



Universiteit Utrecht

*Bright minds, better future*

Towards a more  
sustainable  
labour market



# Towards a more sustainable labour market

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# Foreword



Our university's mission is to provide young people with an academic education and to train a new generation of researchers. We combine this with pioneering research of the highest quality. Our aim is not only to achieve social relevance, but also to make a distinctive contribution to solving the challenges facing society.

In view of the complexity of many of the issues confronting society, it is essential that we continue to invest in the quality of our knowledge and intensify cooperation within and beyond the university. Multidisciplinary cooperation, combining academic knowledge on important themes and creating value from knowledge (knowledge valorisation) are all now firmly embedded within our university.

Our university lies at the heart of our society and is very much aware of the support it receives from society. For this reason, the university is committed to sharing its knowledge and by doing so aims to make a positive contribution towards shaping developments and resolving issues. We achieve this in numerous ways, including by means of science communication, our University Museum and publications such as this one.

This year, the university has chosen the sustainable labour market as its theme. Six professors, each working in a different discipline, were asked to share their vision on this theme in the light of changes brought about by technological advances or

other factors, as well as the importance of participation and utilisation of talent.

The six professors are: Paul Boselie (Strategic Human Resources), Tanja van der Lippe (Sociology of Households and Labour Relations), Tine de Moor (Economic and Social History), Frans Pennings (Labour Law and Social Security Law), Joop Schippers (Labour Economics) and Toon Taris (Psychology of Work and Health). All six professors have worked jointly on this publication entitled "Towards a Sustainable Labour Market".

This publication aims to make a valuable contribution to the development of ideas and the different discussions on this theme taking place across various platforms. The future of our labour market will be the central theme of the symposium "Towards a Sustainable Labour Market", to be held on 14 October 2015.

We trust that the symposium, together with this publication, will offer an excellent opportunity for the academic world, government and the business community to engage in an ongoing conversation on the future of the labour market and participation within it.

On behalf of the Executive Board,  
**Marjan Oudeman**



# Summary

## **SUSTAINABLE PARTICIPATION IN EMPLOYMENT CALLS FOR AN INSTITUTIONAL REORIENTATION**

A sustainable labour market is desirable for all parties: employees, the self-employed, employers and government all benefit from a labour market that makes optimal use of every form of talent and in which every individual has a role to play. The labour market in the Netherlands cannot yet be described as fully sustainable. In fact, it shows a number of structural imbalances. The nub of the problem it faces is that a large proportion of the ‘insiders’ in the labour market are overused, while ‘outsiders’ are systematically underused. In this essay, we explore the behavioural and institutional changes that are necessary and possible in order to bring a sustainable labour market a step closer.

In the Netherlands, employment is highly demanding; Dutch people work comparatively little, but productivity is high. Increasingly higher-qualified people work with ever-advancing technology, which enables them to achieve ever-increasing productivity per person. But this is not the only reason why labour productivity is so high. Many less productive citizens are partially or completely excluded from the employment process. In a culture in which employment is seen as highly demanding, they struggle to find re-employment. Without any intervention,

the gap between participants in the labour market and those outside it will only continue to grow.

In addition to this group of outsiders, there is also a large group of people in employment who are being underused, both qualitatively and quantitatively. Women continue to find themselves in less senior positions than men with comparable qualifications or experience, and the same applies to ethnic minority workers and people with a disability. Older workers are also relatively underused: their productivity wanes because their qualifications or experience no longer match market demand. As a result, although these people have much to gain from a boost to their human capital, employers actually prefer to invest in employees who are already highly productive, in anticipation of achieving even better returns. This undermines the opportunities of older people in the labour market, as well as the productive capacity of the working population as a whole.

Another factor is the issue of over qualification resulting from current labour market conditions, which can also be seen as another form of underutilisation. Partly this is a consequence of the trend – in itself a positive development – that the Dutch working population is increasingly higher qualified. It is a trend that calls for more independence for employees at all levels of organisations. But organisations have not yet adapted to enable this to happen. Where it does occur, it is often efficiency-driven, which significantly increases the pressure of work experienced by employees.

Alongside underutilisation, the labour market is also characterised by overutilisation in both qualitative and quantitative terms. In the case of quantitative underutilisation, employees are simply being asked to do too much and do not have the qualifications required to do the work effectively. This kind of overutilisation leads to damage caused by faltering production processes and dissatisfied customers or patients. In quantitative overutilisation, the employee may have the right competencies, but permanently lacks the time required to effectively live up to his or her job description. This increases the pressure of work and ultimately also causes work-related absenteeism to grow.

What is the best way of organising employment in the future in order to ensure that everyone's talent is utilised to the fullest extent and everyone makes a valuable contribution to society? People will also need to feel comfortable and be able to continue working until late in life. It is ultimately about striking a balance between a focus on individual well-being, the interests of society and organisational effectiveness.

In its current state, the organisational model does not offer sufficient opportunities to meet the needs of both employers and employees. On the one hand, we see the traditional model of the production company losing its dominance; the growth of companies such as WhatsApp and Marktplaats (Dutch version of eBay) proves that it is no longer necessary to invest a lot of physical and financial capital to establish a successful company. On the other hand, the role of employment in people's lives has also changed. People need work that is both useful and meaningful, which is at odds with the organisational culture of many major corporations.

How can we shape these developments to achieve a genuinely sustainable labour market? In order to determine the best way to intervene, we have explored four different future scenarios, envisaging a future that may or may not have been transformed by a technological breakthrough and in which the focus shifts to a greater or lesser extent towards shared, community values. None of these scenarios offers a ready-made solution for creating a sustainable labour market, but it should be possible to develop a successful plan by taking elements from each of these different visions.

The scenarios each offer different solutions to the issues outlined above. Bridging the gap between insiders and outsiders may therefore be possible and there are many different roads that lead to Rome, as it were. However, priorities need to be decided first, before aligning these to political choices. Further research and ongoing discussion will help to single out which institutional changes – and possibly also which specific coordination mechanisms – will bring a sustainable labour market a step closer.

The conclusion is therefore that a sustainable labour market is achievable in the Netherlands. Plugging the gap between insiders and outsiders is possible, ensuring that everyone's talent is fully utilised and that there is sufficient space for personal development and creativity. If everyone is in a suitable place, dissatisfaction will be reduced to a minimum. Much of this will not happen of its own accord – institutional changes will be necessary.



# Towards a more sustainable labour market

## 1. Introduction

The Dutch labour market is characterised by several structural imbalances. Firstly, there is a significant group of outsiders who remain excluded from the labour process for a long period and a strict division between insiders and outsiders. Secondly, the talents and competencies of some of those active in the labour market are underutilised – people who are working at a level lower than their actual capacity and who could achieve more than they currently do. The third structural imbalance is the fact that a significant portion of the working population is being overused: they are continually asked to perform at the limits of their capabilities and their work/life balance is under pressure. Each of these imbalances not only damages the personal well-being of the individuals involved, but also undermines the earning capacity of the Dutch economy as a whole. In view of the lack of other natural resources, a thriving economy in the Netherlands ultimately depends primarily on a *sustainable labour* market in which, on the one hand, everyone's talent is fully utilised in order to meet *society's needs in a productive way*, but in which, on the other hand, this also happens in such a way that people feel comfortable and can continue working until late in life (WRR, 2013; CPB, 2014). A sustainable labour

market therefore has three dimensions: individual well-being, economic effectiveness and social relevance.

The economic crisis of recent years has shown that increasing groups of people are vulnerable and at risk in terms of long-term participation in employment (UWV, 2014; CBS, 2012). At the same time, the focus on what are, in Dutch terms, high levels of unemployment caused by a drop in demand and faltering investments may be making it difficult to fully recognise the structural nature of the imbalances and underlying trends referred to above. Even when the economy picks up again, changes will be needed in order to bring a sustainable labour market nearer reality.<sup>1</sup>

In this essay, we particularly wish to explore the behavioural and institutional changes that are necessary and possible in order to get closer to a sustainable labour market. When referring to institutions, we are thinking, for example, of statutory and other regulations and customs, the way in which the socio-economic system is structured, but also in terms of 'the organisation' as a entity in which various types of employment and capital come together. From the perspective of a sustainable labour market, the organisation may actually be one of the most important institutions.

*Even when the economy picks up again, changes will be needed in order to bring a sustainable labour market a step closer.*

As we continue making our case, we will look in greater detail at the structural imbalances outlined above: how can they be explained, how are they developing, who is affected and how do they conflict with the principle of a sustainable labour market? We will focus on both Dutch and international literature on the subject, without claiming to be comprehensive since that is difficult to achieve in an essay of this kind. We will

then identify the most important dilemmas facing the labour market. These have been taken as the basis for developing a number of scenarios, which are briefly outlined in this essay. We use these scenarios to explore which institutional developments and changes will or will not contribute to realise a sustainable labour market.



