



Monique Kremer, Robert Went and André Knottnerus

# FOR THE SAKE OF SECURITY

THE FUTURE OF FLEXIBLE WORKERS AND  
THE MODERN ORGANISATION OF LABOUR

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*For the Sake of Security*

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THE NETHERLANDS SCIENTIFIC COUNCIL FOR GOVERNMENT POLICY

# *For the Sake of Security*

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WORKERS AND THE MODERN  
ORGANISATION OF LABOUR

*Monique Kremer, Robert Went and André Knottnerus*

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## **INTRODUCTION: INSECURITY, FLEXIBILITY AND THE FUTURE OF THE ORGANISATION OF LABOUR**

*Monique Kremer, Robert Went and André Knottnerus*

The Netherlands is Europe's flexible employment champion. The proportion of people on permanent contracts in the Netherlands has been declining consistently over the past years. These contracts have been replaced by temporary contracts, agency work and self-employed persons or combinations of these. One third of the working population are flexible workers in the Netherlands. The majority of temporary workers would rather have a permanent contract, but many self-employed workers value their position in the labour market – they like being “their own boss”. The price they pay for greater freedom is greater insecurity.

The insecurity that results from the changing organisation of labour and new hybrids and combinations of employment (e.g. the sharing economy) are the central theme of the WRR study *For the Sake of Security. The Future of Flexible Workers and the Modern Organisation of Labour*. This study is a follow-up to the previous WRR study into another vital development in the labour market, *Mastering the Robot. The Future of Work in the Second Machine Age*. “For the sake of security” was presented to the Deputy Prime Minister and Minister of Social Affairs and Employment, Lodewijk Asscher, on 7 February 2017.

A fierce public debate has arisen in the Netherlands – and in many other European countries – concerning the future of the labour market, to which this study is intended to be a contribution. It focuses on three questions: First, how can we interpret, understand and possibly even predict the development of flexibilisation on the labour market? Second, what are the positive and negative aspects for the economy and society? And finally, what adaptations may be needed and what measures are available to the national and local governments, employing organisations and the social partners?

In addition to the concluding essay, the study contains contributions from many academics – sociologists, economists, lawyers and historians – which have not been translated in this English-language publication. The study first analyses trends in the labour market: who are the flexible workers? (Fabian Dekker, Daan de Leeuw, Luc Dorenbosch). In addition, it homes in on the significance of insecurity, both for the workplace and for people's family life and career (Monique Kremer, Marian van der Klein). Employing organisations and employers are also the focus of attention. They have a pivotal role in the changing labour market (Frank Pot, Stan de Spiegelaere, Monique Stavenuiter, Djurre Das). The study also considers



new developments and areas of concern such as the “intrapreneurs”, i.e. the entrepreneurial workers within an organisation (Werner Liebrechts and Erik Stam), the consequences of the sharing economy for the labour market (Casper Thomas), and new collaborative ventures between self-employed persons to combat insecurity (Jelle van der Meer, Monique Kremer). It likewise discusses whether the formal social security system developed during the post-war period is still fit for purpose, given the increasing flexibilisation and hybridisation of employment. (Saskia Klosse, Kees Goudszwaard and Koen Caminada, Janneke Plantenga). Finally, the study contains both a historical (Marcel Hoogenboom and Robert Knecht) and future-oriented analysis (an interview with Paul de Beer and Ton Wilthagen) under the title: “The Netherlands gets stuck in flex”.

The following contribution by Kremer, Went and Knottnerus details the three questions that are key to this study. The authors come to the conclusion that flexibilisation and hybridisation (new combinations and mixed forms of employment) have partly developed as a result of globalisation, technology and cultural aspirations for autonomy and freedom of choice, but that these major developments are not enough to explain the relatively rapid growth of the flexible labour market in the Netherlands. The constellation of Dutch legislation and regulations, agreements and practices – surrounding social security and taxation – is just as influential or perhaps even more important. In other words, flexibilisation is not an immutable law of nature, but is also affected by policy.

Returning to the past is not an option and not desirable, according to the authors, and there are no easy answers. But adaptations are always possible. That is necessary because flexibilisation also has its downsides. Flexibility only makes sense if it is in keeping with the nature of the work and if it actually contributes to the economy and society. However, there are signs that some forms of flexible employment have a detrimental effect on innovative work behaviour, training and consumption. Increasing insecurity in society can lead to financial stress, a decline in well-being and sometimes even a decision to put off having children. Employers and employees, their organisations, the public and local and national government can do two things. On the one hand, they can put a damper on the undesirable forms of flexibilisation and hybridisation. On the other hand, they can build in new forms of security to compensate for their effects and offer these new forms of security to everyone on the labour market, irrespective of their position. The authors make all kinds of suggestions for achieving this. If they have sufficient security, people can be flexible and enterprising, both outside and inside employing organisations. That is in the interests of workers, businesses and society as a whole.

We hope that *For the Sake of Security* will resonate beyond the Netherlands and that our analysis and ideas will provide useful inspiration to consider well balanced policies and processes regarding labour market flexibilisation and hybridisation and the future of work elsewhere.



# FOR THE SAKE OF SECURITY. THE FUTURE OF FLEXIBLE WORKERS AND THE MODERN ORGANISATION OF LABOUR

*Monique Kremer, Robert Went and André Knottnerus<sup>1</sup>*

## 1 INTRODUCTION

“There’s no job security any more, even if you have a permanent contract.”  
 “It’s this insecurity that makes me feel alive”.  
 “They say to me, ‘it’s easy for you to be self-employed because your husband earns a good salary’, but you never know whether you will stay together.”<sup>2</sup>

The post-war welfare state was characterised by providing security for its citizens. The social partners, together with the government, maintained all kinds of employee insurance schemes to ensure that workers would not suffer excessively in the event of setbacks such as illness, unemployment or incapacity for work. In the 1960s, after the state pension, social assistance was introduced as a last resort. The permanent employment contract not only assured employees of work, it also provided employers with reliable workers. Partly as a result of the development of the welfare state, security of employment and income has become an important (middle-class) value, a value which now has wide public support. The desire for security has become part of the social structure (Boutellier 2016; Vrooman 2016). Security gives people the courage to make important life choices, such as starting a business, changing jobs or having children. Security also encourages people to take risks.

But the various pillars on which this security is built – work, social security, and the family – are now starting to sway *simultaneously*. The self-employed and people in temporary employment often associate flexibility with insecurity. They regard insecurity as the price they have to pay for flexibility and sometimes even freedom. For many people, paid employment is an important means of providing all kinds of security. Work generates income, opportunities to develop and gain recognition and, yes, even happiness (Kalleberg 2011). Work has become more important because a large group of people, including women, people with disabilities and older people, have entered the labour market.

At the same time, employment contracts are providing less job security. The Netherlands is even the leading flexible labour market in Europe: one in five working people has a flexible, eg. temporary job and one in ten working people is self-employed (in Dutch: *zzp’er*). We are also seeing an increasing number of “hybrid” forms of work, although still on a limited scale, e.g. as a result of the sharing

economy (the home owner who earns money from Airbnb), or people have a permanent job and are self-employed at the same time. The one side of the coin is that employers increasingly have less commitment to employees and the other side is that people increasingly work on flexible contracts.

This insecurity can be seen in the context of the swaying of the second important pillar of security, the welfare state. In comparison with many other European countries, the Dutch welfare state certainly still provides security. But unlike in the past, the Dutch social security system is no longer top of the class in Europe, but an average performer, similar to France or Germany. Dozens of restrictions on social security have been imposed since the 1980s (Hoogenboom 2011; De Beer 2016). Sixteen major changes have been made to incapacity benefit alone over the past 25 years (Vrooman 2010). In addition, the introduction of the term “participation society” has made it clear that people should seek security elsewhere first. It is not the welfare state that has to provide security but people themselves, in collaboration with their social environment. In his inaugural address “Participating in insecurity”, Cok Vrooman of the Netherlands Institute for Social Research (SCP) said that insecurity in the areas of employment and income was much greater in the Drees era than now, but the promise of social security continued to be fulfilled until 1980. The situation is different now. He went on to explain, “In recent years, many people have been experiencing the growing insecurity for themselves; others regard the protection they still enjoy as being under threat and do not have the means to provide it themselves in future” (Vrooman 2016: 20). In short, social security is not so secure any more.

Moreover, the traditional welfare state is set to be replaced by the “participation society”. This formal political objective of the former government entails that a person's network or family is expected to provide security. This is the third pillar of security. Because of the advent of working women and the increasing number of dual income households an important source of security has emerged in the Netherlands. Many partners – and parents as well – act as a buffer against insecurity. However, by no means everyone is assured of the income and other support of his or her parents or partner. Self-employed people and those with a flexible contract are actually more likely to be living with a partner in the same circumstances (see De Leeuw 2017). And who can the ever more numerous group of single people rely on if things go bad at work? One in three people lives alone. One can no longer be so sure of a partner either. A substantial number of marriages fail, a reality faced by an increasing number of less-qualified workers in particular.

This chapter discusses the increasing flexibility and insecurity on the labour market against a backdrop of increasing insecurity in the other two pillars of society: social security and family. In this discussion, we locate the emphasis on the flexibilisation of the labour market and, in particular. We focus on contract flexibility,

excluding issues of part-time work, zero-hours contracts etc. The focus is on the changing ‘employment contract’ between workers and employers. On the one hand, flexibility can contribute to innovation, motivate people to start something new and fit in with the course of a worker’s life. On the other hand, too much insecurity can be bad for the individual well-being of workers and those closest to them. It can cause stress and health problems and can result in the postponement of making purchases or having children. Too much flexibilisation of the labour market can therefore also be bad for economic growth. A lack of commitment between working people and the companies they work for can likewise have a negative impact on innovation now and in future. The question is when the turning point is reached and whether the scope and nature of the flexibilisation we currently have in the Netherlands are compatible with economic progress and a healthy society. Everyone wants to foster entrepreneurship and enterprise, but does this necessarily require less permanent employment relationships?

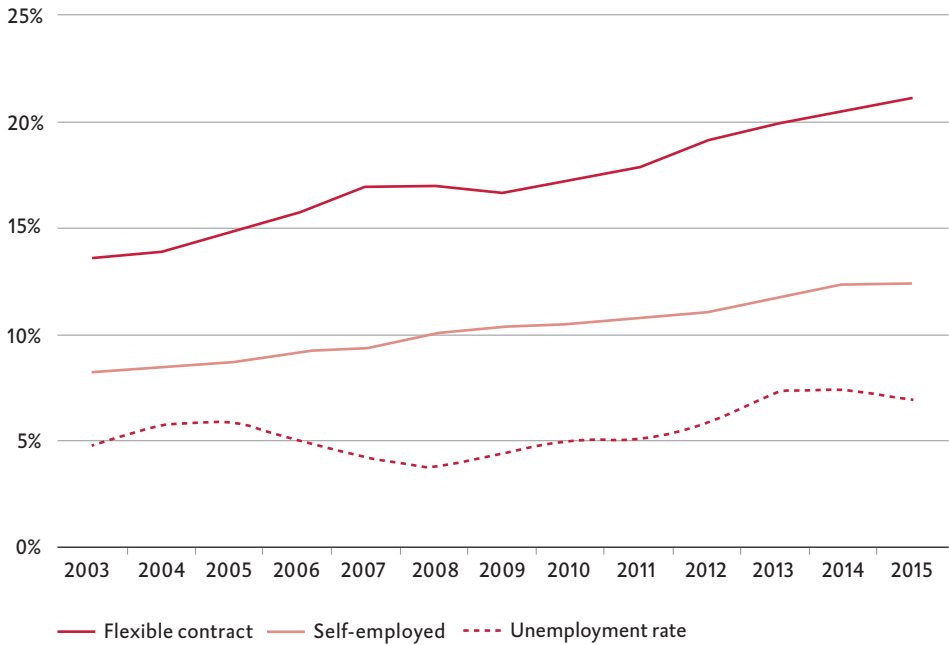
What should be done? There is no simple answer. The essence is that we have to try to create more dynamic employing organisations that value entrepreneurship, combined with old and new ways of providing a basic level of security. New ways and strategies are needed and we explore these in this chapter. To arrive at these new approaches (1.7), we will first discuss the development of flexibilisation in the Netherlands (1.2) and its possible causes (1.3). We will then discuss what the consequences of flexibilisation could be for the economy (1.4), for individuals and their families (1.5) and for solidarity in the social security system (1.6).

