Lessons on dynamic labour markets, policy and institutions: a Dutch perspective

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OUTLINE – Ruud Muffels

• Dynamics: causes and consequences: mobility, dualization and inclusive Dutch labour market

• Transitional labour markets and flexicurity: “protect people not jobs” (employment security)

• Decentralisation of LM policy and social innovation at regional level

• Future of work: ageing and technological change - challenges for policy

Conclusion
Mobility in the Netherlands: how does it look like?

- Netherlands has average job mobility rates in Europe
- High mobility in temporary work and very low mobility in open-end contracts
- Long tenure 10-11 years
- Low intersectoral mobility
- Very low mobility in government sectors
- Low mobility with older workers
- Steep wage-tenure profiles
- Increase of ending temp and dismissal over time

Causes low mobility:
- Work force ageing
- Strong employment protection (job security)
- Wage systems (anciennity)
- Dualization of labour market (low wages flex contracts)
- Wage inequality increased but reduced by government redistribution (SS)
I. Dynamics:
Hiring and Firing on Dutch Labour Market, 2019

Inflow origin of personnel (total, all sectors) (in %)

- other
- pupil/student
- re-enter
- disabled or handicapped
- school leaver
- unemployed
- from another job

Outflow by reason (total, all sectors) (in %)

- sickness or disability
- early pension or death
- long temp contract
- short temp contract
- dismissal
- voluntary quit

Source: SCP-Trend Reports Labour Demand and Supply, 2019
Evolution flexible segment 2003-2016: Index 2003=100

- Vast (open end contract)
- Flexibel (flex jobs)
- Uitzend (temp agency job)
- ZZP (own-account self-employed)
- Overige zelfstandigen (other self-employed people)

- Strong increase flex jobs and own-account workers (zzp)
- 1.2 million zzp (10-15%)
- 21% flex segment
Temporary and self-employment in Europe (Central Planning Office report 2016)

- Temporary work strongest increase in Europe
- Very strong increase in own-account workers

Figure 2.1 Temporary employment in Europe, 1997–2014

Figure 2.2 Self-employment in Europe, 1997–2014

Source: own calculations based on OECD. Data for Switzerland start in 1998.
Relationship between increase of flexible segment and decrease of labour income share (DNB 2018)

- 15.8% increase in flex (temp + own account workers) 1996-2015 a
- But 3.6% decrease in labour income share
- Flex concentrated with low educated in low wage jobs
Flexibilisation and dualisation

- No lifetime jobs anymore → “patchwork careers”, “gig economy” (Transitional LM)
- Flexjobs are shorter and more insecure now
- Declining upward mobility from flex into permanent jobs (43% in 1990s to 15% in 2010s)
- Low reintegration chances for the disabled. → paradigm change is needed
- Employment security needs institutional change (human capital and social investment agenda, Social innovation at regional level)
- Polarisation of LM (U-shaped pattern) lead to rising inequality (21st century skills)

Source: WRR, 2017
Policy debate: WRR Report 2017

Flexibilisation is a choice

- New law: Work in Balance (January, 1, 2020)
- Making permanent less permanent, and flex less flexible
- Opt-in for own-account worker (zzp) in SS (disability and pensions)
II. Ideas to understand and adapt (TLM, FLC)

• Transitional LM → “protect people no jobs”, ‘make (good) transitions pay’, building bridges to work

• Flexicurity: good marriage between flexibility and security by investing in people (HC, LLL)

• Sen’s capability model: create free choice options and better use of talents: “bring jobs to people instead of people to jobs”

• Behavioural Economics and cognitive psychology: how to influence behaviour: financial incentives, trust and intrinsic motivation
Polarisation: Changes in employment shares of occupations by wage level 1996-2016

- Polarisation is clearly present but not only explained by automatisation

Source: Inaugural lecture of prof. D. Fouarge
Interpersonal skills are important for employment

Ontleend aan oratie prof. D. Fouarge

Figuur 5: Werkgelegenheidsontwikkeling naar niveau van probleemoplossend vermogen en interpersoonlijke vaardigheden

Bron: EBB, PIAAC, NSS
III: Social Innovation and experimenting at regional level

- Brainport South-East Netherlands (high tech area, LM agenda: life long learning and skills development)
- GAM-Transitional Labour Market Model in Gelderland (transition security, labour pools, inter-sectoral mobility)
- Knowledge Pact: Triple Helix (Professional education, Government, Business)
- Decentralisation of LM policy to local/regional level from January 1 2015
- Experimenting with new employment support approaches at local level (e.g. Participation Income Experiments in 11 cities (trust, intrinsic motivation, freedom of choice)
IV: Future of work and policy challenges

  - Professions are classified by the chance of automation based on: creative intelligence, social intelligence and perceptual and manipulation task content. Subsequently 702 professions classified.

  - The percentages vary from 47% for Sweden (comparable to the US) to 62% for Rumania. The Netherlands and Belgium score in European perspective average, with 50% of the jobs that could disappear.

- OECD 2016 robotisation and automatisation (task approach)
  - For the United States (9%) as well as for Europe and the Netherlands (10%).

Job destruction or new jobs for new skills: towards an “inclusive robot agenda”
IV: Evidence on..

**Robotization:**
- Job destruction AND job creation
- Not really clear what will be the bigger effect
- Predominantly: jobs change in content
- Risks for increasing inequality

**Platformization**
- Wages/pay goes down (e.g. for taxi drivers)
- Rewards for owners of the platform/software/app are enormous
- Inequality increases
Policy challenges and conclusion

• Need for institutional change to safeguard employment security through investment in life long learning and talent (bring jobs to people). Make use of sector funds to facilitate intersectoral mobility.

• Increasing dualisation and inequality in job security and income security. The “price of inequality” is large in economic terms? (lack of investment in HC; low productivity; lack of opportunities)

• Invest in job creation programmes for the low educated (75% of people in social assistance lack the ‘starter” qualification). Facilitate public-private partnerships for employment creation (see next slide)

• Create Multiple-Helix collaboration between stakeholders at regional level to meet economic and social concerns with a view to attaining an ”inclusive society”

• Master the robot through an inclusive robot agenda (complementarities between (wo)man and machine)
Employment effects (number of weeks employed in a job + employed in a “good” job) of Philips Employment Scheme, 1999-2016

Figuur 1  Marginale effecten (over de postinterventiejaren) op het aantal weken per jaar in een baan en het aantal weken per jaar in een goede baan voor (oud-)deelnemers aan het WGP (per kwetsbare groep) versus de controlegroep. Niet significante schattingen zijn aangeven met een lege markering.  
Bron: CBS (1999-2016)