



RECENT LABOUR MARKET REFORMS: A COMPARISON OF THE 'KIWI' AND 'POLDER' MODELS

Cees Gorter

Faculty of Economics,
Free University Amsterdam

Jacques Poot

School of Economics and Finance,
Victoria University of Wellington



Abstract

Unemployment remains a major economic and social problem in many developed economies. This paper is concerned with the impact of labour market reform as a means of combatting unemployment and of enhancing competitive wage determination. The paper focusses specifically on The Netherlands and New Zealand, two small open economies in which unemployment rates reduced to close to half of their respective post-1980 peaks, following reforms. The labour market policies that contributed to these outcomes are referred to as the 'Polder' model and the 'Kiwi' model respectively. Despite some similarities, there are significant differences between these models. These are highlighted in the paper. It is argued that the effects of deregulation are hard to separate out from other influences on the labour market. The success of the deregulation policies is easily overstated by a selective use of labour market indicators, or by making trough to peak comparisons along the business cycle.

Keywords: *unemployment, Netherlands, labour market policy, labour market deregulation*

The long-term drift upwards of the unemployment rate in many developed economies has been a significant economic and social policy concern. Persistently high rates of unemployment are particularly prevalent among European countries (for a survey, see e.g. Bean, 1994). In the European Union, the average unemployment rate was 11.3 % of the labour force in 1997, compared with a 7.3 % average for all OECD countries. Reported unemployment rates among OECD countries (as at late 1997) varied from 2.9 % in Korea to 20.8 % in Spain.

Besides differences in measurement and differences in levels of aggregate economic activity, there are many structural differences between countries that can account for such a large variation in unemployment rates. A fundamental question, with important policy implications, is the extent to which various types of regulations and rigidities in the labour market have led to high unemployment rates. Coe and Snower (1997) identify a long list of institutional characteristics that could contribute to high unemployment. These include welfare programs with high benefit replacement rates¹, high taxes and social insurance premiums levied on firms and workers, job security legislation, powerful unions, collective bargaining arrangements and minimum wage laws. Using a formal model, Coe and Snower argue that policies to remove these labour market distortions are complementary. That is, they have a greater impact when implemented simultaneously rather than on their own. From this perspective, persistently high unemployment can only be resolved by means of reforms that are

both 'broad' (covering a wide range of institutional arrangements) and 'deep' (of substantial magnitude).

A reluctance to implement labour market reform may be due to an expected growth in earnings inequality and related social problems (Gottschalk and Smeeding 1997). Alternatively, if ailing firms receive public funding to ensure their survival, employment and wages may be greater than what they would be otherwise. There may then be a political reluctance to encourage labour market liberalisation, because it could result in layoffs among firms that cannot survive in a more competitive environment (Saint-Paul 1997). In any case, labour markets with rigid institutional structures may permit more flexible responses of firms than is commonly perceived. There is a range of strategies available to firms that wish to adjust the labour input into production. Even if there are high costs associated with an adjustment in employment through recruitment and layoffs, other forms of adjustment may be possible (Brunhes 1989).

Thus the question arises to what extent deregulation indeed removes constraints which firms face, with payoffs for overall welfare and growth, or instead simply leads to a change in the nature of firms' responses to shocks and little aggregate gain to the economy. Countries that have experienced a significant degree of labour market deregulation can serve as a useful 'laboratory' for testing the relationship between reforms aimed at labour market flexibility and labour market outcomes.

Two countries which have implemented policies aimed at enhancing labour market flexibility are New Zealand and The Netherlands. Following the introduction of such policies, both countries witnessed rapid declines in unemployment. In both countries unemployment rates decreased to close to half of their respective post-1980 peaks. These are the sharpest declines in unemployment among OECD countries, except for the United States where the unemployment rate decreased recently to half the peak of 9.7% recorded in 1982 (see OECD 1997). However, the observed sequence of reform followed by unemployment decline is not necessarily evidence of a causal relationship, as other phenomena such as the business cycle may have played an important role.

The Netherlands and New Zealand are small open economies that are increasingly exposed to strong external shocks due to growing international economic integration and globalisation. Table 1 reports some key statistics for both economies. In real GDP terms (at the PPP exchange rate), the Dutch economy is about five times the New Zealand economy. Moreover, the Dutch economy is the more open of the two, with more than half of GDP being exported, as compared with 22% in New Zealand.

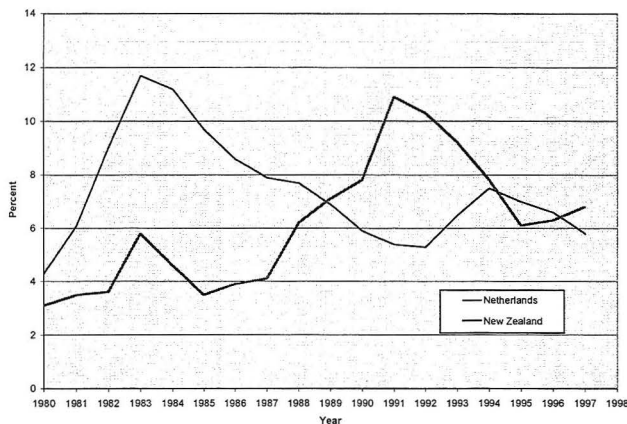
Labour markets in small open economies must be responsive to external (and domestic) shocks in order to avoid the economic and social costs of high unemployment, hysteresis, unfilled vacancies, cost-push inflation, a declining competitiveness etc. In both The Netherlands and New Zealand, a significant range of measures that aim to enhance labour market flexibility has been implemented since 1980.

Figure 1 shows that the unemployment rate peaked in The Netherlands in 1983 at 11.7%. This peak was followed by a gradual decline to 5.3% in 1992. After an increase in the unemployment rate between 1992 and 1994 (due to a short recession), slackness in the Dutch labour market declined again subsequently.

In New Zealand, the unemployment rate peaked much later at 10.9% in 1991 and declined to 6.1% in 1995. Since 1997, the New Zealand unemployment rate is again trending upwards. This is due to a decline in economic growth, with the economy entering into a recession in 1998. The recession has been reinforced by the financial crisis in several Asian emerging economies and the resulting economic downturn in that region. In both The Netherlands and New Zealand, the post-1980 peak in the unemployment rate coincided with a severe recession and the lowest point with a tight labour market.

Besides a decline in the unemployment rate, the Netherlands and New Zealand both witnessed a rapid growth in total employment during the 1990's. Consequently, the reduction in unemployment cannot be fully explained by a reduction in labour supply for given labour demand or by a better matching of demand and supply. Employment growth in The Netherlands was 1.8% per annum over the period 1983-93, compared with an OECD average of 0.4% for the same period. New Zealand total employment growth for the period 1991-96 was 3.2% per annum. Employment growth in The Netherlands was partly stimulated by export-driven output growth and also by a consensus of real wage restraint in bargaining processes (eg. Gorter 1998).

Figure 1. Unemployment in the Netherlands and New Zealand, 1980-1997



Source: Netherlands Central Bureau of Statistics (year book), SNZ.

