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# **LABOUR MARKET PARTICIPATION IN THE NETHERLANDS**

**A critical review of policies and outcomes**

**WORC Paper 00.10.10**

**Wim van Oorschot**

# LABOUR MARKET PARTICIPATION IN THE NETHERLANDS

**A critical review of policies and outcomes**

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# LABOUR MARKET PARTICIPATION IN THE NETHERLANDS

## *Summary*

*This paper describes trends in Dutch (un)employment from the 1980s onwards, it reviews activation measures that were taken in the field of social security and labour market policies, and it critically discusses the successfulness of these measures. It concludes that it may not be justified to attribute the 'Dutch miracle' - the recent decrease in unemployment and the explosive growth of employment - directly to the measures taken, and that activation policies have endangered the citizenship rights of unemployed and disabled people. Further, the 'Dutch miracle' is put into the perspective of a small employment growth in terms of the total of hours worked annually, the large proportion of part-time employment, and the large degree of hidden unemployment.*

## 1. Introduction

Under populist policy slogans like 'welfare to work', 'active line' or 'work, work, work' those measures are becoming central elements in European countries' welfare reform programmes that are aimed at stimulating labour-market participation of unemployed and (partially) disabled social security claimants (see e.g. Gilbert 1992, Scarpetta 1996, Thornton et al. 1997, Hvinden 1998, OECD 1996, 1998). This 'activating-welfare-states' trend manifests a fundamental change in social protection philosophy, holding that the provision of income from work is seen as a first and better means than providing income from benefit. In this philosophy benefit dependency should be prevented, but if unavoidable, beneficiaries should be stimulated and supported in re-entering the labour market. If paid employment is not possible on a short term, long-term unemployed people should be stimulated towards other socially valuable activities, in order to avoid their social isolation and exclusion. Perhaps with the exception of Sweden only, in which the 'arbetslinjen'-approach has always been central in social protection policy, the participation trend in most countries constitutes a break from former times' 'passive doling out of money'.

The Netherlands is no exception to this general European trend and may even be seen as one of the forerunners. When the present Labour Prime-Minister Wim Kok came to power in 1994 and declared 'work, work, work' as the central guiding slogan for his government, he only intensified a general policy aimed at increasing the (re-)integration of unemployed that was already installed in the 1980s by his christian-democratic predecessor Ruud Lubbers. From the early 1980s onwards the country is plagued by high numbers of (long-term) unemployed people for nearly 15 years. In recent years unemployment decreased steadily, at present being back at its low levels of the prosperous early 1970s, and employment has skyrocketed. It is generally believed that Dutch activation policies have contributed to this 'Dutch miracle' significantly.

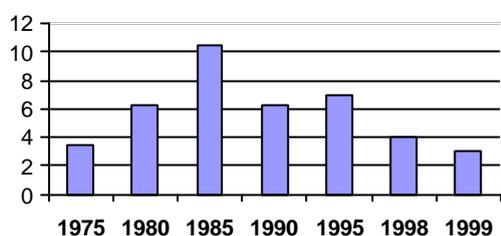
In this paper I aim to review critically the successfulness of Dutch activation measures, taken in the field of social security and labour market policies. I will, firstly, describe developments in Dutch (un)employment over the last three decades. Secondly, I will discuss the main trends in social security and labour market policy, as well as the most important of the actual measures taken. And thirdly, the successfulness of Dutch activation policies will be addressed. The paper ends with a short discussion.

## 2. Developments in Dutch (un)employment

Just after the first oil-crisis of 1973 unemployment started to rise from about 50.000 to 200.000 in 1975. A number denoted as 'unacceptable' by the then government. As a result of the second oil-crisis of 1979 unemployment figures tripled within a few years, from about 200.000 in 1978 to more than 600.000 in 1982. Two years later an all time high was reached at more than 800.000 people. From then on the numbers dropped gradually (amongst others because of a change in the government's definition of unemployment in 1988), but a third economic crisis in the beginning of the 1990s resulted in a rise again. In recent years the number of unemployed decreased again significantly. Figure 1 shows the

sketched development in terms of unemployment rates. In 1999 the rate was back at its pre-recession level of about 3%, which equals about 250.000 registered unemployed people.

