

INCLUSIVENESS: IN EVERYONE'S BEST INTEREST

A PRIORITY FOR POLITICS AND BUSINESS



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FOREWORD

The Inclusiveness of our modern societies is under pressure, as well internationally as in The Netherlands. Donald Trump has been elected as the next President of the United States. The majority of Americans are so dissatisfied with the direction in which their society and economy are heading that they have opted for a nationalist rhetoric. The divide in society has become so large that even opinion polls underestimated the voting behavior of the dissatisfied majority. In the Netherlands, protests against asylum seeker centers, the debate surrounding the pension system, and the emphasis on ‘together’ and ‘secure’ in party manifestos for the 2017 elections displayed that differences between groups are becoming more pronounced: in other words, inclusiveness in our society is under pressure.

Inclusiveness concerns us all. A society in which large groups of people feel excluded has negative consequences for everyone. It breaks down trust and unity. With protest votes, dissatisfied groups can obstruct globalization and technological advancement, putting the brakes on economic growth in the process. Negative growth and stagnation affect the whole of society; something we have noted over the last few years. It is therefore vital that declining inclusiveness is a central theme in discussions among government and business.

We believe that the current debate about inclusiveness is based on an incomplete understanding of the facts. Do we truly know what the problem is? What are the root causes? What are effective solutions? We hope that this report will provide more foundation for the debate on inclusiveness, put the theme on everyone’s agenda, and encourage further discussion.

We approach this topic from an economic and a social angle, based on data analyses about economic inclusiveness and hypotheses about social inclusiveness. We have to remain modest in this regard: our hypotheses are fact based, but not evidenced truths. In fact, we want to encourage more research to enhance the knowledge about the true causes of declining inclusiveness. On the other hand, we cannot allow years to pass by before there is further research. We will have to work together to reverse declining inclusiveness in our society, using what we know today. This report does not contain all the answers: it is a starting point for discussion.

We hope you enjoy reading this report and we look forward to the much needed, challenging and relevant discussions that will follow

SUMMARY

INCLUSIVENESS IS AN INCREASINGLY important theme worldwide. Donald Trump's victory, the Brexit referendum in the United Kingdom, and the CETA vote in Wallonia are manifestations of declining inclusiveness, as are the protests at asylum seeker centers and the pension debate in the Netherlands.

We are investigating the causes of declining inclusiveness from two perspectives: economic and social inclusiveness. Economic inclusiveness is the extent to which citizens proportionally benefit from increased prosperity, while social inclusiveness is the extent to which citizens proportionally are included in positive and negative social developments.

Declining inclusiveness not only has a moral component, but also a pure economic one: it is detrimental for everyone. Our growth over the last few years has been driven by globalization (free trade) and technological advancement. If a discontent public does not profit from this growth, they increasingly revert to nationalistic and protectionist measures, such as extra protection for Dutch businesses or even an exit from the EU. These measures are at complete odds with the prosperity drivers of the last few decades, globalization and technological advancement, and will jeopardize future growth for us all.

Although the political and social debate is picking up on declining inclusiveness, it is mostly existing hobbyhorses that are being brought out to address the issue (more income redistribution, less refugees, etc.). The inclusiveness problem is often oversimplified and facts and figures are used selectively. However, inclusiveness is not a simple issue: its' causes are multiple and complex. If we limit ourselves to existing hobbyhorses, we run the risk, after years of investment, of concluding that the inclusiveness problem has not been resolved because we failed to tackle the real root causes.

We have analyzed the possible causes of declining economic inclusiveness and found that income and wealth inequality have scarcely increased in the Netherlands. Even so, inclusiveness in the broad sense seems to be declining just as much in the Netherlands as in countries where income and wealth inequality have increased. The causes of declining inclusiveness must therefore go beyond the pure economic ones.

It is our view that research into the social causes of declining inclusiveness is still fragmented and incomplete. Accordingly, we present four hypotheses of possible underlying causes of declining inclusiveness in this report to trigger the discussion.

INSECURITY

The combination of declining job security and a weakened social safety net increase financial risks for the public. The number of employees with a flexible contract has increased, especially those of lower income groups, while the legal protection of flexible and permanent contracts has decreased. Because the social safety net has simultaneously become “smaller”, income security has decreased significantly. These social safety net changes apply equally to higher and lower incomes, yet there is a distinction to be drawn here. Lower income earners have less of a financial buffer to be able to absorb fluctuations in their own income: their income risk profile has therefore increased.

QUALITY OF LIFE

Quality of life has improved significantly for many over the last few decades. Our cars are safer, the internet saves us time and offers us free services that were previously paid. Life expectancy has also increased, but here not everyone shares equally. Especially the *healthy* life expectancy for low educated men has increased at a lower rate than for highly educated men, widening the already large divide. Equally disturbing is that the observed correlation between the level of education of parents and their children is increasing. Inequality in quality of life is therefore on the rise in essential components of our everyday life.

HORIZONTAL ‘PILLARIZATION’

The Netherlands has a unique history in which groups in society were formed based on conviction instead of socio-economic status. This divide with vertical social groups was called ‘pillarization’ (*verzuiling*). In the last decades the vertical pillars have crumbled down, and we observe a rise of ‘pillarization’ in horizontal form: groups in society are increasingly associating within their own socio-economic ‘pillar’; resulting in less interaction among different socio-economic groups. We are witnessing, for example, that schools and neighborhoods are becoming more and more segregated. Like-minded people also group together on social media and networks, so people increasingly consume information that confirms their opinion, in what is known as the ‘echo chamber’. Groups in society have less and less contact with each other and develop an increasingly poorer understanding of each other: ‘ignorance breeds intolerance’.

TRANSPARENCY

Transparency has produced significant benefits for us. It enables us to better control executives, for example. But transparency also has its drawbacks: it amplifies differences among groups, can magnify incidents, and stir unrest. We have seen, for instance, that the world has actually become a safer place over the last few decades, but that the perception of security has decreased internationally.

These are our hypotheses based on research conducted in the last months; the extent to which they explain declining inclusiveness has not been properly researched yet. Our main recommendation is therefore to conduct more research into the root causes of social inclusiveness. We simply know too little about its causes to be able to tackle them at their roots.

Yet what we do know is that increasing inclusiveness is in all of our best interests, because declining inclusiveness jeopardizes future growth. We therefore believe that the 'winners' of globalization and technological advancement would benefit from taking better care of - and investing a greater share of their profits to - those left behind; thereby safeguarding continued support for globalization and technological advancement. This is a paradox: 'winners' must forgo a larger portion of 'their' growth to safeguard future growth. Inclusiveness concerns all of us, not solely because of social or moral considerations, but in our collective best interest as well.

Lastly, we conclude that reversing declining inclusiveness is not only a task for the government, but also increasingly for business. On the one hand because the causes of declining inclusiveness are so widespread that they are not restricted to the public domain and the government's sphere of influence; on the other hand because business has so much at stake in this regard.

The question is what business can do. We believe that companies can contribute through more inclusive use of new technologies, paying more attention to the advancement of all employees (including the temporary workforce), working harder to eliminate unintended discrimination, more linkage of all employees' pay to business performance, possibly more insourcing of support roles, and certainly more active participation in the public debate. The above solutions may be at the expense of short-term financial targets. There is also a potential free rider issue in this regard: although it is in the interests of business as a whole to invest in inclusiveness, there is an individual incentive to let other companies do the heavy lifting. But that should not prevent companies from playing a more active role in the inclusiveness issue. Such an active role is essential, not only from a social perspective but also in businesses' own best interest.

1. INTRODUCTION

DURING THE OPENING OF the Dutch parliament 2016 the government has good news: the economy is improving for everyone. Yet it seems as though a large portion of the population does not share in the government's enthusiasm. Almost 60% of Dutch people state that they have not noticed the improved economy, 22% even think that the economic situation in the Netherlands will worsen next year¹. Why does the general public feel that it will not be better off next year if the figures claim otherwise?

Many Dutch citizens are experiencing increasing differences in society. 49% are experiencing a greater divide between young and old, 70% a greater divide between native and naturalized Dutch citizens, and 71% a greater divide between rich and poor². And they are concerned about this. Why are Dutch people experiencing that their society is drifting apart?

In this report, we search for the real causes of declining inclusiveness in Dutch society over the last decade. We also consider inclusiveness from an economic and social perspective. We will firstly describe the debate surrounding economic and social inclusiveness and then outline the possible consequences if these trends were to continue. We will then examine the causes of declining inclusiveness and the paradox of globalization and technological advancement. Lastly, we will show that businesses also have a role to play in reversing the decrease in inclusiveness.

¹ Ipsos (2016) NOS *Prinsjesdagonderzoek* 2016

² Ipsos (2016) NOS *Prinsjesdagonderzoek* 2016

2. THE DEBATE ON INCLUSIVENESS

THERE IS A DIFFERENCE between inclusiveness in the economic and social sense. Economic inclusiveness is the extent to which citizens benefit proportionally from increased prosperity³. We have observed a growing debate in the media about increasing income and wealth inequality.

In his 2014 book ‘Capital in the Twenty-First Century’, Piketty described how the rate of return on capital is greater than that on labor. This would mean that rich and poor grow apart structurally in terms of wealth. Some political parties have adopted Piketty’s recommendation for a wealth tax in their election manifestos. Although there is potentially much to say about Piketty’s conclusions, he has certainly opened the debate.

Social inclusiveness is the extent to which citizens take part in society, are proportionally included in positive and negative social developments, and maintain social contacts that have social value⁴. We are observing a growing divide in the Netherlands between young and old, native and naturalized Dutch citizens, and among different socio-economic groups.

We find the increasing divide between young and old in the pension debate. The current pension system, based on the principle of solidarity, is under pressure. Young adults feel there will be no pension money left for them, while the elderly feel they are being penalized after working their whole lives. Both young and old feel they are the losers of the pension system⁵. This question has even led to the emergence of a political party that stands up for the rights of seniors. A political party that focuses on a specific age group illustrates the growing divide between young and old.

