity of the most recent collective wage increase in the metal industry. Firstly, it was stated that '1.9% is quite high in the context of the international competitive environment'. Secondly, the employers argue that the uniformity implies fewer opportunities for company-level HR policies based on other payment principles, such as profit sharing, individual performance-related pay, and wage

cuts in periods when firms are confronted with bad conditions. The FME advises their members to negotiate with their Works Councils about establishing a salary system in which workers are paid more in good times and less in bad times: “Upward movement of wage levels is easy, but the downward movement of wage levels is difficult ... This is also the case when firms are paying structurally above the minimum standards”. The employers’ preference for Works Councils as negotiation partners on flexible pay can be partly understood by their disappointment with the strict positions of trade unions when they operate at the company level. More generally speaking, the FME finds the trade unions to be overly focused on the preservation of acquired labour rights in the collective agreement.

According to the FME, some companies – especially MNCs, in which the mother companies are based in other countries – are unhappy with the Dutch tradition of agreeing one percentage for *all* workers through the periodic collective bargaining rounds. The recent limiting of the agreement’s coverage of wages up to the gross annual salary level of euro 91,000 can be seen as a result of the employers’ strategy to allow for more flexible payments in the sector. The FME’s largest ‘complaint’ regarding wages in the sector is the obligatory character of the agreed collective wage increases, because these directly influence the *real (de facto)* wages. The FME is not against the sectoral salary table with minimum standards, because most companies are paying higher wages than are stipulated there: ‘therefore, the payment levels mentioned in the salary tables in the collective agreements are quite meaningless’. Nevertheless, the FME would prefer ‘open scales’, only giving the minimum and maximum payment levels per job level. Performance appraisals should then be the basis for periodic increases within the margins of the salary range of the job level.

According to the FME, higher educated employees are more open to flexibility and variability in wages and salary components than lower educated employees. The employers point more generally to the increasing education levels of the workforce in the Metaelectro sector when arguing for less strict and less uniform labour regulations in the collective agreement. Furthermore, the FME mentioned the idea of introducing an opting-out opportunity for higher paid workers (with an annual salary level of euro 50,000 gross) in relation to the pension fund in the sector.

### 3.1.2. Interviews trade union (FNV)<sup>17</sup>

#### *Local variety in real wage levels*

The FNV’s estimation is that around 300 companies in the Metaelectro sector have their own salary tables with higher payment levels than those stipulated in the sector

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<sup>17</sup> The first interview was with the top FNV negotiator in the metal and electrotechnical industry and the second was with a FNV policy adviser/expert on the salary systems in the sector.

agreement<sup>18</sup>. This generally concerns companies with a workforce of more than 100: “The real wages in the Metalectro industry are 18-20% above the levels agreed in the sector agreement”. It is only in the case of payments above the standards in the sector agreement that companies have the opportunity to offer variable payments which are dependent on company performance and/or individual worker appraisals. The sector agreement does not hinder or stimulate these flexible payment systems. Works Councils in the metal industry have become more involved in payment issues at the company level, such as profit sharing and individual performance-related pay. On payment issues (more than on other issues), Works Councils often ask for support and advice from the trade unions.

### *Flexible labour*

‘*Equal pay for equal work*’ – related to the job-classification system in the sector – is the leading payment principle for the FNV. According to the FNV, this principle must also be applied to the flex workers in the sector. Furthermore, the FNV has developed a ‘conversion tool’ with which local trade union representatives can make a comparison between all kinds of remunerations among flexible workers (such as temp agency workers and contract work) and workers with permanent employment contracts. According to the sector agreement, the total of all remunerations for atypical workers – including pension rights – cannot be less than 90% of those on permanent contracts.

### *Salaries at the top: opinions without actions*

High salaries among top managers in the metal sector are not so much of a bargaining issue in the sector. Compared to the financial sector (see Section 3.3), the metal industry is more modest in offering very high wages and bonuses, although the top managers of ASML, for example, earn very high salaries. Nevertheless, several times in the interview, the advisor to the FNV negotiator made critical remarks about excessive payments among top managers in the Netherlands:

- ‘As a captain on a ship, you have to relate yourself to your own crew and not compare yourself to foreigners’.
- ‘It is a strange thing that the top in the Netherlands is compared with the top in foreign countries and that the lowest paid workers are also compared with those in foreign countries; why not compare them within the same country?’
- ‘Remuneration levels at the top are the result of remuneration commissions of company boards functioning as “old boy’s networks”’.
- ‘The highest top managers stand at the top of “Mount Olympus” without seeing the people below them’.

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<sup>18</sup> The FNV database includes 140 company-level salary tables, but this is only a part of the total number of salary tables in the sector.

*FNV's desire for modernization*

The FNV wants to include higher paid workers in the job-classification system of the collective agreement. There is a tendency to increasing numbers of higher educated workers in the sector. In the period 2002-2013, the share of higher educated employees in this sector grew from 18% in 2002 to 28% in 2013 (Gerards et al. 2015: 6). The lowest and youngest elements of this group of higher educated employees are still classified in the sectoral job-classification system and its related salary tables. According to the FME, 18% of the workforce in the Metaelectro sector is not included in the salary section of the collective agreement because of their higher classified jobs, and it does not want upward stretching of the coverage of the job-classification/salary tables in the sectoral agreement and even wants changes in the opposite direction.

The FNV, in contrast, aims for the levelling of wages and has tried to change the collective wage increases from percentages to absolute amounts, which would have a levelling effect. In 2007, they succeeded in levelling – more structurally – the minimum standards in the salary tables. Furthermore, the low youth wages have been debated over recent years. The social partners agreed some years ago on some increases for the youth in the sector, sharing the opinion that the sector is in need of young skilled workers. Consequently, the very low youth wages foreseen in the law and in sectors such as supermarkets are not used in this sector.

### 3.2. Supermarkets

The most peculiar characteristic of the collective agreements<sup>19</sup> in the supermarket sector is the very low youth wages for employees aged 15 to 22 years (table 9). They reflect the widespread practice of supermarkets to employ many young workers. This practice is grounded in the existence of low legal minimum wage levels for young workers, as discussed above<sup>20</sup>. Another peculiarity is the *hourly* wage levels in the supermarket agreements. This reflects the very extensive use of on-call work and very limited-hour, part-time jobs in the sector.

A recent development in the sector is that the FNV has not signed the current collective agreement. Both interviewees reflected on this peculiarity (see below).

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<sup>19</sup> There are two sectoral agreements – one for large supermarkets and one for smaller franchise supermarkets – in the supermarket sector with identical provisions on wages, working hours, etc.

<sup>20</sup> The FNV and its youth movement, Young & United, continue to protest against these legal youth minimum wages and in particular against their extensive use in the supermarket sector (see e.g. <https://www.youtube.com/watch?v=ErrbQaI4uS4>).

