

**CONTINGENT EMPLOYMENT IN THE NETHERLANDS**  
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Abstract	<p>In the last decade the Dutch labour market has demonstrated an admirable capacity to generate jobs. Consequently, the unemployment rate has significantly decreased. However, the newly generated jobs are atypical in the sense that they are not full-time jobs based on open-ended contracts. Instead, the job growth has relied on the growth of part-time and contingent jobs. While the creation of part-time jobs seems to be employee-driven, contingent employment, in contrast, seems to be driven by motives of employers to gain numerical flexibility. Data from the Netherlands show that, with the exception of student workers, contingent work is predominantly involuntary.</p> <p>This paper analyses the growth of contingent employment in the Netherlands.</p>	
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**ERIM Working Paper**

**CONTINGENT EMPLOYMENT IN THE NETHERLANDS**

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## **CONTINGENT EMPLOYMENT IN THE NETHERLANDS**

### **0. ABSTRACT**

In the last decade the Dutch labour market has demonstrated an admirable capacity to generate jobs. Consequently, the unemployment rate has significantly decreased. However, the newly generated jobs are a-typical in the sense that they are not full-time jobs based on open-ended contracts. Instead, the job growth has relied on the growth of part-time and contingent jobs. While the creation of part-time jobs seems to be employee-driven, contingent employment, in contrast, seems to be driven by motives of employers to gain numerical flexibility. Data from the Netherlands show that, with the exception of student workers, contingent work is predominantly involuntary.

This paper analyses the growth of contingent employment in the Netherlands. It shows that the growth of contingent jobs relies primarily on the increase of agency work. The share of agency work in total contingent employment, which includes also work based on limited duration contracts and on-call work, has increased from 25 per cent in 1992 to 37 per cent in 1999. The growth of agency work accounts for around 64 per cent of the total growth of contingent employment. Analysis of the development of agency work shows that the typical agency job is a low-skilled productive or administrative job in the manufacturing or wholesale/retail industry. The typical agency worker is either a young student who still lives in the parental house and combines agency work with a formal educational program, or a low-educated middle aged bread winner.

The Dutch government, in consultation with employers' associations and unions, has responded to the growth of contingent work in two ways. For one, they acknowledged the need of employers to be flexible in their employment of people. Accordingly, measures were taken to shorten dismissal procedures, to facilitate the use of limited duration contracts and to liberalise the industry for temporary work agencies. For the other, Dutch government acknowledged the right of contingent workers for security. Accordingly, measures were taken to prevent workers being employed in a contingent manner for more than three years. The coming years will show the consequences of this new legislation for the development of contingent employment.

# **CONTINGENT EMPLOYMENT IN THE NETHERLANDS**

## **1. INTRODUCTION**

This paper examines the development of contingent employment in the Netherlands. Contingent employment is defined as any employment relationship that, within a limited period, can be terminated by the user organisation without costs. In this definition, contingent employment includes agency workers, workers with limited duration contracts, on-call workers and self-employed that are hired by the work organisation.

This contribution starts with a general description of developments in the labour market. The growth of contingent employment appears to be one of the primary trends. In the section that follows the nature of contingent employment is analysed in detail by means of statistical evidence. The next section examines how the Dutch legal and institutional context has changed in response to the growth of contingent employment. The final section overviews the developments and discusses the future of contingent employment in the Netherlands.

## **2. LABOUR MARKET: GENERAL TRENDS**

This section describes the development of the Dutch labour market in the last two decades by five primary trends:

- Decreasing unemployment
- Increasing labour participation of females
- Growing number of jobs
- Growing share of atypical jobs

Below, these trends will be illuminated by means of statistical evidence. Most of the data are index figures or otherwise transformed statistics. Therefore, it is useful to start with some absolute figures about the size of the Dutch labour market.

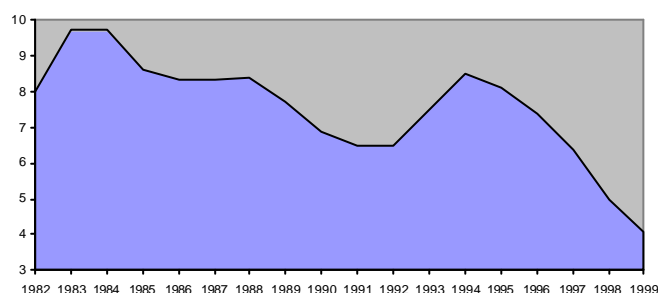
**Table 1 Basic statistics Dutch labour market, 1999**

	Male	Female	Total
Population 15-64 years	5,400,000	5,263,000	10,663,000
Labour force participation rate	79 %	54 %	67 %
Labour force	4,242,000	2,856,000	7,097,000
Employed	4,121,000	2,684,000	6,805,000
Unemployed	121,000	172,000	292,000
Unemployment rate	2.9 %	6 %	4.1 %

Source: Centraal Bureau voor de Statistiek (CBS), enquête beroepsbevolking 1999

## 2.1 Decreasing unemployment

Figure 1 shows unemployment as a percentage of the Dutch workforce.<sup>1</sup> The figure shows that unemployment in the Netherlands reached its highest point in the early 1980s. Since then, unemployment has decreased steadily, apart from the brief rise in the period 1992-1994. The projections for 2000 estimate a further decrease to 3.7 per cent. Unemployment in the Netherlands is much lower than the European average, and near the current rate in the United States (Delsen, 2000).<sup>2</sup>

**Figure 1 Unemployment as a percentage of the labour force, 1982-1999**

Source: Centraal Bureau voor de Statistiek (CBS), labour force survey, 1999

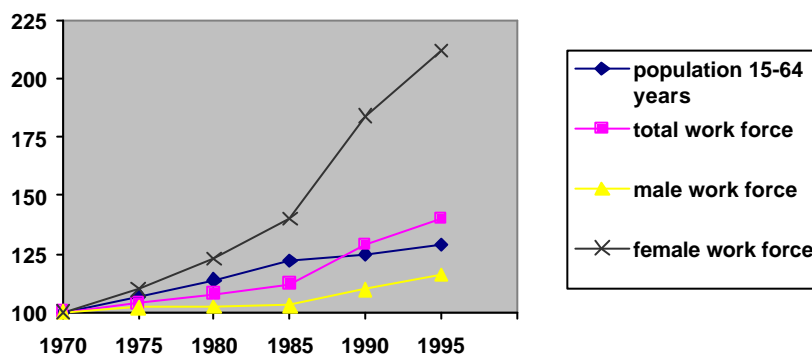
<sup>1</sup> A person is considered unemployed if the person is without employment or is employed for less than 12 hours a week and is actively searching for employment for at least 12 hours.

<sup>2</sup> However, the structure of Dutch unemployment deviates from the American unemployment structure. While in the United States long term unemployment makes up for only around 8 per cent of total unemployment, in the Netherlands the share of long-term unemployment is significantly higher. Around 50 per cent of total unemployment consist of unemployed persons who are unemployed for more than 12 months.

## 2.2 Increasing labour participation of females

The decrease of the unemployment rate can be explained in two ways. In principal, the dropping rate of unemployment can be explained by both a decrease in the total labour force and an increase in the number of employed people. However, the actual development of the labour force leaves the first explanation invalid. Primarily due to a higher participation rate of women in the last decades the size of the Dutch labour force has substantially grown (see figure 2). Altered perceptions on the societal role of women underlie this development.

**Figure 2 The growth of the labour force, 1970-1995**



*Source: Sociaal Cultureel Planbureau (SCP), 1998*

## 2.3 Growing number of jobs

The decrease in unemployment in times of growing working populations is explained by the growth of the number of jobs. Job growth in the Netherlands started in 1983 and has consistently been at a relatively high level. Table 2 shows that job growth in the Netherlands exceeds job growth in the United States and is substantially higher than the EU-average.

