

Annual Report Netherlands Labour Authority 2022

Foreword

2022 was a year that most of us will never forget. It marked the start of the war in Ukraine and the aftershocks of the Covid virus, both of which had an emotional and economic impact. In our work, we had to contend with them both.

Prompt action by the Council of Ministers and the European Commission led to the European Union Temporary Protection Directive for Ukrainian Displaced Persons being set in motion. That Directive made it possible for the many Ukrainians who arrived in the EU to be offered refuge and participate in the labour market. The European Labour Authority (ELA) members, including us as the Netherlands Labour Authority, were alert to signs of labour exploitation of Ukrainians from the word go. At the end of 2022, the ELA Board noted that, thankfully, this has remained within reasonable bounds but that we will have to remain vigilant in 2023.

From 2020 to early 2022, we, as the Netherlands Labour Authority, received many reports on Covid concerning work. Facilitating, recording, triaging and providing follow-up to that flow has been a key driver for redesigning the overall reporting process at the Labour Authority. That also led, in May 2022, to the formation of a directorate specifically for Reports and Requests.

2022 also saw the drafting of a new plan for 2023-2026. Key achievements and lessons learned in recent years are described in the 2023-2026 Multi-Year Plan. These are therefore not repeated in this report, but remain as relevant as ever.

This annual report follows last year's well-received format. It aims to give more substance to what the Scientific Council for Government Policy calls the 'reflective function of supervision'. We have employed the format of explicitly focusing on reflection in Part I and using accounts of inspections to reflect labour market realities and dilemmas in Part II. These are highly varied topics: the 'inspector family', construction work by housing associations and the failure of many people to apply for benefit schemes that would increase their income. Part III discusses the relevant facts and figures.

In last year's Part I, I reflected on labour migration. This year's reflection is not on a single topic, but on each of the four aspects of the Authority's mission: safe, healthy and fair work and socioeconomic security for all. Like the Multi-Year Plan, this annual report stresses that these are key focus areas in the Netherlands for the coming years.

Comments and suggestions are welcome at: Jaarverslag@NLArbeidsinspectie.nl

Rits de Boer

Inspector general

The Netherlands Labour Authority

April 2023

Part I

Reflection

The persistence of unsafe behaviour

Who didn't like climbing when they were young? On roofs, in trees... If people notice a roof tile is loose, it comes naturally to them to tap into their former athleticism. A roof in the Netherlands is usually sloped: you slide the tiles up and climb over the battens to the top. A calculated risk.

But the figures show us that in truth this is extremely foolhardy. These are figures that come up when we analyse individual situations. Those figures scream 'overconfidence' and 'an accident waiting to happen'.

Solar panels are systems that usually need to be installed on a roof. The figures about them speak volumes.

First, the reports on solar panel installation. People report to the Labour Authority what they see at home, in the street or anywhere else. Eighty per cent of the reports regarding solar panels are about the risk of falling.

Second, what inspectors find when they supervise. In 70 per cent of cases, a falling hazard fine is issued.

Finally, there are situations where an accident has already happened, and inspectors turn up to investigate. In 80 per cent of those cases, someone has fallen off or through the roof.

Those figures, especially combined, clearly show that people work unsafely too often. Even though people know what they are supposed to do. The health and safety catalogue prescribes excellent safety measures like building scaffolding or installing roof edge protection.

So why do people persist in this behaviour?

The literature shows that we tend to overestimate our abilities. We see ourselves as above average and underestimate the risks and chances of things going wrong. To illustrate: most people consider themselves better-than-average drivers.

Certainly, there is no lack of knowledge and resources. Inspections often show that employers and employees know perfectly well what is required. But knowing and doing are two different things. Protective gear is often available but left unused in the van. We also see that, despite instruction and gear, work is only done safely if the boss is watching. Getting rid of the workers in question temporarily solves the problem for the employer, but immediately creates a new problem: the need to find a new fitter and then make sure he or she does work safely. And let's not forget: fitters and other workers can find work elsewhere relatively easily in the current labour market.

Do these observations seem like fatalism and resignation to the inevitability of 'the human condition'?

No. Companies that do work safely do not usually achieve this without a struggle. They recognise that human behaviour is hard to change, but also that the key to success is daily attention, regular instruction and repetition by the employer, and an open culture to learn from mistakes.

It would be remiss of me not to offer the following warning and alert on this subject.

It seems that roofs with light panels are especially dangerous!

