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The Netherlands

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Executive Summary

Introduction

The relevance of occupational welfare (OW) in the Netherlands has shown no stable increase or decrease over the decades since WWII, but rather several waves of importance, varying further between fields of welfare provision. These waves depend on the strong interaction between social partners and the state, as OW provision may be used to compensate for state welfare retrenchment, may result from tripartite policy agreements, and is often facilitated, regulated or even abolished by the state. This report describes the most important developments and debates in OW based on policy documents and research published by the government, social partners and scholars, as well as collective agreements and interviews. It examines in more detail the specific fields of occupational unemployment protection and occupational pension funds, the latter by far the most extensive form of OW in the Netherlands, the main debates surrounding them, and their effects on redistribution and inequality.

Context information

The Dutch welfare state is of a conservative-corporatist regime type with a mix of universal benefits, statutory employee insurance schemes, and OW negotiated by social partners mostly at the sectoral level. Correspondingly, the industrial relations system is strongly neo-corporatist, with extensive institutionalized social partner involvement at the national policy-making level and at the sectoral level, where collective bargaining agreements (cbas) are often negotiated and subsequently extended by the state to cover all employers and employees in the sector. Due to this extension mechanism, cba coverage is high (consistently at about 80%), even though employee trade union membership is relatively low and in decline (currently at 19% of the working population). The social partners are further well-represented in a range of labour market-related bodies at different levels.

Historically the most important OW arrangements in the Netherlands have been employee insurance schemes and old age pensions. The state has played a large part in these by creating legal obligations to participate in sectoral pension funds (1949) and to set up employee insurance schemes (1952). Until the 1990s, such schemes were governed and implemented by the social partners, although the level and duration of benefits and eligibility criteria were determined by the state. The state has since reduced their role to policy input at the national level and negotiating additional benefits in cbas. Occupational second pillar pensions continue to play a much larger role, accounting together with the first pillar for 95% of retiree income, whilst expenditure levels of the second pillar are increasingly nearing expenditure on the first pillar.

Key findings

OW certainly plays an important role in the Dutch welfare state, but in many instances it is the state assigning the space and parameters for social partner action, as also seen in the case of employee insurance above. At the same time, the social partners have shown some autonomous capacity to respond to changes in government policy and economic and labour market conditions by means of OW initiatives in cbas and policy input at the national level. In the late eighties and early nineties, for example, retrenchment of state unemployment benefits prompted a temporary increase in arrangements found in sectoral cbas topping up statutory unemployment benefits. These arrangements, however, never covered more than roughly half of all employees, tended to favour older workers, and showed wide disparity between sectors. Reparation of state retrenchment through cbas was agreed again in a tripartite social pact in 2013, but as of yet no institution has been found to implement it. Recent cba negotiations have further shown that commitment to reparation is as of yet vague (limited in the supermarket branch, for example, to '[an] investigation of the desirability of reparation') or problematic (having contributed in the metal sector to stalling of negotiations).

In the pensions field, where OW undoubtedly plays a major role, a number of inequality-producing mechanisms were found. First of all, occupational pensions are earnings-related, translating wage inequality into income inequality after retirement. Secondly, persons without a 'normal' employment history are made more vulnerable after retirement. Women and the current younger generations experience more frequent career breaks, employer changes, and periods in temporary agency work or self-employment not covered by sectoral pension funds. Moreover, part-time employment, especially prevalent among women, also impedes pension rights accrual. Third, there are important differences between sectors in terms of pension fund performance (dependent mainly on investment portfolios) and pension arrangements (reflecting to a great extent the power balance between employers and employees in the sector), both directly affecting the generosity of pensions.

Dutch occupational pension funds are funded plans and have enormous assets on the financial market, the total amount exceeding Dutch GDP. Their dependence on the financial markets has been acutely felt since the financial crisis of 2008. In response, the government has intensified its supervision over these pension funds through the Dutch National Bank (DNB) and the Financial Markets Authority (AFM), which monitor the funds' performance and have set increasingly strict conditions on pension fund reserves, having repeatedly resulted in pension freezes and reductions. Furthermore, stricter governance regulation has come to apply, with governance models being proposed that tend to limit direct social partner influence over the management of pension funds in favour of professionals and experts. Finally, dependence on the volatile financial market has also led pension plans to include more and more DC (as opposed to DB) elements in their plans.

Conclusion and Outlook

Although OW gives the trade unions and employers' organizations important functions and resources, OW functions performed by the social partners are to a large extent dependent on state decisions for their implementation and scope. This is demonstrated by the pervasiveness of occupational pensions, for which participation is mandated by legislation, as opposed to the residual nature of OW in unemployment protection, which is left to the initiative of social partners mainly at sectoral level. The presence and importance of OW in the Netherlands are therefore not an expression of social partners' strength. Rather, since much of OW exists at the sectoral level, OW found in each sector reflects the power balance between trade unions and employer organizations within each sector.

In terms of the effect on inequality, our findings on OW in both the pensions and unemployment protection areas point to inequality-enhancing effects of OW. This has to do mainly with the sectoral organization of OW and the linkage of welfare to employment status and employment history. These result in inequalities between sectors, age groups, parts of the labour force on different contracts, and perhaps most importantly between men and women. These findings raise important questions about the desirability of OW as far as solidarity and equality are concerned.

Finally, Dutch occupational pension funds have severely felt the consequences of their dependence on the financial markets. The responses have mainly targeted governance and generosity. Curiously enough, the dependence on the financial markets itself is rarely questioned.

Further reading and contact details

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1. Introduction

In the Dutch neo-corporatist poldermodel, the trade unions and employers' organizations have, for many decades, played a key role in the design and implementation of social and labour market policy (Keune forthcoming; Visser and Hemerijck 1997). Through social pacts, collective agreements, national bi- and tripartite institutions and a whole plethora of implementation and consultative functions they are central actors in the economy and welfare state. In this paper we will review one of these functions, i.e. the provision of occupational welfare. As we will discuss, occupational welfare has been an important part of the Dutch welfare state since the early 20th century. Its shape, governance and weight have, however, changed substantially over time. To document and understand these changes, we will first discuss the general characteristics of the Dutch welfare state and industrial relations system (section 1). We will then provide a general picture of the changing characteristics of occupational welfare (section 2). In section 3 we will zoom in on two specific types of occupational welfare: occupational pensions and occupational unemployment benefits. In section 4 we conclude.

2. Country's welfare state and industrial relations

2.1 Country's Welfare State

In most welfare state classifications the Dutch welfare regime is classified together with Germany as a conservative-corporatist or continental regime type, though it has also been classified together with the Nordic countries as a social-democratic regime type (Arts and Gelissen 2002). This has to do with the mixture of universal benefits with strong corporatist institutions and Bismarckian-inspired legislation (de Swaan 1989: 217-219). This mixture is still evident today in the main pillars of social security provision, which consist of the national universal *volksverzekeringen* (people's insurance) and social assistance, a number of means-tested benefits, mandatory employee insurance schemes and occupational benefits.

The national universal schemes are made up of the first pillar pensions, survivors benefits, and basic child benefit. Of these, the first pillar pensions are the oldest and by far the most important in terms of public expenditure. All these schemes are paid from the State budget, financed in part by employer and employee premiums, and administered by the Social Insurance Bank (*Sociale Verzekeringsbank*). This national institution is also responsible for the payment of special healthcare benefits intended for individuals who need at-home care and additional means-tested old age pensions (SVB n.d.). Furthermore, all inhabitants of the Netherlands are insured for long-term care, for which a fixed percentage of income (out of employment or income support) is paid as a premium. The social assistance schemes for persons who have no alternative means of income are paid entirely out of tax payments and are dependent on household composition and related to minimum income. Although an application must be made for social assistance to the Public Employment Agency (UWV), the benefits are actually administered by municipal governments. The UWV is involved because of its role in assisting benefits recipients in finding employment.

A number of means-tested benefits are administered by the national tax authorities. These include additional child benefits, childcare benefits, cost-of-living benefits and health insurance benefits. These benefits are progressively income-related and also depend on, for example, the age of the children concerned. The receipt of additional childcare benefits also depends on whether the applicant is in employment or in a situation equated to employment (e.g. participating in formal job search activities or following a national integration course for immigrants). The cost-of-living benefits are only available for individuals with an income up to a certain maximum and who rent a home up to an annually established monthly rent. The health insurance benefits were introduced in 2006 when basic health insurance with a private insurer became mandatory for all inhabitants of the Netherlands.

The mandatory employee insurance schemes address the risks of unemployment, disability and sickness. Traditionally employee insurance schemes were strongly occupational, and unemployment and disability schemes were administered for a long time by the social partners. Since the nineties, however, these have increasingly been put into the hands of the State by a process which will be described in more detail later. Currently, all employees automatically participate in these employee insurance schemes, the premiums of which are paid entirely by employers ([1]) with supplements from the State budget where necessary, and implementation is in the hands of the UWV. In the case of sickness, however, employers are obliged to continue to pay up to 170% of a sick employee's salary over the first two years of the employee's sickness, and sickness benefits as such are only paid out in particular cases of sickness, e.g. for pregnancy-related sickness or if an employment contract ends during sickness. After two years of sickness, an employee must turn to the UWV to apply for disability benefits, of which basically two forms exist: benefits for completely disabled persons, and benefits for partially disabled persons. Both are initially related to the most recently earned wages, but in the case of partial disability benefits this quickly diminishes, as an incentive to find alternative work (Rijksoverheid 2014). Besides administering benefits, the UWV also implements a range of active labour market policies (ALMPs) for recipients of unemployment benefits and disability benefits. The UWV also monitors job search efforts by benefit recipients. For recipients of sickness benefits and employees during the first two years of sickness, however, the employer is primarily responsible for activities related to reintegration into the labour market. If an employer cannot prove that he has fulfilled this

1. Employee premiums for the unemployment scheme were abolished in 2009.

responsibility, the two years during which the sick employee's salary must be paid may be prolonged by up to one year.

As for what remains of occupational benefits, second pillar pensions are by far the most important, and will be discussed in more detail below. Further occupational benefits exist mainly in relation to sectoral and enterprise-level collective bargaining agreements (cbas). With high cba coverage and a long-standing tradition of collective bargaining, such occupational benefits are of significant importance, although it is difficult to establish how they compare in terms of volume with statutory schemes because of their fragmented nature, fragmented across sectors and enterprises. As to the nature of these benefits, they consist of additional benefits topping up sickness, unemployment and disability benefits, short-time working schemes, education and training funds, and employability and mobility plans at sectoral, regional and enterprise-level.

In terms of social expenditure, the Netherlands consistently spends a larger share of GDP than the average of the remaining countries in this project, and also spends more per head of the population. Health and old age are the most important contributors to this spending, as well as incapacity-related benefits, until the mid-1990s. With regard to spending on old age, a significant and growing share of this is accounted for by mandatory private spending, although it is still outweighed in volume by public spending on old age (see also Figure 1.1 in the next section).

Table 1.1: Total public, mandatory private and voluntary private social expenditure: per head, at constant prices (2005) and constant PPPs, in US dollars and as % of GDP

	1990	***2000***	***2007***	***2011***
Netherlands				
Per head	8,317	9,133	10,592	11,461
% of GDP	31.6	27.1	28.2	30.9
Average countries (9)				
Per head	5,731	7,343	8,410	9,105
% of GDP	24.2	25.2	26.1	28.6
Average countries (8)				
Per head	6,292	7,956	9,075	9,783
% of GDP	25.4	25.8	26.9	29.7
OECD average				
Per head	4,623.6	5,776.5	6,892.6	7,577.1
% of GDP	17.9 (1)	21.2	21.6	24.3

(1.) OECD average as % of GDP in 1990 is based only on public and mandatory private expenditure because data on voluntary private social expenditure is not available

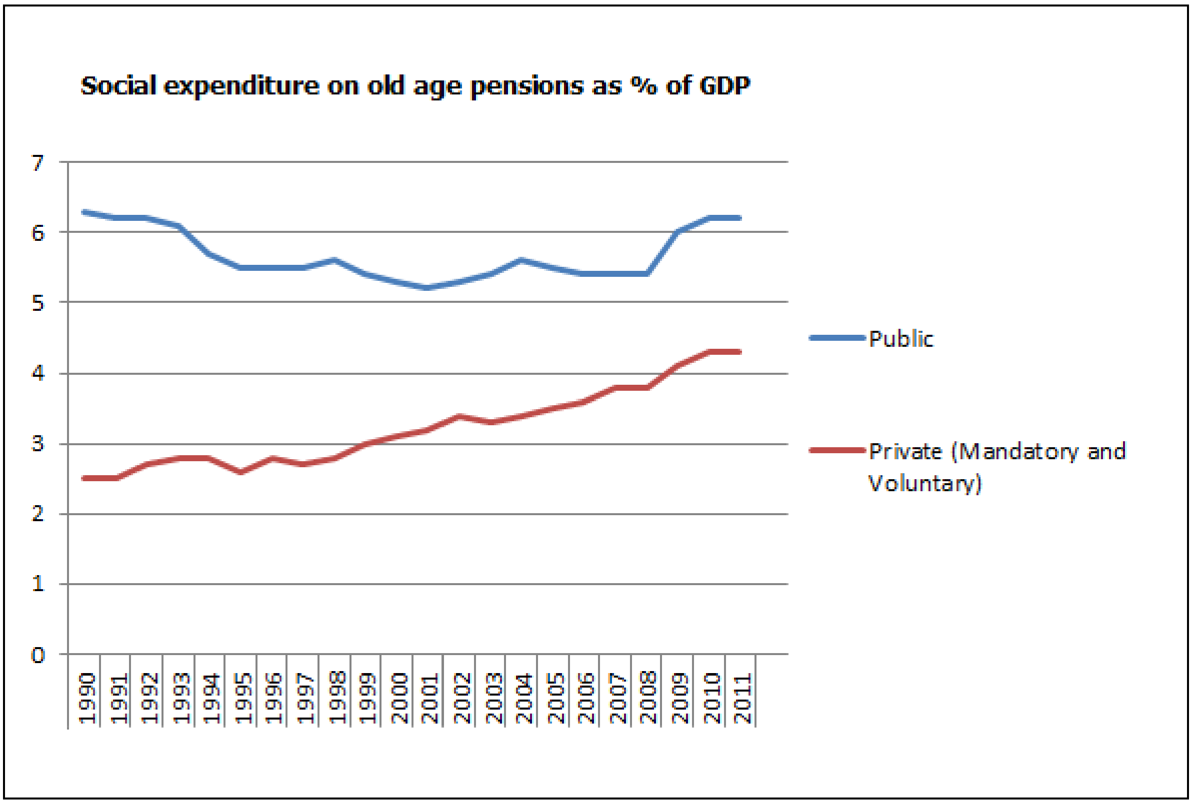
Source: OECD Social Expenditure Database.