**Table 2 Annual rate of job growth, 1983-1998**

	1983-1993	1995	1998
Netherlands	1.8	1.5	2.9
European Union	0.4	0.6	1.3
United States	1.8	1.6	1.5

*Source: OECD, Economic Outlook, several editions (in Delsen, 2000)*

Visser and Hemerijck (1997) advance three explanations of this exceptional job growth in the Netherlands. First, based on a national agreement between labour unions and employer associations, the Wassenaar Agreement signed in 1982, wage increases have been moderate in the last decades. Second, the share of labour intensive services, such as retailing, finance and communication, has grown at the cost of less labour intensive manufacturing industries. Third, altered attitudes to work by employers and employees have resulted in a sharp increase in the use of part-time and temporary labour. Below, the latter development will be explored in more detail.

## 2.4 Growing share of a-typical jobs

Job growth in the Netherlands has relied predominantly on the growth of part-time and contingent jobs. Table 3 and 4 demonstrate this development. They show that only 15 per cent of the job growth can be attributed to the growth of full-time jobs. In contrast, part-time and contingent employment took account of, respectively, 57 per cent and 28 per cent of total job growth.

**Table 3 Growth of different job categories in terms of number of jobs (x 1000), 1987-1999**

	Full time	Part time	Contingent	Total
1987-1993	106 (16 %)	437 (66 %)	117 (18 %)	662 (100 %)
1994-1999	108 (14 %)	348 (49 %)	262 (37 %)	716 (100 %)
1987-1999	214 (15 %)	785 (57 %)	379 (28 %)	1378 (100 %)

*Source: Centraal Bureau voor de Statistiek (CBS), arbeidsrekeningen (in Delsen, 2000)*

The strong growth rates of part-time and contingent employment has changed the Dutch employment structure. Table 4 shows the development of the various forms of employment from 1988 to 1998. Around 12 per cent of current total employment is



contingent employment. In 1988, this percentage was 8. Part-time labour's share in total employment has increased from 24 per cent in 1988 to 30 per cent in 1999.<sup>3</sup> The share of full-time employment based on an open ended contract in total employment has decreased from 68 per cent to 58 per cent. The following section will explore the growth of contingent employment in more detail.

**Table 4 Break down of jobs to type of employment contract, 1988-1998**

	Full time (open ended)	Part-time (open ended)	Contingent
1988	68.2	23.7	8.1
1990	66.2	24.7	9.1
1992	64.1	26.3	9.5
1993	63.5	26.8	9.7
1994	61.4	28.5	10.1
1995	59.9	29.2	10.9
1996	58.7	29.7	11.6
1997	58.1	29.9	12.0
1998	57.8	29.9	12.3

*Source: Centraal Bureau voor de Statistiek (CBS), Arbeidsrekeningen several editions (in Delsen, 2000)*

### 3. DETAILED ANALYSIS OF CONTINGENT EMPLOYMENT

This section provides a detailed statistical description of the development of contingent employment in the Netherlands.<sup>4</sup> In the first part contingent employment is split into

<sup>3</sup> Part-time work is largely women's work. Women hold nearly 75 per cent of part-time jobs. Around 65 per cent of all employed women have a part-time occupation. Nevertheless, the incidence of part-time work among male workers has increased as well. Around 16 per cent of male workers are part-time employed in 1996 (6.8 per cent in 1983) (Visser and Hemerijck, 1997). Moreover, it appears that part-time work is primarily supply-driven. That is, part-time jobs are created because (potential) workers aspire to them. Survey research shows that part-time workers are in general content with the number of contracted working hours. Only those part-time workers with less than twenty working hours desire to work longer hours (OSA, 1999).

<sup>4</sup> This section makes use of four statistical sources. The statistical organisation of the state, the CBS (Centraal Bureau voor de Statistiek), provides two kinds of national labour market statistics. First, the "arbeidsrekeningen" that are based on statistical input from work organizations. Second, the "enquête beroepsbevolking", that is based on an annual survey among employees. Third, the organisation for strategic labour market research (OSA) provides annual panel data. Fourth, the association of Temporary

various categories. It appears that the growth in the use of contingent employment relies mainly on the increase of agency work. Contingent labour is further analysed in terms of supply and demand. The second section concentrates on the users of contingent employment. The third section analyses the characteristics of the contingent work force.

### 3.1 Break down of contingent employment

Contingent employment appears in different forms. The main forms are agency work, limited duration contracts<sup>5</sup>, and on-call work.<sup>6</sup> The importance of each type in total contingent employment is not stable. Table 5 shows the development of the various categories of contingent employment over time.<sup>7</sup>

**Table 5 Break down of contingent employment (x 1000), 1992-1999**

	1992	1993	1994	1995	1996	1997	1998	1999
Open ended	4859	4868	4797	4880	4920	5077	5270	5502
Self employed	627	664	698	706	728	757	734	733
Total contingent	399	392	425	477	538	566	604	571
Agency work	100	101	114	150	188	207	223	210
LDC (< 1 year)	112	113	126	132	134	135	134	136
On call work	118	119	126	137	154	164	187	156
Other	69	59	59	58	62	60	60	69
Total	5885	5925	5920	6063	6187	6400	6609	6805

*Source: Centraal Bureau voor de Statistiek (CBS), enquête beroepsbevolking 1996-1999, (1992-1995 in Kleinknecht, 1997)*

Work Agencies (ABU) in cooperation with the Dutch Economic Institute (NEI) provides data on the agency industry.

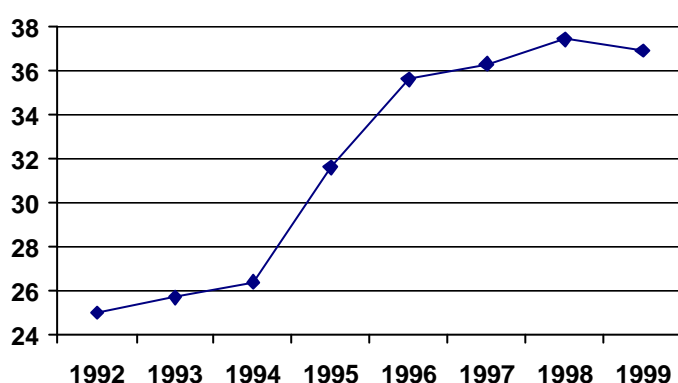
<sup>5</sup> Dutch statistics include only LDC's shorter than one year in their definition of contingent employment. LDC's with a duration longer than a year are considered as open-ended contracts.

<sup>6</sup> Another prominent form of contingent employment is that of 'dependent self-employed', those workers that are self-employed but depend on one organization for assignments. Dutch statistics provide data on self-employed, but no distinction is made for so-called dependent ones.

<sup>7</sup> The total number of contingent jobs in table 5 does not match the number in table 4. The cause of this deviation lies in the different method of data collection. The 'arbeidsrekeningen', that are the source of table 4, collects data on jobs from companies. An employee with more contingent jobs returns, therefore, more times in the data. The 'enquête beroepsbevolking' that is the source of table 5 collects data from employees and focuses only the 'main job' of the employee. These statistics include an employee with more contingent jobs only once in the data.

From table 5, it can be concluded that the rise of contingent employment in the Netherlands in the last decade can be attributed primarily to the rise of agency work. The increase of agency work (110 thousand) accounts for 64 per cent of the growth in total contingent employment (172 thousand). Figures 3, 4 and 5 illustrate the growing importance of agency work. Figure 3 shows the development of the share of agency work in total contingent employment. It shows that the share of agency work in total contingent employment has increased from 25 per cent in 1992 to around 37 per cent in the late nineties.