Table 1. Key statistics on The Netherlands and New Zealand

	Units	Reference	Netherlands	New Zealand
Population				
Total	Thousands	1996	15,494	3,640
Inhabitants per sq km	Number	1996	380	14
Net average annual increase over previous 10 years	%	1996	0.6	1.1
Employment				
Labour force participation rate (of the civilian population aged 15 and over)	%	1996	59.5	65.8
Total civilian employment (TCE)	Thousands	1996	6,983	1,688
of which: Agriculture	% of TCE	1996	3.9	9.5
Industry	% of TCE	1996	22.4	24.6
Services	% of TCE	1996	73.8	65.9
Part-time employment	% of TCE	1996	28.1	22.4
			(<35 hrs)	(<30 hrs)
Gross domestic product (GDP)				
Per capita using current PPPs	US\$	1996	20,905	17,473
Average annual volume growth over previous 5 years	%	1996	2.3	3.7
Gross fixed capital formation (GFCF)				
.....	% of GDP	1996	19.7	20.9
of which: Machinery and equipment	% of GDP	1996	9.4	10
Residential construction	% of GDP	1996	5	5.6
Average annual volume growth over previous 5 years	%	1996	2.2	9.6
Gross saving ratio				
	% of GDP	1996	25.7	16
General government				
Current expenditure on goods and services	% of GDP	1996	14	14.4
Net official development assistance				
	% of GDP	1995	0.81	0.23
Indicators of living standards				
Private consumption per capita using current PPPs	US\$	1996	12,477	10,895
Passenger cars, per 1,000 inhabitants	Number	1994	383	457
Telephones, per 1,000 inhabitants	Number	1994	509	470
Television sets, per 1,000 inhabitants	Number	1993	491	451
Doctors, per 1,000 inhabitants	Number	1995	(90) 2.5	2.1
Infant mortality per 1,000 live births	Number	1995	5.5	(94) 7.2
Wages and prices (average annual increase over previous 5 years)				
Wages (earnings or rates according to availability)	%	1996	2.4	1.5
Consumer prices	%	1996	2.5	2
Foreign trade				
Exports of goods, fob, as % of GDP	%	1996	51.5	21.7
Average annual increase over previous 5 years	%	1996	8.9	8.2
Imports of goods, cif, as % of GDP	%	1996	46.6	22.3
Average annual increase over previous 5 year	%	1996	7.8	11.8

Source: OECD Economic Surveys

Similarly, employment growth in New Zealand was generated by a growth in the demand for output and a decline in the real wage.

The success story of the Dutch labour market has become known as the Dutch "Polder model". In the New Zealand case, Kasper (1996) referred to the "Kiwijob creation machine". In this paper, we will simply refer to the New Zealand situation as the "Kiwijob model".

How successful have these models been? As Freeman (1998) recently argued, there are almost as many labour market 'models' as there are nations (and, indeed, there are also a wide variety of regional labour market initiatives). In each case, the links between the policy measures and the array of labour market outcomes are complex and hard to quantify. Moreover, even if analysts can distil the impact of certain discretionary labour market measures, the question of which set of measures should be selected as the

preferred model remains an important normative problem. We stress that a particular stance can be easily supported by a selective choice of the available statistics.

For example, Kasper's evidence for a "Kiwi job creation machine" was based on measuring employment growth from the 1991 trough of the business cycle to the 1995 peak. Yet the economic liberalisation process had already commenced in New Zealand in 1984, although explicit labour market reform was relatively minor until 1991. Consistent labour market statistics are only available since 1986 (when the quarterly Household Labour Force Survey commenced). Total full-time employment growth over the longest time span of comparable data, 1986-97, was only 0.1 % per annum. If there is a 'success story', it is only confirmed in terms of employment growth by an increase in part-time employment (persons working 29 hours or less). The number of part-time jobs grew by an average of 3.9 % per annum over the 1986-97 period. Because part-time employment has nonetheless remained less than one quarter of total employment, the growth in full-time equivalent jobs, arguably the best measure of job creation growth, was 0.4 % per annum - about the same as the OECD average.

A coincidence of labour market reforms and favourable labour market outcomes is not a proof of a causal relationship. To quantify the effects of labour market deregulation is a very difficult task, both in terms of the required data and in terms of the design of appropriate econometric tests. In this paper we will introduce and contrast the institutional changes since 1980 in the labour market of the two countries. Methodologies and econometric evidence regarding the impact of the reforms are reviewed in Gorter and Poot (1999).

Labour market deregulation in the Netherlands

The Dutch economic experience of the last fifteen years can be regarded as a blend of wage moderation and (part-time) job growth. This development has coincided with a remarkable rise in female labour participation from 35 % to 53 % (reaching a level, however, that is still low in comparison with some other European countries). During this period, the Dutch government has essentially pursued the following socio-economic policies: (i) wage restraint to increase international competitiveness; (ii) monetary stability (ie. using the German Mark - Bundesbank as a guideline); (iii) major cuts in public expenditures (and also public employment); (iv) reforms of the social security system (eg. introduction of more stringent eligibility rules); and (v) lower taxes (and also social charges) for firms to stimulate labour demand in general and in the 'low wage' segment of the labour market in particular.

In recent years (since 1994), a liberal-labour government (a very exceptional combination in the Dutch political context) has been in power. This government has introduced a number of new policy directions which have led, most notably, to product market deregulation (eg. anti-cartel measures in line with European regulations and less stringent

rules on business hours [shops] and working time), and to the stimulation of job creation for 'disadvantaged' groups (such as the long-term unemployed) by subsidising public-sector jobs at the lower end of the labour market.

In this paper, we concentrate exclusively on labour market reforms. During the sixties and seventies, the Dutch government was closely involved in the formation of wages (for an overview see eg. Poot 1980 and Van de Wijngaert, 1994), but since 1982 it has abstained from interference in wage determination. Prior to 1982, however, direct intervention in wage formation by the government (under the Wage Determination Act of 1970) was a frequent occurrence. The Wage Determination Act was modified in 1986 so that governmental measures on wages became restricted to 'emergency situations' and severe shocks. Although in practice this ended governmental interference in the wage determination process, the Minister of Social Affairs and Employment has on occasion threatened to intervene (in 1992 and 1993) in the interest of reducing unemployment (growth) and easing the burden on the social security system.

