

final draft, 4-2-2003

Wiemer Salverda

Amsterdam Institute for Advanced Labour Studies

University of Amsterdam

**DOES LOW DUTCH UNEMPLOYMENT REFLECT SUPERIOR
PERFORMANCE OR LABOUR MARKET TRANSFORMATION?**

Ford Foundation Project

Constructing a New Cross-National Architecture for Labor Market Statistics

Introduction

In recent years the “Dutch miracle” has drawn much attention in the international debate about the large and persistent international unemployment differences. Falling from a level of some ten per cent of the labour force in the early 1980s to 2.4 per cent in 2001, the Dutch standardised unemployment rate is now at a very low level. Although it was often relatively low, its present level is nearly unrivalled in the OECD area and one has to go back a long way in Dutch history to find anything comparable. This development has been welcomed by some as an example proving that, contrary to what many believe, the welfare state and its principles of equality do not have to be sacrificed for improving the condition of the labour market.

Presumably, the joint action of the ‘Dutch model’ – exemplified by the “Wassenaar Accord” of 1982 – together with the policies that have been practised, such as the prolonged wage moderation and the peg of the Dutch guilder to the Deutschmark since 1983, has brought about this result. Here is not the place to question the causality and discuss the workings of the Dutch economy¹, although, naturally, the argument may have some bearing on it. In contrast, this contribution will relate the evolution of the unemployment rate to the performance of the Netherlands in an internationally comparative perspective with the purpose of finding out the extent to which the surprising development of Dutch unemployment does indeed mirror an equally excellent performance of the labour market as well as the economy, and, if they appear to diverge, to discuss what adaptations could be made to labour market statistics to improve the correspondence.

The comparison will be drawn with five countries: the US and the neighbouring European countries, including the major three: Germany, France and the United

¹ See Salverda (2003) for an elaboration of that issue, the (historical) limitations of the Dutch example and the relevance it may or may not have for other countries. Here, Dutch performance is taken as given.

Kingdom. These four countries are much larger than the Netherlands and possibly not always appropriate for a comparison. Therefore, the comparison also includes Belgium which is as closely comparable to the Netherlands as possible (see Table A.2). The comparison will be made in a long-term historical perspective stretching over three decades to connect to the discussion of the European-American employment gap. No gap existed in the early 1970s and it developed over this period. In the discussion it is often argued that the cyclical peak levels of unemployment have been falling for the US while they remained at the same level for Europe. The comparison will focus more on trends than levels to ease the problems of comparability. Definitions of labour market statistics may differ, implying that levels do not necessarily mean the same thing in different countries as was concluded before by Bluestone et al. (2000).

Lay-out

I will first discuss the evolution of Dutch unemployment (Section 1). This can be considered from different angles and the internationally standardised rate of unemployment may not be the best. Some non-trivial problems appear to be hidden behind it, particularly for the Netherlands. Overall employment and economic performance will be examined in comparison to the neighbouring European countries and the USA. Dutch employment performance is among the best, easily matching the rapid fall of unemployment, but surprisingly the country's economic performance turns out to be just average. Apparently, the unemployment rate relates differently to economic performance across countries. Naturally, labour productivity provides the natural balance between employment and the economy. For the Netherlands it lagged behind other European countries.

Subsequently, the implications for labour market statistics will be considered in two steps aimed at finding other or additional labour market indicators that can match the state of the economy better. The purpose is to contribute to the improvement of labour market statistics from an economic point of view and not to understand the economic developments themselves, which will be taken as given. The first step (Section 2) is to ask whether the customary (head-count) statistical observation of employment and unemployment provides an adequate reflection of the evolution of the two aggregates for

the Netherlands. The country is the world champion of part-time work and shows a particularly strong discrepancy between head-count (persons working) and volume-count (hours worked) approaches. The latter should be preferred to the former from a performance point of view. The hours approach brings employment and the economy much better in line with each other, both are not far away from the international average including productivity if defined on a volume-count basis. However, now the unemployment rate unfavourably deviates. Although it has fallen considerably during the most recent years its level does not compare particularly positively to earlier periods, less than is often thought. Nevertheless it was always below the international average.

Because of both the level and the evolution of unemployment the second question is (Section 4) whether the Dutch labour market may be functioning differently, either compared to earlier years or to other countries. The association between employment and unemployment may be at odds with their familiar conceptualisation as communicating vessels – when the one goes up the other must go down. The upshot of the argument is that partly directly partly indirectly – through part-time work – a particular mechanism of labour market flexibility has been put in place in the Netherlands that operates a growing segment of switch-on-switch-off jobs, working hours and workers, particularly youth and adult women. This tends to change the employment-unemployment relationship implying that traditional set-up of labour market statistics may also have difficulty to indicate not only economic performance but also labour market performance.

At the end (Section 5), some conclusions are drawn for the architecture of labour market indicators – a plea for a more precise set of indicators. The evidence presented in this contribution is suggestive and does not provide a formal quantitative proof of how labour market statistics may be misdirected. It serves to question the strength of the common approach to comparative labour market statistics and to argue the need for additional information enabling a fuller picture. It should be stressed that the question posed in the title of the contribution: superior performance or changing functioning of the labour market?, is not an either/or question but the more the labour market indicators are driven by a process of transformation the less well they will reflect performance.

1. Unemployment, employment and Dutch performance

The ILO's standardised rate of unemployment (SUR) shows a very considerable decline in Dutch unemployment in recent years compared to a number of other countries. This is illustrated in Chart 1 against the background of the US and the neighbouring countries. Over the 1980s and 1990s Dutch unemployment followed American developments more closely than the other European countries. The present Dutch rate is well below any rate since 1975.

** Chart 1

Standardised unemployment rates, per cent of labour force, 1970-2001

Source: sourceOECD, National Accounts Historical Statistics; NL2 combines CBS, Tijdreeksen, for employment and CPB, MEV2001 Table a.7 for unemployment. The dotted line DE represents total Germany in contrast to DE-W which concerns the former West Germany only.

However, there are some problems with this picture, particularly in a historical perspective. It should be noticed that the SUR is based on corrections that are often adopted long after the fact implying important uncertainties, particularly for the Netherlands and Belgium². Naturally, the SUR corrections are based on the work of the national statistical offices but there is a significant difference between the SUR and Dutch Statistics data. The latter has not published its own SUR series but a good approximation can be found using the results of its special Tijdreeksen (time series) project³, which was

² For the US, the UK and France the SUR seems to correspond better with labour force statistics data. Because of its unification, the German case is a special case altogether – basically, all full German data before the 1990s are based on approximations and the same holds for the West-German data since 1994. Unless stated otherwise, I will rely on the West German performance for the comparison.

³ The approximation takes all jobs into account starting from 1 hours per week and therefore is wider than the Dutch national definition of (un)employment which is restricted to jobs of at least 12 hours per week. For unemployment the precise difference is not known and therefore for this side of the ratio the usual data have been applied – that is, inactives looking for small jobs have been excluded but persons on a small job

meant to provide consistent employment data (primarily at the aggregate level)⁴. The result is indicated in the graph by NL2. There is an important difference between the two Dutch lines for the second half of the 1970s⁵. Apparently, the SUR for the Netherlands is not uniformly defined over time but still based on outdated labour force statistics. The gap is crucial for the long-term view. For the argument below I will stick to the Dutch Statistics material for both employment and unemployment. For the other countries I will systematically use the OECD's Labour Force Survey data as they allow going back to 1970.

The effect of all this is a more than a simple fine-tuning. Certainly, the fact still stands that the Dutch unemployment rate has fallen steeply in recent years, more so than in many other countries. At the same time, however, the recent levels of unemployment are not any lower than those of the end of the 1970s.

How did the Netherlands perform over this period relative to the comparison countries? There are two sides to performance that are relevant here. First, labour market statistics are meant to indicate the performance of demand and supply in the labour market. Second, data for employment and unemployment play an important role as indicators of economic performance. We subsequently turn to the labour market and the economy.

who are looking for a more substantial one are included. For Belgium no comparable correction could be made and the earlier SUR figures may be misleading.

⁴ The 1975-1985 period was a difficult and drawn out phase of transition in Dutch labour market statistics. Particularly unemployment data were often based on bureaucratic rules instead of independent statistical observation, unemployment being closely linked to the count of benefit claimants. The Employment Exchange was the main provider of unemployment data, using narrow definitions of availability, e.g. illness at the monthly date of count defined the unemployed away putting them into another compartment, of sickness benefit, and also employment observations were scant and often partial. The beginning of a solution was found only in 1987 with the start of the independent annual labour force survey. Even then it took another five years before all details and definitions (e.g. skills and job characteristics) were sorted out.

⁵ The gap between these rates was also noticed by Bluestone Ch 2-1, p. 15.

Employment

The labour market performance seems to leave little room for doubting that the unemployment rate is a good indicator of performance. In recent years, Dutch employment unequivocally moved upwardly, in the opposite direction to unemployment, and significantly more strongly so than in other countries. The growth was impressive in absolute terms (+ 45 %, 1970-2000), but also as a ratio to the relevant age bracket of the population, EPOP (Chart 2). Initially, between 1980 and 1985, the Dutch employment rate fell as much as in the other European countries but after that the country witnessed a large job growth, larger even than in the US. The EPOPs mitigated the mutual differences, bringing the US and NL closer to the rest than in absolute terms. Evidently, diverging population growth played an important role. For the age bracket 15 to 64, it accounted for two-thirds of the absolute employment growth in the US and about half of Dutch growth⁶.

** Chart 2

Employment-to-population (15-64) ratios, 1979=100, 1970-2000

Source: OECD Labour Market Statistics website database and CBS, Tijdreeksen for the Netherlands

Economy

Now we consider the economic side of performance. This will be measured primarily by GDP. Naturally, the concept represents economic performance in the narrow monetary sense of the word, ignoring potentially important other accomplishments such as the possible increase in leisure time that may be associated with part-time labour. This, however, is a well-being issue that is dealt with elsewhere in this publication. For an adequate international comparison we take GDP on a per capita basis (for the labour

⁶ The Netherlands population 15-64 grew rapidly compared to its European neighbours – 32 % against 16 over 1970-2000 – but the US population grew still more rapidly (42 %). Total Dutch population growth was 22 % or about ten percentage points less – as in most comparison countries. More than two-thirds of Dutch growth was natural, less than one-third related to immigration. Krueger and Pischke, 1997, 6, discuss the importance of population growth for labour demand suggesting that it comes close to Say's Law.

force age bracket) to correct for population growth differences as we did above for employment rates. Chart 3 shows, surprisingly, that Dutch economic performance over the period was far from spectacular. Closer scrutiny reveals that for much of the 1980s and 1990s the Dutch economy performed less well than the other countries. The exceptions were France and Germany for the most recent years, but even compared to these countries the present Dutch levels are still below those of the early 1970s. Notably, Belgian performance matched up better with the US than the Netherlands.

** Chart 3

Volume of GDP per capita (15-64), 1979=100, 1970-2000

Source: OECD, National Accounts

This is not the place to look behind the scenes of GDP and attempt to explain the change, e.g. on the basis of wage costs. Instead we conclude that the spectacular fall in unemployment and the impressive increase in employment match each other well, but also that they have not at all been matched by an equally remarkable growth of the economy.

2. Another look at the Dutch labour market: persons and hours

It would be too easy to stop here and it would not be very helpful for discussing the set-up of labour market indicators. It is also hard to imagine how the Dutch economy could have remained so competitive and technologically up to date while suffering from such an immense loss of productivity relative to the other countries. The Netherlands often rank among the top of comparative lists of investment climate and the country sustained a large balance surplus averaging four per cent of GDP over the last two decades. One would be curious to know what impact a different set-up of the statistics would have to say about economic performance.

It is of little use to start questioning the economic side of the equation. The national accounts statistics constitute a meticulously defined and endorsed system of international comparison. It seems equally difficult to fiddle with the population figures that are used for per capita comparisons. Consequently, we should focus on the labour market data to seek a better reflection of economic realities. Employment and unemployment data are targeted by the same token as they belong to the same system of statistical observation. The ultimate aim is to find a set of labour market statistics that are consistent with performance.

There are two aspects to this: the statistical observation of the development on the one hand and the nature of the development itself on the other hand. Developments may differ across countries, implying deviating relations between unemployment and other labour market indicators. Below we first discuss the aspect of observation, asking whether it does justice to the real input of labour into the economy. Subsequently, in Section 3, we consider the Dutch labour market process itself.

Employment hours

The incidence of part-time work is nowhere as high as it is in the Netherlands, some forty per cent against a European Union average of about seventeen. The high incidence holds for women as well as men. It has much increased over the period, also in other countries.

A particular Dutch phenomenon are the many very small jobs. The Dutch incidence of jobs of less than ten hours per week is more than ten percent of all employed persons, three times as much as the European average. In addition, full-time working hours have declined, also in other European countries but not in the US. Consequently, average working hours per employed person have fallen strongly in the Netherlands and elsewhere in Europe, albeit at diverging rates, and there is an increasing gap with the US (see Chart 4)⁷.

** Chart 4

Average annual working hours per employed person, 1970-2000

Source: OECD Labour Market Statistics website database, for Belgium extrapolated for the years 1979-1982 with the help of the combined average of France, Germany and the UK.