## **2 EVER MORE FLEXIBLE AND HYBRID**

### **FLEXIBILISATION IN THE NETHERLANDS**

The Netherlands has one of the most flexible labour markets in Northwest Europe. According to the statistics produced by Eurostat, the Netherlands has relatively more self-employed persons than Ireland and the United Kingdom and we come just below Italy, Greece and Portugal, countries with a large informal economy (Hatfield 2015). The proportion of temporary workers in the Netherlands is also much higher than the EU average. After Spain and Portugal, the Netherlands has the highest proportion of employees on temporary contracts and that proportion has increased the most over the last decade (Kösters and Smits 2015). At the same time, it is true to say that most working people in the Netherlands still have a permanent employment contract, i.e. just under 70%.

**Figure 1** Fraction of the total number of workers who have a flexible employment contract or are self-employed in The Netherlands, 2003-2015



Source: Bolhaar et al. 2016: 11.

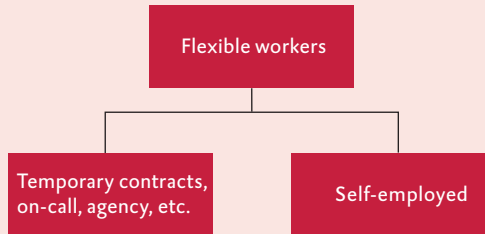
### What do we mean by flexibilisation?

A **flexible labour market** or **flexibilisation** is said to exist when workers and employers do not have a permanent contractual relationship. In this study, the above includes contracts of a temporary nature (including agency work and payroll) and self-employment. It does not include part-time work on a permanent basis. We use the term “flexible workers” to refer to self-employed persons and those with a flexible contract.

A distinction can be made between flexible workers and self-employed persons:

1. **Flexible contract:** an employment contract of limited duration or for an unspecified number of hours. This includes agency work, payroll work and on-call work. The workers involved are also referred to as flex workers (Statistics Netherlands definition). It also includes the **temporary contract**, a relationship between an employer and an employee in which the employment contract is of limited duration (Statistics Netherlands definition).

2. **Self-employed person:** a person who performs work at his or her own risk or expense – in his or her own business or practice (independent contractor), or as director-majority shareholder or as a another category of self-employed person (e.g. in a profession carried on independently) – *and* who does not employ any staff (Statistics Netherlands definition).



The permanent contract is a relatively recent invention. It has only been since the beginning of the twentieth century, when there was an increasing demand for high-quality workers, that fast-growing companies tried to tie employees to them, e.g. by offering them pensions or accommodation. The Dutch Contract of Employment Act [*Wet op de arbeidsovereenkomst*] (1907) dates from this period and was the achievement of professor and liberal MP, Lodewijk Drucker. Under pressure from the German occupying forces, a requirement for a permit for collective dismissal was introduced in 1943. The purpose of regulating the labour market was to guarantee the stability of the labour supply. This policy was maintained during the reconstruction for the same reason. Since then, the permanent contract has also acquired greater actual significance (see Hoogenboom and Knegt 2017).

#### EXPANSION AND DISTRIBUTION OF FLEXIBILISATION

The flexible labour market, segmented into temporary and permanent employment, does not cover everyone: flexibility is unevenly distributed. People who are more likely to have a flexible contract are young, low-skilled, female or have a migration background, but the age on which people receive a permanent contract is increasing. Flexible contracts are also becoming more common for people aged over 24 (Bolhaar et al. 2016). As Jan Latten, chief demographer at Statistics Netherlands, recently tweeted “28 is the new 24”. Unlike many self-employed persons and people with a permanent position, people on a temporary contract are not very enthusiastic about their situation. While they are of course pleased to have a job, they have less job security and fewer hours, more dissatisfaction about work and terms of employment and are also much less happy with life in general (Van der Valk 2016: 125; Van Echtelt et al. 2016).

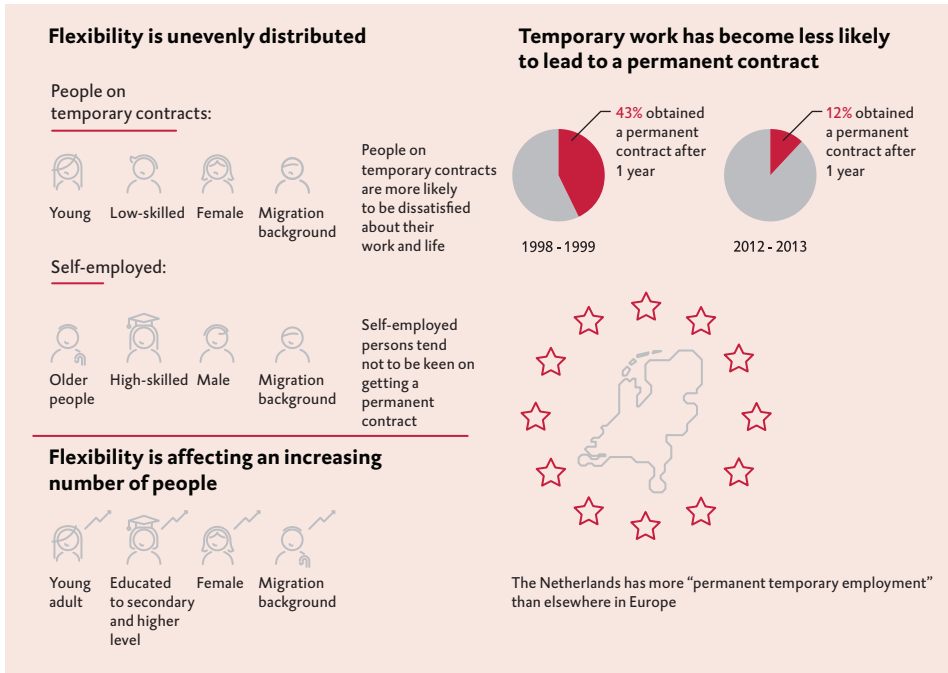


An important question, then, is whether the temporary nature of a contract is really temporary or “a stepping stone to a permanent job”. After all, it may be the case that temporary work is actually of a permanent nature, consisting of a revolving door construction through which people continually pass from one temporary job to another. Whereas temporary work often used to mean a stepping stone to paid employment, more recent figures show that temporary work is less often or less quickly converted to a permanent job (De Graaf-Zijl et al. 2011). At the end of the 1990s, 43% of employees on temporary contracts obtained a permanent contract within a year (Keune 2016). This percentage fell sharply after the financial crisis in 2008 and, according to the European Commission, amounted to only 12% in the period 2012-2013 (European Commission 2016). As comparative statistics show, the Netherlands has more “permanent temporary employment” than elsewhere in Europe.

If people are older, male, high-skilled or have a migration background, the likelihood of them currently being self-employed is (still) greater than for other groups (Bolhaar et al. 2016). Self-employment is most common among the 35-65 age group, although an increasing number of people continue to work as self-employed persons after they retire (CBS 2016a). There is a difference between self-employed persons who provide labour and those who supply products, e.g. the nut seller or greengrocer at the market. Self-employed persons with a migration background and low-skilled self-employed persons do the latter more often. The majority of self-employed persons say that they are very happy with their work and are not keen on getting a permanent contract (IBO 2015). They value their autonomy, the opportunities for development and the possibility of combining a caring role and work. They are therefore a good deal happier, even after finishing work, than people on temporary contracts (Josten et al. 2014).

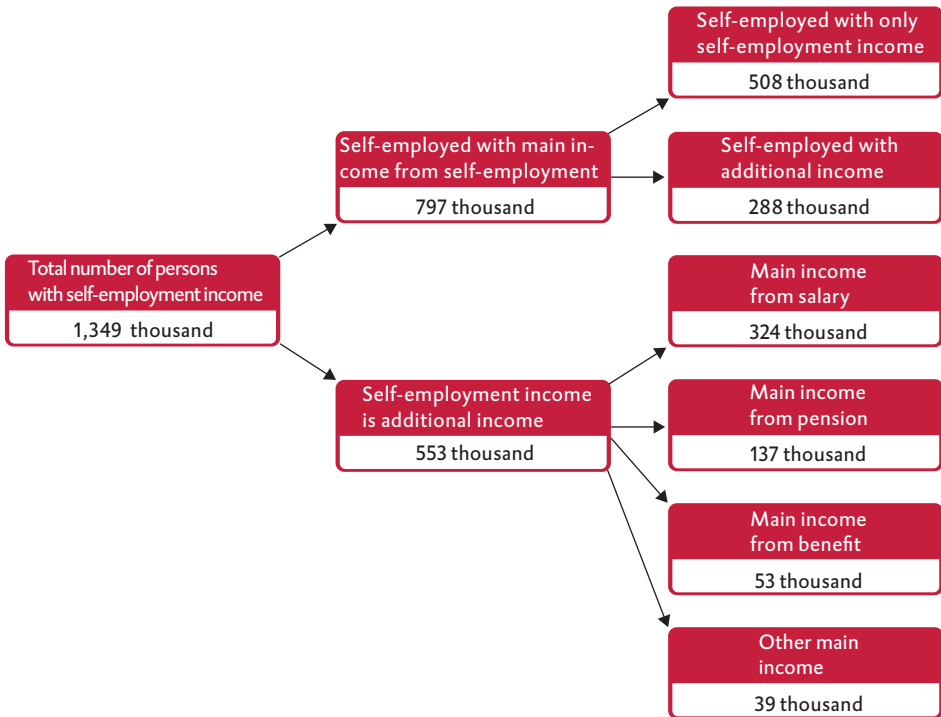
Although labour market flexibilisation is unevenly distributed, flexibility is “spreading” at the same time. More young adults, people educated to lower or secondary level and women are becoming self-employed, temporary work is increasingly common among people educated to secondary and higher level and the age of temporary employees is rising. Flexibility is no longer reserved for specific groups. In short, labour market flexibilisation is affecting a wider variety of people (Dekker 2017).

## Who are the flexible workers



### HYBRIDISATION OF WORK

Another trend is the increasing hybridisation of work. Figures concerning flexible relationships mostly describe established categories such as temporary contracts (with or without the prospect of permanent employment) and self-employment. However, these categories are becoming less clearly defined. For example, “self-employment” is a diffuse category. Does it refer to people who are registered with the Chamber of Commerce? Or people who are exempted from tax? Many people are also self-employed on a part-time basis. They are in paid employment or receive a pension in addition to their self-employed work. Of the 1,349,000 people who had an income from self-employment in 2014, only 508,000 self-employed persons had an income solely from self-employment (Figure 2). The rest of the people with an income from self-employment were also in paid employment (324,000) or were in receipt of a benefit (53,000) or a pension (137,000) (CBS 2016a). Evidently, entrepreneurship is possible as a sideline. And the number of people who offer their labour as self-employed persons is therefore much smaller, i.e. half of the frequently cited number of one million.

**Figure 2 Self-employed by self-employment income, 2014**

Source: CBS 2016a.

In addition, many people are only self-employed on a temporary basis. In 2013, 207,000 people started up as self-employed, but 130,000 people also stopped in that year (IBO 2015). People with a temporary job first become self-employed and then return to paid employment, etc. Being self-employed is therefore not a fixed identity, it can also be part of a stage in life and it may be perfectly compatible with paid employment. An increasing number of people also have two part-time jobs, as shown by Dorenbosch (2017). These so-called job slashers usually do so not because they would have insufficient income if they didn't, but because it improves their work and their enjoyment of it and their opportunities. Although it is easier for policy-making purposes to think in terms of established, polar categories – such as temporary workers or the self-employed – it is increasingly difficult to do so in today's labour market and certainly tomorrow's. Such definitions are becoming less appropriate in the dynamic real-life situation.

This hybridisation of work continues to be reinforced by internet platforms and the digital (sharing) economy. In what is known as the “on-call economy”, “sharing economy” or “gig economy”, people can also earn money by offering their services directly or lending out or sharing items for payment. Platforms link

workers and consumers who can trade in goods and services on a peer-to-peer basis without the intervention of formal organisations. One in eight Dutch people has earned money at some time by offering paid services or products on Werkspot, Marktplaats, etc. (TNO 2016b). Consumers can also assume the role of workers by, for example, taking photographs of the way products have been displayed in supermarkets for payment or obtaining an income as a fashion blogger. Casper Thomas (2017) writes that there used to be a clear division of roles between customers and companies in the traditional economy. But the sharing economy wraps everything up together: everyone who used to be just a customer can suddenly become a seller as well. With the advance of the peer-to-peer economy, although still modest in size, there appears to be a new work paradigm, he writes, which is being added to traditional self-employment: the worker as a micro-entrepreneur seeking peers on online platforms to sell goods and services too. This role is actually situated between the traditional self-employed person and an employee. In short, work is no longer synonymous with having one job. It can mean a range of activities for the individual. And the division of roles between consumer, employer and employee is becoming less narrowly defined.