## 2. Structural imbalances in the Dutch labour market

### 2.1 THE GAP BETWEEN INSIDERS AND OUTSIDERS'

Employment in the Netherlands is a professional game. This can be seen in part from the high levels of productivity achieved (OECD 2014a). Although they work comparatively little, Dutch people are particularly productive in the hours that they work (Camps, 2015). These high levels of productivity are the result, on the one hand, of a combination of a well-educated working population (although the Netherlands is not a world leader in this regard) (OECD 2014b; Eurostat 2015), significant and efficient deployment of capital (*idem*) and a stable employment climate (European Foundation, 2013; ILO, 2015). For decades now, there has been a trend in many sectors in which increasingly well-qualified people, combined with ever more advanced machines, are capable of achieving ever-increasing productivity per person (Donselaar, 2011). Technological development has been a decisive factor in this and has not only made machines increasingly 'capable' but has also made them cheaper. In an earlier age, we saw a similar development with the emergence of the combustion engine. More recently, the development of the silicon chip and its use in computers and other devices is another powerful example. Just a few decades ago, a computer was a device that – in terms of both physical space and expense – was the sole preserve of large organisations with plenty of capital. Now, from the

kitchen table or a hammock, all people need is a laptop to design buildings or a ship, transfer money from one side of the world to the other, or even run an entire car factory. Although this does not automatically apply to all technology, and serious attempts are sometimes made to restrict knowledge of and accessibility to certain forms of technology (such as nuclear technology, for example, but also patented industrial technology), access to and availability of technology is increasing across the board. We will return to this later.

On the other hand, the average productivity of working people is high because less productive workers are excluded from the employment process (CBS, 2015). To a significant extent, the latter is a legacy of the classic welfare state built up in the Netherlands during the third quarter of the 20th century with the blessing of a close-knit coalition of employers and employees (see also, among others, WRR, 2006; Hemerijck, 2012; De Kam and Donders, 2014). As prosperity grew and it became possible to expand the welfare state, schemes were devised for increasing numbers of groups who found it difficult or impossible to participate in the employment process, exempting them (completely or partially) from employment whilst at the same time providing them with an adequate income (e.g. De Beer, 2007). On the one hand, the Netherlands was rich enough to be able to afford these types of provisions. On the other, a dedicated set of policy administrators and civil servants was keen to ensure that provisions of this kind were properly organised (as a result of which each group has its own, specially-designated scheme).<sup>2</sup> Above all, there was a great sense of

solidarity: at least until the 1980s, every new expansion of the welfare state could rely on widespread support, both in the political world and among employers and employees. It gave employers an easy way of dispensing with their less productive employees and, in most cases, these employees were still able to enjoy an (often more than) adequate income.

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*Now, from the kitchen table or a hammock,  
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or a ship.*

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The way in which the funding of most of these provisions was arranged in the Dutch welfare state, namely in terms of social premiums linked to employment, meant that labour as a production factor became increasingly expensive, also in relation to capital. The difference between the labour costs incurred by employers and the salary received by employees increased, creating an incentive in many sectors for labour to be replaced by capital (SER, 1984; CSED, 1997). This process has continued ever since the guided wage policy introduced after World War II was relaxed in the early 1960s. Recent discussions about the role of robots and other modern technology have tended to assume that a lot of labour will continue to be replaced by capital in the decades ahead. Certain sectors (for example, coal mining in Zuid-Limburg, the textiles industry in Twente, the shoe industry in de Langstraat region of Noord-Brabant, shipbuilding) were unable to match the increasing competition from low-wage countries and have largely disappeared from the Netherlands.<sup>3</sup>

Eventually, at the end of the 1970s, the welfare state became so expensive and business profits fell to such an extent that the total level of investment (and ultimately with it employment) came under pressure in the Netherlands. That marked a turning point for the welfare state: after a quarter of a century of growth, the cutbacks began. This process started carefully and with some reluctance<sup>4</sup>, then later took inspiration from new ideologies<sup>5</sup> and continued with less reticence<sup>6</sup>. Some schemes, such as the VUT early retirement scheme for older employees, were completely abolished whereas others became more difficult to access, benefits were reduced or their duration restricted. As a result, all kinds of 'escape routes' that in the 1970s or 1980s still offered less productive members of the working population an opportunity to leave the labour market early with sufficient benefit payments were gradually closed. The number of people entitled to benefits fell (UWV 2012), partly as a result of the economic upturn at the turn of the century and the impact of the ageing and dejuvenation of the labour market in the first decade of this century (until the start of the financial and economic crisis in 2008), although not everyone with no (further) entitlement to benefits found their way (back) into the labour market.<sup>7</sup> Business profits recovered and employment levels grew. In macro-economic terms, the restructuring of the welfare state can to some extent be labelled a success.

None of this detracts from the fact that despite the decreased number of people entitled to benefits by 2015, there are still hundreds of thousands of Dutch people outside the labour

market arena. Now that the access gates to the schemes that still exist in the slimmed-down welfare state are no longer wide open, when an individual is permitted to take advantage of a scheme, it implies that from a labour market perspective there must genuinely be something wrong with this person. In the social sciences, we refer to this as a ‘scarring’-effect (Clark and Oswald, 1994; Clark et al., 2001; Román and Schippers, 2006). Employers who are looking for high-performance professionals will not be readily inclined to appoint someone who carries a ‘scar’. In addition, many organisations have forgotten how to deal with less productive workers and – even if government grants are available – associate them with all manner of ‘inconvenience’ (Román & Schippers, 2008). Welfare states that never developed to the same level as in the Netherlands and are less meticulously organised than the Dutch (those in southern Europe, for example) encounter this issue of employment being the sole preserve of professionals to a much lesser extent. They never had the luxury of exempting so many less productive members of the working population from the need to participate actively in the labour process in order to continue, albeit at a lower level and at a relatively slow pace, to provide a living for themselves.

As the walls around the schemes to replace income were gradually made higher and – in terms of the transitional labour market approach (see, among others, Schmidt, 2002; Schippers, 2001, 2003; Muffels et al., 2006) – the transition between the labour market and social security became less difficult in both directions, the focus within social security in terms of individual

support was increasingly placed on activation. Anyone excluded from the game, for whatever reason, had to find their way back into the labour market as quickly as possible.

In the 1990s, this stance was primarily the result of the understanding that, for many people, social participation (‘a sense of belonging’) is very much linked to doing some kind of paid work – even if it is partly or predominantly subsidised. Work creates structure, provides social contacts and gives meaning to life (see, among others, Jahoda, 1982; Mok, 1990; Peeters et al., 2015). The concept of social employment is, for example, based on that principle and, at the turn of the century, the subsidised jobs known as Melkert jobs (after the minister who created them) were also inspired by this view. Originally intended as a step towards full paid employment, everyone was happy with the uptake of these new jobs: schools gained new classroom assistants, new bicycle parking facilities were created staffed by a few long-term unemployed people. These people not only became increasingly skilled in making minor repairs to bicycles<sup>8</sup>, but also contributed to a perceived sense of social safety, and people who had often sat at home for years enjoyed the appreciation of their subsidised work. The next step, towards non-subsidised employment, was less successful. The idea that these jobs would help people to achieve independent, non-subsidised jobs proved to be too optimistic, which is why they were abolished after several years. We will return to this point later.

In the first decade of this century, the perspective on social security shifted towards the view that people should above all take control of their own destiny. Continuing dependence on the collective was not seen as a good thing and public acceptance of it had declined. Social security ‘clients’ had to be encouraged to take independent action themselves and find themselves new employment, helped by positive incentives, but if necessary also threatened by benefit cuts. This view reflected the idea that, in an increasingly well-qualified and individualised, emancipated society, there are increasing numbers of citizens who are generally self-sufficient enough and also prefer to look after themselves. Only in specific cases do they need a helping hand from the collective, but their preference is to regain control of their lives again as soon as possible.

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*Work creates structure, offers social contacts and gives meaning to life.*

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Although both of these views of the citizen are very different, we will ignore that fact for the sake of convenience. Instead, we will focus on something important that both of these perspectives have in common. It is also what forms the basis for the recently-introduced legislation known as the Participation Act (*Participatiewet*). It is the notion that some citizens may be insufficiently productive to earn an income independently of the labour market, but that their productivity is not zero in economic terms. Society is doing itself an injustice if it does not profit from them and, from an individual perspective, it is also better to offer these people the opportunity to deploy their

talents as much as possible. The fact that it is desirable for less productive members of society to participate in the labour process as much as possible, but that this does not happen automatically, again raises the question in academic circles and in terms of policy-making of how to organise that process as effectively as possible. Before exploring this issue, we would like to look to other structural imbalances in the Dutch labour market.

## **2.2 UNDERUTILISATION OF WORKING PEOPLE IN THE LABOUR MARKET**

The underutilisation of the active working population is often described in terms of two dimensions: a qualitative and a quantitative one. As early as the year 2000, leaders of EU governments meeting in Lisbon emphasised that, especially among women and older people in Europe, there was still a lot of untapped potential available to increase the supply of labour (Ivan-Ungureanu and Marcu, 2006). Women, and especially those with children, are more likely to work part-time than men, particularly in countries like the Netherlands and less-educated women work significantly fewer hours than highly-educated women (the same applies to men, although the link between level of education and hours worked is slightly less marked) (SCP/CBS, 2014). Aside from this quantitative underutilisation of the potential supply of labour from women, research has also repeatedly demonstrated underutilisation in terms of quality: in many European countries, women have less senior positions in the labour market than men with similar qualifications and/or experience (European Commission,

2012). In the Netherlands, the latter is particularly evident in the underrepresentation of women in the upper echelons of organisations and the ranks just below, and the same applies in politics and public administration. Even in sectors that have become increasingly feminised in recent decades (the care sector, the judiciary, education), women continue to face what is described in the literature as the ‘glass ceiling’: although they achieve successful careers within organisations, they are either unsuccessful or have great difficulty in reaching the very top. This applies in both the private and (semi-)public sectors (Pouwels and Henderikse, 2014; SCP/CBS, 2014).