A distinction can be made between the societal aspect of labour market performance and the individual aspect. The former addresses the efforts that generate income for labour and output for enterprise, while the latter considers the distribution of these results over the individuals in society. The distinction suggests the need to go beyond the head-count approach that relates to the individual aspect, and consider the labour market also in volume terms, focusing on the hours of work that are effectively put into the labour market. It implies redefining employment-to-population ratios as employment-volume-to-population ratios. It is done in Chart 5 with the help of index numbers that are normalised to the average annual working hours of 1979.

** Chart 5

Employment-volume-to-population (15-64) ratios, 1979=100, 1970-2000

Source: see Charts 3 and 4.

Now we find that, on balance, there has been no increase in the Dutch labour market performance. After the fall, the employment ratio has not fully come back to the level of

⁷ The hours data were taken from the OECD and we have to keep in mind the reservations that surround them; Dutch figures were supplied by the Time Series and Labour Accounts programme mentioned above.

1979 let alone to that of the early 1970s. This holds for all European countries while only the US is doing clearly better than before, registering a ten per cent increase. In the 1980s the Dutch ratio fell as much as that of the other countries but it recovered better during the second half of the 1990s. There was little difference between the UK and the Netherlands and some divergence with Belgium since 1995.

Taken together with the very substantial growth of head-count employment this implies an enormous transformation of the Dutch labour market over these decades. Over the three decades the number of employed persons grew by 45 per cent and the total number of hours by no more than 8 per cent; on a per capita basis head-count employment increased by 10 per cent while hours-count employment fell by almost 20 per cent. The latter reflects both the growth of part-time employment and the shortening of the full-time working week.

** Chart 6

Labour productivity, GDP per hours worked, 1979=100, 1970-2000

Source: see Charts 2, 3 and 5

With the help of the hours approach we can also take a look at economic performance as represented by labour productivity⁸ (Chart 6). Dutch productivity did better than American but has been lagging behind European including the British in recent years. Belgium, France and Germany were steadily at the top. The result seems to make sense given the slightly better Dutch employment-volume performance combined with the mediocre economic performance. If both are considered on an hours basis labour market performance (employment) and economic performance (GDP/capita and productivity) seem mutually consistent and both are very close to the international average (Chart 7). Unemployment, by contrast, is falling out of line with employment while the two seemed to be closely associated before when the head-count approach to employment was used.

⁸ For international comparisons, often labour productivity is taken as output over head-count employment, e.g. Eurostat, calling it 'simple' or 'apparent' productivity. Labour cost per worker are then confronted with value added per worker. It is a traditional approach dating back to the time that most jobs were full-time.

This basically holds also when, for the sake of consistency with employment and performance, unemployment is considered as a ratio of the population (UPOP) instead of the labour force⁹. UPOPs can correct for differences in levels of participation and speed of job growth. A high level or a rapid increase in the labour force can potentially lead to an overly optimistic picture of labour market performance. It may decrease the unemployment rate for an equally important problem or, in the case of rapid job growth, without any change to the absolute level of unemployment, although evidently such labour force growth is in itself still an accomplishment. The UPOPs do make some change the picture of the Dutch evolution over time. The peak of the 1990s is now at par with the earlier one of the 1980s and the present level (2.5 %) is well above that of the second half of the 1970s (2.0 %). Compared to the other countries, the UPOPs bring the levels closer together mitigating the mutual differences between countries. For most of the 1980s and 1990s the Dutch UPOP fared worse than those of the other countries, given its low level of 1975-1979, but in recent years it did clearly better, particularly compared to France and West Germany. In comparison with the international average the Dutch UPOP still deviates significantly from performance (Chart 7) and seems misleading as a performance indicator in boom and bust. However, one should also realise that all the time the Dutch UPOP was below that international average, irrespective of the inclusion or exclusion of the US (Chart 8), being half as large at the end of the period. The intriguing questions are therefore, why it is so low and why it went down in recent years.

** Chart 7

Dutch employment-volume and economic performance to the international average, 1979=100, 1970-2000

Source: preceding charts

** Chart 8

Dutch unemployment-to-population rate as a percentage of the unweighted international average, 1970-2000

Source: preceding charts

⁹ It is impossible to sensibly take unemployment on an hours basis

3. The role of unemployment as an indicator in a transforming labour market

From the initial persons-based situation of Section 1, where unemployment and employment matched while the economy deviated, we have now come to the opposite hours-based situation. Employment and the economy correlate well while the movements of unemployment deviate. I conclude that it is very important to scrutinise the relationship between unemployment and employment in the light of the distinction between persons and hours. In other words, could the changing time structure of employment reflect a difference in labour market behaviour and affect the nature of unemployment? We will probe deeper into the transformation of the Dutch labour market to find out whether it is a difference in behaviour in the labour market compared to the other countries and/or a change in Dutch behaviour over time that affects the role of unemployment as a proper performance indicator. Key is to find out how potential Dutch labour supply shows up in open unemployment. The low levels of standardised unemployment of recent years and the low Dutch UPOP seem exceptional so the question is particularly pertinent for the last part of the period.

First we consider the extent to which unemployment covers idle labour supply. Next we consider the changing time structure of employment, which consists of two elements: the general reduction of working hours and the huge increase in part-time employment. We consider the implications for labour market behaviour to see if they can affect the role of unemployment.

Unemployment

The first step concerns the span of the ‘unemployment’ category. I will not go deep into this here – there is an extensive debate on the shortcomings of the official unemployment rate. However, it is worthy of note that the area of ‘grey unemployment’, just outside of what is covered by the official data, is relatively large in the Netherlands. The European Labour Force Survey shows a category of people ‘desiring work’ who are willing to work

but not as actively engaged in recent job search as the ILO would like to see it for its definition¹⁰; they may however not be directly available. Their numbers are relatively large for the Netherlands, exceeding the number of the official unemployed (see Table 1). Notably, the same applies to the UK, the country with the next-highest incidence of part-time jobs. In the three remaining European comparison countries it is less than half that number. The absolute numbers were rather stable in both countries while unemployment fell and, consequently, the divergence grew. In the same vein, OECD data on discouraged workers over the 1990s point out that – at a steady 0.7 per cent of the population – the level for the Netherlands exceeded that for the other countries and did not fall with unemployment¹¹. Grey unemployment is larger for women than for men. The female rate of those desiring to work is double that of the unemployed not only for the Netherlands and the UK but also for Austria and Ireland; in Denmark and Italy there are also more women desiring work than are officially unemployed.

Table 1

Survey unemployed and inactives desiring work, % of population 15-64. 2000

	BE	FR	DE	NL	UK
Unemployed	4.3	7.1	5.7	2.1	4.3
Desiring work	0.9	0.9	2.2	3.8	5.9
Total	5.2	7.9	7.9	5.8	10.1

Source: Eurostat, European Labour Force Survey 2000

Apparently, the behaviour of the Dutch when looking for a job seems to differ. It may be more flexible in the sense that people looking for employment do not all show up as unemployed and vice-versa that persons who manage to find employment do not all pass through open unemployment¹².

¹⁰ Having looked for a job during the last four weeks and available for work within two weeks.

¹¹ Labour Market Statistics website.

¹² It is sometimes suggested that this may relate to the high level of disability. This is a subject in itself that falls outside the scope of this contribution. However, several aspects seem to mitigate its importance. The role of the scheme as an alternative to unemployment benefit is undermined by the fact that the inflows into the scheme vary procyclically (Kroniek sociale verzekeringen, Kerncijfers WAO). The outflows, and

The important question is whether the phenomenon relates to the high incidence of part-time employment. This would be a good reason to take the phenomenon more seriously. In this segment of the labour market supply and demand factors may reinforce each other to prevent the desire to work from expressing itself in open unemployment. The knowledge that small jobs are potentially available may even stimulate this. On the one hand, openings for (small) part-time jobs may be advertised less frequently because of the relatively high (fixed) cost. On the other hand, students and housewives – who are the main suppliers of part-time labour, also have other activities in life and generally lack any benefit entitlements – may have a more casual job-search behaviour that escapes the ILO criteria. We will have a closer look at this below.

Employment

It was suggested above that the working time structure of Dutch employment has changed strongly over the period. The dynamics of unemployment may be affected as a decrease in the volume of employment can to some extent be realised through a reduction in the number of working hours instead of working individuals. Hours reductions may substitute for full redundancies. Chart 4 showed the low and declining level of annual hours worked. The Dutch average declined by 26 per cent. This rested on two factors: the general reduction of working hours and the growing incidence of part-time jobs. The first corresponds with full-time working hours. These certainly declined (about 16 per cent) but not significantly more than in other European countries and they applied to a decreasing share of employment. The main explanation of the exceptionally low hours was in part-time employment. This was driven by their growing share; the average number of working hours of part-time jobs hardly changed. First we have a look at the flexibility of hours over time at the aggregate level, after that we probe deeper into the part-time labour market. The distinction between hours and persons is very important for specific categories of labour supply that may move more flexibly between employment

therefore the stocks, are a more important problem than the inflows. However, on a volume basis (taking into account the extent of the disability) the incidence is some 15 % below the head count. In addition, many people on the scheme also have job. SZW (2000), chapter 5 mentions 2.7 % of all employed.

and unemployment and vice-versa resulting in a different level of unemployment. Effectively, it may be an example of the well-known low-pay-no-pay cycle.

Persons-hours flexibility

If personal average working hours adapt over the cycle this may influence the usually assumed inverse relationship between person-count unemployment and employment. As a result, a given decline in employment will affect persons-employment less, and in the upswing the increase in persons-employment may be larger. In both cases unemployment is mitigated. Chart 9 summarises the evidence showing that there was some hours adjustment over the cycle. It presents the percentage-points difference between the annual change of hours-employment and persons-employment. Upturn and downturn behaviour seem to reinforce each other. The three economic downturns of the mid-1970s, the first half of the 1980s and the early-1990s left visible traces. Evidently, hours adjustment mitigated redundancies particularly during the 1990s. The change in hours-employment was also below that of persons during the booms. It implies that more persons profited from employment growth. Although the gap is also found for other countries and it is not always the largest for the Netherlands, Dutch behaviour seems more consistent over time and better attuned to GDP.

** Chart 9

Dutch gap between hours and persons adjustment of employment, 1971-2000

Source: see preceding charts.

Part-time employment

Now we turn to the specific effects that relate to what can be called the individual shortening of the working week, by means of part-time labour. A large part of the Dutch hours-to-persons gap can be explained by the increasing incidence of part-time jobs and is therefore more specific. Over the 30-year period the part-time share more than doubled from less than twenty to over forty per cent (employees only). The share of very small

jobs grew as well, from 5 to 11 per cent¹³. Naturally, the share of part-time jobs in the employment hours was much less, 27 per cent in 2001 rising from 9 per cent in 1970. Virtually all of net Dutch employment growth over the last three decades was accounted for by part-time jobs as the number of full-time jobs tended to be stable¹⁴.

Plausibly, part-time jobs contribute to an economy's employment flexibility and productivity as they can diminish the number of idle hours. The effect on unemployment is less clear-cut. In several countries part-time labour has a bad reputation as labour conditions are often worse than for full-time positions¹⁵. Many occupants would prefer a full-time job and in that sense part-time labour may be hiding unemployment. In international comparisons the Netherlands has by far the highest share of part-time jobs and very little of it is involuntary part-time labour, also compared the labour force as a whole¹⁶. The rights of part-time workers have strongly improved recently and discrimination (e.g. for the minimum wage or social security entitlements) by length of the working week is now formally forbidden¹⁷. The Dutch rate of very small jobs is also very high in international comparison. A sizeable and increasing fraction (15 % in 2000) of the official unemployed are holding such a small job and apparently look for a bigger

¹³ In various Dutch statistics part-time jobs are explicitly distinguished from flexible jobs because of the difference in employment status but in Chart 12 all flexible jobs are included as, on an annual basis, their working hours are similar to the part-time jobs and this was the only way to mend the series break of 1997.

¹⁴ Labour force survey data show a significant increase in full-time jobs. This is, by contrast not found in the Labour Accounts which distinguish between full-time, part-time and flexible jobs. Although the latter category may comprise full-time jobs their average annual working hours are even below part-time jobs.

¹⁵ Salverda et al, 2001, shows a polarised structure of part-time jobs across the distribution of hourly earnings for France and to a lesser extent for the Netherlands.

¹⁶ Both European and Dutch labour force statistics observe jobs starting from 1 hour per week. The European labour force definition starts from here, while the Dutch official definition requires a minimum of 12 hours per week. The European labour force statistics distinguish between jobs of less or more than ten hours per week; the Dutch Labour Force Survey (Enquête Beroepsbevolking) uses 12 hours per week. Both thresholds are used here for defining very small jobs.

¹⁷ After controlling for personal and job characteristics (including the industry) the part-time differential for gross wages, albeit negative, is relatively small. For net wages it will be even less. Cf. e.g. Salverda, 1998.

one¹⁸. Plausibly not unrelated to the evolution of the very small jobs, is the growing number of second jobs which increased from some 250,000 or 4 per cent of all jobs in 1987 to more than 400,000 or 5 per cent now. Giving up a second job may not always lead to open unemployment.