2.1.1 Specific focus on pensions

The Dutch pension system is a multi-pillar system consisting of three pillars. The first pillar consists of the General Old-Age Pension (AOW), a universal state pension that aims to provide a basic income. The accumulation of rights to the basic pension is based on residence in the Netherlands and between the age of 15 and 65, for every year of residence 2% of the rights to the pension are accrued. The first pillar is a pay-as-you-go system and the flat rate benefits are financed by contributions from the workforce and the state budget. Around 3 million persons receive the state pension with a budget of some 34 billion Euro, managed by the Social Insurance Bank (SVB). The second pillar consists of occupational pensions funded, negotiated and administrated by trade unions and employers. Like the Dutch collective bargaining system, the pension system is organised mainly at the level of branches, in branch pension funds, complemented by a number of company pension funds. The funds invest much of their assets in the stock market as well as in real estate. The performance of the funds is therefore closely linked to the functioning of international financial markets. The government establishes part of the regulatory framework, however, for occupational pensions, and the Dutch National Bank (DNB) monitors the functioning and financial position of the pension funds. These occupational pensions will be discussed in detail in section 3.1.

The first and second pillar are of similar importance in terms of their shares in the average income of retirees and together account for over 95% of retiree income. They have also been growing closer together in terms of expenditure, partly as a result of retrenchment of the public pension. These developments can be seen in Figure 1.1 based on the OECD social expenditure data. It is important to note that the second pillar pensions are grouped in the SOCX database under 'voluntary private', which makes it difficult to distinguish in this particular database between the second and third pillars. The third pillar consists of individual pension products, mainly used by the self-employed and employees in sectors where there is no collective occupational pension fund, who together comprise a small minority of the labour force. The third pillar is by far the smallest pillar of the system, as is confirmed by comparing SOCX data with figures available from the DNB for 2007 and 2011. The DNB (2016) publishes figures on the cash flow of all sectoral and enterprise-level pension funds, including total amounts paid out as benefits. For 2007, the SOCX database lists total voluntary spending on old age cash benefits at €26,111 million; the DNB shows €20,483 million, a difference of €5,628 million. This implies that roughly one fifth of the SOCX amount is spent in the third pillar. A similar share is found for 2011.

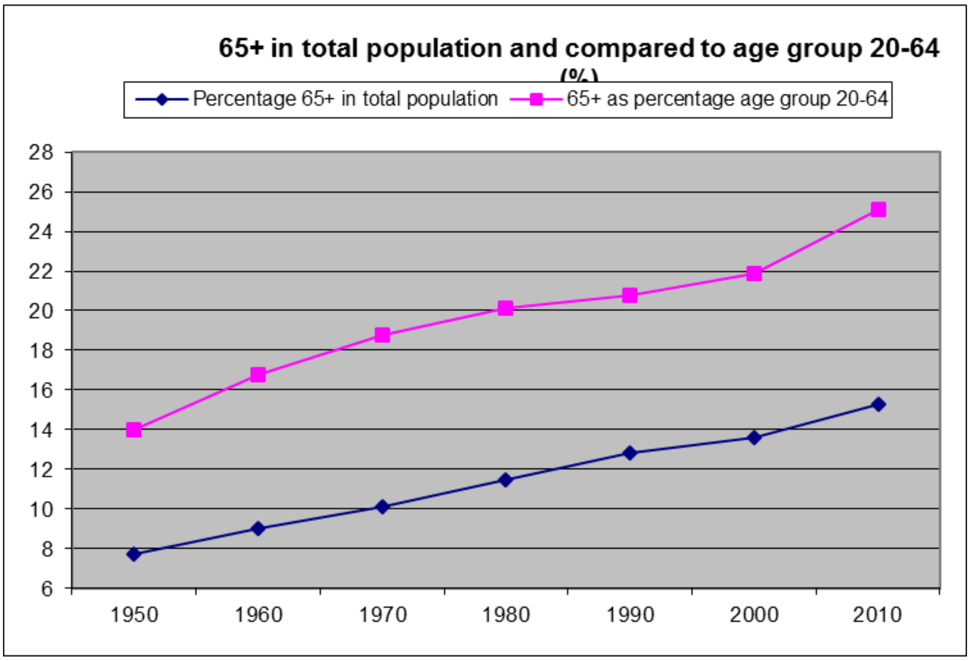
Figure 1.1: ***Social expenditure on old age pensions, public and private, 1990-2011***



Source: OECD, Social Expenditure Database (SOCX).

The Dutch pension system is often rated as one of the best pension systems in the world and can consistently be found among the top performers in the international comparative rankings like the Melbourne Mercer Global Pension Index. This positive evaluation of the Dutch system is based on three of its aspects: a high participation rate, the enormous assets of the occupational pension funds and the relative generosity of pension benefits (van der Zwan forthcoming). Still, in recent years the pension system has been argued to be in a crisis and pension reform has been high on the political agenda. This crisis is said to stem from a mix of factors. One is the strong financialisation of the occupational part of the system, i.e. its dependence on the international financial markets, combined with the deep crisis of these same financial markets as well as the low interests rates in the EU. These factors have put pressure on the financial health of the funds. Second are the austerity policies of the national government, which is trying to reduce the budget deficit and hence to limit the increase or even reduce AOW payments. Third is the ageing of the population, meaning that the share of the population above the pension age in the total population is increasing and hence the costs of the pension system as well, both for the AOW part and the occupational part (Figure 1.2). The population above the pension age is also growing in comparison to the population of 20-64 years old, the population group responsible for most of the contributions to the system.

Figure 1.2: ***65+ in total population and compared to age group 20-64***



Source: CBS (Statistics Netherlands).

One of the major reforms adopted by the government is the gradual increase of the pension age to 67 by 2021, and the subsequent linking of the pension age to the average life expectancy as of 2022. Another is that the pension funds that according to the DNB do not have enough financial coverage for their liabilities are compelled to increase the contributions to the fund or reduce pension payments. Reforms are largely oriented towards securing the financial viability of the system without questioning its main features. At the same time, as will be discussed in the discussion below of the occupational pillar, some of its traditional features related to equality and solidarity are being questioned.

2.1.2 Specific focus on unemployment protection

Statutory unemployment scheme

The most relevant form of unemployment protection is the statutory unemployment insurance scheme which is mandatory for all persons in employment with a private employer ([2]). The premiums are paid solely by employers, since employee premiums were abolished in 2009. Premiums are paid into the General Unemployment Fund (Awf), with equal premiums for all employers, and into sectoral funds, for which premiums depend on the level of unemployment in the sector and which in some sectors are further differentiated by type of contract. During the first

2. Self-employed persons and persons working in domestic work may insure themselves against unemployment through the statutory scheme on a voluntary basis.

six months of an individual's unemployment, the unemployment benefits are financed out of the sectoral funds. Any remaining months are paid out of the general fund. In the public sector (including all levels of government, public security, education and other public bodies), employers are responsible themselves for the payment of unemployment benefits and therefore only pay a much lower premium into the State Implementation Fund (Ufo). Some public employers, however, have set up a joint fund to collectivize the risk of unemployment (UWV 2015a, AWVN 2013, Rietbergen and de Beer 2013).

Unemployment benefits are currently provided to those who become unemployed 'without their own fault' (i.e. without having resigned or having been fired for indecent behavior) or lose at least five working hours per week. Every year of having been under an employment contract gives one the right to one month of unemployment benefits, with a replacement rate of 75% of the average wages of the past 12 months during the first two months of receiving benefits, and 70% in the following months. Additionally, one must have worked for at least 26 weeks during the past 36 weeks. The maximum period for receiving unemployment benefits is 38 months (Rijksoverheid 2015a). Unemployment benefit recipients are obliged to register with the Public Employment Agency (UWV), be available for paid work, actively engage in job-searching activities, and accept any job offered after six months of benefits receipt (UWV 2015b).

The governance of the statutory unemployment scheme is entirely in the hands of the State. The Minister of Social Affairs and Employment determines the premiums to be paid into the General Unemployment Fund and the level of unemployment benefits and is responsible for the proper working of the UWV, which falls directly under the Ministry of Social Affairs and Employment. The UWV determines the premiums to be paid into the sectoral funds, administers unemployment benefits, and is simultaneously responsible for providing employment services to unemployed persons and monitoring the job-searching activities of unemployment benefit recipients. For benefits for public sector employees, the UWV receives reimbursement from the public employer concerned (Rijksoverheid 2015b). The social partners play no role in the governance or administration of the statutory unemployment scheme, since their functioning in administrating employee insurance schemes was heavily criticized in the early nineties, and administration of unemployment schemes was subsequently centralized into the hands of the State (Tros 2000, Goudswaard 2001).

Voluntary unemployment schemes

Voluntary unemployment insurance schemes play only a very minor role. All employees are automatically covered by the statutory scheme and private insurance companies tend only to offer income insurance schemes that protect against the combined risks of unemployment, sickness and disability. No data are collected at the national level on the volume of private unemployment benefits paid by insurance companies. In the realm of private income insurance, data are only collected on disability schemes. This fact alone in combination with the marginal importance of private disability benefits ([3]) suggest that private schemes play a minor role in unemployment protection. With respect to self-employed persons, no unemployment insurance schemes exist for them. Only persons working in domestic work or domestic care work are allowed to voluntarily participate in the statutory unemployment scheme (UWV 2015c).

The steady rise of self-employed persons over the past decade, growing from 11.8% of the employed labour force in 1996 to 16.5% in 2014 (CBS 2015), has generated debate about employee insurances including unemployment insurance, examining two main arguments. First, a portion of the self-employed are said to compete with employees on unfair grounds by avoiding the necessity to pay for employee insurance and thus being able to offer their services cheaply. Indeed, it was found that since mandatory public disability insurance for the self-employed was abolished in 2004, only some 36% of self-employed persons insured themselves against the risk of disability (Ministerie SZW 2014a). Second, the growing part of the workforce not insured against these risks are said to endanger the solidarity and thus sustainability of these employee insurance schemes.

Short time working schemes

In 2008, a STWS was introduced in response to the financial crisis, allowing employers, under strict circumstances, to decrease employees' working hours, for which employees were then compensated by means of unemployment benefits from the UWV. This usually meant the previous level of income was maintained. This scheme was replaced in 2009 by a scheme for Part-time Unemployment, which lasted until 2011. In this scheme the employer could, with consent from local employee representatives, shorten working hours by 20 to 50%, during which time employees would receive unemployment benefits. The scheme could be applied during a maximum of 15 months. The scheme was amended several times over the years, with a greater emphasis on continuing training and education during part-time unemployment in later versions of the scheme (Rietbergen and de Beer 2013, STAR n.d.). Although it was a state-led scheme, this scheme will be mentioned again later under occupational welfare, since it requires active involvement of employers and employee representatives.

A more limited STWS still exists today, which allows employers to apply for a short-time working permit with the Ministry of Social Affairs and Employment. As with the Part-time Unemployment scheme, this can only be done with the consent of local employee representatives and under strict

3. Private disability benefits made up only 0.1% or less of household incomes between 2001 and 2013, compared to around 2% for the public disability benefits and around 1% for public unemployment benefits (CBS 2014a).

circumstances. The wording of the scheme allows for a permit to make use of this scheme to be approved only under exceptional circumstances, e.g. in case of an epidemic, fire or flood (Ministerie SZW n.d.a). If it is granted, the employer must apply for unemployment benefits on behalf of all employees for whom the shortening of working hours is applicable. These benefits will be paid to the employer only after the period for which the permit was valid, which means that in most cases (depending on what is stipulated in the applicable collective bargaining agreement) the employer must continue to pay the entire salary for all employees during the period of shortened working hours (UWV 2015d).

A further STWS exists as part of collective bargaining agreements, and will be discussed in the chapter on OW in unemployment protection.

Active labour market policies

As described earlier in the section on the Dutch welfare state, ALMPs are often implemented in tandem with the distribution of benefits. In case of social assistance receipt, the municipality is responsible for the benefits recipient's activation or reintegration into the labour market, but registration occurs through the UWV. In case of unemployment or disability benefits, the UWV is responsible, and in case of continuing payment of salary during sickness, the employer is responsible. In all three cases however, the benefits recipient is also considered responsible and in the first two cases may be penalized in case of non-cooperation by cuts in benefits receipt. The activation measures themselves range from online assistance in job searching to job search training, help from a job coach and networking meetings. Any of the abovementioned parties may also choose to make use of private reintegration bureaus, which offer similar services.