More generally, the government still participates - since 1982 - in tripartite wage debate with employers and employees' associations (unions) to reach consensus on 'sensible wage growth' (that is, the government seeks to exert its influence through policy statements and tripartite consultations). Moreover, the government is also represented - besides the social partners - in the Social Economic Council (Sociaal Economische Raad) which comments on economic developments in the country.²

Hence an important change in wage policy took place in 1982 after government had directly intervened in wage determination on frequent occasions during the previous two decades. As in many industrialised countries, the Dutch economy was hit by a major economic downturn at the beginning of the 1980's. Unemployment increased at an enormous rate, profits declined and investment funds shrank, many firms faced mass dismissals (or even went bankrupt) and the public budget deficit reached unusually high levels. The economic trends called for major corrections to the institutional system in general (such as large cutbacks in governmental expenditures) and institutional arrangements in the labour market in particular. Table 2 provides an overview of the major institutional changes since 1980. 1982 saw the signing of a now famous agreement on collective wage bargaining (in Wassenaar) which stated that the trade unions and employers' confederations were primarily responsible for wage bargaining. A second important outcome of the agreement was that employers acknowledged the unions' interest in the development of employment, a goal which was to be achieved through the reallocation of labour (by means of a general reduction of working time and the promotion of job sharing).³

The third key feature of the so-called "Wassenaar Accord" was that it put an end to the application of private wage growth rates to the public sector. In essence, both employers and employees agreed on wage restraints in return for

employment growth. In other words, the unions relinquished the right to automatic compensation for price inflation, while the employers recognised that job sharing was "one of the means to stem the rise in unemployment" (van Veen, 1987).

From 1982 onwards, a decentralisation process was set in motion whereby collective labour agreements were reached at the industry level and also - at an increasing rate - at the firm level.⁴ Nevertheless, central governmental controls did not entirely disappear. The government maintained its right to intervene (although only in exceptional circumstances, as mentioned earlier), and it was also able to influence the consensus-building process at the national level through the Foundation of Labour (Stichting van de Arbeid), a joint body comprising the employers' and employees' federations.⁵ This kind of governmental persuasion exists because the outcomes at the national level serve as guidelines for industries. In this sense, one can classify this new system of collective wage bargaining as a mixture of decentralised and centralised attributes. According to Visser (1997), this

harmonious phase in Dutch industrial relations can be characterised as "a reorientation towards a highly coordinated, bipartite and hence non-statutory model of negotiating central guidelines for responsible collective bargaining in sectors and firms".

Hence, the institutional setting of wage formation in The Netherlands has moved in a favourable direction in recent years. Increasing decentralisation on the one hand (with more firm-level agreements, especially in large companies like KPN Telecom, Philips, Shell, Unilever, etc.) coincides with maintaining centralised consensus-building negotiations on the other (thereby providing a guideline for industries). Hemerijck and Van den Toren (1996) describe the newfound bipartite consensus as follows: "...the 1990's accords reinstated a policy priority for voluntary wage restraint in the pursuit of business profitability, investment and employment growth and job redistribution. All the 1990's agreements affirmed the freedom of sectoral collective bargaining and the primacy of self-regulation in industrial relations."

Table 2. A post 1980 chronology of labour market and social welfare reforms

The Netherlands

1982	Wassenaar Accord: decentralisation of bargaining, reduction of standard working time to 38 hours per week
1980s	decline in minimum wages
1985	reduction in unemployment benefits
1987	more stringent eligibility conditions for maximum duration of unemployment
1996	Central Agreement: more legal rights for flex-workers ("flexicurity")
1996	abolition of the Sickness Act
1996	Increase in working hours flexibility

New Zealand

1983	Introduction of voluntary unionism
1984	More market-based bargaining under Industrial Relations Act Amendment 1984 and compulsory arbitration abolished (but compulsory union membership reinstated)
1987	Some contestability in union coverage under Labour Relations Act 1987; decentralised bargaining
1988	State Sector Act: extends the Labour Relations Act to the public sector
1989-92	Tightening of requirements, postponement of age of eligibility and reduction of benefits for government funded pensions
1990	Tightening and reduction of unemployment benefits and other government social transfers
1991	Radical reform via Employment Contracts Act 1991 (voluntary unionism, contestable unions, deregulation of employer-employee bargaining)
1998	A community wage replaces the unemployment benefit, recipients may be required to undergo training or carry out community work
1998	Invalids and sickness beneficiaries are to be assessed on their capacity to work. Recipients of the domestic purposes benefit must seek work when the youngest child reaches age 6. Subsidised childcare will be made available.

Source: Amended and updated from Gorter (1998) and Bollard et al. (1996).

In practice, the central employers' and workers' organisations frequently meet at the national level to formulate a joint declaration on bargaining and employment conditions at decentralised levels, before actual collective bargaining takes place. Hence, the institutional setting of the Dutch labour market can be described as harmonious with respect to industrial relations.

The general trend in Dutch labour market reforms is one of deregulation in which flexibility for firms is matched by security for workers. This typical Dutch combination is referred to as "flexicurity". As regards employment protection, the firing procedure is lengthy and costly for the employer since the employer is obliged to gain permission from the regional employment office for each individual dismissal. An alternative approach for an employer to lay-off a worker is to apply directly to the court, where the judge decides (relatively rapidly) on the amount of financial compensation to be paid to that worker. For the worker, this procedure implies that his/her chances of being fired may be higher, but - if this happens - substantial financial compensation for the job loss is likely. In practice, this second approach to firing is becoming increasingly popular among Dutch employers (in the 1990's, one out of three cases is dealt with in this way: see Van der Heyden et al., 1995).

Given these complex firing procedures for employers (see also eg. OECD, 1996), it makes sense for them to search for other methods of work force reduction. In the Dutch context, mention should be made of the 'escape route' through disability compensation. In past decades, employers resorted frequently to a policy of encouraging enrolment in the social security scheme for disability compensation as an alternative to firing workers. This is evidenced by the substantially higher proportion of disabled persons in The Netherlands compared with other European countries: see eg. Aarts et al, 1993). In addition to this 'abnormal exploitation' of disability enrolment, firms can also use voluntary quits (job-to-job movement, retirements etc.) to reduce their workforce. Last but not least, Dutch employers may hire workers on fixed-term contracts or employ them through temporary work agencies.

As for the regulations on flexible employment, these have three main features. First, workers on flexible contracts (so-called 'flex-workers') have access to unemployment benefits on less favourable terms than workers on permanent contracts. This is because benefit eligibility is determined by minimum thresholds values set for the number of days worked before becoming unemployed (moreover, pension funds may exclude workers on fixed-term contracts). Second, employers may use flexible contracts for various purposes (eg. to replace sick workers), but one of the main reasons is to screen new workers by means of this type of contract. In addition, flexible contracts are not restricted to particular cases or to a maximum duration. Third, Dutch employers are free to hire temporary workers through the temporary work agencies. Very recently, however, new collective agreements have made labour relations for agency workers more secure. A collective agreement has been

reached between the employers' association of agencies and the unions on minimum pension rights and the continuation of employment after two years of temporary work. Hence, a worker's legal position becomes stronger, the longer s/he works on a temporary basis (moving from contract to contract). The same agreement gives greater flexibility to the use of agency workers: for example, employers will be allowed to hire such workers for longer durations. This combination of greater security for the (agency) worker with more flexibility for the employer neatly illustrates the concept of "flexicurity" in the Dutch labour market.