Part-time employment and labour supply

In spite of the spectacular growth, part-time jobs are not attractive to each and every employee or employer. They are strongly concentrated in certain industries (retailing, hotels and catering, and personal and social services) and among certain categories of labour supply, particularly women and youth. The growth of part-time labour coincided with a strong change in the demographic structure of employment. The number of adult females with a job exploded and the number of youth (15-24) in employment fell considerably because of both an unprecedented demographic decline since the mid-1980s and the increasing participation in (tertiary) education. A rough approximation¹⁹ of hours worked, which could only be made for the second half of the period, seems to imply that, on balance, youths and adult women have traded places (see Chart 10) while the position of adult man remained virtually unchanged²⁰. Almost all (90 %) of adult men have continued working full-time, while adult women and youth are responsible for the increase in part-time work. The often-mentioned relatively high share of part-time jobs among Dutch males relates almost entirely to male youth.

¹⁸ Because of the 12-hours limit of the official Dutch labour force definition persons who do have a job of less than 12 but are looking for one of more than 12 are counted as unemployed. Also those without a job and looking for one of less than 12 hours are left out from unemployment and the labour force. The international definitions supposedly exclude the former and include the latter. In 1999, by Dutch standards there were 292,000 unemployed of which 50,000 had a job of less than 12 hours. By contrast, the OECD labour force survey counted 277,000 unemployed and consequently, 35,000 must have been without a job but looking for one of less than 12 hours.

¹⁹ Applying average hours for the three working-week categories <12, 12-19, 20-34 and 40 hours for the 35+ category.

²⁰ This trading of places holds particularly for the low-skilled jobs (Salverda, 2003a). Cf also, Wielers and Van der Meer, 2002.

The implication seems to be that the labour market position – and by implication the behaviour – of adult men has hardly changed while the labour market position of youth and adult women was substantially transformed. We will take a closer look at the latter groups to see how they may have affected the role of unemployment. Either their behaviour was unchanged and became quantitatively more important in the labour market, or their behaviour did change as well. It is important to realise that youth and women are the groups that bear the brunt of labour market adaptation to economic circumstances because of their high degree of mobility – they are frequently entering (school-leavers) or re-entering (housewives) the labour market. Because of this position at the interface of employment and unemployment or inactivity it is even more important to consider their behaviour in relation to the evolution of the unemployment rate. We subsequently discuss youth and women.

** Chart 10

Composition of employment (hours) by demographic groups, Netherlands, 1987-2001

Source: CBS, Enquête Beroepsbevolking

Youth and education

It was mentioned above that for demographic reasons the young population has been strongly declining since the mid-1980s (minus 25 %), after continuous growth over the entire post-war period (Chart 11). The decline was unprecedented and very rapid at that. Youth employment suffered dramatic inroads in the early 1980s – during some years virtually every school-leaver passed through unemployment before finding a job. At present, however, Dutch youth can claim the highest employment-to-population ratio of the OECD area (see Table 2). The two observations can be reconciled by the huge growth of very small jobs among young workers and the large overlap between education and the labour market. The high employment participation, with all the tiny jobs, leads to an overoptimistic picture of the youth unemployment rate. The youth UPOP, by contrast, which relates unemployment to the population, is even higher for the Netherlands than for France.

** Chart 11

Youth population, 1985=100

Source: OECD, Labour market statistics website database

Table 2

The youth employment situation, 2000

	Employment-to- Population ratio	Unemployment-to- Population ratio	Unemployment rate to labour force	Percentage in education with a part-time job
BE	35,7	5,5	15,3	2,3
FR	52,5	4,0	7,7	6,1
DE	29,4	6,1	20,8	8,8
NL	71,2	4,7	6,6	32,8
UK	69,7	8,2	11,8	25,2
US	65,9	6,1	9,3	n.a

Source: OECD Labour market statistics website database; Eurostat, European Labour Force Survey 2001.

Apparently, the youth labour market has changed not only quantitatively but also qualitatively. Its present working-time structure is radically different from that of the 1970s, and the change continues. At the time youths were underrepresented in part-time jobs but now they are substantially overrepresented, especially among the jobs of less than 12 hours per week. In a few years time full-time jobs have turned from a majority (60%) into a minority (40%). The gap was largely filled by very small and small jobs (up to 20 hours). As a consequence, the average working week of young workers fell rapidly, from 31 hours in 1987 to 24 at the end of the period²¹. In addition, youths have a flexible job much more often than before (the share almost doubled in five years' time, 17 ? 30 %, 1992-98) and than adult workers (steady at 6-7 %).

Evidently, there is much overlap between education and the labour market. People often have a job while studying (Table 2). The overlap is very substantial also by international standards. Naturally the very small jobs and the flexible jobs play an important role in the

²¹ By contrast, the adult average working time was rather stable, including women. They tended to work less often in full-time jobs and very small jobs than before.

overlap, although they are not the only bridge between education and the labour market. It seems a clear case of changing labour market behaviour.

** Chart 12

Educational participation and unemployment, annual changes

Source: CBS, Enquête Beroepsbevolking and Onderwijsrekeningen

Table 3

Netherlands, persons available for employment, % of relevant population, 1988-2001*

	All			youth			adult men			adult women		
	reg	lfs	grey	reg	lfs	grey	reg	lfs	grey	reg	lfs	grey
1988	4.5	4.8		5.5	5.9		5.4	4.0		2.9	5.0	
1989	4.0	4.4		4.6	5.3		4.8	3.8		2.8	4.6	
1990	3.5	4.1		3.7	4.8		4.2	3.1		2.7	4.6	
1991	3.2	3.9		3.3	4.7		3.8	3.0		2.7	4.3	
1992	3.2	4.0	2.8	3.4	4.4	2.0	3.8	3.3	1.8	2.6	4.4	4.3
1993	4.0	4.6	3.2	4.6	5.4	2.3	4.4	4.0	2.0	3.2	4.8	4.8
1994	4.6	5.2	3.6	5.0	6.0	2.8	5.3	4.7	2.2	3.8	5.4	5.3
1995	4.4	5.1	3.4	4.4	5.9	2.7	5.0	4.5	2.0	3.8	5.3	5.2
1996	4.2	4.7	3.5	3.8	5.6	2.9	4.6	3.9	2.1	3.9	5.1	5.3
1997	3.6	4.1	3.2	2.8	4.7	2.8	3.9	3.4	1.9	3.5	4.7	4.7
1998	2.7	3.3	2.8	2.1	3.7	3.0	3.0	2.6	1.5	2.6	3.8	3.9
1999	2.1	2.7	2.4	1.7	3.5	2.8	2.3	2.1	1.4	2.0	3.1	3.3
2000	1.8	2.5		1.2	3.2		1.9	2.0		1.8	2.8	
2001	1.4	2.3		1.1	3.5		1.5	1.6		1.3	2.5	

Source: CBS, Enquête Beroepsbevolking

* reg: registered at employment exchange, lfs: survey-unemployment according to ILO definitions, grey: willing to work and available but without search over last 4 weeks. The latter's definition is more restricted than in Table 1 in the sense that people need to be available for a job.

The effects of combining education with a job may be two-fold. On the one hand, education turn into a hiding place for discouraged workers when the prospects for employment are dim; on the other hand, the urge of systematic job search may diminish – one may take a (small) job when it happens to come along without even expressing the desire to work. Two observations seem to support this view. First, in spite of the strong trend towards rising educational participation, perhaps largely for cultural or social

reasons, fluctuations around the trend still appear to be sensitive to the unemployment situation (Chart 12). The chart presents the educational behaviour of people in the age group who are in a position to choose a new education and stay longer given the unemployment that they face. Second, there is a gap between the unemployment numbers registered at the Employment Office and the numbers based on the labour force survey (Table 3). The latter fell consistently less during the two declines (1988-91 and 1994-99), suggesting that people in education tend to come out of their hiding place when the unemployed who remained outside education manage to find jobs. Third, Table 3 shows that the youth population in grey unemployment, although not as high as open unemployment, even tended to rise with the recent decline in unemployment. It is difficult to tell from the scant evidence how large the effect is but it is potentially substantial given the fact that at the end of the period surveyed unemployment was more than three times as large as the registered variant.

Women and households

Adult women are the other relevant category. Contrary to youth and almost as communicating vessels, they have increased their labour market activity. For them part-time jobs are equally important, particularly in the more substantial range of 12 to 34 hours per week. Although the absolute number of full-time jobs occupied by adult women increased, their share in female employment declined (36 ? 31 %) ²². At the same time almost half of the absolute increase was lost among young women and, consequently, total female full-time employment lagged significantly behind.

** Chart 13

Employed women by household situation, Netherlands, 1981-2001

Source: CBS, IPO

Unsurprisingly, women in couples profited most from the growth of employment, see Chart 13. In fifteen years' time they completely bridged the gap in labour market

²² Among adult men the full-time share remained at 90 %. This level is comparable to other countries, cf. European Foundation, 2000.

participation that divided them from single women. This had the important implication that the combination of paid labour and household labour has become a vital element of employment²³. Over a shorter period (1992-2001) the household distribution of the hours volume of employment could be estimated²⁴ as a means to evaluate the process that is going on. It shows that women in couples with children profited substantially from the increase in the volume of female employment. Their hours share grew from 29 to 35 per cent, for one part (+3 %) because their persons share grew for the other part because they increased their average working hours compared to other women. These women had a large share in the very small jobs but the importance of these is declining. More and more they seem to behave in the labour market like other women.

The increased combination with household activities may have the same implications for women as for youth in relation to education. Households can provide a hiding place for employment hardships and they may also reduce the urge of systematic job search. However, while a longer stay in education may even improve a person's chances in the labour market, women retreating to the household run the opposite risk, the deterioration of human capital and difficulties of re-entry. Changing working hours while staying on the job would be more advantageous. That is what seems to go on if we consider the fact that, until recently, the variation over time of the persons-hours gap (cf. Chart 9) was stronger for women²⁵.

The effects of female labour market behaviour on unemployment statistics could thus be similar to those of youth. Indeed, Table 3 shows similar effects: a 'coming out' in survey unemployment when registered unemployment fell, but the effect seems less strong, with

²³ It also implied a drastic transformation of the household distribution of earnings. The number of the one-earner households declined by 1.1 million between 1977 and 2000; that of two-earner households grew by 1.5 million.

²⁴ Again roughly, with the help of usual weekly hours.

²⁵ The long tenure of part-time jobs also supports this contention. Female part-time workers have an even higher share working more than 10 years with the same employer than full-time workers.

a smaller gap. For them grey unemployment, however, is significantly larger. It moves exactly in line with survey unemployment.

The role of women has grown steadily over the last 15 years and for youth particularly since 1995 (Chart 14). This in combination with their concentration in part-time labour will certainly have contributed to the recent decline in unemployment rates although it is difficult to quantify the effect.

** Chart 14

Employment participation by age and gender, Netherlands, 1981-2000

Source: CBS, Arbeidskrachtentellingen 1981-1985 and Labour Force Survey made comparable by Dutch statistics.

Adult men

So far we have considered the direct contribution of youth and women and the part-time labour market but the effects may also be indirect and extend beyond the two groups. An important transmission belt seems the fact that increasingly low-skilled jobs are part-time jobs that are unsuited for the low-skilled who need a full-time income for their living²⁶. This makes it more difficult for low-skilled men to leave unemployment. In contrast with the other two groups, adult male registered unemployment always exceeded surveyed unemployment (Table 3). This does not show up in the official unemployment rate but may affect grey unemployment. It may help to explain why in Netherlands more people receive unemployment benefit than are registered as unemployed. During the last three decades the benefit figure was virtually twice the unemployment figure (see Chart 15) in spite of the many changes that have been made to entitlements over this long period (e.g. they were virtually abolished for young people). Significantly, the level at the end of the period was well above that of the late 1970s and the peak of the 1990s exceeded that of the 1980s while the divergence with surveyed unemployment also tended to grow. Naturally, the part-time structure of low-skilled employment also affects the least-educated women. Their labour market participation lags far behind that of the

²⁶ Cf. Salverda, 2003a

best educated compared to other countries and as far as they have a job it is frequently a very small one²⁷.

** Chart 15

Unemployment and benefits to population ratios, Netherlands, 1970-2001

Source: xx

²⁷ Glyn, 2001 and Salverda, 2003a.

4. Conclusions for labour market indicators

Good indicators are a great help for analysis but they can never replace this. The simplest recommendation for the architecture of comparative labour market statistics – from the point of view of performance! – is, first, that any indicator, be it employment, GDP or unemployment, should be related to population growth for a proper comparison across countries. The differences in population growth can be quite substantial. The suggestion seems rather evident but it is often ignored.

An equally simple second recommendation is that head-count indicators on their own are grossly insufficient as a representation of employment and economic performance now that working time arrangements are increasingly diverging – over time, across countries and across labour market groups. The Netherlands provides a good case to study this as its part-time arrangements seem to be most developed, including an important role for the very small jobs. Increasingly, hours of work are statistically observed but the difficulties are manifold and this endeavour should be strongly supported to help establish a sound consideration of the employment volume and hourly productivity. This alone, however, will not be enough.

Third, a long-term perspective is advised as it will diminish the effects of the volatility of outcomes and fashions in labour market analysis and policy-making – over the last twenty years many countries have gained and soon again lost popularity as a 'model' to guide the others. Notably, at this moment the Dutch economy is functioning worse than any other of the European Union.