The underutilisation of the potential labour supply takes slightly different forms in the case of older people. Despite the fact that many European countries have recently introduced legislation to increase the retirement age (over time), many European citizens still leave the labour market before, and often well before, reaching the age of 65 (OECD, 2014). Although the average retirement age has risen in some countries during the last decade, the European average is still below that in such OECD countries as Japan or the United States. Although this qualitative underutilisation of older workers is generally well-documented empirically, the same cannot be said for underutilisation in terms of quality. However, we know from human capital theory that throughout people’s lifetimes or working careers, human capital acquired earlier in life gradually erodes and existing knowledge and skills tend to atrophy (Van Dalen et al., 2012). But much less is known about the extent to which this happens in different professions and at an individual

level, and exactly what the causal factors are. Little is also known concerning to what extent and under which circumstances different individuals become involved in or undertake new investment activities in order to boost or upgrade their stock of human capital with fresh knowledge and new skills during their lifetimes. Research conducted by Karpinska (2013) and Fleischmann (2015), among others, suggests that employers are more likely to make investment opportunities (for example in the form of training courses) available to effective, highly-productive older employees – almost as a form of reward – whilst older workers whose low or unsatisfactory productivity means they would benefit most from a boost to their human capital remain ineligible. What is clear is that there is insufficient maintenance of human capital for older people in particular. This is not only to the detriment of their own individual opportunities in the labour market (as the increase in long-term unemployment among people over 55 would suggest), but it also undermines the productive capacity of the working population as a whole.

## SELF-REGULATION, LEADERSHIP AND TEAMWORK IN ORGANISATIONS

In the German town of Dingolfing, BMW came up with a bottom-down approach to tackle the downward spiral in productivity caused by the ageing BMW staff on the production lines. The average age of its factory workers was expected to increase from 39 in 2010 to 47 by 2014, leading to increased risks in terms of ergonomics and absenteeism. Therefore, a group of older employees with an average age of 47 were placed on an experimental production line. The team were asked to devise their own solutions to improve productivity with a deliberate focus on staff health and well-being. The total of 70 changes made cost around twenty thousand euros in terms of direct investment. Productivity rose by 7% during the first year. Most of the adaptations made to the work, which came from the employees themselves and the team, were related to physical working conditions.

These included a suspended wooden floor, special chairs and equipment to relax the body between work activities. Not only did productivity increase, but absenteeism also fell from 7% to 2% in the space of a year. In Harvard Business Review, Loch, Sting, Bauer and Mauermann\* describe the project as "... an example of a remarkable case of distributed organizational problem solving". Self-regulation, teamwork and a sense of ownership of one's own work would appear to be the underlying coordination mechanisms for a solution achieved within BMW with a significant social component (ageing and pressure of work).

\* *Loch, Sting, Bauer and Mauermann (2010)*

As an extension to this analysis, another issue of relevance for future working generations is the question of how to achieve the investments in human capital that will be necessary for the already active working population to keep pace with technological advances (in accordance with the Human Capital Agendas defined for the Dutch top sectors). In the time of stable, long-term permanent employment contracts, employers and employees had the mutual security of investing in new knowledge and skills that would benefit both parties. Now that a lifetime commitment between the employer and employee is increasingly a thing of the past and flexible or temporary

contracts are gaining in prominence, there is increasing insecurity among individual employers and employees with regard to what the return on their investment in human capital of employees will amount to. If the employee quickly moves to another employer or even another sector, any previous investment may end up delivering hardly anything at all. This insecurity makes both employers and employees less willing to maintain or invest in new human capital. This would seem to be more of a problem in an age in which rapid technological advances are leading to faster economic ageing and depreciation of existing human capital and the declining number of young



people means that new human capital will increasingly need to be brought into the production process by the current working population.

One beneficial side-effect of this is the fact that this faster depreciation of human capital (and the associated shorter depreciation period) makes it more financially viable to invest in older members of the working population. This would also seem to be highly necessary in view of the worrying predictions with regard to the number of existing jobs that are likely to fall victim to advancing technology in the decades ahead. This means that people currently holding these jobs face the need to boost their human capital in order to maintain their position as insiders in the labour market.

Although international policy documents primarily call for a focus on the unexploited potential of working women and older people, a range of studies have repeatedly revealed that working people in ethnic minorities and those with a disability are often working at a level below their capabilities (SCP, 2012; SER, 2013). They are not only overrepresented among the outsiders who find it difficult to access the labour market but also, within the labour market itself, they frequently face barriers that are often caused by a lack of information about their productive potential and partly by discrimination.<sup>9</sup> In addition, various members of the ethnic minority community – in common with large groups of older people – acquire less human capital than ethnic Dutch people with comparable innate abilities.

The last dimension of underutilisation of working people that we wish to discuss here concerns the extent to which individuals are fully able to exploit their potential in their current position and to apply their talents to a sufficient extent. First of all, there is the issue of formal overqualification caused by pressures on the labour market. In times of economic downturn and surpluses in various sectors of the labour market, employers have a tendency to have academics take on jobs for which they are overqualified and the same applies in turn to people with lesser qualifications. The result of this is that many employees end up working in jobs for which they are overqualified and those at the lowest level of education find their opportunities in the labour market significantly reduced (ROA, 2014). When the economy recovers, this mismatch will often disappear, sometimes to be replaced by the exact opposite: in times of major shortages, employers regularly deploy people without qualifications in order to ensure that the production process can at least continue (Wolbers, 2011).

A second problem arises from the ostensibly positive fact that the population in the Netherlands as a whole is increasingly well-qualified. This has partly resulted in increased empowerment and emancipation for employees, citizens and customers. This, combined with the increasing trend towards individualisation in society since the 1970s, means that higher demands are placed on organisations by customers purchasing products and services, by employees in terms of the content and nature of their work, and by citizens when it comes to the organisation's social responsibility. This calls for increased

independence and room for manoeuvre for employees at every level of the organisation. Often this room for manoeuvre is withheld because organisational structures, systems and cultures cannot cater for it. Although 'control is good, but trust is even better' would make an effective motto for management that gives employees more independence and room for manoeuvre, many organisations and managers still cling to 'trust is good, but control is even better'. There are very few organisations such as Ricardo Semler's Semco Partners that are capable of transcending these organisational patterns and institutions. Although Semler's example provides grounds for optimism, it remains to be seen whether a system of that kind will also be sufficiently sustainable and resilient over the longer term.



## DEMOCRATIC MANAGEMENT

Brazilian businessman and CEO of Semco Partners Ricardo Semler has long been known for his democratic management style. He took over the company from his father at the age of 24. On his first day at work, he sacked two-thirds of the management. He felt it was too autocratic and riddled with nepotism. His management style is based on three key cornerstones (Semler, 1989; Harvard Business Review). First of all: democracy, in the form of employee involvement. Much of this involvement can be guaranteed merely by having employees work in relatively small units; based on the premise that people are simply not designed to operate in groups larger than 150. Secondly, Semler emphasises the importance of organisational circles, rather than the classic organisational pyramid. The problem with a pyramid is that the top is too far away from the base. Within Semco Partners, there are three circles: a small central circle of five counsellors (one of which is Semler himself), a larger circle of partners – the heads of department – and finally the largest circle of all, comprising the rest of the staff. The aim is to do away with hierarchy to make space for democratic decision-making. Finally, Semler takes the view that the company appoints adults and that employees can therefore be treated like adults. In a hierarchical organisation, adults are transformed into adolescents as soon as they enter the office or factory.

Semler relies on common sense, which involves trusting in each employee's personal sense of responsibility. In practice, this has meant that Semco employees determine their own hours and salary and are involved in deciding company strategy and new staff appointments (both colleagues and managers). This approach has done the company no harm at all: with a minimum annual growth in turnover of more than 25 per cent, from 4 million to 400 million, and with 5,000 employees in 2010 compared to 90 in 1982, Semco Partners has calmly navigated the ups and downs of the Brazilian economy.

Although Semler has repeatedly earned praise in the last three decades for his daring style of leadership, there are doubts about the wider applicability of his methods. The 'Semco style' is thought to be too specific to be easily applied to any random company. Yet the fascination persists and interest from the Netherlands has only increased in recent years. Indeed, the Netherlands has similar successes of its own: a consultancy, Arpa, and an installation company, Van Loon. Although in very different sectors, both companies claim to have benefited from the Semler method. Both have been successful despite the broader trend and have been unaffected by the crisis. These are effective practical examples of 'control is good, but trust is even better'.

At the same time, since the 1980s, we have seen a trend towards fewer layers of management, more self-managing teams and greater responsibility at the lower organisational levels (Green, 2001). These trends are primarily driven by efficiency and, as a side-effect, they increase pressure of work for employees, partly as a result of increased responsibility (both individually and in teams), more demands from other team members, increased demands from customers, performance reviews and supervision from the immediate manager. The employees are given greater independence and room for manoeuvre, but the underlying motive remains economic and focused on the short term (Van den Broek et al., 2014). Employees can perceive this negatively, especially if it is reinforced by direct supervision from the manager. Organisations try to achieve the right balance and form to be able to meet both the requirements of the market (efficiency logic) and the wishes of employees (professional logic). The perceptions of employees are an important and often underestimated factor in innovations in this area.