**Figure 3 Share of agency work in total contingent employment, 1994-1999**



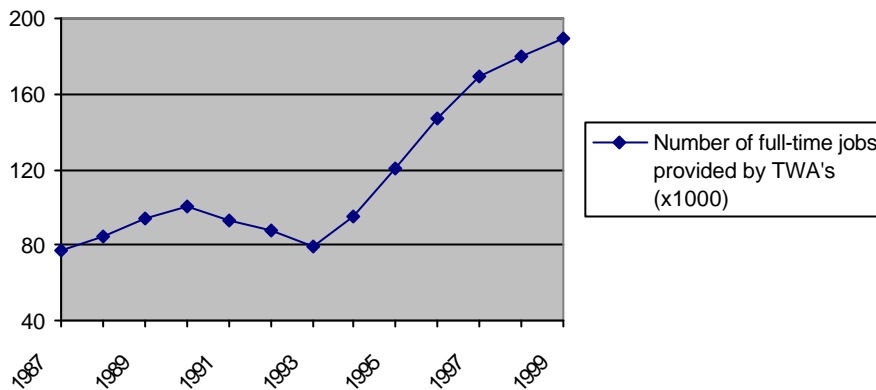
*Source: Centraal Bureau voor de Statistiek (CBS), labour force survey, various editions*

Figure 4 shows the number of full-time job equivalents that are provided by temporary work agencies (TWA's) in the period 1987-1999.<sup>8</sup> After the economic recession in the early 1990s, the volume of agency work has more than doubled (189.000 full-time job equivalents in 1999). The strong growth has stagnated at the end of the nineties due to the tight labour market conditions.

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<sup>8</sup> Calculated on the basis of 520 working hours per quartile.

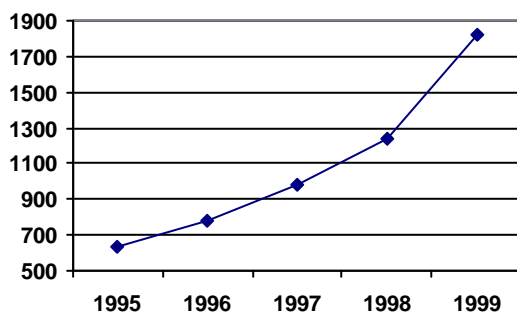
**Figure 4 Number of full-time job equivalents provided by TWA's (x1000), 1987-1999**



*Source: Centraal Bureau voor de Statistiek, quarterly report on commercial services, 2000-I*

The growth of the volume of agency work appears also from the number of firms that are active in the industry. Figure 5 shows that the number of TWA's in the industry has tripled. The sharp rise in 1998 and 1999 is caused by the liberalisation of the temporary work agency industry that has resulted from the adoption of the WAADI-Act (see section 4.3)

**Figure 5 Number of temporary work agencies, 1995-1999**



*Source: Centraal Bureau voor de Statistiek, quarterly report on commercial services, 2000-I*

### 3.2 Where do contingent workers work?

This section inquires about the characteristics of organisations that hire contingent workers. It focuses on three aspects: the industry, the nature of the job and the motivations of the hiring company.

First, a break down of contingent employment per industry in 1998 is presented in table 6. Contingent employment is divided into agency work and other contingent employment. The following observations can be drawn:

- Absolute numbers of contingent employment are largest in wholesale and retail, health and social work, manufacturing, real estate and business.
- Absolute numbers of agency work are largest in manufacturing.

**Table 6 Labour force by employment status per industry, 1998**

Industry	Employment status (x1000)				
	Total	Self-employed	Employees		
			Total	Open-ended	Contingent (of which agency work)
A+B Agriculture and fishing	207	120	87	66	21 (6)
C Mining and quarrying	11		11	10	-
D Manufacturing	1039	47	993	904	89 (62)
E Electricity, gas and water	47		47	45	2
F Construction	441	62	379	357	22 (12)
G Wholesale and retail	1021	144	877	780	97 (25)
H Hotels and restaurants	179	36	144	102	42 (7)
I Transport, communication	409	21	388	347	41 (18)
J Financial intermediation	256	10	246	228	18 (10)
K Real estate and business	749	109	640	586	54 (22)
L Public administration	517		514	490	24 (14)
M Education	438	12	426	398	29 (6)
N Health and social work	899	59	839	743	96 (12)
O Other community	281	69	212	186	26 (6)
Total	6603	734	5868	5270	604 (223)

*Source: Centraal Bureau voor de Statistiek (CBS), enquête beroepsbevolking 1998*

The industries with high absolute figures of contingent employment have also the highest numbers of total employment. Therefore, relative numbers can be more insightful. Table 7 provides, respectively, the share of contingent employment in total employees (total employment minus self-employment) and the share of agency work in total contingent employment for each industry. The following observations can be drawn:

- The relative importance of contingent contracts versus open ended contracts is largest in hotels and restaurants (29 %) and agriculture (24 %). High number of limited duration (seasonal) contracts account for this observation.

- The relative importance of agency work in total contingent employment is largest (more than 50 %) in manufacturing, public administration, financial intermediaries and construction.
- The relative importance of agency work in total contingent employment is lowest in education, health and hotels and restaurants. Other types of contingent employment proliferate in these industries.<sup>9</sup>

**Table 7 Relative importance of contingent employment and agency work per industry, 1998**

	% contingent/total employees	% agency work/total contingent
A+B Agriculture and fishing	24,1	28,6
C Mining and quarrying	-	-
D Manufacturing	9,0	70,0
E Electricity, gas and water	-	-
F Construction	5,8	54,5
G Wholesale and retail	11,1	25,8
H Hotels and restaurants	29,2	16,7
I Transport and communication	10,6	43,9
J Financial intermediaries	7,3	55,5
K Real estate and business	8,4	40,7
L Public administration	4,7	58,0
M Education	5,6	2,1
N Health and social work	11,4	12,5
O Other community	12,3	23,1
Total	9,7	36,9

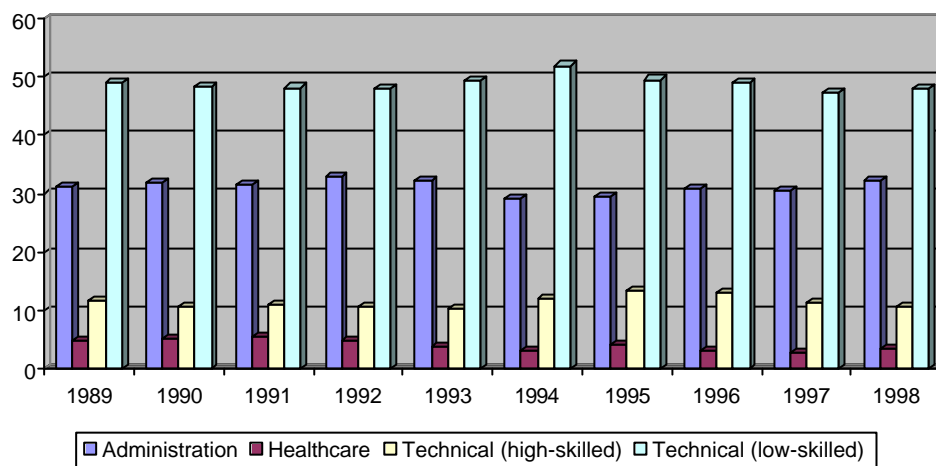
*Source: Centraal Bureau voor de Statistiek (CBS), enquête beroepsbevolking 1998*

The break down of contingent labour by industry does not give any indication of the nature of the contingent job. For example, the nature of a contingent job in the manufacturing industry can be administrative or technical. Figure 6 gives insight into the qualitative aspects of agency work. The data distinguish four categories of jobs: administrative jobs, healthcare, high-skilled technical jobs and low-skilled technical jobs. Around 95 per cent of agency work can be categorised into one of the four categories. From figure 6 it appears that the break down of agency employment in terms of job content is relatively stable. The dominant job category is 'low-skilled technical jobs'.

<sup>9</sup> In the education sector, contracts for limited duration are widespread. In health and nursery, on-call contractual relationships proliferate and in hotels and restaurants seasonal contracts are common (Kleinknecht, 1997).

Around 49 per cent of the agency jobs are classified as such. The second largest category is administration with a share of around 31 per cent. Around 11 per cent of agency jobs are high skilled technical jobs. Finally, healthcare jobs occupy a minor share in total agency work. Its share fluctuates around 4 per cent.

