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Developments in the Dutch labour market: the emphasis on work and income

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1. Introduction

Over the past two years Dutch labour market policies have been shifting away even more strongly from the traditional emphasis, observed until the late 1980s, on ‘passive’ benefits systems. The emphasis now clearly is on work and income instead on dependency on benefits. This is being revealed most clearly within the area of disability and sickness absenteeism, an area where in the past the ‘Dutch disease’ manifested itself most sharply. Now, policy makers are aiming at strengthening work capacities and labour market participation, rather than focussing on work incapacities and disabilities. In this article we will give a detailed account of this policy reform, its historical and political background and its legal content. At the end of the previous century the number of people who receive an occupationally disability benefit rose dramatically by more than 20,000 a year. For a long time the Disablement Insurance Act (WAO) was abused as a long-term unemployment benefit or collective early retirement. Intervention of the government was deemed necessary.

The structure of the article is as follows. First, in paragraph 2, we give some historical background information about the Dutch disability legislation and the debates on this. In paragraph 3 we describe the new income provision schemes for the disabled. In paragraph 4 we present some facts and figures about the Dutch situation and policy concerning the access to employment for the disabled. In paragraph 5 we describe the instruments which can be used by employers and disabled employees to enhance the labour participation. People who are not able to work in the regular labour market because of mental or physical disabilities can be employed under the terms of the Sheltered Employment Act (Wet Sociale Werkvoorziening; WSW) (paragraph 6). Finally we draw some conclusions in paragraph 7.

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2. The historical background

The WAO came into force in 1967. The Workmen's Compensation Act (Ongevallenwet; which insured occupational diseases and accidents, "risque professionnel",) and the Disability Insurance Act (Invaliditeitswet: which insured other diseases and disabilities, "risque social") were joined in the new Disablement Assurance Act (WAO). The reason for the new law WAO was the opinion that not the cause (within or outside the environment of labour) but the consequence (loss of earn capacity) of occupational disability should determine the right to a benefit.

The Netherlands is still a country in which (since the introduction of the WAO) there is no distinction between "risque social" and "risque professionnel". That way the Netherlands still deviates from most foreign schemes in which separate legal insurance exist for professional and social risks. Generally, the risk professional is treated more favourably than the social risk. This is not the case the Netherlands.

A sustainable society based on solidarity is the perspective taken by the government in formulating its reforms in the field of work and income. A society that provides people with an income if they are incapable of providing their own income due to illness, unemployment or other reasons. But also a society which calls on people to take responsibility. Unemployed and disabled people should seize all the possibilities provided to become self-supporting again as soon as possible. On January 1st 2006 the Disablement Insurance Act (WAO) was replaced by the Work and Income according to Labour Capacity Act (WIA). At the introduction of the new bill there was a debate concerning the responsibility for making arrangements distinguished to cause (within or outside the environment of labour) and to public and private parties. Should employers pay social security contributions for the possibility that an employee can break his legs during a ski-holiday or soccer game? Or should the employee insure this risk himself? The Dutch government saw no reason to re-introduce separate schemes to insure the "risque social" and "risque professionnel".

Meanwhile the government has taken measures to reduce the number of people who receive a occupationally disability benefit.

The primary aim of the Dutch government is to increase labour participation and to reduce unemployment. One of the priorities is to halt the steady increase in the number of occupationally disabled. The Dutch government encourage people with disabilities to be as independent as possible. They must be able to use the same

facilities as anyone else. Special measures are needed only when this is not possible. The government introduced a new Act (see paragraph 3) and several reintegration instruments for partially disabled (see paragraph 4).

3. The new Work and Income according to Labour Capacity Act (WIA) more closely examined

The WIA puts an emphasis on labour capability rather than disability; the aim is to stimulate people to return to work as soon as possible to find (part-time) work adjusted to their occupational disability.