The rise of a wide array of part-time jobs has several important implications that need reflection and need to be reflected in the statistical apparatus. First, the usual statistic on the voluntary or involuntary nature of part-time work misses the point of the hours that people would want to work. A substantial part of part-time workers would prefer longer

hours²⁸, but still less than full-time. This type of unemployment is missed by person-based unemployment count, negatively affecting it as an indicator of both performance and well-being. The significance of this phenomenon can only rise with the growing significance of part-time jobs.

Second, the functioning of the part-time labour market may differ from traditional views: the transparency of supply and demand may be less affecting search on both sides. Part-time labour seems to have two implications: it will be relative more costly on the one hand for employers to advertise part-time jobs and on the other hand for inactives looking for work to manifest themselves as potential labour supply, assuming that advertising costs are more or less fixed. On the supply side this effect may be reinforced by the fact that, almost by definition, the potential labour supply for part-time jobs also deploys other activities – in households or education – that may diminish the urge of taking up a job. Consequently, the process of combining demand and supply may become more casual and deviate from textbook reality. In addition, the part-time labour market may to a significant extent be supplied by people who change from a full-time to a part-time position with the same employer without ever passing through the stage of open unemployment. The development of the part-time labour market may make the decision making on household labour supply deviate far from a simple monetary arithmetic based on wages.

Astonishingly little is known about the general features of demand and supply and their mutual interaction in the part-time labour market. The very lack of a proper statistical coverage in the Netherlands, where the incidence by far exceeds that of any other country, is telling. The very small jobs – no less than ten per cent of all Dutch employed have one – are strongly undersurveyed, e.g. there is no information on who the unemployed are in this part of the market.

Most research of the part-time labour market is focused on the position of individual workers who have a part-time job (earnings, careers etc.) with very little attention paid to the functioning of this segment of the labour market. The embedding of this labour

²⁸ European Foundation, 2000, Table 4.

market in other areas of life such as education or household care, may differ across countries and/or change over time and exert distorting effects on the role of open unemployment. I have argued that particularly grey unemployment – labour supply that is available but not actually searching – may relate to this and should be taken seriously. More efforts should be spent on its measurement, naturally including the part-time aspect. In many countries the incidence of part-time work is growing rapidly, and advocated by policy-makers, and particularly in a stage of transition the traditional labour market indicators may provide insufficient guidance.

The other main point is that labour market indicators usually also serve to indicate the state of economic performance. Rapid employment growth or low unemployment are assumed to reflect rapid economic growth or a favourable economic condition. On this score it was argued that head-count observations can be utterly misleading. The volume count of employment by means of hours worked is more to the point. For economic performance it is quite obvious that productivity should be taken into account as pointed out by Rafael Munoz, and this should be carefully based on the hours approach. Munoz referred to the divergence between Spain and Portugal. In this contribution we encountered a similar phenomenon between Belgium and the Netherlands: in spite of the much more rapid head-count job growth of the Netherlands, the Dutch economic performance was not superior to Belgian.

References

Bluestone, Barry, et al., 2000, Ford/Rockefeller Unemployment Project, revised 15-9-2000

European Foundation (G. Gasparini et al.), 2000 *Full-time or Part-time Work: Realities and Options*, Dublin

Glyn, Andrew, Inequalities of employment and wages in OECD countries, *Oxford Bulletin of Economics and Statistics*, volume 63, special issue, 697-713

A. Krueger and J.-S. Pischke, 1997, *Observations and Conjectures on the US Employment Miracle*, NBER working paper no 6147, Cambridge MA

Salverda, Wiemer (1992), *Youth Unemployment: Dynamics of the Dutch Youth Labour Market 1955-1988*, Wolters/Noordhoff, Groningen

Salverda, Wiemer, Brian Nolan, Bertrand Maitre and Peter Mühlau, 2001, *Benchmarking Low-wage and High-wage Employment in Europe and the United States*, European Commission, Brussels

Salverda, Wiemer (2003a), Low pay and gender mainstreaming, in A. Serrano et al, eds, *Overcoming barriers to equal pay in Europe: monitoring gender mainstreaming*, ETUI, Brussels, forthcoming.

Salverda, Wiemer (2003b), The Dutch Model: Magic in a Flat Landscape? in: Uwe Becker and Herman Schwartz, eds, *The Small Countries' Employment 'Miracles' in Critical Comparison. Examples to Learn From?*, Amsterdam University press, forthcoming

SZW, 2000, *Sectoranalyse WAO 1999*, The Hague

Wielers, Rudi, and Peter van der Meer, 2002, *Lower-educated workers and part-time work: The Netherlands 1973-1991*, SOM, University of Groningen, 2002.

Table A.1 Netherlands, Employed persons 2001

	TOTAL	<12 hours/ week	>= 12 hours/week						
			Total	Employees Tenured	Flexible	Self- employed	Working hours		
							12-19	20-34	35+
Population 15-64	10 801 000								
Total number working	7 865 000								
				%					
Percentages of total working	100.0	10.2	80.0	73.5	6.4	9.8	7.7	21.6	60.5
15-24 years	16.0	5.2	10.6	8.1	2.5	0.3	1.6	2.6	6.7
Singles	14.0	1.1	11.8	10.6	1.1	1.1	1.4	6.2	18.6
Couples without children	27.5	1.3	23.3	22.0	1.3	2.8	4.2	9.8	24.2
Couples with children	41.4	3.2	33.0	31.2	1.8	5.2	0.2	1.1	1.0
MEN									
Total	56.7	3.1	46.9	43.7	3.2	6.7	1.3	5.3	47.0
15-24 years	8.2	2.5	5.6	4.2	1.3	0.2	0.7	0.9	4.1
Singles	8.4	0.5	7.1	6.4	0.6	0.9	0.3	0.9	6.7
Couples without children	14.9	0.3	12.7	12.1	0.6	1.9	0.2	1.4	12.9
Couples with children	24.0	0.1	20.3	19.7	0.7	3.5	0.1	1.9	21.8
WOMEN									
Totaal	43.3	7.1	33.1	29.8	3.3	3.1	6.5	16.3	13.4
15-24 years	7.8	2.7	5.0	3.8	1.2	0.1	0.9	1.7	2.6
Singles	5.6	0.6	4.7	4.2	0.5	0.3	0.4	1.6	3.0
Couples without children	12.7	1.1	10.6	9.9	0.7	1.0	1.2	4.7	5.7
Couples with children	17.4	3.1	12.6	11.5	1.1	1.7	4.1	7.9	2.4

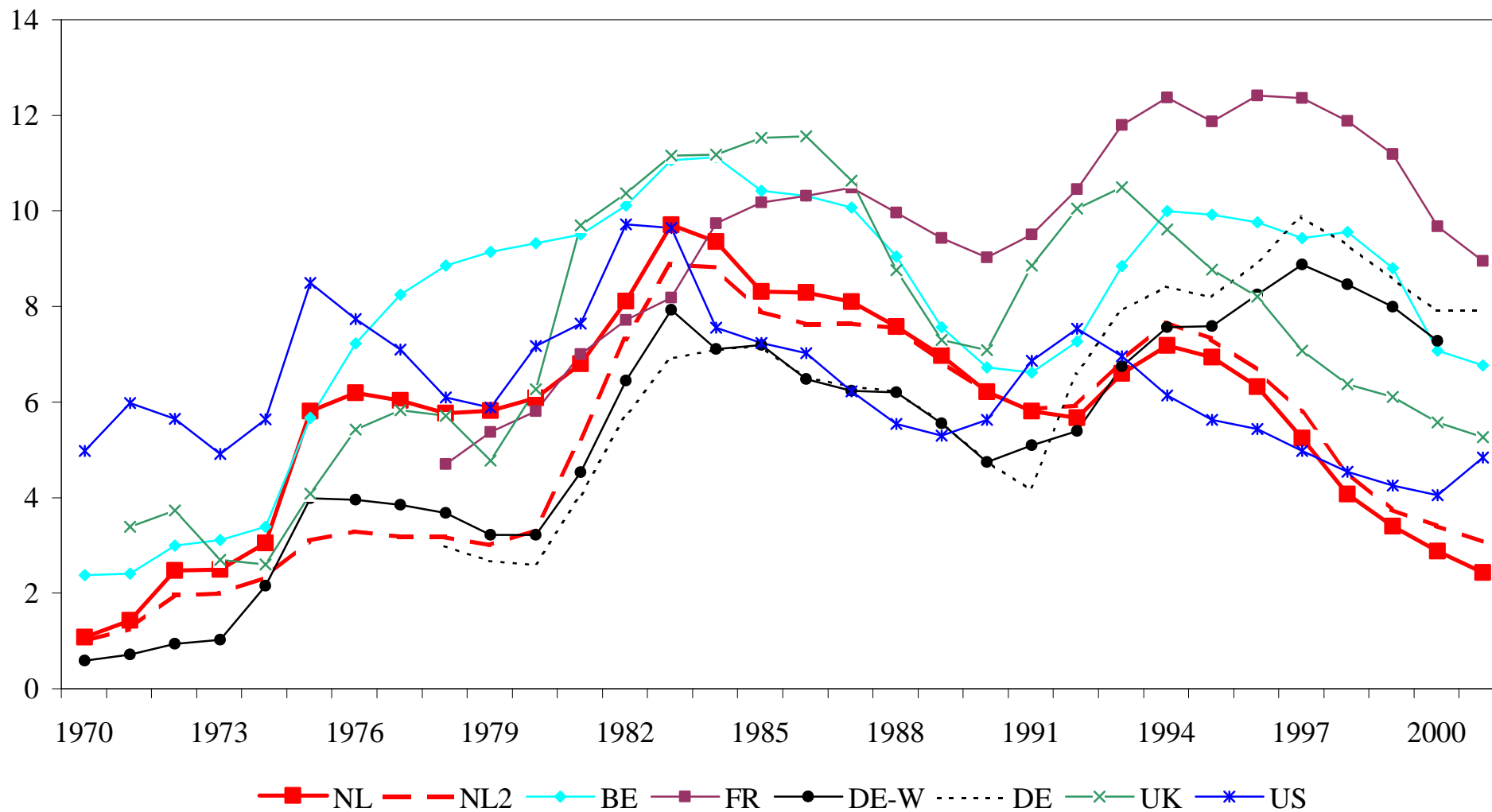
Source: CBS, Statline

Table A.2 Country characteristics, 2000

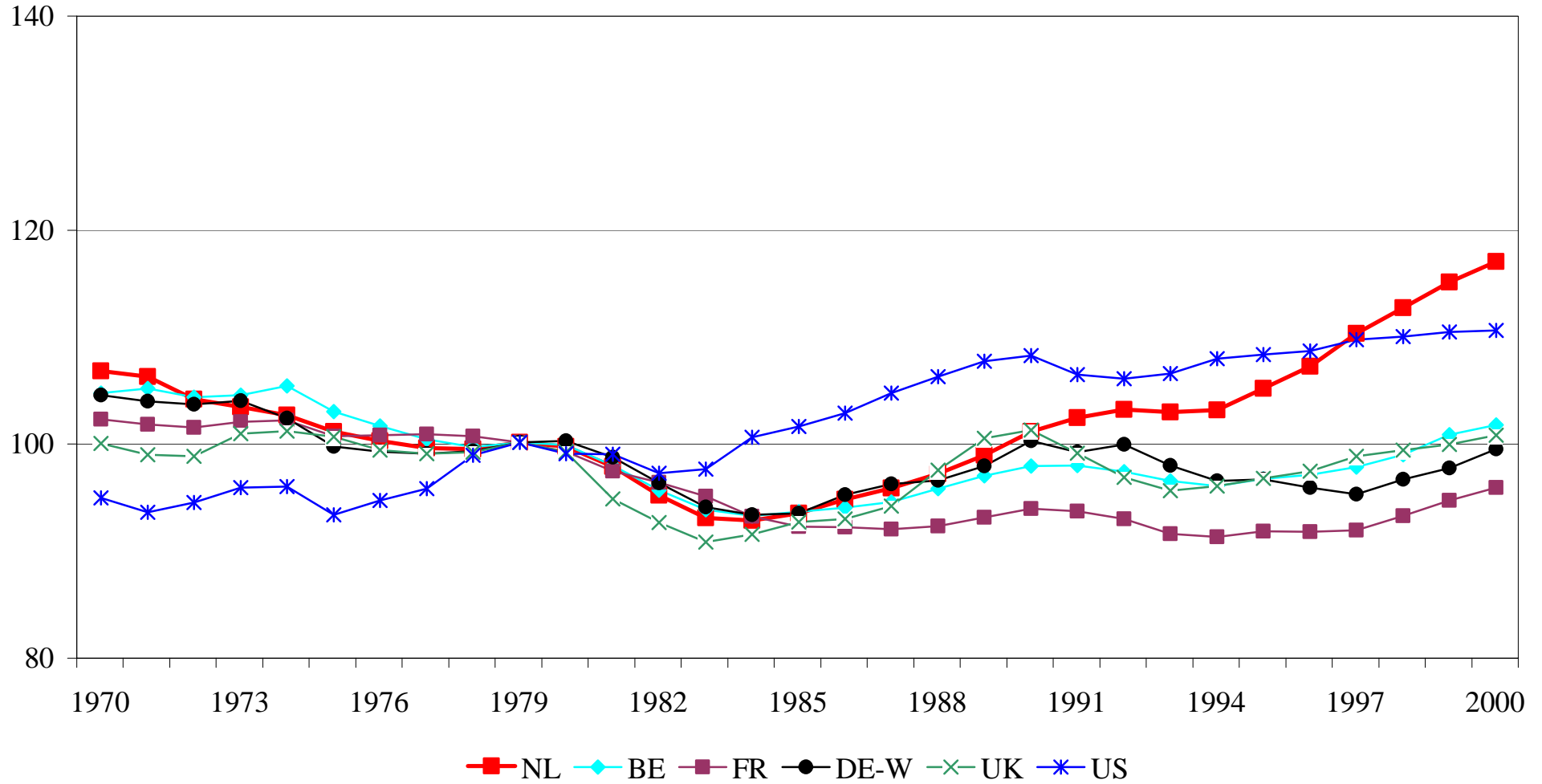
	NL	BE	DE	FR	UK	US
Demographics (million)						
Population	16.0	10.3	82.3	60.9	58.8	285.9
ib 15-64	10.8	6.7	55.8	38.4	39.0	182.0
Employed	8.3	4.0	37.4	24.5	28.3	149.3
EPOP 15-64 (%)	70.9	59.1	67.0	61.9	71.3	75.1
Average annual hours worked	1346	1528	1496	1532	1711	1835
Unemployed	0.270	0.311	3.133	2.556	1.619	5.655
UPOP 15-64 (%)	2.5	4.6	5.6	6.7	4.2	3.1
Economy						
GDP (\$ billion)	384.1	227.6	1853.4	1309.8	2288.8	10019.7
GDP/capita 15-64	xx					
GDP/hour worked						
id PPP-\$	469.1	284.8	2166.5	1594.4	1540.9	10019.7
Exports in GDP (%)	65	84	35	28	27	10