Another key feature of the Dutch labour market is the growth in part-time employment (see also OECD, 1994). The share of part-time work has grown rapidly (from 15 % in 1975 to 30 % in 1994: see eg. Hemerijck and Van den Toren, 1996). This trend has coincided with a rise in female labour force participation. Since November 1996, the Dutch government has implemented a new rule providing equal legal status for part-time workers and full-time workers. Moreover, equal access to unemployment benefits has also been secured in recent years by removing the minimum thresholds for part-time workers. In the near future, the intention is to give full-time workers the right to work fewer hours (80% of a full-time working week). This may be especially beneficial to workers with (young) children who do not wish to interrupt their careers but also want to work fewer hours so that they can attend (partly) to their home duties. A further important step toward less regulation of working hours was also taken in 1996, when new rules were gradually implemented which gave rise to an increase in working hours flexibility. Furthermore, it is possible to achieve even more flexibility in the future through collective bargaining agreements or through agreement at the firm level (ie. the firm's management bargains with the firm's so-called Enterprise Council⁶). In this way, packages of working-time arrangements may be generated which benefit both workers and employers. For example, the working week may be shortened, as desired by the unions, and the employer's flexibility is enhanced through increased flexibility in working hours, facilitating work at irregular hours and variable working time. Examples can be found in the banking sector, KPN Telecom and the civil service.

As in other countries, labour market outcomes in The Netherlands are greatly influenced by the social security system. The Dutch social security system consists of social insurance arrangements (to insure against sickness, disablement or unemployment) on the one hand and social assistance (to provide a 'safety net' for those who can not support themselves financially) on the other. The insurance-type arrangements are financed out of contributions by employees and the self-employed (based on the equivalence principle), whereas the assistance-type arrangements are financed out of the government's general revenues (based on the solidarity principle). The Dutch social security system is extensive and - according to the 1994 OECD survey - can be described as follows: "... labour market policy remains characterised by generous income support measures. Replacement rates (...) for all types of family

situations and for all unemployment spells are among the highest in the OECD area.¹⁷

In the last fifteen years, a number of changes have been made to the design of the social security system (see eg. Vijlbrief, 1992; and Visser, 1997). There have been four important modifications. First, unemployment benefits were reduced in 1985 from 80% to 70% of the pre-unemployment wage. Second, the passing of the New Unemployment Insurance Act in 1987 made the maximum duration of unemployment benefits more closely dependent on work history (ie. the period during which insurance contributions have been paid). Thirdly, statutory minimum wages declined during the 1980's (by about 15% on average and even more among young people, see Mot and Teulings (1990)). This has direct consequences for the level of social benefits, given that the minimum social benefit level amounts to 70% of the minimum wage. Finally, the Sickness Act was abolished in 1996. A social right for workers was thereby transferred to an industrial right (cf. Hemerijck and Van den Toren, 1996).

To sum up, external flexibility to adjust working hours and the level of employment to output fluctuations seems to be obtained by the extensive use of part-time and flexible contracts in the Dutch labour market. The use of flexible contracts to adjust the demand for employment is supported by permissive regulations on fixed-term contracts and the hiring of temporary workers through temporary work agencies. The permissive regulation of flexible work may in fact have resulted from an increase in the complexity of firing rules (see Schömann et al, 1995). The flexicurity strategy forms, together with measures designed to reduce the costs of the social security system, an essential part of the Dutch policy of labour market deregulation.

Labour market deregulation in New Zealand

Since 1984, New Zealand has undergone a far-reaching transformation from a very regulated and protected economy to one of the most liberal economies in the developed world. The impetus for this change was a set of highly unfavourable economic conditions in the early 1980's. These included unsustainable levels of public and external debt, rising unemployment and strong inflationary pressures. The latter were kept only artificially under control by a wage and price 'freeze'. The economic reforms commenced with the election in 1984 of a Labour government. The promotion of fundamental liberalisation by a left-of-centre government was a reaction to the tight and all-encompassing regulations imposed by the previous National (conservative) government rather than an acknowledged departure from political principles.

The push for further liberalisation, privatisation and welfare reform has continued to be the main theme of government economic and social policy until the present, although with a time-varying degree of reform zeal. Reforms have continued irrespective of political changes, such as the change in government back to National in 1990 and a change in the electoral system to proportional representa-

tion and coalition government since 1996.

In recent years, an extensive literature has emerged on the details of the economic reforms and the nature and extent of the impact (see eg. Bollard and Buckle, 1987; Evans et al, 1996; Silverstone et al, 1996; Hall, 1998). There have also been strong critics of the reforms, particularly among those who have been concerned with the social cost (eg. Boston and Dalziel, 1992; Kelsey, 1997). The liberalisation process has been broadly supported by most economists, although some have argued that the interpretation of the available data by Evans et al. (1996) has been rather biased, (see eg. Dalziel, 1998). In this paper, we limit our attention to the labour market reform that was encapsulated in the Employment Contracts Act (ECA) which was introduced in 1991. This Act changed the industrial relations system in New Zealand fundamentally. Reviews of the ECA and preliminary assessments of the impact of this legislation can be found, *inter alia*, in: Harbridge, 1993; Harris and Daldy, 1994; Kelly, 1995; Maloney and Savage, 1996; Kaspar, 1996; Brosnan and Walsh, 1996; Easton, 1997; and Bowden, 1997.⁸

Until the introduction of the ECA, the New Zealand industrial relations system was characterised by centralised wage setting and national awards. Although there have been some changes over time before the ECA, the formal wage setting system was built upon the Industrial Conciliation and Arbitration Act (ICA) 1894. In practice, there were three tiers: an Arbitration Court which delivered union-employer contracts ('awards') or 'general wage orders', some direct bargaining, and extensive government intervention. The ICA did include minimum wage provisions, but wage floors that protected all workers aged 20 and over were established in the Minimum Wage Act 1945. More recently, a youth minimum wage was introduced in 1994.

The pre-ECA system could be described as a system of "state-controlled compulsory arbitration" (eg. Maloney and Savage, 1996). Compulsory arbitration through the Arbitration Court was aimed at 'equalising' the bargaining power of unions and firms. In addition to the direct impact of the state on the industrial relations system, the state also had a strong impact on labour market outcomes through 'wide' and 'deep' socio-economic regulation. The resulting economy delivered full employment until the mid-1970's, but has also been responsible for considerable labour market segmentation (Brosnan et al, 1995).

By the late 1960's the industrial relations system broke down as strong unions preferred second-tier bargaining with employers. In 1968 the union movement refused to accept a nil wage order. The government responded subsequently with direct intervention in wage determination by means of various Acts that were implemented during the period 1971-84 and aimed to limit wage rises. However, the government did recognise that second-tier direct bargaining needed to be allowed eventually and such bargaining became institutionalised by the Industrial Relations Act (IRA) 1973. However, this Act cannot be seen as having enhanced labour market flexibility in a significant way.

The IRA gave existing unions monopoly power by requiring registration and by compulsory membership. Minimum award wages and conditions were binding on all employers and employees covered by the award. In practice, there was a strong emphasis on maintaining relativities. More than two-thirds of the awards were settled with a percentage wage increase which was at most one percent above or below the award agreed by the powerful New Zealand Metal Trades union (see eg. Harbridge and Rae, 1992).