A number of additional schemes exist at the national level which are not necessarily targeted at benefits recipients. One of these, the Sector Plans, was a result of a tripartite Social Pact which was concluded by the bipartite Labour Foundation and the government in April 2013. It is a scheme in which social partners at sectoral and/ or regional level make a proposal to the Ministry of Social Affairs and Employment for a set of ALMPs targeting the labour market within a given sector or region. If the proposal is accepted, at least half of the plan is financed by the social partners and the remaining part is financed out of the Sector Plan budget of the Ministry. A total budget of €600 million was made available by the State for this purpose, and the third wave of project proposals was made in 2015, after earlier waves in 2013 and 2014. The third wave also included an additional instrument, the so-called Bridge Unemployment Benefits (*Brug-WW*). This allows for persons in education and training relevant for a transition into work (either out of unemployment or out of previous employment which has become uncertain) to receive unemployment benefits instead of a salary during the time spent on education and training (Agentschap SZW 2015, Ministerie SZW n.d.b).

A number of ALMPs are targeted at specific groups. In 2013, a specific package of ALMPs targeting older workers was implemented under the name 'Action Plan 55+'. The package includes the organization of networking meetings and inspiration days for older unemployed persons, the provision of schooling vouchers, and lump-sum incentive fees for private employment agencies who succeed in placing an older unemployed person in work for at least 3, 6 or 12 months. In 2014, the target group of this package was enlarged to include unemployed persons above 50 years of age (Rijksoverheid 2014). Another target group is that of young disabled persons. Access to cash benefits for this group has become increasingly strict over the years, with an increased emphasis on participation in the labour market. Currently ALMPs targeted at this group include job searching support, job coaching once employment has been found, and education and training specifically aimed at young disabled persons offered by vocational education and training institutes in cooperation with the UWV (Rijksoverheid 2014, REA College Nederland 2015).

Finally, a range of labour cost subsidies exists aimed at encouraging employers to hire benefit recipients. These may take the form of a reduction of employee insurance and social security premiums, a so-called no-risk policy which exempts employers from the responsibility of continuing to pay an employee's salary during sickness, and even a trial period of up to two months during which an employee retains his or her benefits and the employer is exempted from all labour costs, including wage and non-wage labour costs. The target group differs per scheme, but most schemes target persons on disability benefits and older unemployed persons.

Recent changes

In the Social Pact of 2013 concluded by social partners and the government, it was agreed that the unemployment benefit system would be reformed. One of the most important changes is to gradually shorten the maximum period of benefits receipt from 38 months to 24 months, to be completed by July 2019. Importantly for the current research, social partners are encouraged to compensate for the shortening of this period by making arrangements for an additional 14 months of benefits in cbas, often referred to as 'the third year of unemployment benefits'. The shortening of the period of statutory benefits receipt is accomplished by slowing down the accrual of entitlemenst to benefits: over the first ten years under an employment contract, the accrual is one month of benefits per year; after that, the accrual is half a month per year under a contract, whereas previously the accrual continued to be a month a year. These changes came into force on January 1, 2016 (STAR 2013, Rijksoverheid 2015c).

The Social Pact also had consequences for employment protection and flexible labour. Since July 2015, all employees who lose their jobs after two years with an employer (whether it is due to dismissal or the ending of temporary contracts) have a right to a so-called transition fee amounting to one third of a monthly salary for every year in employment. Consecutive employment contracts are added up and count towards the two years as long as any intervals have a maximum duration of six months (Rijksoverheid 2015d).

2.2 Country's industrial relations

Industrial relations in the Netherlands can be classified as a social partnership model (Visser 2008), often also referred to as the poldermodel (Keune forthcoming). There is strong social dialogue at the national level between social partners on national policy issues and high collective bargaining coverage despite relatively low union density. The most important actors are the two largest trade union confederations FNV (Federation of Dutch Trade Unions; 1.1 million members) and CNV (National Federation of Christian Trade Unions; 350,000 members) alongside the employer organizations VNO-NCW (representing mostly large enterprises), MKB-Nederland (representing small and medium-sized enterprises), and AWVN (general employer organization providing specific support on social and labour relations issues with members among individual enterprises and branch organizations). Additionally, there is a wide range of sectoral employer organizations, professional trade unions in both private and public sectors (many of which are united in the federation VCP), a number of smaller intersectoral trade unions, and a few enterprise-level unions. Social partners are represented in a range of advisory bodies at national and sub-national level and manage pension funds and social funds set up by the social partners at sectoral level. Where social partners once had an important role in governing unemployment and disability benefits, this role was gradually diminished until it was taken over entirely by the State by 2012 (described in more detail in section 3.2.1).

There has been a strong tradition of bipartite and tripartite social dialogue at the national level since right after WW II, with participation by the most important trade unions and employer organizations. The tripartite Social Economic Council (SER) consists of representatives of the trade union confederations FNV, CNV and VCP, employer organizations VNO-NCW, MKB-Nederland and LTO-Nederland (the agricultural employers organization), and a number of independent 'crown members' appointed by the State based on their economic, financial, legal, or social expertise, in addition to representatives of the Dutch Central Bank and the Netherlands Bureau for Economic Policy Analysis (CPB). The SER's main function is to bring out advisory reports on social-economic issues either at the request of the government or on its own initiative. It is further involved in promoting and strengthening workplace representation in the form of works councils and monitoring mergers. Another body at the national level is the bipartite Labour Foundation (STAR), with representatives of the same social partners as found in the SER. It has important biannual meetings with the government on social and economic issues. These and other meetings may result in Social Pacts or covenants with the government or other interest groups. The most recent significant Social Pact was concluded in the spring of 2013, with measures addressing unemployment, employment protection legislation, labour market participation by disabled persons, unemployment benefits, flexible work, and pensions. The STAR is also involved in a number of initiatives to improve the functioning of the labour market in cooperation with other stakeholders such as local government and the Public Employment Agency (UWV).

Table 1.2: Industrial relations characteristics

	2000	***2007***	***2013***
Union density (% employees)	23%	20%	18%
Employer density (% employees covered, estimate)	70%	65%	70%
Collective bargaining coverage	81%	78%	82%
Main bargaining level	Sector		
Type of representation at enterprise level	Works councils		
Main union organisations	Federation of Dutch Trade Unions (FNV) Christian National Union (CNV) Trade union federation for Professionals (VCP)		
Main employers' organisations	Confederation of Netherlands Industry and Employers (VNO-NCW) MKB Nederland General Employers' Association (AWVN)		

Source: ICTWSS Database.

Collective bargaining coverage has been fairly stable at around 80-85% over the past few decades, whereas union density has steadily declined from 28% in 1995 to 18% in 2013 ([4]) (not counting persons above retirement age; CBS 2012, Van der Valk 2015). The high level of bargaining coverage is a result of two things. First, coverage is based on employer organization membership, which is high. Visser estimated in 2013 that 85% of employees work for employers which are members of an employer organization (de Beer 2013). Second, frequent use is made of the available extension mechanism which makes a sectoral cba legally binding for the entire sector, including non-organized employers. This, in its turn, also works to encourage employer organization membership, keeping it high. It also makes the sectoral level the most important level of collective bargaining. At this level, sectoral employer organizations usually bargain with the sectoral representatives of the two largest trade union confederations in the Netherlands, FNV and CNV, not infrequently alongside smaller unions (e.g. VCP and professional/occupational unions).

4. These figures do not include persons above retirement age, and the number of trade union members is divided by the total number of employees, excluding self-employed persons. Were they to be included, density would be 2 to 4 percentage points lower.

Since the Netherlands has no legal threshold for representativeness allowing trade unions to bargain, there also exist some cbas which are only negotiated by one of the smaller unions, regardless of its membership base in the sector or even its membership in total. Enterprise-level cbas exist as well, but most of those employees (over 90% in 2014, according to Van der Valk 2015) falling under a cba fall under a sectoral cba. In a sector covered by a sectoral cba, an employer wishing to negotiate an enterprise-level cba must ask permission from either the signatory parties of the cba or the Minister of Social Affairs and Employment.

3. Occupational welfare, general overview

Introduction

After the centralization of governance of employee social insurance schemes, non-statutory self-administered and self-regulated occupational welfare provided by social partners in the Netherlands was reduced to four main areas: mandatory second pillar pensions, branch or sectoral education and training funds, unemployment prevention and mobility plans, and topping up of benefits through collective agreements.

Origins of occupational welfare

Occupational benefits that evolved into statutory schemes

Occupational welfare and the trade union movement in the Netherlands have shared roots in the worker solidarity funds which developed during the second half of the nineteenth century for protection against unemployment and illness and paying for funerals. Unemployment funds were soon supported by the government, while trade unions continued to govern the funds (Rootlieb 2007). Workplace injury insurance was initiated in 1901 by the State in the first social security legislation to be established in the Netherlands. Initially no role was envisaged for employers and employees, but this was resisted by employers, who were then allowed to set up their own disability insurance bank alongside the National Insurance Bank (*Rijksverzekeringsbank*), the main insurance-provider and the predecessor of the Social Insurance Bank of today. The legislation was expanded to cover more branches and employers in 1921, and a governance model based on participation by employer and employee representatives as well as 'crown members' started to develop. Eventually, industrial sector-based enterprise associations (which also included employee representatives) governed a range of largely voluntary occupational welfare schemes insuring against risks of workplace injury, illness, disability, old age and unemployment, primarily financed by employers. Sickness pay was established in legislation in 1930 and unemployment insurance in 1952, both still governed by the enterprise associations. Sickness benefits were paid entirely by employers, while unemployment benefits were funded by employer and employee premiums. Disability insurance was established in legislation in 1967, whilst also remaining under social partner governance. Child benefits were also linked to employment until 1963 and continued to be co-managed by the enterprise associations until 1980 (de Swaan 1989: 217-20; SVB n.d.). Social partner governance of social insurance schemes remained extensive until dissatisfaction over how employee insurance had been managed by the social partners led to a negative report by a parliamentary committee in 1993; after this time, governance of employee insurance (including unemployment and disability schemes) was increasingly centralized into the hands of the State. At the same time, however, individual employers became more responsible for sickness pay and the implementation of active labour market policies (Rietbergen and de Beer 2013).

Occupational benefits that evolved into mandatory private schemes

The most important occupational benefits that remain today are the second pillar pensions which are organized along sectoral lines or at the enterprise-level. The first occupational pensions were initiated at the enterprise-level as early as 1887, though this was at the time highly exceptional. By 1938, however, about 8% of employees were covered by an enterprise-level pension fund. After WWII, pension arrangements were increasingly included in cbas, and in 1949 the Mandatory Participation in an Enterprise Pension Fund Act (*Wet betreffende Verplichte deelneming in een Bedrijfspensioenfonds*) was adopted. These second-pillar pension funds have since developed to include sectoral pension funds, professional pension funds and enterprise pension funds (van der Velden 2009, MN 2015, Ondernemersplein 2015).

Collectively bargained occupational benefits

In addition to the solidarity funds that evolved into statutory or mandatory private schemes, a whole range of solidarity funds and OW arrangements have existed, and still exist, addressing additional risks and benefits. Most of those that continue to exist today are either incorporated into cbas, or have their basis in a collective agreement specifically for the fund or arrangement, both cases occurring at both the sectoral and enterprise levels. The main reasons for such collectively bargained arrangements are to address sector or industry-specific risks and problems (e.g. work interruption due to weather in construction, risks at sea, lack of skilled personnel), in response to changes in legislation (e.g. to top up benefits in times of retrenchment), or in response to social problems (e.g. high unemployment, redundancies).

Importance and institutional traits

In all remaining forms of occupational benefits, collective bargaining plays an important role. Bargaining may take place in three forms. First, benefits may be negotiated in a regular sectoral or enterprise-level cba. This is often the case for additional benefits supplementing statutory schemes and in some cases also for certain pension provisions or early retirement schemes and employability and mobility arrangements. Second, a cba may be negotiated specifically for the purpose of a particular social fund. This is often the case for pension funds, education and training funds, early retirement funds (which are now more a thing of the past), and any other social funds. It is common for such negotiations to take place less frequently than the regular sectoral or enterprise-level cbas (once every five years for example, as opposed to every year or every other year). Third, collective bargaining may take place in the case of exceptional circumstances such as large-scale redundancies or reorganizations at the enterprise-level. In this case the result is not a cba but rather a social plan, stipulating what services or compensation may be offered for different groups of employees.

Both mandatory second pillar pension funds and sectoral education and training funds are widespread across sectors. Unemployment prevention and mobility plans, which are often negotiated in response to exceptional circumstances, have a more *ad hoc* nature, but have been especially important during and after the crisis. Between July 1, 2009 and December 1, 2010, 95 valid social plans were negotiated. 97% of these social plans included arrangements for financial benefits for employees losing their jobs or leaving voluntarily, and 98% of the social plans included mobility and job placement arrangements (Smits *et al.* 2011).

As for benefits topping up statutory benefits, a distinction can be made between unemployment, disability and sickness. Research conducted in 2014 found that 71 out of the 100 largest cbas (both sectoral and enterprise-level, together covering 85% of all employees covered by a cba and 73% of the active working population) had clauses providing for such benefits. 28 cbas had provisions for both unemployment and disability benefits and another 10 cbas for only unemployment benefits, all of which mostly at the sectoral level. 33 cbas had provisions only for disability benefits, of which roughly half were enterprise-level cbas (Cuelenaere *et al.* 2014).