All of these trends are challenging vital characteristics of labour relations. Flexibilisation of work is no longer just about what is known as “the flexible shell around employing organisations”. The concept of *employing organisation* itself is also changing. ‘Employees’ are increasingly becoming ‘workers. And what is an employer in a ‘market of tasks’ market containing a lot of self-employed people?

### 3 WHY WORK IS CHANGING

A vital question is what will happen in the labour market. Will permanent contracts remain the norm? Or will the steady increase in flexibility simply continue? The analyses, forecasts, opinions and wishes differ considerably. No-one can predict with certainty what will happen, because there is no single independent explanation for the increasing flexibility in the Netherlands (Euwals et al. 2016). There are – as is so often the case (Boswell 2016) – many actors, institutions, trends and developments that can and do play a part and are not easy to separate out. All manner of developments are involved: we go through the most frequently cited below (Dekker 2017; Hoogenboom and Knegt 2017; Scheer et al. 2016; Euwals et al. 2016).

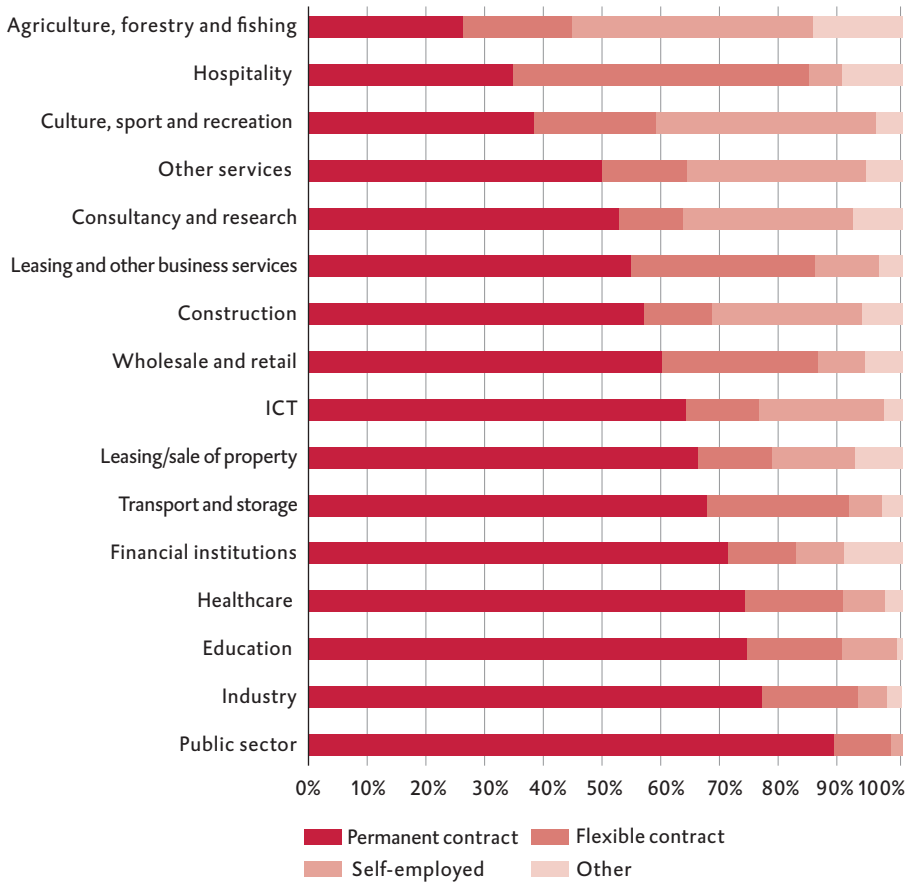
#### GLOBALISATION

Flexibilisation may be the logical consequence of increased global competition. After all, globalisation can lead to hyper-competition, with a race to the bottom in terms of employment terms and the creation of “winner takes all” markets dominated by a couple of large companies. Companies can face competitors and newcomers from around the world that will challenge them and try to win market

share. It is therefore important for companies to remain agile, innovative and lean. Employers who want to incur as little cost as possible or are unwilling to assume responsibility for staff prefer to call in self-employed workers or hire temporary staff. Flexible labour could also be more compatible with a global economy in which the production of ever more goods and services is divided up and organised into (cross-border) supply chains. In this case, the production cycles are shorter and faster and are customised as consumer requirements vary and diverge. Already customers can compare all the suppliers on a mobile phone or tablet. In addition, the increased financialisation of the economy may be implicated, when it results in shareholders and managers focusing more on short-term returns (see also WRR 2016). Efforts to achieve long-term stability for the company and future profits may then be sacrificed to the goal of obtaining fast results while incurring the minimum possible (labour) costs (Boot 2010; Kalleberg 2011; Erixon and Weigel 2016).<sup>3</sup>

However, these trends cannot be the only explanation for the increasing flexibilisation on the Dutch labour market. Although the Netherlands is an open economy, by no means all employment in this country is exposed to global competition. The majority of working people in the Netherlands earn their pay by delivering or making so-called “non-tradable” goods and services – e.g. healthcare, education, hospitality, the police and the army, shops, maintenance and management of public spaces and public administration. Moreover, employers do not all respond to global competition in the same way. There are major differences in numbers and types of flexibility, even between businesses within the same sector. For example, in the international creative sector there are companies that use permanent contracts a lot, whereas other companies in that sector do not (Dekker and De Beer 2014). It even shows from research conducted by De Haan and De Beer (2016) concerning the period 2004-2014 that sectors which are more export-oriented generally use flexible contracts less than sectors whose main focus is on the domestic market (see also Figure 3). The conclusion they reach is “that there is no indication of any kind that international competition forces companies to employ more flexible workers.”

**Figure 3 Flexibilisation by industry sector, 2016**



Source: CBS/own calculations.

**TECHNOLOGY**

So could flexibilisation be “the logical consequence” of technological developments? After all, they make it possible to monitor and adjust the production and build-up of stocks on an ongoing basis and to divide up the production of goods and services and organise it as efficiently as possible. Jobs are bundles of tasks (Went et al. 2015). These tasks can sometimes be replaced by smart machines or be split up, making it possible to outsource tasks to freelancers online. Our economy has increasingly become a service economy. Around 1970, services accounted for 60% of our GDP. That figure is now 80%. What is more, this service economy has changed significantly and has continued to develop. The 24/7 economy is becoming a reality. Technological developments, in this domain in particular, have therefore surely meant that flexibilisation has become more popular.

The new sharing economy with its internet platforms also makes a contribution in this regard. In his inaugural address, Frenken (2016) pointed out that the emergence of the sharing economy was an ICT-driven development but he believed that these innovations would be better interpreted as service innovations. “It is mainly service sectors such as car hire, bus transport, parking, estate agents and the hospitality sector that are now the first to be disrupted.” He expects the expansion of the “internet of things” to result in more items being given a chip and an IP address, and businesses to sell less products and hire out more product-service combinations. The ongoing shift from employment in industry to work in the service sector (or new combinations thereof) and the opportunities for mass customisation also have consequences for the labour market. Businesses are trying to anticipate these developments, which involves cost considerations, the ability to respond quickly to change, innovative capacity and quality assurance, among other things.

In the WRR study *Mastering the Robot (De robot de baas)* (Went et al. 2016), we showed that technology such as digitisation and robotisation is not an inevitable fate that will befall us, but that the government, the business community, trade unions, buyers of goods and services and engineers can influence the way technology is developed and applied. A business that competes on price can try to replace people with machines through automation but that could be a “loser’s strategy” if it continues in the longer term, because other businesses could do the same and reduce costs even more. Moreover, a business risks getting stuck in a specific production method (see Davenport and Kirby 2016). It is better to devise strategies that can increase its added value and competitive edge instead of trying to turn working people into robots and cutting back on employment terms as much as possible. After all, technology can also be used to produce sustainable innovations. A business that wants to be innovative could achieve much more by providing its staff with greater security, pamper them and allow them the scope to develop new services and applications. This would involve looking for ways of getting employees to perform better together with technology. This can be done by taking routinisable tasks away from them and having them carried out by robots in order to leave time for tasks people are good at. Between the two extremes briefly outlined above, anything is possible.

### **CULTURAL TRENDS**

Maybe the flexibilisation of work is a “logical consequence” of cultural trends? That is certainly an important factor: people increasingly desire freedom and autonomy, including at work. This doesn’t just apply to the increasing number of better educated people but to everyone. Working people would like to have ownership of their tasks and the place where they are to be performed. In this context, sociologists including Giddens (1991) and Beck and Beck-Gersheim (2002) describe life as a choice biography. Added to this is the fact that the increased participation of women in the labour market means that more people are trying to

combine work and care tasks. Flexibility of work, with ownership of the number of hours worked and the times at which work can be done, is also a major precondition for this (Plantenga 2017). According to this approach, the flexible labour market has not been created from the “top down” – i.e. through globalisation and technologisation – but from the “bottom up”.

The rapid increase in self-employment in the Netherlands can indeed be partly explained in cultural terms. Many self-employed persons say that they can learn more as an independent worker, be in control of their own time and are better able to combine work with care. People do not necessarily become self-employed to earn a lot of money, but also, or mainly, for the freedom and the working conditions (Vlasblom and Josten 2013; Josten et al. 2014; Kremer 2017). Many self-employed persons choose not to be employed by employing organisations, which they perceive to be hierarchical, sluggish and not innovative. People like their job but often not the employing organisation they work in. They prefer to work “in their own time” and “as their own boss”. Collaborating with other self-employed persons or working in all kinds of work relationships is also attractive to them but they prefer to do so outside the standard employing organisations that impose mandatory rules and standards (Kremer 2017; Van der Meer 2017).

Yet even cultural factors can not be the only explanation. Culturally, the Netherlands is not significantly different from countries such as the United Kingdom or Denmark, where flexible work has not expanded so rapidly (see also Dekker and Stavenuiter 2012). Moreover, there is evidence that flexible working does not always come from the bottom up. Not all self-employed persons choose this way of working freely and with conviction. A small number of self-employed persons are forced into it by their former employer (estimates of bogus schemes range from 9% to 18%, IBO 2015). In any case, it is difficult to explain the increase in temporary employment as being due to cultural trends. Most temporary workers – 80% – would like a permanent contract (Euwals et al. 2016), because what benefits does a temporary contract offer people (Van der Aa et al. 2015; Kremer 2017)? Temporary contracts tend to require the flexibility *of* the employee rather than flexibility *for* the employee.

In short, cultural trends are relevant. People want to have greater ownership of their work and work has become a place for personal fulfilment. But they cannot be the only explanation for the fact that the Netherlands in particular is seeing such a sharp increase in self-employment and temporary contracts.

### **INSTITUTIONS**

All the explanations discussed thus far therefore have an effect, but cannot provide a complete answer to the question as to why flexibilisation is more common in the Netherlands than in other countries. After all, economic, technological and



cultural trends are also a factor in the countries that surround the Netherlands. What makes the Netherlands different from other countries are the Dutch national institutional frameworks. The laws and regulations relating to employment and social security can either lead to contract flexibilisation or contain its growth (Mufels and Wiltshagen 2015). For example, Muselaers, Van Vuuren and Ter Weel (2016) of the Netherlands Bureau for Economic Policy Analysis (CPB) contend that flexibility has three faces: firstly, flexibility that enables workers to work in a way that suits their preferences; secondly, flexibility that meets the employers' and clients' demand for work. But, thirdly, they also point out that flexibility and the deployment of self-employed persons is used by employers to circumvent institutions. This applies both to self-employed persons and to workers. What are the institutions involved?

OECD reports regularly cite the Netherlands as a country where the legislation on dismissal is largely responsible for the increase in temporary contracts (2004, 2013). Legislation on dismissal is reported to be so strict and inflexible that employers have to hire temporary staff or resort to self-employed persons. Added to this is the fact that very few obligations are attached to hiring temporary staff in this country. This major difference could account for the high degree of flexibilisation of the Dutch labour market but there is no consensus among experts on this point. There are also countries where the differences between regulations governing permanent and temporary contracts are small but many flexible employment relationships exist (Hungary) and vice versa: countries that are similar to the Netherlands in terms of regulations but do not have the same degree of flexibilisation of their labour market (Germany). A number of changes have now been made to legislation on dismissal in the Work and Security Act [*Wet Werk en Zekerheid*] in 2015, such as the transitional payment (severance payment made to employees) and the number of temporary contracts that can be concluded in succession. The future will show whether this does indeed have the desired effect in the long term.