Native and naturalized Dutch citizens are also feeling further removed from each other. The recurring debate about ‘Zwarte Piet’ (Black Pete, the folklore companion of Saint Nicholas) is very sensitive and divides society. Are you for or against? The willingness of the Dutch to receive asylum seekers is also a delicate situation. Many people have mobilized to accommodate the large influx, while others have come out strongly against it. Protesters gathered in large numbers to protest the opening of an asylum seeker center in Culemborg, for example, and pig heads were left at the entrance to a future center in Enschede.

3 Blom & Brekelmans (2015) *Inclusiviteit*. BCG for Dutch Transformation Forum 26 November 2015

4 Blom & Brekelmans (2015) *Inclusiviteit*. BCG for Dutch Transformation Forum 26 November 2015

5 Vermeij, Sonck & Van den Broek (2014) *Jong versus oud?* In SCP (2014) *Vershil in Nederland; Sociaal en Cultureel Rapport 2014*

The differences between rich and poor are getting more and more attention in the public debate. Not only in the area of work, income, and wealth, but also in relation to the possible disproportionate distribution of social problems. For example, the analysis that poorer municipalities are receiving more asylum seekers than rich municipalities⁶ has caused considerable controversy.

We also see examples abroad where increasing differences are becoming visible in society. The nomination of Donald Trump as the Republican presidential candidate was contrary to the wishes of the party's establishment. However, the majority of voters felt more engaged by a rhetoric that rejected the establishment and focused on 'now us', with the result that Donald Trump has been elected as the next President of the United States.

In the United Kingdom, the majority Brexit vote was a slap in the face to Cameron's government. The established political order was dismissed by a majority of the British population who felt the EU was offering them too few benefits and imposing too many rules and restrictions. The differences between Remain and Brexit voters were considerable. Young adults and Londoners mainly voted Remain while older people and rural areas mostly voted in favor of Brexit⁷.

Radical parties are also gaining ground in many other countries. The strong growth of the left-wing populist Podemos party in Spain, the support for the extreme right Golden Dawn in Greece, and the popularity of Le Pen in France are all manifestations of dissatisfaction with the existing situation. In addition to their multitudes of supporters, there are also groups that are appalled by their slogans and proposals. The political divide is thus becoming wider in many countries.

⁶ Meindertma (2015) *Arme gemeenten vangen meer asielzoekers op dan rijke*. NOS, 21 September

⁷ BBC (2016) *EU referendum: the result in maps and charts*. 24 June

3. CONSEQUENCES OF DECLINING INCLUSIVENESS

THE NETHERLANDS HAS BEEN ‘out of recession’ for over two years. The last time our economy shrunk was the fourth quarter of 2013. We are making more money, but where is that money going to? A large group is feeling they are not proportionately gaining from economic growth: ‘they’ are getting richer and ‘we’ are not. Declining inclusiveness leads to more polarization and less solidarity in society. What happens if we continue along this trend? What kind of society remains?

When a large group of people feels angry and anxious they are easier to manipulate⁸. They rebel against social challenges (such as refugees) because these are the most visible signs of change. They feel attracted more quickly to authoritarian leadership that refers to strong feelings of identity, authenticity, and ‘us versus them’ thinking. ‘Retrotopia’⁹ can gain the upper hand in this regard: nostalgia for an ideal past that often did not even exist.

When ‘us versus them’ thinking dominates, a situation arises in which different social groups increasingly begrudge each other and social cohesion declines. Social debates are particularly intensive in this volatile society, with little empathy for others. Majorities will have less regard for minorities. Outcomes will be more black and white, with clear winners and losers. This will strengthen polarization and encourage losers to stand up more for their own interests, giving rise to a more individual society with sharp differences. On a political level, less solidarity will carry over into government policy, even though solidarity forms the basis of our pension, healthcare, and unemployment systems, among others. If the public is no longer prepared to make their (financial) contribution, reduced solidarity will jeopardize the foundations of our welfare state.

Political fringe parties appeal to the feelings of groups that feel they have been unfairly treated. If inclusiveness diminishes and more people feel disadvantaged, support for nationalistic and protectionist ideas will increase. They will express their dislike of the EU and increase their support for favoring and protecting Dutch companies and closing borders to foreign workers. To aggrieved citizens, nationalistic and protectionist measures seem to be a way to enforce equal division of economic growth.

⁸ Blom, P. (2016) *Als wij niet veranderen, verspelen we onze toekomst*. Het Financieel Dagblad, 8 October

⁹ As explained by Blom, P. (2016) *Als wij niet veranderen, verspelen we onze toekomst*. About Bauman (2017) *Retrotopia*. Het Financieel Dagblad, 8 October

However, our open economy benefits from free trade and minimal protectionist measures in other countries; we are a trade country. EU membership and the accompanying decrease in trade barriers generate an additional €100-150 billion per year in exports for the Netherlands¹⁰. Former minister Willem Vermeend calculated that the average net benefit of EU membership for each Dutch person amounts to €2,000 per year¹¹. Measures that take away the benefits of free trade will have painful consequences for the Dutch economy.

Declining inclusiveness will thus have political consequences that destabilize the economic climate. Businesses are more cautious in a changing political and economic climate. In risky environments, they are less inclined to trade, establish new business locations, or invest. This will lead to decreased economic activity in the Netherlands and thus fewer jobs and less income. In other words, we will all bear the consequences: both those who do and those who do not benefit from current growth.

It is in everyone's interest to oppose declining inclusiveness. In order to be able to do this in the most targeted manner possible, we need to first properly understand the causes of declining inclusiveness.

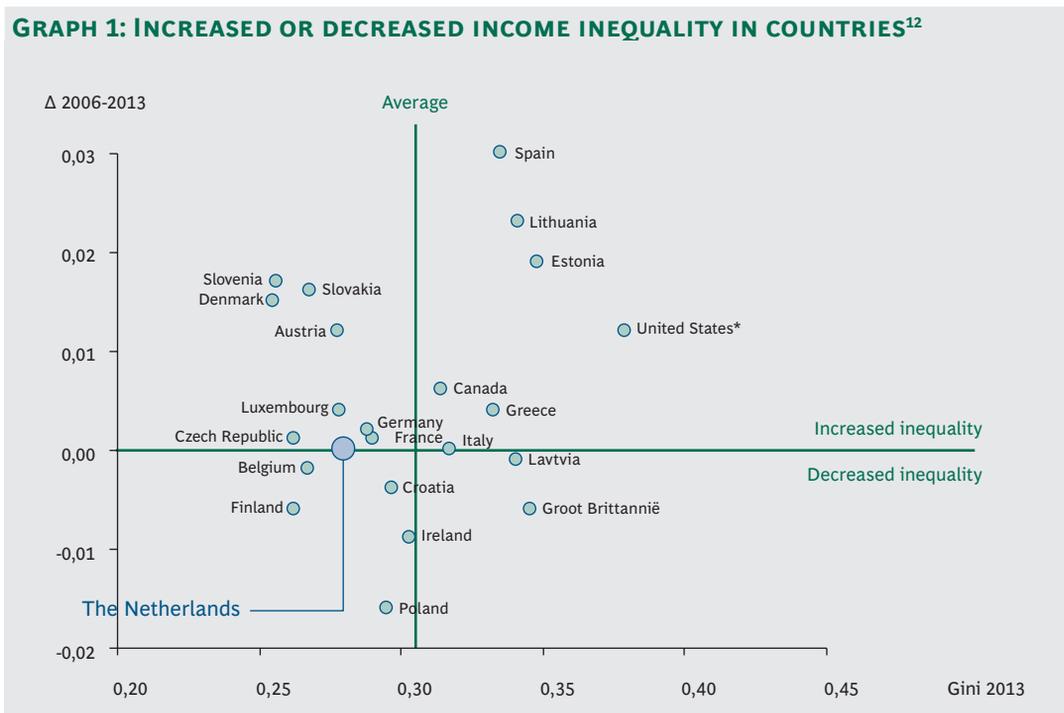
¹⁰ Blom, Wijers & Teulings (2014) *Nederland profiteert meer dan gemiddeld van lidmaatschap van de EU*. NRC 5 May

¹¹ Vermeend & Van Gessel (2010) *De Euro, Europa en onze economische toekomst*. Einstein Books

4. INCOME INEQUALITY HAS BARELY INCREASED

THE DEGREE OF INCOME inequality can be measured with the Gini coefficient. In developed economies, the Gini coefficient lies between 0.25 in Denmark and 0.40 in the United States (graph 1). This means that a 0.01 point change is already 1/15 of the difference between the extremes. Small steps therefore make great differences.

GRAPH 1: INCREASED OR DECREASED INCOME INEQUALITY IN COUNTRIES¹²

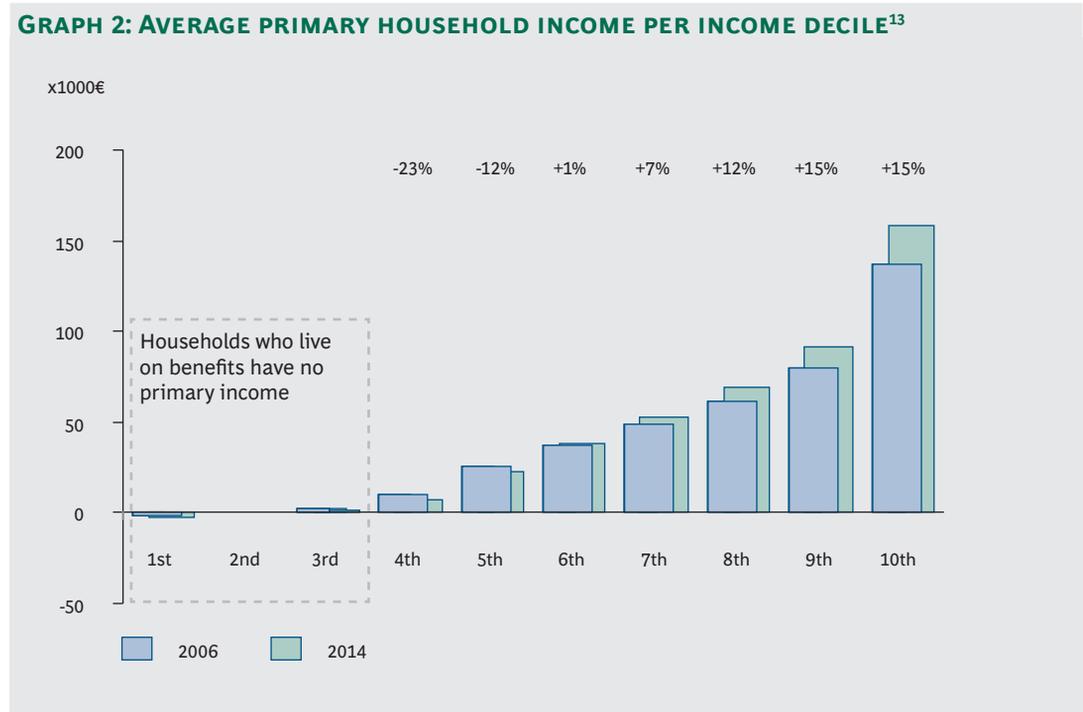


The Gini coefficient has a value of between 0 and 1. If everyone has the same income, the Gini coefficient is 0 and if one person has all the income, the Gini coefficient is 1.