**Table 9.** Wage stipulations in the collective agreement for supermarkets in the Netherlands

Topic	Collective agreement supermarket sector 2011-2013 <sup>21</sup>	Reference to the Collective Agreement (section numbers) <sup>22</sup>
Collective wage increases	Percentages for all	21
Range of salaries	€ 1,735 <sup>23</sup> -4,076 per month	Annex 2B
Opening clauses allowing for <i>higher</i> wages	Yes. Minimum wages agreed in sector agreement	3.7/20.3
Opening clauses allowing for <i>lower</i> wages	No	
Other flexibility clauses		
Job classification	Sector system of 9 job levels, specified for employees in supermarkets and in distribution centres	20.1 Annex 1
Years of experience	Dependent on job level: 0-5 steps of yearly increments	20.3
Age	Specific minimum levels for youth aged 15-22 years, dependent on their job levels (5 lowest job levels have youth wages)	
Profit sharing	No	
Performance-related pay		
Other payment principles	Long-term unemployed via public employment service Atypical working hours Overtime	20.3 8; 9 10
Inclusion of flexible employment and work contracts	Part-time work: pro rata payments  Temporary contracts: no specific rules on payments  'Hulpkrachten': <sup>24</sup> minimum of 2 paid hours a week	20.6; Annex 2 (hourly wage levels)   24

<sup>21</sup> This is the most recent agreement in this sector signed by the FNV.

<sup>22</sup> Article numbers refer to 'CAO VGL' 2011-2013.

<sup>23</sup> For workers 23 years and older.

<sup>24</sup> Not to be confused with on-call workers/stand-by employees. 'Hulpkrachten' are workers with very limited-hour, part-time contracts.



### 3.2.1. Interview with employers' organization Detailhandel Nederland

The issue of low youth wages in the sector indeed plays a role in collective bargaining, although employers frame this issue in the context of a societal problem and reject the trade union's demand to increase wages in the sector. The interviewee from Detailhandel Nederland thought that youth wages were a proper instrument for young workers in vocational training who aim to start a longer career in the supermarket sector. That there are so many young people temporarily working in supermarkets is understood to be the result of the youth culture in the Netherlands, in which young people want to have a few hours work while undertaking education activities. At the same time, the employers' association is aware of the business model of large supermarkets, of which low youth wages are an important ingredient.

The issue of youth wages in the retail sector in the Netherlands also plays a major role in the employers' lobbying of the government: 'In the case of a possible abolition of the legal youth wages, we prefer a step-by-step approach'. It is argued that this would give the supermarkets a better opportunity to gradually adapt their HR policies. The employers' association thought that sectoral topics such as young workers and youth wages would be best regulated and discussed at the sectoral level: 'experiments at the workplace level may be worse for young workers themselves'.

The interviewee from Detailhandel Nederland mentioned that employers in the supermarket sector had not discussed the inclusion of higher paid personnel in the salary system of the collective agreement. Supermarkets work with quite differentiated job contents/classifications and related payment models for their shop managers and other higher paid personnel. Bonuses for the absolute top in supermarket companies have not been discussed. The interviewee referred to two payment principles that are fundamentally very different: the top is paid according to the value of the company, which is very different from payments based on working tasks: 'The top works 24 hours a day and their role in the survival of the company (with very high numbers of jobs) is crucial'. The public debate on excessive bonuses for CEOs has not led to changes in collective agreements within the supermarket sector.

The employers' association in the supermarket sector acknowledged that to sign the most recent collective agreement without the signature of the largest trade union, the FNV, entails quite a fundamental break with the Dutch Polder Model. However, because of the small numbers of FNV members in the supermarket sector, they do not 'fear' instability or social unrest as a result. Although Detailhandel Nederland maintains strong relationships with FNV trade union representatives, they see a risk that traditional 'polder values' and the willingness to make compromises are being lost in the sector. They believe that public campaigns such as Young & United and local actions following the 'Organizing Model' ('organizing as a kind of infiltration') will not result in better wages for workers. These critical notes regarding the FNV's strategy do not mean that they are happy with 'sidelining' the FNV: 'At least, this was not our original goal'. They prefer

working with established trade unions such as the FNV and CNV – rather than ‘yellow unions’ such as AVV<sup>25</sup> – because of their contributions to societal debate.

In the recent collective agreement for the supermarkets, it was agreed that social partners will contribute to an ‘innovation agenda’, including wage-related topics such as the relationship between productivity and age; the relationship between inconvenient working hours and extra allowances; and individual tailor-made options concerning terms and conditions of employment. Therefore, the low youth wages will continue to be on the collective bargaining agenda.

### 3.2.2. Interview FNV

The top FNV negotiator in the supermarket sector confirmed the very low wage levels for youth in the sector, who are widely employed in supermarkets in the Netherlands. He explained this situation by pointing to the sector’s extremely high labour intensity: 75% to 80% of the total costs are labour costs. The FNV is not fundamentally trying to change the supermarkets’ business model, which is based on using high numbers of young workers between 15 and 22 years of age: ‘the trade union in the supermarket sector does not have the power to change that business model’. At the same time, the FNV is supporting the public campaign by the social movement, Young & United, which is pushing for higher youth wages to be recognized in legislation and collective agreements. The FNV also confirmed not having the power to influence the bonuses for top managers and CEOs in the sector. Nevertheless, trade unions can demand profit sharing schemes for all workers. There is only one large company in the sector offering such a scheme (Ahold). The limited incidence of profit sharing schemes is, according to the FNV, not only a matter of funds, but also a matter of a lack of human respect: ‘The real problem is that grocery clerks are not seen as humans but as parts of the machinery’.

The FNV points to the highly diversified and fragmented structure of collective bargaining in the Dutch supermarket sector. There are two sector agreements for lower paid personnel because there are two employers’ associations, although the content is the same. The largest supermarket employer in the Netherlands (Albert Heijn) also has a collective agreement for shop managers, while other supermarkets only agree on regulations regarding their managers with their Works Councils. Furthermore, supermarket employers are very strategic in demarcating jobs and company divisions from adjacent work processes, including distribution, transportation and emerging business activities such as the ecommerce company ‘bol.com’, the largest Dutch retail website, which is owned by Albert Heijn. Companies’ strategic choices aim to limit trade

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<sup>25</sup> AVV=‘Alternatief voor Vakbond’. Some other retail sectors in the Netherlands have made collective agreements with the yellow union AVV, which is not a member of the recognized trade union federations in the Polder Model (i.e., they are not involved in bipartite national consultation bodies, nor in coordination between the three main trade union federations). This has occurred in the retail sectors of ‘Flowers and plants’ and ‘Fashion, sports and lifestyle’. None of these agreements include the signature of the FNV.

union influence and control of wage costs. The FNV negotiator even referred to ‘slavery’, when talking about the way Albert Heijn treats its workers at ‘bol.com’, where it, among other issues, does not accept collective bargaining.