Internationally, less attention is paid to the argument frequently advanced in the Dutch debate that employers have too many obligations in terms of social security. Saskia Peters (2016), professor in labour law, said in her inaugural address that the legislature, pressing the buttons of "prevention", "activation" and "financial incentive", removed an increasing number of social security risks from the collective sphere and transferred them to employment contracts as the employer's obligation. According to Peters, the aim of this was not to protect employees but to achieve all kinds of other macro-economic targets, such as reducing (sickness) benefit payments. Her fear is that, if they go too far, obligations under employment law could cause business owners to stop hiring permanent employees. Employers do indeed increasingly pay more contributions than employees, as also shown by Hoogenboom and Knecht 2017. But, in terms of employers' social security burden,

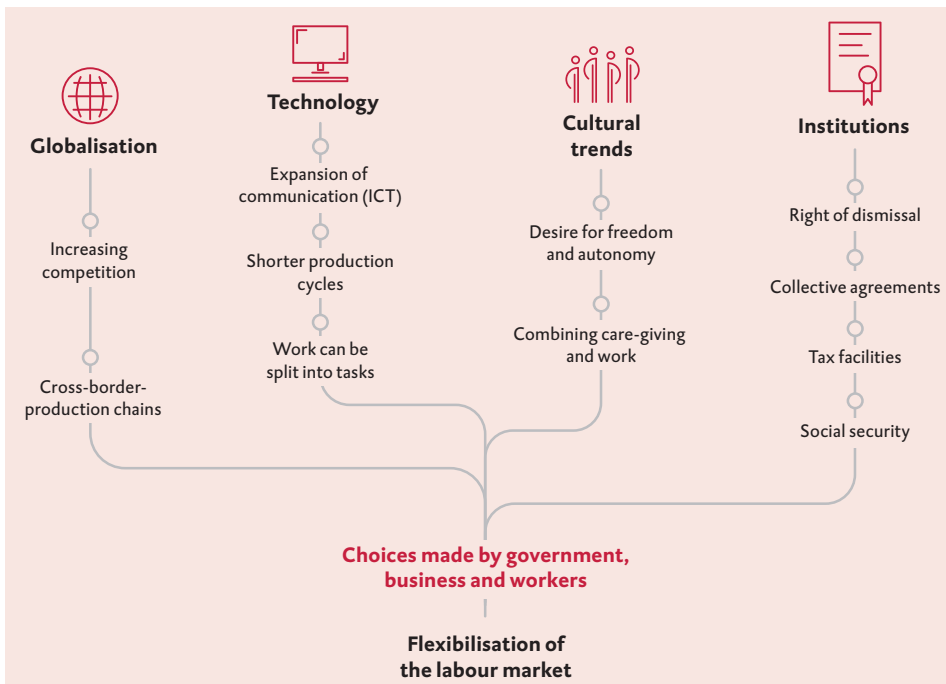
the Netherlands – at 24% in 2015 – is below the European average of 28% (Eurostat 2016). The social security burden cannot therefore be the only explanation for the degree of flexibilisation in the Netherlands.

In this case, could the explanation be the internationally unique scheme whereby employers are required to continue to pay sick employees for two years? This scheme has been singled out for international praise and is effective because, since its introduction in 2004, sickness absence has fallen dramatically and the barrier for incapacity for work has been raised (CPB 2015a). The key question is whether an unintended consequence of this scheme is indeed that employers feel inhibited about hiring permanent employees. The Ministry of Social Affairs commissioned Panteia (Brummelkamp et al. 2014) to survey the opinions of employers and what they regard as stumbling blocks. Although three-quarters of the companies were insured against the risk of compulsory continued salary payment, almost half of them (45%) say they are experiencing financial problems with the scheme, especially small businesses. Because of this, some of them say that they hesitate to convert temporary employment into permanent employment (45%) or to hire people (28%). The majority of employers believe that the statutory schemes are fair: they believe they also have to make a contribution. Employers have greater difficulty with the schemes over and above the statutory requirements – the arrangements made in collective agreements. Employers also say that their hesitancy is not specifically due to the sick pay scheme but a wider set of arrangements relating to dismissal, social security contributions and above all the requirement to re-integrate employees. As far as employers are concerned, it is not usually a question of one specific law or collective bargaining scheme in isolation – such as continuing sick pay or legislation on dismissal – but of actual or perceived responsibilities as a whole.

To account for the rapid growth in the number of self-employed persons, reference is often made to generous tax advantages, especially the tax rebate for self-employed persons (Vroonhof et al. 2005; IBO 2015). It is no coincidence that self-employment increased so much after its introduction. The Interministerial Policy Study into self-employed persons (IBO 2015) shows that the self-employed pay significantly less profit tax than majority shareholder-directors and less tax on their gross profits than employees do on their gross salary. Estimates made by the CPB in this regard refer to a difference of EUR 5,500 in tax payments between self-employed persons and employees on average income, where reserves for social security have already been discounted (see IBO 2015). This tax advantage encourages people to become self-employed and employing organisations to hire self-employed persons because the labour costs for them are much lower. In short, tax arrangements have a dual effect on the increase in self-employment in the Netherlands.

Finally, the existence of social security acts as a safety net because it gives people the courage to take the step to self-employment. Although self-employed persons are excluded from employee insurance schemes, they can rely on allowances, the Social Assistance Act (*Algemene Bijstandswet*) and the Dutch general state pension (AOW). It is often assumed that the welfare state makes people less enterprising, but the existence of a certain degree of security also makes it possible for people to take risks and gives them the courage to take the next step. Following the introduction of the Social Assistance Act in 1965, divorce rates shot up because the “peace of mind of the welfare state” allowed many women to take the risk of leaving their breadwinner (Van Stolk and Wouters 1985; see also Schuyt 1991). More recently, a specific scheme to encourage entrepreneurship linked to unemployment insurance (PARE – Plan d’Aide au Retour à l’Emploi) in France has actually helped to create a large number of self-employed people (Hombert et al. 2013). In Canada, job security during maternity leave has also encouraged more women to start a business (Gottlieb et al. 2016). In short, people are not by definition enterprising if there is no safety net. It is precisely because of the existence of all kinds of social security schemes that self-employed persons dare to go into business in large numbers.

### The causes of labour market flexibilisation



The fact that the Netherlands has an exceptionally high degree of flexibilisation therefore also has to do with the role of national legislation, regulations and agreements. They have an impact on the behaviour of both employers and workers. However, it is not possible to single out one specific scheme that explains why self-employment and temporary employment have shown such an increase. It is often due to combinations of institutional arrangements, which can sometimes have unintended consequences.

#### **POLICY OPTIONS AND THE CHOICE OF EMPLOYING ORGANISATIONS**

The cultural, technological and economic changes briefly outlined above are in all probability set to continue, but are not the only deciding factors. A number of policy options are available and businesses continue to have degrees of freedom. More contract flexibility is not a “natural” development.

Employing organisations have a pivotal and linking role in the flexible labour market. Many employing organisations appear to take highly diffuse considerations into account when asked about their flexible working policy. Employers often say that financial considerations are becoming increasingly important, for example due to global competition in their market sector or public sector cuts. At the same time, other considerations are also involved, which could mean that they want to be more able to tie employees to them. For example, Arriva (a Dutch bus and train company) and PostNL (Dutch Post) have announced that they will be recruiting more permanent staff so as to be better able to guarantee quality of service. A home-care organisation like Buurtzorg also focuses on quality by attracting permanent staff (Pot 2017). Conversely, it is also true that employing organisations that offer little scope to workers and their ideas have difficulty in retaining well qualified staff, as is evident from the increasing number of self-employed persons.

Also, employers often think in terms of risks, whether real or perceived. The risks concern not only the direct financial costs of, for example, long-term sick pay, they also relate to all the complicated schemes and requirements – the hassle – surrounding it (Euwals et al. 2016). Predictability, security and continuity are not just important for many working people, they are also a factor affecting employers, who also want to be sure of where they stand (Donker van Heel et al. 2013; see also Das 2017).

At the same time, it is not always clear whether individual businesses do take individual decisions: there is also evidence of fads and copycat behaviour among businesses (Dekker 2016). This means that the increase in flexibilisation is not an immutable law of nature. Employers’ behaviour could also change again, e.g. if circumstances change, if there is more scarcity on the labour market or if different examples are set.

This also means that there is a role for government, which can influence the quality and quantity of flexibility by the way it organises our institutions. To achieve this, it is important to decide which forms of flexibilisation are desirable and which are not. There could be unwanted side effects which are economically or socially unacceptable or which are at odds with other policy objectives. That is not only an empirical question, it is also a question for political and civil society organisations. And it also applies to what could be done about it and by whom. At the end of this chapter, we will outline a number of possible answers to the latter question. Before that, we will review what is known about the impact of different forms of flexibilisation. We will look at three dimensions: (1) the consequences of flexibilisation for the economy as a whole (growth, innovation); (2) the consequences of the flexible labour market for people's personal and family life; and (3) the consequences for solidarity in the welfare state.

#### **4 CONSEQUENCES OF FLEXIBILITY FOR INNOVATION, ENTREPRENEURSHIP AND ECONOMIC GROWTH**

The reason the economy can grow is that more hours are worked and/or because productivity per hour worked increases. Innovation is very important for ensuring the latter. This involves not merely or mainly new breakthroughs in technology but also usually minor improvements in methods for producing goods and services through new combinations of existing knowledge and changes in the organisation of labour (WRR 2008; 2013). An important question is therefore: what are the consequences of the increased flexibilisation of labour relations in this country for the innovative capacity of our economy and economic growth? As yet, there is no clear answer to this. Based on economic theory, there are different ways of looking at it.

##### **TRANSACTION COSTS AND ENTREPRENEURSHIP**

Why do we have firms at all in a market economy? This was the question asked by economist Ronald Coase in 1937 in a monumental article on *The nature of the firm*, which was one of the reasons he earned the Nobel Prize for economics in 1991. Negotiating a contract for every action that an entrepreneur wants to have done for the production of his goods or services would result in enormous transaction costs, was essentially his answer. However, since then, the cost of splitting up tasks and having them completed outside the firm have reduced as a result of technological progress. The boundary between what a firm does in house and what it can have done through outsourcing or by self-employed persons has shifted. It is impossible to say how this will develop in future, but large companies keep a core of permanent staff employed in any case in order to safeguard its institutional memory and its own culture in the longer term. Firms are more than just a way of minimising transaction costs: "They are proof that when people are trying to solve

common problems, they are wiser collectively than they are individually. Such collective wisdom can accumulate over time and be embodied in corporate traditions that cannot be bought in the market” (*The Economist* 2016).

Of course, there are also differences between firms and between types of firms. Economist Alfred Kleinknecht (2015) generally identifies two innovation regimes in which firms deal with the relationship between flexibilisation and innovation. In sectors with a “routinised” model of innovation (also known as the Schumpeter II regime), with small incremental improvements in the product, organisation or processes, innovation depends on a firm’s historically accumulated knowledge base. High shares of low-paid temporary workers would mean that these firms are less likely to invest in R&D and innovation. However, firms based on an entrepreneurial (or “garage business”) model (also known as the Schumpeter I regime), which are more dependent on generally available knowledge, could actually benefit from the use of a lot of flexible labour. It may therefore also be reasonable to differentiate policy accordingly (Kleinknecht, Van Schaik and Zhou 2014).

Entrepreneurship is encouraged due to the positive external impact that it can have: more innovation, higher growth and more jobs. However, the growth in the number of self-employed has not demonstrably led to this situation (Euwals and Muselaers 2016; Liebrechts and Stam 2017). In the case of some one-person businesses, e.g. people who have been compelled to become self-employed after being dismissed or deprived benefit claimants who have self-employment forced upon them, the supposed positive impact of the increase in the number of entrepreneurs on growth and employment may be seriously doubted. There is no simple or generalised answer to the question as to when, to what extent and in what form flexibility is good or bad for productivity and economic growth. In addition, there are other issues at play in relation to flexibilisation from the perspective of innovation and growth.

#### **LEARNING, INNOVATING AND CONSUMING**

To begin with, it is sometimes forgotten that people who work usually acquire the right knowledge and qualifications for the tasks they perform by learning how to do so through practical experience. It is impossible to give a generalised answer to the question as to whether flexible employment relationships involve learning by doing and learning on the job (Bessen 2015). However, it is obvious that people who are not part of an organisation because they are only hired to perform a specific task become expert in that specific task but will be slower to develop different or wider skills. In addition, employers will invest less, if anything, in training for flexible and self-employed workers than for their own permanent employees. This can have negative consequences for the innovative power of the economy as a whole and for the accumulation of human capital, and therefore for the economy’s capacity for growth in the long term. It is also problematic for flexible and self-

employed workers. They often lack the stability, resources, contacts and self-knowledge to invest in updating and expanding their knowledge and developing new skills. People on a temporary contract do less learning, including informal learning, than people on a permanent contract. Self-employed persons also invest less in learning, although this has improved in recent years (Van Echteld et al. 2016).