**Figure 6 Agency employment in different job categories (per cent), 1989-1998**



*Source: Centraal Bureau voor de Statistiek, quarterly report commercial services, 2000-II*

Finally, the motivations of the organisations who hire contingent workers are analysed. Data are only collected on an incidental basis. However, the outcomes of the various researches have consistent findings. The primary reasons of using contingent workers are temporary replacement of regular workers that are on leave, peaks in business demand and probationary period (see table 8). Recent research of hiring motives of agency workers by innovative firms showed similar results (Timmerhuis and De Lange, 1998). The motivations underlying the hiring of agency workers are the traditional ones: lower search costs of temporary workers, the need for temporary capacity during periods of peak demand and the need for temporary replacement for incumbent employees that are on leave.

**Table 8 Motivations underlying the use of temporary contracts**

	Commercial sector	Public sector
Demand peaks	44	4
Replacement for illness/leave	21	71
Probation	16	13
Temporary nature of job	6	4
Other	13	8
	100	100

*Source: Organisatie voor Strategisch Arbeidsmarktonderzoek (OSA), 1995*

### 3.3 Characteristics of the contingent labour force

The contingent labour force can be characterised by various features. Below, the contingent labour force in the Netherlands is described in terms of gender, educational background, age distribution and socio-economic situation.<sup>10</sup> Finally, the motivations of the contingent labour force are addressed.

Table 9 shows the importance of contingent employment for both males and females in total employment. It shows that contingent employment is more frequent among females than among males. However, the difference shows a gradual decline. In 1992, the share of contingent employment in total employment for female workers was 2.5 times larger than this share for male workers. In 1999, this number has decreased to 1.9.

**Table 9 Share of contingent employment in total employment by gender, 1992-1998**

	1992	1994	1995	1996	1997	1998	1999
% contingent / total employment (male + female)	6.8	7.2	7.9	8.7	8.8	9.1	8.4
% contingent / total employment (male)	4.4	5.1	5.7	6.4	6.4	6.6	6.2
% contingent / total employment (female)	11.1	10.7	11.5	12.6	12.8	13.2	11.8

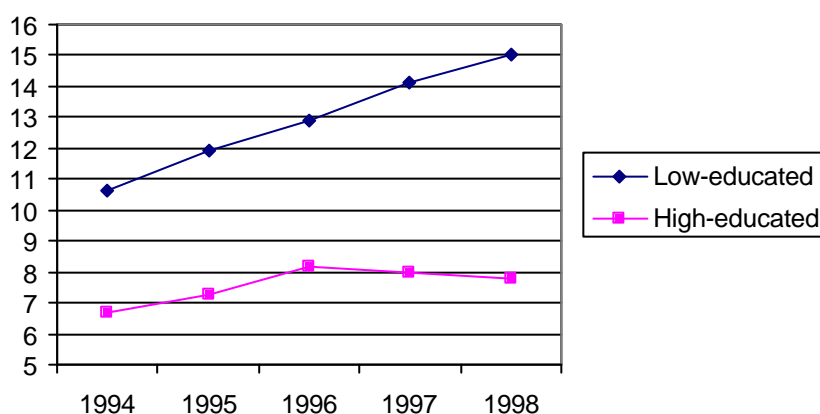
*Source: Centraal Bureau voor de Statistiek, enquête beroepsbevolking, 1998*

<sup>10</sup> Ethnic background is another feature that is commonly advanced to characterize the contingent labour force. Contingent workers are more likely to be of an ethnic background than regular workers. However, in the Dutch situation, ethnic background appears to be of little importance. In 1999, nine per cent of the Dutch working population was of ethnic background. The share of ethnic minorities in total agency employment was only slightly higher, ten per cent (ABU/NEI, 2000).



Figure 7 shows the trend of contingent labour in terms of skill and education level.<sup>11</sup> A distinction is drawn between low and high-educated employees.<sup>12</sup> From the figure it can be concluded that among low-educated workers the occurrence of contingent employment is higher than among high-educated workers.<sup>13</sup> 15 Per cent of low educated workers is employed in a contingent manner in 1998. Moreover, a trend can be observed that this divide between low and high-educated workers is widening. While the share of contingent employment in total employment is stable for high-educated employees at around 8 per cent, the share is steadily increasing for low-educated employees.

**Figure 7 Relative importance of contingent employment for different education levels, 1994-1998**



*Source: Centraal Bureau voor de Statistiek (CBS), labour force survey, 1999*

Furthermore, the contingent workforce can be characterised in terms of age. Data are available on the age distribution of agency workers. Table 10 shows the share of four age categories in total agency employment. It appears that more than 50 per cent of agency workers are younger than 25 years of age. Many of these young agency workers combine

<sup>11</sup> The relative shares are calculated as follows: total low-educated workers with contingent jobs / total low-educated workers and total high-educated workers with contingent jobs / total high-educated workers.

<sup>12</sup> The category low-educated employees contains primary education, lower vocational education (vbo), and preparatory general education (mavo, havo, vwo). The category high-educated employees contains middle and higher vocational education (mbo and hbo) and university education.

<sup>13</sup> The relative shares are calculated as follows: total low-educated workers with contingent jobs / total low-educated workers and total high-educated workers with contingent jobs / total high-educated workers.

their job with education. In 1999, around 40 percent of agency workers are enrolled in an educational program (ABU/NEI, 2000). However, the dominance of the age group 15-24 year is decreasing. From table 10 it can be calculated that the average age of the agency worker has increased from 24.26 years in 1991 to 27.09 years in 1999.

**Table 10 Age distribution of agency workers, 1991-1999**

	1991	1993	1995	1996	1997	1998	1999
15-24 year	70	61	56	55	56	55	52
25-34 year	21	28	30	30	28	27	27
35-44 year	7	8	10	10	11	12	13
> 45 year	3	4	4	5	5	6	7
Total	100	100	100	100	100	100	100

*Source: Algemene Bond Uitzendondernemingen (ABU) / Nederlands Economisch Instituut (NEI), 2000*

The next aspect that is relevant to characterise the contingent workforce is socio-economic position. Again, only data on agency workers are available. Table 11 distinguishes between three social-economic positions: living at the parental house, living single, and being married or living as a couple. For the latter category, the importance of the earned income by the agency worker is also established. It appears that a large part of agency workers still lives at the parental house. This group coincides with the category of young agency workers (15-24 years) who combine agency work with a formal education program. Furthermore, it can be observed that the category of agency workers whose earnings account for the major household income has increased to 15 per cent.

**Table 11 Social-economic position of agency workers, 1993-1999**

	1993	1995	1996	1997	1998	1999
Parental house	43	47	39	45	44	41
Single	22	20	22	22	19	20
Married/couple	34	31	38	32	35	37
(of which breadwinner)	(5)	(10)	(14)	(10)	(14)	(15)
Other	2	2	-	-	1	2
Total	100	100	100	100	100	100

*Source: Algemene Bond Uitzendondernemingen (ABU)/Nederlands Economisch Instituut (NEI), 2000*

The final characteristic of the contingent workforce concerns the motivations to be employed in a contingent manner. The issue is often put in terms of voluntary versus involuntary acceptance of contingent employment. An annual labour market survey provides insight on this issue (OSA, 1999). Table 12 shows the results. It appears that only contingent workers in the category ‘on-call workers’ are to a considerable extent satisfied with their current employment status. Other contingent workers demonstrate a clear preference for an open-ended contract.<sup>14</sup>