¹² OECD data, consulted on 28 September 2016, BCG analysis. * 2006 date calculated using old definition

If we look at the change in income inequality between 2006 and 2013, we see no clear trend. Income inequality has increased in countries such as Spain, the United States, and Denmark, but decreased in Poland, Ireland, and Finland. Both groups include a Scandinavian country and a country that was deep in the grips of the financial crisis. The Netherlands has a Gini coefficient of 0.28, a relatively low income inequality. The Gini coefficient in 2013 was precisely the same as in 2006 and just as high as the long-term average between 1977 and 2013.

Dutch income inequality in disposable income has not increased because redistribution fully offsets the growing income inequality in primary income (graphs 2 and 3). Due to our progressive tax system, those on higher incomes pay proportionally more income tax and due to our welfare benefits, those on lower incomes receive more transfer income.



Graph 3 shows that all income groups gained approximately proportionally equally between 2006 and 2014. Only the lowest-earning 10% of the Netherlands remained behind. The decrease of this bottom 10% is caused partly by the fact that groups of employees with very low income have grown relatively in size: (low-paid) freelancers and students not living at home¹⁴. There were 227,000 more freelancers in 2014 than in 2006¹⁵. And not all freelancers earn a sufficient income. In 2012, for example, 15% of freelancers were living under the poverty line¹⁶. Many freelancers have consciously opted for independent occupations, but 18% indicate that they have no other choice¹⁷.

¹³ Statistics Netherlands data, consulted on 20 September 2016, BCG analysis. As percentage differences have no explanatory value if nominal values are negative or very low, we do not show these

¹⁴ Statistics Netherlands data, consulted on 26 September 2016, BCG analysis

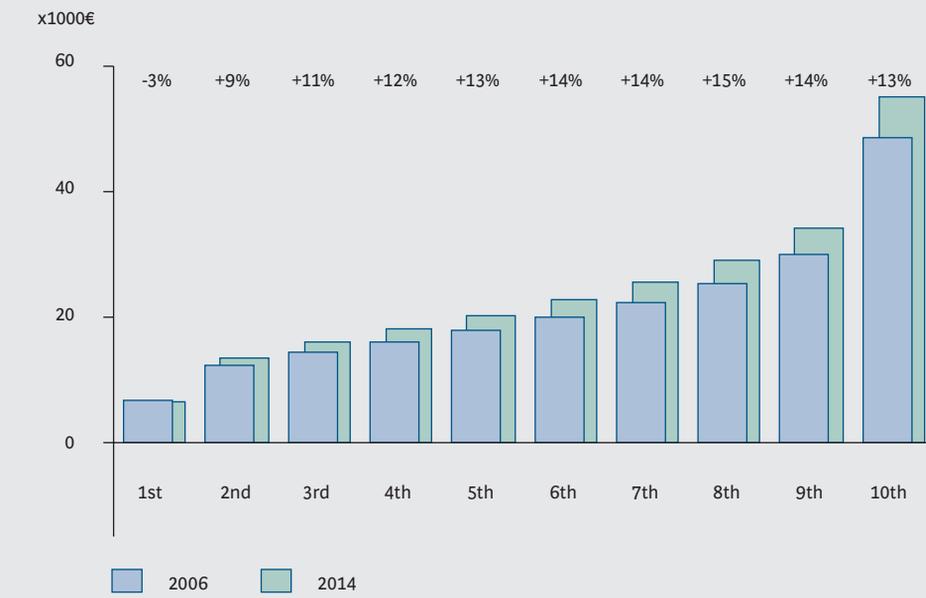
¹⁵ Statistics Netherlands data, consulted on 26 September 2016, BCG analysis

¹⁶ Josten, Vlasblom & Vrooman (2014) *Bevrijd of beklemd? Werk, inhuur, inkomen en welbevinden van zz'pers*. Publication of the Netherlands Institute for Social Research (SCP)

¹⁷ ZZP Barometer (2014) *Jaarrapport feiten, cijfers & trends 2013/14*

The number of students has also increased considerably: an extra 127,000 young adults started studying between 2006 and 2014. The number of students not living at home has thus risen by 80,000¹⁸. If students live on their own, they count as households. So, although it looks as though the bottom 10% are earning less, the low incomes of the larger group of low-earning freelancers and students distort the image.

GRAPH 3: AVERAGE STANDARDIZED DISPOSABLE HOUSEHOLD INCOME PER INCOME DECILE¹⁹



Households are ranked by income into ten income groups (deciles) of equal size after all households are ranked from low to high income.

Although the standardized disposable income has increased over the last eight years for almost all income groups by around 13% (graph 3), this does not mean purchasing power has also increased. If we correct for inflation, we see that purchasing power (disposable income minus inflation) has decreased for four years in succession, from 2010 to 2013 (graph 4).

¹⁸ Statistics Netherlands (CBS) data, consulted on 26 September 2016; percentage living away from home from *Landelijk monitor studentenhuizing 2015*, BCG analysis

¹⁹ Statistics Netherlands (CBS) data, consulted on 20 September 2016, BCG analysis

Primary income

+ Transfer income

= **Gross salary**

- Taxes

- National insurance contributions

= **Disposable income**

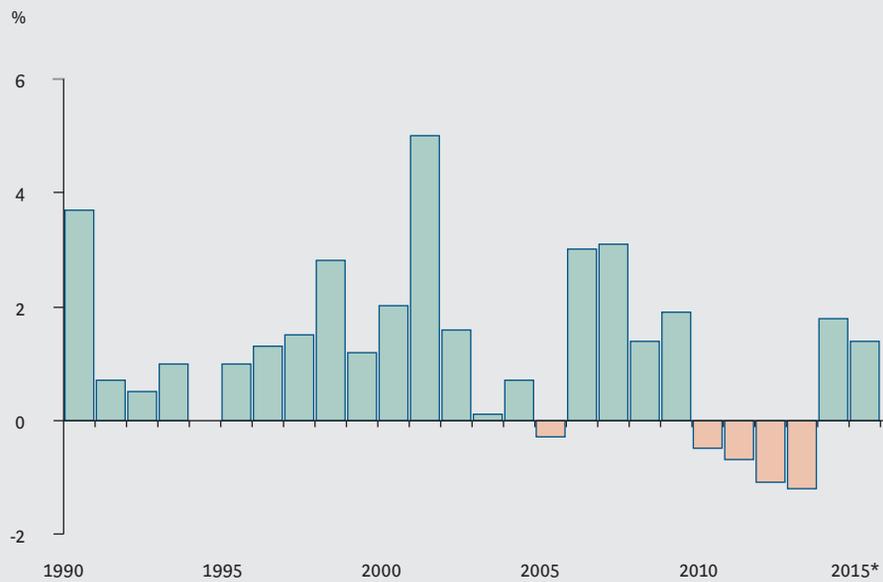
+/- Adjusted for household composition

= **Standardized disposable income**

- Inflation

= **Purchasing power**

GRAPH 4: AVERAGE IN/DECREASE OF PURCHASING POWER²⁰



²⁰ Statistics Netherlands (CBS) data, consulted on 20 September 2016, BCG analysis. * 2015 provisional data

The decline in purchasing power affects everyone in percentage terms, but people who struggle to keep their heads above water are hit the hardest. We thus see that the number of people in poverty in the Netherlands has increased between 2008 and 2015²¹. In relative terms, the Netherlands is still among the four countries with the lowest percentage of poverty in Europe, but that percentage has increased. There is also a group that is not in poverty but due to factors such as declining purchasing power, increasing healthcare costs, etc. is having more trouble making ends meet. The direct impact of the decline in purchasing power on day-to-day life is significantly greater on this group than higher-earning groups.

To summarize, we see that the extent of income inequality across countries differs, but that there is no visible trend that income inequality is increasing within countries worldwide. Although income inequality in primary income is increasing within the Netherlands, there is no increase in the inequality of disposable income because of redistribution. This does not mean that the lives of Dutch citizens have improved, because purchasing power decreased for four years in a row, from 2010 to 2013. Combined with the increased cost of living and healthcare, declining purchasing power has had a greater effect on the day-to-day lives of the lowest income groups.

An often cited study by Milanovic and Lakner²² on worldwide inequality compares worldwide incomes between 1988 and 2008. One of their conclusions is that worldwide inequality has decreased. The big winners are the middle classes in developing countries and the big losers are the middle classes in developed countries. This has implications for how positive we feel about globalization.

We are not citing these conclusions in our report because they are disputed. The growth of the middle classes in developing countries is driven fully by the exceptionally high rise in income in China²³. Income stagnation of the middle classes in developed countries changes in growth when the dataset compares the same countries and factors in population growth. Milanovic and Lakner moreover indicate that their conclusion about the decrease in worldwide inequality is a recent phenomenon (2003-2008) that is probably not significant in relation to a standard deviation.