4. In-depth description of occupational welfare in the field of pensions and unemployment

4.1 Occupational welfare in the pension field

4.1.1 Basic characteristics

Occupational pensions in the Netherlands are by far the most important example of occupational welfare in the Netherlands. They are largely run by employers and their organisations and the trade unions. Participation in occupational pension schemes is quasi-mandatory and around 90% of employees participate in these schemes. Not covered are mainly the self-employed and a small group of employees in smaller branches that do not have such a fund. There are three types of funds:

- Sector funds, covering the entire group of employees in a branch or sector. There were 74 sector funds active at the end of 2014. These funds cover the largest share of employees, amounting to 4,859,000 persons or 88.9% of all participants in all types of pension funds in 2015.
- Company pension funds covering an individual company or corporation. There were 274 company funds active at the end of 2014. These funds cover 556,000 persons or 10.2% of all participants in 2015.
- Occupational funds covering certain independent professions. There were 11 of these funds active by the end of 2014. These funds cover 51,000 persons or 1% of all participants in 2015.

The number of funds has declined rapidly, especially through mergers or by company funds joining sector funds: in 2007 there were still 96 sector funds, 604 company funds and 14 occupational funds. The government provides the legal framework for the occupational pension pillar, but within this framework the unions and employers negotiate the pension schemes through collective bargaining. Following the Act on the Obligatory Participation in an Occupational Pension Fund, upon the request of the social partners, a fund established by the social partners can be made mandatory for the entire sector by the Minister of Social Affairs and Employment, making it obligatory for all employees in the sector, much like the extension of collective agreements. They also make up the board of the pension funds that administer the assets of the schemes, supplemented in some cases by independent experts. Employers and employees pay contributions into the schemes, which are then invested in the financial markets. Pensions are paid from the returns on these investments and therefore depend to an important extent on the success of these investments and on the stability of the financial markets.

Unlike the state pension, occupational pensions are earnings-related: contributions amount to a percentage of the individual wage and pension payments are largely based on an individual's contributions to the system. Hence wage inequality is reflected in pension inequality. At the same time, occupational pensions are characterized by risk-sharing and solidarity. Contributions are the same percentage for all so that individual characteristics like age, gender or life expectancy do not play a role in determining pension contributions. Also, all participants in a fund share the risks related to the investment in the capital markets.

The Dutch pension system is aimed at providing an 'adequate pension' with a replacement rate of 70% when adding up the first and second pillar pensions (Weekers and Klijnsma 2013).

The replacement rate refers in a final-wage scheme (eindloonregeling) to the most recently earned wage, whereas in an average-wage scheme (middelloonregeling) it refers to the employee's average wage during all years in employment. Since all persons irrespective of employment status build up pensions in the first pillar, an initial amount of an employee's salary is exempted from pension premiums; premiums are paid only on that part of the salary on which it is necessary to pay premiums so that the replacement rate of 70% can be reached. The exempted amount of salary is called the 'franchise' which is subject to a legal minimum. The level of the franchise is set at the level of the pension fund. In the widespread sectoral pension funds, this normally means that the level of the franchise is determined by the social partners who negotiate cbas in that sector, since the pension fund usually covers the same sector as the cba. It is in many cases negotiated once in five years during the pension fund agreement negotiations, and is normally set to increase somewhat every year to match wage increases. Important factors influencing the level of the franchise include the level of the first pillar pension, the average income in a sector (i.e., the replacement rate already achieved by the first pillar pension), and the accrual rate. Generally speaking, a lower franchise benefits lower-wage employees in terms of pension rights accrual, because they build up pension rights based on a larger part of their wages.

The accrual rate, also collectively bargained but subject to a legal maximum, is determined mostly by life expectancy and the legal retirement age. A gradual increase of accrual rates was seen in most sectors until 2014, when they started to be gradually lowered in response to longer life expectancy and higher retirement age, based on the assumption that people would work for more years and contributions could be spread out over more years. The franchise normally follows the raising or lowering of accrual rates, to make the most out of the tax-exemption for contributions without exceeding the maximum amount of tax-exempted premium payments.

Tax regulations play an important role in determining pension contributions and entitlements. Pension contributions are, within certain limits, exempted from taxes until the pension age is reached. The limits set by tax regulations concern the amount of pension built up in a year, limited to 1.657% of the pension base ([5]) in the case of a final-wage scheme and to 1.875% of the pension base in the case of the average-wage scheme. Also, in defined contribution schemes the contribution cannot be above 70% of the average pension base after 40 years over the entire period. In addition, the state pension and the supplementary pension together can make up a maximum 100% of the wage. Above these limits taxes are due. Moreover, in a move to increase tax income, in 2015 a maximum limit was set for the wage on which pension entitlements are accrued tax-free. The limit was set at € 100,000.00 Euro and was raised to € 101,519.00 in 2016 (the 2015 amount was multiplied by the average wage increase percentage). Above this amount tax advantages do not apply. When the pension age is reached, state pension contributions no longer have to be paid. From that moment on taxes are due on the pension received but the tax rate is lower than that applying to pre-pension income. Also, the pension payments are exempt from capital gains taxes.

The finances of the pension funds

The Dutch pension funds have become among the largest funds in the entire world in the past decades. Their assets have been growing rapidly over time and have almost doubled in the past eight years (Figure 3.1). A clear dip can be observed in the growth of the pension assets in 2008-2009, the first years of the financial crisis. The total assets of the funds now amount to around 1.2 trillion Euro, substantially above the country's GDP. Some of the individual funds are indeed enormous and have become important players on the international financial markets. For example, in the second quarter of 2015, the largest funds, the ABP fund for government and education employees, had assets of 356 billion Euro, and the fund for the care and well-being sector had assets of 166 billion Euro.

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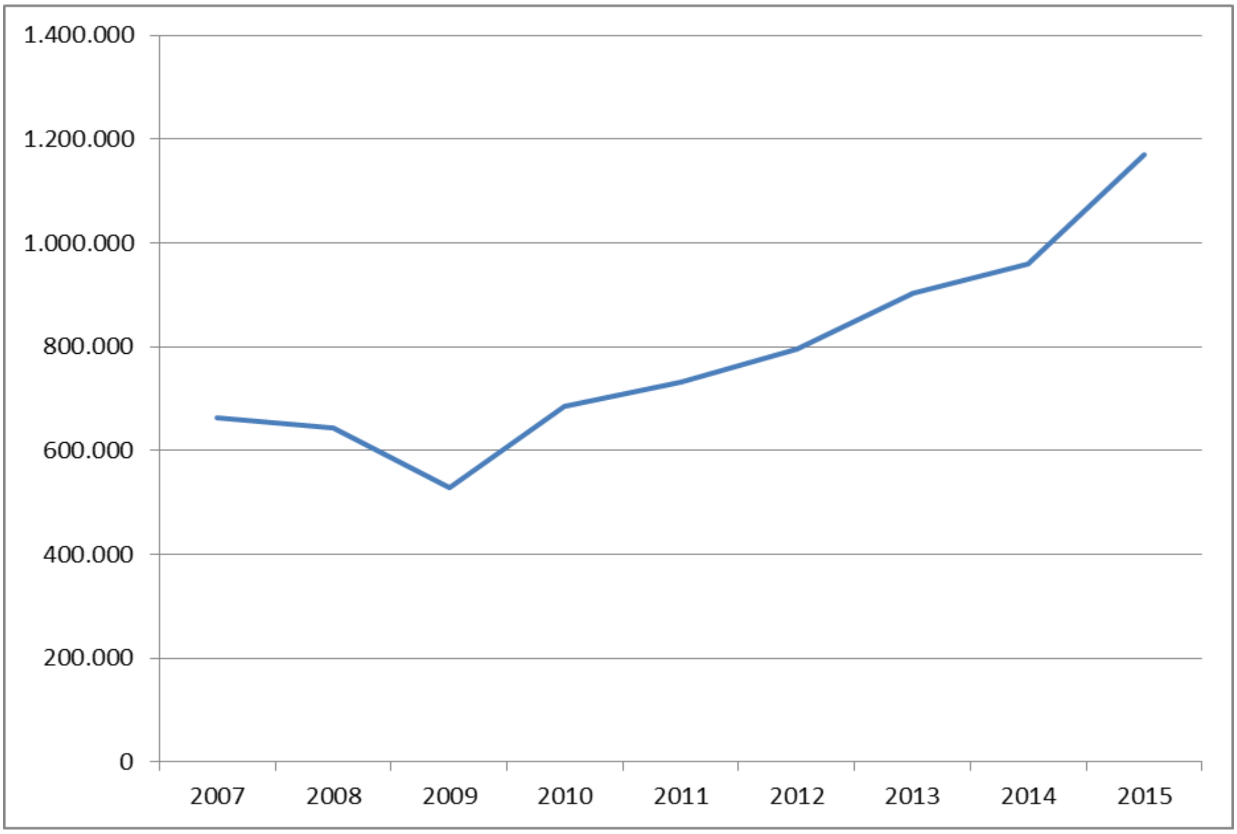
5. Pension base = wage minus franchise.

Figure 3.1: Invested assets, all pension funds 2007-2015 (Q1, millions Euro)



Source: DNB.

At the beginning of 2015, 73.2% of all assets corresponded to sector pension funds, up from 70.0 percent in 2007, before the start of the financial crisis (Table 3.1). Company funds amassed 24.2% of all assets, down from 28.0% in 2007, and occupational funds were responsible for 2.5%, down from 2.9% in 2007.

Three categories make up the lion's share of all investments. The most important category concerns fixed-rate bonds, responsible for over 53% of all assets in 2015 (Table 3.2). The second category is shares, covering 33%, and the third is real estate, covering 9%. With the turmoil on the financial markets and the fluctuations of real estate prices in recent years, the volatility of these assets and therefore the possible gains and losses are enormous.

Table 3.1: Invested assets by fund type (Q1, millions Euro and %)

	2007	*2015*	*2007*	*2015*
Company funds	185273	283214	27.95	24.19
Sector funds	464071	857133	70.01	73.20
Occupational funds	19445	28874	2.93	2.47
Total	**662887**	**1170872**	**100**	**100**

Source: DNB.

Table 3.2: Invested assets for risk, all pension funds 2007Q1-2015Q1 (mln Euro)

		2007Q1		*2015Q1*	
		Incl derivates	Excl derivates	Incl derivates	Excl Derivates
Real estate		75,101	75,112	107,897	107,897
Shares		255,640	254,748	388,642	389,579
Alternative investments				56,140	56,140
Fixed-rate bonds		296,585	290,716	621,294	720,331
Hedge funds		13,843	14,225	29,919	29,919
Commodities		3,411	13,965	2,692	2,234
Other investments		3,137	2,634	-35,711	-35,651
Currency overlay					-21,361
Total		**662,887**	**666,679**	**1,170,872**	**1,249,088**

Source: DNB.

In the 1990s, when the stock markets seemed to grow without limits, the pension funds started to increase their investments in shares. There seemed to be no limits to the growth rates which pension funds could achieve. The dot.com crisis of the early 2000s already undermined some of this confidence, and the financial crisis that started in 2008 has further diminished it. The financial crisis has underlined the vulnerability of the funds and highlighted the risks related to their portfolio management. In addition, the low interest rates that prevail in the Euro area have further affected the future value of the funds. As a result, many funds have seen the coverage rates of their (future) obligations decline. Each fund has a required coverage rate for its obligations, the level of which depends on the level of risk of their investments. The higher the risks in a fund's portfolio, the higher the required coverage rate. The DNB and the Financial Markets Authority (AFM) monitor the functioning of the funds and in particular the extent to which the funds' actual coverage rate is in line with the required coverage rate. Funds which do not manage to reach the required rate are forced to take action to reduce the difference between the actual and required coverage rates. Following the financial crisis and the consistently low interest rates in the Euro area, a number of funds are experiencing serious problems in this respect. Most importantly, the largest funds seem to have most trouble reaching the required rate (Table 3.3).

The weak financial position of these and other funds has resulted in demands by the DNB to strengthen coverage and reach the required rates. In the past years the funds were given three years to repair their financial situation, as a result of which a number of them failed to index pensions to inflation, or even reduced pensions or increased contributions. As of 2015 they have been given more time for their recovery plans, up to 12 years, and most funds expect to be in a sound position within 4-5 years.

Table 3.3: Actual and required coverage rates of the largest pension funds, 2015Q2

	Assets ('000 Euro)	***Actual coverage rate***	***Required coverage rate***
Metaal en Techniek	60,166,108	101.7%	121.9%
Metalektro	40,105,711	101.1%	122.6%
Zorg en Welzijn	166,217,657	102.2%	127.2%
ABP	356,149,000	101.3%	128.2%
Bouwnijverheid	48,389,645	114.1%	125.2%

Source: DNB.

Finally, the pension payments of the funds have also rapidly increased over time. In 2013, payments were 2.7 times higher than in 1997 and between 2009 and 2013 they grew by 15.5% (Table 3.4). As can be seen from the table, this growth stems almost entirely from the rise in old-age pension payments, which account for 77.2% of all pension payments in 2013. The only other substantial item in the table is the widower/widow pension accounting for 17.8%.

Table 3.4: Gross pension payments pension funds by type of pension, 1997-2013 (mln Euro)

	1997	***2001***	***2005***	***2009***	***2013***
Old age pension	6329	8238	11610	17044	20457
Invalidity pension	492	578	671	643	488
Widower/widow pension	2402	2919	3703	4300	4710
Orphan pension	29	35	43		
Other benefits	696	1021	1840	952	851
Total	**9948**	**12791**	**17867**	**22939**	**26506**

Source: CBS.