Remarkably, the FNV – being the largest trade union in the sector – has not signed the most recent collective agreement in the supermarket sector. The negotiator gave three main reasons for this quite rare but growing phenomenon<sup>26</sup>, which is uncharacteristic of the traditional Dutch industrial relations system. Firstly, the FNV did not agree with the low collective wage increase, which only compensated for inflation and was far below the increases in other sectors. Secondly, the FNV did not agree with the reduction in the extra allowances for inconvenient working hours. Thirdly, the FNV wanted more decisive improvements for youth wages than the minor, ‘symbolic’ measure to pay 22 year olds the same as 23 year olds. The fact that the employers only made an agreement with the CNV, which is ten times smaller than the FNV, has only led to more conflictual industrial relations in the supermarket sector: not only between the FNV and the employers, but also between the two trade unions, the FNV and the CNV, and between the members of these two trade unions who meet in other platforms. The interviewee acknowledged that trade union density in the supermarket sector is low (i.e., 4% of the workers in the sector), but it has always been so. It is only in recent years that employers in the Netherlands have started to use this low and declining membership as an argument to strengthen their bargaining power.

### 3.3. Banking sector

The collective bargaining landscape in the banking sector in the Netherlands is characterized by:

- a collective agreement that only covers 3,600 workers spread over several smaller companies in the banking sector
- company agreements for the three very large banks in the Netherlands (ING Bank, ABN AMRO Bank and Rabobank)
- a few company agreements for medium-sized banks such as SNS Bank.

For reasons of representativeness in collective bargaining practices in the banking sector in the Netherlands, we have selected two cases: the very large ING Bank and the smaller SNS Bank. Collective agreements in the banking sector include salary levels up to a very high tier (see table 10). Therefore, taking into account the relatively high wage inequality in the sector, we can speak of high levels of *institutionalized wage inequality*. Nevertheless, social dialogue, collective bargaining and employment relations in the banking sector can be characterized as constructive and based on trust relationships.

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<sup>26</sup> In recent years, there have been more collective agreements signed without the FNV, especially in the retail sectors.

**Table 10.** Wage stipulations in the Collective Agreement of ING Bank and SNS Bank

<b>Topic</b>	<b>Collective agreement ING Bank (2015-2017) and SNS Bank (2016)</b>	
Collective wage increases	<i>ING Bank:</i> By percentage for all (1.25% at 1 December 2015, 1.25% at 1 September 2016, 1.25% at 1 September 2017) <i>SNS Bank:</i> By percentage for all (1.25% 1 April 2016)	<i>ING Bank:</i> Bijlage 1 <i>SNS Bank:</i> Art. 11
Range of salaries	<i>ING Bank:</i> Monthly € 1,421-11,904 <i>SNS Bank:</i> Monthly € 1,813-7,950	<i>ING Bank:</i> Bijlage 1 <i>SNS Bank:</i> Bijlage II
Opening clauses allowing for <i>higher</i> wages	<i>ING Bank:</i> In highest job levels 13-15 <i>SNS Bank:</i> No	<i>ING Bank:</i> Bijlage 1 <i>SNS Bank:</i> Bijlage II
Opening clauses allowing for <i>lower</i> wages	<i>ING Bank:</i> No <i>SNS Bank:</i> No	- -
Other flexibility clauses		
Job classification	<i>ING Bank:</i> 15 levels <i>SNS Bank:</i> 13 levels	<i>ING Bank:</i> Bijlage 1 <i>SNS Bank:</i> Bijlage II
Years of experience	<i>ING Bank:</i> Not automatically, nor fixed: dependent on annual appraisal <i>SNS Bank:</i> Not automatically, nor fixed: dependent on annual appraisal	<i>ING Bank:</i> Bijlage 1 <i>SNS Bank:</i> Bijlage II
Age	<i>ING Bank:</i> No <i>SNS Bank:</i> No	
Profit sharing	<i>ING Bank:</i> No <i>SNS Bank:</i> No. Indirectly, by making individual increases based on performance appraisal dependent on 5-scale 'financial health of the bank'	<i>ING Bank:</i> - <i>SNS Bank:</i> Art. 10.5
Performance-related pay	<i>ING Bank:</i> Performance appraisal influences the pace of reaching the maximum level within salary scales (=flexibility in	<i>ING Bank:</i> Bijlage I

	<p>paying ‘experience’)</p> <p><i>SNS Bank:</i> Performance appraisal influences the pace of reaching the maximum level within salary scales (=flexibility in paying ‘experience’) + extra payments for all</p>	<p><i>SNS Bank:</i> Art. 10.5</p>
Other payment principles	<p><i>ING Bank:</i> 1 month extra salary (fixed)</p> <p><i>SNS Bank:</i> 1 month extra salary (fixed)</p>	<p><i>ING Bank:</i> Art. 4.7</p> <p><i>SNS Bank:</i> Art. 12.3</p>
Inclusion of flexible employment and work contracts	<p>Temp agency workers are included in the appraisal and coaching system of ING and have an individual budget of € 350 for employability provisions</p> <p>Temp agency workers will be paid at least at the starting payment level within the relevant job level</p>	<p><i>ING Bank:</i> Art. 9.1</p> <p><i>SNS Bank:</i> Art 3.1.5</p>

### 3.2.1. Interview ING Bank<sup>27</sup>

Workers employed at ING Bank – in total around 14,586 FTEs in the Netherlands – are covered by the collective agreement of ING Bank. Three trade unions are involved in collective bargaining: FNV Finance, De Unie and CNV-Dienstenbond.

#### *Experimenting with more worker participation*

In the last two years, ING Bank experimented with developing new processes in debating and creating a collective agreement in which employees and Works Councils are actively involved (in Dutch: ‘co-creatie’). Another development concerns the modernization of the organization of work: today, employee functions and tasks are more broadly defined and more focused on short-term project management, compared to stricter task differentiation in the past. In addition, open-plan offices have been developed to facilitate better communication and cooperation between employees. However, ING Bank’s experiments with worker involvement have shown that it is important to distinguish clearly between discussions of problems and potential improvements in the organization of the company, worker employability, etc. and collective bargaining. Collective bargaining must deal

<sup>27</sup> With the ‘Director of Employment Conditions & HR Operations’ of ING Bank.

with the primary terms and conditions of employment – such as wages – and must be left to the trade unions.

#### *Divergent developments at the top*

The 100 to 120 highest paid people at ING Bank are not covered by collective bargaining. This group faced high losses during the first years of the financial crisis, while during the same years the workers under the collective bargaining agreement had stabilized wages. Furthermore, while the variable pay system for workers under the collective agreement has been removed (see next subsection), the 100-120 highest paid workers are still partly paid by variable remuneration. As a response to new European guidelines (introduced after the start of the financial crisis), these variable remunerations have been set at a lower level and placed in a longer term perspective. Excessive payments in the financial sector receive a lot of criticism in the public debate as well.