However, this description of compulsory unionism and blanket coverage portrays a picture of a greater inflexibility than was actually the case. Only about half of the labour force were, through union membership, covered by the Award system and although there was undoubtedly a significant diffusion of settlements to the non-covered sectors, award rates acted only as floors for actual wages paid. Penal rates for overtime and other contract items provided additional flexibility. Employers could also adjust to changing conditions through the internal labour market (Savage, 1989). Consequently, the New Zealand Planning Council (1986) concluded that their study provided "no clear evidence for arguing that the New Zealand labour market is particularly rigid by comparison of those of other developed economies" (p.24).⁹

Besides the industrial relations system, another potentially important influence on labour market outcomes is the system of social welfare provisions. This was already confirmed by our discussion of The Netherlands in the previous section, but it is true for New Zealand also. Social welfare in New Zealand is funded out of general tax revenue and cash benefits are indexed to the inflation rate. These welfare payments include an unemployment benefit that varied in the 1980's between about 20% of average earnings for a teenager and 65% for a married person with two children. Non-working single parents are entitled to a "domestic purposes benefit". Sickness and invalids benefits are related to earnings foregone and all persons aged 60 and over receive since 1975 a relatively generous state pension (paid for from general tax revenue rather than through a contributory scheme).

As noted earlier, far-reaching economic reform commenced in 1984 after the election of a new Labour Government. A chronology of reforms that explicitly concerned the labour market and social welfare is given in Table 2. At first, the changes were rather gradual and included a removal of compulsory arbitration and the implementation of the Labour Relations Act (LRA) in 1987. Although union membership remained compulsory, employers were not responsible for its enforcement and union membership commenced to decline. Nonetheless, some unions became larger as a minimum size of 1000 members was imposed.

The 1991 ECA provided the major break with the history of centralised collective bargaining. Firstly, the ECA established voluntary unionism. Secondly, employees can since 1991 nominate their own bargaining agents and these agents are contestable. Thirdly, employees can choose to negotiate an individual employment contract or be bound

by a collective contract. Fourthly, the employer does not need to agree to a collective contract. Fifthly, the Arbitration Court was abolished and an Employment Court was established to resolve disputes, but not on matters of contract negotiations. Sixthly, the workers' right to strike was curtailed. Industrial action became illegal if it concerned bargaining over a multi-employer contract. Finally, the ECA did safeguard provisions regarding employment conditions (such as paid holidays) and minimum wages.

The New Zealand government has been aiming recently at reducing further any (perceived) rigidities imposed by current regulations regarding employment conditions. For example, unless explicitly stated in the employment contract, there is no longer a legally binding minimum notice for termination of employment. Also, the government will propose legislation that permits an exchange of the minimum holiday entitlement for cash.

Major reforms in the welfare system also took place at about the same time as the introduction of the ECA in 1991. Eligibility criteria were tightened and the benefit levels reduced. For example, persons voluntarily quitting or dismissed for misconduct could from then on only receive the unemployment benefit after a 26 weeks stand-down period. The changes in benefit levels and criteria were designed to provide greater incentives for those on welfare to actively seek work. The mechanism for this was a reduction in the benefit-replacement ratio and in the effective marginal tax rate (EMTR)¹⁰. The EMTR on earned income was in excess of 100% in some cases before the reforms (eg. Maloney, 1997).

As was the case with respect to industrial relations legislation, there continued to be a perception after 1991 among Cabinet, influential government departments such as Treasury and business lobby groups that additional reforms in the income support area needed to be implemented (eg. Cox, 1998). Recently, a system of 'workfare' has been introduced which forces unemployed persons under certain conditions to undergo training or work on community schemes (see Table 2).

The labour market and welfare reforms are only two elements of a vast array of reforms that affected all aspects of the New Zealand economy. These included a removal of barriers in trade and financial flows, the encouragement of foreign direct investment and immigration, the removal of price distortions and the enhancement of competitive forces, corporatisation of public entities and the selling off of state assets. Besides the direct impact on the sector targeted in any specific set of reforms, the other sectors were also affected through the inter-industry linkages and the effects on final demand for output in the economy.¹¹ Labour market and welfare reforms were implemented relatively late, probably because these were the areas in which a drastic liberalisation would have come at a high political cost for the Labour Government. Besides the change of government to a right of centre one in 1990, the fact that resistance to the ECA was subdued upon its implementation in 1991 is likely to have been due to a general recognition that a com-

bination of a liberal product market and a regulated labour market could not be sustained (Blandy and Baker, 1987). Competitive forces reduced economic rents in many sectors and necessitated an adjustment in relative wages.

The sequencing of economic reforms is an important theoretical issue. It has been argued that the New Zealand sequencing was not optimal. Authors such as Evans et al (1996) and Hall (1998) argue that labour market reform should have been implemented before deregulation of financial and product markets, because this could have reduced the decline in employment during the transition stage.

A cross-country comparison of labour market reform

There are some similarities between post 1980 labour market reform in New Zealand and The Netherlands. In both countries, direct government intervention in the bargaining process was effectively abolished at an early stage: through the 1982 Wassenaar Accord in The Netherlands and the policy measures introduced by the Labour Government in New Zealand in 1984. Moreover, in both countries eligibility conditions for unemployment benefits were tightened and benefit levels reduced. If non-standard types of employment are defined as being all types of employment besides full-time permanent jobs, then non-standard work has increased in both countries. As noted earlier, the major growth has been in part-time employment. In The Netherlands there has been in particular a growth in the use of temporary work agencies. The Central Agreement of 1996 provided more legal rights for part-time and temporary workers (flexicurity).

Besides growth in part-time employment, there is some evidence in New Zealand of a growth in fixed term and temporary employment after the introduction of the ECA, but a decline in casual employment in the public sector and little change in self employment (Brosnan and Walsh, 1996). Hence there is no evidence that the ECA has led to a pronounced casualisation of the New Zealand work force.

A big difference exists between the two countries in the extent of employment protection. In the Netherlands, an employer must have 'acceptable' reasons for laying off workers and layoff costs are very high (Hassink, 1996). Regulations regarding the total hours of work are also rather strict, although the flexibility in working hours was increased in 1996. In New Zealand, the required notice of layoffs and the extent of severance pay can vary considerably between employment contracts. In many cases the employer's cost of a layoff is not high.

The biggest difference between the two countries exists in the extent of collective, union-negotiated contracts. In New Zealand, union density decreased from about 44% to 23% of the work force during the 1985-95 decade (Harbridge and Honeybone, 1996), although union density remained higher in the public sector. Besides the fraction of the work force that belongs to a union, additionally an estimated 7% of the work force are persons who do not belong to a

union but who are covered by a union-negotiated contract, i.e. they are 'free riders' (Harbridge et al, 1997).