The second point of concern is that flexibilisation can have a negative impact on the commitment of hired-in staff. Companies recognise this problem and are trying to find a solution to it. In the UK, McDonald's will be offering its employees on zero-hours contracts a contract for a specific number of hours in the expectation that this will be good for the employees' well-being and will have a favourable impact on their involvement and commitment. In the Netherlands, there are also companies (such as PostNL) which will be recruiting more permanent staff, their main argument being that they want to improve the quality of the service they provide. In the US, the minimum wage is being raised in many cities and states and in an increasing number of companies, the main argument being that this will have a positive effect on the commitment and productivity of employees.<sup>4</sup>

The third issue is whether the degree of security can impede or actually encourage entrepreneurial behaviour in organisations. Why should someone make the effort to come up with new ideas or go the extra mile if their salary comes in every month anyway and the likelihood of losing their job is zero, is a question that is sometimes asked. What is important in this regard is the way in which the work is organised and whether people have more or less scope to work on their own initiative and experiment. Any employer who wants to innovate and take advantage of the intrinsic motivation and creativity of their own employees would be better to focus on providing security (see Pot 2017; De Spiegelaere 2017). Insecurity can lead to a lack of trust and risk-averse behaviour, when for example mistakes are punished instead of being used to learn from. When it comes to entrepreneurship *within* companies, employees who dare to be entrepreneurial need security, according to Liebrechts and Stam (2017).

In conclusion, an increase in flexible working can have a macro-economic impact when it leads to the postponement or cancellation of major purchases, for example. Research conducted by Dekker and Vergeer (2007) shows that higher job insecurity leads to lower consumption, deferral of consumption and therefore to a slower recovery of the economy following a recession. And anyone who listens to people with insecure jobs and insecure incomes is quickly confronted with this message (Kremer 2017). Executive Director Swank of De Nederlandsche Bank (DNB) said in June 2016, during the presentation of the half-yearly DNB forecasts for the Dutch economy, that the bank had conducted its own research which showed that the proportion of wages in the national income is falling as a result of

the increase in flexible labour (Beunderman 3 June 2016). This slows down growth. When domestic purchasing power declines because wages are hardly rising, if at all, this is reflected in sales of goods and services. DNB has therefore recently joined the growing chorus of economists who believe that wages in the Netherlands can and must rise in order to stimulate economic growth.

### **“IT DEPENDS”**

There is no generalised answer that can be given to the question as to whether, from an economic perspective, we in the Netherlands should want more or less flexible jobs and if necessary take policy measures to promote that. All economists agree that flexibilising everything is not good and that not flexibilising anything is not to be recommended either. But what is the optimum for the Netherlands? Its economic structure is not homogeneous: the characteristics, preferences and strategies of companies, employers and sectors differ. We have also seen how various macro factors and effects are involved and how employing organisations can make their own choices.

Our economy has increasingly become a service economy and providing customised services may require a more flexible deployment of staff. Flexible working creates more work in filling gaps, i.e. when there is a need to absorb peaks and troughs, and replace staff who are absent due to illness. However, flexibility can cause too much insecurity for flexible workers, with negative consequences for the economy. And when flexibility is used to circumvent or evade rules, terms of employment or institutions, it amounts to substituting better jobs for lower-quality work (Muselaers et al. 2016).

To summarise, four themes emerge when we look at flexibilisation and the long-term earning capacity of the economy. First of all, it is important to keep the insecurity for workers within limits, otherwise it can be too great, with negative consequences for the economy. A good principle to adopt is that it should not matter in terms of workers' feelings of security or insecurity under which legal structures they offer their labour. The second theme is that it is important to ensure that as many workers as possible venture to be entrepreneurial, either within existing companies or with their own business. The third theme is the need for everyone to continue learning. This does not just involve formal training and the much discussed “lifelong learning” (WRR 2013), more importantly it involves the ability to learn in everyday practice of businesses and institutions. Finally, the fourth theme is that flexibilisation with the aim of evading institutions and rules should be discouraged and combated to prevent the substitution of workers.



## 5 UNEQUAL INSECURITY: INCOME AND WELL-BEING OF INDIVIDUALS AND FAMILIES

Work is more than just an activity. It is a key factor in determining income, status, recognition, social relationships and well-being (Kalleberg 2011). If that work becomes increasingly flexible, what does that mean for people's lives and for society as a whole?

In the much praised *Cut adrift, families in insecure times*, Marianne Cooper (2014) in the US describes the consequences of the flexible labour market and wage stagnation combined with the privatisation of risks, such as childcare and health problems. By literally taking a look at the middle-class household from the inside – she tracked fifty families – she found that many families were constantly experiencing insecurity. The sword of Damocles was always hanging above their heads. This did not only apply to lower middle-class families but also to better-off families with jobs and money in the bank. Cooper describes how this insecurity has a great emotional impact on day-to-day life, in which it is mainly women who shoulder many of the worries, being the “designated worriers”. In order to cope with all the changes on the labour market, people develop all kinds of “insecurity strategies”. They downgrade their needs or are constantly networking or disciplining their children to cope with competition in the global labour market.

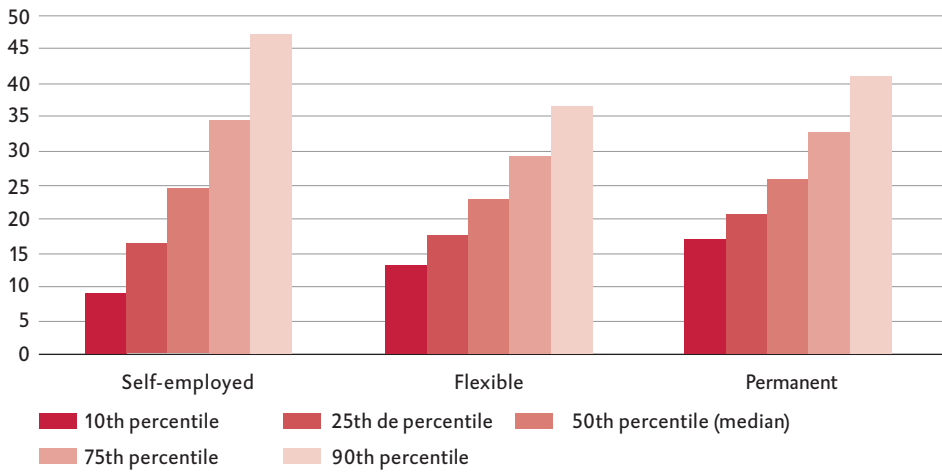
Although the Netherlands provides more social security than the US, we see how flexibility can bring with it different types of insecurity in this country as well. In this section, we will discuss three types: income insecurity, psychological insecurity and life course insecurity. These insecurities, which are not evenly distributed across the population, are not only associated with personal problems, they also constitute major social issues.

### INCOME INSECURITY: FROM COMFORTABLE TO VULNERABLE

First and foremost, a flexible labour market also means an insecure income for many people. Self-employed persons in particular have to cope with fluctuating incomes, with good and bad seasons, or even years. Unemployment is certainly not out of the question for this group. Research shows that five years after starting up 24% are inactive or unemployed (Mevissen et al. 2012).<sup>5</sup> Self-employed persons are at greater risk of becoming (long-term) poor than employees (SCP/CBS 2014). According to research by the SCP, 15% of them are living below the “not much but enough” level (Josten et al. 2014). At the same time, there is a substantial number of self-employed persons who are much better off than employees, as shown in Figure 4. Self-employed persons are characterised by the fact that income differences within the group are much bigger than among workers in general. The poorest self-employed persons are much poorer than the poorest employees and the rich-

est self-employed persons are much richer than the richest employees (IBO 2015). This means that there are two extremes: “comfortable” and “vulnerable” self-employed persons (see also IBO 2015; Klosse 2017).

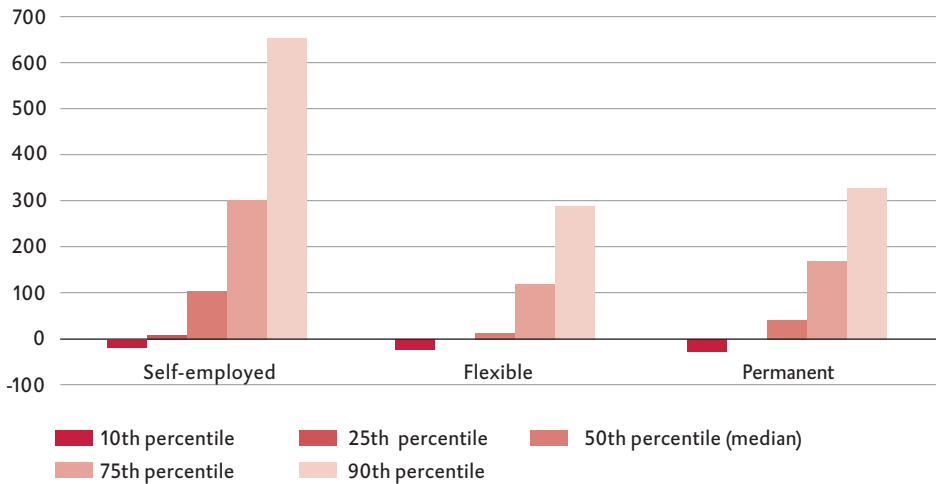
**Figure 4 Standardised household income of self-employed and people with flexible and permanent contracts, 2012 (x € 1,000)**



Source: CBS/own adaptation.

Major differences between self-employed persons are also apparent if we look at their capital accumulation. In this respect, self-employed persons are completely unlike employees, as shown in Figure 5. On average, self-employed persons have accumulated much more capital, but a quarter of them have little or no capital. The differences in capital between self-employed persons cannot be attributed to their educational level: until recently, less well educated self-employed persons were usually greengrocers and market traders who built up a buffer. As is usual with capital, there is a lot of difference between ages, i.e. the younger, the less capital. Younger age cohorts in particular are very vulnerable (IBO 2015).

**Figure 5 Household income of self-employed and people with flexible and permanent contracts, 2012 (× €1,000)**



Source: CBS/own adaptation.

Temporary workers are seldom comfortably off; they are particularly vulnerable. In 2016, the SCP found that the number of working people living below the poverty line had grown substantially and that half of poor people were in work. This is partly explained, according to the SCP (The Netherlands Institute for Social Research), by the increase in flexible working (Wildeboer Schut and Hoff 2016; De Waard 2016). One third of male temporary workers and half of females are characterised by the SCP as “financially vulnerable”. Of people on permanent contracts, approximately 10% are financially vulnerable (Van den Braker 2015).

In the Netherlands, much of the income insecurity which has arisen as a result of flexible working is compensated by a working partner. Because an increasing number of women now work as well, there are usually two incomes in the family. Based on Statistics Netherlands figures, our calculations show that in 2014 less than half of the working couples (43%) consisted of people who both had a permanent contract, a percentage that has declined since 2005. In addition, some workers on flexible contracts and self-employed persons have a partner on a permanent contract (23%), a percentage that has increased since 2005. At the same time, we are also seeing a tendency towards homogamy in this respect: people who are similar in terms of their position in society live with each other. In other words, self-employed persons more often live with self-employed persons and temporary workers with temporary workers. There is also a substantial percentage of single workers (15%) who have no-one to fall back on (De Leeuw 2017).

Although these new income dependencies compensate for the job insecurity to some extent, we have to ask how desirable and how stable this is. Many working people often perceive being dependent on a partner as negative: they would like to earn their own income themselves and say that “an equal contribution of money and time” is needed to ensure a healthy relationship (Kremer 2017). It is no coincidence that economic independence has been the goal of emancipation policy for decades. Moreover, the “cornerstone of society” is highly vulnerable. A third of marriages (and 40% of all partnerships) fail and that figure is slightly higher among lower income groups (CBS 2016c). It is mostly women who experience a massive drop in income following a divorce (Bouman 2004).

