9. The Netherlands: Is the impact of the financial crisis on inequalities different from in the past?

Wiemer Salverda

1. INTRODUCTION

The times have been turbulent since the start of the new century. GDP fell during the ‘dotcom crisis’ – after the dotcom equities bubble burst in the year 2000 – and declined again much more substantially in 2008 and 2009 as a result of the current ‘financial crisis’ (Figure 9.1). Between both were four years of considerable growth. The unemployment rate has also been fluctuating, but not fully in sync with GDP. It increased after the


Figure 9.1 Quarterly GDP per capita volume growth and unemployment rate, Netherlands, 2000Q1–2010Q1 (seasonally adjusted)
first GDP decline in 2001 from a minimum level of 2 per cent to a peak of 5.3 per cent in 2005. GDP continued to grow and the unemployment rate fell to 2.5 per cent in 2008, even after GDP had already started to decline. Unemployment increased quickly until early 2010 and, for now, seems to have stabilized at around 4.5 per cent, below the previous peak. Per capita GDP showed a new decline in the third quarter of 2010.

The aim of this chapter is to unravel the inequality effects of the financial and economic crisis in a long-term perspective. This perspective helps to understand the current situation and assess expectations for the near future. Needless to say, the effects on inequalities may differ in the short and the long term. That being the case, we first consider in Section 2 the economics of the current recession, comparing it to five preceding downturns, to determine its timing, depth, significance and scope. Next, we examine in Section 3 the labour market outcomes of (un)employment, wages and working conditions and their effects on inequalities mainly in terms of jobs and earnings, and we discuss some of the explanations. Such analysis is indispensable for exploring future expectations: is the worst over or is it yet to come? It is equally natural to scrutinize the role that policy – restricting ourselves to labour market policies as much as possible – has played so far, but also for the near future. Section 4 then elaborates on the inequalities that have been exacerbated in the current crisis, identifying the most vulnerable groups of workers. In Section 5, two case studies illustrate these trends and some relevant policy issues. Section 6 concludes.

2. THE CURRENT CRISIS: HOW DIFFERENT FROM PREVIOUS DOWNTURNS?

2.1 How to Measure the Start and Ending of a Recession?

The first question concerns how the recession can best be timed. It is a matter of principle that goes beyond the Dutch outcomes. CBS (Statistics Netherlands) dates the Dutch recession as lasting for five quarters from the second quarter of 2008 until the second quarter of 2009. It focuses exclusively on GDP growth and misses a vital aspect that concerns the effect of population growth – first matter of principle. Krueger and Pischke (1997: 6), discussing its importance for labour demand, suggest that the effect comes close to Say’s Law, implying that a significant part of economic growth relates directly to the level of population growth. Ignoring this effect may seem reasonable in a very short-term – say, quarter-to-quarter – inspection of economic growth, but beyond that, important differences occur that should be accounted for in comparisons over time, as well as
cross-section, particularly when it comes to the significance of economic growth for the labour market. The current average quarterly growth of the Dutch working-age population (+0.03 per cent) is 10 times less than in the early 1980s (+0.31 per cent) or five times less than current US population growth (+0.16 per cent). Accounting for population growth is imperative also for comparing the effects of recession across age groups: over the past two years in the Netherlands, the growth of the young (15–24 years of age: +1.5 per cent) and of the older (50–64 years of age: +3.1 per cent) populations contrasts with the decline in the prime-age population (25–64 years of age: −2 per cent).

Dating the beginning of the recession is one thing, dating its ending quite another – a second matter of principle. Present cycle dating is no more than a classification of subsequent periods of expansion and contraction that disregards how the current level compares to the economic accomplishments before the recession set in: the peak. That comparison seems more relevant to an economy’s labour-market effects: as long as the economy has not returned to its initial level, labour demand will remain depressed. Therefore, the period of growth after the trough until the preceding peak level has been reached again should be included in the timing of the recession.

Third, it is important to realize that GDP is an aggregate measure of economic performance, resulting from diverse and sometimes conflicting types of economic behaviour, such as firm investments and household consumption. GDP has no forward-looking significance in and of itself. By contrast, firm investments are directly linked to the behaviour of economic actors and mirror expectations about the future of the economy in a way that GDP cannot. A lower level of investments may impair the maintenance of existing productive capacity, the installation of new capacity or both, and therewith the level of employment and the development of productivity. Therefore, we use here primarily investments as an indicator of performance which, during the recession, is revealing also about (expectations of) the future.

2.2 The Extent of the Current Crisis: Comparison with the Past

We turn now to a comparison of downturns in the Netherlands, taken per capita and, naturally, in real terms after deflation, and over the full period until recovery to the initial peak level. A seasonally-corrected quarter-based approach suggests itself not only because economic problems are still unfolding and each quarter adds important new information, but also because annual data unduly smooth out fluctuations leading to an underestimation of the extent of the downturns – or, in other words, because they
overlook much of the within-recession evolution. In the current recession, Dutch GDP declined by 3.9 per cent annually between 2008 and 2009, while the quarterly peak-to-trough drop amounted to 5.5 per cent (per capita).

Before proceeding it is important to discuss which recessions to consider, in addition to the financial crisis. The dotcom crisis is an indisputable candidate, for both its proximity in time (implying maximum resemblance of the workings of the economy and the labour market) and its origin in financial markets (implying resemblance of the nature of the crisis). However, its effects were clearly less abrupt and severe. This motivates looking also at earlier downturns that seem more comparable in terms of severity. Evidently, going all the way back to the 1930s is beyond the purpose of this chapter. Instead, I consider the downturns that have occurred since 1970. This provides an important set for drawing parallels to the financial crisis. As a result, three more downturns are added to the comparison, one for each of the preceding decades: 1970s, 1980s and 1990s. The five recessions are brought together in Table 9.1.

Panel A indicates for GDP and investments the durations of the five recessions (traditional peak-to-trough durations between brackets). Clearly, the timing by investments leads to much longer durations. The five beginnings are roughly similar but the endings vary significantly. GDP decline usually lags investment somewhat, up to a notable four quarters in 2000/2001, except, interestingly, for the current recession: this time investment lagged GDP (by one quarter). This seems to illustrate how the recession took firms in the real economy by surprise. Differences in the endings are particularly striking for the 1970s and 2000s. These recessions took only ten and five quarters, respectively, if measured by GDP, but they stretch out very long, basically until the next recession, when using investment. For the 1970s, some caution is required as investments showed a double dip long after GDP had returned to normal. However, the long duration better represents the prevailing feelings of pessimism during and about that decade. By contrast, for the 2000s the investment measure casts doubt on the prevailing optimism; doubt which seems in line with the hindsight caused by the financial crisis. Actually, both recessions lasted longer than the more virulent one of the early 1980s, where the investment measure adds relatively little to the length. From the GDP measure the dotcom crisis would seem to resemble that of the 1990s, which was the most benign of the five recessions according to both indicators.

Panel B elaborates on the depth of the declines from three different time perspectives. The fall in investment is always much stronger than in GDP and GDP usually grows substantially before the investment level is restored.

First, the panel compares for the traditional peak-to-trough measure the durations and how GDP and investment have developed for each recession;
**Table 9.1** Durations and depths of five recessions in the Netherlands since 1970 (volume of GDP and investment per capita indicators)

<table>
<thead>
<tr>
<th></th>
<th>Early and mid-1970s</th>
<th>Early 1980s</th>
<th>Early 1990s</th>
<th>Early 2000s</th>
<th>Current (up to 2010Q2)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A. Durations until recovery to initial level (in quarters; from first quarter of decline)</strong></td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>GDP</td>
<td>10 quarters</td>
<td>25 quarters</td>
<td>7 quarters</td>
<td>11 quarters</td>
<td>9+ quarters</td>
</tr>
<tr>
<td>Investment</td>
<td>33 quarters</td>
<td>28 quarters</td>
<td>15 quarters</td>
<td>32 quarters</td>
<td>8+ quarters</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1986Q2</td>
<td>1995Q3</td>
<td>2007Q4</td>
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<tr>
<td><strong>B. Quarter-to-quarter level changes in percentage terms</strong></td>
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<tr>
<td>Time measure 1. Peak-to-trough decline: extent and duration (quarterly averages in brackets)</td>
<td></td>
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</tr>
<tr>
<td>GDP</td>
<td>–0.6 in 3Q (–0.2)</td>
<td>–7.4 in 12Q (–0.7)</td>
<td>–0.9 in 1Q (–0.9)</td>
<td>–1 in 8Q (–0.1)</td>
<td>–5.5 in 5Q (–1.1)</td>
</tr>
<tr>
<td>Investment</td>
<td>–16.9 in 6Q (–2.8)</td>
<td>–26.9 in 13Q (–2.1)</td>
<td>–12.7 in 10Q (–1.3)</td>
<td>–22.1 in 12Q (–1.8)</td>
<td>–24.0 in 6Q (–4.0)</td>
</tr>
<tr>
<td><strong>Time measure 2. Change over the same first number of quarters as currently available (8 or 9)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GDP (9Q)</td>
<td>+5.7</td>
<td>–1.9</td>
<td>+0.4</td>
<td>+2.9</td>
<td>–2.9</td>
</tr>
<tr>
<td>Investment (8Q)</td>
<td>–3.7</td>
<td>–22.0</td>
<td>–11.9</td>
<td>–9.8</td>
<td>–19.8</td>
</tr>
<tr>
<td><strong>Time measure 3. Speediest four-quarter decline during the period (quarters since start of recession)</strong></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>GDP</td>
<td>–2.9 (Q15–Q18)</td>
<td>–3.7 (Q10–Q13)</td>
<td>–0.2 (Q1–Q4)</td>
<td>–0.6 (Q3–Q6)</td>
<td>–5.6 (Q1–Q4)</td>
</tr>
<tr>
<td>Investment</td>
<td>–15.8 (Q1–Q4)</td>
<td>–13.4 (Q7–Q10)</td>
<td>–9.9 (Q5–Q8)</td>
<td>–13.6 (Q9–Q12)</td>
<td>–20.0 (Q2–Q5)</td>
</tr>
<tr>
<td><strong>C. Working-age (15–64) population change in percentage terms (between brackets: quarterly averages)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Population</td>
<td>+11.9 (0.36)</td>
<td>+8.7 (0.31)</td>
<td>+1.8 (0.12)</td>
<td>+3.4 (0.08)</td>
<td>0.2 (0.03)</td>
</tr>
</tbody>
</table>

**Notes:** GDP and investment: volume figures, seasonally adjusted; population is for working age: 15–64 years. Durations ‘in nQ’ expressed in quarters.