#### *Back to fixed salaries*

Since the beginning of the financial crisis in 2008, the payment principles in the collective agreement of ING Bank have changed structurally. The system of variable payments (maximum of 15%) based on individual performance, valid for *all* workers under the collective agreement, has been terminated<sup>28</sup>. One reason was the public debate on the perverse effects of variable remuneration in the financial sector. The interviewee also referred, however, to an HRM-related reason: ‘within ING Bank, we had lost our belief in the beneficial effects of variable pay in general’. Managers did not differentiate that much among their employees. The interviewee also said that he was increasingly convinced that long-term worker motivation cannot be fostered by providing additional bonuses. The abolition of the variable payment system in the collective agreement has been compensated for by higher fixed salaries that are based on the traditional payment principles of job level and experience.

#### *No low salaries anymore within the bank*

No employee of the bank is paid at the lowest job levels of 1, 2 and 3 of the collective agreement. Workers in call centres of ING Bank earn between euro 2,060-2,940 per month (=level 6). These workers are very well trained in financial knowledge and social skills in order to be able to deal properly with clients.

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<sup>28</sup> Individual variable pay systems for the banking sector in the Netherlands have been promoted in the collective agreement for the banking sector since 1986 (large banks were also covered in this sectoral system). In 1998, the performance of individual workers became a formal payment principle in the collective agreement (Tros 2000: 250-251).

*Social dialogue on flexible labour at ING Bank*

The collective bargaining parties have recently agreed on a study regarding the role, reasons for, conditions and compensation of people working on flexible contracts at ING Bank. Workloads for call centres are variable during the year, which is seen as a legitimate reason for employing flexible workers. ING Bank wants these workers to be employed by the bank: it no longer wants labour contracting by payroll constructions. After discussions with the trade unions, ING Bank established a guideline of a maximum period of three years in their use of temp agency workers. After being employed for three years, ING Bank has to offer a permanent contract or replace this worker with another flexible worker. Another guideline concerns the total share of flexible workers at ING Bank. The aim is to limit their share to 20%. ING Bank and the trade unions have agreed on also applying ING Bank's internal procedures on performance appraisal<sup>29</sup> to flexible workers. Furthermore, ING Bank gives euro 350 a year to a flexible worker for education, training or other career-related provisions.

**3.2.2. Interview SNS Bank<sup>30</sup>**

Around 2,923 FTEs in the Netherlands are covered by the collective agreement of SNS Bank. Three trade unions are involved: FNV Finance, CNV-Vakmensen and De Unie. SNS Bank's Annual Report for 2015 is entitled 'Banking with a human touch'. This not only refers to their strategic focus on smaller clients but also to their HR policy and leadership style (p. 76). Like ING Bank, SNS Bank has also involved stakeholders other than trade unions in their recent social dialogue on a new collective agreement, such as the Works Council members and the individual employees. Also here, the Director of Personnel & Organization Policy and Development reports that co-determination with Works Councils and the participation of employees in collective bargaining is not a straightforward process, because of their distinct legal responsibilities. Trade unions deal with the collective agreement and social plans<sup>31</sup>, while the Works Council deals with HR policies, including regulations around variable pay. SNS Bank also has open-plan offices to foster communication and cooperation in the workplace.

*A new collective agreement*

In 2015, the first collective agreement was concluded for the bank activities of SNS. In the years prior to this, the banking and insurance branches of the former SNS Reaal were both under the same company agreement. The negotiator on behalf of SNS Bank reported

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<sup>29</sup> Performance appraisal only affects the pace at which an employee reaches the maximum level within a salary scale.

<sup>30</sup> Director of Personnel & Organization Policy and Development of SNS Bank.

<sup>31</sup> Social plans are collective agreements at the company level regulating the terms and conditions of collective dismissals and restructuring processes.

that they expect that this new collective agreement, only for SNS Bank, will make innovation easier. However, innovation in the new collective agreement for SNS Bank could not be directly implemented after the splitting of the old SNS Reaal into SNS insurance and SNS banking. According to the negotiator for the SNS Bank's collective agreement, trade unions and the SNS agree that the roots of the current collective agreement lie in the 1950s and that modernization is required in the longer run: 'We jointly agree that we have to start from the idea of trust. In a couple of years there should be a new, simpler collective agreement in which individual employees should be offered more tailor-made options for their terms and conditions of employment'.

*Relatively moderate payments for top bankers*

Similar to the agreement at ING Bank, SNS Bank agreed to relatively low collective wage increases in recent years to reduce the payment levels in the banking industry in accordance with more 'normal' or 'market' levels.

The Director of Personnel & Organization Policy and Development explained that in relation to wage developments SNS Bank does not differentiate between the top levels of the bank and the other bank employees, and, more than ING Bank, is moderate with their performance-related bonuses for those at the top. The interviewee argued that if you make individual bonuses too high people will be encouraged to do the wrong thing. In addition to this HR approach by SNS Bank, he mentioned two other factors that drive a moderate policy concerning variable pay. Firstly, SNS Bank is a 'typical' Dutch company whose activities are focused on the Dutch market. Therefore, the employees have less involvement in Anglo-Saxon countries and are less confronted with cultures of high inequality and bonus systems for top managers. The interviewee also said that the argument of comparing the wages of top bankers in the Netherlands with even higher wages in other countries was too simplistic because of the low global mobility of bankers. Furthermore, he argued that 'we have sufficient top talents in the Netherlands'. Secondly, SNS Bank wants to be 'moderate'. SNS Bank stems from the trade unions in the Netherlands and it also wants to maintain a profile of being not excessive. Contrary to ING Bank, SNS Bank is not active in 'private banking' in the Netherlands.

The salary table in the collective agreement of SNS Bank stops at a lower level than ING Bank: around euro 8,000/month, compared to around euro 12,000 at ING Bank in 2016. Nevertheless, most of the higher paid employees at SNS Bank fall under the collective bargaining agreement. Managers of teams of 15-20 people are paid at job level 13. There are 40 top managers at SNS Bank who are not covered by the collective agreement. However, they follow the collective wage increase as agreed in the regular collective agreement (here we refer to those paid at levels higher than 13; see table 10). Their variable payments are limited and structured according to European legislation on remuneration in the financial sector. In this legislative framework, individual variable pay for bank employees cannot be more than 20%, spread over four periods.



*Continuing bonus system for all at moderate level*

Unlike ING Bank, SNS Bank decided not to abolish the bonus system. The budget for individual bonuses in the collective agreement of SNS Bank is formally dependent on the financial health of the bank. However, the results of the bank depend more on global interest rates than on labour performance. Therefore, SNS Bank agreed to stabilize the bonus rates between the margins of 0% (insufficient performance) and 6.5% (excellent performance) in recent years: ‘Most of the employees – around 70% – earn a bonus of 2.25%’. Giving bonuses is more a gesture of the management, expressing their appreciation of the contribution of the worker: ‘It is just a bit more than giving flowers’. SNS Bank, like ING Bank, makes the periodic growth within the salary scales dependent on the appraisal of ‘maturity’ in executing the job’s tasks.