In The Netherlands, union density and collective contract coverage are much greater. The large majority of workers are bound by a collective agreement or an extension (union coverage, the coverage ratio of collective agreements as a percentage of the dependent labour force, was 72% in 1990, see Van den Wijngaert, 1994). Union density (defined as union members aged under 65 as a percentage of the working population) is much lower (29% in 1990, see also Van den Wijngaert, 1994). Of this group, 11% of employees are covered by mandatory extension.

It can be argued that the mandatory extension of the collective labour agreements prevents low wage competition, thereby making the wage structure too rigid (see eg. Oudshoorn and Vijlbrief, 1995; Ministry of Economic Affairs, 1995; and Van Wijnbergen, 1996). To date, however, mandatory extension has not been abolished. Moreover, recent research has shown that the mandatory extension exerts little 'upward pressure on the wage level' (see Lever and Marquering, 1995; Van Praag and Hop, 1995; and Freeman, Hartog and Teulings, 1996). It seems, therefore, that the negotiating parties take into account the position of weaker (i.e. less profitable) firms in the industry as well. Recent public policy initiatives on this topic tend towards keeping extension. The Dutch government made this conditional on what it refers to as 'good behaviour' of the negotiating parties, that is, an intention of the social partners to reduce entry wages and dispensation rules for new firms.

An important element of the Dutch labour market concerns the link ('koppeling') between the development of contractual wages in the private sector and benefit incomes (received when unemployed, inactive, disabled, etc.). This link was abandoned after the Wassenaar Accord of 1982, but was reinstated in 1990. However, it was then made conditional on the inactivity ratio (i.e. the number of benefit recipients per 100 employed persons), which should be lower than or equal to the level of 1990 (82.6).

Conclusions

Our survey of Dutch and New Zealand labour market reforms has highlighted the complexity of this issue and the need to define carefully what is meant by deregulation or reform. While most countries will share the ultimate objectives of full employment and real earnings growth, the search for a set of reforms applicable to all is likely to be counterproductive. The impact of specific policy instruments with respect to the labour market will vary between countries due to institutional differences, differences in the (sectoral) structure of the economy and cross-country differences with respect to the behaviour of households and firms.

Much of the analysis to assess the impact of labour market reforms has so far tended to be at the macro level, and usually focused on the effects of deregulation in one particular country. A comparison of the 'body of knowledge' for the

Table 3. Overview of studies of the economic impact of deregulation in the Netherlands (NL) and New Zealand (NZ)

	Descriptive: one country	Descriptive: comparative	Models: one-country	Models: comparative
Macro	The Netherlands: Gorter, 98 Delsen, 97 Stigter, 97 De Koning, 95 De Koning, 98	The Netherlands: Den Broeder, 96 New Zealand: Easton, 97 Kaspar, 96 Maloney, 96	The Netherlands: Min. of SA, 90 CPB, 95 Den Butter, 97 Gelauff, 94 Van Sinderen, 94 New Zealand: Maloney, 94 Maloney, 95 Maloney, 96 Chapple, 97	The Netherlands Koedijk, 96 Esping, 98
Meso	New Zealand; Dixon, 96		The Netherlands: Lever, 97	
Micro	The Netherlands: Delsen, 95 New Zealand: Harbridge, 97 Armitage, 97 Hector, 97 Whatman, 94 Brosman, 96		The Netherlands: Abbring, 96 Gravesteijn, 90 Kleinknecht, 97	

Source: Compiled by the authors

Dutch and New Zealand case confirms this conclusion (see Table 3 for a concise overview), and also shows that studies at the meso-level are almost absent.¹² Moreover, it can be concluded that there is a clear need for more qualitative and quantitative comparative studies in which institutional differences and their impact on economic performance can be analysed. The macro-oriented approach basically followed so far can only provide limited insights due a lack of data (shortness of relevant macroeconomic time series) and many confounding factors. Of particular concern is that many studies in the past were, for various reasons, unable to separate out the impact of varying levels of aggregate demand. The business cycle has had a major impact on the measures of success of labour market reform that are usually quoted in reviews of the "Polder" and "Kiwi" models.

In any case, the benefits of labour market deregulation should not be exaggerated. Even within relatively rigid in-

stitutional structures, firms and workers have often found means to adjust to changing conditions, ie. institutional rigidity does not necessarily imply market inflexibility.

In general, labour market reforms in open economies such as The Netherlands and New Zealand may be seen as a response to growing competitive forces internationally. As such, the reforms appear to have been successful in increasing the competitiveness of firms, leading to real wage restraint and in generating employment, although rather more in terms of growth in non-standard jobs (such as part-time and temporary jobs) than standard jobs.

Future research

There is a notable difference between the two countries in the distribution of the effects across groups in society. The benefits of Dutch reforms appear to have been rather more

evenly spread across firms and workers, with an emphasis on consensus building and equity. In the New Zealand case, the reforms appear to have favoured employers more than workers. However, the "shadow price" of the social harmony associated with the Dutch Polder model is a high inactivity rate and consequential hidden unemployment. This may have an impact on social security that is not sustainable in the long-run. In this respect, New Zealand has already made the "hard" decisions that have permitted structural surpluses on the government account.

There is much scope for further theoretical and empirical work on the impact of labour market reforms. In the near future, it is unlikely that very conclusive results will emerge from further research at the macro level. Due to the recency of the most significant labour market deregulation measures, it will remain impossible for some time to assess whether such measures reduced the natural rate of unemployment or contributed to an increase in the long-run rate of economic growth.

There is, however, a wealth of survey data in both countries that has so far only been used for descriptive accounts of the effects of labour market reforms. There is undoubtedly scope for testing formal theoretical models of the impact of deregulation by means of such rich micro-level data.

Notes

1. This is the ratio of net income, when in receipt of a benefit, over the likely net pay when at work.
2. Since 1995, however, consultation with the Social Economic Council is no longer mandatory.
3. However, two years later (in 1984) the employers opposed further working time reductions (see Albeda 1985).
4. Firm-level agreements were initially used by employers to try to de-standardise labour contracts and the working hours regime.
5. Employers and employees have equal representation in the Foundation of Labour.
6. The Enterprise Council is a council of elected representatives of all the employees in a firm.
7. See also Visser (1997).
8. In addition, there are many articles in *NZ Journal of Industrial Relations* concerned with specific aspects of the ECA. A list of such articles can be found in, for example, Bronsan and Walsh (1996).
9. See also Anderson et al. (1994) on related issues.
10. This is equal to 100 percent times one, minus the additional net dollar income received when earning an additional dollar of wages.
11. Surprisingly, few researches have attempted to quantify the effects in a multi-sectoral general equilibrium context.