* Not recovered before next recession.

**Source:** Calculations from OECD, Economic Outlook No. 87 for first four recessions; from CBS/Statline, National Accounts, quarterly values, for financial crisis.
obviously, we cannot be sure that the current trough has already been reached. Although ultimately the decline of the 1980s is somewhat larger, it is also clear that the current decline has been significantly steeper so far, falling almost twice as fast as GDP decreased by more than 1 per cent for five consecutive quarters, and investment by almost 4 per cent for six quarters in a row. Second, over the same number of quarters (eight) that is now available for the current recession, the 1980s went as deep as the current recession. The financial crisis beats the other four with by far the speediest one-year decline, the third time perspective. Note that for the financial crisis that year is already behind us while during the recession of the 1980s it followed only much later. This confirms the surprising decline in investments (see also Figure 9.2).

Coverage of the three recessions between 1970 and 2000 clearly improves the comparison. Given previous experiences, it cannot be taken for granted that the bottom of the financial crisis is already behind us or even within reach. It would not be the first time that quarters of decline are interspersed with a few others showing growth (for example, 1983Q1–Q3). Therefore it cannot be excluded that to date we have observed for the financial crisis only the speediest start, while the steepest one-year decline and a long aftermath may still be ahead. The least one can say from its

Notes: Four-quarter moving averages (all starting from 100 in first quarter): 1971Q1, 1979Q2, 1991Q4, 1999Q4 and 2008Q2 = 100. * Solid lines for Investment, dashed lines for GDP.

Source: See Table 9.1 unemployment rate from OECD, Main Economic Indicators.

Figure 9.2 Five Dutch recessions: evolution of investment and GDP* per capita per quarter since start of each recession
abrupt start and very deep fall is that this time things are very different quantitatively. Linking the recessions to labour market outcomes in the next section will tell us more.

### 2.3 Aggregate Economic Performance: Different Features this Time

Before turning to that, we consider the scope of the Dutch recessions and the parallels to other countries for the financial crisis. Table 9.2

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**Table 9.2 Scope of five Dutch recessions*: cumulative change in inflation, consumption, savings, international trade and balance over first eight quarters**

<table>
<thead>
<tr>
<th></th>
<th>Early and mid-1970s</th>
<th>Early 1980s</th>
<th>Early 1990s</th>
<th>Early 2000s</th>
<th>Current (up to 2010Q2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Prices (%)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GDP</td>
<td>+20</td>
<td>+10</td>
<td>+5</td>
<td>+9</td>
<td>+2</td>
</tr>
<tr>
<td>Consumption</td>
<td>+17</td>
<td>+13</td>
<td>+2</td>
<td>+9</td>
<td>+2</td>
</tr>
<tr>
<td>Exports</td>
<td>+6</td>
<td>+30</td>
<td>-4</td>
<td>+4</td>
<td>-1</td>
</tr>
<tr>
<td>B. Volume changes per capita (%)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Government spending</td>
<td>-2.2</td>
<td>+0.3</td>
<td>+3.6</td>
<td>+6.0</td>
<td>+5.9</td>
</tr>
<tr>
<td>Consumption</td>
<td>+1.7</td>
<td>+2.8</td>
<td>+3.7</td>
<td>+4.7</td>
<td>+5.9</td>
</tr>
<tr>
<td>Investment</td>
<td>-17.4</td>
<td>-15.1</td>
<td>+2.9</td>
<td>+15.4</td>
<td>+4.4</td>
</tr>
<tr>
<td>Private consumption</td>
<td>+6</td>
<td>-6</td>
<td>0</td>
<td>+5</td>
<td>-2.9</td>
</tr>
<tr>
<td>Imports</td>
<td>+7</td>
<td>-6</td>
<td>3</td>
<td>+3</td>
<td>-4</td>
</tr>
<tr>
<td>Exports</td>
<td>+20</td>
<td>-3</td>
<td>+9</td>
<td>+3</td>
<td>-6</td>
</tr>
<tr>
<td>C. Other</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current account balance</td>
<td>+4 pcpt</td>
<td>+2 pcpt</td>
<td>+3 pcpt</td>
<td>+2 pcpt</td>
<td>-0.7 pcpt</td>
</tr>
<tr>
<td>Net savings</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>+0.3 pcpt</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>-1.4 pcpt</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>-2.0 pcpt</td>
</tr>
</tbody>
</table>

*Based on investment per capita, see Table 9.1.

**Notes:** Imports, exports and consumption: levels are seasonally adjusted volume figures, but the trade balance to GDP is based on current-value figures. Imports and exports are after deduction of re-exports; 1970–1995 using annual ratio in current values, 1996–2010 using quarter values after deflation; note that the correction for re-exports leads to much lower outcomes for both the 1970s recession, the dotcom crisis and the financial crisis. Current account balance: per cent of GDP at current prices. Net savings: change as a percentage of NNI.

Source: Calculations from OECD, Economic Outlook No. 87 and Main Economic Indicators, except for financial crisis: CBS/Statline; savings from OECD Quarterly National Accounts including current recession.
forays into aspects of aggregate economic performance beyond GDP and investment, such as inflation, consumption, savings, international trade and current account balance for the first eight quarters. Clearly, things appear, once again, to be very different this time compared to the preceding declines:

- inflation is almost absent for both GDP and private consumption, while it was rampant in the 1970s and very substantial in the 1980s; export prices fell slightly, on balance, as they also did during the 1990s recession;
- the level of private consumption has changed little after its a uniquely fast 3.2 per cent decline over the first year, thereby diverging from the 6 per cent decline of the 1980s which was largely concentrated in that recession’s second year – this may still await us if austerity starts to bite;
- the total of private and government consumption has remained stable only thanks to a 6 per cent increase in government consumption, which exceeds all earlier recessions, though less for the dotcom crisis (4.7 per cent);
- government investment registered a modest growth – much less than during the dotcom crisis but radically more than in the 1970 and 1980s;
- substantial national dissaving occurred during the first year of the financial crisis (−5 pcpt), but – though still larger than on previous occasions – it has become more comparable now to the dotcom crisis;
- uniquely, import and export volumes plunged by no less than 10–11 per cent in the first year (not shown), in particularly sharp contrast to their large increases over the dotcom crisis; thus far, imports have made up for half of the lost ground, while export volumes are still significantly down at −6 per cent;
- the current account balance of trade became less favourable, again in contrast to previous recessions; however, quarterly volatility is too large to safely conclude to a structural turnaround of the trade balance after the strong upward trend for almost 25 years (gaining 8 percentage points of GDP).

The significant differences to previous recessions across the variables raise the important question if this time things are not different qualitatively as well, and also what the role of government policy has been.

Finally, we summarily compare the evolution of the financial crisis for the Netherlands and the four major countries: the United States,
Work inequalities in the crisis

In all these countries, investments have declined rapidly and deeply but there seems to be a dichotomy between, on the one hand, France and Germany, where the decline is less (between 10 and 15 per cent), and the United Kingdom and the United States on the other hand, where it exceeds 20 or even 25 per cent. Intriguingly, the Dutch evolution seems closer to the United Kingdom and the United States than the Continental countries. One may speculate if this can be due to a larger role of financial markets in the Netherlands compared to Germany or France. The investment picture seems to capture local moods, which seem gloomier in the United States than in Germany.

It seems only natural to conclude that, for the moment, we find ourselves in uncharted waters. The long durations and late accelerations of labour market decline during previous recessions warrant little optimism for the coming years. The combination with tightening credit markets and massive shifts of debt from financial markets onto governments can serve only to make things worse. The present relief may be temporary and relies strongly on investment demand from China and similar countries.\textsuperscript{12}

\textit{Figure 9.3 Financial crisis: quarterly evolution of investment per capita in France, Germany, Netherlands, the United Kingdom and the United States, 2008–2010 (2008Q2 = 100)}

\begin{figure}
\centering
\includegraphics[width=\textwidth]{figure9.3.png}
\caption{Financial crisis: quarterly evolution of investment per capita in France, Germany, Netherlands, the United Kingdom and the United States, 2008–2010 (2008Q2 = 100)}
\end{figure}

\textit{Source:} For the Netherlands see Table 9.1; for all other countries, OECD Economic Outlook No. 87 up to 2001Q2.
3. LABOUR MARKET OUTCOMES: EMPLOYMENT, EARNINGS AND WORKING CONDITIONS

3.1 Employment: Little Decline in Heads, Significant Reduction in Hours

The unemployment rate is a simple result of labour supply and demand, but behind each lurks a variety of factors which can differ significantly over time, including over the seasons, and across countries. Supply can be very volatile because of the seasonal variance in school-leavers’ supply and in certain productive activities, and the possible discouragement of job seekers. The demand side is also not a simple given. Its full-time/part-time structure is shifting significantly and inflates the denominator over which the unemployment rate is calculated leading to a comparatively lower rate. The employment level may also be increased for the good reason that more people in the population have a job. If so, the same number of unemployed implies a lower unemployment rate, although the social problem of unemployment remains the same. Thus, when considering the labour outcomes of recessions, we attempt here to account for time structure and employment participation, naturally again on a per capita basis. Aggregate outcomes are the focus, while further detail is discussed in Section 5 as an important component of work inequalities.

Notably, seasonal effects do not disappear in recession and are critical for an up-to-date quarterly approach. For the current crisis seasonally adjusted data are still few, but fortunately most variables are now available for the second quarter of 2010, which can be compared directly to the starting quarter (2008Q2) without much worry about the seasonal effects.