Sources: OECD, NA2002 release 04, and Website Labour Market Statistics

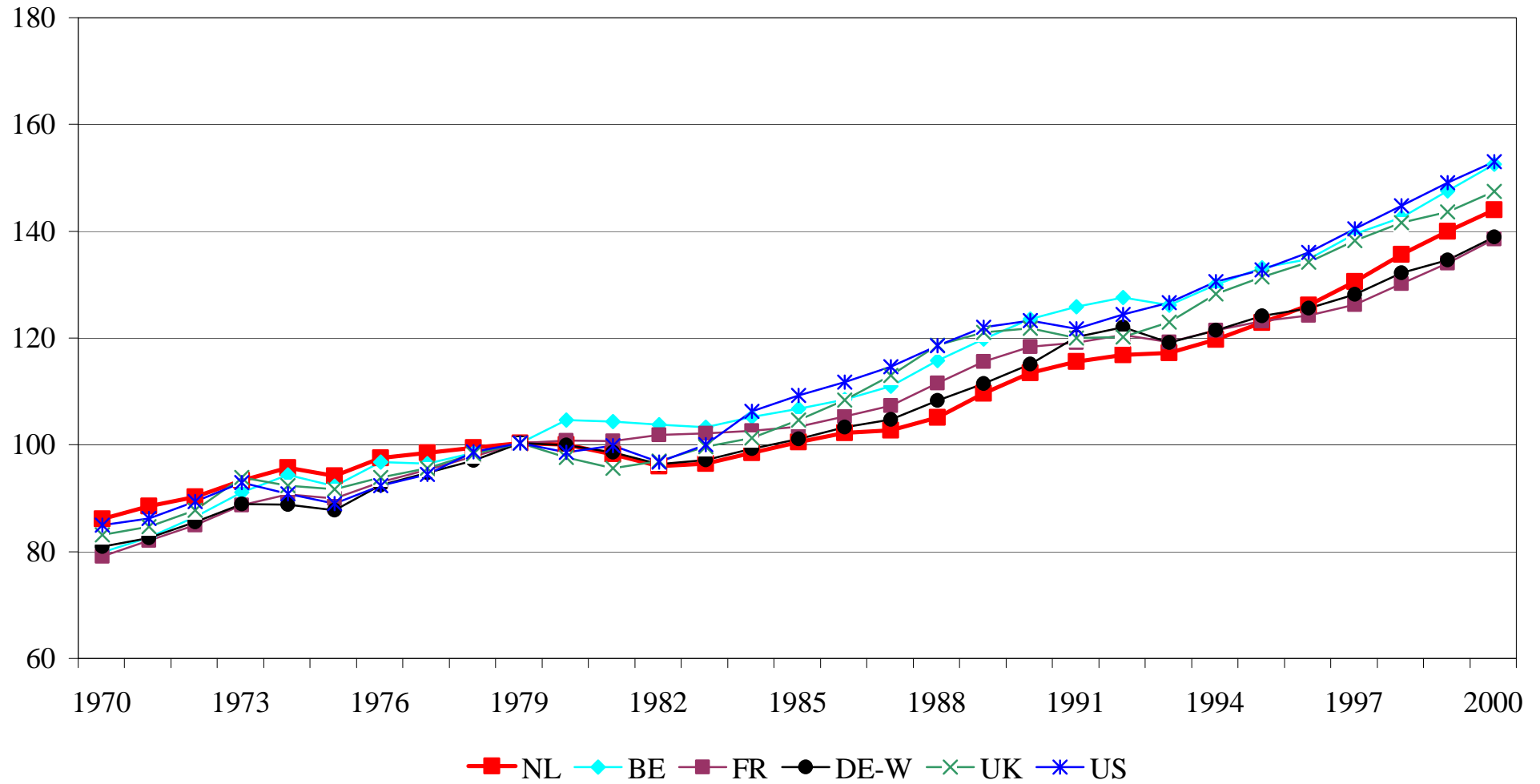
1. STANDARDISED UNEMPLOYMENT RATES, 1970-2001



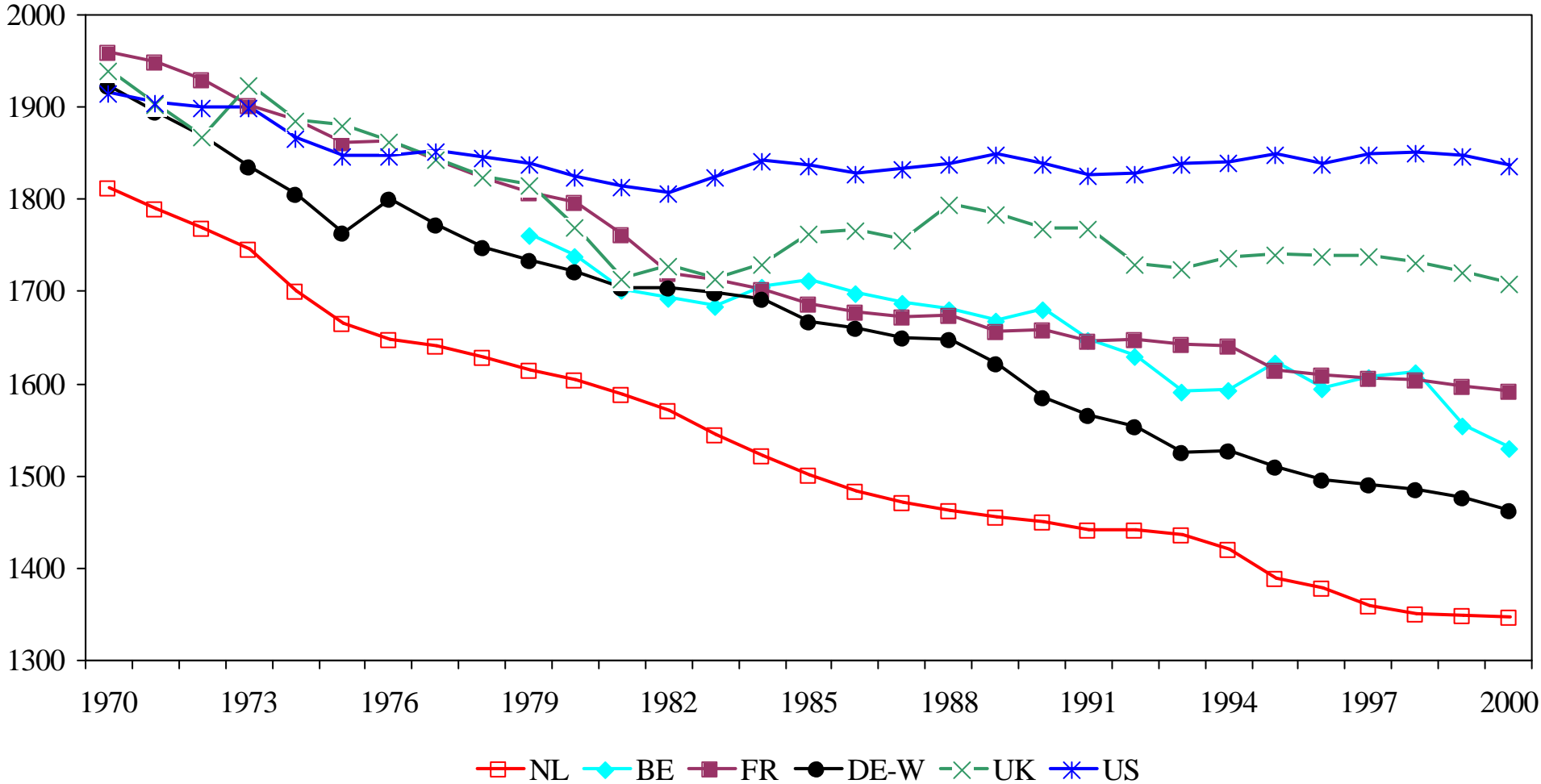
2. EMPLOYMENT-to-POPULATION 15-64 GROWTH, 1970-2000 1979=100



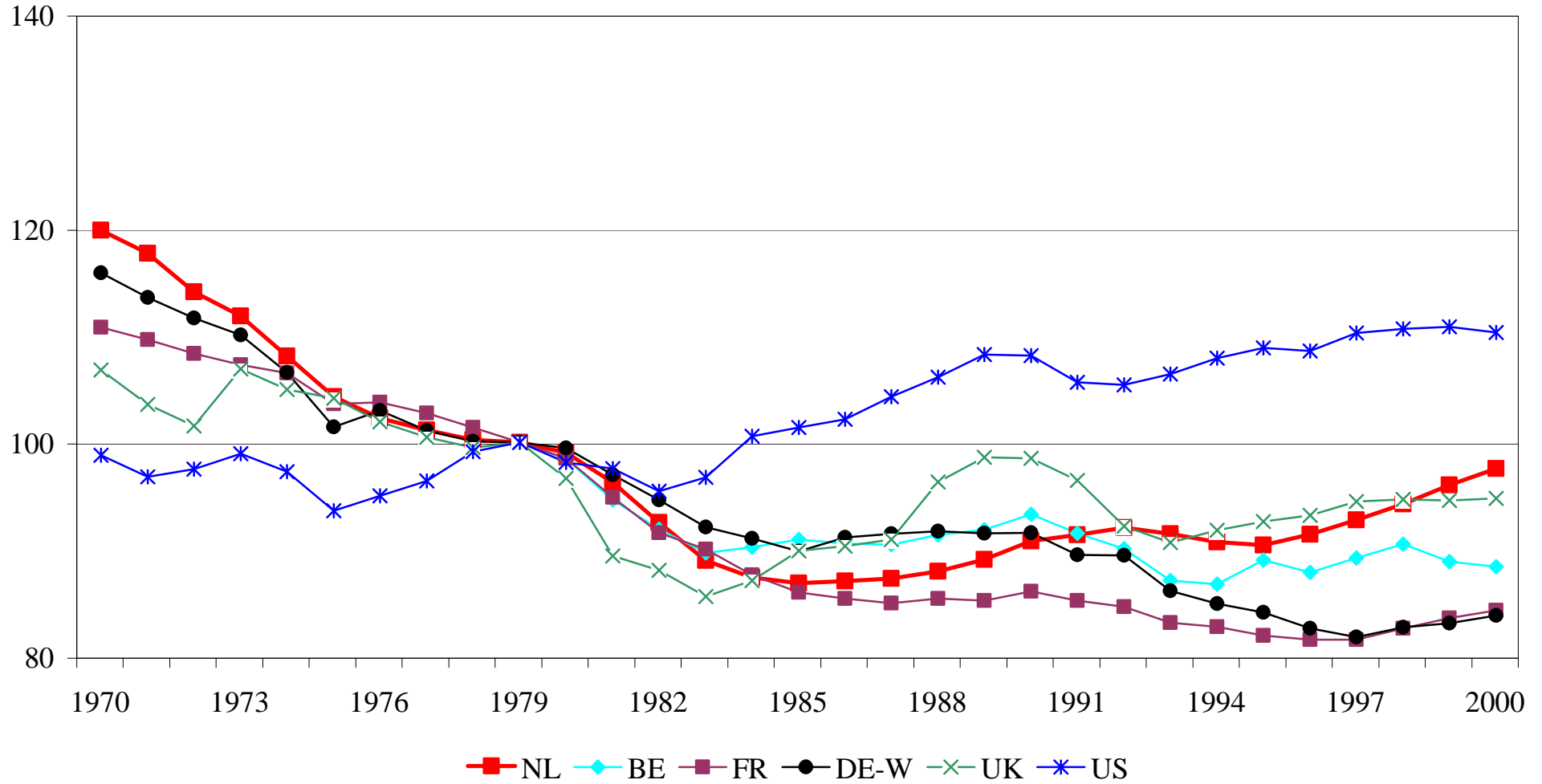
3. VOLUME OF GDP PER CAPITA 15-64, 1970-2001 1979=100