The WIA consists of two schemes:

- 1) The Income provision for the Fully Disabled Scheme (IVA, Inkomensvoorziening volledig arbeidsongeschikten)
- 2) The Return to Work for the Partially Disabled Scheme (WGA, Werkhervatting Gedeeltelijk arbeidsgeschikten)

1) IVA (fully disabled)

The Dutch government considers it as its task to offer fully and permanently disabled, for whom a return to work is not possible, a reasonable, index-linked income provision. A person is “fully disabled” if he is unable to earn more than 20 percent of his previous salary. There is a very small group of people for whom their health condition is so serious that they are no longer able to work (e.g. the bedridden, people who have been institutionalised or are physically unable to take care of themselves and people suffering a serious psychological disorder). There is another group of people who still have some possibilities left to work even though it is determined that their work capacity is extremely limited due to illness. An insurance company’s doctor determines the worker’s capacity and looks for appropriate jobs. The salary is compared to his previous salary and leads to a percentage of the worker’s disability. The individual is declared fully disabled if his salary loss is 80 percent or more. The level of the benefit is 70 percent of the (maximum) daily wage. Under the WIA the people who are fully disabled but for whom the conditions may not be permanent will qualify for benefits under the terms of the WGA scheme. If after a certain period is determined that they are permanently disabled they can be transferred to the IVA scheme.

2) WGA (partially disabled)

People who are at least 35 percent disabled but are not fully and permanently disabled can apply for a WGA-benefit. The system tries to encourage the partially disabled employees to continue working as much as possible or use of his residual earning capacity (find work which is adapted to the specific limitations). The WGA contains a wage-related benefit which duration depends on the person's employment record (maximum 5 years). After this period the partially disabled gets a follow-up allowance if he is not working or does not work enough.

4. Facts and Figures

The Netherlands counts almost 1,8 million disabled people in 2005². This figure is derived from the labour force survey (Enquete Beroepsbevolking; EBB). All people aged 15-64 have been asked if they have a chronic illness, or disability. If so, they receive a questionnaire to determine what kind of illness or disability they have. The next question is if their condition prevents them from working or finding a job. Those who answer "Yes" are classified as people with a disablement. Half of all people with a disablement indicate that they have back or neck problems. One third has problems using arms or legs. Psychological problems and bad headaches are next among the most frequent problems. Table 2.1 presents the total Dutch population (15-64 year), the number of people with a disorder, and the number of occupational disabled people.

² The social security agency UWV supplied in 2005 703,000 WAO-benefits. The number of disabled people with a Social Welfare benefit is unknown.

Table 2.1 Dutch people with (occupational) disabilities (x 1.000)

	Period	Total Dutch population 15-64 year	Total Dutch population 15-64 year with a disorder	Occupational disabled	Not Occupational disabled
Total Dutch population 15-64 year	2000	10,728	2,523	1,464	1,059
	2001	10,799	2,570	1,511	1,059
	2002	10,863	2,662	1,755	907
	2003	10,903	2,676	1,762	915
	2004	10,925	2,697	1,786	912
	2005	10,943	2,727	1,775	953
Labour force ¹	2000	7,187	1,381	807	574
	2001	7,314	1,387	816	570
	2002	7,337	1,410	822	588
	2003	7,401	1,436	818	617
	2004	7,398	1,434	819	615
	2005	7,401	1,423	784	639

Source: CBS (Statistics Netherlands)

1)The labour force consists of:

- People who work twelve hours a week or more, or
- People who have accepted a job of twelve hours a week or more, or
- People who indicate that they wish to work twelve hours a week or more, who are available to do so and are actively seeking work for twelve hours a week or more.

Table 2.1 indicates that 44 percent of all people with a disability are active on the Dutch labour market ($784/1775 * 100\%$). Compared to the participation rate of all people aged 15-64 years (68 per cent) the participation rate of people with disabilities is low.

5. Reintegration instruments for partially disabled employees

Several instruments are available in the Netherlands to help disabled people (back) to work. We distinguish instruments that can be used by employees and employers.