*Lower paid flexible workers*

Both banks exhibit almost the same structure in the lower employment levels. SNS Bank also does not employ workers paid at levels 1, 2 and 3, as a result of outsourcing simple administrative work and facilities such as security, catering and cleaning. Like ING Bank, 20% of their workforce are temp agency workers. SNS Bank follows the principle of ‘equal treatment’ of core and periphery workers, although not all terms and conditions are the same (e.g. lower pensions for temp agency workers). Posted workers in SNS Bank call centres are included in the HR coaching system.

**3.2.3. Interview trade union (FNV Finance)<sup>32</sup>***No bargaining, but public action regarding bonuses at the top*

In the early years of the twenty-first century, the FNV was already aware that wages at the top were rising explosively. However, they had no power or the tools to seriously question or negotiate on this issue. The highest top managers and people working in commercial banking were and still are not covered by collective bargaining. The public debate on excessive remuneration in the financial sector started some years later, with the onset of the financial crisis in 2008. At that time, FNV Finance launched the idea of a maximum ratio of 1:20 between the lowest and the highest salaried employee within a company. However, this guideline was never a serious topic at the bargaining table in the banking sector (nor any other sector) and can be seen as a strategy of the FNV to influence the public and political debate regarding wage inequality and excessive bonuses. Remuneration of the highest top managers was – and still is – fixed annually by the supervisory board of the individual banks. In the media, FNV Finance focused its criticism primarily on the CEO of ING Bank. In 2015, this CEO earned 60 times the

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<sup>32</sup> FNV negotiator of the collective agreement at ING Bank.

salary of the lowest salaried employee of ING Bank<sup>33</sup>. The FNV not only publicly criticized absolute wage levels, but also the inequality in the annual wage increases.

The interviewee mentioned that it was difficult to agree to ‘almost zero’ wage increases for ‘ordinary’ workers at ING Bank, while the remuneration levels of top managers or investment bankers continued to grow. The main criticism of FNV Finance concerns the false assumption of top managers working in global markets and to their unwillingness to make reasonable comparisons between their own salaries and the salaries of other employees in their company or in their national labour markets.

#### *The effects of a bad image of excessive wages*

The negotiator from FNV Finance mentioned that workers in the financial sector (banking and insurance) still have problems with ‘image damage’ and ‘image stress’ because they work in a too highly salaried sector. During the first years of the financial crisis in particular – in which some scandals also emerged in relation to dubious or risky financial products in the Netherlands – workers in the financial sector were often portrayed as seeking personal profits and the sector itself as dominated by a ‘grab culture’. The current high earnings of top bankers and employees in private investment banking are still frustrating to other workers in the sector. These atypical cases stereotype all bank employees.

FNV Finance confirms the reality that workers in the banking sector – compared to other sectors of industry in the Netherlands – still earn more than average. This is the most important reason for trade unions to obtain agreements on wage moderation in the collective agreements in the banking sector.

FNV Finance wants to moderate the earnings of CEOs, top managers and bankers in international environments, but these workers are explicitly excluded from the legal coverage of collective agreements in the banking industry. Therefore, the trade unions have no formal role in regulating their wages and underlying payment principles. Since 2010, Works Councils in the Netherlands have had the right to obtain information about wage developments in relation to specific groups of employees, company governors and supervisory boards. FNV Finance confirms that Works Councils in the banking sector are informed about the wage levels and annual wage increases at the top, including the members of the supervisory boards. Nevertheless, they see passivity in the consultation practices with regard to this issue. Works Councils in banks find it very difficult to express opinions on these delicate issues.

#### *Outsourced jobs*

The FNV negotiator mentioned that many lower paid jobs in banks – such as in security, catering and cleaning – were outsourced some decades ago. These outsourcing processes

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<sup>33</sup> <http://fd.nl/economie-politiek/1099412/fnv-wil-topmannen-dwingen-tot-matiging-salaris>.  
<http://www.nu.nl/beurs/4014548/vaste-salarissen-ing-top-fors-omhoog.html>.

also included jobs involving simple administrative tasks. Furthermore, many workers at bank call centres are not employed by the banks themselves but hired from temp agencies. The trade unions in the Dutch temp agency sector have agreed to a rule of equal pay: those who work through a temp agency must earn the same wage as agreed in the collective agreements of the employer where the work is performed. The FNV strives to include *all* terms and conditions of employment in this equal pay doctrine, and not only the primary salary levels. However, banks pay lower pension contributions to temp agency workers than to their own employees. The interviewees from ING Bank and SNS Bank confirmed that the banks are not willing to pay the same pension contributions to flexible workers. In their view, employers' pension contributions in the banking sector are already far too high.

The negotiator from FNV Finance mentioned that only two-thirds of ING Bank's workforce are on permanent contracts. One-third have a temporary contract, are hired through temp agencies or work as self-employed in banking activities. FNV Finance is happy with the above-mentioned agreement with ING Bank to undertake a study and initiate social dialogue about flexible labour.

### 3.4. Education sector

Wage increases and other changes in the collective agreement in the Dutch education sector are the result of recurrent bargaining between employers' associations and trade unions. The main difference with the other sectors is their dependence on the national government. The budgets available for the terms and conditions of employment – as well as the numbers of workers – in the education sector are directly limited by government policy. Therefore, social partners must constantly lobby the Ministry of Education, Culture and Science, as well as the parliament to influence these budgets.

Collective bargaining in the education sector in the Netherlands is organized into the following subsectors: (i) primary education, (ii) secondary education, (iii) intermediate vocational education, (iv) higher professional education, and (v) universities. Table 11 presents an overview of the wage stipulations in the primary and secondary education sectors. In the interviews, we focused on the primary education sector, where wage issues are at the top of the agenda. The Minister of Education, Culture and Science in the Netherlands has promised to initiate a study on the modernization of wages and career perspectives in the education sector, especially among young teachers in the primary education sector<sup>34</sup>.

The collective agreements in the two education sectors foster wage equality to a great extent. There is a highly elaborated and detailed system of job classification (16 levels) and many yearly increments based on job tenure (up to 18 steps). Furthermore, the salary levels stipulated in the collective agreements are equal to the effective salaries paid: there

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<sup>34</sup> <https://www.poraad.nl/nieuws-en-achtergronden/onderzoek-naar-loongebouw-primair-onderwijs>.

is no possibility for deviation. All schools in the Netherlands must comply with these detailed stipulations.