Pension entitlements and effective pension age

As for pension entitlements, table 3.5 shows the entitlements for the 15-64 population (11.1 million persons), specified by gender and origin. As for the state pension AOW, the accumulated pension entitlements and the entitlement claims that can be expected to be made eventually are almost equal for men and women but differ strongly between persons of Dutch origin or foreign origin, since the pension depends on residence. The replacement rates for men are however much lower than for women, because of the differences in income earned. For occupational pensions, the accumulated entitlements and those that will be reached eventually are much higher for men than for women, and for persons of Dutch origin than for persons of foreign origin. These differences are the result of a combination of factors, including different wages, hours worked and years worked. In terms of replacement rates, there is no difference between men and women from the same origin but a stark difference between the two groups with different origins. When we consider total entitlements to be reached, these are much higher for persons of Dutch origin than for persons of foreign origin of the same gender, and they are higher for men than for women of the same origin. The replacement rates, however, are much higher for women, especially since the AOW replacement rate is so much higher for women. Still, there are clear pension gaps, one between men and women and one between persons from different origins.

Table 3.5: Yearly pension entitlements per person by gender and origin, 15-64 age group, 2012

		No. persons	***AOW***			***Occupational pension***			***Sum AOW and occupational***		
			Built up	**To be reached**	**Replacement rate**	**Built up**	**To be reached**	**Replacement rate**	**Built up**	**To be reached**	**Replacement rate**
Gender	**Origin**		**euro**	**euro**	**%**	**euro**	**euro**	**%**	**euro**	**euro**	**%**
Men	**Autochthonous**	4402000	5300	11000	28	4600	12800	33	9900	23800	61
Men	**Foreign**	1170900	3700	10200	38	1600	4200	16	5300	14400	54
Women	**Autochthonous**	4286300	5400	10800	54	2300	6600	33	7700	17400	87
Women	**Foreign**	1221100	3700	10000	61	900	2500	15	4600	12500	76

Source: *CBS.*

The average age at which persons retired was 64.1 in 2014, having already increased for eight years in a row according to the CBS. In 2007, the average effective pension age was 61. The share of persons retiring after 65 has been increasing steadily to just over 50% in 2014. As for the various sectors, the effective pension age is lowest in public administration, the financial sector and construction, and highest in agriculture and fishery, culture and other services, and hotels and restaurants. Still, as a result of the ageing of the population, the number of pensioners has also been rising, from 2.4 million in 2000 to 3.1 million in 2014, or from 15.2 to 18.4% of the population.

4.1.2 Reform debates

The rising number of pensioners and the financial difficulties faced by the occupational pension funds since 2008 have reduced the level of trust in the pension system and have prompted a broad pension debate in the Netherlands. In 2010, in line with Dutch neo-corporatist traditions, the social partners and the government agreed on a social pact on pension reform. The pact was however rejected by the largest member unions of the FNV, the main union confederation at that time, leading eventually to the breakup and subsequent re-establishment of the reformed FNV. The political initiative then moved to the government. Key in the reforms has been the decision to gradually raise the pension age to 67 and subsequently make it dependent on life expectancy. Increasing the retirement age is supposed to reduce pension claims and increase the contributory periods as people are expected to work longer. Also, tax incentives and accrual rates have been reduced, making it necessary to work more years for the same pension (De Deken forthcoming). In addition, there is a lively debate concerning the question of whether equal treatment of members of the same pension fund should be maintained or abandoned (ibid.).

Already since early 2003, there has been a gradual movement away from defined benefit systems and the introduction of more and more defined contribution elements. Indeed, the actors in the system increasingly accept that it is difficult to define benefits because of the volatility of the financial markets that play such an important role in occupational pensions. The dot.com crisis of the early 2000s was the first moment when the uncertainty of pension fund investments came clearly to the fore. The financial crisis starting in 2008 further cemented this view. Also, there seems to be a consensus that pension contributions cannot be raised further because of the negative effects on the wage sum and hence employment. In addition, employers do not feel obliged to fill the gaps in the system with their contributions, even though in the past, when the system was well-funded, a number of employers extracted large sums of money from the pension funds (van der Zwan forthcoming). Another peculiar feature of the debate is that the dependence on the unruly financial markets is rarely questioned. There seems to be a widespread expectation that the good times of the stock markets of the 1990s will return. The option to reduce the dependency of the system on the financial markets is not up for discussion, even though after two crises it is clear that their unpredictability has serious consequences for the occupational pension funds.

The current State Secretary for Social Affairs and Employment has endorsed a plan to move from universal premium levels to premium levels differentiated by age (Klijnsma 2015). The idea is for younger persons to pay higher premiums and gradually lower the premiums over the course of working life, because longer-term investments are expected to bear higher yields. However, as one trade unionist pointed out in an interview, considering the increase of erratic employment histories for younger persons at the beginning of their career, including frequent change of employer, career breaks and bouts of agency work, it may result in practice impossible for younger persons to build up sufficient pensions over the course of their career, because of their erratic employment history during the time when they were supposed to build up a relatively larger share of their pensions, while when they finally enter stable employment, they will accumulate less because the premiums are lower. Women are especially likely to suffer from such a reform. Some trade unionists have also argued for an increase in the weight of the state pension in the pension mix to improve the pension entitlements of the lowest earners and most vulnerable segments of society.

4.1.3 Sector comparison

General sector comparison

Since no comparative data are collected at the national level on coverage, replacement rates, etc. on a sectoral basis, it is important to describe here what to look for when comparing sectors. Beginning with coverage, since all employees in a sector with a sectoral pension fund are mandatorily covered by the sectoral pension fund, in principle there is 100% coverage in those sectors. However, temporary agency workers, self-employed persons and persons otherwise not directly employed by an employer bound to the cba are not covered by the pension fund. Coverage in the sector therefore depends to a large extent on the share of flexible employment (not counting fixed-term contracts with an employer in the sector, since these employees are covered). The table below shows, for the main sectors, the share of workers with work or contract types that do not fall under sectoral pension funds, where these exist (which is the case for most sectors). These work and contract types are self-employment, different forms of temporary agency work ([6]), and loaning out of employees to other companies.

The sectors with the highest share of workers not covered by second pillar pensions are also the sectors with the largest share of self-employed persons. The steady rise of self-employed persons without personnel in the Netherlands therefore seems to contribute significantly to the diminishing coverage of second pillar pensions. It is a trend that started in the late nineties and has intensified since the beginning of the new millennium (Kösters 2009, CBS 2014b) and continues to be the subject of debate. Where such debate concerns the sustainability and solidarity of generous second pillar pensions, this appears from these figures to be justified. If we exclude self-employed

6. Although temporary agency workers fall under an occupational pension fund specific to the temporary agency work branch, they are counted in this table under the last column, because they do not fall under the sectoral pension fund of the sector they are working in.

persons, it is the Trade, Transportation, Accommodation and Food Service Activities sector which has the most employees not covered by second pillar pension funds, followed by Real Estate Activities and Agriculture, Forestry and Fishery. For the first sector this is not surprising, considering the high numbers of young people in this sector and the high incidence of seasonal work, which also applies to the Agricultural sector.

The Industry and Energy sector has relatively few workers not covered by second pillar pensions, followed closely by Public Services, Public Administration and Healthcare. These are also the sectors with the smallest shares of self-employed persons. Both sectors can be considered traditional, with long histories of strong employee organization. Industry was also described in a study on flexible forms of employment as a sector with low shares of flexible workers (including self-employed workers, indirectly employed employees, and employees on fixed-term or variable hour-contracts) and a relatively large number of companies that made no use of flexible employment at all (Goudswaard *et al.* 2014). As we shall see later, however, this differs highly from employer to employer.

The next element of comparison is the franchise, which is that part of annual wages exempted from occupational pension rights accrual, determined by the social partners negotiating the pension fund agreement. Below is a table comparing the franchise in 2015 for the largest sectoral pension funds. What immediately stands out is that both the automotive (which falls under the 'large metal' and partly under the 'small metal' sectors) and supermarket sectors have a relatively high franchise. As mentioned earlier, a lower franchise benefits lower-wage employees because it means they build up pension rights on a larger part of their wages. Since average wages are by no means expected to be much higher than in the other sectors found in the table, this has negative consequences for low-wage workers in the case study sectors. This will be particularly noticeable in the low wage supermarket sector.

As for types of pension schemes, a sectoral comparison is not very useful, since roughly 94% of participants in sectoral pension funds and 67% of participants in enterprise-level pension funds are covered by DB average-wage schemes ([7]). Of the enterprise-level pension funds, an additional 7% of participants are covered by a combined DB average-wage and DB final-wage scheme (DNB 2015a). Only 5.5% of participants in sectoral pension funds and 14.2% of participants in enterprise-level pension funds are covered by a DC scheme.

7. Figures for 2015.

Table 3.6: Share of work and contract types per sector (%)

	Contract types covered by second pillar pension fund in the sector*		***Work and contract types not covered by second pillar pension fund***		
Sector	**Workers with permanent contract**	**Workers with fixed-term contract or permanent contract without fixed hours**	**Self-employed**	**Workers without a direct contract with a company in the sector**	**Total not covered by second pillar pension fund**
Agriculture, Forestry and Fishing	27	9	53	11	64
Industry and Energy	77	10	6	7	13
Construction	56	8	31	5	36
Trade, Transportation, Accommodation and Food Service Activities	56	17	13	14	27
Information and Communication	62	12	23	3	26
Financial and Insurance Activities	74	7	14	5	19
Real Estate Activities	61	12	15	12	27
Business Services	51	14	28	7	35
Public Services, Public Administration and Healthcare	76	10	8	6	14
Arts, Entertainment, Recreation and Other Service Activities	43	12	37	8	45

* The figures in this table do not show the actual share of workers covered by second pillar pension funds. The description 'Covered by second pillar pension funds' merely indicates that the types of contracts found in these columns give a right to participation in the second pillar pension fund, where such a fund exists in the sector, occupation, or organization. These numbers are therefore a mere indication of second pillar pension coverage, though a fairly accurate one, considering how widespread second pillar pensions are in the Netherlands. The last column more accurately reflects non-coverage, because these numbers represent workers who by definition do not fall under the second pillar pensions, whether these exist or not.
Source: *Enquête Beroepsbevolking (Labour Force Survey) 2013, found on www.flexbarometer.nl; own calculations*

Table 3.7: Franchise for 2015 for the largest sectoral pension funds

Largest pension funds by number of participants (sector)*	**Franchise**
PFZW (social and healthcare)	€ 11,675
ABP (public sector and education)	€ 12,650
PMT (metal and technology or 'small metal')	€ 15,304
Pensioenfonds Horeca and Catering (accommodation and food services)	€ 10,095
Pensioenfonds Detailhandel (retail)	€ 12,564
Pensioenfonds Vervoer (professional road transport)	€ 11,395 (freight transportation and cranes) € 12,206 (taxi) € 11,395 (private bus transportation)
PME (metalektro or 'large metal')	€ 15,304
Bpfbouw (construction)	€ 12,642
PWRI (sheltered employment)	€ 11,006
BPL (agriculture)	€ 13,199
Stichting Bedrijfstakpensioenfonds Levensmiddelenbedrijf (supermarkets and supermarket distribution centers)	€ 14,968

* In this overview two pension funds are not included, even though they would qualify based on the number of participants. These are StiPP (temporary agency workers) and BPF Schoonmaak (cleaning and window cleaning). They have been excluded because the franchises of these pension funds are set on an hourly basis instead of an annual basis, causing problems for comparability. Also, the relatively short duration in the sector of most of StiPP's participants would seem to inflate its importance in terms of number of participants.
Source: *www.dnb.nl 'Gegevens individuele pensioenfondsen (Details individual pension funds)' and the relevant pension fund agreements*

Basic description of the sectors in this study

Two sectors are compared in this report: the automotive sector and the supermarket sector, which functions as a proxy for the retail and trade sector. The automotive sector falls under the metal industry sector, a traditional sector in terms of industrial relations. It falls under the 'metalektro (metal and electro technical)' cba (also known as 'large metal'), negotiated by one major employer organization, the two largest trade union confederations, and two smaller intersectoral unions. The cba has been consistently extended to cover the entire sector, covering some 150,000 employees in total. Despite traditionally strong industrial relations, the metalektro branch saw more industrial unrest than common for the Netherlands between May 2015 and March 2016 due to difficult negotiations for a new cba. Negotiations stalled several times and the relatively strong trade unions in the sector, with relatively high and well-organised membership, organised a series of strikes to support their claims. An agreement was finally reached in March 2016. Arrangements for occupational pensions are negotiated separately by the same parties in the Pensioenfonds voor de

Metalektro (pension fund for the metalektro, PME), but participation in the pension fund is made mandatory in the cba. Since cba coverage is high, so is the pension fund coverage. The metalektro sector is a strongly male-dominated sector with a high average age of 47. Of the 150,000 persons covered by the metalektro cba, some 7,500 persons work in the automotive sector (interview). They work for some 150 firms producing passenger cars, vans, trucks, other motorized vehicles and engines (CBS). The most important car producer is VDL Nedcar, employing at one point 2,350 persons (VDL Nedcar n.d.).