Therefore, we cannot conclude on the basis of this study that globalization has elevated the middle classes of developing countries. Likewise, we cannot conclude that globalization has eroded our middle classes in developed countries.

²¹ Eurostat (2016) *The share of persons at risk of poverty or social exclusion in the EU back to its pre-crisis level*

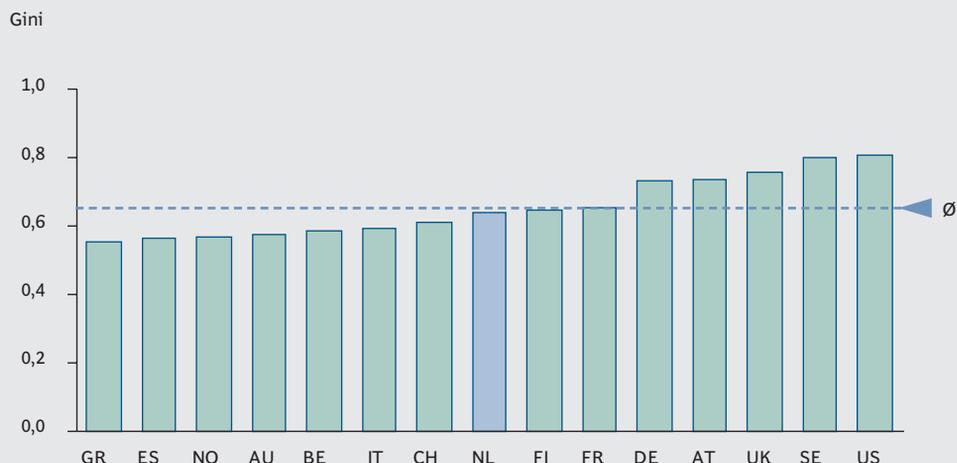
²² Milanovic & Lakner (2015) *Global Income Distribution: From the Fall of the Berlin Wall to the Great Recession*

²³ The Resolution Foundation (2016) *Examining an Elephant: Globalisation and the lower middle class of the rich world*

5. WEALTH INEQUALITY HAS BARELY INCREASED

ECONOMIC INEQUALITY CONSTITUTES OF more than just income inequality, it also constitutes of wealth inequality. The Netherlands has average wealth inequality when again measured by the Gini coefficient²⁴ (graph 5). Our wealth is distributed more unequally than countries such as Greece and Spain, but more equally than countries such as the United States and the United Kingdom. The Netherlands has a relatively unwealthy group at the bottom of the wealth distribution, a relatively wealthy middle class, and an averagely wealthy group at the top. We will first explain how this wealth distribution has come into being and then proceed with the change in wealth distribution.

GRAPH 5: GINI COEFFICIENT FOR WEALTH INEQUALITY 2014²⁵



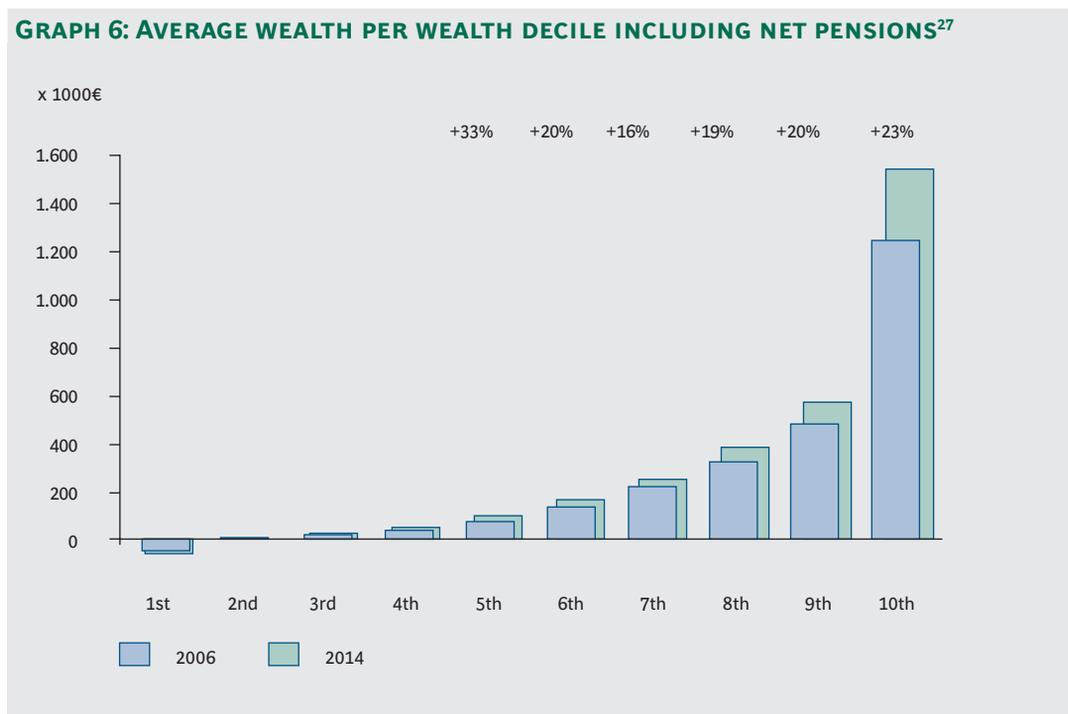
²⁴ The Gini coefficient is a calculation methodology that measures the ratio between the area that lies between the Lorenz curve and the diagonal and the area below the diagonal. The Gini coefficient can therefore be applied to more than just income inequality

²⁵ ECB, National Central Banks and Statistical Offices, UNU WIDER, World Bank, and calculations by Allianz SE. In: Brandmeir, Grimm, Heise & Holzhausen (2015) *Allianz Global Wealth Report 2015* (data includes gross pension capital)

The distribution of our wealth has come about through the asset mix of Dutch people. Our wealth consists mainly of real estate, supplementary pension savings, and personal assets (investments). Due to a fall in house prices, the group of Dutch people with negative equity has grown. These are not low-income households but often households with an average income and a home worth less than the mortgage registered on it. The cumulative wealth of the least wealthy 50% is thus being dragged down by negative wealth.

In addition, our pension system benefits the middle 40%. We accrue pension via three pillars. The first pillar is state pension, the pay-as-you-go system, in which the current generation labor force pays for the current generation of senior citizens. The second and third pillars are employer and private pension schemes, respectively. This is the capital funding system in which each person accrues capital for supplementary pension. Only working people accrue an employer pension scheme, or capital, if they earn more than the state pension “deductible”. Additional pension is therefore not accrued by people who live on benefits, self-employed who do not organize their own pension, people whose income is around minimum wage and employees whose employer does not offer any pension accrual. This is roughly estimated 30% of the Dutch population²⁶. This does not mean that they will receive no pension after retirement; they will receive the state pension but without supplementary pension. Besides this group that does not accrue any supplementary pension and thus no wealth, there are the medium and high income groups that do accrue additional wealth. This means that the Netherlands has a relatively unwealthy lower class and a reasonably wealthy middle class.

GRAPH 6: AVERAGE WEALTH PER WEALTH DECILE INCLUDING NET PENSIONS²⁷



Graph 6 shows that the wealth of almost all wealth groups improved proportionally between 2006 and 2014. Only the bottom two deciles have declined in terms of wealth.

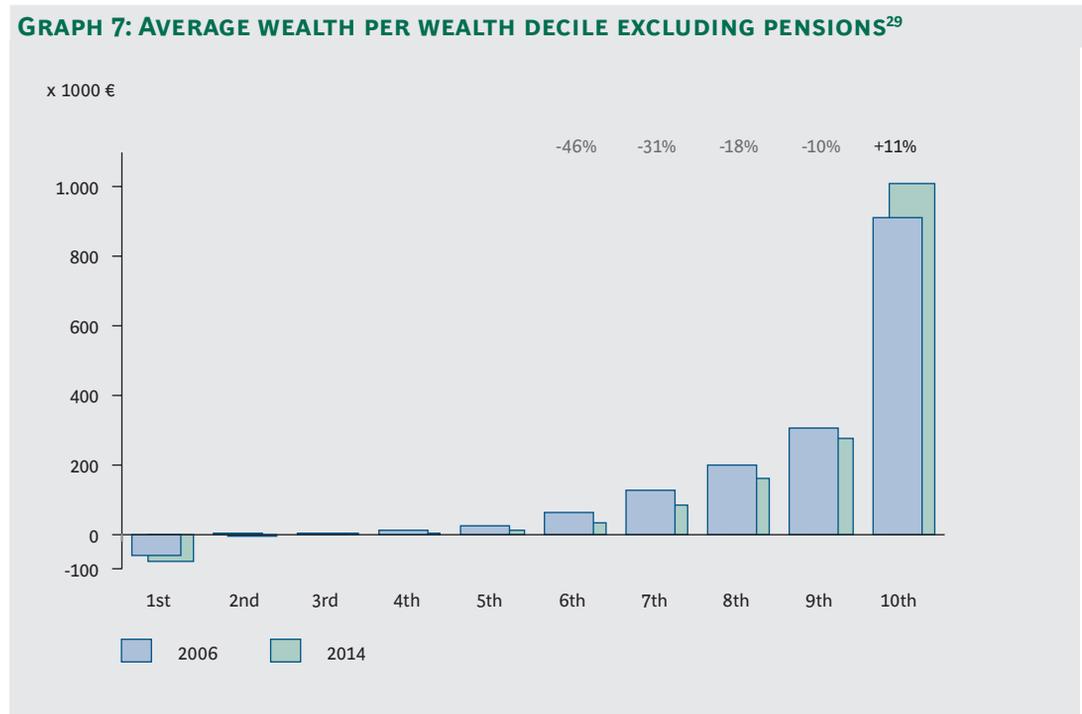
²⁶ Statistics Netherlands (CBS) data, consulted on 27 October 2016, BCG analysis. Non-working partners are not included in the 30%.