### PSYCHOLOGICAL INSECURITY

Job insecurity also has consequences for people’s well-being and family life. We have conducted qualitative research among self-employed persons and temporary workers at different stages of life, i.e. between 25 and 35 years of age, when people are “settling down”, and between 50 and 60 and with different educational levels (see Kremer 2017). The term “insecurity” kept coming up in the research. Insecurity has many meanings. According to the dictionary, insecure means “uncertain”, “not firm or fixed”, “not confident” and “liable to give way”. What do flexible workers mean by “insecurity” and how do they perceive it?

The first meaning is *hopeful anticipation*. Insecurity is adventure; it is great not to know what you will be doing next year and not have your hands tied. It is a state of mind. “I feel alive”, say people who experience this anticipation. This positive state of mind is mostly mentioned by younger, better educated self-employed persons and not by temporary workers and much less by people in middle age. The other meanings of insecurity are more negative. The second interpretation of insecurity is *financial stress and anxiety*. People constantly worry about their income: will I have sufficient income next month, will I be able to pay the rent? Many self-employed persons regard this stress as a price worth paying for choosing interesting work and for personal fulfilment. They take anxiety in their stride. However, temporary workers perceive things differently. They see few advantages in the feeling of constantly having to push themselves to the limit in the hope of having their contract renewed. The third meaning of insecurity is *lack of recognition*. Temporary workers in particular feel that they are unappreciated, that they are interchangeable. They say “Other people would like your job if you can’t hack it”. They experience a lack of respect. Even today, many people still regard a permanent contract as a sign of acknowledgement. People on temporary contracts are often afraid to express themselves at work, especially to their boss, even if they have innovative ideas. They do not feel that they matter or that they can develop in their job. Sometimes they are unequally treated compared with people on permanent contracts. This is what could be described as “flexism” (see Das 2017).

The scientific psychological studies into insecurity also often point out the negative aspects of insecurity. We know that financial stress can have all kinds of consequences for physical and mental health.<sup>6</sup> The science best-seller *Scarcity* by Mullainathan and Shafir (2013), for example, describes how people's mental capabilities decline as a result. The WRR has previously drawn attention to this subject in the publication *Eigen schuld?* [Their own fault] (Tiemeijer 2016). A lot of research has also been done into job insecurity. Job insecurity<sup>7</sup> is regarded as a major "stressor", as it is called: it causes people to have physical symptoms, feel lonely, depressive, score low in terms of well-being and perform worse at work (Cheng and Chan 2008). Temporary workers do not, by definition, experience more job insecurity, because job security is associated with many factors, such as the state of the economy, opportunities on the labour market and age – Van Oorschot and Chung (2014) cite as many as 20. Many survey studies do however show a direct link between temporary employment and a lower level of well-being, health problems and stress (Martens et al. 1999; Van der Meer and Wielers 2014; for an overview, see: De Cuyper et al. 2008).<sup>8</sup>

Academic literature shows that negative psychological effects often relate to three dimensions. The first is that temporary workers are often peripheral workers. No-one invests in them and there is no long-term commitment (reflected, for example, in lower pay, poorer employment terms and less chance of promotion). The second explanation is that temporary work is of poor quality. People hired on a temporary basis have relatively little control of the work they do. The third explanation is that flexible workers are constantly engaged in meeting the demanding requirements to keep the job, or are constantly looking for work. Conversely, these factors mean that as soon as employers invest in temporary workers and as soon as the job provides greater autonomy and people do not have to push themselves to the limit, the psychological effects of a temporary contract do not have to be negative. In short, temporary work does not necessarily lead to psychological insecurity (De Cuyper et al. 2008). However, in that case, the work must no longer take place at the margins and people must have sufficient autonomy.

#### **LIFE COURSE INSECURITY**

The third meaning of insecurity, which came to light in our qualitative research, is an *unpredictable life course*. People who experience insecurity in the labour market cannot or dare not commit to the long term. It is still the ideal of many young adults to get married and settle down, although this is felt more strongly by the less well educated than by the better educated. However, because of flexible working, young adults do not feel that they "can build their life". They often have problems at the first stage – finding a suitable home – and say they postpone having children until one of the two partners has a permanent job. Those educated to lower and secondary level, in particular, perceive the lack of life course prospects to

be very negative and frustrating. They describe how they cannot look to the future and remain stuck in the present. In a study of young adults in the US, Silva (2013) called them “prisoners of the present”.

Putting off having children can be problematic not only for the individual but for society as well. Tomorrow may never come and having children at a later age can bring with it health risks and additional medical costs. Although choosing to have children is also a romantic and emotional decision, economic factors are certain to be involved. Many young couples regard economic stability as a vital condition for taking long-term decisions such as having children (Oppenheimer 1988; Scherer 2009).

Although the feeling of security of employment is probably more important than job security, personal economic instability could lead to the postponement of having children, particularly among men. In the case of women, German research has shown that, this is related to educational level. Less well educated women in temporary positions actually want to have children when work is unstable. In this case, they are seeking security and recognition within the family. Better educated women in temporary work prefer to postpone having children. That is why the German minister of family affairs said tongue-in-cheek that temporary contracts are the best contraceptive (Van der Klein 2017; see also De Lange 2013; Neuhaus 2011; Kreyenfeld 2009; Kreyenfeld et al. 2012; Hofmann and Hohmeyer 2013; De la Rica and Amaia 2005).

#### **UNEQUAL DISTRIBUTION OF INSECURITY**

Insecurity is a key concept on the labour market, especially for flexible workers. Insecurity at work has not only material effects (income), it also has effects on other areas of life, on family relationships and on individual well-being. At the same time, insecurities are very unequally distributed. Young adults who are in the process of building their lives have little economic resilience. Many self-employed persons regard this insecurity as a price worth paying for choosing an adventurous life and work that suits them. Especially those educated to lower and secondary educational level on temporary contracts experience a lack of recognition and life prospects. Middle-aged flexible workers are often less vulnerable, particularly the self-employed persons among them. They have accumulated some capital, their house is partly paid off and the kids have left home. These differences make it complicated to come up with simple solutions, e.g. when it comes to social security, the subject of the next section.

## 6 FLEXIBILITY AND SOLIDARITY: CONSEQUENCES FOR COLLECTIVE SOCIAL SECURITY

Changing labour relations are also challenging the social and political debate surrounding social security, mainly as a result of the rapid advent of the self-employed. Social security gives rise to two types of discussions: on the one hand people are concerned that social security does not provide flexible workers with adequate protection and on the other hand people are concerned that social security actually gives flexible workers – especially self-employed workers – preferential treatment.

### FLEXIBLE WORKING AS A PROTECTION ISSUE

With regard to the first issue, the new flexible workers are often depicted as “victims” of the rules and arrangements in the welfare state, which are not sufficiently in keeping up with the new reality. This involves a big difference between self-employed and temporary workers.

In theory, the protection of workers on temporary contracts in the social security system is provided in the same way as for people on a permanent contract. Even a temporary contract gives a worker the right to unemployment benefit, pension build-up and care leave arrangements. Despite this, people on temporary contracts encounter a number of problems. First, they have to cope more often with difficult transitions between unemployment benefits (unemployment benefit and social assistance) and work, mainly as a result of bureaucracy and waiting periods laid down in the Social Assistance Act. It is not always worthwhile to accept temporary employment, particularly because it does not always lead to a “stepping stone” to permanent employment. Moreover, temporary workers may well have rights – e.g. to care leave – but the question is whether they actually dare to claim them during short-term contracts, especially if a permanent position has been promised (Plantenga 2017). People on temporary contracts now have the same rights in theory, but they cannot always monetise them in practice.

The biggest problem for temporary workers is not so much a protection issue but an investment issue: training and on the job learning lag significantly behind. This is an even more salient point if the temporary worker is low-skilled and older (Dekker 2017). Employers obviously do not feel responsible for investing in a very substantial category of workers which is getting bigger all the time (Vlasblom et al. 2013; Van Echtelt et al. 2016).

Self-employed persons who are solely self-employed (there are about 500,000 of them) do not have the same social security entitlements and obligations as workers: they only have one foot in the collective social security system. They can make use of general social provisions and social insurance schemes – social assistance,

child benefit and all (tax)allowances – but are (almost completely) excluded from the employee insurance schemes (against illness, incapacity for work and unemployment) organised by the social partners, pensions and leave schemes (Klosse 2017; Plantenga 2017; Goudswaard and Caminada 2017). That is also (partly) the reason why self-employed persons enjoy tax advantages, allowing them to arrange their own insurance and build up their own pension.

But the remarkable thing is that self-employed persons hardly ever protect themselves. Only one in five self-employed persons has arranged insurance against incapacity for work – men more than women (CBS 2016b). One frequently advanced explanation is that people do not earn enough to insure themselves or that the premiums are perceived to be too high. Also, many self-employed persons do not trust the insurance companies (“the small print”) and people with an existing condition may be excluded or faced with higher premiums. A small number of self-employed persons (7,000) have “insured” themselves via a so-called *broodfonds* [bread fund]. A *broodfonds* is not an insurance scheme, but consists of a group of entrepreneurs who agree among themselves to provide each other with an income if they are unfit for work. There are now 170 in the Netherlands (Van der Meer 2017). A study conducted by ZZP Barometer shows that half of all self-employed persons do not save for their pension (ZZP Barometer 2016). Goudswaard and Caminada (2017) show that 38% of self-employed persons will not receive a pension amounting to at least 70% of their gross pay. This applies in particular to self-employed persons with a migration background, those on higher incomes, people who are required to be self-employed, and people who are single or divorced. However, we are now seeing increasing numbers of self-employed persons investing in their own training, both formal and informal (Van der Torre and Dirven 2016).

The question constantly being raised in the political and public debate is whether a certain degree of paternalism is required on economic or other grounds. Should the government protect the self-employed? If so, to which risks should that apply? Tax expert Leo Stevens (2016) points out that many self-employed persons are not aware “of the risks they run or they are forced to prioritise other items of expenditure. This can lead to distressing situations when they are uninsured and are hit by loss of sales due to illness, incapacity for work or death. That is not only a personal tragedy, but also a societal risk due to the large number of self-employed persons.” The IBO study notes that there is no reason “to assume that self-employed persons are better able to estimate their risk of illness and incapacity for work than employees” and that, as far as paternalism is concerned, there is no reason to treat self-employed persons and employees differently (IBO 2015: 68).



Self-employed persons themselves are not very receptive to protection against unemployment in particular. They say they have accumulated sufficient capital and invest sufficiently in networking and development to keep working (Dekker and Stavenuiter 2012; Kremer 2017). This is not true of the risk of (long-term) illness and incapacity for work, which is regarded by many self-employed persons themselves as the most important – uncovered – risk (Kremer 2017). Sixty-six per cent of members of the Dutch freelancers' organisation, ZZP Nederland, believe that they are insufficiently insured against incapacity for work. The existence of *broodfondsen* makes it clear that there is obviously a need for a type of occupational disability insurance which is more personal and less remote. In addition, many self-employed persons say that they would like to have access to collective insurance schemes but do not want to be obliged to do so.

#### **FLEXIBLE WORKING AS A SOLIDARITY ISSUE**

Flexible working can be considered from the perspective of workers themselves but also based on the interests of society in the widest sense of the word. Self-employed persons are sometimes also regarded as a group that undermines solidarity in the welfare state. As long ago as 2008, the then state secretaries of Economic Affairs, Finance and Social Affairs and Employment, in a memorandum to parliament, expressed their concerns about the sustainability of the welfare state because an increasing number of Dutch people were opting for self-employment (Heemskerk et al. 2008). Self-employed persons have tax advantages which employees do not have, and that makes substantial demands on the public purse (IBO 2015).

Because they are not insured through employee schemes, self-employed persons could be making greater demands on social assistance and other social security schemes in the future. At the present time, there is no evidence that the growth in the number of self-employed persons has been associated with an increased demand on legal assistance, according to the IBO (2015: 56). But of course we do not know what the future will bring. What will we think after a few decades if a substantial number of self-employed persons have not built up a pension and have to live on a state pension? Is it reasonable as a society to gamble on self-employed persons' own estimates being right?

In the case of temporary workers, there is certainly evidence that they make a considerably higher demand on social security, unemployment benefit, social assistance and redundancy pay/sick pay than permanent employees. The Studiegroep Duurzame Groei (Study Group on Sustainable Growth) (2016: 6) therefore concludes that: "Part of the cost of temporary contracts is being transferred to the collective sphere."

Moreover, there are concerns about the sustainability of the insurance schemes in the social security system. Insurance schemes can only work if they are on a sufficiently large scale – a lot of people have to participate – and if there is a good spread of “good” and “bad” risks. Economist Barbara Baarsma has pointed out that self-employed persons undermine the system and make it unaffordable because it is mostly the “good risks” that leave (Hinrichs and Leupen 2014). The question is whether this is really correct. As the IBO (2015) has found, self-employed persons do not appear to be better insurance risks than employees, because both less well educated and better educated people can be self-employed. On the other hand, according to TNO, self-employed persons are less likely to suffer from incapacity for work, burn-out and other work-related health issues (TNO 2016a).