Light panels are often not strong enough to support a person. I welcome comments from people with specialist knowledge on this, as we have recently seen several fatal accidents due to people falling through light panels. So never go onto the roof without taking safety precautions, and be especially careful around light panels.

Health should be even more priority

Unsafe work is often more visible than unhealthy work. A workplace accident or dangerous machine is immediately noticeable. Health complaints arise over a longer period because the risks are less visible: they manifest themselves long after exposure and sometimes even after retirement. And an unhealthy work environment poses equally, or sometimes even greater, risks to the individual. Every year, 4,000 people die due to unhealthy working conditions earlier in life. Because the consequences are less visible and less immediate, the costs of unhealthy work are underestimated. For instance, about 40 per cent of people on WIA (Work and Income (Capacity for Work) Act) benefits are suffering a mental illness. Society as a whole and individual employers and employees underestimate the adverse effects. Employers invest in healthy work in the here and now, but the yields in lower absenteeism are far from always achievable due to the delayed effect of staff sickness.

The State of Healthy Work sets out - as precisely as the shaky figures allow - what constitutes the main culprits affecting healthy work. More importantly: what can we do about it as citizens, employees, employers, legislators and society?

In short, the culprits affecting unhealthy work are exposure to hazardous substances, psychosocial workload and physical strain.

Among companies, employers and employees, the problem here – much more than with falls from height – is a lack of knowledge.

What we can do about it, as practically as possible, is this:

- Know your work processes and the actions taken in those processes. Not in a general sense but step by step. 'Knowing' in this context means: examining the actions, or have this done, from an occupational hygiene angle. Measure the burden, measure the exposure. Do this for each work process and, where necessary, down to the level of individual operations. A risk assessment is more than just an academic exercise; the employer can also use it to optimise work processes.
- Policies, procedures and so on in the form of codes of conduct or a risk assessment or action plan are only effective if they are properly implemented and embedded in the organisation. In other words: if they are living documents and give direction to the day-to-day work practice. Therefore, investing in a responsible safety and health culture is important to healthy work.¹

¹ Inspectie SZW: *Staat van Arbeidsveiligheid. Iedereen een veilige én gezonde werkplek*. The Hague 2018. See [website](#) for the infographic, video and speech and the [report](#).

- Also consider the professionalism and implicit and explicit relationships (internal/external) of occupational health and safety experts to other disciplines in the company (such as sales, marketing, production, financial, etc.).
- Employee representatives would do well to hold regular talks with the prevention officer, company doctor and other key experts on healthy working conditions.²
- Branches and sectors would do well to invest in knowledge about the hazards and risks of work processes in the industry. Invest in joint research or knowledge sharing on effective management measures. It is notable at the level of an individual company that a conclusive prevention business case cannot always be made because developing effective measures is too costly. In that case, initiate a sectoral approach to work cost-effectively on customised solutions. It could be that within a sector, with all its economies of scale, it really does pay financially to prevent occupational diseases - to benefit the whole industry and the health of all workers in that industry.

Fair work

If it seems too good to be true, it probably is.

Inspections in 2022 underlined this insight.

Several major clients are feeling the effects of labour market shortages. The sectors concerned include cleaning in holiday parks, production work in the meat industry's cutting room, or assembly line work in distribution. Staff shortages are putting pressure on production capacity.

Temporary employment agencies are ideally placed to fill gaps (busy and quiet periods). Traditionally, the function of the employment agency has been to bring together supply and demand. In economic terms, they lower transaction costs in a market with imperfect information. A valuable function. This acts as a lubricant for the labour market, which also certainly contributes to a much better performing Dutch labour market than in many other European countries, which have struggled or are struggling with higher unemployment.

But even employment agencies do not have a magic wand and have to get things organised. They also face high demand and start looking for staff. That makes people creative. The lesson from several supervision cases in 2022 is that employment agencies that can easily supply a client with large numbers of people at a moment's notice will often have been too creative. Creative in the sense that the people employed through such an agency sometimes do not have a work permit, even though they should have. They may be asylum seekers employed on a paid or unpaid basis or mediated under the guise of internships or 'shadowing'. In last year's reflection, I discussed at length the earning model in which large groups of migrant workers move through the European labour market to live and work under what are sometimes miserable conditions. Clients – who are also liable for preventing such situations – would do well to double-check. Otherwise, they cooperate in perpetuating unfair practices.