After all, they accrue pension through their partner

²⁷ Statistics Netherlands and Dutch Central Bank (DNB) data consulted on 20 September 2016, pension allocation according to percentages used in Camida, Goudswaard & Knoef (2014) *Vermogens in Nederland gelijker verdeeld sinds eind 19de eeuw*. Me Judice, 17 June 2014, net pensions, BCG analysis. As percentage differences have no explanatory value if nominal values are negative or very low, we do not show these

This is because the number of households with negative equity in 2014 was 2.7 times higher than in 2006²⁸. Due to falling house prices, mortgages often exceed the value of the real estate and some households were forced to sell their homes at a loss. As house prices have started to improve again in 2016, recent figures will much likely change this picture.

Pension savings is money that we set aside so we will have more than state pension when we retire; pension is therefore a savings account. For this reason, we believe that pension capital should be added to the other wealth. Many other wealth studies choose to not include pension data, in which case the picture changes (graph 7). We see that wealth excluding pensions decreased for all deciles in 2006-2014, with the exception of the top 10%, while the middle deciles have lost relatively more wealth than the higher income groups.



It is true that the wealth of the top 10% has increased on average. However, if we zoom in on the top 10%, we find the same wealth distribution (graph 8). Within the top 10%, the top 1% has far more wealth than the rest. And if we zoom in even further, we see the same wealth distribution again: within the top 1%, the top 0.1% possesses far more wealth and within that top 0.1%, the wealth is heavily weighted towards the top 0.01% (graph 8). The nominal capital growth of the top 0.01% accounts for 22% of the capital growth of the top 10%³⁰. Our view of the capital growth of the most wealthy 10% is thus strongly based on the most wealthy 748 households³¹. These are not the executive salaries that the media focus on. A top salary of thousands does not provide for capital growth of millions. These are people whose wealth has grown, for instance, by selling their own medium-sized business or through significant successful investments.

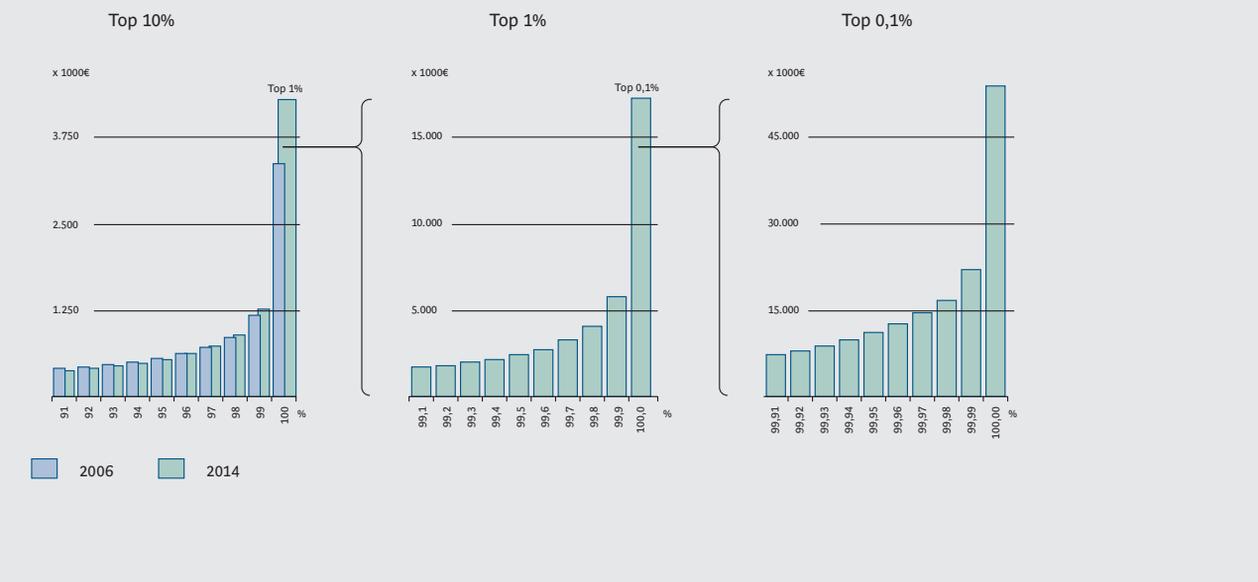
²⁸ Statistics Netherlands (CBS) data, consulted on 27 October 2016, BCG analysis

²⁹ Statistics Netherlands (CBS) data, consulted on 20 September 2016, BCG analysis. As percentage differences have no explanatory value if nominal values are negative or very low, we do not show these.

³⁰ Statistics Netherlands (CBS) data, consulted on 31 October 2016, BCG analysis. With an average capital growth of €11 million from 2011 to 2014 for the top 0.01%, we estimate that the top 0.01% in capital growth explains 22% of the increase in wealth of the top 10%.

³¹ Statistics Netherlands (CBS) data, consulted on 27 September 2016

GRAPH 8: AVERAGE WEALTH OF THE TOP 10%, TOP 1%, AND TOP 0.1% IN 2014 EXCLUDING PENSIONS³²



Between 2006 and 2014, the wealth excluding pensions of the top 5% of households increased (graph 8). This results mainly from the asset mix. Wealthier people have less of their capital invested in houses and more invested in the stock market or their own business. Capital invested in the stock market increased in value by 22%³³ on average in the period 2006-2014, while the value of houses decreased by 8% on average³⁴.

The average wealth inequality in the Netherlands has increased slightly in the last decade. This is due firstly to the temporary increase in households with negative equity because of the increasing number of real estate whose mortgages exceed their value. And secondly, due to increased capital growth for the wealthiest 10% because of their asset mix.

³² Statistics Netherlands (CBS) data, consulted on 31 October 2016, BCG analysis. The top 10%, top 1%, and top 0.1% are subdivided into ten evenly-sized groups of households that are ranked according to wealth. Due to the absence of the dataset, we have no access to the wealth data of the top 1% and top 0.1% in 2006.

³³ Data AEX GR. Via Financieel Dagblad online, consulted on 14 October 2016, BCG analysis. Market opening data of 2 January of the year concerned

³⁴ Statistics Netherlands (CBS) data, consulted on 5 October 2016, BCG analysis.

6. HIGHER STANDARD OF LIVING FOR EVERYONE

WE ARE USED TO measuring economic prosperity in a country by means of the Gross Domestic Product (GDP). An interesting debate about the ‘excessive’ focus of economists and politicians on GDP as a target has developed over the past few years. GDP measures whether we have spent more money, but does not measure the quality or the services that we could purchase with that money. Some examples:

- Better medication, education, and information have led to us living healthier and longer lives than ever before.
- The introduction of computers, the internet and smart phones has drastically changed our lives. Besides major improvements in healthcare, everyday tasks are also simpler and improved. As an enormous amount of information is available via Wikipedia, we no longer have to buy expensive sets of encyclopedias. We can call worldwide for free using Skype. Increasingly fewer people are paying for a TV guide because information can be found online. The profit per household due to the internet alone was €233 in 2010³⁵. This is because services that we previously paid for are now free and because there are new services that we would be willing to pay for.
- Traveling by car is also qualitatively better these days, not only because of the better quality of cars, but also because of air conditioning and better travel information. Where people previously had to purchase maps and then an expensive navigation system, they can now use Google Maps to reach their destination.

The above examples show how we are receiving more quality for the same money due to technological progress. Households now have a higher standard of living than in 2006, even if that is not visible in the advancement of income or purchasing power. Nonetheless, many remain dissatisfied and globalization and technological advancement are given the blame, but of what exactly? Income and wealth inequality have not increased significantly, while quality of life has. We therefore have to look for other causes of declining inclusiveness.

³⁵ Data consumer surplus from IAB Europe & McKinsey & Company (2010) *Consumers driving the digital uptake; The economic value of online advertising-based services for consumers*. Divided by the number of households in 2010, Statistics Netherlands (CBS) data

7. OTHER POSSIBLE ROOT CAUSES

WE HAVE SO FAR concluded that changes in income and wealth inequality can at most only partly explain declining inclusiveness. Firstly because they have hardly changed in the Netherlands and secondly because the development of income and wealth inequality varies greatly between different countries, even though we observe declining inclusiveness everywhere.

For example, we have seen polarization take hold through the rise of political fringe candidates and parties, such as Donald Trump in the United States, Le Pen in France, Podemos in Spain, and Golden Dawn in Greece. However, we see no connection to the increase in income inequality. Differences in the development of income inequality among countries seem larger than the differences in voting behavior shifts towards the more radical fringe parties. To therefore say that increasing economic inequality is the main driver of increasing social polarization seems to be an oversimplification. There must be other explanations.

However, we see people jump to conclusions in political and social debates: we feel less inclusiveness in society and must therefore redistribute more. Although this logic is simple, the data does not support that this would address the root causes. There is a considerable risk that we think we are tackling the problem, only to find in a few years that the problem has not, or has hardly, been resolved. In order to really reverse declining inclusiveness, it is essential that we understand and properly target the real causes.

It is therefore important to adopt a more nuanced approach to the theme of inclusiveness. We must go one step further and analyze where the real root causes of declining inclusiveness lie. In this chapter, we will analyze economic inclusiveness in greater depth than just income and wealth inequality and also investigate social inclusiveness. We will present four hypotheses for the underlying causes of declining inclusiveness.

INSECURITY

Greater job insecurity and a weakened social safety net increase the (financial) risk for citizens

QUALITY OF LIFE

The differences in quality of life among different social groups with respect to education and life expectancy are large and increasing

HORIZONTAL 'PILLARIZATION'

Social groups are increasingly associating within their own socio-economic 'pillar', leading to decreasing interaction among socio-economic groups

TRANSPARENCY

Differences among social groups are magnified by transparency

7.1 Insecurity

Insecurity in the Netherlands has increased due to a combination of factors including less job security, a weakened social safety net and the increasing speed of change. Job security has decreased over the last few decades because more people are working on flexible contracts or are self-employment and because of less legislative protection of employees. The social safety net is offering less security due to less social insurance and welfare benefits. All this against the backdrop of an ever increasing speed of change to which people have to adapt.