The supermarket branch was chosen because it is the largest branch within retail and trade with a valid sectoral collective agreement, employing 37% of employees in retail in 2011, amounting to some 243,300 employees. The distribution between men and women is about 50/50 (UWV 2013). The average age is very low, to a great extent due to the low statutory youth minimum wage which covers persons from 15 to 23 years of age and gradually increases with age. In practice, employers prefer employees up to 19 years of age (interview trade unionist). Because of the low age of the employees and the fact that actual wages are close to the (youth) minimum wage, it can be characterised as a low wage sector where low wages are used as a competitive strategy. Employees are basically covered by two cbas: one for the large supermarket chains and one for small independent entrepreneurs and franchisees. Both are negotiated simultaneously and differ only in the early retirement and pension clauses (FNV n.d.). Only three additional enterprise-level cbas exist; two covering the distribution and logistics personnel of Albert Heijn and Jumbo, respectively, and one for Albert Heijn store management. The current report is based on the two larger cbas. The most recent negotiations for these were also strained, finally resulting in an agreement signed only by the second-largest trade union confederation in the Netherlands, CNV. The largest union confederation FNV did not sign the agreement because it did not see enough positive elements in the agreement for the workers in the sector. It lacked, however, the power to impose a more advantageous agreement, indicating the relative weakness of unions in this sector.

Occupational pensions in the automotive industry

All employees in the metalektro branch, and therefore also the automotive industry, are obliged to belong to the occupational pension fund PME. The PME is the fifth largest pension fund in the Netherlands. It is a DB 'average income scheme' (middelloonregeling), intended to provide, together with the general old age pension, about 70% of the average earned income over an employee's entire working life. However, in times of bad performance of the financial markets or if risk management requirements are increased, benefits may be lowered for all members. This has repeatedly happened since the economic crisis in 2008. The DNB has significantly increased requirements for pension funds' reserves, resulting in downward pressure on benefits despite enormous reserves. Since the crisis, one union official notes, the DNB has significantly increased its influence over pension fund management and tightened requirements. An additional problem for this pension fund is the high average age of workers in this sector. Currently the fund has some 147,000 active participants and 167,000 pensioners receiving benefits. With the sector's difficulties to attract younger workers, this unfavourable ratio is expected to increase further.

The franchise of this pension fund has long been high compared to the franchises in other sectors. In 2015 it was set at €15,304 (67% of the Dutch average annual income in 2015). This is especially disadvantageous for lower-income employees, because the amount on which they accrue occupational pension rights thereby becomes almost negligible. In 2015, however, the bargaining parties agreed to gradually decrease the franchise over the years 2015 to 2019 instead of increasing it, which is common in other sectors. In 2019 the franchise is to be set at €14,554.

In the metalektro sector in general, the share of flexible employment is fairly low by Dutch standards, at some 17%. A small share of this 17% consists of employees on temporary contracts directly hired by employers bound to the cba, who do fall under the pension fund. Therefore, some 10 to 15% of persons working in the metalektro sector can be said not to be covered by the sector's pension fund. Looking more closely at the automotive sector, however, the share of flexible employment is likely to be higher because the main car-producer, accounting for about one third of employment in the automotive branch, employs about half of its workers on a flexible basis. Although a pension fund specifically for temporary agency workers (irrespective of the sector they work in) does exist, no rights are built up during the first 26 weeks of employment with the temp agency, only modest rights are built up between 26 and 78 weeks of employment, and even after 78 weeks the generosity of the fund is much lower than other sectoral pension funds, including the metalektro fund.

Occupational pensions in the supermarket branch

The pension fund for supermarkets, BPFL, is the twelfth largest pension fund in terms of number of participants. It is a DB scheme, although it is no longer a 'final income scheme' (eindloonregeling) as it was before, which gave the right to a certain percentage of the final earned income. Instead, every year that the employee participates in the pension fund the employee builds up the right to a certain percentage of the pension base. In the supermarket branch the percentage for 2015 was set by the fund's governing board at 1.616%, slightly beneath the maximum percentage of pension premiums that can be paid without paying taxes on them.

The franchise of the supermarket pension fund was set in 2015 at €14,968. However, since this franchise is based on the minimum wage for adults of 23 years of age and older and the majority of supermarket employees earn the lower youth minimum wages, many employees do not reach this threshold, which means they do not accrue pension rights. Moreover, in the supermarket branch, employees only build up pensions from the age of 21. Since 70 to 80% of employees are under 21 years of age, the coverage of this pension fund is extremely low, at some 20 to 30%. Low coverage also has to do with the high proportion of temporary agency workers in distribution centres, who do not fall under the sectoral pension fund. Low coverage in this sector is further demonstrated by the fact that the fund only has 81,000 active participants out of over 240,000 employees in the sector. Furthermore, the branch has a high proportion of so-called 'short parttimers', referring to persons with small contracts (less than 12 hours a week) and who are employed for only a few years. For them, even if they are over 21 years of age, rights accrual is limited because it is built up in proportion to the size of the contract. Many of these persons are women, who are moreover more likely to experience interruptions in employment than men, resulting in a pensions disadvantage.

4.2 Occupational welfare in the unemployment protection field

Compared to occupational pensions, OW in the unemployment protection field is much more limited. The most important forms of OW in the unemployment protection field are collectively bargained benefits topping up statutory schemes, STWSs (or part-time unemployment schemes, as they are called in the Netherlands) and *ad hoc* arrangements such as enterprise-level social plans in case of large-scale redundancies or sector-level programmes addressing mobility and lifelong learning. Of these, most attention will be paid to the first form.

4.2.1 Origin and evolution of occupational unemployment benefits

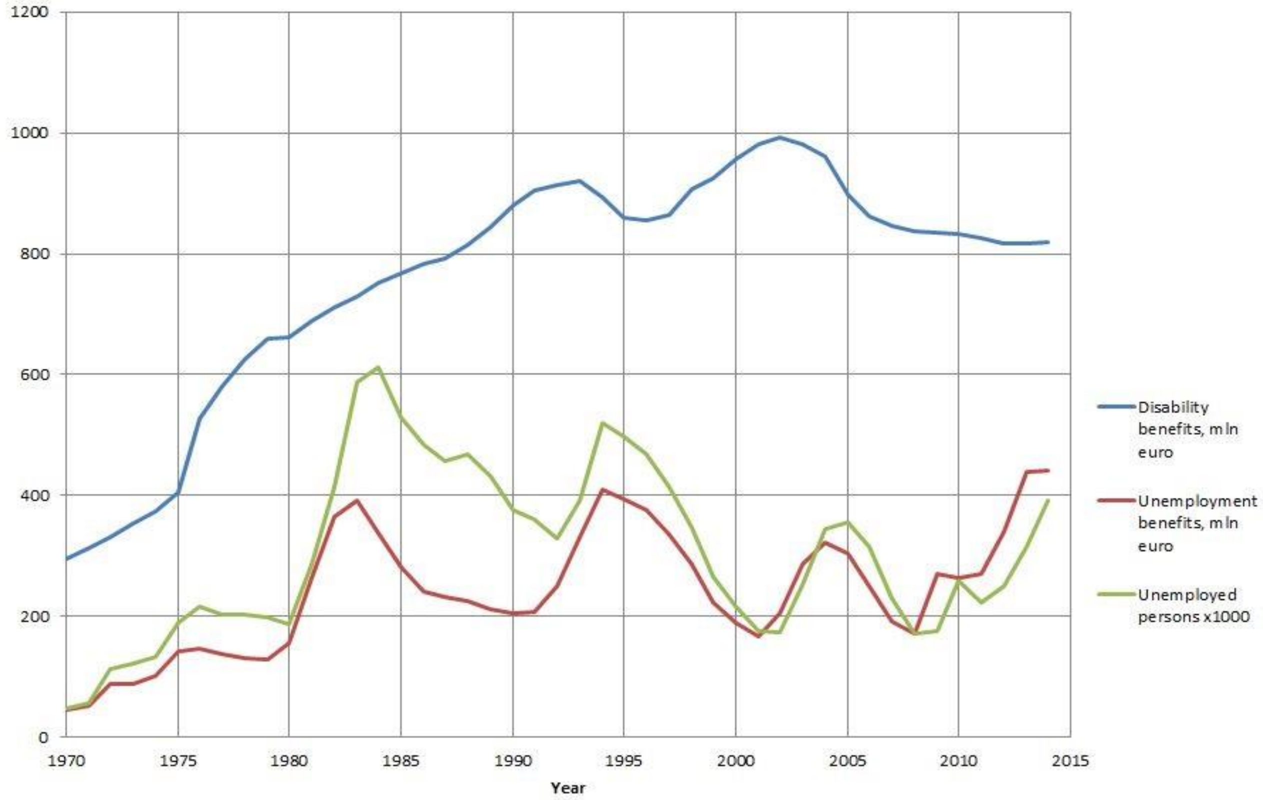
Origin of unemployment benefits: purely occupational

The first unemployment insurance funds were trade union solidarity funds developed in the late nineteenth and early twentieth century. There were early calls for the government to contribute, and in response to high unemployment during WW I, it did. Existing funds were supplemented by government subsidies administered by municipalities, and where funds did not exist they were set up by municipalities. The trade unions continued to govern and administer the funds (Rootlieb 2007, de Swaan 1989. In 1952 employee insurance, including unemployment and disability insurance, was legally established in the Social Insurance Organization Act (Organisatiewet Sociale Verzekeringen). Although the level and duration of benefits as well as conditions for eligibility were largely established by the State, further governance and implementation were put nearly entirely in the hands of the enterprise associations. These were organized by sector, had mandatory employer membership, and bipartite boards (Goudswaard 2001: 2, van Gestel *et al.* 2009: 47). Unemployment insurance was set up to consist of two funds. The initial period (up to a few months) of an individual's unemployment was covered by a sectoral fund, financed by employers and employees and governed and implemented by the enterprise associations. After the initial period, benefits were paid out of the General Unemployment Fund, which was financed by the State, employers and employees and was governed by a tripartite board. The General Unemployment Fund had only a limited supervisory role over the sectoral funds. Replacement rates for unemployment benefits varied from 60% to 80% depending on the position within the family, 80% counting for both male and female breadwinners. Public employees and domestic workers were exempted from this scheme. Social security for public employees was organized separately in the Public Employee Act (Stichting van den Arbeid 1952; de Swaan 1989).

The 'WAO-debacle'

Rapid post-war industrialization and consistently high employment levels kept replacement rates of the unemployment scheme high for several decades. In the mid-1980s, however, replacement rates were lowered from 80% to 70% of the most recently earned wages in response to the economic downturn, increased calls on the funds, and fear that the level of generosity was no longer financially sustainable (Tros 2000, de Swaan 1989. By the end of the '80s the cause of this growth was sought in how employee insurance schemes were being governed and administered, which had not substantially changed since the '50s when they were put into the social partners' hands. At the request of Parliament, an investigation into the matter was completed in 1993 by the Buurmeijer commission, which concluded that there was too little control on the implementation of benefits administration, too little attention paid to the reintegration of disabled persons into the labour market, and that social partners were too lenient in conferring disability benefits on persons becoming unemployed, because disability benefits were higher than unemployment benefits. This was seen as an easy way out of large-scale redundancies while maintaining industrial peace (Goudswaard 2001). This observed failure of the social partners to effectively manage employee insurance became known as the 'WAO-debacle', in which WAO stands for the Wet op de Arbeidsongeschiktheidsverzekering, the Disability Insurance Act.

Figure 3.2: Registered unemployment and public expenditure on disability and unemployment benefits, 1970-2014.



Source: CBS.

Reforms following the report: from occupational to statutory

Following the report, Parliament decided that employee insurance would be supervised by an independent body, social partners would no longer be allowed to make judgements about eligibility for disability benefits, implementation of employee benefits should be done on a regional instead of sectoral basis, and there should be one contact point for both distributing benefits and offering employment services. Thus from 1995 onwards, governance and implementation of unemployment benefits were increasingly centralized into the hands of the State. First, governance and implementation of the funds were separated. The enterprise associations continued to be responsible for the funds, but the implementation was in the hands of independent bodies approved by the minister of social affairs and employment. In practice, most of the enterprise associations had already delegated the implementation of the funds to a Joint Administrative Office (GAK) or their own administrative offices, which continued to carry out their tasks but were legally and organizationally separate from the enterprise associations. The enterprise associations were abolished in 1997 and replaced in their governance and advisory roles by the newly set up National Social Insurance Institute (Lisv), a public body at the national level with a tripartite board.

The social partners were further allowed to set up sectoral councils to advise the Lisv (Goudswaard 2001).

In 2002, all the administrative offices and the Lisv were merged to form the new Public Employment Agency (UWV), responsible for the governance and implementation of unemployment and disability benefits. Implementation was organized at the regional and local level, where the UWV was to work together with the local centres for work and income (CWI), responsible for job placement services for benefits recipients. In the same year social partner influence was minimized to a place on the national advisory Council for Work and Income (RWI), which was to advise the State on social and labour market policy. In effect, unemployment benefits thereby ceased to fall under OW as it is understood in this study. In 2012 even the RWI was dissolved and the UWV took over its advisory functions without participation by the social partners, thus ending formal influence of the social partners in the area of unemployment insurance entirely. Their only continuing role in this area is policy consultation at the national level in the bipartite Labour Foundation and tripartite Social Economic Council (Tros 2000, Rietbergen and de Beer 2013, UWV 2015).

Remaining room for OW in unemployment protection

In April 2013, twenty years after the Buurmeijer report, the social partners in the Labour Foundation concluded a Social Pact with the government in which some space is carved out for the social partners again in unemployment protection. They argue for further integration of unemployment insurance with unemployment prevention and employment services and decentralization of these services to the regional level, and claim for themselves an important role in implementation. More specifically, it is stated that from 2020 onwards, the social partners will be responsible for policy concerning unemployment prevention and employment services for the unemployed. In response to this Social Pact, the Social Economic Council (SER) brought out an advisory report on the role of the social partners in the governance of unemployment benefits. The main recommendations are to reinstate a strong advisory role for the social partners at the national level, determining premiums and formulating and initiating ALMPs at the sectoral level, and working more closely with the UWV and municipalities in regional employment service centres (SER 2015). The government has stated in a reaction that it will implement most of the SER's recommendations, significantly expanding co-determination by the social partners of unemployment policy. It does not agree, however, to the use of the UWV for payments of occupational unemployment benefits topping up statutory benefits yet to be negotiated in cbas. Nonetheless, the government has welcomed greater input by the social partners and has offered its support, as well as the UWV's, in improving unemployment prevention and protection (Asscher 2015).

