

NEW WORK, FAIR WORK, GOOD WORK.

THE IDEAL OF FULL EMPLOYMENT

IN THE 21ST CENTURY

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In 1936, British economist John Maynard Keynes wrote: 'The outstanding faults of the economic society in which we live are its failure to provide for full employment and its arbitrary and inequitable distribution of wealth and incomes'. Today, with large numbers of people unemployed after five years of crisis, the importance of full employment is still beyond dispute, both for individuals and for societies in general. And especially for people in vulnerable positions on the labour market, who are disproportionately affected by unemployment. The question is whether full – or as full as possible – employment is a feasible goal, also in the long term.

Despite the ageing of the population, technological advances and robotization will ensure that there will no shortage of labour in the Netherlands. In addition, the retirement age is rising along with life expectancy. This means that people stay active on the labour market for longer and that healthy and safe work is presenting additional challenges. However, although there will be no structural shortage of labour, there may be partial shortages on parts of the labour market. Demand for highly educated employees in particular – and therefore the importance of knowledge – has grown more quickly than supply, despite the fact that well educated young people will continue to replace less educated older employees in the coming years. In Europe and the US, this growing partial shortage of labour has led to a widening wage gap between higher and lower educated employees. Wealth and prosperity are also unequally distributed between labour and capital in these regions. Capital providers and the upper segment have increasingly benefited more than average employees in recent years.

Our economic system is clearly not capable of assuring full employment and an equitable distribution of wealth and income. Little seems to have changed in the past 80 years, but Keynes did believe in conscious change. The system could be modified to try and achieve full employment and distribute capital and income more fairly – and that has happened. As a consequence of an active government policy, the Netherlands has experienced the same trends, but much less dramatically than in countries like the US. This is the result of laws that protect people, give them greater influence at work, provide a system of social services and intervene continually to ensure that as many people as possible are employed. We can be proud of that. The other side of the coin is that the Netherlands has a much more flexible labour force, especially in low-skilled, low-paid work. Where lower-paid workers have lost out more in income terms in other parts of the world, in the Netherlands, they have mainly had to surrender their work security.

Besides the lowest segment of the labour market, which was already having a tough time, the jobs and income of the middle classes in Europe and the US are now also coming under pressure. While in the 1970s and 1980s, it was largely low-skilled work that disappeared as a result of offshoring and mechanization, it is now largely those at administrative level, in process control, product assessment and with direct contact with clients who are losing their jobs. Work at the bottom of the labour market, such as personal services, can no longer be so easily automated or transferred abroad.

However, the claim by many economists that more redistribution would lead to less prosperity, which would be exacerbated by globalization as companies chose countries with low wages and more relaxed laws on hiring and firing, does not hold water. Policy aimed at decent work and an honest distribution of wages does not necessarily lead to high unemployment. Scandinavian countries and the Netherlands combine a high degree of redistribution with a high level of prosperity, and thus social mobility. And international companies themselves say that a well-educated population, good infrastructure and political stability are often more important than the level of wages. In Europe and the US there is growing awareness that a fair distribution of income is also necessary to create a solid base for economic development and, in the long term, for rapid and sustainable economic growth.

Full employment does not therefore have to be achieved by decreasing the price of labour as a factor of production. Disposable labour cannot be our future. Decent work for a decent wage can go hand in hand with the goal of full employment. We need to create a new, larger and highly educated middle class, thereby making our investment climate more attractive. This will require first and foremost considerably greater investment in education and lifelong learning. Secondly, we have to combat the parasites of the labour market who facilitate disposable labour, in other words, fraudulent employment agencies that contribute to illegal labour and employers who make use of bogus constructions. And thirdly, the costs and bother of employing people must be considerably reduced, without that happening at the expense of the employees themselves.

Education is essential for high-quality employees, including technical and traditional craft specialists, and therefore for redistribution and full employment. We need to radically improve the quality of secondary vocational education to facilitate access to and protect the middle class. Employers also need to invest in the added value of their employees so that they can adapt to the continually changing demand for skills and knowledge. Employees themselves should be willing and show initiative in learning and in developing and adapting to the changing situation. And work must continue to be worthwhile in financial terms.

Furthermore, a policy that focuses on long-term investments in human capital can only be successful if the forces that aim to undermine it are held in check. In the first instance that includes illegal temporary labour constructions with very bad terms of employment, which reduce opportunities for unemployed Dutch workers and undermine solidarity and the room to invest in the skills and qualities of employees. In addition, the short-term focus of financial markets and private equity companies leads to a shortage of investment in schooling and sustainable deployment of staff. The fact that international enterprises pay little or no company tax also has a negative impact on the base for social services, the scope for investments in human capital, and the level of tax burden on labour. A joint European approach to tax evasion is required to achieve fairer taxation of company profits. Fourthly, worker participation continues to be important as a useful counterbalance to the influence of shareholders, who can be too strongly focused on short-term returns and less on the sustainable deployment and schooling of employees.

However, for some groups, this is not enough, because their economic value to employers is lower than the statutory minimum wage. In the forthcoming large-scale review of our tax system, the Netherlands will therefore focus on employment for those who are currently missing out.

Besides these long-term investments, the Netherlands will also work to develop a series of measures for the short term, including combating crisis-related unemployment, improving access to labour and capital for small and medium-sized enterprises – for example, by making capital held by banks available – and tightening up the legislation on banks and mortgages.

In line with John F. Kennedy's famous statement 'a rising tide lifts all boats', the benefits of prosperity in the Netherlands need to be fairly distributed among those who have helped generate it by contributing their labour or capital. These are the fruits of sufficient investments in education, of good and fair rules governing the labour market, and of social redistribution, and we all need to make a concerted and resolute effort to achieve them.