Self-employed persons are sometimes also regarded as undermining solidarity: it is not only the instrumental solidarity mentioned above that is being eroded, so is moral solidarity. After all, they do not have to contribute by paying premiums and they can freely choose to organise their own social security. Many self-employed persons “cherish this freedom” from the obligation to participate in the collective system, although, at the same time, they would like the government to organise social security for them (Kremer 2017). Some of them (17%) believe that this freedom to organise their own security and not have to pay premiums is actually a major reason for becoming self-employed (TNO 2015).

This raises the question as to why a distinction is made between workers who are not allowed to have this freedom and self-employed persons who do have freedom to opt out of collective arrangements. Why are employees required to save in their employer’s pension fund when they sign an employment contract? Why do they automatically pay premiums for occupational disability insurance? The underlying concept is that self-employed persons are not employees but entrepreneurs who work at their own risk. However, if it is found that in their working lives self-employed persons do not always differ so clearly from employees (a third say that they do the same work when self-employed as they used to do when in permanent employment, TNO 2015) – and the positive external impact of entrepreneurship (growth and employment) is not being demonstrably being delivered, the question must be asked: why don’t compulsory insurance schemes and pension build-up apply to self-employed persons? Moreover, if self-employed persons do not build up a pension or have insurance, e.g. against incapacity for work, these may have to be borne by society, to which other self-employed persons belong. Or, as the chair of ZZP Netwerk Nederland says: “If you don’t make it compulsory, self-employed persons who are building up a pension will be paying through taxation for self-employed persons who don’t make any arrangements (*Het Financieele Dagblad* 10 December 2016).

## 7 FOR THE SAKE OF SECURITY: APPROPRIATE FLEXIBILITY AND SOCIAL SECURITY

In the discussion of the flexible labour market it is claimed that continuing flexibilisation must now be taken for granted and that our system will just have to adapt to it. However, some very different bodies – from employers organisations such as the AWWN to employment lawyers, the CPB and the European Commission (2016) – contend that the Netherlands has gone too far and that flexibilisation needs to be controlled. This is needed to maintain the social security system and adapt it to the changing world in a socially aware way. The social accord signed by the government with employers and trade unions in 2013 (known as the Mondriaan Accord) states that “there are increasing instances of ‘excessive flexibility’ – employment relationships which may not actually require flexibility and/or in which virtually all of the benefits of flexibility accrue to the employer. Bogus flexitime schemes are more frequently being used for the sole purpose of avoiding collective agreement obligations. There is also an increasing incidence of excessive use of temporary contracts, ‘zero hours’ contracts and min/max contracts” (Stichting van de Arbeid 2013: 20).

That is why the Netherlands Organisation for Applied Scientific Research (TNO) has been arguing for some time for an effort to be made to achieve what it calls “balanced flexibility”, i.e. “a well-considered decision by employers in favour of forms of job flexibility consistent with the strategy of the organisation and taking account of employees’ needs. Balanced flexibility guarantees the well-being of employees so that they can work in a healthy, motivated, properly trained and sustainable way. Balanced flexibility should deliver a win-win situation for all those involved: the employees, the employer and society” (TNO 2016a: 22). The question is: what kind of improvements are needed and possible and who can bring them about? We will be considering this question below. We begin by considering how we can distinguish between desirable and undesirable flexibility so that we can promote the former and minimise the latter. We go on to discuss ways of adapting our social security system. If insecurity is the key concept for flexible workers, what kind of social security system is needed?

### IMPROVED FLEXIBILITY

Many working people would like more stability, particularly at the bottom end of the labour market, and many employers would like to provide it as well, as is apparent from recent studies by the Verwey-Jonker Institute and the CPB/WRR/AIAS focus groups (see also Stavenuiter 2017; Das 2017). In 2013, trade unions, employers’ organisations and the government agreed to reduce bad flexibilisation (Stichting van de Arbeid 2013). Flexibility is negative when it is associated with great insecurity that causes continuous financial stress, lack of recognition at work and unclear life prospects and when it always affects the same people in the case of

temporary employment. Flexibility is also negative when it undermines innovation, e.g. due to a lack of commitment by employees. Likewise, flexibility is not the obvious choice for work that has little or nothing to do with cross-border trade – e.g. education, healthcare, cleaning work – and work for which it is also important to retain specific, long-term knowledge. The CPB (Euwals et al. 2016) states in its recent Policy Brief that the choice of type of employment contract should be dictated by the *nature* of the work and not by cost considerations, which are often likely to be a factor now. The question confronting us is whether we can devise strategies and organise incentives to encourage more permanent contracts, but only where it is necessary, without creating too much rigidity in the labour market. We suggest a number of measures that can be taken.

First, the social partners and the government can take different measures in the sphere of labour relations: to make collective agreements to limit flexibilisation; to make agreements to improve collective bargaining around flexible working; to introduce legislation stipulating minimum standards in order to combat unfair competition based on employment terms (such as the Dutch Labour Market Fraud (Bogus Schemes) Act [*Wet aanpak schijnconstructies*, WAS]), and to comply with and enforce this legislation; and to intervene in pricing and procurement policy (Van der Valk 2016: 130).

Consideration could also be given to rewarding employing organisations that offer more people stability and security. Currently, it is financially beneficial for employers not to enter into a permanent arrangement. As workers bear a greater risk in temporary employment relationships, it is more logical if temporary and self-employed work is more expensive (Euwals et al. 2016). Employers who keep people in employment for longer or offer permanent contracts could be awarded a bonus in the form of a premium discount, as is already possible now in certain cases for employing a disabled person, an older or a younger employee (visit [www.ondernemersplein.nl/subsidie/premielokorting/](http://www.ondernemersplein.nl/subsidie/premielokorting/)).

Second, the social partners and the government could focus more on modernising the employing organisations. The increase in the number of self-employed persons is partly due to the perception that employing organisations are inflexible and old-fashioned which does not reflect an increasingly high-skilled working population. People often want to take greater ownership and control of their work. The fact that autonomy at work is in decline in the Netherlands, in particular in the government, is therefore a bad sign and does not fit modern times (Van den Bosche et al. 2015). More people will want to work in employing organisations if they provide more opportunities for professional development and scope for them to control their own job. There are already companies doing this successfully. The well-known international examples are Google and Netflix. There are also well-known companies in the Netherlands that try to keep the hierarchy to a minimum

and encourage and facilitate employees to take initiatives and be free to organise their work. For example, online printer DrukZo.nl allows employees to decide for themselves how many days' holiday to take and when to arrive at the office, and people work there with no salary scale. Of course, these innovations work out better for workers with a lot of "bargaining power". But anyone who wants to limit the number of self-employed and give people more choice in the way they work cannot avoid the issue of modernising employing organisations.

The government and social partners can lend a hand in modernising employing organisations by facilitating greater flexibility in collective agreements. Instead of negotiating about full stops and commas, it is more sensible to reach agreement about ways of customising working arrangements more so as to benefit both employers and employees. If the focus is on functional flexibility – which allows people to be deployed more widely, and organise their own work – this will also reduce external flexibility – the hiring of self-employed or agency workers (Pot 2017). Moreover, self-employed persons will be more interested in entering the employment of a more modern, "freer" employing organisation. Small businesses could also find "less comprehensive collective agreement" helpful in allowing them to take on more permanent employees.

Third, national and local governments could set an example. Why should the security, cleaning and catering for government buildings and staff involve flexibility in the form of temporary contracts, sometimes through contracting-out? The amount of work is easily scheduled, even for the future, as it will not suddenly be decided to stop providing security or cleaning or close government canteens. This applies equally to the education sector, including universities. What is remarkable is that flexibility in the health and welfare sector is deemed necessary due to the unpredictability of local policy and annual contracts with care providers (Das 2017). The government can also set an example by not encouraging bidders to compete solely on price in tenders. The management of the Netherlands largest cleaning contractor no longer wishes to participate in tenders that are decided solely on the basis of the lowest price. "For years, all the cleaning industry was concerned about was which company submitted the lowest bid in a government or private tender. We no longer take part in tenders solely based on the lowest price", they say at Vebege. "The company is trying to retain more clients by delivering quality and offering new services." ("Cleaning giant is on the eve of a wave of investment", *Het Financieele Dagblad*, 16 May 2016). Local and national government can also intervene in pricing and look for possibilities in procurement policy and the trade unions could develop procurement policy to establish options such as a minimum rate to prevent price dumping. One well-known example is the Code of Responsible Market Conduct in the cleaning sector which was drawn up in 2010 (Van der Valk 2016: 59).

Fourth, consumers and clients – who are the focus of many service innovations – can also try to get involved, e.g. by not fleecing workers offering services on platforms and via other online alternatives, and by not just looking at price but also at quality when selecting a service provider or supplier of goods. In a discussion printed in the book published to mark the seventieth anniversary of the Labour Law Association, Caminada put forward the interesting suggestion of making a moral appeal to individuals and businesses that hire other people. He believes “that it is simply obvious that the Minister of Social Affairs and Employment should let the Netherlands know what a socially and morally acceptable minimum rate is. When making an agreement with a local contractor, if you then communicate that if they go below X you will enter into a contract with them, that is not OK and you are not acting morally. I think that will help” (Houweling and Sprengers 2016: 404-5). Research conducted by economist Samuel Bowles (2016) shows that standards and societal and moral preferences matter in the economy. “Good laws make good citizens”: non-financial motives can be encouraged or discouraged by policy and the incentive structure.

Fifth, the government, workers and customers can encourage and promote a situation where organisations and forms of cooperation are created and given the scope to improve the job security of people with temporary jobs and the self-employed. Examples include cooperatives of employees, products and suppliers, which are growing in number according to the National Cooperative Council<sup>9</sup>, businesses in which the employees have a say<sup>10</sup>, collaborative ventures between self-employed persons (Van der Meer 2017, and labour pools. In addition, innovations and forms of cooperation between self-employed persons can, where necessary, be encouraged (see Kremer 2017 on Unit-2). Even small businesses could be encouraged to share risks in this connection. In short, new forms of community in the labour market could help to improve the way flexibility and insecurity are dealt with.

Finally, another concluding thought regarding the employment law aspects of flexibilisation. There is a lot of debate about the Work and Security Act, the aim of which was to restrain certain aspects of flexibilisation. It is still too early to say with certainty whether the Act has achieved its intended objectives. Professors and lecturers in employment law are therefore pleading for the new Act to be given a chance (Bouwens et al. 2016).

For the longer term, however, it would be sensible to investigate whether the idea of a single employment contract as discussed by the European Commission, ILO and OECD (OECD 2014) would also be worthwhile in the Netherlands. This single contract can be imagined as a “phased-in contract”. It is based on the principle that entitlements are built up gradually so that there is no longer a clear split between permanent and temporary employment. This phased-in model cannot be applied to all aspects of employment law, such as the assessment of justification in

dismissal cases. However, a single employment contract could be helpful when it comes to matters such as the payment of salary and re-integration in the event of illness and particularly in the case of the transitional payment. After all, also employees on temporary contracts should be able to accumulate a transitional payment, especially if this payment is earmarked for education. Proposals have also been made for the introduction of a “standard phased-in” contract in other European countries, including France, Spain and Italy. In Italy, the Renzi government actually introduced a single employment contract in 2014. It is worthwhile investigating in detail the experiences gained for the Netherlands.

The suggestions we make here are not, of course, exhaustive. There are undoubtedly more ways of promoting good flexibility and reducing bad flexibility. The point is that the flexibilisation which has arisen in recent years is not a natural phenomenon that we can do nothing to influence. Governments, employers and workers and their organisations, and the public, have their own responsibility and can demand or organise room for manoeuvre to exert an influence on the development of labour market flexibility.

#### **SOCIAL SECURITY IN TIMES OF INSECURITY AND FLEXIBILITY**

Apart from the question as to how flexibility and the associated insecurity will develop over the next few years, there is an urgent demand for changes to the social security system. After all, a certain degree of flexibility will always be needed and desirable in the labour market of the future. How can we adjust the social security system to overcome the insecurities? Two general options are under discussion in many places: a contract-neutral social security based on “workers” or social security based on “citizens”. In the first alternative, the focus could be on adapting (or repairing) the existing system, whereas the second alternative would require a more radical overhaul of the system for everyone (see also Euwals et al. 2016; Euwals and Muselaers 2016; Van Lieshout 2016; De Beer 2015).

