

Summary

Demand for labour 2015

The report *Demand for labour (Vraag naar arbeid)* is published every two years. It describes the situation on the Dutch labour market and outlines developments in relation to a number of key policy themes from the perspective of employers. The report is descriptive and presents a broad picture of the way in which employers shape their personnel policy. The results are based on data from the Labour Demand Panel, a long-running survey of businesses and institutions in the Netherlands employing five or more employees. The most recent data were gathered in the period April 2013 – April 2014. Roughly 2,800 companies took part, which were representative in terms of sectors and size categories. The Labour Demand Panel survey has been carried out since 1989. As the survey is conducted every two years, it is possible to follow developments over time.

Government policy is directed towards increasing the labour participation rate. Employers have a major role to play here: investments in the workforce are important in prolonging employability. Measures designed to achieve are not just concerned with healthy working conditions, but also areas such as training and staff development opportunities, ensuring a healthy work/life balance, and ‘from work to work’ activities. We used the data from the Labour Demand Panel to map the views of employers and the way in which they shape their personnel policy, and explored whether developments are moving in the direction envisaged by the government. Investments by employers in their workforce can be viewed in the light of two key developments on the Dutch labour market: the economic crisis and the trend towards more flexible labour relations. These two topics are the focus of chapters 2 and 3 of this report. Chapters 4 and 5 look in more detail at investments by employers in sustainable employability. Chapter 6 presents the conclusions.

Financial situation and employment dynamic

The impact of the economic crisis is clearly reflected in the figures. In 2013, almost half the companies surveyed (47%) reported that turnover had declined; in 2011 the figure was 40%. More companies were also undergoing contraction in 2013 than in 2011. The construction industry was particularly hard hit by the crisis. On the other hand, for the first time in a long period, employers began showing confidence in the future in 2013. Only organisations in the government, education and care and welfare sectors took a more sombre view of the future. Companies have experienced first-hand what impact an economic downturn can have. Where in 2003 only a quarter of companies reported that their organisation was highly sensitive to fluctuations in the economy, this had risen to over 40% in 2013. The sense of being immune to economic influences evidently proved to be false for many organisations during the deep economic crisis of recent years.

The influence of the economic crisis can also be seen in the personnel flows. Mobility on the labour market declined, with both the number of employees entering and leaving organisations lower in 2012 than in 2010. Employees thus more often remained in their current jobs and changed employer less often. More and more employers reported overcapacity in their organisation. Unlike the situation in 2010, more people left the organisations than entered them in 2012, which meant the rate of job destruction was higher than the rate of job creation; in other words, there was a net loss of jobs. This was particularly acute in the construction industry and other service sectors.

Both the Dutch government and the Social and Economic Council (SER) stress that employers have a key responsibility to offer ‘from work to work’ programmes, helping superfluous employees to find other work after redundancy to prevent them ending up on unemployment benefit. The total share of businesses offering such programmes fell from 35% in 2007 to 27% in 2013. The rise in businesses that are contracting is thus not automatically accompanied by an increase in ‘from work to work’ activities. It may be that, precisely at times when it is sorely needed, it is difficult for companies to take on this task.

Flexibilisation of labour relations

There are several ways for employers to organise work in a more flexible way. This report distinguishes between four variants:

- hiring in temporary staff (external numerical flexibility);
- paid overtime (internal numerical flexibility);
- job rotation (functional flexibility);
- performance-related pay (wage flexibility).

We devote particular attention to the first form, namely the use of flexible employment contracts.

Two key developments can be identified on the labour market as regards the deployment of flexible staff. On the one hand there is the structural trend towards increasing flexibility. Almost two-thirds of companies in the survey used temporary employment contracts in 2013 – a doubling since 1995. On the other hand, the economic crisis was a factor for a number of years, forcing employers to adapt their workforce to the changing demand. Flexible employees, such as temporary agency staff and people on temporary contracts, were at greatest risk of being forced to leave the company in favour of employees on permanent contracts. After increasing for several years since the 1990s, the figures for 2013 show the first stagnation in the percentage of companies with flexible employees compared with 2011 (83% in 2011 versus 80% in 2013). The use of temporary contracts with the prospect of conversion to a permanent contract declined in 2013 compared with 2011, while the use of temporary contracts with no prospect of permanent employment increased.

The Labour Demand Panel was asked for the first time in 2013 about the use of payroll constructions. Payrolling means that a company outsources its responsibility as an employer and hands it to a payroll services provider, which effectively becomes the employer. Only 5% of companies surveyed use this technique in 2013, making this the least frequent form of flexible contract. The main motivation for employers to use payrolling is to cut red tape and circumvent complicated dismissal procedures. The government and education sectors contain the most organisations with one or more staff employed on a payroll, probably because of the relatively large number of organisations in these sectors and the correspondingly greater chance that payroll contracts will occur.

Paid overtime (a form of internal numerical flexibility) was used less in the period 2007-2013 than in 2005; 39% of businesses in the survey used this form of flexibility in 2013, compared with 48% in 2005. This may be because of overcapacity in many companies, reducing the need for paid overtime. Roughly a fifth of companies made use of job rotation, with employees regularly taking on different tasks (functional flexibility). Changes in job content are thus a relatively unpopular method of introducing flexible employment. Performance-related pay (wage flexibility) has received a good deal of attention recently due to the high bonuses and pay levels of directors and people in senior management posts. However, the figures show that individual performance-related pay is used just as often in the lower and middle-ranking posts as in senior management. The care and welfare and education sectors use individual performance-related pay least often, though there has been a good deal of discussion in recent years about introducing the system in the education sector.