The worldwide crisis since 2008 has led to the introduction of more supervisory authorities, more regulations and procedures, and more internal supervision (compliance) in many sectors such as the financial sector, the construction industry and in housing corporations (Farndale et al., 2010). This supervision comes from outside and is often top-down. Compliance departments in large organisations have grown in recent years. They include compliance officers who supervise integrity among employees, who in turn need to be trained in order to ensure they exhibit a compliant attitude and behaviour. Specific

examples of these organisational institutions include the instigation of the ‘six-eye principle’ (at least three people must have seen a contract and approved it), ‘clean desk policies’ with night-time checks by a special compliance team, compulsory annual compliance training and examinations via intranet, and the introduction of an oath of integrity when selecting new staff. This new form of bureaucracy places restrictions on the organisation, is time-consuming for those involved, incurs significant costs and can create obstacles when it comes to employees’ independence and room for manoeuvre. Good corporate governance and compliance are often at odds with self-regulation, room for manoeuvre, independence and devolving responsibilities to the lowest levels of an organisation.

### **2.3 OVERUTILISATION OF WORKING PEOPLE IN THE LABOUR MARKET**

Alongside underutilisation, ‘overutilisation’ is also a factor in the labour market. In theory, a distinction can also be drawn between a qualitative and quantitative dimension here too. In the case of qualitative overutilisation, employees do work for which they do not have the necessary competencies. In the event of shortages in the local market, underqualified staff members are often appointed (see section 2.2). It may also be the case that the products, machinery or materials used for work have changed and become more complicated over time, while the employees’ competencies have not kept pace. This was raised earlier with regard to underinvestment in older employees. It also seems to be an issue in the banking world, in

which mortgage products became so complicated over the years that the average bank employee, who was previously perfectly able to explain the difference between a linear and an annuity-based mortgage, was no longer capable of enlightening customers on the finer points of the new types of mortgage.

*Pressure of work is reported by both employers and employees as the most frequent work-related risk.*

This kind of overutilisation has various consequences: damage resulting from faltering production processes, faulty products, incorrect orders or deliveries that need to be rectified later, dissatisfied customers or patients who need to be appeased and a lot of communication that the business needs to re-divert along the right track.

The quantitative dimension of overutilisation concerns working people who are quite capable of achieving the level demanded by the job description, but do not have sufficient time at their disposal. This is something that virtually everyone experiences at one time or another. But for the category of working people who face this imbalance on a permanent basis, it is problematic.<sup>10</sup> Pressure of work is reported by both employers and employees as the most frequent work-related risk (SER, 2012). There are also obvious links with levels of sick leave and incapacity for work. In 2013, the Minister of Social Affairs and Employment (*Sociale Zaken en Werkgelegenheid*, SWZ) told the Dutch House of Representatives that one third

of absenteeism caused by illness is related to psychosocial pressure at work, and half of all mental health issues were initially caused by incapacity for work (compared to 30 per cent in 1998) (SZW, 2013). When it comes to psychosocial risks, the Netherlands compares badly with the European average (TNO, 2012). Recent years have seen a slight rise in the number of employees claiming to have symptoms of 'burnout', or emotional exhaustion (CBS, 2012). But this increase is nothing compared with the differences between sectors. The education sector in particular has a significant percentage of workers with burnout symptoms (16 to 17 per cent). These symptoms are more likely to occur if the workload is high. Four out of ten workers face significant pressure at work and 22 per cent of this group experience symptoms of burnout (CBS, 2012).

The most obvious explanation for all of this could be the fact that many organisations have increasingly been pursuing measures to promote efficiency in recent decades. In practice, this often means fewer people doing the same work or the same number of people taking on additional work. All kinds of buffers and reserve capacity that previously existed have been eroded. 'Just in time' is the maxim applied in more and more organisations. Despite the fact that this development is clearly widespread in both the profit-oriented private sector and in the (semi-)public sector, where profit is not a factor, the extent to which working people complain about stress at work and excessive workloads varies significantly. For this reason, a second explanation can be found in what extent and the ways in which working people are capable of regulating the pressure

of their work (see, for example, Karasek and Theorell, 1990; De Jonge, 2007). On the one hand, some individuals are better equipped to deal with a heavy workload, because they have more skills to do so or the skills they have are more suited to the job. On the other hand, the room for manoeuvre referred to previously also plays a role in this: greater freedom of action (the ability to set your own pace of work or to decide for yourself the sequence in which you do your work) can actually lead to employees experiencing greater levels of stress (Warr, 2007).

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*In practice, measures designed to improve efficiency often mean fewer people doing the same work or the same number of people taking on additional work.*

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Thirdly, there is the fact that work is increasingly less isolated from other factors. Unlike in the era of the breadwinners model, when men's and women's tasks were still clearly defined – she looked after the home and he worked out of the house, finding the table laid and the children washed on his return home – in the modern age, almost all working people are 'task combiners' (SER, 2011). They do paid work at the same time as taking responsibility for caring duties. The latter can vary from caring for themselves only (the number of single-person households has increased significantly, after all<sup>11</sup>) and caring for children, to long-term home care for sick or ailing parents(-in-law), family or friends. Their number is growing as a result of a

combination of increasing longevity and medical advances which mean that what were previously short-term, deadly diseases are increasingly evolving into chronic conditions. In other words, work is not only extremely demanding, but personal life also takes its toll.

In addition, modern, emancipated and committed citizens are also placing ever higher pressures on themselves: pressure to utilise all of your talents of work; to be a good parent to your children, involved in their education and development; to be a good partner in your relationship; to exercise for health reasons; to be an active citizen in local issues, politics or voluntary work; to be a caring son or daughter for parents who are becoming weaker; not to mention the desire to 'enjoy life a little'. All of this takes time – especially if you want to achieve it all simultaneously.

The Social and Cultural Planning Office (*Sociaal en Cultureel Planbureau*, SCP) has repeatedly found that Dutch people are becoming increasingly busy (SCP, 2006). Task combiners are more likely to experience a lack of time than people who do not have to multitask in the same way. In addition, in the period between 2006 in 2011, the number of people who felt they had insufficient free time increased (SCP, 2013). Research has shown that it is not only the governance structure at work that determines what people are capable of achieving in terms of combining employment with activities in their private life, but that the governance structure at home – the rules determining

how the household and family operate – also plays a role (De Ruijter, 2005). To some extent this governance structure – both at work and at home – is determined from below, in consultation between employer and employee or between partners. The structure also partly depends on institutional factors such as rules relating to working hours, the rules concerning leave or, for example, the opening hours of shops and other facilities. In a world where the need to continue working until later in life is widely endorsed, there is an increasing focus on issues relating to sustainable deployment and how, for example, institutions can contribute in terms of guiding people effectively through the ‘rush hour of life’.

#### **2.4 NOT YET A SUSTAINABLE LABOUR MARKET**

We have seen numerous examples of how the present Dutch labour market is not yet sustainable, or only to a limited extent. Considerable numbers of people remain outsiders and, although they may be less productive than those active in the labour market for whatever reason, they could actually make a contribution towards moving society forward. Attempts are being made to tackle this problem by means of the Participation Act, but doubts remain as to its effectiveness.

The participation of certain groups in the labour market is still failing to live up to the potential, both in qualitative and quantitative terms. It is true that women have joined the workforce in large numbers, but this is often part-time only, meaning that this participation does not deliver economic independence. The actual average age at which people withdraw



from the working world may well have increased significantly compared to the turn of the century, but at 63, this remains well below 65 and is still far from the age of 67 envisaged for after 2020 (or even higher in view of the decision to link the pensionable age to life expectancy). There is insufficient investment in the human capital of older workers and ethnic minorities. In any case, the infrastructure for lifelong learning and continuing professional education is not particularly well developed in the Netherlands. Although there are numerous good examples to the contrary, it would seem that many employees have insufficient opportunities within their organisations to fully deploy their talents. The way in which organisations take shape (large, bureaucratic) and are managed does not always match the wishes and possibilities of an increasingly well-qualified working population. Professionals, in particular, can face obstacles when attempting to spread their wings.

The working world is insufficiently tailored to meet the needs of the modern employee who, in view of demographic developments and advances in terms of equality, is increasingly tasked with caring duties. Whereas a sustainable labour market and the sustainable deployment of people is by definition a long-term issue, many production and organisational processes focus primarily on the short term. When it comes to investment in maintaining and boosting knowledge and skills, the focus is therefore principally on how much this will cost, and the long-term benefits – in terms of increased productivity – are given little or no consideration. This is compounded by the fact that the costs and benefits may not accrue to the same actors.



### 3. Dilemmas

All of this analysis raises the question of how best to organise work in the future in order to ensure that everyone's talent can develop fully and be used productively to meet society's needs, as well as how to do so in a way that enables people to feel comfortable and able to continue late into life. It is ultimately about organising work so as to achieve balance between a focus on individual well-being, the interests of society and organisational effectiveness. In fact, organising work always involves how people cooperate with each other and more particularly how labour and capital are connected together.

Since the Industrial Revolution, there has been a trend towards increasingly combining labour and capital in ever larger organisational units in order to benefit from the advantages of scale. This has not been the sole preserve of agriculture and industry, where the use of increasingly complex and expensive machinery has become a key determinant of employees' productivity. Commercial services (banks, insurance companies) and the (semi-)public sector, for example, have also undergone processes of upscaling.

More than ever before, this upscaling and the associated need to attract additional, often external, capital has led organisations to become economic and legal entities that focus almost exclusively on short-term key performance indicators. This 'commercialisation' also formed the basis for processes of

rationalisation and increased productivity and the associated loss of employment (as outlined in section 2.1). From the 1980s onwards, there was definitely an increased emphasis in many companies on creating value for shareholders, and in the non-profit sector the focus shifted to promoting efficiency and cutting costs in order to reduce the drain on public resources (Sluyterman, 2015; CPB, 2013). In addition, we should not forget that organisations vary quite considerably on this point in terms of their size, sector and legal structure/form (think, for example of the social role still played by many family companies).