Figure 9.4 shows the importance of these distinctions for the current recession, all on a per capita basis. Three approaches to employment show diverging effects, ranging from a 1 to a 5 per cent decline. First, the number of persons in employment, including the self-employed, changes little over the two-year period, –1.1 per cent. The number of employees (that is, excluding self-employed) falls slightly more, –1.5 per cent. The gap widens considerably, however, if their working hours are accounted for, generating a fall in all hours worked in the economy by 2.6 per cent over the first four quarters and 5.2 per cent over the two years taken together, thus showing no sign of slowing down during the second year. Apparently, employees who remained in work now tend to work almost 3.5 per cent fewer hours, on average, compared to the peak. Hours are a crucial issue that we discuss in more detail below.

Clearly, a singular focus on head-count numbers would suggest that not much is happening. This can explain the feeling harboured by many that labour market effects are astonishingly gentle, given the abrupt fall
Work inequalities in the crisis

In GDP. However, from an economic point of view the hours-count approach is the most appropriate indicator of realized productive labour demand. Figure 9.5 portrays this over the five recessions. Clearly, its decline at the start of the current recession was as strong as in the 1970s and much stronger than in the 1980s, although it is gradually changing track from the former to the latter. The 1990s recession was shallow also in terms of its labour-market effects. Surprisingly, the dotcom crisis lacks a clear-cut decline in employment; to the contrary, it tended to grow. The financial crisis is distinctly different.

The fact that the employment effects remain negative far beyond renewed growth of GDP underscores the relevance of choosing the investment indicator for measuring a recession’s duration. The volume of employment hours fell all the way during the long drawn-out recession of the 1970s and during the short-lived 1990s recession, and it fell for most of the time during the 1980s. In addition, the depth of employment declines of the 1970s and 1980s goes beyond GDP and matches the fall of investment much better. Only the dotcom crisis seems an exception. However, given the very severe fall in GDP in the first year of the financial crisis (~4.3 per cent), even the large decline in hours-count employment (~2.6
The main issue to consider further is the time structure of employment. The shifting weights of full-time and part-time jobs can help explain the widening gap between head-count and hours-count (full-time equivalent) employment. The gap increased secularly until 2002 and then declined by 2 percentage points until 2006. The financial crisis increased the gap again, from 16 to 18 per cent. Thus the labour market has enhanced the person-intensity of the volume of employment. The renewed increase has certainly contributed to mitigating the current unemployment effects but at the same time it should be said that the current pace does not differ significantly from previous recessions.

Three developments have contributed to enlarging the gap. First, a general shortening of the full-time working week – from 2,000 hours in 1970 down to a steady 1,700–1,750 hours since the mid-1980s (CPB) – has lowered the general number of hours by 14 per cent. Second, the equally secular growth of the share of part-time jobs, from less than one-third to more than half of all jobs, has brought average hours per job down. Third,
much of the growth of part-time employment was concentrated in small jobs; consequently, the average part-time jobs now counts 40 per cent fewer hours than before. This has reinforced the downward effect of part-time employment on total hours worked in the economy.

The absolute number of full-time jobs has changed very little since the 1970s; thus its percentage of the working-age population has fallen significantly, from 46 per cent in 1970 to 35 per cent recently. The decline in full-time occupations is clearly visible also during the financial crisis. Figure 9.6 shows a 4 per cent decline in full-time employment (−180,000) over the eight quarters into this crisis. It contrasts with a 3 per cent growth of part-time jobs (+100,000); as a result, overall employment decreased by only 1 per cent. Basically, all full-time jobs were lost by men, who at the same time gained 50,000 part-time jobs. Unfortunately, we cannot say how many full-time jobs were turned into part-time jobs individually (the 50,000 just mentioned seems the possible maximum), or that the former got lost here while the latter were created elsewhere. It is clear, however, that part of the new part-time workers are doing so involuntarily. The Netherlands has a very high rate of part-time employment but by international standards only few of the occupants (between 3 and 4 per cent in
recent years) are involuntary part-time workers. However, the increase in part-time jobs from 2008 to 2009 entailed a much higher involuntary share (18 per cent) than before, but it remains clearly a minority.

Full-time jobs risk becoming an endangered species. The high and increasing level of part-time employment seems to be also at odds with the needs and preferences of the unemployed, who are mostly looking for substantial jobs.\textsuperscript{16} During the financial crisis, the number of full-time jobs fell by 4 per cent while the number of unemployed looking for full-time employment swelled by 58 per cent, twice as fast as the rate (30 per cent) for those who were looking for less than full-time hours. This added to the similar developments during the dotcom crisis\textsuperscript{17} and risks exacerbating the unemployment problem. The shift towards part-time jobs has important implications for inequality effects by gender and age to which I will turn in Section 5.

It is unfortunate that we do not know the role of individual transitions from full-time to part-time, as that might help establish the direct contribution of working-time flexibility to keeping people in work. Nevertheless, it is clear that the full-time/part-time shift adds significantly to the flexibility of the aggregate volume of hours worked. In spite of large seasonal fluctuations, contractual flexibility grew at the same pace as part-time employment (+3 per cent) over the eight quarters though less absolutely: 67,000 as against 106,000 (Figure 9.7). Overall temporary growth contrasts strongly with the hours worked by temp agency workers. The latter reached an all-time high of 5 per cent of employee hours in 2008, but dropped by one-fifth up to early 2010, while at the same time other, non-temping temporary jobs continued to expand. The latter can be hired on an array of different contracts, varying from zero-hours call contracts to the probationary period for a full-time permanent contract. Together with temp workers they currently comprise 19 per cent of employees. Note that temping declined similarly during the dotcom crisis, but this time the decline was twice as fast. Very recently, temps have seen their numbers starting to grow again. Clearly, temps act as an increasingly important buffer in times of crisis (see also Case study 1).

One underlying question with regard to why employment is not falling more strongly, given the extent of the downturn, is whether the structure of GDP itself may have shifted so that employment problems become less pressing in case of a downturn. The productive composition of the economy can affect the nature of labour demand, directly or indirectly. Evidently, the strong shift from producing goods towards services is an important factor contributing to a (relative) increase in the labour intensity of production and the demand for labour, and specifically also to the rise of part-time employment.
Services production may also generate a different attitude on the part of employers towards investment and hiring, as human capital tends to play a more important role for the productive organization. However, human capital investment – for example, through firm spending on the training of its workers – is not captured by investment statistics. Also, in services the capital intensity of production is less and the firing of a worker affects productive capacity more directly. In addition, the volatility in labour demand for services may be less than for goods – not necessarily for each and every service, but in the aggregate. Among services, the strongest decline in employment has been in hotels and catering (–8 per cent between 2008 and 2009). However, this is no comparison to, for example, truck and car production, which fell by 32 per cent (see first case study).

3.2 Earnings: Less Immediately Affected than Before?

Employment and unemployment are one element of labour market outcomes, wages and labour costs are their evident complement. How do they behave over time? Table 9.3 compares between recessions for actual earnings as received by the individual worker and per hour of work respectively. Earnings are deflated for the 2 per cent consumer price rise (Table 9.2). Both show a rise since 2008, largely concentrated in the
The Netherlands

Table 9.3 Five Dutch recessions*: cumulative changes in wages and labour costs over first eight quarters

<table>
<thead>
<tr>
<th></th>
<th>Early and mid-1970s</th>
<th>Early 1980s</th>
<th>Early 1990s</th>
<th>Early 2000s</th>
<th>Current (up to 2010Q2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Earnings per person</td>
<td>-1.5</td>
<td>+1.5</td>
<td>+1.8</td>
<td>+1.4</td>
<td></td>
</tr>
<tr>
<td>Earnings per hour</td>
<td>+0.0</td>
<td>+5.1</td>
<td>+2.7</td>
<td>+3.6</td>
<td></td>
</tr>
<tr>
<td>Unit labour costs</td>
<td>-1.5</td>
<td>-0.5</td>
<td>+0.3</td>
<td>-0.3</td>
<td>+3.1</td>
</tr>
<tr>
<td>Labour productivity</td>
<td>+12.6</td>
<td>+1.6</td>
<td>+1.9</td>
<td>+0.2</td>
<td>-0.9</td>
</tr>
<tr>
<td>Wage share in GDP</td>
<td>-0.3 pcpt</td>
<td>+0.1 pcpt</td>
<td>-0.1 pcpt</td>
<td>+1.5 pcpt</td>
<td></td>
</tr>
</tbody>
</table>

Notes: Earnings are compensation of employees deflated by consumption prices, divided by employees and employees times annual hours worked respectively; unit labour costs deflated by GDP prices (see Table 9.2). Wage share based on current values of compensation and GDP.
* Timing based on investment per capita, see Table 9.1.

Source: calculations from OECD, Economic Outlook No. 88.

first four quarters, that clearly exceeds the early 1980s but is comparable to the 1990s and the dotcom crisis. Hourly earnings do better (+3.6 per cent) than individual earnings (+1.4 per cent), which is consistent with the stronger decline in hours worked than in the number of employees. The 3.6 per cent rise is slightly higher than in Germany, France or the United States (2.7–2.9 per cent) but comparable to the United Kingdom.