Even though the basic unemployment benefits came to fall under a statutory scheme, this does not mean social partners are no longer involved in any form of unemployment benefits. At both the sectoral and enterprise-level, social partners continued to bargain for additional benefits to top up the mandatory benefits to increase the replacement rate of unemployment benefits, uphold holiday pay, or continue pension rights accrual during unemployment. Short-time working schemes are another form of OW that have become a structural part of cbas. Finally, employability and job mobility schemes are negotiated by the social partners in a number of contexts, most importantly in cases of large-scale redundancies and in response to State initiatives. These forms of OW will be discussed in the following paragraphs.

4.2.2 Collectively bargained topping up of statutory benefits

Rationale, funding and institutional traits

Occupational unemployment benefits topping up statutory schemes have been negotiated by the social partners since at least the ’80s, and very likely earlier. Such arrangements were negotiated for example in response to changes in legislation lowering replacement rates or duration of benefits receipt. This was seen for example when replacement rates of statutory unemployment schemes were lowered from 80% to 70% in 1985. Where in 1984 there had existed 57 arrangements spread over 49 out of 97 investigated cbas, by 1989 there were 97 arrangements found in 68 out of 104 investigated cbas ([8]) (DCA 1991). Additional unemployment benefits were also often negotiated in public and semi-public sector cbas following the overhaul of the public sector unemployment scheme in 2001, when it was reconfigured to be more in line with the private sector scheme, which had less favourable conditions (Rietbergen and de Beer 2013). Such additional benefits are generally funded by employer premiums which are paid into a social fund governed in most cases by a bipartite board and in some cases administered by a commercial pension or insurance provider (Wilms *et al.* 2013).

More recently, in the latest Social Pact of 2013, it was agreed that social security should be reorganized in such a way that ‘the responsibilities for problems … come to lie with those who benefit from the solutions’ (STAR 2013: 3). In practice this has meant restricting access to unemployment benefits by limiting the build-up of the right to unemployment benefits and gradually decreasing the maximum duration of unemployment benefits receipt from 38 months to two years. The social partners at sectoral and enterprise-levels are called upon to collectively bargain for arrangements topping up the unemployment benefits to the previous duration (Asscher and Klijnsma 2013a). The government promised such agreements in sectoral cbas would be

8. These numbers are based on the annual evaluation by the Ministry of Social Affairs of the content of the *circa* 100 largest cbas, covering sectoral cbas covering at least 5,000 employees and enterprise-level cbas covering at least 3,000 employees.

extended to the entire sector, and further determined that this third year of benefits would be implemented by private contractors, e.g. private pension funds (Asscher and Klijnsma 2013b, Asscher 2015). There is no guarantee, however, that social partners will actually agree on such arrangements. In the metalektro sector for example, the unwillingness of the employers to negotiate additional benefits was one of the reasons for the recent stalling of cba negotiations (CNV Vakmensen 2015), although union officials interviewed for this report did not identify it as the main reason. On the other hand, 22 out of the 50 largest cbas for which preliminary agreements were reached during 2014 mentioned the change in legislation and stated that the social partners would investigate the possibilities of repairing the lost third year of benefits (Ministerie SZW 2015). One of these is the cba for the supermarkets, for which a preliminary agreement was reached recently. It states that 'parties will investigate the desirability of repairing the duration and the rate at which rights are accumulated for unemployment benefits,' in which 'repairing' refers to the decrease in duration and rate of rights accrual instated by the recent changes in legislation (Onderhandelingsakkoord supermarkten 2015). This, however, is still no guarantee that the repair will take place.

Importance, access and benefits

The department under the Ministry of Social Affairs and Employment responsible for the registration of cbas conducts research annually on the content of the *circa* 100 largest sectoral and enterprise-level cbas. The sample includes both private and public employers, and both large and small and medium-sized enterprises (the latter falling under the sectoral cbas) ([9]). Since 2012, one of the issues evaluated in the annual research is the presence of collectively bargained additional unemployment benefits (Ministerie SZW 2013, Ministerie SZW 2014, Ministerie SZW 2015). On two occasions (in 1991 and 2013) additional research was conducted specifically on additional social security benefits (DCA 1991, Wilms *et al.* 2013). The findings presented in this section are based primarily on this research, of which some meta-data are presented in the table below.

9. The cba's investigated in 1984 and 1989 include sectoral cba's covering at least 5,000 employees and enterprise-level cba's covering at least 3,000 employees. In later years the sectoral cba's cover at least 10,000 employees. These numbers were lowered to 8,000 and 2,500, respectively, in 2014.

Table 3.8: Data on cba research by Ministry of Social Affairs and Employment

Year	*Number of investigated cbas*	*Number of employees covered by investigated cbas*	*Employees covered by investigated cbas as a percentage of all employees falling under a cba*	*Employees covered by investigated cbas as a percentage of active working population*
1984	97	2,467,400	87%	52%
1989	104	2,655,700	82%	48%
2012	100	5,400,000	86%	65%
2013	100	5,100,000	86%	62%
2014	100	5,000,000	85%	73%

Source: Ministry of Social Affairs and Employment and CBS, own calculations

As mentioned earlier, it was found in 1991 that 49 out of 97 investigated cbas arranged for additional unemployment benefits, covering 55.4% of the employees falling under the investigated cbas. In 1989 the number had risen to 68 out of 104, covering 68.4% of employees under the investigated cbas. Arrangements were nearly always related to previously earned wages and included both topping up of monthly benefits up to 100% of previously earned wages and wage-related lump-sum payments. Access to benefits generally followed the eligibility criteria of the statutory unemployment scheme, which were tightened in 1985 by making the duration of benefits receipt dependent on the individual's employment history. The increase in arrangements topping up unemployment benefits, compensating for the decrease in replacement rates of the statutory scheme since 1985, did therefore not make up for the tightened eligibility criteria. Furthermore, many arrangements favoured older workers over younger ones by increasing the duration and/ or level of benefits with age.

For 1989 it is possible to make some distinctions between sectors. Almost no arrangements for topping up benefits are found in the private services sector, wholesale trade, and retail, except for two enterprise-level cbas in retail. Arrangements were more prevalent in the food, graphic and metal industries, construction and the semi-public sector (healthcare, public transport, etc.). In the latter, arrangements were often explicitly linked to situations of redundancy. Additionally, agriculture, construction, and several branches of industry (e.g. textiles, metal) topped up benefits during temporary short-term unemployment due to exceptional circumstances (e.g. weather).

By 2012, the number of cbas with arrangements for additional unemployment benefits had decreased to 41 out of 100 investigated cbas, covering 52% of the employees under the investigated cbas. It dropped further to 39 out of 100 in 2013, covering 57% of the employees. The number increased again to 54 in 2014, still covering 57% of the employees under the investigated cbas. If only the benefits topping up the statutory scheme are counted (leaving out the arrangements for temporary short-term unemployment due to exceptional circumstances), the coverage is 46% of employees in 2013 and 47% in 2014. Eligibility for these benefits still generally follows the statutory scheme and in the majority of cases the duration is also the same as the statutory scheme, although older workers are still favoured, with longer durations of benefits receipt in roughly half of the observed arrangements. The level of benefits tend to top up the statutory schemes up to 100% of previously earned wages in the initial phase of benefits receipt, with the replacement rate being reduced as time passes. In 2013 and 2014 a number of cbas mention lump-sum payments, of which a few are limited only to older workers. As for sectors, additional unemployment benefits are most prevalent in agriculture, construction, and 'other services' ([10]).

4.2.3 Short-time work and part-time unemployment schemes

In response to the oil crisis, rising unemployment and calls from trade unions and left-wing political parties, the social partners at the national level agreed in 1982 to implement STWSs in order to divide the available employment opportunities among a greater number of people. In the years following 1982, many cbas implemented these schemes, which entailed shortening the working week from 40 to 38 hours, and in some sectors down to 37 or 36 hours. The freed up hours could be taken up spread over the week, or saved up amounting to additional days off. In exchange, the trade unions agreed to limited wage increases. The extent to which these STWSs were actually effective in decreasing unemployment, however, is highly questionable, as the hours actually worked (especially in the private sector) hardly changed (de Beer 2012). Nonetheless, these STWSs appear to have become a structural part of collective labour conditions. In an annual study by the Ministry of Social Affairs and Employment which evaluates the working conditions negotiated in the approximately 100 largest cbas (both sectoral and enterprise-level), it was observed that 95% of the employees falling under these cbas had a standard working week of fewer than 39 hours, and 57% had a working week of fewer than 38 hours (Ministerie SZW 2014b).

Again in response to a crisis, this time the financial crisis of 2008, an STWS was introduced in 2008 which in April 2009 came to be known as Part-time Unemployment (already described in section 1.1.2), and ended in 2011. Although it was a government-initiated scheme, it may be considered occupational because the employer must apply for permission with the government to make use of the scheme with mandatory permission from local unions or the works council if it concerns 20 employees or more, or provide proof of consultation with employee representatives

10. These include, according to the categorization of branches and industries used by the Dutch statistical office, interest representation, political and ideational groups, repair of consumer goods, beauty and wellness services, and undertaking services. It is not clear in which branches these arrangements were found.

when it concerns fewer than 20 employees. The employer retains the employees in employment for the duration of the part-time unemployment plus a minimum of four weeks after its termination. Moreover, the employer must agree with employee representatives on possibilities for education and training during the scheme (Donner 2009a).

The take-up of Part-time Unemployment was much larger than had been anticipated (Donner 2009b). By June 2009, nearly 19,000 persons were receiving part-time unemployment benefits. Half of these, some 9,400 persons, were employees in the metal sector. The metal sector was followed by the business services sector (2,600 persons) and the wholesale and retail sector (2,500 persons) (Hartman and van Maanen 2009). This division of take-up was roughly maintained into 2010. By April 2010, 69,000 persons had received part-time unemployment benefits, of whom 43% worked in the metal sector, 12% in business services, 12% in wholesale and retail, and the remaining 33% in other sectors (Chkalova 2010).

4.2.4 Sector comparison

Occupational unemployment benefits in the automotive industry

As mentioned earlier, occupational benefits in the unemployment protection field are limited. In the automotive sector, recently concluded cba negotiations in the metalektro sector include the agreement to make arrangements to compensate for the recent retrenchment of the public unemployment scheme, although its implementation is still dependent on central actors at the national level (Metalektro 2016). If we look at the temporary Part-time Unemployment scheme, however, we find that an overwhelming share of recipients was employed in the metal sector. Since it is a very male-dominated sector, this also resulted in a much larger number of male recipients than female recipients: only one in six recipients was female (Chkalova 2010). Zooming in on the automotive branch, the most important employer in this branch, VDL NedCar, was among the firms that applied for part-time unemployment for all of its employees in 2009, concerning at that time 1,527 persons. It was agreed with the local unions to apply for the maximum level of part-time unemployment (50%) as well as the maximum duration (15 months) (Rietbergen and de Beer 2013). This arrangement naturally excluded any temporary agency workers who are likely to have been working there at the time.

Next, the more *ad hoc* occupational unemployment benefits will be discussed, in the form of enterprise-level social plans in cases of restructuring and the so-called sector plans which are designed and implemented by the social partners and co-financed by the government. Both social plans and sector plans include a range of mobility and employability services, and one union official notes that social plans in the metalektro sector have improved over the years and are also of better quality compared to other sectors. As for sector-wide initiatives, a number of 'service points' were established by the social partners across the Netherlands in the years following the 2008 crisis, with or without cooperation of the public employment agency, to facilitate transitions between jobs across the entire technical sector. Furthermore, there have been sector plans and programmes specifically aimed at older unemployed persons. In the context of this report it is important to note, however, that these initiatives address a much wider sector than only the automotive branch.

Union officials have further expressed the importance of organizing the prevention of unemployment in sectoral collective bargaining by establishing rights for lifelong learning and other means of supporting employees to work longer in response to the increasing retirement age. When looking at the uptake of currently available lifelong learning measures, however, some differences are seen between groups of employees. First, lower-educated employees participate less in continued education than higher-educated employees. This may be because employers are more willing to invest in the latter group, but also because lower-educated employees tend to have more negative connotations with schooling because of the Dutch educational system, in which vocational education is not as highly valued. Another difference is found between large enterprises and SMEs: large enterprises offer more continued education and training, whereas SMEs provide more places for vocational education and training to those still in formal education. Finally, older workers tend to show less motivation for continued education and training because they have often worked in one occupation for a longer period of time and expect fewer benefits from education and training because of the shorter time left until retirement. Considering the high average age in the metalektro sector, this is a widespread barrier for the uptake of lifelong learning.

Specifically in the automotive sector, there are indications that the use of continued education and training is even more limited. This is mostly due to the highly production-oriented organization of work, with tight delivery and work schedules leaving very little time for continued education and training. The new cba agreement does include a number of agreements on investing in and experimenting with continuing education and training. These are, however, voluntary measures, which makes them highly dependent on the willingness of the employer. Additionally, it was agreed that all employees have a right to two paid days a year for education and training (Metalektro 2016). The take-up of this right too, however, is on a voluntary basis.