Flexible contracts are becoming increasingly common in the Netherlands. This flexible shell of freelancers and zero-hour contracts is a means for businesses to be able to make swift changes or reduce costs. However, employees on these flexible contracts experience great uncertainty. After Spain, the Netherlands takes the lead in Europe with the percentage of employees on flexible contracts. Yet, where this percentage of flexible contracts is decreasing in Spain, it is on the rise in the Netherlands³⁶. The percentage of employees with a flexible contract is twice as high among low educated workers (30%) as it is among highly educated workers (15%), and the percentage is increasing more for low educated workers³⁷. Job insecurity is thus not just increasing, it is also increasingly unequal.

Besides the number of flexible contracts, the security of both permanent and temporary contracts has decreased. According to Vrooman, people in paid employment lost around 9% in job security³⁸ from 1980-2015 because employees are less protected by labor laws (graph 9)³⁹. If we weigh total security according to the share of permanent contracts, flexible contracts, and independent workers, job security has decreased by 27%.

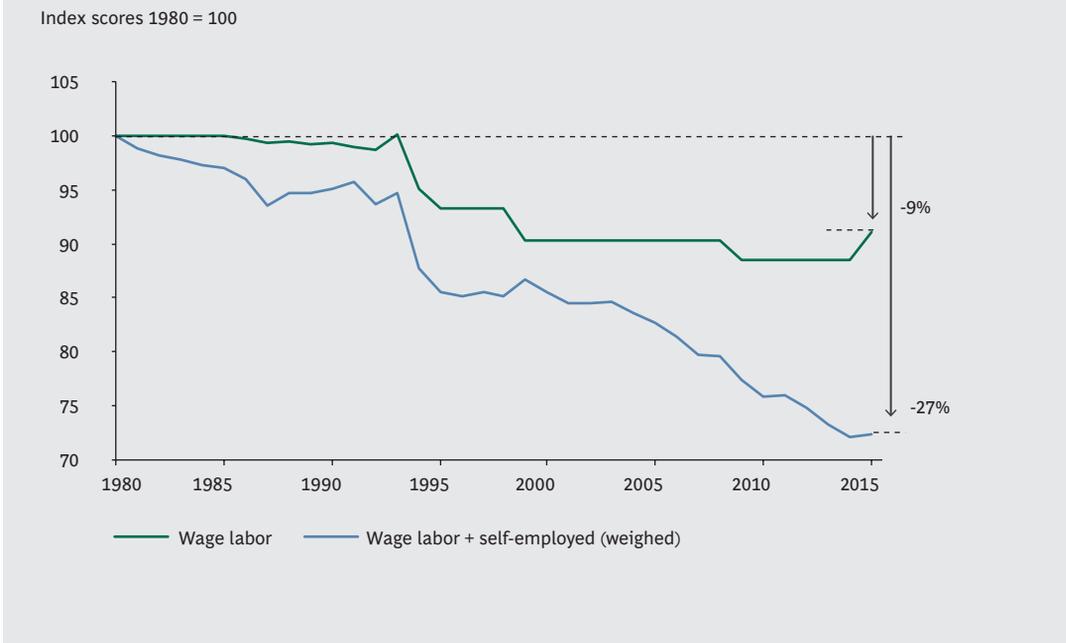
³⁶ Julen (2016) *Nederland is Europees kampioen flexwerken*. Trouw, 6 January

³⁷ Statistics Netherlands (CBS) data, consulted on 5 October 2016, BCG analysis

³⁸ Definition of employee security based on the OECD series on the legal protection of people in permanent employment, on a temporary contract, or doing agency work. The indicators relate to protection against dismissal, severance pay, and the number of times that a temporary contract can be extended

³⁹ Vrooman (2016), *Institutionele verandering, sociale opdeling en het ongenoegen van de Nederlander*. *TPEdigitaal* 10 (3), pp. 49-73 www.tpedigitaal.nl

GRAPH 9: JOB SECURITY OF THE LABOR FORCE (1980 -2015)⁴⁰

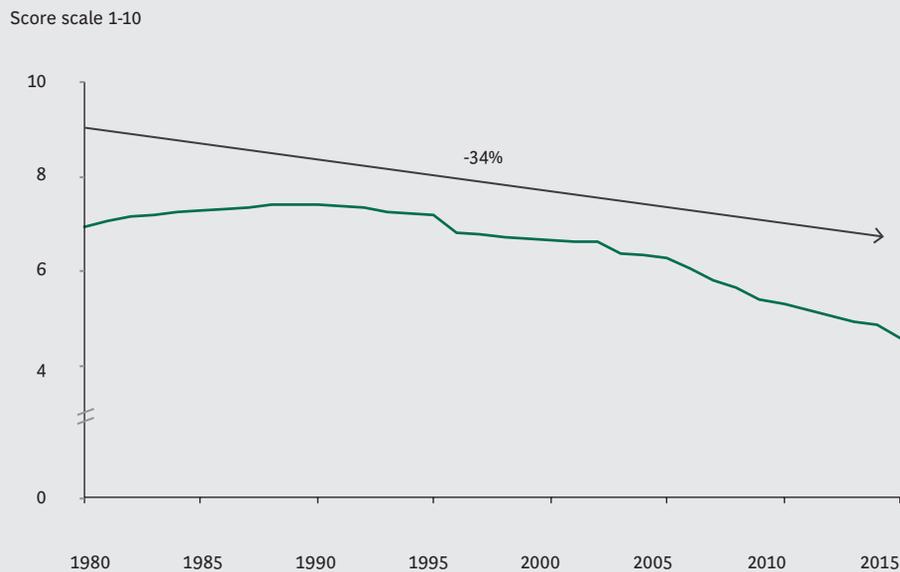


Job security has thus decreased significantly. If this were to be compensated by constant income security, decreasing job security would have less of an impact on inclusiveness. But because the decline in job security is accompanied by a gradual decrease of the welfare state, income security has decreased significantly.

The Dutch welfare state was at its peak in the 1980s, but successive governments have been building down the expensive social safety net. Although this process has been ongoing for years, resistance against it seems to have increased in recent times. Until 2008, the welfare state decreased simultaneously with growing prosperity, but now it is decreasing without growing prosperity. Vrooman has calculated that the population aged 18-64 lost 34% in income protection between 1980 and 2015 because of welfare cuts (graph 10).

⁴⁰ Vrooman (2016), *Institutionele verandering, sociale opdeling en het ongenoegen van de Nederlander*. *TPEdigitaal* 10 (3), pp. 49-73 www.tpedigitaal.nl

GRAPH 10: INCOME PROTECTION (1980 -2015)⁴¹



Thus until about 2008, our prosperity increased and we had increasing private financial resources to cover the increasing risk of income insecurity. However, growth in prosperity has weakened sharply since 2008 and our purchasing power decreased for four years in succession, from 2010 to 2013. The decrease of the welfare state has meanwhile continued through measures including reducing the period of receiving unemployment benefits, increasing the own risk in healthcare, cuts in elderly care, and abolishing the general student scholarship. Briefly put, the Dutch have seen their safety net weaken but there has been no compensatory growth to be able to cover those additional risks.

Many young adults and highly educated workers feel they will never have to rely on the social safety net, while only 9% of households per year do not rely on some type of welfare benefit⁴². Those more vulnerable who rely on the welfare state, or those who feel that they will need the welfare state at some stage, are hit the hardest: a rise in insecurity without an increased financial buffer. Inequality in insecurity is thus increasing.

The Netherlands Institute for Social Research (SCP) has found that a significant group of people have lost their connection to society, mainly because of a lack of self-reliance and social skills⁴³. This group is expanding due to greater social risks in an individualized society⁴⁴. This is the new underclass, the precariat: those who live in continuous uncertainty. People in this group are characteristically low educated, often dependent on welfare benefits, unwealthy, and have few social contacts. This group is not resilient and feels excluded⁴⁵.

Also, the world is changing ever faster. In 1969, a message was sent for the first time across the ARPANET, a forerunner of the internet. The first commercial Personal Computer (PC) was launched in 1977, and gained access to the World Wide Web in 1991. The first smartphone,

41 Vrooman (2016), *Institutionele verandering, sociale opdeling en het ongenoegen van de Nederlander*. *TPEdigitaal* 10 (3), pp. 49-73 www.tpedigitaal.nl

42 Statistics Netherlands (CBS) data, Ministry of Social Affairs and Employment analysis. Relates to the number of households that did not rely on any of the 31 welfare benefits and schemes in 2011

43 Roes (2002) *Sociale cohesie en sociale infrastructuur, verkenning van beleidsmogelijkheden en bestuurlijke modellen*. Working document 79, publication of the Netherlands Institute for Social Research (SCP)

44 Roes (2000) *Risicogroepen, marginalisering en bestuurlijke interventies*. In: Hortulanus & Machielse: *In de marge. Sociaal debat nr. 1*. Den Haag: Elsevier

45 Boelhouwer, Gijsberts & Vrooman (2014) *Nederland in meervoud*. In: SCP (2014) *Vershil in Nederland; Sociaal en Cultureel Rapport 2014*

a device that has now become indispensable for many people, was introduced around 2000. Where technology previously developed at a relatively gradual rate, the speed of change can now outpace the ability of certain groups to adapt: this brings about insecurity. Examples of this include the disappearance of bank branches or the paper train ticket.

Furthermore, the surge of robotics and the impact of Artificial Intelligence will make many jobs redundant. According to a study by Oxford University, 47% of all current American jobs may be taken over by robots within twenty years⁴⁶. According to a follow-up report, focusing on the Dutch market, 268,000 students are now being trained for work that will be taken over by robots in the next 10-20 years⁴⁷.

We therefore conclude that job security has decreased significantly while the social safety net is offering less security. This was previously accompanied by an increase in income, but income has hardly increased over the past few years, resulting in growing insecurity. Insecurity is also growing because of the increased speed of change. These growing insecurities, which are more far-reaching for less resilient groups, are one of the possible root causes of declining inclusiveness.