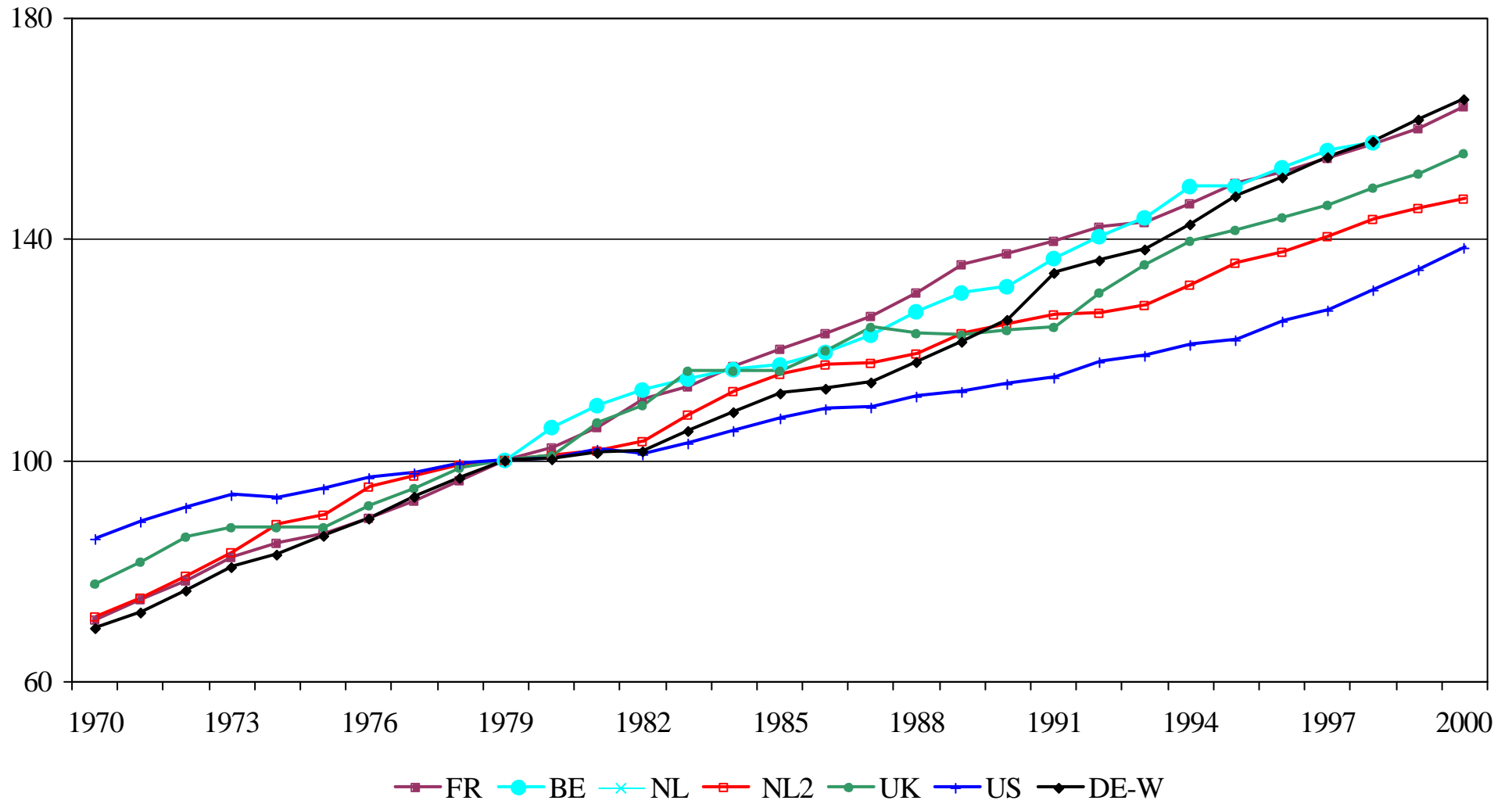
4. AVERAGE ANNUAL HOURS WORKED, 1970-2000



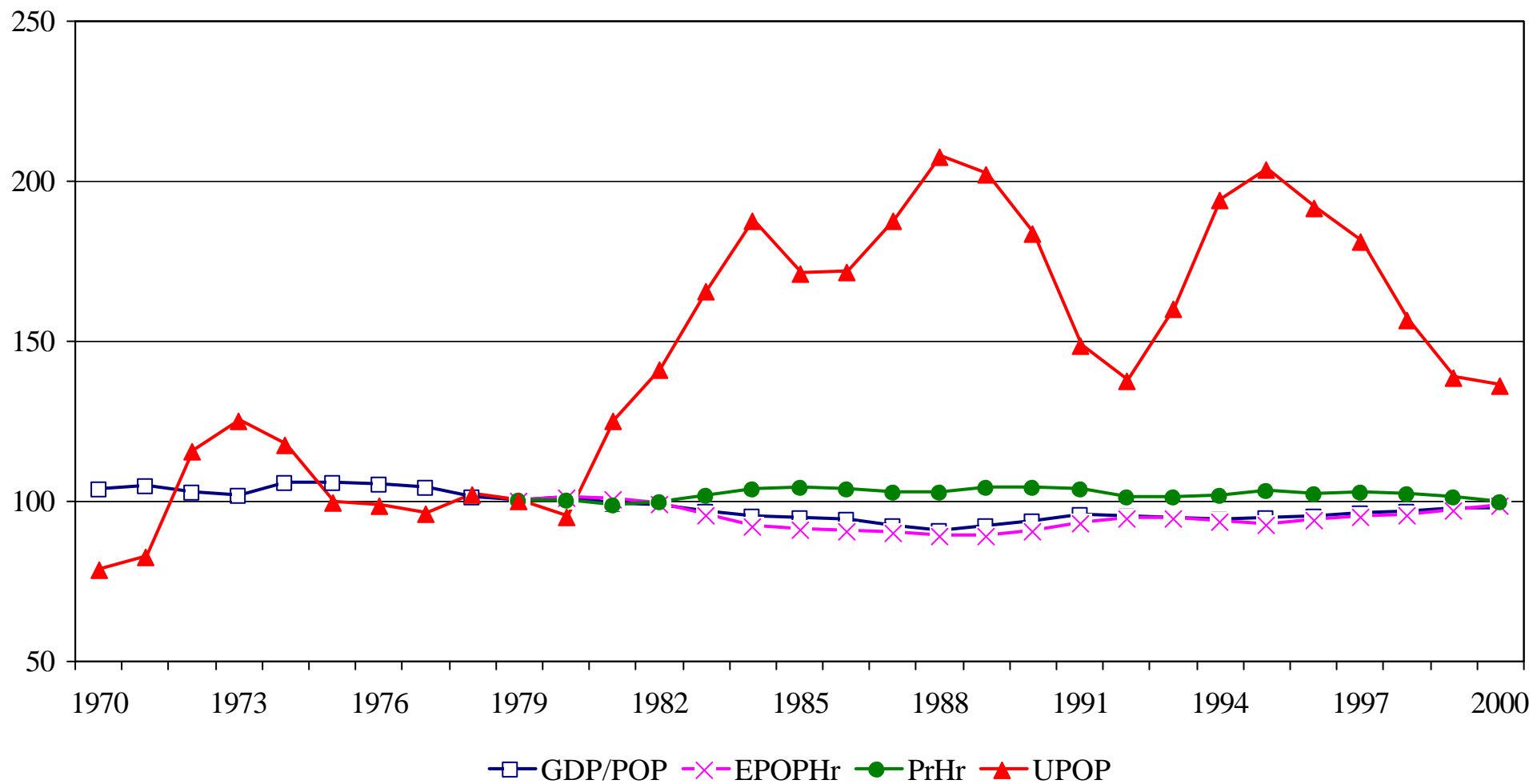
5. EMPLOYMENT-VOLUME-to-POPULATION 15-64 GROWTH, 1970-2001
1979=100