**Figure 1 Dutch unemployment rates 1975-1999**

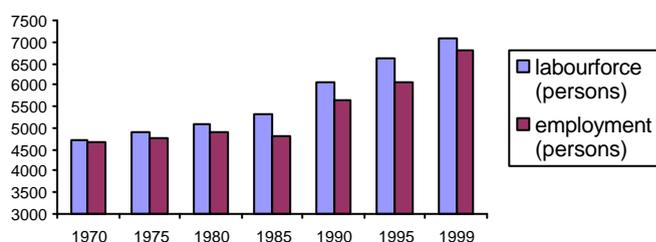


Source: OECD 1999

From the beginning of the rise in unemployment long-term unemployment became a central part of it. Throughout the period, until present, the proportion of people unemployed for a year or more has been about half, while in all those years about a third to half of the long-term unemployed is unemployed for even three years or more.

Suggesting that unemployment developments only follow economic ups and downs, and the resulting variations in the demand for labour, would be unjust. In the Netherlands as important have been developments in the supply of labour. Figure 2 confronts labour demand and labour supply for the period between 1970 and 1999. It shows that employment has risen permanently, with the exception of the recession years of the 1980s. A steep rise in job growth occurs after it and manifests the 'Dutch job-machine' or 'Dutch miracle' (Visser and Hemerijck 1997).

**Figure 2 Labourforce and employment (in 1000)**



Source: SCP 2000

The 'miracle' has not resulted in vanishing unemployment, however, because the labour force grew even quicker than the number of jobs. For a large part this is due to the massive growth in female labour market participation, which started by the end of the 1970s, stabilised in the beginning of the 1980s, but accelerated after the major economic crisis. The male labour force increased with 20% between 1970 and 1999, the female labour force with 139%. In the same period the participation rate of men dropped from around 86% to 79% (due to long-term unemployment for some, and favourable early retirement and disability benefit schemes for others), while participation by women grew from about 29% to 54% (due to a mix of factors, as e.g. the increased educational level of women, gradual improvement of child care facilities, but mainly, fast changing values regarding women's roles: SCP 2000, Visser 1999). Overall participation increased in this period from 57% to 67%.

It is known that the steep increase in female labour participation, and thus the increase in employment, consists mostly of part-time jobs. Freeman (1998) depicts the Netherlands as having 'the first part-time economy in the world'. Traditionally a bit less than half of Dutch working women

worked part-time, but the recent newcomers (who are mostly women over their thirties with children) have strengthened this characteristic of the Dutch labour market. Now female part-time work is at a level of 55 %. Part-time work has also become more popular among Dutch men since the 1980s, but it seems to stabilise in the 1990s at about 12%. Among Dutch couples the modern work pattern is one of 'one-and-a-half job', the man working (nearly) full time, the woman part-time. As a whole about one-third of the Dutch working population works part-time (OECD 2000: 218).

At present there are major shortages on the Dutch labour market. The number of unfulfilled vacancies increased from 41.000 in 1994 to 195.000 in 1999, which is about 2.5% of total employment (SZW 2000a). Comparison with the total of 250.000 unemployed people in 1999 shows that there is a serious mismatch between qualifications asked by employers and those offered by unemployed.

To conclude, the main Dutch (un)employment trends of the past two decades are: 1) structural long-term unemployment; 2) total unemployment developed from low to very high, and to low again; 3) strong increase in employment in recent years; 4) decreasing labour market participation of men; 5) strong increase in female labour participation, and; 5) a large proportion of part-time work, especially among women.

### **3. Dutch activation policies**

After the prosperous 1960s, the successive oil crises of the 1970s had a deep impact on the Dutch economy and society. The Dutch welfare state has been under permanent pressure from then onwards. The fight against unemployment and the restructuring of the social security system became increasingly interlinked when the 'passive' approach to social protection shifted over the period towards a more 'active' approach.

Here we will sketch policy developments in the fields of social security and labour market policy. Firstly in main lines, providing the general context (based on information from Visser and Hemerijck 1997, van Oorschot 1998a, SCP 1998a, SZW1998). Then with a focus on activation measures proper.

#### **3.1 Social security: 'price' and 'volume' policies**

The economic crisis of the late 1970s, early 1980s learned that the Dutch system of social security could be overloaded and eventually collapse. The initial reaction was to try to keep social expenditures under control by lowering the duration and level of benefits. This reaction was known as 'price' policy, because it was mainly directed at keeping the system affordable. However, by 1990 the number of employees insurance beneficiaries had increased by over 300.000 from 1982, which more than offset the decline in the number of social assistance beneficiaries during this period. Subsequently, the emphasis was put on 'volume' policies which were aimed at reducing the accessibility of schemes and gaining control over the inflow of beneficiaries.