#### **REPAIRING: ON THE WAY TO CONTRACT-NEUTRAL SOCIAL SECURITY**

Adaptation sounds at first like “muddling through” and that often has negative connotations, but muddling through with relatively limited adaptations is sometimes viewed by political scientists as being very sensible. This can make it easier to introduce adaptations and respond to unintended effects along the way. Most people in the Netherlands still have a permanent employment contract and almost everyone in the Netherlands is covered by the state pension system and social assistance. It is therefore important to avoid creating insecurity in this group unnecessarily or as an unintended consequence. In addition, even incremental adaptations can be of great significance to people who would otherwise end up in poverty when they get old or become unfit for work, or are too dependent on the income of a partner who is no longer there.

“Repairs” will mainly have to be concentrated on reducing the differences between flexible workers and permanent employees. In this case, the type of contract the worker has no longer matters. This means that social security will become more contract-neutral (as argued in WRR 2013). “Contract-neutral” means that all workers can build up the same level of security. These repairs can take different forms.

So what are the priorities? For self-employed persons, the top priority is to insure the risk of illness and incapacity for work. This is an insecurity about which self-employed persons worry a lot and against which they find it difficult or impossible to obtain insurance individually (despite the existence of *broedfondsen*). It also benefits the collective sphere when self-employed persons do not claim social assistance if they become ill or unfit for work. What form could that take? If these insurance schemes are organised collectively, the obvious option would be to exchange them for tax facilities for self-employed persons, as the tax advantages for self-employed persons were intended for this purpose (see also the report *Arbeidsmarkt en Sociale Zekerheid ten behoeve van de Studiegroep Duurzame Groei 2016*). How exactly an insurance scheme should be designed is the subject of much discussion. For example, it has been suggested that insurance schemes should not be compulsory, but this could give rise to the danger of risk selection. It has also been proposed that an obligation should only be enforced for people below a certain income or asset level. However, as a result of the hybridisation of work, fluctuations in house prices and assets (home ownership is not a liquid asset in any case) and differences in family situation, it is difficult to establish who will or will not have accumulated enough in future. Taking everything into consideration, a general obligation seems to be the most efficient and solidarity-based option but that is ultimately a political decision.

As regards the income risks for self-employed persons, there is another repair that is also obvious, i.e. to set minimum rates for clients in agreements. This has happened, for example in the collective agreement for architects, but it is not yet clear whether this will be allowed by the regulator, the Netherlands Authority for Consumers and Markets, which has yet to give a ruling on whether this constitutes the creation of an illegal cartel.

Training, in particular, is an urgent issue for temporary workers. This does not only apply with regard to themselves, it will also affect the innovative capacity of our economy. Training is subject to the Matthew effect, whereby those who have already received good training tend to undertake further training. Those who have received little training hardly receive any further training, either through their own efforts or from their employer. Flexibilisation of the labour market therefore throws up an additional challenge. Not only do the figures speak volumes, employers admit that they hardly invest anything in temporary staff (or indeed in self-employed staff). However, even they regard that as a problem for the future



(WRR/CPB/AIAS). How can precisely those workers who really need it take advantage of both formal and informal training? The obvious solution is to set up universal training funds or give workers individual training entitlements (see also WRR 2013; Dekker 2017). It is also important, as stated above, to give everyone a transitional payment, including workers on temporary contracts, but it will then actually have to be earmarked for training.

### **RADICAL OVERHAUL: TOWARDS SOCIAL SECURITY FOR CITIZENS**

There are experts and stakeholders who view the flexibilisation of the labour market and increasing insecurity as evidence of the need to rethink the *entire* social security system. Self-employed persons are sometimes regarded as the canary in the coal mine when it comes to social security (see also IBO 2015). The advantage of doing a complete reset of the social security system is that if you do it well you can also take all kinds of other persistent issues into consideration at one go, such as intergenerational solidarity, migration, etc. In doing so, it is important to (dare to) make choices and take decisions and weigh up divergent interests. However, this is not easy as a lot can go wrong or turn out differently than expected, which is why reference is also made to “the great dangers of great gestures”.

Hybridisation of work in which, for example, consumers can also earn money as “workers”, gives rise to reflection about social security which is not primarily intended for workers only but for all citizens. If an increasing number of people prefer a fluid career in which periods of temporary contracts alternate with periods of self-employment, it is no longer realistic to maintain clear dividing lines in the social security system. If people are alternating between or trying to combine care and work, social security designed around work is no longer appropriate. If work is a bundle of tasks, people will increasingly perceive work as a portfolio of activities, for which payment is received in different ways. All these changes in the position and significance of work therefore require a social security system in which the source of income no longer determines its form.

One option is to focus on a “basic welfare state based on citizenship”, in which everyone is required to participate in the most basic forms of social security. Everyone (i.e. all citizens) will then have a minimum level of insurance arranged by the government covering illness, incapacity for work, pension, care leave and unemployment. On top of these default arrangements, people will be able to add as much insurance as they wish and can afford. A major issue in this option is the amount of the basic insurance. In the Dutch social security system, increasing and individualising social assistance, making the individual and not the household the basis for the allocation, would be a step in that direction. A second issue is funding. If it is provided by collecting taxes from citizens, which has a certain logic, the

question is what the role of the social partners will be in future. Perhaps they can focus more on tasks consistent with their role, such as lifelong learning (on the job), ensuring a healthy working environment and improving re-integration.

A second alternative in terms of social security based on individual citizens is to link social security to individuals (see also WRR 2013). This means that people are given a personal savings account which they can draw on in the event of unemployment, a training deficit, illness or old age. Personal accounts, or personal investment budgets (which is a better term), would be provided for all citizens. As soon as someone reaches the age of 18, a basic amount would be credited to the account, as also proposed by the economist Anthony Atkinson (2015). Already, these forms of social security savings systems exist in Singapore and many Latin American countries, such as Chile. And France will shortly be experimenting with a *Compte Personnel*. This means that everyone there is given a personal training account, independently of where he or she works. This is particularly useful where people want to or have to change sectors and therefore want to learn something new. The idea in France is that these personal accounts will subsequently be expanded to include other social entitlements. The individual account system as an answer to flexibilisation has already been suggested in the Netherlands by the Noord-Brabant and Zeeland Employers Association (Hinrichs and Leupen 2016).

The main stumbling block as far as personal accounts are concerned is that people who are unable to save much will be worse off, whereas social security is specifically intended to support the weakest and have the strongest shoulders bear the heaviest load. Moreover, it is impossible to save for every risk because people's working lives are too short for that. This applies both to unemployment and to leave to care for children. That is why combinations of individual accounts and solidarity are also being sought in countries such as France as well as Chile (and in the Dutch pension system, see SER 2016). This form of social security involves "personalising" and not "individualising", because that sometimes has connotations of egoism. In order to actually provide all citizens with social security, forms of solidarity will always have to continue to play a role.

## Appropriate flexibility and security: who can do what



## 8 CONCLUSION: SECURITY IN THE FLEXIBLE LABOUR MARKET

As we have seen, flexibilisation has different causes and backgrounds, and it is neither possible nor desirable to turn back the clock. However, our labour market has become so flexibilised that various bodies – from the European Commission to the trade unions and the AAVN employers’ association – are saying that flexibility has gone too far. Next to the welfare state and the family, work has always been an important means of providing security. The labour market has now become a major source of insecurity in society. Too much insecurity can have a detrimental effect on the economy and on society.

It is important for the economy that security can contribute to innovation, consumer confidence and investment in human capital and entrepreneurship. Both employers and employees want to be sure of where they stand. Too much insecurity can also have a detrimental effect on society. A certain degree of stability reduces income inequality, financial stress and life course insecurity, with which young adults in particular have to struggle for an increasing length of time. It is therefore necessary to raise the subject of the ever-increasing levels of flexibilisation of labour and improve the way it is regulated.

Flexibility is not an immutable law of nature, nor is it inevitable. The national government can exert influence by introducing and enforcing legislation and regulations. National, regional and local government can set an example as an employer and in the tendering process. The social partners also have an important part to play, if only because they can facilitate good flexibility (internally and across sectors) and discourage bad flexibility in collective agreements. In addition, they can help to modernise employing organisations that bring out the best in people, as many employing organisations do not focus sufficiently on involving people or fostering an entrepreneurial attitude in employees: self-employed persons criticise the inflexibility of organisations, and organisations seldom invest in temporary workers. Consumers and clients can also make a contribution at micro level by, where possible, selecting on the basis of quality and not just on price.

However, a certain degree of flexibility will be required in the labour market of the future, whatever happens. More lax employment relationships can sometimes contribute to innovation, growth in employment and making work more attractive. Moreover, a more lax employment relationship may be consistent with what people themselves want and with their stage in life. But flexibility also requires (social) security. There are no “magic bullets” for organising this security, although our analysis clearly shows that the social security system needs to be updated.

A broad consensus now appears to have been achieved on a number of major repairs. A scheme should also be designed for self-employed people in case of incapacity for work and specific attention should be focused on savings schemes for building up a pension. It is necessary to reconsider the tax advantages for self-employed people because they are often used for a different purpose from that for which they were intended, namely insuring against insecurity. It is also important to arrange for *everyone* who finds himself or herself between jobs to receive a transitional payment, i.e. including employees on temporary contracts. Investing in training is very important for this group.

If we want to make more sweeping changes to the system, it seems reasonable to take more time to do so in order to take account of a wide range of interests, discussions, perspectives, considerations and elements of social security. We could take inspiration in particular from major reforms which are being prepared or have been implemented in other countries (e.g. Singapore, Chile and France).

In short, this will involve organising the flexible labour market in such a way that it is consistent with the economy and society that we want and, at the same time, providing flexible workers with greater security.

## NOTES

- 1 Special thanks are due to Djurre Das and Daan de Leeuw for their help with drafting this document. Thanks also go to Paul de Beer, Fabian Dekker and Marloes de Graaf-Zijl for their comments on a previous version.
- 2 These quotes are taken from interviews with self-employed persons and people on temporary contracts (Kremer 2017).
- 3 Migration, another aspect of globalisation, also plays a part. With open borders in the EU, there are always enough workers offering their services, also, or even specifically, if that is on a temporary or self-employed basis. In other words, the flexible labour market is also related to the arrival of East Europeans. This was discussed in detail in the WRR study *In betere banen* (Holtslag et al. 2012).
- 4 For efficiency wage, see <https://nl.wikipedia.org/wiki/Doelmatigheidsloon>.
- 5 Of the self-employed persons who started out from social assistance or incapacity benefit, 40% were inactive or unemployed again after four years (IBO, p. 24).
- 6 See also WRR Lecture 2016 by Martin McKee *Living on the edge: why precariousness matters for health*.
- 7 This term is defined as “a perceived powerlessness to maintain desired continuity in a threatened job situation” (Greenhalgh and Rosenblatt 1984).
- 8 Not all international scientific studies have produced negative findings (De Witte et al. 2013). Internationally, temporary employment is regarded as a very heterogeneous category and really means something different in the US, where permanent contracts are actually flexible contracts, than in France, where permanent really means permanent.
- 9 [www.cooperatie.nl/actueel/cooperaties-sterk-vertegenwoordigd-nederlandse-economie-en-maatschappij](http://www.cooperatie.nl/actueel/cooperaties-sterk-vertegenwoordigd-nederlandse-economie-en-maatschappij)
- 10 See, for example, [www.breman.nl/ob-unieke-bedrijfsstructuur.html](http://www.breman.nl/ob-unieke-bedrijfsstructuur.html).

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# FOR THE SAKE OF SECURITY

## THE FUTURE OF FLEXIBLE WORKERS AND THE MODERN ORGANISATION OF LABOUR

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The number of people who have a permanent job is decreasing while insecurity on the labour market is increasing. How widespread is flexibilisation, what forms does it take and what are its consequences? What are its causes? What is the best way of dealing with it?

In the Netherlands, a growing number of people are working on temporary contracts: the number of self-employed workers is rising and many aspects of the way work is organised are changing. Another trend is hybridisation, resulting in new combinations and hybrid forms of work. At the same time, many stake holders and bodies are worried that flexibilisation is going too far.

A fierce public debate has arisen in the Netherlands concerning the future of the labour market. This essay is intended to be a contribution to the debate. Returning to the past is not an option and not desirable; there are no easy answers. However, the government, the business community, employers' and employees' organisations and citizens all have an influence on the way we work. The aim should be to organise the flexible labour market in such a way that it is consistent with the economy and society that we want and, at the same time, provide flexible workers with greater security.

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