Occupational unemployment benefits in the supermarket branch

The reversal of the retrenchment of the public unemployment scheme is still pending, although the bargaining parties have agreed that '[its] desirability…will be investigated' (Onderhandelingsakkoord supermarkten 2015). However, since legislation has limited the maximum period of time during which someone can be employed on a temporary contract (including through temp agencies), it has become common practice not to offer employees contracts after that period has expired. This means that employees hardly have a chance to build up the rights to statutory unemployment benefits above the three month minimum anyway, let alone occupational unemployment benefits, even if these are negotiated. This severely limits the importance of occupational benefits relating to unemployment in this sector.

The Part-time Unemployment scheme had some relevance in the wholesale and retail sector, since 12% of all recipients were found in this sector. However, take-up numbers from mid-2010 by age and gender suggest that the Part-time Unemployment scheme played only a minor role for the supermarket branch. Only about a third of benefit recipients in the wholesale and retail sector were female, compared to the 50% of the supermarket workforce who are women. Also, only 18% of benefit recipients in the wholesale and retail sector were younger than 31 years of age, compared to 73% of employees in the supermarket branch under the age of 23 and an additional 12% under the age of 35 (Chkalova 2010, Evers and van Well 2012, UWV 2013).

Continued education and training are considered as a means to prevent unemployment, also in the supermarket branch. However, the earlier-mentioned short spans of employment make it less likely that they will be of much relevance for this branch. In the latest cba negotiation agreement it was merely agreed that continuing training and education will be further discussed (Onderhandelingsresultaat supermarkten 2015).

5. Conclusions

5.1 The role of occupational welfare

The role of occupational welfare in the Netherlands has been changing over time, with some forms declining in importance and others increasing. For example, the role of social partners in unemployment and disability benefit schemes was virtually terminated in the 1990s. This was done after their management of these schemes was severely criticized but also when a change in the objectives of the welfare state was sought by politics, moving towards more activation. More recently, however, employers were given a core task concerning sickness pay and the implementation of active labour market policies, while the role of the social partners in the pension system has been key for many years. On top of this, there may be a renewed role for occupational welfare in the unemployment benefit system if indeed the social partners manage to agree upon ways to cover the third year of the unemployment benefit through collective agreements, as suggested by the Social Pact of 2013. Clearly, the principle of occupational welfare, or of a role for employers (and their organisations) and trade unions in governing the welfare state is a widely accepted feature of the Dutch welfare state. This is consistent with the neo-corporatist character of the Dutch Poldermodel in which unions and employers cover about 80% of employees with their collective agreements and also participate in socioeconomic policy-making through bi- and tripartite institutions and social pacts. At the same time, no clear basic choices are made on what their role should and should not be. Rather, in a fairly pragmatic fashion the state, sometimes in conjunction with employers and unions through neo-corporatist processes, assigns or takes away occupational welfare roles. On some occasions the social partners themselves take up such roles through autonomous collective bargaining when they consider that the welfare state does not sufficiently cover certain risks. Also, depending on the political and economic context, the state may prescribe to a larger or smaller extent what the social partners are and are not allowed to do. A major example of this are the financial requirements the state, or its agent the DNB, imposed on the pension funds in recent years. These requirements do not so much change the role of the social partners but limit their freedom. Hence, the role of occupational welfare changes regularly with no clear direction. If we compare today's share of OW in the Dutch welfare state it would seem smaller than 30 years ago but larger than 10 years ago.

5.2 Occupational welfare and inequality

Occupational welfare in general and supplementary pensions and unemployment provisions in particular can in a variety of ways be linked to the analysis of inequality. Two dimensions are of particular importance. One is that, in a classic Bismarckian fashion, occupational welfare is linked to the employment status and employment history of individuals. The other is the predominantly sectoral organization of Dutch industrial relations. With regard to employment status and history, occupational welfare first of all concerns employees, whereas non-employees, be it the unemployed, the inactive or persons with other employment statuses such as the self-employed generally do not accumulate occupational welfare rights. Hence, they depend on universal schemes like the basic state pension, or on the market where they can take out their own individual scheme if they want to and can afford it. The most salient issue here in the present Dutch debate is the low and declining percentage of the self-employed without personnel who build up old-age pension rights other than the state pension, or who are insured against the risk of disability.

Among employees this also means that spells of unemployment or inactivity, including career breaks related to, for example, giving birth and raising children, reduce entitlements. This affects in particular women, who much more often experience career breaks, persons of foreign origin and young workers, who increasingly and much more often than non-young workers, work on temporary contracts and regularly experience unemployment spells between two contracts (Muffels 2013). The same can be argued for the number of hours worked: those who work fewer hours a week build up fewer entitlements. This increases in particular the inequality between men and women, since the latter more often work part-time and do so more often in very small jobs. In addition, the type of contract matters. Most importantly, only permanent employees and employees on fixed-term contracts are covered by sectoral pension funds. Agency workers are not. A pension fund exists specifically for agency workers, but they only start to build up a very minimal pension after 26 weeks of continuous employment with the temp agency. The build-up is increased at 78 weeks of continuous employment, but only very few agency workers reach such a length of service.

If the proposals to differentiate pension premiums by age are implemented, this is likely to lead to stronger differences in pension entitlements between generations and a further strengthening of the gender differences in such entitlements. And finally, occupational welfare benefits are generally linked to previous earnings and hence translate wage inequalities into benefit inequalities. Floors and caps setting minimum and maximum benefit levels or levels of tax-free contributions limit some of these inequalities. However, these forms of inequality concern individuals and their entitlements. They do not necessarily translate into income inequality since income depends also on household composition and possible income from other household members.

The sectoral dimension is important because occupational benefits are organized at the sectoral level, through sector collective agreements and sectoral pension funds. Differences in occupational welfare between sectors can then emerge depending on a number of factors. Variances in power relations may lead to different agreements on the division of costs and benefits of occupational welfare between workers and employers, or between different groups of workers, for example on the presence or not of unemployment-related occupational benefits or the level of such benefits, or on the level of pension contributions or the definition of the franchise. Also, with the dependence on investment strategies, the performance of sectoral pension funds varies considerably, leading to divergence in pension payments between sectors. Further differences can result from the economic prosperity of sectors, leading to differences in the possibilities to raise or reduce pension contributions. Also the age composition of sectors, whether employment in a sector is growing or declining, or the extent of agency work influence the present and future stability and financial possibilities of the funds and hence the level of pensions. In recent years this has resulted in a number of pension funds (temporarily) freezing or reducing pensions. Moreover, variety in sector composition in terms of workers' age and gender may increase inequalities along those lines, as male-dominated sectors may, for example, have better occupational welfare arrangements than female-dominated sectors, or younger sectors may have more difficulties in sustaining pension contributions over a longer period of time. Further research across sectors is needed, however, to determine whether these effects occur.

5.3 Industrial relations and occupational welfare

Occupational welfare is a key aspect of the Dutch welfare state and gives the trade unions and employers' organizations important functions and resources. This fits the neo-corporatist nature of the Dutch poldermodel in which the two sides of industry take up tasks that in other contexts are the prerogative of the state. Nonetheless, in the past decades it has become clear that they do not necessarily have the power to autonomously decide what their exact function in the welfare state should be. In many, though not all, areas and instances it is the state who assigns functions or takes them away from the industrial relations actors. Hence, the occupational welfare functions that they perform are not necessarily an expression of their strength. At the same time, they have shown a certain autonomous capacity to respond to changes in government policy or changes in the economic and labour market context by means of occupational welfare initiatives. Also, they participate in the design of occupational welfare policies through the social pacts they negotiate and through their regular interaction with the state. However, the latter clearly has the power: in most cases the state decides on the existence of occupational welfare functions or sets the parameters for these functions, such as the rules and regulations it imposes on the occupational welfare funds.

Industrial relations configurations also play an important part in determining differences in the availability of occupational welfare between sectors. In the metal sector, where trade unions are traditionally strong, occupational welfare is well developed and responsive to changing needs of workers. In the supermarket sector, trade unions are weak and unable to negotiate substantial occupational welfare provisions with the sector's employers. Even in the comprehensive and quasi-mandatory second pension pillar they cannot ensure that all workers in the sector benefit from the accumulation of pension rights. Indeed, only a small share of the workers in the sector build up pension entitlements. Here differences in workers' power result in differences in occupational welfare as discussed above. This raises important questions about the fairness of occupational welfare: if the welfare of an individual depends, partially, on the extent to which workers in the sector in which the individual works are organized and manage to generate power, welfare is hence dependent to some extent on luck or coincidence. And with the decline in union power we can foresee that the level of occupational welfare will decline also in a more general sense, which under the present conditions is unlikely to be compensated for by the state. It seems a public debate on this issue is required to assure that welfare does not become the victim of the increased imbalance of power between employers and workers.

5.4 The dilemma of financialisation and the governance of occupational welfare

The accumulation of occupational pension reserves has resulted in enormous investments of pension funds in the stock market. The Dutch pension funds are among the largest institutional investors in the world. With interest rates being historically low, the funds are under pressure to get as much as possible out of these investments and to focus on those shares that promise to yield the highest short-term gains. However, these are often also shares of private equity funds or hedge funds that have little interest in the effective functioning of companies and economies or in the maintenance of employment. This presents a devilish dilemma to the social partners that run the pension funds: when attempting to strengthen the returns of the pension funds they run the risk of investing in funds that undermine the position of their active members. Trade unions especially are struggling with this dilemma and are calling for socially responsible investment strategies from the pension funds. They use the high profile cases of equity funds investing in a large child care firm (Bayside Capital investing in ESTRO) and one of the country's largest retailers (Sun Capital investing in V&D) as examples of the perverse effects of such investments. In both cases the equity fund's involvement eventually led to the companies going bankrupt with many jobs being lost.

At the same time, the weakening financial position of the funds and the intensified supervision of the DNB in this respect have already resulted in declining pensions in a number of sectors, increasing the pressure for higher returns. This is an unresolved dilemma which has only recently entered the debate in a more or less serious way. It raises the question of what the pension funds should and should not be able to do. Some of the proposals are that they should only invest in longer term and productive ventures or that they should focus their investments much more on the Dutch economy instead of globally.

The financialisation of pension funds has also had effects on the governance of occupational pension funds. In response to the financial crisis, the DNB's influence was significantly expanded and its criteria for coverage rates were tightened. Due to the complex nature of financial products and markets, the DNB has also been pushing for professionalization of the governing board of occupational pension funds, backed up by legislation with the Act on Improving pension fund boards (*Wet Versterking bestuur pensioenfondsen*) in 2013 (Pensioenfederatie n.d.a). This legislation prescribes five models for pension fund governance to choose from, of which one is the traditional bipartite model with a board consisting of employer, employee and pensioner representatives. In the remaining models, much more influence is given to external, independent parties or persons to whom executive tasks are delegated (Pensioenfederatie n.d.b). Although in 2014 90% of pension funds still had a traditional bipartite model (DNB 2015b), in some cases the pension fund has switched to a dual board, in which the tasks are divided between the social partner members who are not involved in daily management, and professional executives who actually run the pension fund. This is the case for example for PME, the metalektro pension fund featuring in this report. It remains to be seen to what extent pension funds will switch models, but all alternative models appear to decrease the role of the social partners in managing the pension fund. Finally, all pension fund board members must meet certain criteria set by the DNB and complete a test administered by the DNB. The social partners interviewed for this report are divided in their views on these developments. The trade unions tend to be critical of the increased influence and strict criteria of the DNB, as well as the DNB's influence on selection of the board. The employer organization representatives favour the professionalization of the board and leaving executive tasks to non-social partner professionals.

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Annex 1: List of contacts for interviews and collective agreements

Interviews

Name	*Organisation*	*Sector*	*Position*	*Date of interview*
J. Brocken	FNV (trade union)	Metalektro	Cba negotiator	2/2/2016
H. Hoogendoorn	FME (employers' organization)	Metalektro	Social affairs advisor	24/2/2016
P. Isaak	FME (employers' organization)	Metalektro	Social affairs advisor	24/2/2016
P. de Jong	CNV (trade union)	Metalektro	Cba negotiator	4/2/2016
M. Wallaard	CNV (trade union)	Supermarkets	Cba negotiator	29/1/2016
P. van der Put	FNV (trade union)	Supermarkets	Cba negotiator	10/2/2016
P. Verhoog	VGL (employers' organization)	Supermarkets	Cba negotiatior	No response

Collective Agreements

Name	*Sector*	*Period covered*	*Type of agreement*	*Parties involved*
Collectieve arbeidsovereenkomst voor personeel van grootwinkelbedrijven in levensmiddelen	Supermarkets	1/4/2011-1/4/2013	Regular collective labour agreement	Trade unions: CNV FNV Employer organization: VGL
Pensioenreglement 2015 Stichting Bedrijfstakpensioenfonds voor het Levensmiddelenbedrijf	Supermarkets	1/7/2015-	Pension regulation	Trade unions: CNV FNV Employer organizations: VGL Vakcentrum
Collectieve arbeidsovereenkomst in de metalektro	Metalektro	1/7/2013-30/4/2015	Regular collective labour agreement	Trade unions: CNV De Unie FNV Employer organization: FME

Pensioenreglement 2015 Stichting Pensioenfonds van de Metalektro	Metalektro	1/1/2015-31/12/2020	Pension regulation	Trade unions: CNV De Unie FNV VHP2 Employer organization: FME Pensioners' organization: VOG-PME
Onderhandelingsakkoord	Supermarkets	2016-2017	Provisional collective negotiation agreement	Trade union: CNV Employer organization: VGL
Protocoltekst cao's in de Metalektro van 11 februari 2016	Metalektro	2015-2018	Provisional collective negotiation agreement	Trade unions: CNV De Unie FNV VHP2 Employer organization: FME