Remarkably, the agreement in the primary education sector provides space for individual bonuses to a maximum of 15%. This formal option appears to be seldom used in practice, however, and has an entirely different meaning than in the banking sector, for example (see below under ‘Interview with employers in primary education’). An important reason for the high wage equality in the education sectors concerns the inclusion of school managers and managerial directors in the sectoral salary tables, which thus effectively cover all workers in the sector.

**Table 11.** Wage stipulations in the collective agreements in the primary education and the secondary education sector in the Netherlands

<b>Topic</b>	<b>Collective agreements Primary Education 2014-2015 (PE) &amp; Secondary education 2014-2015 (SE)</b>	<b>Ref. to the agreements</b>
Collective wage increases	PE: Implemented in salary tables  SE: <i>Implemented in salary tables</i>	
Range of salaries	PE: Teachers: € 2,317-5,240 Assistants: € 1,495-7,019 Management: € 2,636-5,782  SE: <i>Teachers: € 2,474-5,446 Assistants and management: € 1,530-7,936</i>	
Opening clauses allowing for <i>higher</i> wages	No	
Opening clauses allowing for <i>lower</i> wages	No	
Job classification	PE: Teachers: 6 job levels Assistants: 16 job levels  SE: <i>Teachers: 4 job levels Assistants and management: 16 job levels</i>	5.1 + 6.1  5.1
Years of experience	PE: Teachers 6-15 yearly increments Assistants 7-18 yearly increments	6.1

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	<i>SE:</i> <i>Teachers: 12 yearly increments</i> <i>Assistants and managers: 7-16 yearly increments</i>	6.1
Age	No	
Profit sharing	No	
Performance related pay	<i>PE:</i> Max. of 15% of individual bonuses above standard levels  <i>SE:</i> No limits given	6.19  13.10
Other payment principles	<i>PE + SE</i> Deviating working hours (for assistants only/lower levels); overtime  <i>PE:</i> Structural annual bonus 6.3% for all <b>Extra bonus for lower levels=job levels 1 to 8 (c. € 1,050)</b>  <i>SE:</i> Structural annual bonus 7.4% for all <b>Extra bonus € 1,200 for lower levels (1 to 8)</b>	6.36 13.6  6.15 <b>6.33</b>  3.5 <b>3.6</b>
Inclusion of flexible employment and work contracts	Same pay levels for workers in fixed-term employment and temp agency contracts Pro rata payments for part-time jobs	3.2.1 9.a.6

Top salaries in the public and semi-public sectors have become an important issue in the public debate and in public policy. In 2013, new legislation was introduced to maximize the wage levels for the highest managers and directors in the public sector in the Netherlands (*Wet normering topinkomens*, WNT). In 2015, these legal maximum standards were made more stringent. At the moment, the level is set at euro 178,000 for the secondary and tertiary education sectors and at euro 166,000 for the primary education sector (including pensions)<sup>35</sup>. As a response to the debate on high wages in the public sector, a new type of agreement has been introduced for supervisory boards in the education sector. These agreements are made by associations of supervisory board members and governors in the education sector and regulate their remuneration. In 2015, the salary table for supervisory board members and governors in the secondary education sector covered a range between approximately euro 85,000 and euro 145,000 (in primary education: euro 63,000-125,000).

<sup>35</sup> <http://www.aob.nl/default.aspx?id=220&article=51857&q=&m>.

### 3.4.1. Interview with employers in primary education (PO-Raad)

Employers in the primary education sector in the Netherlands are organized into the PO-Raad<sup>36</sup>. The main issues that arose in the interviews with two representatives of the PO-Raad can be summarized in the following three points:

- 1) Workers in the primary education sector are *underpaid*, compared to those in the secondary and tertiary education sectors.
- 2) The wages in the primary education sector show a high level of equality because of the collective agreement *and* because of existing HR practices.
- 3) The salary stipulations in the collective agreement must be simplified and better related to payment principles and HR policies.

#### *Ad 1.*

The first point raised by the PO-Raad refers to the relative wage disadvantage of the primary education sector compared to the other education sectors. A teacher in the primary education sector might be paid at job level 9, while a teacher in the secondary or tertiary education will be paid at job level 10 or higher. Not without reason, the PO-Raad asked the rhetorical question: ‘Why should a teacher of younger pupils be paid less than a teacher of older pupils?’ Both kinds of teachers are educated to the same level and work the same number of hours. The disadvantaged position of primary education in the Netherlands is also visible in an OECD study. In the OECD’s index of annual educational expenditure for each pupil, the position of primary education in the Netherlands remains under the EU average, while in the secondary and tertiary education sectors they are clearly above the EU level (OECD 2015: 219)<sup>37</sup>.

#### *Ad 2.*

The second main concern of the PO-Raad was the low wage differential within primary education: ‘The extremely low remuneration level for the managing directors of primary schools is dramatic’, according to one of the interviewees of the PO-Raad. Furthermore, the employers’ representatives thought that their scope to vary pay is too small. Nevertheless, this is also the result of established HR practices in the sector, because the collective agreement in the primary education sector formally foresees the option of payment differentiations of up to 15% (table 11) but this potential is rarely used. Another example of HR policy not using the space for differentiation provided by the collective agreement is the very limited use of the option of giving no wage increase in the case of the poor performance of an individual worker. Hence, the collective agreement allows for a number of opportunities to differentiate wages but these are rarely used in practice.

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<sup>36</sup> <https://www.poraad.nl/>.

<sup>37</sup> Dataset from 2012. Note that this study did not refer to wages specifically, but to *total* expenses per pupil. In other words, these indexes include school buildings/infrastructure, teaching materials, class sizes, etc.

*Ad 3.*

The third main issue for the PO-Raad concerns their wish to modernize the sections on wages in the collective agreement for the primary education sector. In their view, the collective agreement regulates too many details. They argue that it is not always clear why bonuses, supplements or allowances in the collective agreements were introduced in the past and how they are related to the payment principles. The high number of salary components – spread over several sections of a very extensive collective agreement – do not give a clear picture for school directors, workers and job applicants. According to the PO-Raad, this lack of clarity reduces the attractiveness of being or becoming a teacher in the primary sector. The PO-Raad especially aims to attract new, young teachers who are educated at universities (Master's level)<sup>38</sup>. These new workers have to be offered competitive wages and career perspectives. Regarding the payment principles, the PO-Raad wants to better remunerate experienced teachers at higher job levels (also related to the above-mentioned lack of wage equality with teachers in other education sectors). Another modernization aim concerns the objective to foster variable pay based upon individual performance and scarcity in local labour markets. Generally speaking, the PO-Raad wants a collective agreement that 'does not limit the scope of HR policies and related remuneration policies at the individual school level'.

### 3.4.2. Interview trade union (AOB)

The issues that arose in the interviews with two representatives of the largest trade union in the education sector in the Netherlands – the AOB<sup>39</sup> – can be summarized in the following three points:

- 1) Trade union actions in the Dutch education sector have for a long time aimed for the levelling out of wage distribution.
- 2) Wage distribution in the education sectors could be even more equal through the moderation of the remunerations of supervisory board members, better payments for teachers in the primary education sector and upgrading the salary levels of low level jobs and flexible contracts.
- 3) Modernization of the salary stipulations in the primary education sector should be guaranteed by the job classification principle.