**Table 12 Desired state of employment of various types of employees, 1999**

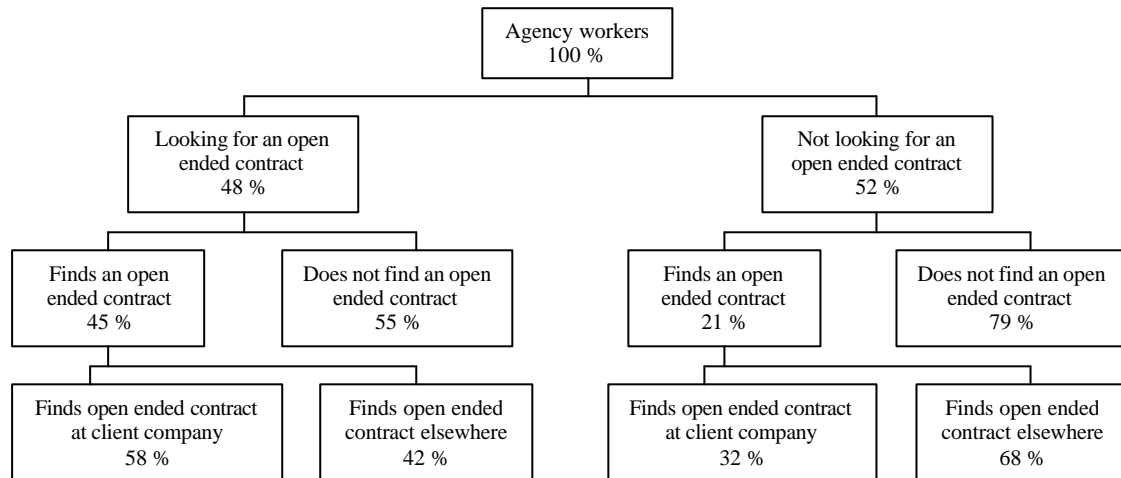
Existing state of Employment	Desired state of employment					Total
	Open- ended	Tempo- rary	Agency work	On-call work	Other	
Agency worker	89.0	3.3	5.6	1.1	-	100.0
Employee leasing	97.6	1.2	-	-	1.2	100.0
On-call work	60.5	4.2	-	33.8	1.4	100.0
Open ended	98.0	0.8	-	0.5	0.7	100.0
Total	97.1	0.9	0.2	1.2	0.7	100.0

*Source: Organisatie voor Strategisch Arbeidsmarktonderzoek (OSA), 1999*

The high percentage of contingent workers that aspire to an open-ended contract raises the question to what extent they are successful. Data from the employer association of temporary work agencies (ABU) provide insight into this question for the category of agency workers (see figure 8). The data show that 48 per cent of agency workers were actively searching for an open-ended employment contract. Among this group 45 per cent were successful. Because 21 per cent of those agency workers that were not actively searching for an open-ended contract but nevertheless accepted one, an overall percentage of 33 per cent of agency workers became employed in an open-ended manner in 1998. 38 Per cent of this group became employed by the hiring organisation.

<sup>14</sup> It is important to note that the OSA data on contingent employment do not include students who perceive their study as their main activity.

**Figure 8 Looking for and finding an open ended employment contract by agency workers, 1998**



Source: Algemene Bond Uitzendondernemingen (ABU)/ Nederlands Economisch Instituut (NEI), 1999

These findings on the use of agency work as a transitionally stage in the pursuit of an open ended employment are confirmed by Kleinknecht (1997). He analyses the changes in employment status in the period 1992 –1994. Table 12 shows the results. It appears that almost 50 per cent of the workers with a contingent status in 1992 have moved into an open ended contract in 1994.

**Table 13 Changes in employment status in the period 1992-1994**

	Open ended in 1994	Contingent in 1994	Self employed in 1994	Unemployed in 1994	No participant in 1994	Total 1992
Open ended in 1992	89.0	1.8	1.0	2.2	5.9	100
Contingent in 1992	47.7	30.7	2.0	7.8	11.8	100
Self employed in 1992	6.6	0.7	86.2	0.7	5.9	100
Unemployed in 1992	19.0	19.0	2.6	34.5	25.0	100
No participant in 1992	3.8	3.3	1.0	2.0	89.9	100

Source: Kleinknecht, 1997(based on OSA data)

#### **4. INSTITUTIONAL BACKGROUND AND THE REGULATION OF EMPLOYMENT CONTRACTS**

The growth of contingent employment in general and agency work in particular has evoked reaction from Dutch policy makers. This section focuses on the way the regulation of contingent employment has changed in response to its growth in the last decade. The major changes in statutory law in the Netherlands are the so-called “Flexibility and Security Act” and the WAADI-Act. To understand this new piece of legislation, this section is divided in three parts. First, the regulation of the employment relationship prior to the enactment of both Acts is described (section 4.1). Second, attention is given to the process of change (section 4.2). Third, the outcomes of the change process, including the two new Acts and a new collective bargaining agreements, are outlined in section 4.3.

##### **4.1 Regulation of the employment relationship (before 1999)**

To understand the use of, respectively, contingent and open ended employment contracts, it is important to understand how the legal context influences the relative costs of each of them. The ease, in terms of legal costs and speed, by which contingent employment contracts can be terminated by the user organisation differentiates them from open ended contracts. In the following, we focus first on the costs of terminating open ended contracts. Thereafter, the legal cost advantages of contingent employment arrangements are examined. It should be noted that changes in recent legislation have greatly affected both aspects. Section 4.3 examines these recent legal changes.

##### *Termination of the open-ended employment contract*

The Dutch law on dismissal protection holds, from an international viewpoint, some unique features.<sup>15</sup> As a general principle, Dutch law requires that an employer may not

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<sup>15</sup> The main Dutch regulations concerning the employment contract can be found in Art. 1637 to 1639 of the Civil Code (Burgerlijk Wetboek).

dismiss any regular worker without previous permission from the Labour Office.<sup>16</sup> The administration checks if the employer has just cause for the dismissal.<sup>17</sup> During the authorisation procedure, the employee needs to be paid the normal wages and can demand to be provided work.

In practice, the Labour Office rarely refuses a permission. Only a small percentage of employees is successful in challenging the dismissal in the administrative procedure. In cases of collective dismissal, which concerns the dismissal of at least twenty persons within a three-months period, the requested permission was refused in only 1.4 per cent of the cases in the period 1974-1991 (Havinga, 1994). In cases of individual dismissal, the threshold to the Labour Office to refuse a permission is lower. In cases that dismissal was requested on economic reasons, which constituted around half of total requests, 7 per cent were refused in 1991. In cases that the dismissal request is based on other grounds, such as a disturbed relationship between employer and employee, 14 per cent were refused (Havinga, 1994).

In the case that the Labour Office grants a permission for dismissal, the employer is not obliged to pay the employee any kind of compensation. The procedure may, therefore, bring important cost advantages to the employer. However, the procedure has been discredited in the last decade because of the relative long time that is required to take the procedure to an end. The decision-making process lasts about six weeks in cases which are only formally contested and three to eight months in cases in which the employee opposes the dismissal with substantive legal arguments. Moreover, until the permit is obtained, notice to terminate employment is null and void. The period of notice should therefore be added to the procedure.<sup>18</sup>

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<sup>16</sup> Exempted from the procedure are cases in which the employee has consented to the dismissal. However, the social security system prevents employees from agreeing with the termination of their employment. For, their eligibility to unemployment benefits is questioned on account of being voluntary unemployed.

<sup>17</sup> The Labour Office is advised by a 'dismissal committee' which is constituted by representatives of employers' associations, trade unions and the Labour Inspectorate (on health and safety).

<sup>18</sup> The Dutch regulation of notice periods is also rather unique. The employee is entitled to a minimum period of notice of four weeks. The notice period increases with the length of service by one week for each year up to a maximum of thirteen weeks. Employees older than 45 years acquire an additional week of notice per year of service, again up to a maximum of thirteen weeks.

Due to the lengthy procedure, employers have, since the early nineties, increasingly evaded the Labour Office and have formalised individual dismissals via a lawsuit at a District Court. In such cases, the court establishes a compensation fee in favour of the employee.<sup>19</sup> While in the early 1970s the involvement of the court was exceptional, in the early 1990s the courts have passed judgement on more than thirty per cent of individual dismissal cases (OSA, 1995). With regard to collective dismissal, the Labour Office is still involved in almost all cases.

The dismissal procedure involving prior permission of the Labour Office has been extensively discussed in the last 55 years of existence. Nevertheless, both the trade unions, the employer associations (especially representations of the small and medium-sized enterprises), and the state have expressed their wish to retain the public procedure. To the trade unions the procedure provides control over dismissal, to the employers the procedure provides a potential decrease of dismissal costs, and finally, to the state the procedure provides a check on the inflow of people to social security provisions. However, consensus exists that the procedure needs to be adjusted for certain cost-raising provisions. The recent “Flexibility and Security Act” which is discussed in detail in section 4.3 incorporates such adjustments.