However, in the last decade in particular, we have seen a shift in two areas that raises questions about how tenable the old organisational model actually is. First of all, it would seem that even without much physical or financial capital, there are increasing opportunities to set up a business that is not only commercially viable and successful, but also easily surpasses the stock-market or shareholder value of many traditional production companies. Take, for example, such companies as Google or services like WhatsApp and eBay: it is no coincidence that each of these examples can be attributed to the ICT revolution, the most recent 'breakthrough technology'<sup>12</sup>. A technological breakthrough of this kind is followed by a period of refinement and proliferation, as a result of which the productivity gain gradually diminishes. It is difficult to predict the stage that society has currently reached in that process and what benefits from the ICT breakthrough are still forthcoming. Some studies predict a further displacement of work (especially

in the middle segment of the labour market) by technology (robots) (Schippers, 2014), for example in the care sector and in logistics, and the resulting polarisation of employment (Goos et al., 2009; Smits & De Vries, 2015).

The second important shift concerns the role that work plays in the lives of individual citizens. In modern society, work is much less of a necessary evil ('disutility') – or the unpleasant labour ('labour') referred to by sociologist Adriaansens (1989) – than it was in the traditional economic models of the last century (Van Hoof, 2001). In a society that is becoming ever more individual and in which collectives matter less, work is increasingly a means of development and something that determines your identity. Of course, its purpose is to make a living, but it also needs to be useful and its content must be of interest. This applies to men, but now also applies to women who, unlike in the past, no longer see a career as a mother and housewife as the most important or only route to fulfilment in life and social standing.

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*In a society that is becoming ever more individual, work is increasingly a means of development and something that determines your identity.*

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The need felt by growing numbers of citizens for useful and meaningful work is, to some extent, at odds with the organisational structure described above, which is focusing increasingly on external values. It is therefore hardly surprising

that there are burgeoning calls within society for socially responsible and sustainable entrepreneurship (in all respects), or that recent decades have seen large numbers of working people move away from the traditional organisation and existing employment relationships. These self-employed entrepreneurs with no staff are free to decide for themselves what they do, but they also forfeit the undoubted advantages that larger organisations offer (such as facilities, the opportunity to share ideas with colleagues, specialisation and the availability of capital goods that may be expensive). Despite this, especially in the highly-developed economies of Western Europe, the last decades have seen a major increase in the number of self-employed people (some of whom have staff, but many do not)<sup>13</sup>. They are different from the self-employed people of the past (often small-scale independents working in agriculture or independent shopkeepers), who still exist to some extent in Mediterranean countries and other countries that were previously part of the Soviet Union. In the last decade, self-employed entrepreneurs with no staff are the only category of workers to have increased in the Netherlands: in 2014, there were 800,000 compared to 330,000 in 1996 (CBS, 2014). In addition, a surprising number of young people are opting for entrepreneurship (Dutch Chamber of Commerce, 2014<sup>14</sup> and even more state their willingness to become self-employed at a later stage (Verheul et al., 2012). It would appear that working independently of an organisation is an attractive prospect for these people.

After more than a century in which employment has increasingly been organised within ever larger organisations, and where the organisation has gained in significance as an institution without automatically providing or contributing towards a sustainable labour market, we are now beginning to see that this organisational model may actually be becoming less necessary and an increasingly less obvious option for a large group of working people.





## 4. Scenario analysis

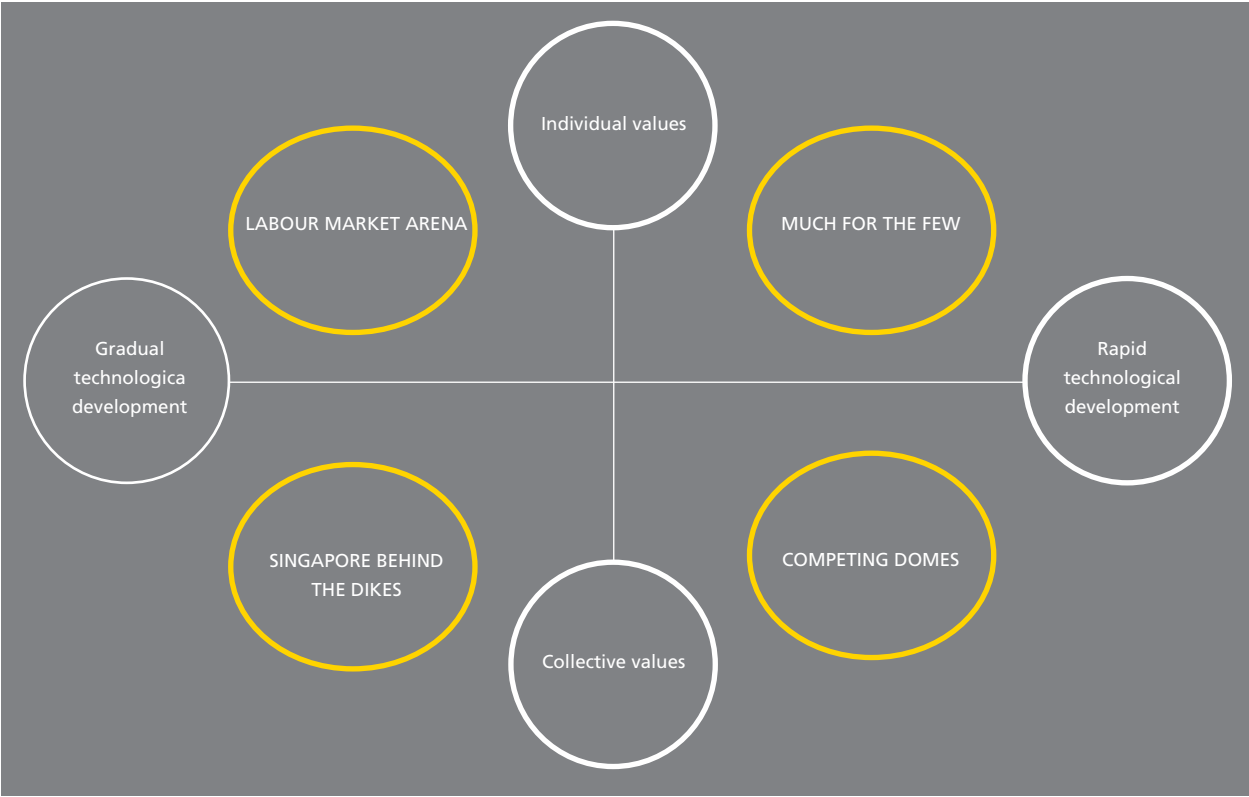
In order to move on from the analysis of current and past developments and gain a greater understanding of the changes that may be possible or necessary in order to bring a sustainable global market a step closer, our research group explored several basic scenarios of how the Dutch economy could develop in the future. Although we may not be pioneers in this field – the Netherlands Bureau for Economic Policy Analysis (*Centraal Planbureau*, CPB) and Shell both have a rich tradition in this area (CPB, 1992, 2010; Shell, 2008) – those analyses often focused on other objectives and key variables. We primarily focused on the consequences within the various scenarios in terms of the organisation of work and the associated opportunities and concerns.

Many scenario analyses are based on two axes representing two different dimensions. Although the choice of which dimensions to use is always based on a number of arbitrary considerations,<sup>15</sup> we ultimately decided always to include one dimension relating to the importance society accords to *individual or community values*. The position on the axis would appear to be important in terms of the extent to which the labour market is characterised by inclusiveness or solidarity. In view of the analysis presented above, the second dimension we chose was the extent to which *technological development* can be seen to be accelerating significantly or not. This means that, to use the terms of section 3, it concerns the issue of whether we are dealing with a breakthrough technology or whether technological renewal is

taking place more gradually. Following on from what we have seen in recent years in the world of chip technology, any new breakthrough is likely to lead to technology becoming significantly cheaper and therefore even more widely available. This could have dramatic repercussions for the way in which work is organised and how labour and capital are combined.

We would like to start by briefly describing the four scenarios built along these two axes. The focus here is less on the different scenarios themselves, but more on the specific insights and observations that their development results in with regard to the labour market, and more particularly the opportunities and risks in terms of achieving a sustainable market.

THE FOUR SCENARIOS DELINEATED BY THE RESEARCH GROUP



## SCENARIO 1: “LABOUR MARKET ARENA”

The first scenario has been given the title “labour market arena”. In labour market terms, this involves stiff competition between individuals. Production processes are organised along current lines. In other words, the extent and composition of the advantages of scale linked to the supply of capital goods play a significant role in the organisation of work. The capital-intensive sector is also the one in which productivity growth is achieved (albeit limited seen from a macro-economic perspective). This is what makes working in this sector an attractive prospect for many.

There is also fierce competition between companies. This results in a gradual trend towards fewer permanent positions. For many working people, this creates an insecure situation: sometimes they can participate in the labour market and sometimes they are temporarily side-lined as outsiders. The individual nature of this society is also demonstrated by the limited protection and provisions for those outside the labour market. There are strong incentives to re-join the labour force and because employers have relatively few obligations with regard to employees they would like to get rid of, there are also few obstacles – if sufficient jobs are available – preventing people from returning to work. This labour market has nothing to offer in terms of ‘golden cages’ or ‘golden handcuffs’.