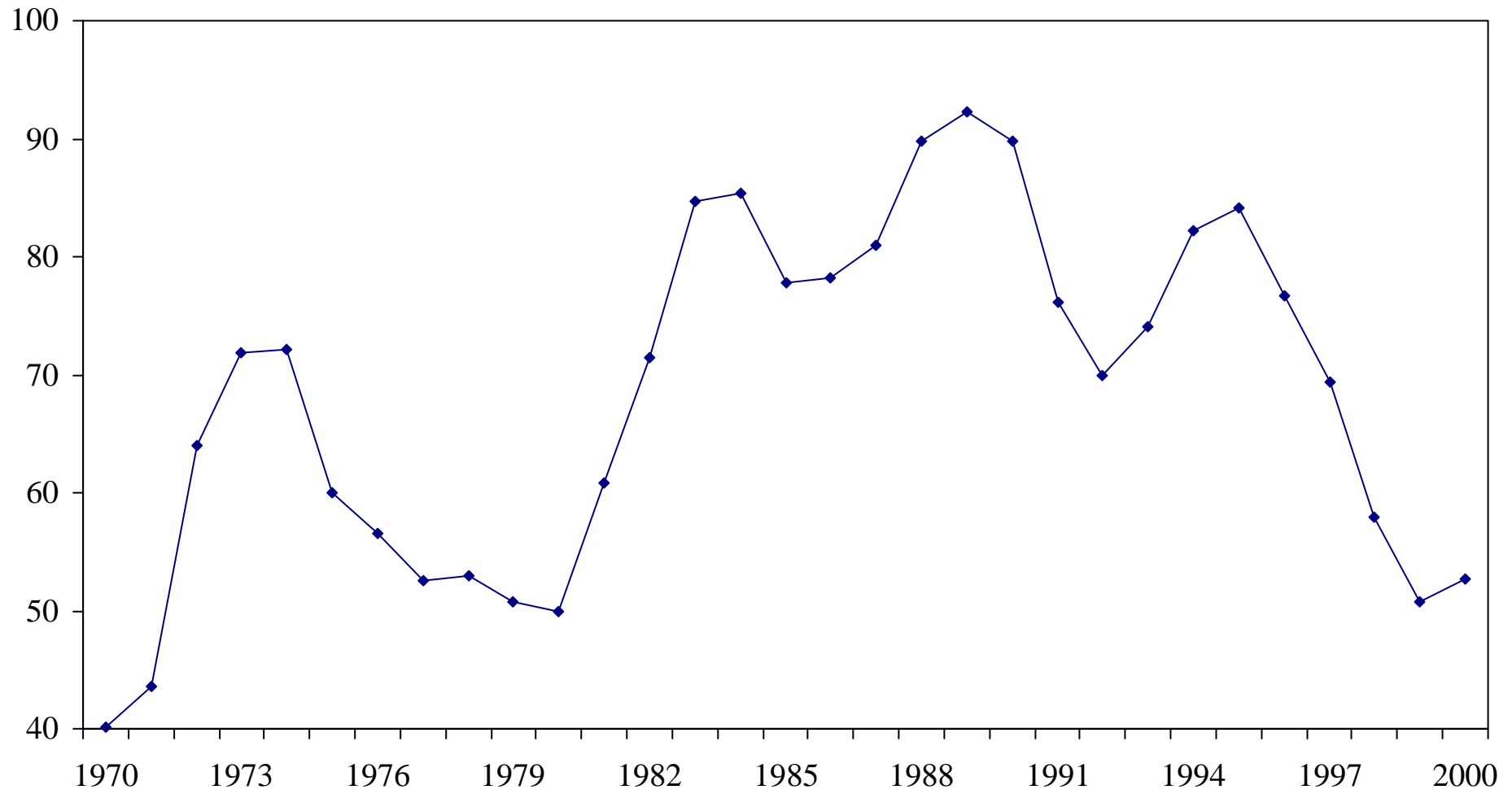
6. HOURLY PRODUCTIVITY, 1979=100



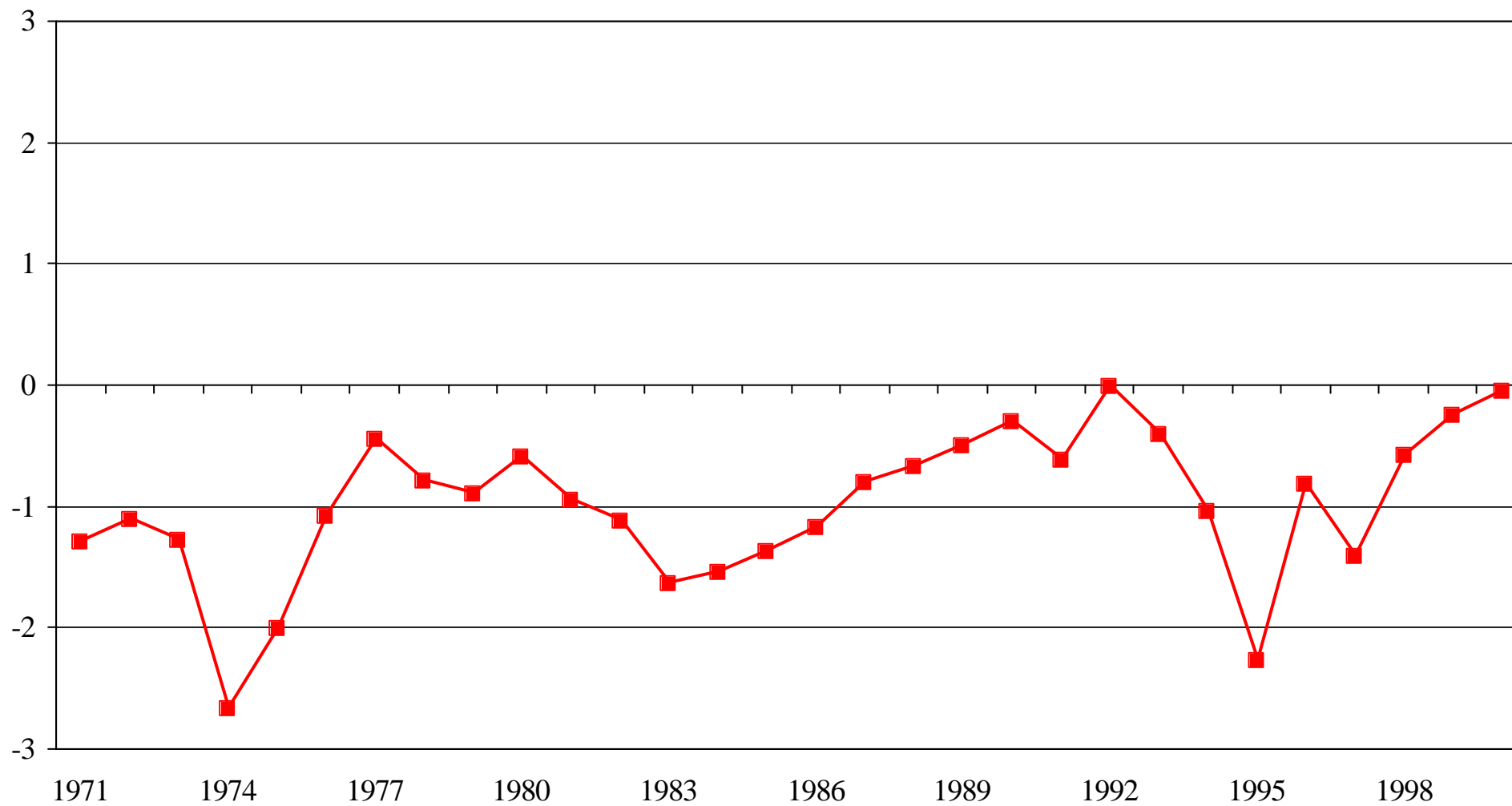
**7. DUTCH PERFORMANCE TO INTERNATIONAL AVERAGE BE/FR/UK/US/DE-W
1979=100, POPULATION WEIGHTS 1979, HOURS BASED**