Socioeconomic security

² See, for example [een handreiking de ondernemingsraad en gevaarlijke stoffen](#) (2020) and the importance of a Health and Safety catalogue (2022): [Gewasbeschermingsmiddelen in de agrarische sector](#).

Work confers income, purpose, structure and joy. It is incredibly important, and it is currently plentiful in the Netherlands. That is good news.

The Labour Authority's investigation into the client prospects in social security contains even more good news. Unemployment benefit claimants rate the services higher than a few years ago.³

Both are good news for Dutch citizens, as that has not always been the case.

What do we make of the fact that the Netherlands – after a quest of more than 40 years to find sufficient employment for all its citizens – is now facing a situation where labour shortages are being felt all around us? And if socioeconomic security is under pressure despite those shortages, is that an inevitable adjustment process, or could there possibly be instruments for alleviating it?

Some considerations are set out below.

Work is the basis for socioeconomic security

The starting point is that everyone in the Netherlands is self-sufficient.⁴ For most people, this means looking for paid work.

In 2022, the Netherlands broke the 10-million employees barrier. In the early 20th century, this was 2.5 million, and by 1963 it had doubled to 5 million and again about 60 years later, so now we have doubled it again and passed 10 million.

To be precise, the number of employed people in the Netherlands in 2022 was over 10.1 million. That represented an increase of over 380 thousand compared to the 2021 position.

That is a huge rise.

The annual growth rate has never exceeded 252,000 in any other year since World War II. And on average, the growth was about 80 thousand employed people a year.

And in the seven years from 2015 to 2022, the number of employed people in the Netherlands increased by more than 1.3 million.

That, too, is huge.

In absolute terms, a record since World War II. And the number of jobs is roughly equal to the number of working people. There were 9.8 million jobs in the Netherlands in 2015 and 11.4 million by the end of 2022. So on balance, in those seven years 16 per cent more jobs and 15 per cent more working people. The Netherlands is a magnet for business and labour.

But shortages are also making themselves felt everywhere. The result is what the Netherlands Labour Authority sees in its supervision: rushed work, overdue maintenance, a lack of knowledge among workers about the work to be carried out, insufficient instruction and supervision by the employer to prevent unsafe or unhealthy work, additional strain on incumbent workers, self-employment and scheduling problems in occupations that traditionally had an employer-employee relationship, start-up employers who have no idea at all of their responsibilities, and so it goes on.

³ See: [Klantperspectief WW 2020-2021 | Rapport | Nederlandse Arbeidsinspectie \(nlarbeidsinspectie.nl, 2022\)](#)

⁴ See the Dutch Constitution: [Home - Nederlandse Grondwet \(denederlandsegrondwet.nl\)](#)

Shortages

How is it possible that there are still shortages despite the massive jump in employment numbers in 2022?

The economic situation is difficult to pinpoint. That is another effect of Covid-19, lockdowns, support packages, disruptions in production chains, the war in Ukraine and shocks to energy supply and prices.

Several explanations are possible. From 'the economy is a bit fragile'⁵ to systemic features (see box). The fact is that those shortages are there.

Work and pay

Recent months show that how we calculate inflation matters. There is no single 'right' way of doing it.

But whichever measure of inflation you take, it is clear that wage growth failed to keep pace with the monetary devaluation in 2022 and is only now picking up in 2023. People, especially those on vulnerable incomes, are feeling it in their pockets. The longer it goes on, the more illogical it becomes. The cost of living has to be paid from people's wages. That is all the more true given that the labour factor has been struggling in terms of pay for some time, as described in the 2017 and 2019 State of Fair Work.

In response to inflation, monetary policymakers raise interest rates. That is inevitable. Fifteen years of constantly imminent deflation. Monetary policy has pulled out all the stops for years to prevent that. So, inflation is essentially welcome after so much effort to avert deflation. If interest rates are positive again, the economy and central banks are back on firmer ground. Central banks can warn us of a wage-price spiral just like in the good old days. And use the 'interest rate weapon' to try to slow down the economy and inflation.

But credit where credit's due, the Dutch Central Bank (DNB), while mentioning the risk of a wage-price spiral in 2022, also stressed the fact that there was room to increase wages.

instruments

Raising interest rates directly affect financial markets and assets, but the effect on the economy is mostly indirect. It ultimately increases costs for companies. The interest rate weapon is undoubtedly working but with a delay. The European Central Bank (ECB) has created new monetary instruments over the past decade to give a more relaxed monetary policy a faster and deeper impact on the economy.