Dutch collectively negotiated wage scales, which lay the basis of wage formation for most workers, increased by 2.2 per cent in real terms during the financial crisis, largely during the first four quarters. The lower increase of earnings than of negotiated wages may imply that the latter were not fully endorsed or they can reflect composition effects, or both. Still their role for the earnings increase seems to be non-trivial. To some extent the Dutch Polder model, in spite of its long history of negotiated wage moderation (Salverda, 2008b), seems to have been taken by the same surprise as firms for their investments (compare Case study 1). Before the start of the financial crisis wage increases had been collectively agreed on the basis of economic forecasts provided by the Central Planning Bureau. Growth forecasts turned out to be radically mistaken. This affected productivity negatively. At the same time, consumer prices increased much less than expected (a 1.5 pcpt difference), affecting real wages upwards. The evolution of unit labour costs presents a different picture. These result from labour costs (gross wages including employer contributions), on the one hand, and the evolution of labour productivity, on the other. It turns
out that the substantial wage growth of the 1970s was almost entirely compensated for by (strong) productivity growth. The next three recessions also show unit labour costs that hardly changed. Only the present recession sees a striking growth in unit labour costs by 3.1 per cent over the two years since the start in 2008, as a result of a 7 per cent rise over the first four quarters followed by a 3.6 per cent decline over the second four quarters. The 3.1 per cent rise is slightly higher than in Germany and France (+2.7 per cent), and the United Kingdom (+2.2 per cent), and diverges largely from the United States (−2.7 per cent) (OECD, Economic Outlook No. 88). Labour productivity is responsible for a part of this as it declined this time (−0.9 per cent) in contrast to the previous recessions – the result, again, of a decline over the first four quarters (−4 per cent) followed by a rise over the second four quarters (+3 per cent). Unsurprisingly, the wage share in GDP, which closely resembles real wages over productivity, registers a 1.5 percentage-point growth during the current crisis (+3.4 pcpt and −1.9 pcpt over the first and second four quarters), in contrast to the stagnation of the three preceding recessions. However, it is important to realize that the current increase started from the lowest level of the wage share (49 per cent) attained for decades. A secular decline since the 1970s, that has been stronger in the Continental countries than in the United States or the United Kingdom, has beefed up capital income, creating financial room for manoeuvre for firms and therewith potentially reducing their urge to lower wages or fire workers at the very first sign of productivity decline.

### 3.3 Other Working Conditions: Mixed Findings

Findings on the effects of the crisis on other working conditions have led so far to mixed evidence. On the one hand, the annual working-conditions survey shows, first and foremost, a decline in the negative aspects of physically demanding work between 2008 and 2009: the number of accidents per 100,000 employees fell by 9 per cent, and the percentages of employees having to exert physical force, or experience vibrations, loud noise, repetitive work or difficult postures during work all declined by a few per cent. Plausibly, this reflects a decline in employment in the relevant types of work. Interestingly, the shares of employees facing pressure and intimidation rose in relation to clients and fell in relation to management and colleagues. On the other hand people also report an increase in the work that is emotionally demanding and a decrease in own initiative and decision autonomy. Taken together, the share of workers satisfied with working conditions, which had significantly expanded from 69 per cent in 2005 to 76 per cent in 2008, declined in 2009 to 74 per cent. Unfortunately, no data are readily available for analysing the causes or consequences.
Additional reporting by TNO (2010) also indicates a declining satisfaction with pay but increased satisfaction with the possibilities of working part-time. Percentages of employees reporting organizational downsizing rose significantly in 2009, from 8 per cent to 13 per cent at workplaces that had shrunk without dismissals, and from 5 per cent to 12 per cent if there had actually been dismissals.

Summarizing, we can say that the financial crisis deviates from previous recessions in several important respects not only regarding the extent of the downturn itself as was shown previously, but also with regard to its labour-market effects:

- Lower head-count employment adjustments;
- Strong working-time reduction;
- A concomitant, continued shift away from full-time to part-time jobs;
- A rise in involuntary part-time work;
- Excessive adaptation of temp agency work;
- A continued growth of employees on temporary contracts;
- Relatively benign wage developments during the first year into the crisis, largely based on a lower than expected increase in prices, followed by a downward adaptation during the second year;
- An unexpectedly rapid initial increase in unit labour costs based on growing hourly wages and falling productivity;
- A corresponding increase in the wage share in GDP, starting from the lowest level for 40 years.

Full-time jobs, and the men occupying them, and temp agency workers have borne the brunt of employment adaptation. Their important declines remain hidden in the aggregate level of the number of persons in employment as long as working hours are not accounted for. It is the small declines in employment numbers that may explain the popular feeling that unemployment growth and employment decline are significantly less than anticipated.

4. EFFECTS ON INEQUALITIES

4.1 The Complexity of the Issue

The effects of the financial crisis on inequality are not easy to verify, for both theoretical and practical reasons. Theoretically, the concept of inequality needs discussion for a host of reasons. First, it can be approached
from two different perspectives: opportunity and outcome. For example, inequality of opportunity is relevant for those who cannot get a job because they are new entrants (young school-leavers) or have been made redundant (older workers). The role of part-time jobs is another example underlining the complexity of the issue: to the extent that working fewer hours is an individual decision the lower income that results is also an individual choice. However, such a ‘choice’ is difficult to verify, and even though voluntarily made in the short term, it may have undesired consequences in the long term. Second, inequality can be found in different domains: for example, in employment as such – as a source of life satisfaction – or in earnings and income. Because paid labour is of such overwhelming importance for citizens and society, it is not trivial where the world of work ends and other domains begin. For example, work and pay is an individual matter, but cannot be fully understood without accounting for the individual’s household environment, which has a dynamic of its own but at the same time may itself be sensitive to the situation of work and pay. Third, both lead on to the dynamic aspect of inequality ‘formation’ which may take time to unravel: one may have to wait a long time before inequalities start to settle, and, in addition, a longer recession may in itself worsen the effects. Fourth, certain inequalities may increase, while others decrease. Improved female job chances illustrate this. Fifth, inequality may increase at the aggregate, societal level even while no individual is worse off – for example, as top incomes grow more. Sixth, not unrelated to this, inequality can be conceived of – and measured – on the basis of the full distribution of a given variable or on the basis of specific parts, for example, the tails (low-wage employment, poverty or top incomes) or the middle (polarization). Finally, inequalities are not a natural phenomenon but also depend on the character of the policies being applied. These can either counteract or stimulate their growth, and even if they counteract them they may do so outside the world of work proper (for example, by redistribution via taxes and benefits); that world may take these effects into account, however.

In practically determining current trends in inequality, we are trying to see what is going on in the middle of a storm in which bits and pieces of information are flying around and are difficult to catch and interpret, and precise, up-to-date, relevant information is not always available. Many findings presented below depend crucially on the fact that much-needed data for guesstimating trends have become available for the same season of the year that the downturn began, diminishing the worry about seasonal effects which can be very significant.

Let us see how far we can get when discussing employment chances and earnings outcomes successively. Employment and unemployment
should come first, as the lack of a job usually implies a simultaneous lack of earnings; it can also have a lasting opportunity effect, even after a job has finally been obtained, as careers and later earnings may be affected by an initial ‘scarring’. Employment shifts may also help us then to evaluate possible changes in wage inequality in the absence of proper wage data. In addition, it should be observed that wage inequality concerns only those who actually have a job; it cannot capture the effects of no earnings. It is one of the purposes of studying employment to acquire information about that – without it, the picture of inequality effects would be fundamentally incomplete.

4.2 Employment Opportunities: Pitting Generations Against Each Other

We have already noted that the response of employment figures to the financial crisis has been surprisingly muted, falling by only 1 per cent despite the brutality of the recession. However, taking into account four key aspects: age, gender, ethnicity and education – which often overlap and reinforce each other – the situation appears to be much less reassuring in terms of inequality. The gender distribution of the population is stable, but there have been strong changes in the age structure, also over the past few years. Ethnic minorities have grown to a sizeable presence over recent decades. Finally, the educational performance of the population has expanded tremendously.21

Table 9.4 breaks down the development of the population, employment and labour force since the peak before the financial crisis in the second quarter of 2008. Men appear to have lost a significant 2.7 per cent of their employment rate, while women have gained 1.1 per cent, strengthening the existing gender shift. Men lost particularly – almost 5 per cent – in full-time employment. Women also lost there, but less, and this was also of less significance to them because of their much lower incidence of full-time jobs. Male part-time employment gained relatively more, but theirs is much less important than for women, and it was insufficient to prevent a decline in the male participation rate by 1.2 per cent. In the FTE count men lost almost 7 per cent; however, women also suffered a surprising 3 per cent loss as part-time jobs also lost hours.22

4.2.1 Increase in part-time

Basically, part-time employment increased over the two years for all categories of workers. Youths and prime-age workers suffered a similar 3.5 per cent decline in employment numbers but as population growth diverged there is a clear difference on a per capita basis: a 5 per cent loss for youth and a 2 per cent loss for the prime-age population. For youths,
Work inequalities in the crisis

this includes a calamitous fall in full-time employment by 20 per cent that largely spills over into an FTE decline by 14 per cent. The modest part-time growth was far from enough to compensate for the fall in full-time jobs, and, as we will see, part-time employment does not provide an adequate starting point for school-leavers for a future career. Importantly, the youth labour market participation rate declined by 2.5 per cent, or 50,000. In other words, employment decline and unemployment growth did not cancel one another out and youth labour supply has been leaking away. This has prevented a significant rise in the youth unemployment rate that otherwise might have shot up to 9.4 per cent, instead of the actual 7.8 per cent. Over the financial crisis the youth unemployment rate has grown by 40 per cent, significantly less than average (+50 per cent) or prime-age

Table 9.4 Dutch financial crisis: population, types of employment and labour-force participation by gender, age, nationality and education*

<table>
<thead>
<tr>
<th>Numbers</th>
<th>Per capita ratios</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population</td>
<td>Employment</td>
</tr>
<tr>
<td>All 15–64</td>
<td>+0.2</td>
</tr>
<tr>
<td>Men</td>
<td>0.0</td>
</tr>
<tr>
<td>Women</td>
<td>+0.3</td>
</tr>
<tr>
<td>Minorities***</td>
<td>+2.6</td>
</tr>
<tr>
<td>Age</td>
<td></td>
</tr>
<tr>
<td>15–24</td>
<td>+1.5</td>
</tr>
<tr>
<td>25–50</td>
<td>-1.9</td>
</tr>
<tr>
<td>50–64</td>
<td>+3.1</td>
</tr>
<tr>
<td>Educational attainment</td>
<td></td>
</tr>
<tr>
<td>Low</td>
<td>-3.0</td>
</tr>
<tr>
<td>Medium</td>
<td>-0.9</td>
</tr>
<tr>
<td>High</td>
<td>+5.6</td>
</tr>
</tbody>
</table>

Notes: * All figures are seasonally unadjusted but comparison of two similar quarters is assumed to compensate for that. ** FTE (full-time equivalent, put at 1,840 hours per year) approximated from a breakdown of jobs by four bands of weekly hours, normalized on the Labour Accounts total. *** Non-Western only.