For employees the following instruments are available:

- 1) support from social security agency UWV
- 2) adaptations in the workplace
- 3) job coach
- 4) starters credit

The employers can use the following instruments:

- 5) no risk policy
- 6) subsidy for adaptations in the workplace
- 7) trial workplace
- 8) social security contribution discount

5.1 Support from social security agency UWV

A partially disabled employee may claim reintegration support from the social security agency UWV. In dialogue with the partially disabled the reintegration coach sets up a reintegration perspective. In this perspective the coach describes the shortest desirable and feasibly way to work. One of the 650 private labour reintegration services provides support to find work. Agreements and goals will be laid down in a concrete reintegration plan. The private labour reintegration services can provide training and assessments.

People with an occupational disability who do not work for an employer can also make use of the possibility of participating in an Individual Reintegration Scheme (IRO, individueel re-integratie overeenkomst) to improve their job prospects. An IRO gives clients control over their own reintegration because the clients write their own plan or with the assistance of reintegration service or the social security agency UWV. The provision of the Individual Reintegration Scheme can be used by unemployed people and disabled people. 38,878 people have started an individual reintegration plan since the provision was introduced in July 2004. The third progress report on the reintegration schemes which is published in October 2006 shows that unemployed people mainly use this provision. Almost 68 percent of the applications are from unemployed workers and 32 percent are from people with an occupational disability.

Table 4.1 IRO requests by type of applicant (2004-2006)

	Occupational disabled	Unemployed	Total
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Individual reintegration scheme requests	12,848 (100%)	26,994 (100%)	39,842 (100%)
Of which			
- rejected	428 (3.3%)	536 (2.0%)	964 (2.4%)
- granted/started	12,420 (96.7%)	26,458 (98.0%)	38,878 (97.6%)

Source: UWV 18-5-2006, APE

46 Percent of the occupational disabled people who request an individual reintegration scheme receive a WAO benefit (see paragraph 3) and 15 percent receive a Young Disabled Persons benefit (Wajong).

5.2 Adaptations in the workplace

All individuals with a structural occupational handicap who need adaptations or support in the working place can apply for compensation or grant in kind. These instruments are not only available for employees who applied for a WIA benefit, but for all employees who need support or appliances as a result of sickness or handicap. The provisions are personal and the employee can take them along in case he changes of job (for example an adapted computer keyboard).

5.3 Job coach

A partially disabled person who wants to get to work but who needs extra support to do the job properly can get help from a Job coach. A Job coach is an employment training specialist in helping workers with disabilities perform the tasks of their job successfully. Especially people with a mental or psychological disability who experience hindrances in performing their job tasks can have special needs which a job coach can provide. In the first year the Job coach can coach the partially disabled person for maximum 15 per cent of the working-hours, in the second year for maximum 7.5 per cent and in the following years for maximum 6 per cent.

5.4 Starters credit

Partially disabled people who start work as a self-employed person can apply for a “starters credit”. The self-employed are free to determine their own working conditions and can adjust the activities to their possibilities. The starters credit is a interest bearing loan capital of maximum € 31,113-.

5.5 No risk Policy

In the previous paragraphs we discussed four instruments which disabled employees can use to get (back) to work. In the next paragraphs we describe four instruments for employers to make it easier or more attractive to engage persons with a handicap.

The first instrument is the No Risk Policy. An employer is obliged to continue to pay the employee's wages for at least two years if an employee becomes ill. An employer who hires a partially disabled employee has a right to the No Risk Policy. The employer receives a compensation for the continuation of paying the employee's wages in case a partially disabled employee becomes sick within five years after the WIA (medical) examination.

The "indication No Risk Policy" is not only available for persons who receive a WIA-benefit, but also for disabled without a benefit or those who live on social security on the ground of the Work and Social Assistance Act (Wet Werk en Bijstand; WWB). The municipalities can send a request to the Centre for Work and Income (CWI) for a "indication No Risk Policy" for the disabled citizens who fulfil the following conditions:

- 1) Two years registered at the CWI
- 2) Two years falling under the municipal responsibility
- 3) At least 35 percent occupationally disabled

The No Risk Policy minimises the financial risk for the employer who hires an occupationally disabled.