7.2 Quality of life

So far we have examined inequality mainly from a financial perspective: income level, wealth, purchasing power, and income security. However, inequality can also occur in other areas. We will now investigate inequality in education and health.

In principle, the Dutch education system seems to offer equal opportunities to all students. Schooling is compulsory for everyone, almost free of charge, and all schools are freely accessible, independent of the parents' income. This does not mean there is no inequality in education in practice. Parents choose which elementary school they want their children to attend. If the choice is available, parents opt for a school that best ties in with their social class⁴⁸. We therefore see a contrast arise in the 'color' of a school. While the ethnic diversity of a school does not influence the children's academic performance, the socio-economic position of the parents does⁴⁹. Highly educated parents invest more in extra education, in the form of homework assistance, for example⁵⁰. Highly educated parents also place more pressure on the school, as a result of which their children receive a higher secondary school level advice compared to equally skilled children from other parents⁵¹. A situation arises in which opportunities are not fairly distributed because of self-selection, help, and pressure. In practice, we are increasingly observing that the level of education of parents determines the level at which their children are educated⁵². Educational inequality therefore seems to be on the rise.

Also, the demand for private education is increasing. Household expenditure for additional lessons, homework assistance, and exam training has almost doubled between 2005 (€77 million) and 2010 (€142 million)⁵³. The number of private educational institutions is growing⁵⁴ and the general student scholarship has been abolished. All these developments mean that the financial contribution of parents can have a greater influence on their children's education.

46 Frey & Osborne (2013) *The future of employment: how susceptible are jobs to computerization?* Oxford University

47 Deloitte (2014) *De impact van automatisering op de Nederlandse arbeidsmarkt. Een gedegen verkenning op basis van Data Analytics*

48 Zeldenrijk (2010) *Je voelt het gewoon; een onderzoek naar schoolkeuze en segregatie in Amsterdam-Noord*. Dutch Council for Social Development (RMO)

49 Westerbeek. 1999. *The colours of my classroom. a study into the effects of the ethnic composition of classrooms on the achievement of pupils from different ethnic backgrounds*

50 Ministry of Education, Culture and Science (2016). *De staat van het Onderwijs – Onderwijsverslag 2014/2015*

51 Broos & Van Beeten (2014) *Ouders zetten leraren onder druk voor VWO-advies*. Algemeen Dagblad, 12 December

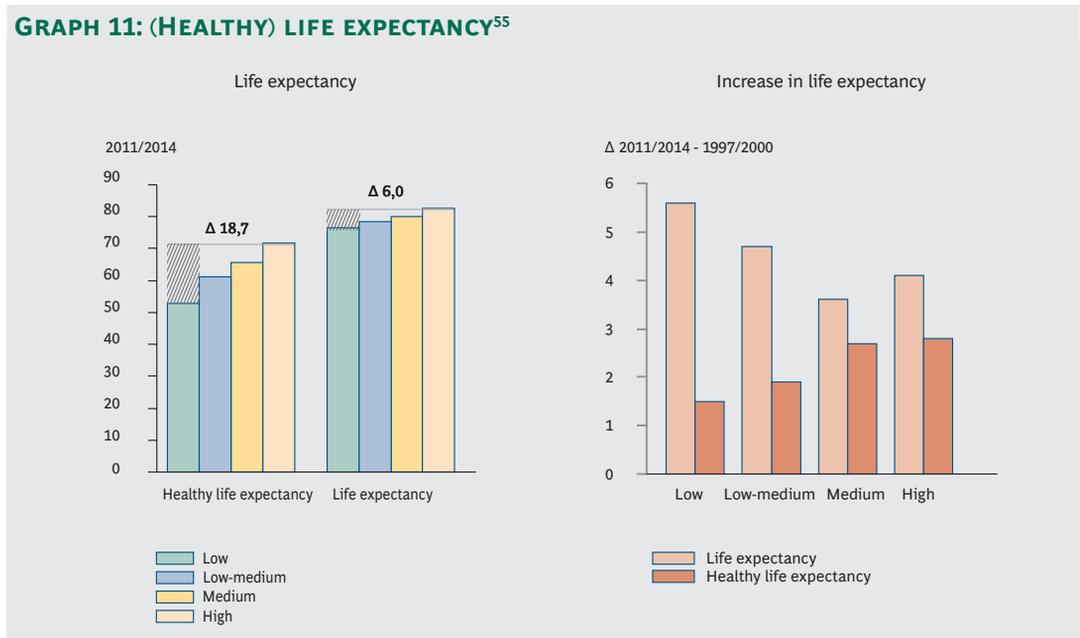
52 Ministry of Education, Culture and Science (2016). *De staat van het Onderwijs – Onderwijsverslag 2014/2015*

53 Van Klaveren (2012) *Toelichting op revisie onderwijsuitgaven 2012*. Publication of Statistics Netherlands

54 Ministry of Education, Culture and Science (2016). *De staat van het Onderwijs – Onderwijsverslag 2014/2015*

We are seeing increasing differences not only in terms of educational opportunities, but also in health. The life expectancy of a low educated male is six years less than that of a highly educated male (graph 11). However, the difference in the number of years that someone lives in good health is much greater. A low educated male lives in good health until the age of 53, on average, while a highly educated male lives in good health until the age of 71.7, on average. This is a difference of 18.7 years. The fact that there is a difference in life expectancy, and in healthy life expectancy in particular, is not new, but the developments in this regard are new. The life expectancy of low educated males has increased more than for highly educated males (graph 11). The same does not apply to their healthy life expectancy; this has increased more for highly educated males. Inequality is therefore increasing in the area of healthy life expectancy.

GRAPH 11: (HEALTHY) LIFE EXPECTANCY⁵⁵



We are also seeing large differences in the social relationships of different groups in our society. Older and low educated people have considerably less social capital⁵⁶ and are lonely more often⁵⁷. Social capital is a measure of the degree to which people participate and have confidence in society. People who indicate they are lonely and have less contact with friends also experience health issues more frequently⁵⁸. As a result, these groups have a greater chance of feeling unconnected with society.

⁵⁵ Statistics Netherlands (CBS) data, consulted on 19 October 2016, BCG analysis. Life expectancy at birth

⁵⁶ Schmeets & Van Beuning (2014) *Bevolkingstrends 2014: Discrepancies in sociaal kapitaal van bevolkingsgroepen*. Publication of Statistics Netherlands

⁵⁷ Van Beuningen & De Witt (2016) *Eenzaamheid in Nederland*. Paper published by Statistics Netherlands

⁵⁸ Van Beuningen & De Witt (2016) *Eenzaamheid in Nederland*. Paper published by Statistics Netherlands

7.3 Horizontal pillarization

The Netherlands has a unique history in which social groups are formed based on conviction instead of socio-economic status. The vertical social divide with a Catholic, Protestant, Social and Liberal social group is ‘pillarization’ (verzuiling). People attended their own schools and sports associations, read their own newspaper, listened to their own radio channels and watched their own television programs. This form of pillarization has largely eroded over the last few decades. Most personal convictions have become less dominant. This does not mean that pillarization as a concept has disappeared. We are now observing a shift from vertical to horizontal pillarization.

With the erosion of the vertical pillars, we see people are associating increasingly with others from the same socio-economic group. We are seeing, for example, that schooling affects social mobility and that housing location brings together more and more people from the same social groups. And apart from the fact that people are in less physical contact with other, we are also observing that people are increasingly consuming information that enhances their own preferences.

Social mobility is the extent to which each of us has an opportunity to advance in society. A prelude to future social mobility is therefore the extent to which a child’s level of education is influenced by his parent’s level of education. And as described in chapter 7.2, the parents’ educational level is increasingly determining the educational level of the child⁵⁹. Consequently, the opportunities for children to work themselves up to a higher socio-economic class than their parents are decreasing.

We are observing that social groups are more segregated in their choice of where to live. For example, low earners and the unemployed are increasingly living close to each other in certain neighborhoods⁶⁰, while highly educated workers are increasingly living close to each other in cities. We are also seeing that native and naturalized Dutch citizens are living far apart from each other in the four major cities⁶¹. This segregation has increased even further in Amsterdam and Utrecht over the last few years.

Smart algorithms influence which information we consume; examples include Google, Facebook, and Blendle. The latter recommends articles to readers based on what you have read before and what your friends read. This smart algorithm saves readers search time, but prevents them from reading articles that contradict their opinions and convictions. This is known as the ‘echo chamber’, in which algorithms let us only read information that confirms our opinions, as though our own opinions are echoed back to us via media.

Throughout the ages, social groups have mainly moved within their own circles. Nonetheless, horizontal pillarization seems to be on the rise. A consequence of horizontal pillarization is that different social groups hardly get to know each other. ‘Ignorance breeds intolerance’ and inclusiveness in society thus decreases.

59 Ministry of Education, Culture and Science (2016) *De staat van het Onderwijs – Onderwijsverslag 2014/2015*

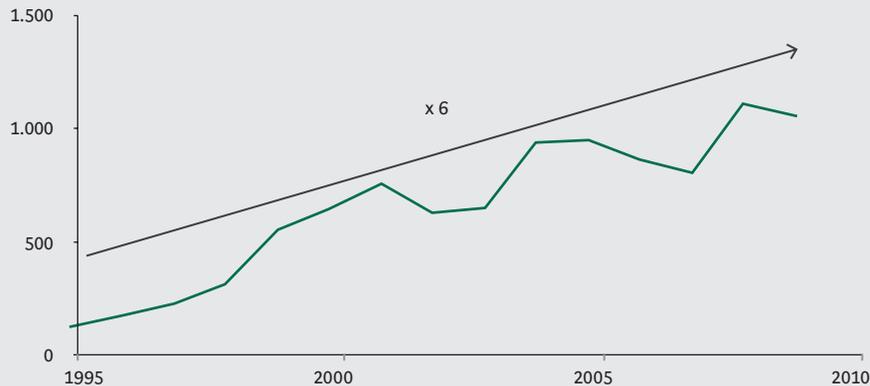
60 Netherlands Environmental Assessment Agency (PBL) (2016) *De verdeelde triomf: Verkenning van stedelijk-economische ongelijkheid en opties voor beleid. Ruimtelijke verkenning 2016*

61 Latten & Wittebrood (2005) *Concentratie allochtonen toegenomen*. Publication of Statistics Netherlands

7.4 Transparency

Many people hold transparency in highest regard. Transparency is viewed as an important means against corruption, deception, and inefficiency. Transparency is featuring more on the agenda in national politics. Between 1995 and 2009, the frequency with which “transparency” was written increased six fold (graph 12).