Source: European LFS, except minorities: CBS/Statline, Dutch LFS and Labour Accounts (European LFS data are based on formal nationality, CBS data refer to immigrants and their offspring, regardless of nationality).
workers (+64 per cent). With an unchanged participation rate the pace would have been similar to the prime-age group.

4.2.2 Minorities most hit
Minorities’ employment numbers fell as strongly as those of young people (−3.4 per cent). This is no surprise as youths and minorities overlap significantly as do the low skilled and minorities. On a per capita basis their fall exceeded that of all other categories, in terms of both head-count (−6 per cent) and hours-count employment (−12 per cent). On balance their labour force participation rate did fall, by 5.3 per cent, which is also more than for any other category.

4.2.3 Vulnerability by level of education
The three often-used levels of educational attainment: low (junior secondary or less), medium (senior secondary) and high (tertiary) also show diverging trends that, although they are in line with common expectations, are still worrying. For the low skilled part-time employment did not increase and could offer no compensation for the severe loss of full-time jobs (−6.6 per cent). At the medium-skill level the loss of full-time occupations was somewhat larger – one in 16 – but so was the growth of part-time jobs. Even for the high educated employment growth has been lagging slightly behind population growth and their full-time employment has fallen by 1 per cent on a per capita basis.

As to the shift to part-time jobs, we happen not to know, unfortunately, whether the individuals stayed on in employment on a part-time basis. FTE effects by level of education are found in a narrower range than might be expected. It implies that at higher educational levels the growth of part-time jobs offered the possibility to stay in employment but in exchange for fewer hours.

4.2.4 Diverging effects for the generations
Youth developments contrast with those of older workers, aged 50 to 64. The latter’s numbers in employment grew strongly by any standard (+7 per cent), despite the recession. This was partly driven by population growth but even on a per capita basis they managed a favourable 4 per cent growth. Positive developments for both full-time and part-time employment underlie this. Older workers’ FTE employment remained unchanged. It confirms a trend of significant employment growth for older workers that began in the early 1990s before the intense policymaking to increase older workers’ participation took off (OECD, 2005), on the one hand, and a deep-seated transformation of the youth labour market, which is considered below. Prime-age workers are in the middle, with a
significantly 4 per cent loss of full-time jobs and an FTE loss of more than 5 per cent. Thus, Dutch employment trends are clearly diverging between the generations.

4.2.5 The plight of youth

The picture is more complex when we pursue a further breakdown of youth employment by gender and educational level (Table 9.5). Female young people appear to do better overall because of the much lower incidence of full-time work among them, so that the equally strong relative decline they underwent for the latter is less significant. The decline in full-time jobs for youth is colossal, in relative terms, especially for low-educated and medium-educated youths who have lost roughly one-quarter. The least-educated youths also lost part-time jobs. These changes are clearly much worse than average and seem hidden from view partly by the favourable trend among older workers and partly by youths’ own withdrawal from the labour market.

There is good reason to worry about the inequity of this outcome. The above is only half the story because the Dutch youth labour market has been changing fundamentally in recent decades and has become split into two segments because of the country’s uniquely high overlap between education and the labour market. Out of almost 2 million young people in 2009, two-thirds or 1.35 million held a job; some 560,000 of those jobs were for fewer than 12 hours per week, and many were micro jobs (4 hours or less). At the same time, 1.46 million young people were in education, with close to two-thirds or 920,000 of them holding a job. Putting the two

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Table 9.5  Dutch financial crisis: youth (15–24) population, types of employment and labour-force participation by gender, age and education

<table>
<thead>
<tr>
<th>Educational attainment</th>
<th>Numbers</th>
<th>Employment</th>
<th>Per capita ratios</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Population</td>
<td>Employment</td>
<td>All Full-time</td>
</tr>
<tr>
<td>15–24</td>
<td>+1.5</td>
<td>−3.4</td>
<td>−4.8</td>
</tr>
<tr>
<td>Men</td>
<td>+1.4</td>
<td>−6.2</td>
<td>−7.6</td>
</tr>
<tr>
<td>Women</td>
<td>+1.5</td>
<td>−0.3</td>
<td>−1.8</td>
</tr>
</tbody>
</table>

Note: See Table 9.4.
together, also close to two-thirds of all 1.35 million youth jobs are held by persons who are simultaneously still in education. This overlap covers virtually all small jobs: 540,000 out of the above 560,000 for all youths. These small jobs comprise more than 40 per cent of all youth employment. This is clearly not a labour market of any interest to school-leavers who go looking for a career nor to the majority of 100,000 unemployed youths who aim to find a job of 35 hours or more. The first implication is that the common calculation of the youth unemployment rate as the number of employed over all who are in employment, notably including the 40 per cent who are simultaneously in education and a small job, leads to a strong underestimation of the unemployment problems of youth. If the 40 per cent were left aside the youth unemployment rate would be found at a much more serious level of 13–14 per cent instead of the official figure just below 8 per cent. It is important to note, in addition, that by far the majority (85–90 per cent) of the small jobs are in low-skill occupations. It is here that some sinister feedback occurs from one part of the youth labour market to the other. This has two aspects. First, most of the national total of low-skill jobs are now available in a small part-time format only which is utterly unattractive for low-skill school-leavers who (have to) try to start a professional career in low-skill jobs. Second, there is strong competition for those jobs from a better educated labour supply (the above students but also second earners in a household) who are also eager to work part-time. This finds confirmation in an OECD finding for the non-student Dutch work force (aged 15–29): a good 30 per cent of which who work part-time do so involuntarily (OECD, 2010, Table C3.6; figures for 2007), which is seven times the average. Another illustration is that the involuntary part-time share among the Dutch low-educated non-student work force (12 per cent) is more than twice the corresponding OECD average and that the Netherlands has the lowest employment rate among this category (67 per cent as against an OECD average of 77 per cent).

Thus, the severe cut in full-time jobs for young people poses a major problem for them. Two recent policy measures are reinforcing this. First, the government effectively stimulates small-job growth as it has recently freed employers from paying social contributions on earnings up to a level of about 60 per cent of the youth minimum wage. Second, young people have been stimulated by youth unemployment policy to remain in school for another year; as students they may swell the ranks of labour supply interested in the small jobs (see second case study).

The decline in youth employment does not necessarily equate to dismissals. The number of dismissals since 2008Q2 has been substantial: witness the 88,000 youth inflows into unemployment benefit. This amounts to 7 per cent of the number of all young employees, but if we disregard again
the 40 per cent of small jobs discussed above the dismissal percentage rises to 11 per cent, which is virtually identical to that of older workers. In other words, young workers have been fired as often as the rest of the work force. Of these dismissed youths, only a minority (40 per cent) left unemployment benefit for a new job, surprisingly less than the 50 per cent for older workers.

4.3 Wage Dispersion: Delaying Inequality Growth?

The effects of boom and bust on earnings inequality are as important as those on employment. Naturally, the ultimate test of the effects would be in the inequality of household incomes. To be sure, wage earnings are the most important component for most households, but it falls outside the present focus on the effects in the world of work to consider these incomes.

A severe handicap in determining earnings effects is that no recent data are available beyond 2005, let alone quarterly instead of annual data, and that the data are also of lower quality than for employment. It is important to consider, first, the definition of earnings for which inequality is measured as results vary widely between definitions. Closest to household incomes is total take-home pay over a year. This type of earnings shows a very high inequality, with a 9th–1st decile ratio close to 12 in 2004 and 2005 and a steep rise from a level of around 7 in the early 1990s (Figure 9.8).
9.8: Annual persons) which, however, partly reflects a break in the series. However, these annual earnings combine three effects: the hourly wage, the number of hours worked in a week, and the part of the year persons have worked. As a result, it incorporates to a considerable extent workers’ voluntary choices of the number of weekly working hours and of the time in the year of labour market entry or exit.28

The level of inequality is much lower if we account for persons’ weekly hours (annual FTE): the D9:D1 ratio is now around 5 in 2005. Part-time jobs are responsible for the large difference. This reflects their strong concentration at the lower end of the earnings distribution. For annual FTE earnings the increase in the inequality ratio over time is also more modest, up from 3.6 in the mid-1990s.

Correction for the third effect, which is that people may have earnings for only part of the year, follows from the distribution of hourly earnings: hourly FTE. The D9:D1 ratio is now lowered to a level of 3 in 2004–2005. Hourly FTE seems to be the best indicator of ‘pure’ wage inequality to the extent that it reflects exclusively the employer–employee wage negotiations and leaves out the choice of working hours. The availability of this indicator also enables covering the deep recession of the early 1980s. At first sight, its evolution shows comparatively little movement, neither up nor down. A closer look, however, reveals remarkable fluctuations. In particular, the D9:D1 inequality ratio fell by more than 10 per cent between 1979 and 1986, from 2.55 to 2.28,29 a fall that exceeded any later decline. Interestingly, this occurred during the severe recession of the early 1980s and there seems to be something that we can learn for the current recession.

Opposite movements at bottom (upward) and the top (downward) of the earnings distribution together have lowered that inequality ratio. The opposing movements are the result of both labour market change and policymaking. Table 9.6 dissects the change along two dimensions: full-time versus part-time employment and public versus private sector, respectively.30 The former affects primarily the bottom of the distribution. The share of part-time jobs in FTE employment increased by half between 1979 and 1986, from 9 per cent to 14 per cent, and this growth was strongly concentrated in the lower earnings bands. Its share in the earnings band of less than 5 euros per hour more than doubled, from 15 per cent to 32 per cent. The increased presence of part-time jobs with fewer hours implies that a smaller percentage of all hours worked are low paid. As a result, the bottom moves up and earnings inequality declines. Separate data show the low ranking of the additional part-time jobs (Panel A.1) in the earnings distribution. Their deciles fell substantially and the dispersion widened, in sharp contrast to full-time workers (Panel A.2). The change after 1979 – at the time the incidence of part-time employment was still limited – started
a general trend of a growing overlap between low-wage jobs and part-time jobs. Salverda (2008a, Figure 2.9) shows that, in 1979, 24 per cent of low-wage jobs were part-time, which contrasts with 70 per cent in 2005. The shift towards part-time jobs during the financial crisis may have further boosted that trend.
By contrast, the public/private dimension is important for the top of the earnings distribution as public servants are overrepresented there, mainly because of their higher level of education. Government policies vis-à-vis the pay of employees in the broad public sector (government, education and health care) have exerted downward pressure on pay. In 1984, in the wake of the Wassenaar Agreement and long after the start of the 1980s recession, public employees’ pay was nominally lowered by 3 per cent and frozen for most of the remainder of the 1980s. Although the measure was uniform for all wage levels, it affected higher earnings more strongly because of the concentration of (well-educated) workers (Panel C). At the same time, wage inequality in the private sector (Panel B) hardly changed as real wages at all levels fell to a similar extent. As a result, the aggregate decline in earnings inequality (Panel A) is largely due to the changing treatment of the public sector.