#### *Regulation of contingent employment*

The regulation of contingent employment in the Netherlands has been characterised as liberal since statutory law contained few restrictions (Bakkenist Management Consultants, 1998). Below, we list the major provisions in Dutch employment law with regard to limited duration contracts. Furthermore, the main provisions of the Temporary Work Act of 1965 that regulated agency employment until 1999 are listed.

The main provisions in the regulation of limited duration contracts are the following:

- No reason is required for using a limited duration contract (can be specified in a collective bargaining agreement);

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<sup>19</sup> The compensation fee amounts to around an annual salary for every five years of service.

- No minimum and maximum duration is indicated (can be specified in a collective bargaining agreement);
- By right, the contracts end at the expiry of the fixed term;
- Conversion into an open ended contract occurs if the contract is continued beyond the expiry of the fixed term;
- A new contract for limited duration can be offered after an interruption of one month.<sup>20</sup>

The main provisions of the Temporary Work Act are the following:

- Temporary Work Agencies are subject to licensing (changed by the WAADI-Act);
- In some industries agency work is forbidden, notably ocean-shipping, professional goods traffic and construction (changed by the WAADI-Act);
- It is forbidden for a temporary work agency to provide services to workplaces that are hit by strikes.
- Maximum duration in which a hiring organisation can employ an agency worker is six months (changed by the Flexibility and Security Act);
- No objective reason for employing an agency worker needs to be given by the hiring organisation;
- Agency workers are brought within laws on social security, notably the Unemployment Act and the Sickness and Disability Act. The agency is liable to pay the social security contributions.
- Regulation that is written down in other Acts, for example, the Equal Treatment Act, the Health and Safety Act, the Working Hours Act, apply equally to agency workers.

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<sup>20</sup> Although renewal of a limited duration is inhibited, because renewal would convert the contract into an open ended contract, the brief interruption period allowed for unlimited renewal. It was common practice that employers sent the employee with a limited duration contract away for one month and offered a new contract for limited duration after their return.



## 4.2 Regulatory reform: the change process

This section provides a description of the change process that has led to the new regulations. To understand the processes of change, the section starts with a brief introduction of some aspects of the Dutch system of industrial relations.

### *The Dutch system of industrial relations*

The basic actors in the system of industrial relations are similar to those in other industrial relations systems. The primary players are employers, employees and the state. There are two ministries involved with labour market issues: the Ministry of Economic Affairs, which is traditionally more concerned about employers' interests, and the Ministry of Social Affairs and Employment, which has traditionally adopted more 'employee-friendly' viewpoints.

The peculiarities of the Dutch system of industrial relations consist in the institutions that govern the interplay between the different actors. Figure 9 provides a schematic overview of the formalised institutions at the national, industry and firm level.

At the national level two independent bodies govern the interplay between employers and employees: the Socio-Economic Council ("Sociaal-Economische Raad, SER") and the Foundation of Labour ("Stichting van de Arbeid, STAR"). Both bodies have an advisory position to the government in the realm of socio-economic policies and legislation. The SER has emerged in 1950 and is tri-partite by nature. The other body, the Foundation of Labour, is a private foundation, founded in 1945, and is owned by the major unions and employer associations.

At the industry level, interaction between employers and employees is primarily aimed at formulating collective bargaining agreements ("collectieve arbeids overeenkomst"). The state is not involved at this level. 83 Per cent of Dutch workers are covered by a collective agreement (Visser and Hemerijck, 1997). The large majority of firms negotiate these agreements jointly with the help of an employer association.<sup>21</sup>

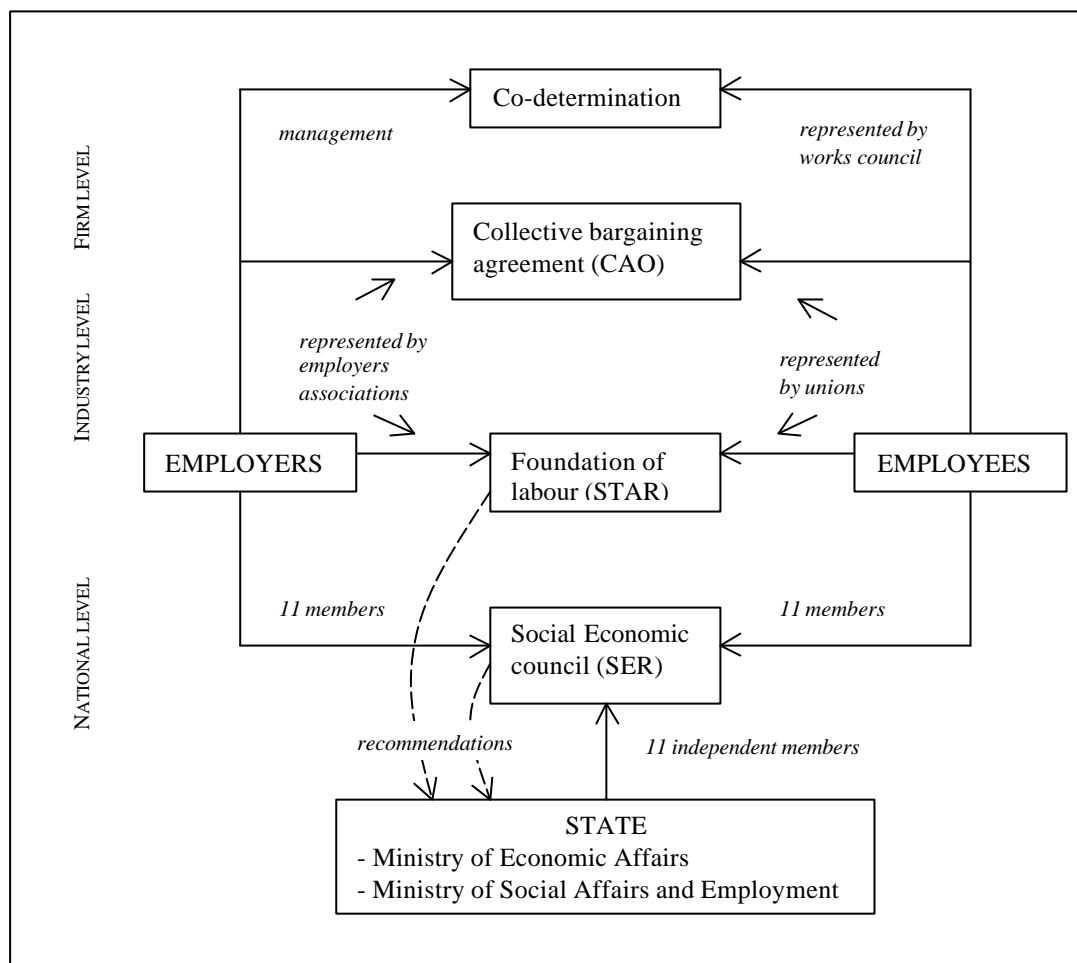
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<sup>21</sup> Large companies increasingly agree with the trade unions to formulate the collective bargaining agreement at firm level. However, the size and multi-plant character of these firms, such as Philips, Akzo Nobel, Unilever, give these agreements the significance of industry agreements.

Under the 1927 Collective Agreement Act, there is no obligation for the employer to negotiate and no recognition rule for unions. However, besides a few individual cases, all employers accept the social obligation to bargain in a collective manner with unions. The 1937 Extension and Nullification of Collective Agreement Act supports the high degree of multi-employer bargaining and its extended coverage. This Act allows the government to declare the collective agreement binding upon non-organised employers, if the agreement covers a substantial majority of the industry's employers.

At the company level, interaction between employers and employees is shaped by the Works Council Act of 1950 (amended in 1971 and 1979). This Act installs some form of co-determination between management and works council in Dutch firms with over 35 employees.