Investments in personnel

Figures from the Labour Demand Panel show that investments in sustainable employability of workers are in many respects not moving in the direction envisaged by the government. For example, employers gave less priority in 2013 than in 2011 to investments in personnel policy, such as training, terms of employment and combining work and care tasks. Working conditions have also received steadily decreasing attention from employers over the last decade.

Despite the high level of attention for sustainable employability, employers do not invest any more often in staff training. Although the percentage of employees following training or courses has increased over an extended period (since the 1990s), there has been no increase in training in the last decade. There has also been no increase in the share of companies in which study leave was requested. Those following work-related courses or training are relatively often employees on permanent contracts. Workers whose temporary contracts mean they are most in need of training to improve their employability are thus benefiting least.

The Labour Demand Panel also includes information on work experience places and internships for students. In 2014, roughly a quarter of companies in the survey offered work experience places in the form of day-release schemes. A high proportion of recognised work experience organisations have no day-release students, especially those in the education, care and welfare and government sectors.

Measures to facilitate a good balance between work and care tasks can also contribute to sustainable employability. It is striking that the trend towards teleworking is stagnating. The percentage of companies with teleworkers grew strongly after 2003, but in 2013 it had fallen compared with 2011, from 46% to 38%.

The use of parental leave and short-term care leave increased in the period 2003-2013. Short-term leave is granted when an employee is caring for a loved one. The percentage of companies where employees applied for short-term leave rose over the period 2003-2013 from 16% to 25%. This figure may have been boosted by the greater responsibility being placed on citizens by the government in the context of the Social Support Act (Wmo), as well as the increase in the percentage of informal carers (Josten & De Boer 2015).

Diversity policy

The Dutch government is committed to raising the labour participation rate. Part of this commitment is aimed at ensuring that more members of groups where participation is currently low, such as older people and people with disabilities, go to work and remain in work. However, the figures show that specific policy for these groups is generally not considered very important by employers, although diversity policy receives more attention in some sectors (especially the government and care and welfare sectors) than in others. Fewer companies gave priority to attracting more women into management positions in 2013 than in 2011 (14% versus 18%). The percentage of women in management posts is relatively low: whereas women account for 43% of the total workforce, fewer than a third (30%) are in management positions. The percentage of management staff with a non-Western background is also low: while a third of companies employ non-Western migrants, only 6% have non-Western migrants in management positions. Recruitment of non-Western migrants was also less often a priority in 2013 than in 2011 (9% versus 12%).

Attracting people with health impairments is prioritised by 9% of companies, a figure which did not change between 2011 and 2013. A quarter of employers are unfamiliar with schemes such as wage cost subsidies and in-work benefits, and half of employers are ignorant of no-risk premiums and exemption from social security contributions. The Labour Demand Panel also contains information about government measures that individual employers considered desirable. The most frequently cited is reduced responsibility for employers for meeting the costs of sickness and incapacity for work (the obligation to continue paying an employee's salary during sickness absence).

One development which is moving in the government's desired direction is the growing number of older people in work. Employers prioritise their policy on employing older workers slightly more often (39%) than their policy on the three groups mentioned above. Employers have also come to a more positive view on people continuing to work beyond the age of 60. Strikingly, any negative attitude on the part of employers stems not so much from concerns about the functioning of older workers as from the perceived relationship between productivity and wage costs. A quarter of employers (24%) believe the productivity of older workers is lower than their wage costs justify. The number of schemes specifically aimed at older workers within organisations is steadily declining. Schemes such as additional days off, shorter working hours, exemption from overtime and adapted working hours became less and less common in the period 2005-2013.

Conclusion

Investing in sustainable employability of the workforce has been given less priority by employers in the recent period. There has also been virtually no increase in the investments in training and 'from work to work' programmes. Logically, the economic crisis has had an impact on employers' attitudes to their personnel policy, with employers more interested in survival than investing in their staff. The more flexible labour relations could also play a role: the increase in temporary employment contracts means employers are likely to have fewer incentives to invest in their workforce, as a shorter employment horizon means those investments will be lost when the employee leaves. The figures show that employers invest more in employees with permanent contracts, who more often follow courses or training than temporary staff.

It will be interesting for several reasons to see how the commitment of employers to sustainable employability develops in the years ahead. First, (after the measurement in 2013/14) a number of key policy measures have been introduced. The Participation Act may provide new impetus to recruiting people with health impairments. The Flexible Employment Act is intended to give employees more opportunities for teleworking. Short-term leave schemes have also been expanded, and this could lead to an increase in their use. Finally, the Work and Security Act has recently come into force in order to end the abuse of flexible contracts and simplify dismissal routes. Second, the economy is improving, which may create more scope for the 'softer' aspects of personnel policy. Whether the stagnation in employers' investments in sustainable employability as described in this report are simply a response to economic fluctuations is however something that remains to be seen.