After 1986, wage inequality rapidly returned to its initial level (Figure 9.8) but, unfortunately, that reversion cannot be decomposed similarly. In subsequent years, the inequality of hourly FTE wages again tended to decline somewhat in the initial stage of recessions (1991–1993, 2001–2003) but the declines were slight and always followed by new increases. The inference that can be drawn is that government pay policy can compress earnings inequality significantly. In many European countries including the Netherlands a freezing or lowering of public-sector pay is part of the austerity plans being developed and implemented. The compression of inequality seems an artificial effect which in due course may either be corrected by pay increases or lead to problems of labour supply to the public sector as competitive conditions deteriorate relative to the private sector.

5. CASE STUDIES

Two case studies provide an in-depth illustration of the current crisis and policymaking. First, I consider the role of the partial unemployment benefit. Second, I focus attention on the overlap between employment and education for youths, which is highly developed in the Netherlands and may help explain the relatively modest increase in unemployment during the financial crisis.

5.1 Partial Unemployment Benefit – Effective, but Mainly for Adult Men

5.1.1 General measures to reduce working hours

Several provisions can enhance the flexibility of working hours and may have contributed to mitigating the increase in observed unemployment.
First, full-time hours can be shifted to part-time. The long-run trend of the shift and its acceleration during the financial crisis were highlighted above. Second, overtime hours can be reduced – unfortunately, no statistical data have been available since 2005. Third, individual working hours can be adapted with the help of personal working time accounts in the firm: during slack periods, people use the time savings accumulated from working more hours during the boom. Quantitative information is lacking for the Netherlands. Finally, a new option of partial unemployment benefit was (re-)introduced by the government in 2008/2009 under pressure from unions and employers – and will now end in July 2011. This new option is the focus of this first case study.

5.1.2 New part-time unemployment benefit

The sudden onset of the financial crisis led to a heated public debate in autumn 2008 involving the social partners, who urged the government to establish, first, a temporary Special Regulation (December 2008–March 2009) and then, in April 2009, the more general Ministerial Order for Part-time Unemployment Benefit for Retaining Skilled Employees. The justification was the retaining of skilled workers whose departure would damage a firm’s prospects and investments in human capital. A similar measure had been in existence since 1945 and was very popular during the first two recessions: the ratio of applications relative to full dismissals reached an impressive 65 per cent in 1975 (180,000 applications) and 30 per cent in 1981 (100,000). However, admission conditions were drastically tightened in 1984, ruling out normal business risk. Problems were now defined as calamities surpassing normal business risk or an unusual accumulation of different types of business risks. Since 1984, the ratio to dismissals has hovered below 7 per cent – still showing some effect of the economic cycle (1993, 2001). In 2004, the rules were made more uniform but no application data have been available since then. Thus the new measures filled a gap.

According to the measure of April 2009, an employee’s hours could be cut by a maximum of 50 per cent, which would then make the employee eligible for unemployment benefit. The employer was obliged to retain the employment relationship after expiry of the benefit for one-third of the weeks that the benefit had lasted, with a minimum of 13. He also had to provide training to the workers involved during the time of the benefit. Admission could be requested for a maximum of 13 weeks, and extended twice for 26 weeks each time, up to a maximum of 65 weeks.

The total use of the first measure, the Special Regulation of November 2008, concerned 850 firms and amounted to 1.5 million weekly hours or 40,000 full-time equivalents, twice as much as originally intended. The
intended spending will have doubled too, to 400 million euros. Almost half of the use concerned extensions of initial applications (in 325 firms) up to a maximum of 30 weeks. The number of firms that applied for the Ministerial Order of April 2009 was much larger and amounted to 6,700 up to April 2010 (Chkalova, 2010: 18).

For that second measure, Table 9.7 pictures the aggregate inflows. Close to 1 billion euros was spent on the benefits. It shows an immediate use of 34,000 full-time equivalents in the first period, differing little from the preceding Special Regulation. After the first phase, applications declined, although employment losses and dismissals grew. Thus, the bigger role for the second measure seems to rest primarily on its longer duration. On average, partial benefits amounted to 12.6 per cent of dismissal benefits. This concerns individual employees who may at best use the partial benefits for 50 per cent of their working time.

It is clear that the initial, short-lived effects of the two successive measures were comparable to the level reached during the 1980s crisis, but only relatively – as a ratio (25 per cent) to dismissal benefits – since the absolute number was only half as high. Also, the current eight high-application months are no match for the three-year period of 1981–1983. Evidently, current dismissal unemployment is also at half the level of the 1980s.34

Thus the absolute effect of the new measures seems modest. That conclusion was drawn by CPB (2009 and 2010) and especially by CPB

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**Table 9.7 Applications of partial unemployment benefit by age and gender, Netherlands, 2009 and 2010**

<table>
<thead>
<tr>
<th></th>
<th>2009-2*</th>
<th>2009-3</th>
<th>2010-1</th>
<th>2010-2</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total number</td>
<td>34,095</td>
<td>19,154</td>
<td>14,072</td>
<td>4,132</td>
<td>71,453</td>
</tr>
<tr>
<td>Ratio to dismissals (%)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>25.2</td>
<td>12.2</td>
<td>9.0</td>
<td>3.5</td>
<td>12.6</td>
</tr>
<tr>
<td>15–24</td>
<td>9.2</td>
<td>4.5</td>
<td>7.8</td>
<td>15.4</td>
<td>8.6</td>
</tr>
<tr>
<td>25–34</td>
<td>18.4</td>
<td>8.7</td>
<td>6.6</td>
<td>12.0</td>
<td>11.1</td>
</tr>
<tr>
<td>35–44</td>
<td>29.8</td>
<td>14.0</td>
<td>9.2</td>
<td>15.7</td>
<td>16.9</td>
</tr>
<tr>
<td>45–54</td>
<td>33.6</td>
<td>16.9</td>
<td>10.4</td>
<td>17.0</td>
<td>19.1</td>
</tr>
<tr>
<td>55–57.5</td>
<td>33.6</td>
<td>17.9</td>
<td>11.1</td>
<td>18.3</td>
<td>19.7</td>
</tr>
<tr>
<td>57.5+</td>
<td>30.5</td>
<td>15.7</td>
<td>14.0</td>
<td>21.4</td>
<td>19.8</td>
</tr>
<tr>
<td>Men</td>
<td>36.0</td>
<td>17.2</td>
<td>13.1</td>
<td>23.6</td>
<td>21.8</td>
</tr>
<tr>
<td>Women</td>
<td>10.1</td>
<td>5.0</td>
<td>2.4</td>
<td>4.5</td>
<td>5.4</td>
</tr>
</tbody>
</table>

**Note:** * Four-month periods.

**Source:** Derived from UWV, Kwantitatieve informatie (Viermaandsstatistieken), various issues.
Directors van Ewijk and Teulings (2009: 121–123). However, for an adequate evaluation we need to go beyond the aggregate and account for the concentration of applications. These focused strongly on men in comparison to women, and older workers in comparison to young. For them, the mitigating effect on unemployment has been important, as shown by the ratio to dismissals. Those aged between 45 and 57.5 years attained a maximum ratio of one-third in the second four months of 2009. From other data, it can be inferred that the older workers were mainly males: they made up 88 per cent of those aged 45 and over. This gives this group a ratio of benefits to dismissals of 26 per cent over the full year, and likely much higher during the initial phase of April–August 2009. Thus perhaps up to 40 per cent of older male unemployment was prevented during that period, and up to 25 per cent for younger men. On the employment side, assuming that older men work full-time, the partial benefit may have halved the decline in adult male full-time employment. The effect for males contrasts sharply with that for women of all ages, where the effect may at best have been around 10 per cent. Larger firms were overrepresented in the first use, particularly in the metal and metalworking industry. One can speculate that by the time bigger firms began to perform better and small firms started to apply for the benefit the measure was terminated (cf. Chkalova 2010: 18).

Our first case study reported below concerns a larger metalworking firm, a typical participant in the measure. It indicates that – as long as the current economic upswing is maintained – the temporary measure has been fairly successful. It also illustrates the strong focus on older men found above. It makes clear that the training obligation was taken seriously and that this worked out to the benefit of both workers and firm.

The concentrated effect is fairly significant and is missed when only the aggregates are studied. Without it, the gender gap in labour market change would have been significantly more disadvantageous for men. At the same time, the strong focus on older men and the large role of bigger firms risks making the measure a form of labour hoarding tilted against female employees and small enterprises and making life more difficult for newcomers in the labour market – that is to say, in principle but probably not in practice, as otherwise the jobs concerned might have been lost entirely and not been available to newcomers. Clearly, the training effect also goes only so far and cannot be sustained indefinitely.

5.1.3 Partial unemployment benefits in a major truck-producing firm
The economic downturn took the firm entirely by surprise. Part of the explanation of that surprise must be sought in the fact that the firm is primarily a national assembly plant producing according to orders.
received from international headquarters, which have responsibility for sales. Thus, knowledge of market developments is absent at plant level. In early October 2008, the firm was planning an expansion of productive capacity, but less than two months later it had helped to lobby the government to introduce the Special Measure, and applied for virtually its entire permanent staff of up to 1,000 workers. Most applications were renewed twice under the official measure of April 2009. Some 80–100 employees were posted to other firms, and individual workers were taken out of the measure on a case-by-case basis, when needed.