*Ad 1.*

The AOB follows a policy on monitoring and maintaining reasonable wage differentials between lower and higher paid workers in the education sectors. Most illustrative is the measure in the agreements of 2014-2015 regarding an extra annual bonus for lower paid workers (job levels 1 to 8) of around euro 1,000 in primary education and around euro 1,200 in secondary education. The most structural approach to levelling out wages,

<sup>38</sup> <https://www.poraad.nl/nieuws-en-achtergronden/onderzoek-naar-loongebouw-primair-onderwijs>.

<sup>39</sup> <http://www.aob.nl/home.aspx>.

however, is the raising of the salary levels for lower paid jobs in the salary tables of the collective agreements. One interviewee remarked that: ‘Some years we are successful in this, some years not’. The scope for policymaking has its limits, because the AOb also wants to maintain reasonable salary differences with mid-level jobs, including teachers.

*Ad 2.*

The AOb has several strategic options to pursue their goal of reasonable wage differences in the education sector. Firstly, they lobby the Dutch government to promote fair remuneration standards for high paid supervisory board members. They are satisfied by the stricter standards in the renewed WNT in 2015, compared to the previous Act of 2013. The AOb finds it reasonable that the primary education sector has a lower maximum payment level compared to the other education sectors, because of objective differences such as the size of schools (number of pupils) and the lower task complexity for board members. Secondly, the AOb wants to integrate the specific agreement for supervisory board members into the regular collective agreements. This could give the regular trade unions negotiation power over the remuneration of this group of highly paid people and link it to the wages of employees in the education sector. Thirdly, the AOb wants to structurally increase teachers’ salaries in the primary education sector through the collective agreement. Their main arguments in this respect are to lower the wage gap with the small group of people who have very high wages in the sector and to make teachers’ salaries more competitive with salary levels in the private sector. The latter argument coincides with the PO-Raad’s wish for the modernization of wage regulations in the collective agreement. A final option to further equalize wages concerns better terms and conditions for flexible and part-time workers in the education sectors. Increasingly, workers in the sector have low-hour part-time contracts (and hence low incomes) and sometimes they work via temp agencies and receive lower pay rates than those with a direct contract with the schools. The latter is in any case contrary to what is stipulated in the sector’s collective agreements.

*Ad 3.*

In relation to the recent ministerial project on modernization of the salary system in the primary education sector, the AOb concurs with the PO-Raad on some issues and differs on others. Trade unions and employers seem to agree on limiting the numbers of periodic increases within job levels (which are based on years of experience in the job). Maintaining the same final pay levels for each of the related job levels, this measure will cost a lot of money<sup>40</sup>. Thus, the public budgets must be increased. In contrast to the PO-Raad, the AOb is not in favour of variable pay based on individual worker performance. Work in the sector is often team-work and cannot be appraised individually. According to the AOb, the main and most important payment principle has to be the job classification. Therefore, they want to strengthen that system through the better synchronization of the related job/task descriptions with real job tasks and other developments in the workplace.

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<sup>40</sup> Because, to begin with, the annual increases will be higher.



## 4. Comparative analysis and conclusions

### 4.1. Cross-sector comparison of collective agreements

From a cross-sector perspective, table 12 summarizes the findings of the wage stipulations in the four sectors studied. The table focuses on the effects of the wage regulations that influence the equality/inequality between worker groups in the sectors.

**Table 12.** Comparative content analyses of collective agreements in four sectors + data from interviews (+ fostering equality; – fostering inequality; 0 neutral effect)

Topic	Metal industry	Super-markets	Banking	Education
Coverage of collective bargaining in the sector	+	+	+	+
Collective wage increases	0 or –	0 or –	0 or –	0
Opening clauses allowing for <i>higher</i> wages	–	–	n/a	0
Opening clauses allowing for <i>lower</i> wages	0	0	n/a	0
Range of salaries covered by the job classification system	–	–	–	0
Years of experience	0	0	0	0
Age	0	–	n/a	n/a
Profit sharing	n/a	n/a	n/a	n/a
Performance-related pay	n/a	n/a	-	+ (not used)
Inclusion of flexible employment and work contracts	+	0	+	+
‘Equality index’ (in relative order from more to less equal)	3rd	4th	2nd	1st

Here we briefly discuss the indicators in the table. All four sectors have a high coverage of collective bargaining due to:

- the effects of national legal extension mechanisms that make the wage stipulations in collective agreements generally binding for all employers in the sector (metal industry and supermarket sector)
- collective agreements on the company level in large banks, together with a sector agreement for small banks
- the public character of collective agreements that cover the whole education sector

In three of the sectors, collective agreements on wage increases are only based on a uniform percentage of real wages. These have a neutral effect on the inequality ratios between lower and higher paid workers, although they lead to an increase in the absolute differences. Only in the education sector is wage equality sometimes directly fostered by ‘repairing’ differentials through absolute amounts of bonuses for lower or medium paid employees.

Both the agreements in the metal industry and in the supermarket sector provide minimum standards that allow for higher wages at the company and individual worker levels. Therefore, we can assume an effect leading towards more inequality in both sectors, at least between the effective salaries paid by companies in the same sector. In the education sector, however, all schools have to follow the standard salary levels as stipulated in the collective agreements in the education sector (thus, here we assume a neutral effect on equality). Because of the prevalence of company agreements in the banking sector, a score on this topic is not relevant. There is no sector that allows for lower wages than stipulated in the salary tables in the collective agreements (thus, on this topic we measure a neutral effect).

The quite low range of the salary tables in the collective agreement in the metal industry fosters an effect that stimulates inequality (at least between companies). The education sector is the only case in which the sectoral job classification covers almost all workers, including school directors (leading to a neutral effect on wage distribution between lower and higher paid workers).

All sector agreements regulate some periodic wage increases through the principle of experience in the job. There is no direct link to wage inequality due to the application of this payment principle among both lower and higher paid workers. All sector agreements also contain age-related wage regulations for youth. We only found a clear relationship with inequality in the supermarket sector because of the very low youth wages and the high numbers of youth that are employed in supermarkets. The share of young workers in the metal industry is small and youth wages in this sector are generally connected to the vocational educational training programmes in the sector.

Remarkably, we found no substantial rules on profit sharing in the collective agreements in the four sectors. With respect to performance-related pay, in the banking sector we found more inequality in relation to this payment principle. Top managers in banking companies are paid more through extra variable remunerations than lower and medium level bank employees. In the metal industry and in the supermarket sector we found no substantial rules on performance-related pay. The collective agreements in the primary and secondary education sectors give the formal option of ‘15% wage differentials’, but this opportunity is almost never used in practice.