Besides new monetary instruments, crises have also needed new fiscal macroeconomic instruments. Not to inhibit but to encourage. In 2008 and 2009, emergency aid and capital injections for banks, part-time unemployment for companies, in 2020, 2021 and 2022 extended support for employers

⁵ NRC 18 February: [De onverklaarbare stijging van de consumptie verklaard - NRC Financieel Dagblad](#) 13 February: [Hans Borstlap: 'Nettolonen omhoog, toeslagen omlaag' \(fd.nl\)](#) Financieel Dagblad , 26 February: [Wij hebben te veel banen, niet te weinig mensen \(fd.nl\)](#)

and workers with the Emergency Employment Bridging Measure (NOW), Concession for Fixed Charges (TVL), tax deferral etc.

New monetary and fiscal instruments raise the question of socioeconomic security instruments.

If wages do not keep up with inflation, labour becomes cheaper in real terms. Low wages do not improve labour market shortages. The positive exception is the government's accelerated raising of the statutory minimum wage. Low wages do not increase the chances of creating a new balance. And seeking a balance through adjustments in P(rices) was already a more obvious choice than through Q(antity), see our 2021 annual report.

From the past, we know all about 'downward nominal rigidity': people do not want to see their nominal (hourly) pay fall. Therefore, in a crisis, wages do not fall enough for adjustment towards 'full employment'. The question is whether there is also 'upward rigidity' when we find that wage growth follows inflation only to a limited extent.

Inertia in wage adjustment in 2022 may have been partly a consequence of the deflationary environment of the previous 15 years. Wage negotiations start from scratch. By analogy with central banks that have created new instruments to achieve deeper and faster effects with monetary policy, an additional instrument for setting wages would also potentially speed up the adjustment process. For example, to provide a wage floor in exceptional circumstances. Collective bargaining by sector is of course still necessary, as not every sector can bear the same. This can best be determined decentrally. Such an instrument may achieve a faster adjustment process by curbing labour demand and improving socioeconomic security than through the effects of higher interest rates alone.

Text Box

Labour market shortages can be an unintended consequence of systemic interventions, such as the necessary interventions during the Covid-19 crisis, (NOW, TVL, tax deferral etc).

How shortages can be an inherent corollary of an economic system has been aptly described by János Kornai.^{6 7} Central to his analysis is what consumers, planners and managers of (government) companies actually do. At the microeconomic level. Habits, strategic behaviour, and hoarding of raw materials, personnel, and products mean the planned production or output is never achieved. And the central planner always ends up in the coercive position of nevertheless providing money (to pay wages) but with no effective way of adjusting if companies cannot in effect go bankrupt.

Kornai used the term 'soft budget constraint' for that interplay of behaviour. Here, decisions within and by companies are no longer primarily constrained by shortages (of money). A 'soft budget constraint' at the microeconomic level creates shortages at the macroeconomic level. According to Kornai, any attempt to counteract shortages via price increases is hopeless as long as the shortage (of goods, personnel) is inherent to the system. Scientific research has also shown the ineffectiveness of price increases.⁸ According to Kornai's analogy, wage increases will be of little use in resolving labour shortages apart from purchasing power

⁶ Economist (1928-2021). Kornai publications include: Dynamism, Rivalry and the Surplus Approach (2014), The system paradigm (1999), The socialist system (1992), The economics of shortage (1980).

⁷ As a Hungarian, later working in the US (Harvard), he had a clear understanding of the actual behavioural mechanisms of planners, producers and consumers and the similarities and differences between plan and market economies. He also served on the board of the Central Bank in Hungary from the 1990s onwards.

⁸ Michael Ellman, Cambridge Journal of Economics 2021, 45, page 381.

improvements if they inherently stem from a soft budget constraint. In that case, the solution lies mainly in finding the instruments needed to strengthen the budget constraint. That makes it especially relevant to interpret the causes of the large increase in the number of working people.

In conclusion

The common thread among risks in safety, health, fairness and socioeconomic security is that they move and change with the development of the Netherlands economically and technologically as a (European) society. We all know that the future is uncertain. But even for the present and past, there is more that is unknown and uncertain than is known and certain.

This reflection is therefore not a message or point of view but a contribution to the challenge we all face: how do we ensure that tomorrow will be that bit better than today?