The reconstruction of the national insurances was not only the result of economic developments. It also reflected changes in Dutch society and culture. Revisions aimed to "modernise" the schemes by making them consistent with changing role patterns of men and women, particularly the increased participation of women in the labour force. This modernisation resulted in equal rights for men and women in all schemes. Where the modernisation of schemes implied a broadening of the entitled population, there was a conflict with the general aim of cutting back on social expenditures. The solution was that means tests were introduced to keep total expenditure under control. The 'price', 'volume' and modernisation measures taken subsequently include:

- a reduction of the earnings replacement ratio from 80% to 70% in unemployment, sickness and disability insurance,
- a series of measures sharpening work history requirements for entitlement to unemployment insurance benefits,
- a limitation of the duration of earnings related disability and unemployment benefits, depending on age (disability) and work history (unemployment),
- a restriction of the concept of "disability", which in effect means that entitlement is reduced,

- a re-examination of the disability-status of 400.000 disabled workers according to the new concept, resulting in that 50% of them losing their benefits (and became entitled to unemployment benefit, which however has a much shorter duration),
- a nearly full privatisation of sick pay,
- excluding young people from the right to social assistance (instead they have to be offered a job by the municipality),
- a lowering of the basic assistance benefit for singles and single parents by 20% (a top up of 20% is possible if one can testify not to have a partner),
- introduction of means-tests in survivors and old-age pensions,
- a series of reductions of child benefit.

There is no doubt that these measures have contributed to reducing social security expenditure (from 20% of GDP in 1980 to 13% of GDP in 1999: SCP 2000:332). The system's collapse was prevented. At present there is no prospect for a further fast and substantial decrease in benefit demand and expenditures due to the very high number of disability benefits (nearly one million claimants) and the structural long-term unemployment among social assistance claimants. The ageing of the Dutch population can be added to this as a factor that most probably will lead to increasing demands for social protection (and health) expenditures in future.

Overall the level of citizens' social protection has declined, not affecting everybody to the same degree, however. Part of the decrease in protection offered by the collective system has been 'repaired' for workers in newly bargained collective labour contracts. The loss of collective social protection is also compensated at the household level as a result of the increased labour market participation of women: more often the misfortunes of one partner can be compensated by the other partner's means. Clearly, however, those who have lost most of their social protection are people with weaker or no ties to the market for paid labour. These include workers on flexible contracts, young workers, workers with repeated unemployment spells, and beneficiaries who have little chance of returning to the labour market, such as pensioners, disabled workers, long term unemployed and single parents.

### **3.2 Employment and labour market policies**

In a first reaction to the initial increase in unemployment in the 1970s a Keynesian approach to stimulate the economy, and thus labour demand, was tried. Extra investments in e.g. housing were stimulated, unprofitable industries were supported and employment in the (semi-)government sector extended. When the budget deficit kept increasing and the measures had no direct impact on unemployment, soon a strategy directed at reducing labour supply was adapted. Early retirement of older workers was stimulated, older unemployed were no longer subjected to a work test and many redundant older workers were 'shoved aside' into the then easy accessible disability benefit.

The measures taken, however, were not a match for the economic effects of the second oil crisis of 1979. In the early 1980s the idea took hold that the Keynesian approach was part of the problem. It had resulted in an increasing budget deficit and growing collective expenditures, and through this in high interest rates and wage costs, which both blocked economic recovery and employment growth. The period of 'price' policy, of major cutbacks on collective and social expenditures, was set in. For stimulating employment curtailing wage costs was regarded as the prime effective instrument. The benefit cutbacks had to result in lower contributions, and thus in lower wage costs, but the main emphasis was put on wage moderation. The so-called Wassenaar Agreement of 1982, under which social partners, pressed by central government, agreed on a moderate development of wages, is seen by some as a central and effective event in Dutch (un)employment policies (Visser and Hemerijck 1997). Others see it merely as a formalisation of a trend that was already there, since real wages decreased already from the late 1970s onwards, due to increased unemployment and the weakening position of Dutch unions (SCP 2000: 290). Anyway, the agreement had no immediate effect on (un)employment.