12. See for a detailed discussion of this empirical evidence, Gorter and Poot (1999).

References

- Aarts, L.J.M., Dercksen, W.J. and Jong, P.R. (1993) Arbeidsongeschiktheid, een Internationale Vergelijking, *Sociaal Maandblad Arbeid*, 48, 755-769
- Abbring, J.H., van den Berg, G.J., Mullenders, P. and van Ours, J.C. (1996) Sancties in de WW: een werkend perspectief, *Economische-Statistische Berichten*, 750-753
- Aghion, P. and Howitt, P. (1998) *Endogenous Growth Theory*. MIT Press.
- Albeda, W. (1985) Recent Trends in Collective Bargaining in the Netherlands, *International Labour Review*, 124.
- Anderson, G., Bronsan, P. and Walsh, P. (1994) Adapting to the Recession: Labour Force Changes and Labour Cost Reductions. In: P. Morrison (ed.) *Labour, Employment and Work in New Zealand: Proceedings of the Fifth Conference 1992*. Wellington: Institute of Geography, Victoria University of Wellington.
- Armitage, C. (1997) Employment Contracting under the ECA: Preliminary Survey Results. In: P. Morrison (ed.) *Labour, Employment and Work in New Zealand: Proceedings of the Seventh Conference 1996*. Wellington: Institute of Geography, Victoria University of Wellington.
- Bean, C.R. (1994) European Unemployment: A Survey *Journal of Economic Literature*, 32(2): 573-619.
- Blandy, R. and Baker, M. (1987) Industry Assistance Reform and the Labour Market: The New Zealand Experience, *National Institute of Labour Studies*, Adelaide.
- Bollard, A. and Buckle, R. (eds) (1987) *Economic Liberalisation in New Zealand*. Wellington: Allen and Unwin in association with Port Nicholson Press.
- Boston, J. and Dalziel, P. (eds) (1992) *The Decent Society. Essays in Response to National's Economic and Social Policy*. Oxford: Oxford University Press.
- Bowden, R.J. (1997) The Employment Contracts Act: Common Law and Uncommon Economics, *New Zealand Economic Papers* 31(1): 65-83.
- Bronsan, P. and Walsh, P. (1996) Plus ça change...: the Employment Contracts Act and Non-Standard Employment in New Zealand, 1991-1995, *Working Paper 4/96*, Industrial Relations Centre, Wellington.
- Bronsan, P., Rae, D. and Wilson, M. (1995) Labour Market Segmentation and the State: the New Zealand Experience, *Cambridge Journal of Economics* 19: 667-696.

- Brunhes, B.** (1989) *Labour Flexibility in Enterprises: A Comparison of Firms in Four Countries*. OECD, Paris.
- Central Planning Bureau** (1995), *Centraal Economisch Plan 1996*, The Hague: Central Planning Bureau.
- Chapple, S.** (1997) Do Minimum Wages Have an Adverse Impact on Employment? Evidence from New Zealand, *Labour Market Bulletin* 1997(2): 25-50.
- Coe, D.T. and Snower, D.J.** (1997) Policy Complementaries: The Case for Fundamental Labor Market Reform, *IMF Staff Papers* 44(1): 1-35.
- Cox, J.** (1998) *Towards Personal Independence and Prosperity: Income Support for Persons of Working Age in New Zealand*. Wellington: New Zealand Business Roundtable.
- Dalziel, P.** (1998) New Zealand's Economic Reforms, 1984-95: Comment, *Victoria Economic Commentaries* 15(1): 1-6.
- De Koning, J.** (1998) Deregulering van arbeidsvoorzieningsdiensten, *Openbare Uitgaven*, 3, 123-132
- De Koning, J. et al.** (1995) Arbeidsvoorziening in perspectief, *Evaluatie Arbeidsvoorzieningswet 1991-1994*, The Hague
- Delsen, L. and de Jong, E.** (1997) Het wankel miracle, *Economische-Statistische Berichten*, 324-327
- Delsen, L.** (1995) *Atypical employment: an international perspective; causes, consequences and policy*, Groningen: Woltersgroep
- Den Broeder, C.** (1996) Institution at work. Commitment and flexibility on the German and Dutch labour markets, *Research Memorandum 131*, The Hague: Central Planning Bureau
- Den Butter, F.A.G. and van Vuuren, A.P.** (1997) Het poldermodel en de keuze tussen werk, inkomen en vrije tijd, *mimeo*, Amsterdam: Free University
- Dixon, S.** (1996) The Distribution of Earnings in New Zealand 1984-94, *Labour Market Bulletin* 1996(1): 45-100.
- Easton, B.** (1997) Some Macroeconomics of the Employment Contracts Act. In: P. Morrison (ed.) *Labour, Employment and Work in New Zealand: Proceedings of the Seventh Conference 1996*. Wellington: Institute of Geography, Victoria University of Wellington.
- Esping-Andersen, G.** (1998) Effects on unemployment levels and structure. A review of the evidence from comparative research, Chapter 3 in: *The effects of labour market deregulation on unemployment. A critical review of the different approaches and of the empirical evidence*, Report to the European Commission, forthcoming
- Evans, L.T., Grimes, A. Wilkinson, B. with Teece, D.** (1996) Economic Reform in New Zealand 1984-95: The Pursuit of Efficiency, *Journal of Economic Literature*, 34(4): 1856-1902.
- Freeman, R., Hartog, J. and Teulings, C.N.** (1996) Pulling the plug, *OSA-report W144*, The Hague: SDU/OSA.
- Freeman, R.B.** (1998) War of the Models: Which Labour Market Institutions for the 21st Century?, *Labour Economics* 5(1): 1-24.
- Gelauff, G.M.M. and Graafland, J.J.** (1994), *Modelling Welfare State Reform*, Amsterdam: North-Holland
- Gorter, C.** (1998) The Netherlands, Chapter 4.2 in: *The effects of labour market deregulation on unemployment. A critical review of the different approaches and of the empirical evidence*, Report to the European Commission, forthcoming
- Gorter, C. and Poot, J.** (1999) The Impact of Labour Market Degredation, *Discussion Paper* TI 99-001/3, Tinbergen Institute, Amsterdam.
- Gottschalk, P. and Smeeding, T.M.** (1997) Cross National Comparisons of Earnings and Income Inequality, *Journal of Economic Literature* 35(2): 633-687.
- Gravesteyn-Ligthelm, J.H., de Koning, J. and Koss, M.** (1990) Flexible arbeid: vormen, motieven en effecten, *OSA-working document W76*, The Hague
- Hall, V.B.** (1998) Assessing Structural Adjustment and Economic Reform: The Case of New Zealand, *Working Paper 4/98*, Graduate School of Business and Government Management, Victoria University of Wellington.
- Harbridge, R. (ed.)** (1993) *Employment Contracts: New Zealand Experiences*. Victoria University Press, Wellington.
- Harbridge, R. and Honeybone, A.** (1996) External Legitimacy of Unions: Trends in New Zealand, *Journal of Labour Research* 17(3): 425-444.
- Harbridge, R. and Rae, D.** (1992) Collective Bargaining and the Labour Market Flexibility Debate in New Zealand: a Review, *The Economic and Labour Relations Review* 3(1): 126-152.
- Harbridge, R., Crawford, A. and Kiely, P.** (1997) Employment Contracts: Bargaining Trends & Employment Law Update 1996/97, Graduate School of Business and Government Management, Victoria University of Wellington.
- Harris, R.I.D. and Daldy, B.M.** (1994) *Labour Market Adjustment in New Zealand*. Avebury, Aldershot.
- Hassink, W.H.J.** (1996) Worker Flows and the Employment Adjustment of Firms. PhD Dissertation. Tinbergen Institute, Amsterdam.
- Hector, J. and Hobby, M.** (1997) Labour Market Adjustment under the Employment Contracts Act: 1996, *New Zealand Journal of Industrial Relations*, 22(3): 311-328.