The work force fully fits the category of older males, on whom applications have concentrated. The firm operates on a lean just-in-time basis, employing a considerable share of the work force on flexible contracts, hired through a temp agency office located at the plant. Not long before the start of the crisis, 60 of them had been offered a permanent position. Before December 2008, all 300–400 temp agency workers had been dismissed, although contacts with many were maintained with a view to rehiring.

This contrasts sharply with the situation at the time of the interviews. By then, operations were almost back to normal: the permanent staff had returned to working full-time and their original pay, while up to 600 temp agency workers had been hired, equivalent to one-third of the work force. Thus the partial benefit measure can be deemed a success for the temporary help it has offered to the firm, and the return of the employees to their jobs that it has enabled. It also improved the plant’s competitive position for the flexible upsizing of production.

No permanent employees were dismissed, although a few found other jobs. All workers were deemed experts in the sense of the measure. They retained their employment relationship but paid a price nevertheless. The partial UI benefit would pay only 70 per cent of their basic salary for the working time lost. By agreement with the unions, this was supplemented by the firm up to 100 per cent. However, they did lose the 15 per cent shift allowance as production in two shifts terminated, and also the annual 13th-month bonus, while application of the wage increase stipulated in the collective labour agreement for the industry was postponed for a few months. The firm stopped existing subsidies for individual non-work-related training. A different type of cost to (older) workers was the need for training – they needed some convincing by, inter alia, the union.

On the firm side, significant costs were attached to the use of the measure. Immediately, in December 2008, the firm started a mobility centre to take care of the applications – all individual – and the administrative reporting of the activities undertaken, the posting of workers to
other firms, and the obligatory training of employees for whom benefit was received. Training was indeed undertaken. Experienced workers trained the less experienced and experiences were exchanged between the two main types of work: logistics and assembly. Worker teams scrutinized the set-up of the production process and suggested improvements, which was considered an important advantage by the firm. Another advantage accruing to the firm was improved access to the joint industry training fund that subsidized some of the training. The firm also benefitted from a first-mover advantage. Being in the vanguard of the new measure it could exert some influence on the measure’s precise organization and it was also ahead in the timely posting of workers. Finally, the firm also saved on costs by cutting outsourcing and some of the work was insourced and done by its own employees.37

5.2 Young People in Education and/or Employment: To Overlap or Not

5.2.1 Netherlands characterized by significant overlapping
As we have already seen, there is a substantial overlap for Dutch young people between two different states: participating in education, on the one hand, and being in employment, on the other. At 45 per cent of the young population as a whole, this overlap is larger than in any other EU country, although Denmark comes close (Figure 9.9). Despite this high level, the

Source: Author’s calculations from Eurostat, ELFS, and OECD, NEET statistics (courtesy Thomas Manfredy).

Figure 9.9 Youth (15–24 years) population by activity, 14 EU countries, 2007 (%)
overlap has kept increasing substantially in recent years, up from a level of 32 per cent in 1998. As already observed, the overlap largely concerns small jobs of up to 12 hours per week.

5.2.2 In the crisis, attempts to keep young people in education

The overlap suggests the possibility of significant coming-and-going between the two states, which may mitigate the severity of employment declines for young people as a result of the financial crisis. Certainly, the government has decided that it is a good idea to keep young people – below the age of 27 years – in education longer. In spring 2009, when youth unemployment policy made a comeback on the policy agenda, the School Ex programme was started as part of the Action Plan Youth Unemployment. The programme aimed, first, to lure 10,000 fresh graduates of senior secondary vocational education (MBO) into staying in education for another year so as to improve their chances in the labour market. Second, graduates who turned down the offer would receive individual support from the employment office UWV for finding a job if they did not already have one. The government made available a significant subsidy of 200 million euros. Four questions can be asked: Did pupils actually stay? If so, was this due to the policy initiative? If so, was the additional year worth the while of these young people in terms of learning? Finally, what is the wider effect of this education policy?

5.2.3 Mixed results

To assist the policy, MBO schools surveyed their graduates, offering them the opportunity to stay on longer. In 2009, under great time pressure, 72,000 were reached and, at first glance, the target of 10,000 additional students was reached, as 15 per cent of the surveyed decided to stay. A government evaluation in October 2009 was positive (OCW, 2010). However, more recent statistical data cast some doubt on the effect. The total number of pupils in MBO did grow by 10,000 (514,000 → 524,000) between 2008 and 2009, but only 3,600 were in the target age range below 27 years, while the remainder were above. Naturally, that does not do away with the effect for the latter group, but that was not the purpose of the policy.

Was the increase in fact due to the policy? In a historical perspective, this may be doubted. First, in times of higher unemployment young people have always decided to remain in education (Figure 9.1). The current shift lags far behind previous occasions in the 1980s, 1990s and 2000s. Also more directly, the share of the young population participating in MBO rose in 2006 and 2007, but did not in 2009.

For the third issue, our case study below of a school illustrates the learning effect.
5.2.4 Example of School Ex programme at a major school of secondary vocational education

The school, with some 26,000 students, aims to offer an attractive programme of education in competition with similar schools in the same part of the country. It has participated in the School Ex programme from the start. The programme’s primary activity of asking students who just graduated to stay for another year or, alternatively, to agree to establishing contact with the public employment service for personal labour market advice, was organized at the national level. The school cooperated only as a conduit for implementing this.

No special programmes were developed for the stayers to follow. No need was seen for that as students who graduate from levels 1, 2 or 3 can continue within the existing programme, while those graduating at level 4 are expected to continue at the tertiary level at a polytechnic – if they choose to continue.

The school has not seen an increase in the number of students at MBO. It sees a shift, however, under the influence of the financial crisis from the enterprise-based type of vocational secondary education (BBL) towards the school-based type (BOL), and on a full-time basis. Part of

Source: Author’s calculation from CBS, full-time education, population and registered unemployment statistics.

Figure 9.10 Participation in education (15–19 years) and unemployment–population ratio (15–24 years), annual changes in percentage points of respective population, Netherlands, 1971–2009

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the explanation is more structural as a higher status is attached to BOL, particularly by minority students. At the same time given labour market developments in recent years the effects of discrimination on minority pupils in BBL and graduates looking for employment have structurally diminished in the school’s view.

The stagnating number of students implies that the additional funding promised by the government is also stagnating. The school is convinced that the part of the financial means originally promised for 2010–2011 will not be forthcoming.

The most important messages are that student numbers did not grow and no special programmes were introduced. The latter is not a problem for the young who decide to stay at their own initiative, as pictured in Figure 9.10, but one might expect more from a special policy measure aimed at convincing young people to study further.

5.2.5 Education policy: Wider effects

This leads us to answer our fourth question: what are the wider effects of this education policy? First and foremost, the downward effect on youth unemployment is largely once-only and concentrated in the first year. After that, each new cohort will replace the preceding one. In practice, the focus on the role of MBO schools tends to hide problems in BBL, which is part of the same secondary vocational educational system. Indeed, pupils below the age of 27 numbered almost 6,000 fewer in BBL in 2009 in comparison to 2008.45 Third, the approach may reinforce diploma inflation and competition in the low-skill labour market, as there are more students who take an interest in small jobs. This can put pressure on the employment of the low-skilled and increase their unemployment rate, and also on the participation of young people in low-skill education as they become aware of the increasingly depressed prospects after finishing school. Both seem to have happened in 2009: the employment ratio fell by 5.0 percentage points, of which 2.1 percentage points were in the overlap with education; the participation rate in secondary education declined (−0.3 percentage points); the unemployment ratio crept up only slightly (data from de Jong et al. 2010). As a result, the main change was a 1.5 percentage points increase in the NEET share, up from 7 to 8.5 per cent. In other words, there is significant discouragement of young people, to which the stimulus of MBO participation has been unable to provide the answer.
6. CONCLUSIONS

The overarching question is how the financial crisis compares to previous recessions – whether ‘this time is really different’ – and what that implies for inequalities arising in and from the world of work. Apparently, this might mean that in the current crisis economic recession or labour market decline, or both, differ from previous occasions, or from what might have been expected for the one or the other on the basis of previous experience. The obvious disparity in abruptness and depth in comparison to the dotcom crisis caused us to extend the comparison to include the three preceding recessions of the 1970s, 1980s and 1990s. The evolution of (deflated) investment instead of GDP was taken as the starting point – on a per capita basis as population growth has diminished radically. Both choices were borne out by the study: the evolution of investment mirrors the depth and duration of labour market problems much better than GDP, and the financial crisis resembles the crisis of the 1980s much more closely than the dotcom crisis of the early 2000s. GDP and investment fell as much as before, and at a much faster pace. At the same time, important economic differences were found, to the disadvantage of the financial crisis: prices tended towards deflation, international trade suffered and savings got a battering as never before. Only a faster-than-ever increase in government consumption prevented disaster.

The examination of labour market differences was more complex. Of prime importance is the divergence between the number of persons in work and the number of hours worked (FTE). Two years into the crisis – from the second quarter of 2008 to that of 2010 – the number in work has declined only a little (−1 per cent), which might explain the popular feeling that the effects of the crisis are benign, but hours of work have decreased by more than 5 per cent, equalling the 1980s recession. The relative increase in the number of unemployed persons per capita has exceeded that of the 1980s, but as this started from a very low level the unemployment rate still seems surprisingly low. In particular, full-time employment fell while part-time employment increased, reinforcing a long-term trend. The effect of the full-time to part-time shift was complemented by the increasing contractual flexibility of the work force and the (temporary) introduction of partial unemployment benefit aimed at retaining people in employment, although the aggregate effect was modest. Dutch FTE employment trends resembled the American and the British more than the German or the French.

On the earnings side, the Dutch tradition of wage moderation stumbled over the very abrupt economic decline. Initially, the increase in real wages was higher than it had been for many years and a strong
The Netherlands

rise in unit labour costs was a major difference in relation to previous recessions.