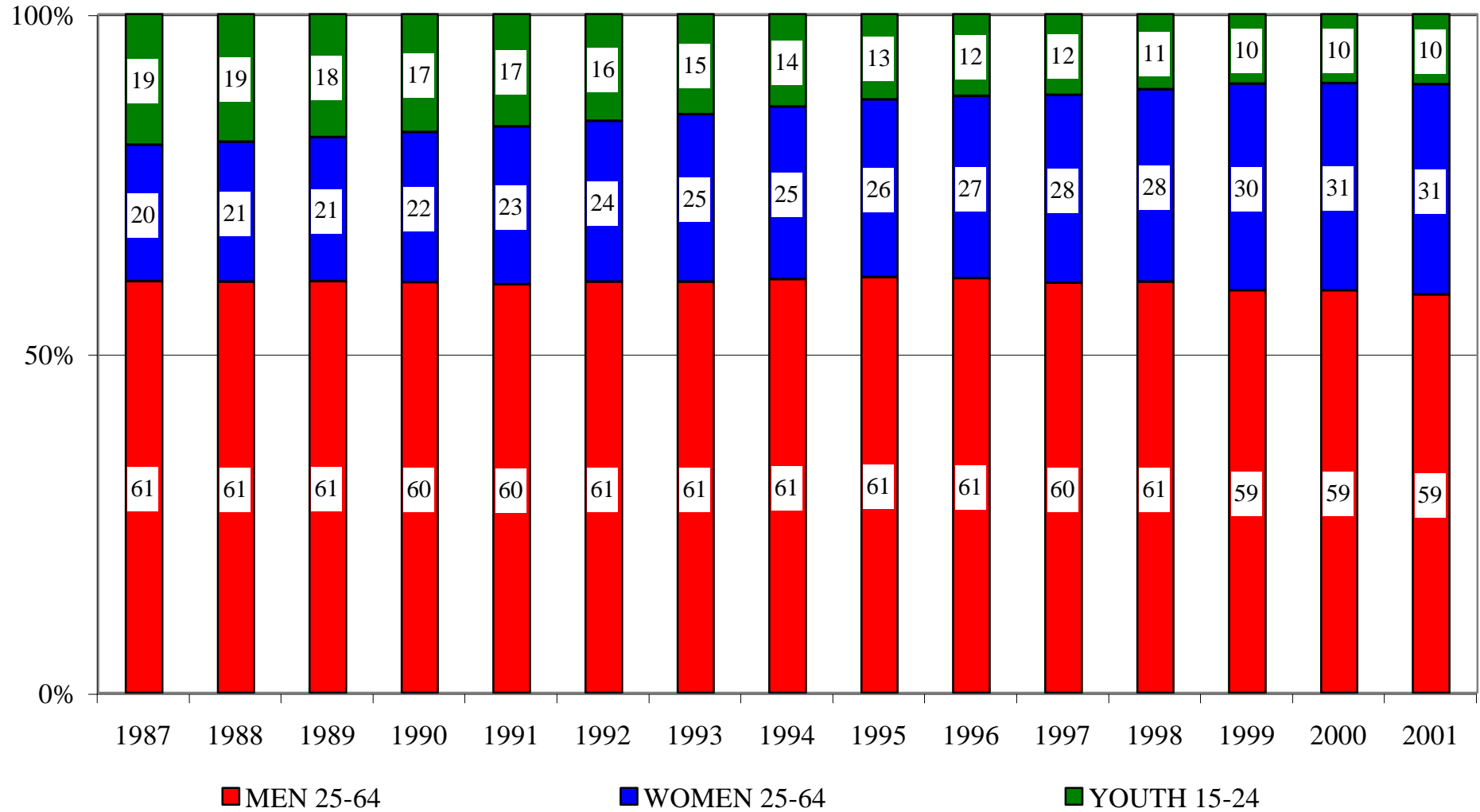
8. DUTCH UPOP AS % OF UNWEIGHTED INTERNATIONAL AVERAGE, 1970-2000



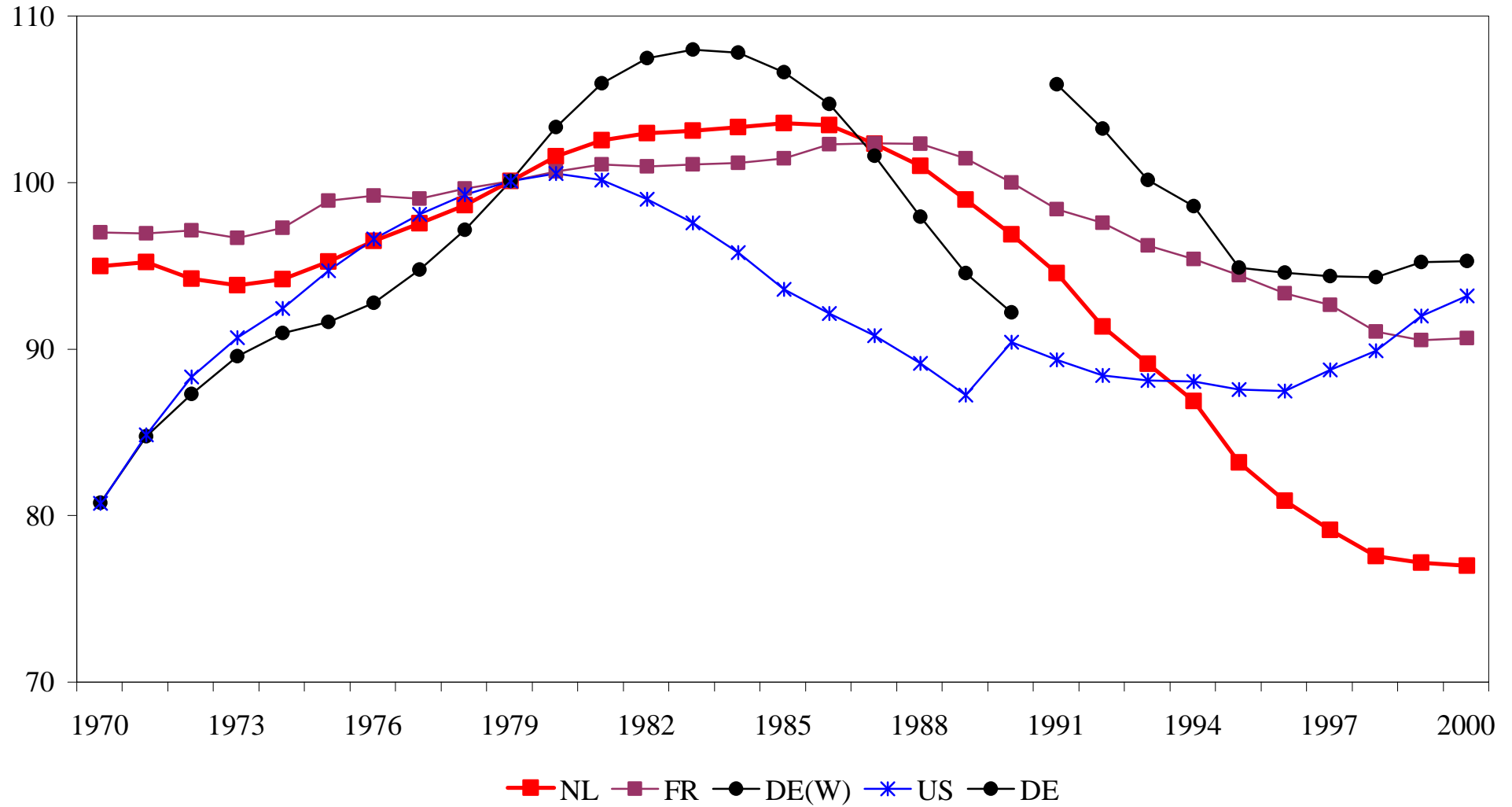
9. HOURS-PERSONS GAP IN ANNUAL EMPLOYMENT CHANGES, PCT PTS



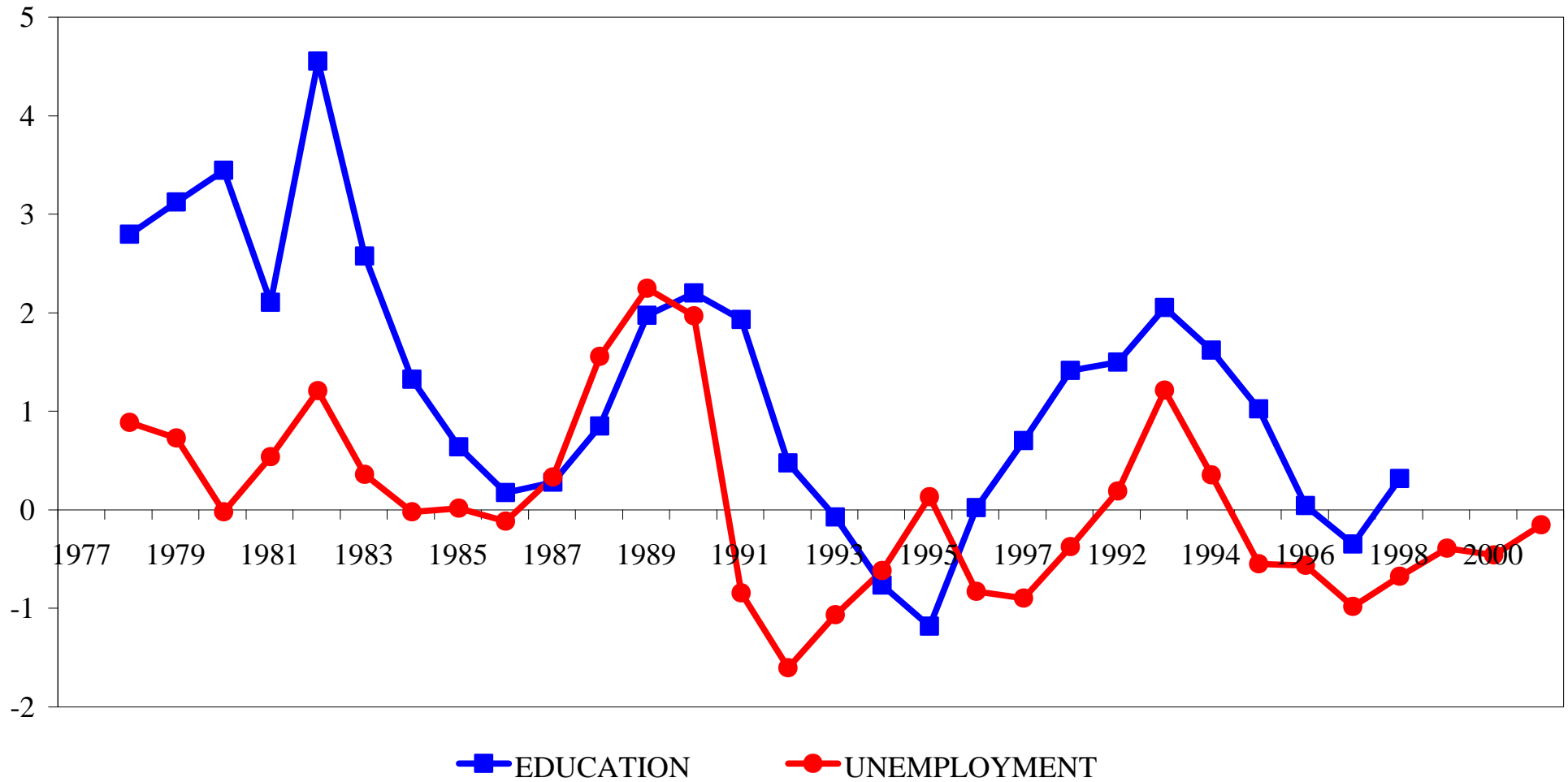
10. HOURS WORKED (>=12/WEEK) BY AGE AND GENDER, NL



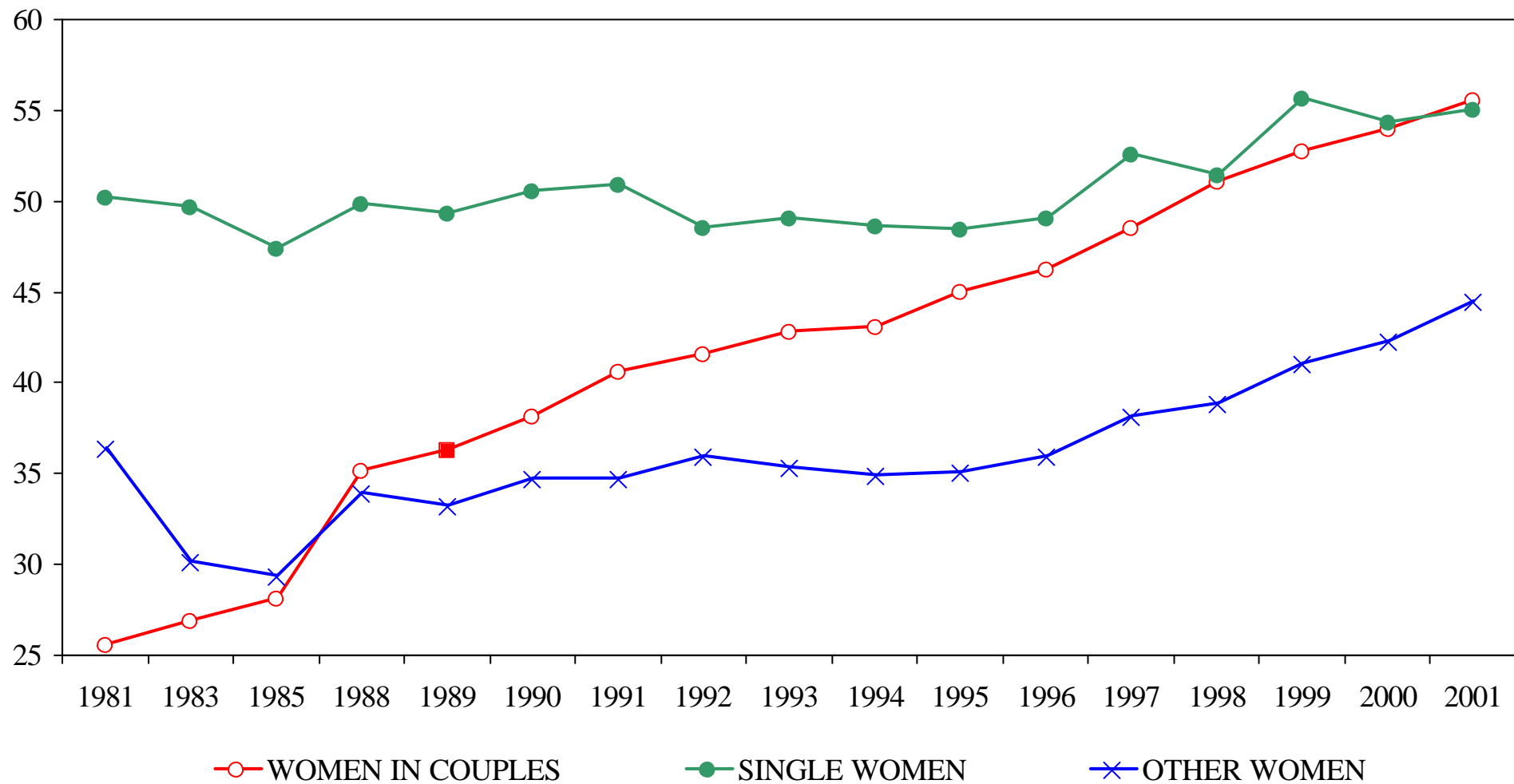
11. YOUTH (15-24) POPULATION, 1985=100



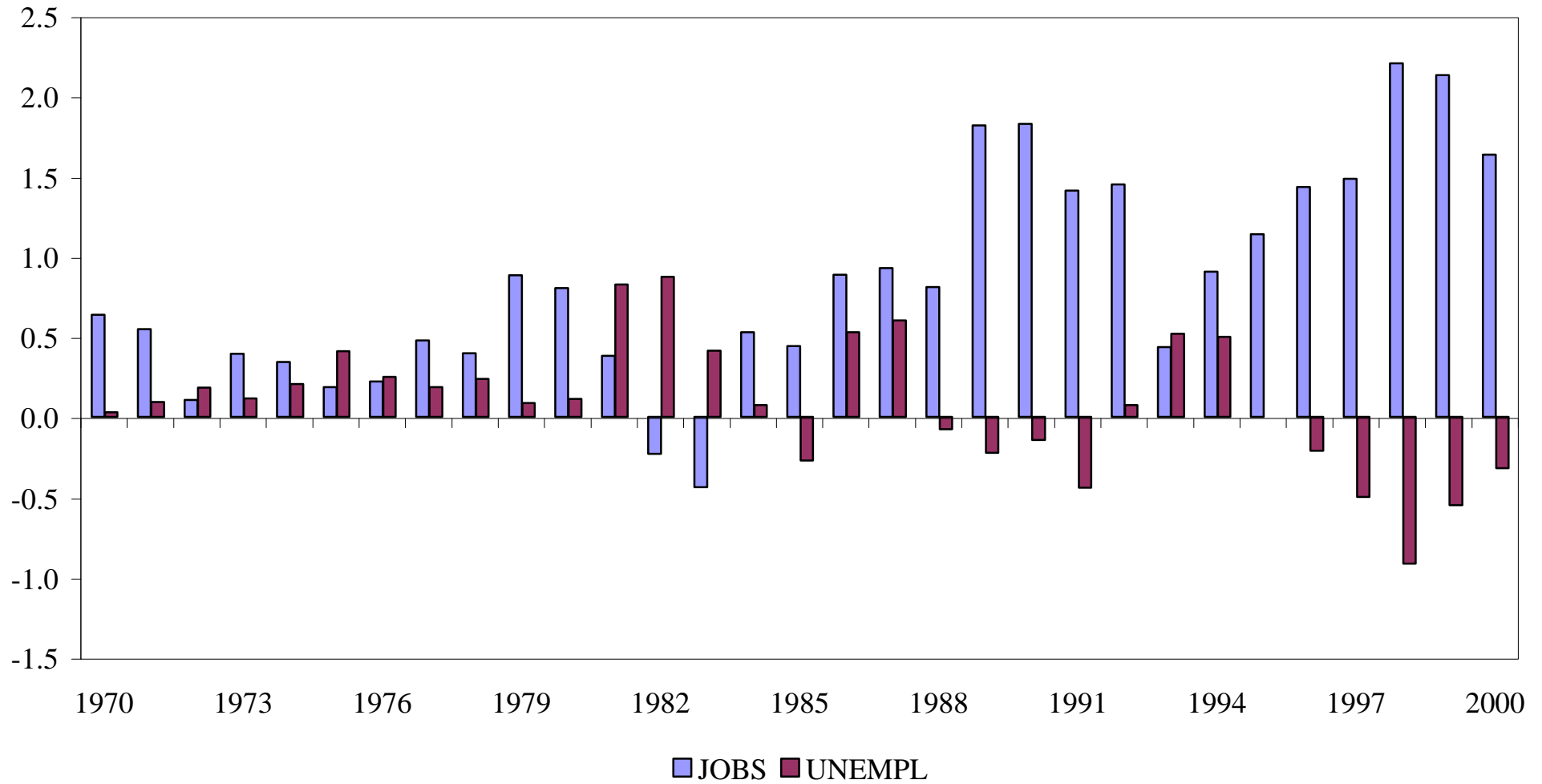
12. EDUCATION PARTICIPATION OF 15-19 YEARS OLD AND UNEMPLOYMENT OF 15-24 YEARS OLD, PERCENTAGE-POINTS CHANGE OF RELEVANT POPULATION



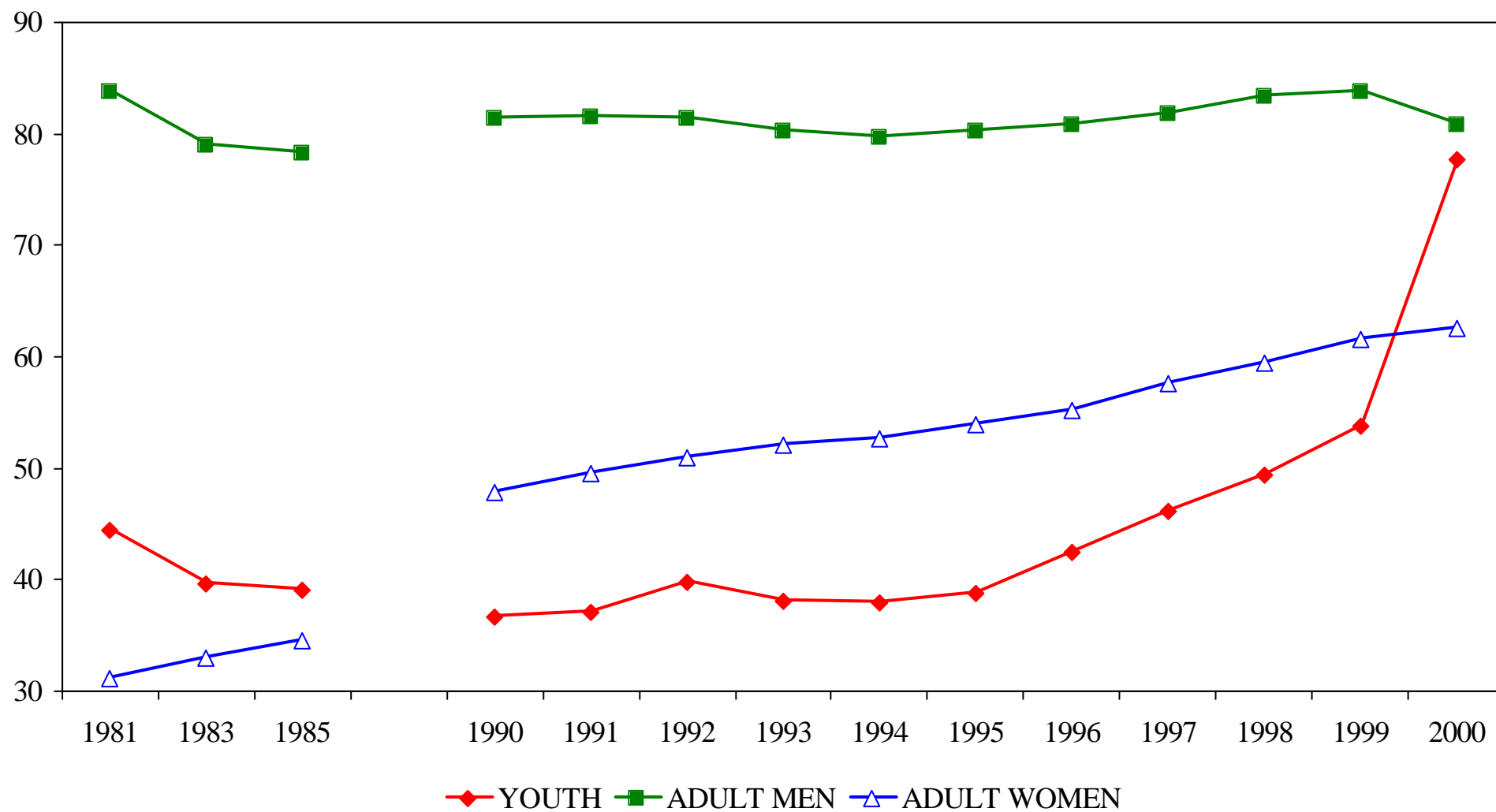
13. EMPLOYED WOMEN BY HOUSEHOLD SITUATION, 1981-2001
% OF RESPECTIVE POPULATION



**14. EMPLOYMENT AND UNEMPLOYMENT GROWTH, WOMEN, NL
PERCENTAGES OF FEMALE POPULATION 15-64, 1981-96**



15. EMPLOYMENT-TO-POPULATION RATIOS, NETHERLANDS, 1981-2000



16. UNEMPLOYED AND UNEMPLOYMENT BENEFITS, NL
% POPULATION 15-64