**Figure 9 Institutional context governing the Dutch labour market**



### *The emergence of the Flexibility and Security Act*

The main recent innovation in the regulation of contingent employment in the Netherlands is the 'Flexibility and Security Act'. The act came into force on 1 January 1999. It aims to strike a balance between the positive sides of contingent labour in terms of increased flexibility for work organisations on the one hand, and the negative sides in terms of less security for contingent workers on the other hand. Below, the emergence of the Act is described. It must be noted that the Act was not an outcome that was based on a grand design or master plan. Its emergence is rather an unanticipated outcome that was contingent on developments in the political and economic context on the one hand and on the outcome of the consultation processes between employer associations, unions and the government on the other hand (Wilthagen, 1998).

Governmental policy makers started to be concerned with contingent labour in the late 1980's. In this period initial studies on flexible employment were conducted and published on behalf of either the government or the consultative partners.<sup>22</sup> However, the government's interest in the phenomenon was not uniform. On the one hand, the Ministry of Economic Affairs, launched, in the early 1990s, a new program called 'Markets, Deregulation and Quality of Legislation'. The increase in contingent employment fitted well with their general objective to increase the flexibility of the labour market and, therefore, had to be supported. Other policy options suggested by this Ministry concerned the deregulation of dismissal law and the abolition of the Extension and Nullification of Collective Agreement Act. The Ministry of Social Affairs, however, was more sensitive to negative consequences of agency employment, such as the insecure situation of the employee, its implications for social security, potential tensions in employment relations and the weakening of the labour movement.

The departmental divide coincided with the contrasting perspectives of employers associations and unions. Extensive consultation between the three actors in the Social Economic Council and the Foundation of Labour enabled the design of a compromise. The first lines of this compromise were visible in a memorandum called 'Flexibility and

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<sup>22</sup> Arbeid op maat, Ministerie van Sociale Zaken en Werkgelegenheid, December, 1986. Flexibele arbeidsrelaties, Advies inzake flexibele arbeidsrelaties, Sociaal Economische Raad, 1991. Promotion of part-time work and differentiation of working time patterns, Stichting van de Arbeid, 1993.

Security’ issued by the Ministry of Social Affairs and Employment in December 1995. This memorandum contains a set of proposals that, on the one hand, increases the flexibility of the labour market and, on the other hand, enhances the legal position of contingent workers. The Foundation of Labour was asked for a formal advice on the memorandum. This advice, which contained a large number of detailed suggestions, was released in April 1996. The government included nearly all recommendations in their set of proposals for the new Bill. On March 1997, the ‘Flexibility and Security Act’ was submitted to the Dutch Parliament which gave its final approval, without fundamental modifications, on 18 November 1997. On 12 May 1998 the Senate of the Dutch government accepted the Act. The Act came into force in January 1999.

#### **4.3 Recent changes in the institutional context**

This section describes three recent changes in the institutional context that governs the employment of contingent labour. First, the details of the Flexibility and Security Act which is considered to be major reform in the regulation of contingent employment are described. The new collective bargaining agreement between the Temporary Work Agencies and the unions has complemented this act in an important manner. The second part focuses on this agreement. Third, attention is paid to the “Allocation of Workers via Intermediaries Act” (WAADI), the second major alteration of statutory law.

##### *(1) Flexibility and Security Act*

As described above, the Flexibility and Security Act aims to strike a balance between, on the one hand, labour market flexibility and, on the other hand, social security of the contingent worker. In the new regulation, one can distinguish both aspects.

The main measures that aim to enhance labour market flexibility are:

- An organisation can enjoy a longer ‘probation period’ of new employees through the use of limited duration contracts.<sup>23</sup> Limited duration contracts end by right and do not

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<sup>23</sup> The formal probation period is not changed and remains, in general, two months. Temporary contracts do not have a probation period, unless specifically requested by the employer. In that latter case, a probation period for a temporary contract less than two year can be set at maximum 1 month.

provide dismissal protection rights that are linked with open-ended contracts if (1) if the number of limited duration contracts does not exceed three (the number used to be one), or (2) the term of the various limited duration contracts does not exceed the term of three years. In other words, only if a chain of limited duration contracts has exceeded the term of three years or consisted of more than three single contracts, the law transforms the limited duration contract into an open-ended contract. (Note that deviation from this regulation by collective bargaining agreement is allowed.<sup>24</sup>)

- Earlier regulation of the maximum duration in which an agency worker can be hired by an organisation from a temporary work agency is abolished. The maximum term used to be 6 months.
- Relaxation of statutory dismissal protection for regular employment contracts. First, the period of giving notice to employees after permission is granted by the Labour Office is shortened with one month. Second, the formal dismissal procedure via the Labour Office is shortened (from six to four weeks). Third, the dismissal procedure can be continued for employees on sick leave if sick leave starts after initiation of the dismissal procedure.

The main measure that aim to enhance the security of the worker on a limited duration contract are:

- Renewal of a limited duration contract is allowed only after an interruption of three months (this used to be one months and resulted in the common practice of unlimited renewal).
- A limited duration contract converts into an open ended contract after a chain of three renewals of a duration of the chain of three years (see above).<sup>25</sup>

The main measures that aim to enhance the security of the agency worker are:

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<sup>24</sup> Examples of collective bargaining agreements that broaden as well as limit the possibilities of employers can be given. However, most collective bargaining agreements conform to statutory law in this respect.

<sup>25</sup> In the case of one contract for three years or more, it can only be prolonged with a maximum of three months before it converts into an open ended contract.

- The contract between the agency worker and the temporary work agency is an employment contract. It thereby makes this contract subject to all provisions of the law on employment contracts (with the exception of the first 26 weeks, see below).
- The first 26 weeks of an agency job are not regulated. That is, both sites can terminate the relationship without further obligations. Hereafter, if the agency worker continues to be hired by the temporary work agency, conditions similar to limited duration contracts apply (see above). That is, if a chain of three single limited duration contracts has occurred or if the total period of various limited duration contracts exceeds three years, the law transforms the limited duration contract into an open-ended contract. (Note that deviation from this rule by a collective bargaining agreement is allowed. This has actually occurred, see below.)

The main measures that aim to enhance the security of irregular workers (on-call worker, min-max workers, free-lancers) are:

- Legal establishment of the existence of an employment contract: an employment contract is assumed to be existent once one has worked for an employer in exchange for remuneration for a term of 3 months (at least 20 hours monthly). Determination of the presumed contracted number of hours is based on the average number of hours that are worked during these 3 month's period.
- The employer bears the risk of continued salary payment even when no services have been delivered. The employer can rule out this risk through a provision in a formal employment contract. However, this provision is only valid during the first 6 months of the employment contract. (Note that deviations from this legal rule are allowed through a collective bargaining agreement).
- An irregular worker has the right to receive a minimum payment of three hours of work for each time they are called upon by the employer (thus even when the actual working time was less than three hours). This provision is only valid when no clear agreement on working times exists or when agreed working times are less than 15 hours a week and no clear working schedule exists.

## *(2) Collective labour agreement*

The first generally binding collective bargaining agreement between the temporary work agencies (represented by ABU, the association of TWA's) and the unions was signed in 1995. It introduced a right of continued employment and pension insurance after 24 months of service. The next agreement was negotiated in April 1998 and covers the 5-year period 1999-2003. This agreement is based on the Flexibility and Security Act. The main elements in the collective bargaining agreement are:

- Phase system

With regard to the contractual relationship with the agency worker, the collective bargaining agreement offers the TWA the opportunity to choose between two systems. Either the TWA chooses to employ the agency worker according to the Flexibility and Security Act (that is, to employ the agency worker by means of regular limited duration or open-ended employment contracts) or the TWA chooses to employ the agency worker according to the so-called 'phase system'. The 'phase system' as agreed in the collective bargaining agreement distinguishes four phases:<sup>26</sup>

Phase 1: the first 26 weeks. This phase is identical to the Flexibility and Security Act.

The contract can be terminated at will. Note that every week in which the agency worker performs work counts, independent of the number of hours worked.

Phase 2: the following 6 months. This phase is identical to phase 1, besides that in this phase also weeks in which the agency worker did not perform work, with a maximum of 3 months, count.