If we examine the arena, we can see that some groups have a secure position on the highest levels of the grandstand and escape the tussle in the centre field. These are highly-qualified



knowledge workers and senior managers. They are part of the fixed core of organisations and decide who is permitted to leave the central field and temporarily gain a position in the grandstand. At the edge of the arena (but on the grandstand itself), are the ‘job-based workers’ (such as professional secretaries and HR staff). Although they do not call the shots within organisations, they are part of the permanent staff and have significant responsibility in terms of the practical progress of day-to-day work. The centre field is peopled by a variety of different types: on the one hand, the not so well-qualified ‘contract workers’ (for example in the cleaning industry or security) but also well-qualified ‘alliance partners’ (for example, interim managers, lawyers and specialists). Some of these contract workers and alliance partners are in salaried employment at specialist companies and seconded temporarily

to the organisations ‘in the grandstand’. Others are self-employed or temporary workers. Some of the self-employed people join in by means of what are known as bread funds in order to gain some degree of social protection. In the densely-populated arena, it is essential to be visible and identifiable: both young and old must make sure that they present themselves effectively. Education is the appropriate means of achieving this for many, although a lifestyle focusing on good health also helps ensure that people remain attractive for employers.

The most important institutions in this society are primarily private organisations. They are the main coordinators of employment in society. The focus on individual values means that the role played by government is limited. The government primarily operates as market controller, ensuring that transactions run smoothly. At a more basic level, the government also offers a safety net for people temporarily excluded from the labour market. Because the transitions to and from the labour market run smoothly and there is work at all types of levels, the group of permanent outsiders is limited in size.

From the perspective of a sustainable labour market, the key elements in this scenario are as follows:

- Limited social protection encourages many people to take their fate into their own hands and because this protection is limited and therefore less valuable, it also offers them opportunities to be active in the labour market at their own level.
- The frequent transitions within the labour market result in a lot of insecurity for the people involved. In addition, the

human capital accumulated depreciates with every transition.

- There is a strong incentive for individuals to maintain their human capital and develop it further, in order to distinguish themselves from competitors in the arena.
- Partly for the same reasons, there are also incentives for leading a healthy life. In addition, there is no extensive social protection, which also serves as an additional incentive to remain ‘on form’.
- In the face of a lack of protection, some, more entrepreneurial, people opt to organise part of their own social security on a small scale (for example, by means of bread funds);
- The limited costs of social security and the willingness of many people to pay for their own education results in a lower burden on the collective and relatively high net incomes. In this scenario, work pays. Because the difference between gross and net labour costs for employers is low, labour is comparatively cheap and there is relatively little incentive to replace labour with capital.



## BREAD FUNDS

The increase in the number of self-employed people without staff has led to new types of cooperation between individuals. A good example of this is what is known as bread funds, which provide some kind of basic insurance in the event of incapacity for work or illness. These funds were a response to the expensive policies covering incapacity for work offered by regular insurance companies. They operate as mutual insurance funds and often aim to have a maximum group size of 50 members. In May 2014, there were 95 bread fund groups in the Netherlands, with more than 3,000 self-employed people as members. Although this is a very small proportion of the total of approximately one million self-employed people, it does demonstrate the ability to use collective insurance to circumvent expensive alternatives.

In addition, the cooperative as a business type is very much on the rise across Europe and in the Netherlands. Often this primarily involves consumer cooperatives (e.g. energy cooperatives\*), which have limited significance for the labour

market. However, it would not be surprising if current developments also inspired the establishment of more workers' cooperatives.

These examples show that individuals can turn to the cooperative as an organisational and coordination mechanism for solving individual problems relating to terms and conditions of employment collectively because other coordination mechanisms, such as the market (which is too expensive) and the government (which is intervening less and less), fail to provide what is necessary. This also raises the question of which conditions enable these cooperatives to develop and thrive, whether in cooperation with the market or government or not. It is also important to emphasise that there are different ways of achieving optional functionality in this.

\* *Examples can be found on the website of Institutions for Collective Action ([http://www.collective-action.info/\\_ICA\\_Today\\_Examples](http://www.collective-action.info/_ICA_Today_Examples))*

## SCENARIO 2: "SINGAPORE BEHIND THE DIKES"

'Singapore behind the dikes' is a tightly-organised society in which solidarity plays an important role. The interests of individual citizens are subordinate to the collective interest. In order to achieve a high level of prosperity and full employment, citizens are willing to sacrifice a great deal of independence and privacy. Everything is there for everyone and everyone wants to share fairly. In order to make this possible, a strongly directive and controlling welfare state is required to guarantee a high level of social security. Large and highly-centralised businesses dominate the economic landscape. The government allocates the work and links individuals to jobs based on career profiles and profile testing conducted during education. This means that there is work for everyone and a high degree of equality. Because of the allocation system, there are no self-employed entrepreneurs. However, there is some flexible deployment of workers but this flexibility actually only concerns where they will be deployed at a specific moment and never whether or not they will be deployed at all. This implies a high degree of security, especially since people also always know that they will be deployed in a job that closely matches their competencies. As a result, there is little need for trade union activity; any action taken by the unions remains within the framework of the organisations and is focused on eliminating 'minor frictions and inconveniences' that have not yet been picked up by the management.

There are similar coordination mechanisms at the organisational level: a high level of efficiency is achieved by means of central control. It is not only a matter of 'every individual in the right

place'. This central control has also brought an end to gender differences in the labour market. Men and women receive equal pay and nor does anything remain of the traditional male-female divide in specific professions or the glass ceiling. Together the government and business community developed a sophisticated system for both initial and continuing professional education. The entire working population participates in the latter, as a result of which the working population is much more advanced in terms of educational development than in the surrounding countries and the Netherlands has a significant competitive advantage.

There are occasional ripples of resistance to the lack of individual freedom from contact with the countries with which trade is conducted. The government usually buys off this resistance with increased salaries or provisions, as a result of which the welfare state becomes ever more expensive. By means of careful nudging, the government successfully prevents most types of dissatisfaction.

From the perspective of a sustainable labour market, the key elements in this scenario are as follows:

- Based on strong central control, it is probably possible to solve traditional labour market problems such as unemployment and gender differences relatively easily.
- The selected allocation/coordination mechanism makes it possible to deploy the working population flexibly, without the disadvantages of insecure incomes. In this scenario, self-employed entrepreneurs are absent from the labour market, together with the associated lack of security.

- The selected coordination mechanism also solves the problem of ‘free-riders’ with regard to investments in human capital, at the level of both initial and continuing professional education. This makes it possible to achieve a high level of human capital for the entire working population.
- The rigid control of people and society also raises the question of whether there is sufficient room for creativity and innovation.
- In this scenario, working relationships are based much more on control than on trust.
- The process of allocation only works effectively and smoothly if those in control (in government and within businesses) have sufficient insight into what constitutes a good match and what does not. With a view to the longer term, they also need to have an overview of who requires investment in order to ensure that they can continue to be deployed productively. This not only calls for huge awareness and understanding, but probably also a significant amount of expensive bureaucracy.

### SCENARIO 3: “MUCH FOR THE FEW”

In the scenario entitled ‘Much for the few’, there is a strong focus on individual values and technology has undergone significant advances. Although this technology has made the country rich, the wealth has not been very evenly distributed. Fierce protection of intellectual property rights, patents and copyrights ensure that the earnings from new technological



breakthroughs accrue to and accumulate among a small group of 'haves'. As well as dominating economic life, the haves also hold sway over media and politics. Their companies provide 'bread' for the people and the media cater for the need for 'circuses'. The entertainment industry is flourishing.

As a result, the middle classes lead a pleasant and comfortable life, but the middle classes are also beginning to fragment, as increasing numbers of low-level routine jobs are taken over by robots. There is a large gulf between insiders and outsiders. The absence of any substantial social security system means that outsiders quickly become dependent on family or charity. They may also temporarily plug a gap in the ever-growing market of flexible workers. For quite a few outsiders, criminality forms a last resort for making a living. As the number of outsiders grows, criminality grows too, together with calls from the electorate for stricter punishments and greater intervention by the judiciary and the police. The truly wealthy increasingly protect themselves against criminality by living in gated communities and moving around in heavily-protected or blacked-out vehicles or by helicopter. This also means that the security sector is an up-and-coming industry.

As technology becomes increasingly cheaper, exceptionally talented, smart young people occasionally come up with a new invention that enables them to find a route towards the upper echelons of the nouveau riche. There is also fierce competition between young people to use qualifications from prestigious educational institutions to secure themselves a position in the labour market in the slipstream of the elite that control society.

Parents, especially those in the middle class, have to scrimp and save for years as education is increasingly funded by private means. In addition, qualifications primarily serve as a 'screening device' or a means to an end: who you know is more important than what you know or have learnt. Every young person dreams of being discovered as an exceptional talent. Businesses send scouts to educational institutions in search of the top talent to ensure that technological development can continue. This talent is headhunted and nurtured and recruiters have little to offer the other young people.

The elite's monopoly control of the media – protected by the state – means that the trade unions struggle to organise a serious counterforce. In any case, organisations are designed to keep trade union activities to a minimum. Anyone who appears to be too much of an activist faces the continual threat of unemployment as a result of reorganisations inspired by the onslaught of technology.

From the perspective of a sustainable labour market, the key elements in this scenario are as follows:

- Individuals' opportunities to become party to technological development, and perhaps become a self-employed entrepreneur on the strength of that, are strongly determined by the regulations on the protection of rights.
- Rapid technological advances can easily lead to the emergence and growth of an underclass.
- With no public intervention, there is investment in the talent of a limited portion of the population only, leading to considerable wastage.