5.6 Subsidy for adaptations in the workplace

An employer can request subsidy for costs which he makes for workplace adaptations in order to make the workplace suitable for partially disabled employees. The subsidy is granted by the social security agency UWV for provisions which cannot be taken along to another job/employer. The social security agency UWV puts as a requirement that the partially disabled employee must have a contract for at least six months. This scheme does not only apply to persons who have a WIA-benefit, but to all employees with a structural occupational handicap.

5.7 Trial workplace

The employer can offer a partially disabled person a “trial-workplace” for maximum three months. During this period an employee works unpaid on trial and still receives his benefit. The social security service UWV only gives permission for a trial period if there is a prospect of a regular employment contract for at least six months and for the same or more hours than the trial workplace.

5.8 Social security contribution discount

An employer who offers a partially disabled person a job, can qualify for a social security contribution discount (unemployment and occupational disability). The discount amounts are calculated on an annual basis and are applied as long as the employment contract lasts, but with maximum of three years. The government determines the discount amounts every year again. The Tax and Customs Administration carries out the regulation.

6. Sheltered employment

People who are not able to work in the regular labour market because of mental or physical disabilities can be employed under the terms of the Sheltered Employment Act (Wet Sociale Werkvoorziening; WSW). The aim of sheltered employment is to help disabled people find a suitable (full-time) job that enables them to work independently as much as possible. Most of the people in the WSW target group work in a sheltered work company. The Government’s aim is to get more WSW-people out of the sheltered environment into jobs with regular employers (supported employment). The Centre for Work and Income determines who is eligible for a job in a sheltered workplace.

At the end of 2005 99,213 people worked under the terms of the Sheltered Employment Act. Table 6.1 presents the volume developments within Sheltered Employment Act in the year 2005.

Table 6.1 Number of persons on the waiting-list and employed under the terms of the Sheltered Employment Act (WSW), 1997-2005

		At the beginning of the year	At the end of the year
Number of persons on the waiting-list WSW			

	1997	23,059	20,638
	1998	20,368	16,125
	1999	16,125	8,651
	2000	8,651	6,570
	2001	6,570	5,715
	2002	5,715	5,745
	2003	5,745	8,435
	2004	8,435	12,925
	2005	13,030	15,375
Number of persons employed under the terms of the WSW			
	1997	87,224	91,021
	1998	91,021	90,167
	1999	90,167	91,473
	2000	91,473	92,510
	2001	92,510	93,375
	2002	93,375	94,950
	2003	94,950	96,520
	2004	96,520	98,310
	2004	98,292	99,213

Source: Research voor Beleid, Jaarrapport WSW statistiek 2005, eindrapport.

7. Conclusion

Personal responsibility is now crucial in the Dutch labour market policy. People are expected to take responsibility to prevent themselves from having to apply for social security. However, social security provisions have to be in place in cases where a safety net is needed. Nevertheless, the Netherlands is one of the few countries (or possibly even the only country) in which there is still no distinction between the cause of the disability (risque social or risque professional) and influence of this on supplying the benefit.

The measurements taken by the Dutch government boil down to promoting self-activation and a new balance has been established between rights and duties. The Dutch government emphasizes the importance of prevention. Employers and workers can conclude agreements to minimise the risk of illness and occupational disability within a company. Moreover, the government wants to enhance the labour participation of people with disabilities. Several reintegration instruments and provisions are available for the employers and disabled workers: support from social security agency UWV, adaptations in the workplace, job coach, starters credit, No Risk Policy, trial workplace, contribution discount. In spite of these

efforts it might still be the case that disabled people can not work in the regular labour market. Sheltered employment can be a solution for these people. The key factor in this new approach to disability and incapacity is of course the ability and capacity of the labour market in absorbing individuals that were formerly kept in benefit schemes. If the labour market lacks this capacity, e.g. because employers are risk adverse in their hiring policies, these individuals run the risk of just being transferred from more generous disability schemes to less favourable unemployment and welfare schemes. Many commentators, including the trade unions and some political parties, have been addressing this risk. If this risk manifests itself, and there is some evidence for that, the former Dutch disease is not cured by a new Dutch miracle, but only administratively redressed and redefined.