GRAPH 12: FREQUENCY OF THE WORD ‘TRANSPARENCY’ IN PARLIAMENTARY PAPERS 1995 – 2009⁶²



Society demands more transparency from government and businesses than before. Examples include the act which entitles the general public to request information from the government and the act which makes it compulsory to disclose top incomes in the public and semi-public sector.

Transparency brings us many advantages. These include enabling us to monitor those in power more easily, which increases our security and control. As an example, political parties in the Netherlands are obliged to disclose large gifts so nobody can anonymously ‘purchase’ political influence. In England the disclosure of all data on the outcomes of surgeries has improved healthcare. The chances of surviving an aortic valve replacement, for instance, have increased by one-third⁶³.

But more transparency also has its downsides. Firstly, it makes contrasts more visible. Due to transparency, a section of the population perceives that it has an increased risk profile. While some social problems, that are unfairly distributed, only affect a relatively small section of society in absolute numbers.

This small group of people is not enough to explain an intensified ‘us versus them’ feeling and thus declining inclusiveness at a national level. However, if a large group of people identifies with this group, a relatively small, disproportionately distributed social problem can have major repercussions. The feeling of ‘this-could-have-been-me’ gives people the perception of an increased risk profile, while the actual chance is very slim and the actual expectation value has hardly changed.

⁶² Scholtes (2012) *Transparantie, icoon van een dolende overheid*

⁶³ Bridgewater, Keogh, Kinsman & Walton (2008) *Sixth National Adult Cardiac Surgical Database Report: Demonstrating Quality*. The Society for Cardiothoracic Surgery in Great-Britain & Ireland in association with Dendrite Clinical Systems

Transparency can also create or reinforce an inaccurate perception of insecurity. The social urge for transparency publicizes incidents that would have previously remained unexposed or magnifies exceptions. The media's strong focus on exceptions is an example of this. People's sense of insecurity is confirmed in these exceptions. If something has happened recently, we think that there is a greater risk of it reoccurring⁶⁴. In case of a terrorist attack, the 'this-could-have-been-me' feeling increases among people, even though the risk has not changed. Statistics show, for example, that even though the world became twice as safe between 1989 and 2005, the global citizen's perception was the exact opposite⁶⁵: 40% of global citizens feel unsafe, as opposed to 20% during the Cold War⁶⁶.

In our current culture of measurement, we can and want to increasingly measure things. We have access to more information than before and thus more opportunities for analysis. This means that we must deal carefully with the new insights that we acquire. Because of information inflation, there is a risk that everyone will hear only what they want to hear and that some will present figures that only confirm their position ('cherry picking').

In summary, we state that the true causes of declining inclusiveness could lie more in the area of insecurity and inequality in quality of life than in the area of income and wealth inequality. Increasing transparency also magnifies these increasing differences. Lastly, different social groups are living separately from each other increasingly so, as a result of which mutual knowledge and understanding decreases.

We must remain humble. The above drivers of declining inclusiveness are only our hypotheses; this report is not a comprehensive analysis and we have not examined causality. Declining inclusiveness is a major problem with possible major consequences. It calls for timely interventions, but the understanding of the causes is still too limited. We therefore find that far more research is needed to be carried out into the root causes of declining inclusiveness.

64 This is the 'availability bias' from the book of Kahneman (2011) *Thinking Fast and Slow*. Penguin

65 University of British Columbia, Canada (2005) Human security report 2005; war and peace in the 21st century. Published for the Human Security Centre

66 Colijn (2015) "*We zijn steeds veiliger, al ervaren we dat anders*". Dutch Institute for International Relations Clingendael

8. DECLINING INCLUSIVENESS CONCERNS US ALL

GOVERNMENTS ACROSS THE WORLD have intentionally pursued policies that promote globalization and technological advancement by facilitating free trade in goods, services, capital, and labor (globalization) and stimulating the development of technology. Even though this has led to more trade, more prosperity and more income for the Netherlands, dissatisfaction is growing.

If a large group does not feel they are sharing proportionally in the gains from economic growth, it will exert pressure. People feel that developments that have produced growth have not elevated their position and situation. They are therefore increasingly skeptical towards the drivers of prosperity growth, such as ‘Europe’, the Euro and free trade. This skepticism can influence government policy.

This is the paradox of globalization and technological advancement: economic progress, which has been made possible by globalization and technological advancement, leads to aversion of the growth drivers themselves. Everyone benefits from economic progress, just like all felt the recession in their pockets. Therefore, it is in the best interest of the winners to let others share more in the gains of globalization and technological advancement, not only from any moral considerations, but also simply in their own economic interest. It is better for them to have a smaller slice of a larger pie than a larger slice of a smaller pie.

We must allow everyone to share in the gains from globalization and technological advancement by investing in the resilience of groups that have been left behind. This means that we must help vulnerable groups in society to become less vulnerable to the increasing speed of change and empower them against increasing insecurity.

9. BUSINESSES ALSO HAVE A ROLE IN INCREASING INCLUSIVENESS

THE DEBATE ABOUT SOLUTIONS for inclusiveness is not a new one. What is new is the impact of the choice that faces us, or rather the choice that we have not made yet. By not consciously choosing to promote inclusiveness, we are doing nothing. Chapter 3 shows us that the costs in that case may turn out to be exceptionally high. We must therefore consciously choose to reverse the trend of declining inclusiveness.

The government has been trying to promote inclusiveness in the areas of health, education, and income for decades. New insights into the possible root causes of declining inclusiveness, such as security, inequality the quality of life, horizontal pillarization, and transparency, possibly call for a different focus in governmental policies to facilitate inclusiveness.

The discussion about the role of businesses in social problems is an age-old one (shareholder versus stakeholder). However, the need for companies to step out of its comfort zone seems to be greater in relation to inclusiveness. Firstly, this is because the stakes are greater: where previous discussions about the role of companies have centered mostly on reputational damage and limited customer boycotts, the possible consequences now seem much greater. Social dissatisfaction is turning quicker into large policy shifts that affect business on a greater structural scale. A Brexit does not just ‘blow over’ and limit itself to small marginal losses, just as Donald Trump has really been chosen as the next US president.

Secondly, the need for companies to play a role is greater because the benefit for businesses are now far more direct. Gains in the area of climate change and human rights, for example, no matter how morally desirable are not very tangible for business in the short term. However, the same does not apply to the shifts in political direction that are now pending; these are not only damaging for future business, but also for the business today. Therefore, apart from the question of whether business should concern itself more with social problems in any case, declining inclusiveness implies two additional reasons why it should leave the sidelines in its own interest.

The question is then *how* business can give shape to a more inclusive role. Companies can firstly strive to use new technology in a more inclusive manner. Applying new technology in a way that profits only the capital owners is not sustainable in the long term. We see this now with Airbnb, for example. Although their proposition creates value for landlords and tenants, Airbnb also creates problems for neighbors and home seekers. By leaving the responsibility (and consequences) for this solely with landlords, local authorities and society, it now seems that they are gradually turning against Airbnb. When rolling out new technology, businesses must therefore increasingly monitor the balance between return on capital and social impact. In these times, those who are too greedy can end up losing everything.

Education and retraining of employees focus mainly on skills that are of primary importance for the current employer in the short term: employees with a permanent employment contract who are expected to stay for a long time and employees on higher salaries. A more proportional use of training resources creates more equal opportunities, specifically for those employees who need them most. If companies did this as a whole, the leakage would be minimal.

Businesses could focus more intensely on preventing mostly unconscious and unintended discrimination against groups with lower prospects in the selection process. In its factory in Yonkers, New York, for example, Ben & Jerry's has an 'open-door hiring policy': no questions are asked about a candidate's past, no references are contacted, no tests are taken. Anyone who wants to work there can register themselves on a waiting list. In this way, groups that normally have lower prospects of selection have an employment opportunity⁶⁷.

A second way of enabling hard-to-place groups in the job market is to adapt and redesign work processes. BMW has thoroughly researched the lower productivity of older employees, for example, and developed a manufacturing process in response (including different floors and work heights) in which older employees can achieve the same productivity as their younger colleagues.

Companies can also improve the linkage of pay to performance. On the one hand, this entails establishing a clear link between top remuneration and actual performance so fewer eyebrows are raised. Moving from 'is this reasonable?' to 'can it be explained?'. On the other hand, it also entails a greater link between the income of normal employees and the operating result, or other targets. In this way, everyone in the business, from the CEO to the most junior assistant, benefits more equally from the achieved results.

Lastly, business leaders need to engage more in the public debate. The 'share of voice' of opponents to globalization and technological advancement has gained the upper hand. As a supporter, it is tempting to withdraw into your shell, but it is businesses in particular that can ward off negative images of globalization and technological advancement with positive stories. After all, globalization and technological advancement contribute strongly towards employment and growth and the whole of society benefits from that. More advocates are needed to express these positive sides with passion and conviction. Advocates with credibility given their role in creating jobs, security, and inclusiveness with support of globalization and technological advancement.

This can be at odds with the short-term financial objectives of companies. There is also a free-rider issue in this regard: although it is in the interests of business as a whole to invest in inclusiveness, there is an individual incentive to let other companies do the heavy lifting.

Moving towards a new balance, the above suggestions are a starting point for the discussion of how business can contribute towards increasing inclusiveness. Not only out of social considerations but also out of their own interest. Because inclusiveness is in everyone's best interest.

⁶⁷Read more about Greyston Bakery on Benjerry.nl

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