It was only with the improvement of the global economy from 1985 onwards that the numbers of unemployed started to drop. They dropped, however, slowly, and the problem of long-term unemployment persisted. This gave rise to the idea that the problem was not only based on a lack of jobs, but had to do also with characteristics and behaviour of unemployed and employers. Therefore,

government's attention shifted from a macro approach, to a more micro directed approach. From now on labour market participation of unemployed people was on top of the agenda, and various means were applied. Some measures aimed at improving the 'attractiveness' of unemployed for employers, e.g. by improving their skills and qualifications, or by subsidising wage costs directly, or indirectly through the tax system. Other measures aimed at stimulating unemployed to search for and accept jobs, e.g. through personal 're-orientation' interviews, a system of bonuses and penalties, lower benefit levels, and extra tax deductions for those in work. And a third type of measure was to create additional labour for specific categories, like for long-term unemployed ('job-pools') and young unemployed (Youth Work Guarantee Scheme, JWG).

On the whole, the activation of beneficiaries and social security entitlements became more closely interlinked. Especially in the beginning of the 1990s activating sticks and carrots were introduced in unemployment, sickness and disability insurance, as well as in social assistance. Work came to be seen as a better means of social protection than benefits.

Finally, although we do not want to pay much attention to matters of administration and implementation it has to be noted that with the linkage of benefit and participation policies the need for administrative co-ordination and co-operation increased. For this end the new institution of regional Centres for Work and Income (CWI's) will be implemented in 2001. They aim to function as 'one-stop' service organisations combining participation and benefit assessment. The idea is that benefit assessment and payment takes place only after possibilities for participation are assessed first. The CWI format should also promote participation in active labour market policies during benefit dependency.

#### **4. A closer look at Dutch activation measures**

In the course of the past two decades an impressively large number of activation measures has been taken, of which we can present the main lines here only. We distinguish between activation measures proper and work-related benefit criteria. The first we define as measures that are directly and explicitly aimed at the (paid or unpaid) labour participation of unemployed people and/or at preventing employed people to become unemployed. Introduction and tightening of work-related criteria for benefit eligibility and entitlements have an indirect (but mostly not unintended) activation effect, mainly because they make unemployment less attractive for workers and result in higher pressures on unemployed people to find work. We will discuss measures aimed at the (re-)integration of disabled workers separately. Disabled workers have no formal obligation to find work, but their labour market participation has become a major concern.

##### **4.1 Activation measures**

An inventory of measures taken since the mid 1970s is presented in the appendix. It would be too much to discuss all schemes. A close look on the schema allows, however, to draw a number of general conclusions.

First, there is an 'explosion' of measures in the second half of the 1980s. Before that the main scheme was *Loonsuppletie*, offering a temporary wage supplement for all categories of unemployed when accepting a job with a wage below their previous wage level. Newly added measures specifically aimed at young and (very) long-term unemployed, which by then formed large parts of total unemployment.

A second conclusion is that three groups with notoriously bad labour market chances - older unemployed, women and ethnic minorities - are absent as explicit target groups for activation measures. There are specific schooling and training programmes for these groups, and within the measures for long-term unemployed they are sometimes seen as groups deserving extra attention, but apparently government has hesitated to design any explicit measures for them. We could not find public statements about the reasons for this. We speculate that it has to do with a fear of (further) stigmatising unemployed women and people from ethnic minorities in the eyes of employers, which could be the result of making them the subject of explicit measures. It might also be related to governments sensitivity for public opinion, which is not in favour at all of positive discrimination of ethnic minorities and women (van Oorschot 1998b). Regarding older unemployed the situation is different. It was among the first reactions to the economic and budgetary crisis of the early 1980s to

exempt unemployed of 57.5 years of age or older from the work obligation as a means of creating more opportunities for younger cohorts. Only very recently, in 1999, by the time when unemployment has dropped substantially, this exemption has been abolished. In other words, older unemployed have intently not been among the priorities for activation.

Thirdly, only few activation measures are solely aimed at the unemployed persons themselves. Wage supplement for those accepting a job with a lower wage level, re-orientation interviews aimed at designing individual re-insertion plans (HOG) and 'social activation' (Melkert III) are the only measures that do not require the immediate co-operation of employers. All other schemes do, in the sense that they try to persuade employers to employ long-term unemployed by means mainly of temporary or permanent wage subsidies and reduction of taxes and social security contributions levied on wages. Apparently, the perceptions and attitudes of employers, and their related selection behaviour, is seen as more of a concern than the motivations and qualifications of the unemployed. Studies have indeed shown that by far the largest part of all unemployed is very eager to find a job (e.g. Kroft et al. 1989, Hoff en Jehoel-Gijsbers 1998).