For the effects on inequalities a distinction was made between employment chances and earnings outcomes. The former showed strong divergences by age and gender, and a concomitant divergence by full-time and part-time jobs. The moderate decline in the aggregate employment rate and labour-force participation rate hides a strong decline for young people and a significant increase for older workers, with a smaller decline for the prime-age group in between. In particular, up to 25 per cent of low- and medium-educated young workers lost their full-time jobs. The high overlap between education and employment that is the hallmark of the Dutch youth labour market shrunk as employment fell and education stalled. On balance, young people withdrew from education, training and employment into inactivity in 2009. Minorities suffered more than anyone else and showed significant withdrawals from the labour market into non-participation. Educational differences are clearly visible in that the low, medium and high skilled all suffered a decline in full-time employment numbers while only the medium and high skilled found some compensation in rising part-time numbers. However, the negative effects on hours worked were more similar between the three levels because of the shift towards fewer hours on the job.

The scrutiny of effects on earnings inequality had to overcome major data problems. Focusing on the full-time equivalent-based dispersion of hourly earnings the tentative conclusion is that the initial effect of recessions is to reduce inequality, but only modestly and temporarily. During the 1980s recession, the decline in inequality was significantly reinforced by the government policy of lowering public-sector pay. This may tell us a lesson for the current situation where many countries implement or ponder austerity plans including strong reductions in pay – the Netherlands was virtually alone in this respect in the 1980s.

The second year of the crisis has improved little on the first. The decline in hours worked was unchanged. Improvements may be temporary, as has been the case before during recessions. Given the excessive fall in investment and the threat of austerity policies, which will take away the government spending that just saved the economy, there is little room for optimism about the future of economy and employment. This will tend to reinforce age and gender differences and further diminish the role of full-time jobs. However, if austerity policy also succeeds in putting pressure on public-sector pay, earnings inequality may be artificially reduced in the aggregate and the short run, but, as the 1980s can teach us, probably not in the private sector.
NOTES

2. That job growth lags behind population growth is currently a matter of great political concern in the US.
3. Apart from population and productivity growth.
4. Naturally, peak-to-trough information still has an importance of its own and will also be accounted for below.
5. Compare, for example, Financial Times (7/12/2010) on unabated corporate reluctance to invest.
6. Private non-residential gross fixed capital formation.
7. See note 1. The decline is 4.1 per cent on a per capita basis.
8. Note that I generally use the OECD Economic Outlook database (No. 87 of May 2010) because no full set of quarterly economic data is available from CBS before 2001 and in order to enhance international comparability. Only the data for the current crisis are from CBS, as they are more up-to-date and enable coverage up to the second quarter of 2010 – two full years into the financial crisis. If data are not available with seasonal correction, corresponding quarters will be compared to mitigate seasonal effects. These effects are finally established only at the end of the calendar year, implying that the adjustments for 2010 are still provisional. More detail (particularly for Tables 9.1 and 9.2) is available in Salverda (2011).
9. Note, however, that investment is a much smaller quantity than GDP and statistically sensitive to individual large-scale investments, which may account for some of the quarterly volatility.
10. After correction for re-exports which, in volume terms, have grown from one quarter of exports and imports in 1996 to about half now.
11. One part of the much discussed global imbalances in trade and production.
13. The hours-count employment rate is defined on a full-time equivalent FTE basis, one FTE being equal to 1,840 hours of work annually, or 35 hours per week; it can be considered a standardized definition of full-time work.
14. Based on the legal definition of the full-time labour contract. Derived from CBS Labour Accounts, assuming that before 1987 all full-time jobs were statistically observed and that no full-time worker holds a second job.
15. Part-time is defined here not contractually but as less than 35 hours of work per week.
16. People increasingly hold a second job: 44 per cent or 200,000 more now than at the start of the century. The share has remained unchanged, at 7.5 per cent or one in every 14 employees, over the past two years.
17. The number of full-time job seekers grew by 143 per cent, while full-time employment fell by 5 per cent over 2001Q1–2005Q1 (Dutch LFS).
19. For example, in May 2008 the CPB predicted GDP growth for 2009 at +1.75 per cent but this turned out to be −4 per cent, close to a 6 percentage-point difference.
20. CBS/Statline, Nationale Enquête Arbeidsomstandigheden. Based on a workplace survey by TNO.
21. One implication is that, as a result of sorting, the present low skilled may be a very different sample from the large numbers present at the beginning of the period covered here.
22. FTE figures are a rough approximation using the mid-points of four hours-bands. Declines can result from both lower employment rates and a compositional shift towards lower bands, including between the three bands of part-time jobs ranging from less than 12 hours per week to 20–35 hours.
23. Note the definitional difference from nationality: minorities include the next, Dutch-born generation of immigrants.
24. In 2009 25 per cent of working-age non-western minorities were aged 15 to 25 and
almost 50 per cent were low skilled, while roughly 15 per cent of all youths or low skilled were non-western minorities.

26. Part-time dismissal also entitles people to unemployment benefit, so not all inflows necessarily represent full dismissals.
27. The earnings presented here had to be derived from tabulated data, applying linear interpolation in earnings bands and capping the upper band, and using means of bands of working hours for arriving at FTE measures. Results should be interpreted with care. Even more so, because of a series break around 1995 which, unfortunately, cannot be pinned down exactly but has primarily expanded coverage of low-paid, small part-time jobs and thus increased dispersion (especially for head-count) and may be responsible for a significant part of the increase between 1994 and 1997 (Figure 9.8).
28. In principle, also labour market exit, but that is not applicable as people are mostly observed to be in work at a particular moment in time.
30. See Salverda (1998) for a more general analysis attributing changes in inequality between 1979, 1985 and 1989 to changes in pay differentials and other effects, including employment composition, and making a comparison to US evolution.
31. Following the OECD and EU definition as below two-thirds of the median hourly wage.
32. Note that this concerned pay scales in collective agreements; individual pay could still rise because of seniority in the scales.
33. Employees can receive part-time unemployment benefit as a normal UI option for given for a part-time dismissal without return to the same employer. It is confusing that the measure studied here is called part-time UI in Dutch instead of partial.
34. Note that an important reason for the much lower inflows is the dramatic reduction of entitlements for young workers. Their inflows fell from an annual average of 136,000 over 1987–1996, with a maximum of 160,000 in 1993–1994, to 47,000 over 1997–2009, with a maximum of 60,000 in 2003–2004.
36. Assuming respondents consider their partial benefit as temporary and mention their full-time hours as ’usual’ working hours, which is the question asked for determining full-time employment in the ELFS.
37. Interviews with firm and union officials in September–October 2010 are gratefully acknowledged.
38. Recently, this age threshold was adopted in a law obliging young people to be either in employment, an apprenticeship or education.
39. Datawise, it is too early to pin down whether it was fresh graduates who stayed; evaluation has to make do with the total number of pupils. Also, we do not know whether they actually finished the full additional year of education.
40. CBS/Statline, MBO deelnemers naar leeftijd. The number remained unchanged as a percentage of the relevant population.
41. The new government intends to discontinue paying for the education in MBO of those aged 30 and over, who now number 60,000 (a figure which is rapidly increasing).
42. The correlation is $y = 0.7333x + 1.1466$ ($y$ education, $x$ unemployment; $R^2 = 0.2605$). This concerns all types of education, not only MBO.
43. By contrast participation in tertiary vocational education grew significantly.
44. Interview with members of the Board in November 2010 is gratefully acknowledged.
45. Consequently, the number in the relevant age range up to 27 years that were in the school part of the system did increase by 10,000.
BIBLIOGRAPHY

APPENDIX

Table 9A.1  Summary of ‘anti-crisis’ policy measures, the Netherlands, 2008–10

<table>
<thead>
<tr>
<th>Assistance for the financial system</th>
<th>Autonomous growth of government spending (see Table 9.2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital injections (at a return) to banks and insurance companies in the amount of 33 billion euros: ING Bank (10 billion), AEGON insurance (3 billion), SNS Reaal Bank (0.75 billion) and ABN AMRO/Fortis full takeover (17 + 2.5 billion)</td>
<td>Composed of: automatic stabilizers (= social security – for UI financed from dissavings of the UI Fund), spending moratoriums (especially health care) and some investment</td>
</tr>
<tr>
<td>State loans to ABN AMRO/Fortis: 34 billion euros short-term + 16 billion euros long-term</td>
<td></td>
</tr>
<tr>
<td>State guarantees (for a fee) for bank loans in capital markets: up to 200 billion euros available, actually used for issues of 50 billion euros (of varying maturities): ING 13 billion euros, Fortis 19 billion euros, SNS Reaal 4 billion euros (together 70% of the total)</td>
<td></td>
</tr>
<tr>
<td>Deposit guarantees on individual bank accounts increased from 40,000 euros to 100,000 euros per account (note that this is an obligatory guarantee provided by the collective of banks measured by their size, and not by the state)</td>
<td></td>
</tr>
</tbody>
</table>

Special government spending related to the crisis

- Action plan for youth unemployment (see Section 5.2 for details and evaluation)
- Special activation measures (0.75 billion euros over 3 years)
- Partial unemployment benefit (see Section 5.1 for details)
- Training: (i) temporary subsidy to employers of 50% of costs for individual workers up to a maximum of 2,500 euros for new hires after 1 January 2009, depending on the person’s previous position; (ii) permission to receive unemployment benefit and training simultaneously
- Intensification of unemployment mediation with the help of labour mobility centres
- Stimulus to building trade: additional state investment and maintenance (0.64 billion euros over 2 years),
### Table 9A.1 (continued)

<table>
<thead>
<tr>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>VAT cut on maintenance, augmentation of mortgage guarantee from 265,000 euros to 350,000 euros, enhancement of income tax deductibility of mortgage interest</td>
</tr>
<tr>
<td>● Continuation of high-tech projects and retaining of knowledge workers (0.28 billion euros)</td>
</tr>
<tr>
<td>● Regulation on limited financial support for enterprise, up to 500,000 euros maximum, given as a subsidy</td>
</tr>
<tr>
<td>● Tax measures: temporary extension of corporate loss compensation from one to three years, augmentation of profit exemption for SMEs from 10 to 12%; exemption of employers’ contributions for small jobs for up to 50% of youth minimum wage</td>
</tr>
</tbody>
</table>