- Hemerijck, A. and Van den Toren, J.P.** (1996) The resurgence of corporatist policy coordination in an age of globalization. The case of the Netherlands, *mimeo*, Rotterdam: Erasmus University/Department of Public Administration.
- Kaspar, W.** (1996) *Free to Work: The Liberalisation of New Zealand's Labour Markets*. Centre for Independent Studies, St Leonards.
- Kelly, G.M.** (1995) Structural Change in New Zealand: Some Implications for the Labor Market Regime, *International Labour Review*, 134(3): 333-360.
- Kelsey, J.** (1997) *The New Zealand Experiment: a World Model for Structural Adjustment?* Auckland: Auckland University Press.
- Kennan, J.** (1995) The Elusive Effects of Minimum Wages, *Journal of Economic Literature* 33(4): 1949-1965.
- Killingsworth, M.R.** (1983) *Labour Supply* (Cambridge: Cambridge University Press).
- Kleinknecht, A., Oostendorp, R. and Pradhan, M.** (1997) Flexibiliteit en prestaties, *Economische-Statistische Berichten*, 869-870
- Koedijk, C.G. and Kreemers, J.J.M.** (1996) Regulering en groei in Nederland en Europa, *Economische-Statistische Berichten*, 848-852
- Lever, M.H.C. and Marquering, W.A.** (1995) Effect van AVV op werkgelegenheid blijkt beperkt, *Economische Statistische Berichten*, mei, 484-488.
- Lever, M.H.C.** (1997) Concurrentie verlaagt lonen en prijzen, *Economische-Statistische Berichten*, 652-655
- Maloney, T.** (1994) Estimating the Effects of the Employment Contracts Act on Employment and Wages in New Zealand, *Australian Bulletin of Labour* 20(4): 320-343.
- Maloney, T.** (1995) Does the Adult Minimum Wage Affect Employment and Unemployment in New Zealand?, *New Zealand Economic Papers* 29(1): 1-19.
- Maloney, T. and Savage, J.** (1996) Labour Markets and Policy. In: B. Silverstone et al. (eds) *A Study of Economic Reform: The Case of New Zealand*. Amsterdam: North-Holland.
- Ministry of Economic Affairs** (1995) *Toets op het concurrentievermogen*, The Hague: SDU/Ministry of Economic Affairs.
- Ministry of Social Affairs and Employment** (1990) *Rapportage Arbeidsmarktbeleid 1990*, The Hague: SDU/Ministry of Social Affairs and Employment.
- Mot, E. and Teulings, C.N.** (1990) Minimumjeugdloon en werkgelegenheid, *OSA-report W75*, The Hague: SDU/OSA.
- New Zealand Planning Council** (1996) *Labour Market Flexibility*. Wellington: New Zealand Planning Council.
- OECD** (1994) *Economic Surveys 1993-1994: Netherlands*, Paris: OECD.
- OECD** (1996) *Employment Outlook 1996*, Paris: OECD.
- OECD** (1997) *Quarterly Labour Force Statistics*. Number 4, 1997, Statistics Directorate, OECD, Paris.
- Oudshoorn, C. and Vijlbrief, J.A.** (1995) Het concurrentievermogen van de Nederlandse economie, in: L. van der Geest en J. van Sinderen, red., *Kracht en zwakte van de Nederlandse economie*, Rotterdam, 31-46.
- Poot, J.** (1980) Industrial Relations in The Netherlands: Harmony or Conflict? An Old Issue Revisited. *Occasional Paper in Industrial Relations* 26. Wellington: Industrial Relations Centre VUW.
- Saint-Paul, G.** (1997) The Rise and Persistence of Rigidities, *American Economic Review* 87(2): 290-294.
- Savage, J.** (1989) *Internal Labour Markets*. Wellington: New Zealand Institute of Economic Research.
- Schömann, K., Rogowski, R. and Kruppe, T.** (1995) Fixed-term contracts in the European Union, *paper presented at the EALE-conference 1995*, Lyon, France.
- Silverstone, B., Bollard, A. and Lattimore, R.** (eds) (1996) *A Study of Economic Reform: The Case of New Zealand*. Amsterdam: North-Holland.
- Stigter, A.I.** (1997) Dutch experiences in reforming social insurance and implementing active labour market policy in 1987-1995, *Research Memorandum 1997-22*, Amsterdam: Free University
- Van den Wijngaert, R.** (1994) *Trade Unions and Collective Bargaining in The Netherlands*, dissertation, Amsterdam: Tinbergen Institute/Thesis Publisher.
- Van der Heyden, P.F., van het Kaar, R.H., Knegt, R., Roebroek, J., Sol, E. and Wilthagen, A.C.J.M.** (1995) *Instituten van de arbeidsmarkt: een retrospectieve studie*, *OSA-report V43*, The Hague: SDU/OSA.
- Van Praag, B. and Hop, J.P.** (1995) De matigende invloed van de Nederlandse vakbeweging, *Economische Statistische Berichten*, November.
- Van Sinderen, J., P.A.G. van Bergeijk, R.C.G. Haffner, and P.M. Waasdorp** (1994) De kosten van economische verstarring op macro-niveau, *Economische-Statistische Berichten*, 274-279
- Van Veen, C.** (1987) Meer markt, minder overheid; terug naar de onderneming, in: A. Knoester, ed., *Lessen uit het verleden. 125 jaar Vereniging voor de Staathuishoudkunde*, Leiden/Antwerpen: Stenfert Kroese.

- Van Wijnbergen, S.** (1996) Institutionele aspecten van de arbeidsmarktproblematiek in Nederland, *OSA-report W139*, The Hague: SDU/OSA.
- Vijlbrief, J.A.** (1992) Unemployment Insurance and the Dutch labour market, dissertation, Amsterdam: Tinbergen Institute/Thesis Publishers.
- Visser, J.** (1997) Two cheers for corporatism, one for the market. Industrial relations, unions and labour markets in The Netherlands, *British Journal of Industrial Relations*.
- Whatman, R., Armitage, C. and Dunbar, R.** (1994) Labour Market Adjustment under the Employment Contracts Act, *New Zealand Journal of Industrial Relations* 19(1): 53-73.

Authors

Cees Gorter is an Assistant Professor,
Faculty of Economics and Econometrics,
Free University Amsterdam
De Boelelaan 1105,
1081 HV Amsterdam,
The Netherlands.
E-mail: cgorter@econ.vu.nl

Jacques Poot is an Associate Professor,
School of Economics and Finance,
Victoria University of Wellington,
PO Box 600,
Wellington,
New Zealand.
E-mail: jacques.poot@vuw.ac.nz