Fourthly, there is a mix of measures aimed at employment in additional jobs and in regular jobs. Both types of job can be realised in either profit or non-profit organisations. Additional jobs are mainly created for very long-term unemployed (Banenpool, Melkert I and II) and young unemployed (JWG). In case of the very long-term unemployed additional jobs are seen as the only way of avoiding the strong barriers for this group on the regular labour market. Barriers mainly consist of stigmatisation of this category among employers, their older than average age, their lower than average skill level and the higher proportion of ethnic minorities. In case of the young unemployed additional jobs have replaced the right to social assistance benefit.

Fifthly, schemes vary in the number of people participating in them. Generally the participation rate, as the percentage of participants relative to the total target group, is very small. For instance, in 1988 about 7000 young unemployed participated in the TV-GWJ, while nationally about 45.000 met the criteria. The Wet Vermeend-Moor covered 170.000 people in 1987, but only 6000 participated (SCP 1992). Even the 'larger' schemes, like Banenpool (23.000 participants and Melkert I (40.000) and II (20.000) only cover small parts of their target groups of a few hundred thousands of long-term unemployed. A great success in terms of participation seems to be only the WVA-SPAK, which offers a tax and social security contribution reduction for employers on the wages of those of their employees with a salary below 115% of the minimum wage. This measure aims to stimulate employment at lower job levels for which low-skilled unemployed could qualify. First evaluations of the scheme shown that it is also a success in terms of enhancing the labour participation of unemployed people (SZW 1999).

Finally, most of the various measures have recently been integrated in two framework laws. One, the WIW, administered by municipal social services, aims at the participation of long-term unemployed in additional jobs. It incorporates e.g. the Youth Work Guarantee scheme and *Banenpool*. The other, WVA, integrates schemes aimed at other types of unemployed or employed people, mostly schemes offering reductions and subsidies to employers. The reasons for integration are various. There was overlap between some of the measures, competition even, clients and administrations had difficulties in distinguishing between the various conditions and target groups, and there was lack of overall co-ordination.

#### **4.2 Work-related benefit criteria**

From the mid 1980s work-related benefit criteria and conditions have been introduced and tightened. Initially they mainly served the purpose of cutting back on social expenditure, later they are explicitly motivated by government on the basis of their activating effects. Work-related benefit criteria and conditions make unemployment less attractive for workers and result in higher pressures on unemployed people to find work. We will discuss unemployment insurance WW and social assistance ABW separately.

#### ***Unemployment insurance WW***

Dutch workers are entitled to unemployment insurance benefit if they become involuntarily unemployed for at least 5 hours a week or lose at least half of their working hours, their income drops as a result of that and if they hold themselves available for re-insertion on the labour market. The latter

implies a number of specific conditions that have to be met: 1) registration as jobseeker at the labour office; 2) acceptance of 'suitable' work; 3) co-operation in assessments, training and schooling; 4) actively trying to find work.

These criteria are traditionally attached to unemployment benefits, and have not changed in the last two decades. What did change was the rigidity they are applied with. Sanctioning those who did not comply used to be a 'competence' of the administrative bodies. However, with the Law on Penalties and Measures (*Wet Boeten en Maatregelen*) of 1996 it became an obligation. This law, from 1997 covering social assistance too, aims at intensifying the sanctioning policies of social security administrations in order to activate unwilling unemployed more strongly. Penalties are nationally prescribed per type of misbehaviour and administrations are policed on their implementation.