- Access to cheap technology enables a few individuals to achieve ground-breaking innovations.
- Collective action by working people requires access to the media.



#### **SCENARIO 4: "COMPETING DOMES"**

The world of 'competing domes' lies between Appenzell and Silicon Valley. It is characterised by its small-scale and a high degree of self-sufficiency, for example in terms of energy and food. Its small-scale nature is fed by technological breakthroughs in ICT. Increasingly low-cost robots and 3D printers have brought an end to large-scale manufacturing. Capital goods are no longer dominant in terms of organising the production

process. Every home and every community has its own local energy supply and there is no longer any need for major electricity plants or large energy companies.

Work is organised in small-scale businesses, where people's talents play a central role. The smallness of scale enables everyone's voice to be heard and it is possible – without too much bureaucracy – to take account of the fact that work is just one of the many areas of life in which people are active. People's caring duties are incorporated into employment in a natural way. Many small-scale production units are also therefore organised in the form of cooperatives or networks. Team work and co-creation play an important role.

## COÖPETITION

“Co-opetition” (also called *cooperative competition*) is a term used to describe organisations that work together in a fiercely competitive environment in order to solve challenges together. The development of networks of organisations can form the basis for the emergence of *cooperative competition* as an alternative coordination mechanism for solving issues in the labour market.

Examples of co-opetition include:

1. An association of teaching hospitals in a specific area of the Netherlands was launched using a pool of nursing talent. This was in response to the fact that challenges relating to attracting and retaining qualified and motivated staff could no longer be resolved by individual organisations.
2. In Belgium, a number of employers within the Multi Company Mobility Centre (MC!) made project agreements to set up a platform for the temporary sharing of older (50+) workers\*. The aims were (1) to enable these older workers to acquire new knowledge, skills and experience in order to promote sustainable employability; and (2) to use employees from one company to cover peak periods in the work at another company.
3. In the Basque cooperative Mondragon, employees are temporarily rested if production falls for some time. Over time, these kinds of employees are replaced by others (who are then temporarily rested) or this same group of workers is set to work at another company within the Mondragon group. In this case, the employees share the burden of difficult economic conditions and one employee’s job does not take precedence at the expense of another’s.

4. In Germany, there is the concept of family cooperatives (*Familiengenossenschaften*). In such cooperatives, various parties – generally companies – join forces to offer family support facilities, such as specialised childcare or care for the elderly, based on the conviction that satisfied staff are an important factor in the success of businesses, and that flexible arrangements with regard to working hours and services such as good-quality childcare make businesses attractive for qualified staff.

These examples call for further elaboration. One important question, for example, concerns the conditions under which these new forms of cooperation can emerge. In addition, with co-opetition, participating companies have to strike a balance between the need for mutual cooperation and competition. It is often useful (for example in the case of childcare) if companies are located close to each other, but this also of course means that they are seeking to attract the same potential staff.

Participating companies must share sufficient common factors in terms of the type of expertise required from their workers in order to be able to create an interesting pool (otherwise there is nothing to share), but should not chiefly be looking for the same profile of employee as this could lead to cherry-picking. Free-riding of this kind would, after all, place pressure on the shared aim and willingness to cooperate.

\* See the website of *European Social Innovation Competition* (<http://socialinnovationcompetition.eu/404/>)

\*\* For an example, see the website of *Die Familiengenossenschaft* (<http://www.familiengenossenschaft.de/>)

The transfer of human capital to new generations of working people occurs in a system that is in many ways reminiscent of the system of guilds in earlier centuries: apprentices learn from masters, etc. The competing domes scenario itself also owes a lot to medieval cities of significant prosperity combined with the necessary competition between cities. An example could be medieval Italy with its competing domes of Florence, Pisa, Genoa and Naples. Based on an understanding of their role in providing for the surrounding area, the small production units see opportunities for attracting people and involving them in production, even if they have limited competencies and low productivity levels. These people, who work with devotion and enjoyment, can often take all kinds of chores off the hands of their highly-productive colleagues, thereby reducing the pressure that the latter experience from their work. The small scale factor also plays an important role in this: everyone is known and acknowledged, regardless of age, health, capability, etc. Because everyone works according to their ability, the division between paid and unpaid work is much less strict than in society at the start of the 21st century. Depending on their preferences and capabilities, older people work until late in life. Because everyone can work in a reasonably relaxed way and extreme working hours have become a thing of the past, everyone is able to continue working well into maturity. Because there is only a limited role for providers of capital, the rich pickings from the on average high-quality production accrue predominantly to the working people who live a prosperous life. Since everyone participates except the seriously ill and disabled, and therefore earns at least a partial income,

extensive social security is unnecessary. However, there is considerable taxation in order to enable education of the highest quality and top-level research to maintain technological advances.

The education system explicitly provides ample opportunity for adults to regularly refresh their knowledge. The choices in this context are made in close consultation between the individuals involved – people from their working environment and experts in education (which is also organised on a small scale). The care sector, another important beneficiary of taxes, is organised on a similarly small scale. Partly because the care sector focuses on prevention and encouraging healthy lifestyles, it also contributes to the sustainable deployment of individual citizens within the domain of work.

Some people experience society under the dome as oppressive and to some extent suffocating. They therefore regularly opt to leave for another dome with a slightly different climate or even to go to cities abroad that offer ample opportunities for continuing life in complete anonymity. Although the economy in the world of competing domes is largely self-supporting, there is still some remaining dependence on raw materials from outside Europe. The necessary financial means used to pay for this is primarily earned by providing smart services (e.g. consultancy relating to the environment, water and energy). Because the Netherlands is no longer a logistical hub of people and goods who, despite placing great demands on the infrastructure and the environment, have otherwise little in the

way of added value, name recognition has diminished compared to the past. This is an area that requires continuous attention. Another 'threat' faced by the world of competing domes is the birth rate, which continues to decline (and ethnic minority citizens have also begun to adopt this demographic behaviour from ethnic Dutch people). Since everyone works to later in life and almost everyone participates, the lack of new additions to the population does not have as much impact on the labour market as it does in socio-cultural terms: values and symbols from the 1970s and 1980s remain as popular as ever. Education and the media have an important role to play in encouraging socio-cultural renewal and preventing the domes from becoming new versions of Cannes or Florida.

From the perspective of a sustainable labour market, the key elements in this scenario are as follows:

- Large organisations are no longer the dominant institutions in organising work.
  - Cheap technology makes entrepreneurship more accessible. This opens up opportunities for small, independent entrepreneurs in sectors previously dominated by big capital.
  - The fact that work is organised on a small scale offers good opportunities for deploying people whose productivity is low.
  - It also enables human capital to be effectively transferred from one generation to the next.
  - Organising work on a small scale (within cooperatives or through networks) offers individuals the opportunity to cooperate on the basis of equality and trust, enabling everyone's talent to be deployed to the fullest extent.
- Small-scale production makes it more possible to achieve a good work/life balance. If there is a strong sense of mutual commitment, coordination does not require an extensive system of bureaucracy.
  - The strongly local character of the labour market in this world may inhibit the movement of workers. This may represent an obstacle to the effective allocation of work and result in an ageing working population.



## 5. Conclusion

Although every reader will feel more at home with one scenario than another, it is interesting to note that each scenario contains elements that can bring a sustainable labour market a step closer. Indeed, it would appear that in many cases more than one road leads to Rome. For example, this applies to bridging the gap between insiders and outsiders, to the optimum deployment of the talent available in the working population, to gender equality and to promoting the maintenance of human capital and to investing in lifelong learning. However, the scenarios also show that certain roads do not lead to Rome at all. In the 'Much for the few' scenario, full employment and the levelling of the wall between insiders and outsiders appear to be an impossible task. This is a direction that very few will wish to follow. However, what this kind of scenario does demonstrate is how significant the impact new breakthrough technology can be and what a difference the organisation of intellectual property rights can make (compared to the 'Competing domes' scenario). If these rights remain the preserve of a highly selective group, a different type of society emerges than if they are freely or readily available to all. Obviously this has major repercussions in terms of a sustainable labour market.

The importance of institutions and institutional changes emerges repeatedly. Whereas it is relatively easy within the 'Labour market arena' scenario to guide a large number of outsiders towards the labour market, this is primarily based on a further reduction of the protective institutions of the welfare

state (in other words, institutions in the public domain). When this happens in competing domes, it is mainly based on changes in the organisation as an institution (therefore in the private domain). The same applies to tackling over- and underutilisation of the working population and its talents. In the 'Singapore behind the dikes' scenario, this outcome is achieved by replacing the invisible hand of market-oriented coordination with a system of tightly-organised planning. Competing domes achieves this result based on a smaller scale and a high degree of self-regulation and mutual coordination between different providers of labour. The encouragement of investment in lifelong learning is also achieved by means of institutional change. In the Labour market arena scenario, this is accomplished by means of a strong focus on individual incentives, in Singapore behind the dikes by stringent planning, and in Competing domes by close mutual involvement between managers and workers.

The conclusion of this essay could therefore be that a sustainable labour market is within reach for the future of the Netherlands, provided that we make the right choices. These choices primarily concern the values that we apply in shaping institutional changes. Partly adding to and partly correcting the developments that the Netherlands has undergone in recent decades, it would appear to be important to strike an effective balance between shared values (and a renewed focus on them) and individual freedom. Individuals who are increasingly better educated and self-sufficient have no need for paternalism either as citizens or as workers, neither from government nor from the

organisations and alliances within which they do their work. What the crisis in recent years has made clear is that unbridled individualism involves irresponsibly high costs for society and does not contribute to the sustainability of either people or the planet.