In three sectors we found some regulations that aim to equalize the pay of flex workers (not in the supermarket sector). All sectors in the Netherlands are covered by the national agreement between trade unions and the temp agency sector: temp agency workers are entitled to earn the same pay as the workers employed directly by the organization.

The ‘equality index’ is based on a simple, unweighted sum and subtraction of all indicators by sector. The highest (education) and the lowest (supermarkets) sectors on this index also scored highest and lowest on equality when comparing the average wages

and payments of the tenth and first deciles and the ninth and second deciles. In relation to both indexes, education is the most equal sector and the supermarket sector is the most unequal sector. This suggests that the wage stipulations in the collective agreements partly explain the level of wage equality/inequality in the sectors.

#### **4.2. Social partners' views and actions**

There is little general debate in the Netherlands about wage inequality. The debate focuses rather on the two extremes of the wage distribution: top incomes and youth minimum wages. On these two issues, employers and unions take more or less opposing views in the public debate. The employers argue that youth minimum wages regulated by law are acceptable since young people really should be in school and their wages are not meant to provide them with economic independence. They also argue that top incomes should not be regulated by law and should be left to the decisions of individual companies and, in particular, their boards.

The unions, on the contrary, argue for the abolition, or at least substantial increase, of the legal youth minimum wages to foster equal pay for equal work and decent pay for young workers. They also include other groups, such as migrants and flex workers, in the debate, again arguing for equal pay for equal work and for decent wages.

With respect to the top incomes, they argue against excessive remuneration and bonuses, and have developed a rule of thumb of a maximum ratio of 1:20 between the lowest and highest wage in a company. This policy is the most clearly focused on inequality as it links the top and bottom. However, the unions are struggling to achieve their goals. They do not really have the power to do so through collective bargaining, in which the top incomes, in particular, are rarely discussed and are often not covered by collective agreements. The unions also lack the bargaining strength to change the low wage business model of the supermarkets or the high bonuses for top managers in banking. Therefore, they rely on public campaigns as a strategy to influence excessively low and high wages and wage inequality; for example, the media campaigns against excessive bonuses in the banking sector and the Young & United campaign against low youth minimum wages.

Employers generally feel uneasy with what they see as a political and ideological discourse on wage inequality and prefer to talk about wage differences. They relate these differences to issues such as the market, productivity and individual contribution, as well as to company HR practices that should have more space to use differential remuneration to achieve company objectives. The national employers' organization and the metal employers' association strategically aim for the regulation of wages and payment principles in order to reflect and strengthen productivity and the performance of sectors, companies and individuals. However, in the banking sector they have reduced such schemes, especially at ING Bank. In the supermarket and education sectors, performance-related pay is also rarely used. Hence, on the issue of this payment principle there are different views and practices among employers.

The trade unions generally defend traditional payment principles such as job classification and years of experience, following equity arguments. In this they are quite successful, in the sense that there is strong continuity in the use of payment principles established decades ago. Hence, we see strong institutional path dependencies in sectoral wage regulations, which appear very difficult to change.

There are also important sectoral differences in the extent to which unions and employers agree or disagree on the way wages are determined and regulated and how they address these issues in collective bargaining. The most explicit conflicts can be found in the metal industry because of the virtually incompatible interests of employers and trade unions: the employers want higher wage differentiation, while the trade unions defend the status quo and argue for greater wage equality. The least conflictual is the education sector, where the two sides have quite compatible interests in the modernization of wage regulations without structurally changing the present system. In the supermarket and the banking sectors clearly conflicting views prevail but they remain to a large extent outside the bargaining process.

### **4.3. Coordination, differentiation and power**

From an international comparative perspective, the Netherlands is a country of relatively modest income inequality (OECD, 2015). Also, the Netherlands is classified as a country with a relatively high level of coordination of collective bargaining. These two main indicators would suggest modest wage differentiation and fairly similar situations within sectors. However, perhaps the most remarkable finding in this report is the high variation in wage inequality between the four sectors that we studied. Thus, the overall indicators hide substantial sectoral differences, with some sectors having high and others low wage inequality. As demonstrated, these differences between sectors are also reflected in institutional differences, that is, in the way the regulations and coverage of the respective sector collective agreements reinforce or reduce inequality.

A further, final finding concerns the extent to which trade union power, as expressed by membership, matters for the level of inequality in the sectors. In table 13 we see different configurations – and high sectoral variation – in relation to the three main factors examined in this research report:

- 1) wage equality/inequality
- 2) collective wage regulations that foster equality
- 3) activity rates in relation to social partners' actions on negotiating or renegotiating equality/inequality

By adding the factor of trade union membership into the second row of the table 13, we see correlations with the three main factors in this report. However, we have to be careful to see these correlations as causalities. The education sector is not only the case with the highest trade union members, but it is also a public sector. Further, the four cases are minor parts of the total employment and a small selection of the total collective agreements in the Netherlands.

The variable of trade union membership is based on the most recent investigations of the shares of workers with jobs of at least 12 hours a week who were members of a trade union in 2011 (Steege et al. 2012). These statistics were measured on higher aggregate levels than the four sectors in this study, namely:

- Education sector: 30%
- Industry sectors, including minerals extraction: 24%
- Financial sectors: 14%
- Trade sectors: 12%

The supermarket sector is included in the ‘Trade sectors’; however, supermarkets employ far lower shares of organized workers compared to other trade sectors because of their high use of low hour employment contracts with young people.

Finally, in the two sectors with the lowest trade union membership – the banking sector and the supermarket sector – this report has clearly demonstrated that there is less activity among the social partners in negotiating or renegotiating wage equality/inequality than in the sectors with moderate and high trade union power (the metal industry and education sectors, respectively). The interests of the trade unions in the education sector are highly compatible with employers in the sector, such as maintaining good payment and salary perspectives for teachers and lobbying for sufficient budgets from the government. In the sector with a moderate level of trade union power – the metal industry – we see negotiations at the sector level leading to impasses with the employers’ association. While employers strive for more flexibility in wage setting among higher paid workers, trade unions strive for more control of fixed salary levels in this group. Employers have had the power to make some changes to the collective agreement, while trade unions are positioned defensively.

The suggested correlations in table 13 ask for further investigations, including more private and public sectors.

**Table 13.** Trade union memberships and negotiating wage inequality

	<b>Trade union membership<sup>41</sup></b>	<b>Real wage equality</b>	<b>Wage regulation fostering equality</b>	<b>Social partners’ actions</b>
<b>Education</b>	High	High	High	Compatible interests
<b>Metal industry</b>	Moderate	Moderate	Moderate	Incompatible interests
<b>Banking</b>	Low	Low	Moderate	Exclusion controversial topics
<b>Supermarkets</b>	Very low	Low	Very low	Exclusion controversial topics

<sup>41</sup> Source: Steege et al. 2012.

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