Phase 3: three-month contracts. If the TWA continues to hire the agency workers within three months after the end of phase 2, it should offer the agency worker at least a contract for 3 months.

Phase 4: open-ended contract. The TWA should offer an open-ended contract to the

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<sup>26</sup> Since the enforcement of the Flexibility and Security Act in 1999, it is possible to distinguish agency workers by the type of contract they have with the TWA. The available statistics distinguish between agency workers in phase 1 + 2 (employed for the duration of the assignment) and agency workers who have either a temporary (phase 3) or an open-ended contract (phase 4) with the TWA. Of the total number of 189,000 full-time jobs provided by TWA's in 1999, 156,000 belonged to agency workers in phase 1 and 2. The other 33,000 were occupied by agency workers in phase 3 and 4.

agency worker if he or she has worked 24 months with different users or 18 months with one user.

- Continuation of payment

Phase 1 and 2: No payment in case of absence of work. In case of sickness, the relationship is terminated.

Phase 3 and 4: Payments are continued if the assignment is stopped during the (limited duration) employment contract. An agency worker can not be obliged to accept work that is more than two levels below the work level that is initially agreed. In case of sickness, payments are continued at 90 per cent until the limited duration contract expires or, in the case of an open-ended contract, for maximum 52 weeks.

- Salary, pensions, training and participation

Salary: The salary levels that are agreed in the collective bargaining agreements that apply to the user organisation prevail.

Pensions: A pension fund for the temporary work agency industry will be established.

Every agency worker who works at least 26 weeks is liable to that fund and remains so if he or she continues to be an agency worker without breaks longer than one year.

Training: TWA's are obliged to conduct a training-interview with the agency worker at the end of phase 1. A percentage of the costs of salary (in 2000: 0.70 %) should be devoted to a training fund. A separate foundation will supervise the expenditures of this training fund.

Participation: In accordance with the Works Council Act, agency workers are given the right to set up a works council at the TWA. Agency workers that are in phase 2, 3 and 4 are provided with voting rights, those in phase 3 and 4 can be elected.

### *(3) Allocation of Workers via Intermediaries Act*

The second recent change in regulation of contingent labour is the Allocation of Workers via Intermediaries Act (Wet Allocatie Arbeidskrachten door Intermediairs, WAADI).



While the aim of the Flexibility and Security Act is more general to regulate contingent labour, the WAADI is directly concerned with temporary work agencies. Agency work used to be regulated by the Temporary Work Act of 1965. The WAADI-Act was submitted to the Dutch Lower House together with the Flexibility and Security Act, and has entered into force in July 1998. The Act distinguishes between the intermediate function (between a job searcher and a job offering organisation) and the labour provision function (the agency employs the worker and sells his services to an user organisation).

With regard to the intermediate function, the Act's main element concerns the permission to commercial agencies to provide this service. Traditionally, this service belonged to the sole discretion of the public organisation 'Labour Provision' (Arbeidsvoorziening). This organisation is still responsible for granting the permits that are required to perform the intermediate function, but will only deny permission in case of grounded fears of abuse. Although commercial agencies are not allowed to demand payment for their services to the job searcher, they can generate income from client organisations and governmental subsidies that are granted when (long term) unemployed people are successfully helped into finding a job.

With regard to the labour provision function, the Act's primary aim is to liberate the market for this service. It does so by abolishing the requirement for a permit, which diminishes the barriers to entry to the industry. This law has resulted in a strong increase in the number of small, specialised temporary work agencies (see figure 5). Moreover, the Act abolishes the ban on agency workers in the construction industry. The construction industry is regarded as a pilot for other industries where a ban on agency workers persists, such as ocean-shipping and professional goods-traffic.

## **5. DISCUSSION**

In the last decade the Dutch labour market has demonstrated an admirable capacity to generate jobs. Consequently, the unemployment rate has significantly decreased. However, the newly generated jobs are atypical in the sense that they are not like the traditional full-time jobs that are based on open-ended contracts. Instead, the growth of

jobs relies primarily on the growth of part-time (based on an open-ended contract) and contingent jobs.

The mechanism underlying the growth of part-time separates it from the growth of contingent jobs. In the Netherlands, the growth of part-time jobs seems to be primarily employee-driven. Employers that aimed to attract the large potential of female workers have been forced to comply to their preferences by offering jobs on a part-time basis. The growth of contingent employment, however, seems to be predominantly driven by the desire of employers for more numerical flexibility. The majority of contingent workers, with the exclusion of student workers, prefer an open ended contract.

Contingent work in the Netherlands is more and more a phenomenon of agency work. The growth of agency work explains around sixty per cent of the growth of total contingent employment in the last decade. The growth of other appearances of contingent employment, such as limited duration contracts and on-call work has been less pronounced.

Can we draw generalisations on the nature of agency work and the agency worker in the Netherlands? The available statistical data are too broad to draw a fine-grained picture. Nevertheless, with some courage the typical agency job can be characterised as a low-skilled production or administrative job in the manufacturing or wholesale/retail industry. With regard to the agency worker, the data suggest two typical portraits. The first typical agency worker is a young student who still lives in the parental house and combines agency work with a formal educational program. The second type of agency worker is a low-educated, middle aged bread winner.

The Dutch government, in consultation with employers' associations and unions, has responded to the growth of contingent work in two ways. For one, they acknowledged the need of employers to be flexible in their employment of people. Accordingly, measures were taken to fasten dismissal procedures, to facilitate the use of limited duration contracts and to liberalise the industry of temporary work agencies. For the other, Dutch government acknowledged the right of contingent workers for security. Accordingly, measures were taken to prevent that agency workers can be employed without an open ended contract for more than three years.

The developments in the Netherlands give rise to a number of questions. They can be distinguished in descriptive, theoretical and practical questions. First, the description of the development of contingent employment that can be given by means of the available statistics is comprehensive, but still far from perfect. Important gaps in the available statistics lie in the absence of data on various categories of contingent employment, such as workers on limited duration contracts, on-call workers and dependent self-employed workers.

Developments that become apparent from the analysis of descriptive statistics give rise to theoretical questions. The major question that is triggered by the analysis of the Dutch data concerns the explanation of the pronounced upsurge of the use of agency work. Notwithstanding that the development is at work since the mid-eighties this explanatory exercise is still due. Many hypotheses have been advanced, but a clear analysis that discriminates between rival explanations is still ahead. The effects of the strive for efficiency, the pursuit of power and the need for social legitimisation on the rise of agency work need to be disentangled. A first attempt to explain the development could run as follows. The use of agency workers economises on transaction costs and, in this way, it contributes to higher efficiency. The observation that the use of this resource has only become more widespread in the last decades can be attributed to the effect of legitimisation. Agency work has become more accepted by the state, the trade unions and the public only in the last decades. However, the existing data can not discriminate this hypothesis from an alternative one that is based on power. Such an explanation would run as follows: agency work raises profit margins of the user organisation by lowering payroll costs. In this argument, the use of agency work does not raise efficiency, but it changes the distribution of the user organisation's returns. This resource has become employable for organisations since the power of collective labour to resist has declined in the last decades. Further research is necessary to tackle this question. For this exercise aggregate statistical data will be of little use. Case study research that confronts the issue in more detail is required.

A final set of questions, which is of special interest to policy makers, concern the consequences of the new legislation in the Netherlands. First, the new Flexibility and Security Act contains some potential threats to the growth of agency work. It facilitates

the termination of open ended employment contracts and the use of limited duration contracts while it potentially raises the costs of agency work. Furthermore, although the Act aims to improve the security of the contingent labour force, it remains to be seen which agency workers will benefit from this change. Pessimistic voices predict that only high-educated agency workers will be awarded open ended contracts by the temporary work agency, while the low-skilled agency worker is forced to shift between assignments of different agencies. Finally, the consequences of the WAADI-Act that aimed to liberalise the temporary work industry, is of interest. The first observations indicate a sharp increase in the number of small, specialised temporary work agencies. The future shape of this growing industry is certainly an issue that should attract substantial research efforts. For this aim, the Netherlands offers an interesting research laboratory.

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