The most important change, however, is that in the 1980s and 1990s the work-relatedness of eligibility and entitlement criteria has increased significantly. Mainly through linking them (more strongly) to a person's work history. Regarding *benefit eligibility* the 1987 reform of the WW scheme implied a higher threshold: from 130 days work history in the year previous to unemployment, to 26 weeks. The prolonged benefit after the half year of standard benefit became dependent on a further requirement of having worked at least 3 years in the previous 5 years. After expiration of the prolonged benefit a follow-up benefit was paid for a period depending on age. In 1995 eligibility criteria for the standard benefit were tightened again. Now one has to have been working 26 weeks in the previous 39 in stead of 52 weeks, and 4 years in stead of 3 years in the last 5 year period. Most significant is, however, that both conditions are now combined, which implies that nowadays it is rather difficult to be entitled to even the standard benefit. It is estimated that only about 45% to 50% of the present workers would meet the combination of criteria. Those who only meet the criterion of 26 weeks out of 39 are entitled only to short-term benefit of 70% of the minimum wage. Those unemployed who do not meet any of the criteria have to rely on means-tested social assistance. Regarding *benefit level*, traditionally the WW insurance benefit is fully wage related. In 1987, however, benefits for long-term unemployed, who expired their rights to the standard and prolonged benefit, were converted into flat rate payments of 70% of the minimum wage. In 1995 the flat rate was introduced further for those who expired their standard benefit only. Thus, benefit levels are increasingly linked to work history through their relation with the various types of benefit within the WW scheme. Regarding *benefit duration* it is the case that the maximum duration of WW-benefit has extended from 2,5 year (for those under 60 years of age), to maximally 7,5 years. However, the work history requirements for entitlement to prolonged or follow-up benefit, i.e. the benefits following after standard benefit has expired, have been tightened strongly. So, for those unemployed with extended work records duration has increased, for those with smaller work records it has become more difficult to get (wage related) benefit for more than half a year.

On average being unemployed now means lower benefits, for shorter periods. As a result keeping or finding paid work has become more important and compelling to workers.

### **Social assistance Abw**

Being the safety net of the Dutch social security system the means-tested social assistance scheme (Abw) has no work-related requirements regarding benefit eligibility. Every citizen lacking sufficient means of subsistence is eligible. Benefit level and duration are independent of work history criteria too, but in practice they may vary according to whether clients conform to work related obligations or not, which obligations are imposed upon them as soon as the benefit is paid. Not conforming to them may result in penalties (of 5% to 20% of the amount of benefit) or a withdrawal of the full benefit. Penalties and withdrawal may only last for a maximum of one month to prevent people from falling under subsistence level structurally. The work related obligations have not changed in the last decades, but as in case of unemployment insurance the previously mentioned Law on Penalties and Measures of 1997 has resulted in a more rigid and systematic implementation. The obligations are: 1) to try and find work actively; 2) to register as jobseeker at the labour office; 3) to accept suitable work; 4) to co-operate with assessments, training and schooling; 5) to refrain from activities that hinder labour market participation.

In the 1996 restructuring of the social assistance scheme a number of work related elements were introduced, aimed at activating the assistance clientele. First, for young people under 21 entitlement to benefit was replaced by an entitlement to a job in the framework of the Youth Work

Guarantee scheme (JWG). Second, single parents with children over 5 years in stead of 12 years of age became subjected to the work related conditions. Third, the standard of 'suitable work' has been broadened, implying that beneficiaries are expected to accept work well below their educational and former job level. Fourth, for each client with a reasonable labour market chance the administration has to design and implement an individual re-insertion plan, in close collaboration with the labour office. Fifth, municipalities, which administer social assistance, are obliged to design and implement a system of bonuses for clients that either participate in training and schooling, or accept an additional or regular job. And finally, it has been recognised that nearly half of the social assistance beneficiaries have very little real chances of finding a job. To prevent social isolation and apathy municipalities have the possibility of implementing 'social activation' policies: that is, to stimulate clients to do voluntary or community work in exchange of exempting them for the work related obligations.

So, the social assistance clients are 'activated' in various ways, but the possibilities of sanctioning those who do not comply are limited.

### **4.3 (Partly) disabled workers**

The (re-)insertion of incapacitated workers traditionally has had little attention in Dutch social policy. Fully disabled workers have no formal work obligation. Partly disabled do, but only in case they are for the other part unemployed and receiving a partial unemployment or assistance benefit.

Traditionally there are sheltered workplaces for a (limited) number of handicapped people, and the WAO disability benefit scheme offers some possibilities for adjusting workplaces to handicaps, but structural and effective measures were not taken. This all changed, however, when the number of WAO-disability claimants kept growing and stayed at very high levels, even after the economic recovery at the end of the 1980s. A variety of measures were taken to try and stimulate labour market participation of (partly) disabled workers (see also van Oorschot 2000).