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*De conclusie van dit essay kan dus zijn dat in Nederland een duurzame arbeidsmarkt voor de toekomst binnen bereik ligt*

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At an institutional level, the challenge is therefore to organise institutions to ensure that the gap between insiders and outsiders is plugged and that as many people as possible can participate fully and deploy whatever talent they may have as effectively as possible for economically and/or socially productive activities. In this context, Acemoglu and Robinson (2012) referred to ‘inclusive institutions’ (see also SER, 2015).

One of the options for achieving this could be to break the link between decision-making about the allocation of work and remuneration at the lower end of the labour market. Institutional reform, called for by employers’ organisation AWWN (2014) among others, to restrict the discrepancy in social and legal protection between permanent and flexible workers can be seen as a response to this challenge. More effectively utilising the talents of women and older workers, as well as people’s potential throughout their lifetime, is in line with this objective. This would also go some way towards addressing the imbalance that

seems to be emerging in society between paid and unpaid activities. Paid work is more closely related to individual values whereas unpaid work (such as home care) appears primarily to be linked to community values.

Perhaps we should associate community values more with paid work – in terms of independence, room for manoeuvre – and associate individual values with unpaid work in terms of appreciation and identity. Organisations have an important role to play in this; we raised the case of Semco Partners in this context earlier in this essay. For example, large numbers of care institutions are based on a combination of paid workers and volunteers. The challenge here is to ensure that paid workers remain enthusiastic about the ‘the profession’ and ‘the care’, and to treat volunteers as fully-fledged workers by showing them appreciation and according them a clear identity/function. Organisational forms in which professionals work more on the basis of equality can also contribute to achieving a better balance between community values and individual freedom and opportunities for development. For example, this can occur as part of a cooperative, as well as within existing organisations by promoting employee participation, self-management of teams and transparency. At various levels, devolved decision-making can also contribute to better organisation of work and effective use of creativity. This applies within organisations as well as within the triumvirate of social partners, business sectors and organisations.

On the other axis that we used to shape the scenarios, there are fewer options to choose from. New technological advances or even a technological breakthrough will occur and affect the Dutch economy whether we like it or not. The choice in this context is much more about the extent to which the labour market anticipates developments that significantly affect the Netherlands from abroad. Investments in the knowledge and skills of the working population, including ensuring that these are maintained, are of crucial importance in this. This involves the previously-formulated target that at least half of the Dutch population should have a higher education qualification.

But continuing professional education is of equal importance, together with all kinds of activities relating to knowledge dissemination and lifelong learning (WRR, 2014). On that front, the Netherlands not only needs effective infrastructure (which is currently still lacking), but also a more positive attitude with regard to education and research. One important contribution that the Dutch knowledge infrastructure could make is to connect innovation based on technological advances with social innovation: not only to make robots, but also to explore the conditions under which these will be accepted in society and the additional regulations required when new technology is launched.

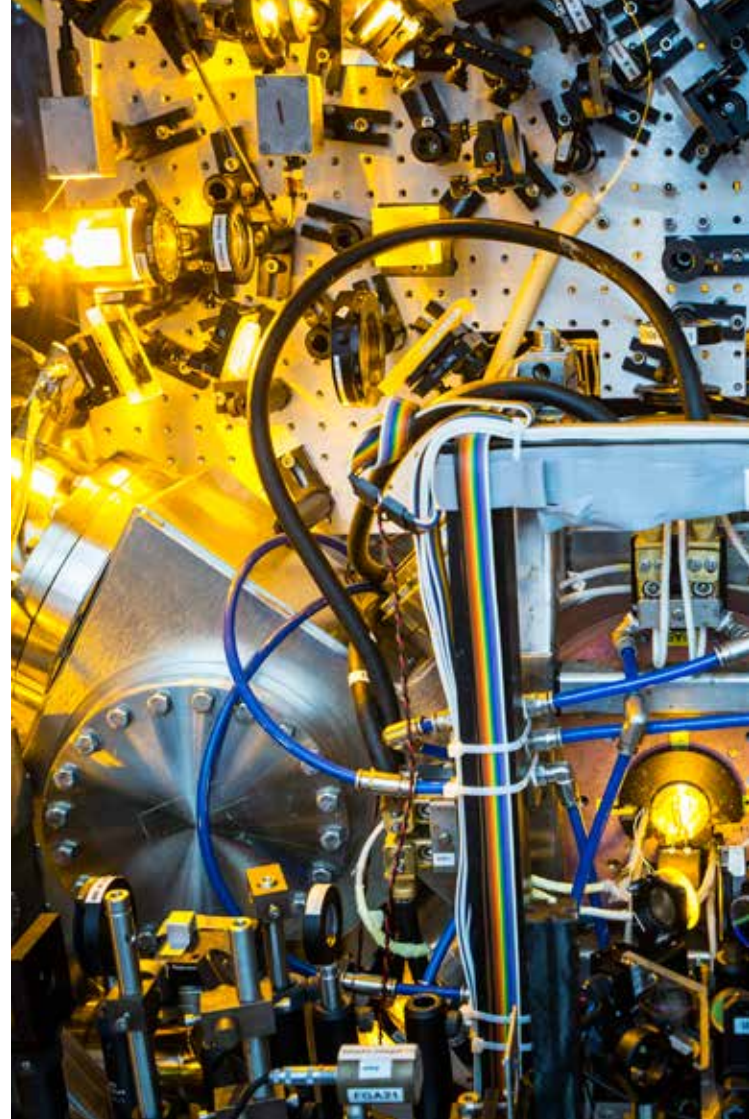
A sustainable labour market not only requires the right choices to be made, but also at the right time. Damage caused by over- or underutilisation over a sustained period can permanently undermine people's productive capacity. If people stay too long on the sidelines, they can lose their connection with the labour

market. Furthermore, equipping an infrastructure for continuing professional education or adapting regulations on taxation and social security cannot be achieved overnight. Besides, the rest of the world is not standing still. This essay therefore not only calls for new choices with regard to institutions in the field of work and the labour market as well as the values used as a basis for shaping these institutions, but also for a greater sense of urgency in making these choices.

# Notes

- 1 It is also worth taking note of the comments made on this by Minister Asscher of Social Affairs and Employment in his speech at the ministry's conference held on 29 September 2014: <http://www.rijksoverheid.nl/documenten-en-publicaties/toespraken/2014/09/29/robotisering-kansen-voor-morgen-toespraak-van-minister-asscher-tijdens-het-szw-congres-op-29-9-2014.html>
- 2 In this context, it is revealing to note that, according to Borghouts-Van de Pas and Pennings (2008), the Netherlands is the only European country of the eight studied that had a separate scheme to cater specifically for the young disabled population (Wajong).
- 3 Some of them have re-emerged in a different form or on a different scale. An example of this is specialised shipbuilding: although no enormous tankers are built in the Netherlands, specialised ships for the offshore industry continue to be produced. Aircraft manufacturer Fokker halted production of complete aircraft, but parts of the former group company continue to manufacture high-quality components for the US defence industry and others.
- 4 As was the case for the government led by premiers Den Uyl and Van Agt.
- 5 As advocated, among others, by the so-called 'supply-side' economists.
- 6 As was the case in the governments run by premiers Balkenende and Rutte, who made a smaller state and cuts to social security a key policy objective.
- 7 In the case of the WIA (Work and Income (Capacity for Work) Act), for example, we see that it was primarily the restrictions on access during the first decade of this century that led to a significant reduction in the total number of people claiming benefits as a result of incapacity for work (Van Sonsbeek and Gradus, 2013).
- 8 More extensive repairs were not permitted because of the competition this would create for official bicycle businesses.
- 9 The term often used in the literature to describe the first phenomenon is 'statistic discrimination' (an allusion to Phelps, 1972). The second case concerns the phenomenon described by Becker (1957) as 'taste-based' discrimination. This form of discrimination may originate in the behaviour of employers, fellow employees and consumers.
- 10 Despite this, the percentage of workers who say that they regularly work overtime has fallen rather than risen in recent years (CBS, Statline). The figures for the period 2004–2013 would primarily seem to suggest a link with economic trends.
- 11 See CBS (2013), which shows expectations of a significant increase in the number of single older people in particular.
- 12 Breakthrough technologies are radical innovations that not only have an impact in their immediate production environment, but can also change society as a whole. The literature cites the steam engine, electricity and the combustion engine as examples of such breakthrough technologies.

- 13 The economic crisis of recent years has also seen the emergence of a different type of self-employed entrepreneur with staff: those who have no choice. Workers are told by their employers that they are to be dismissed, but that the organisation is willing to hire them to do the same job, providing that they set up as self-employed. The conditions that apply to this new situation are often inferior to the terms and conditions of employment that previously applied, for example because they may no longer have insurance to cover sick leave, incapacity for work and unemployment and can no longer build up a pension. This increased flexibility – seen particularly in construction, domestic care and the transport sectors in recent years – reduces the risks faced by organisations of overcapacity and the associated costs even more than the increased flexibility introduced since the 1980s. It also represents even more insecurity for individuals than the familiar flexible contracts, flexible remuneration and job-related flexibility (for an overview of this, see Baaijens and Schippers, 2007).
- 14 Unlike previous generations, they do not even start working for an employer, but become self-employed from the outset.
- 15 Although, in theory, there is nothing to prevent more than two dimensions, our desire to provide a two-dimensional presentation and develop the various scenarios as a group made this impractical from the outset.



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