#### ***Long-term disability***

In 1986 the 'act on work for disabled workers' WAGW was introduced as the first major Dutch re-integration act for disabled workers. The WAGW did not contain many new concrete measures. It mainly offered a legal framework for existing measures and imposed on employers and unions the responsibility to promote equal chances for disabled workers. They could use already existing (but, according to the government, insufficiently used) possibilities under the WAO benefit scheme. New was that a quota of 3% to 7% would be imposed on an industrial branch if three years after the introduction of WAGW results were lacking. The WAGW has never been seriously implemented, however, since the proportion of disabled workers in companies did not increase, and a quota has not been imposed on any branch. A second new measure was that the administration of the disability benefit could claim payments from an employer equal to the wage a fired disabled employee would have earned if the employer had made employment possible. Few, if any, of such payments have ever been requested. A third measure, holding that employers were given the obligation to adjust (access to) the workplace of any disabled employee they have in their firm, has never been seriously controlled. It is generally felt that the act was used as a 'sweetener' for the cutbacks on WAO-benefits that were implemented in 1987. Yet, the WAGW is not without significance. It is the first act in which a general concern for the labour participation of disabled workers is expressed.

In 1987 the WAO disability insurance benefit changed importantly. Before the revision partly disabled people without a job received a full wage-related disability benefit for as long as their disability lasted, on the basis that their chances on the labour market were nearly zero. With the revision, however, partially disabled workers without a job became entitled to a partial, instead of a full, wage-related disability benefit. For their unemployment part they became entitled to an unemployment benefit WW or social assistance, and thus subjected to work obligations.

In the early 1990s two other major laws were introduced. The 1992 TAV 'act on reducing the disability volume' aimed at creating greater incentives for employers to prevent claims for disability benefits. It introduced a 'bonus-malus-system' under which employers receive a subsidy if they employ a disabled worker for at least a year. In addition to this once-off subsidy, a 20 per cent wage subsidy is also provided. Employers pay a fine or 'malus' if one of their employees gets disabled at work and has to be fired as a result. The 1993 TBA 'act on reducing disability claims' broadened the reference standard for the assessment of the degree of disability from 'suitable work', which was

defined as work suiting one's educational level and former type and level of job, into 'generally accepted work', a standard not connected to educational and former job level. As a result more jobs are regarded as in principle being available for the disabled. Furthermore, every existing beneficiary of the WAO benefit younger than fifty years of age had to be re-assessed according to the new standard. In the first two years after its implementation this rule resulted in a withdrawal of the full WAO benefit in 50 per cent of all reassessed cases. People concerned were declared to be fully unemployed, instead of being (partly) disabled, and had to claim unemployment benefit.

AMBER of 1995 was the next step. It abolished the TAV fine or 'malus', which had met strong resistance among employers unions and administrative bodies. To carry further the 'battle' against the disability volume, new financial incentive measures were taken: an extension of the wage subsidy for employers (introduced earlier under TAV); a wage supplement for disabled workers in case they lose income when accepting work; a guarantee for disabled workers over 50 years of age that they will get their previous benefit level back if they have to stop working again; the possibility of working in a 'try out' job without loss of benefit rights.

Fourthly, in a further attempt to get control on the WAO inflow, the 1998 PEMBA law just recently took effect. It aims at influencing behaviour of employers in such a way that they feel an individual responsibility for the prevention of disability as well as for the (re-)insertion of disabled workers. This is done by differentiating previously uniform premiums according to the number of disability claims that are generated in individual firms and sectors of industry. And by offering individual firms the option to leave the collective system and assume responsibility for the disability and subsequent benefits that it generates. (Some large companies have already chosen to 'opt out', but the first signs are that only few will follow).

Finally, the 1998 REA 'act on reintegration of handicapped persons on the labour market' replaces WAGW as the comprehensive legal framework for re-insertion policies for disabled workers. To government's opinion there is not so much a lack of measures, but of results. Government acknowledges that this might have to do with measures, taken e.g. with regard to short-term disability, that induce employers to avoid employing workers with health problems. Therefore, it introduces with REA that employers get a fixed budget in case a job is offered to a disabled person. From this budget the employer is expected to pay the necessary workplace adaptations and access improvements. If costs are less than the budget the surplus does not have to be re-imbursed. If costs exceed the budget an extra amount is possible. Furthermore, under REA the sickness pay for an employed disabled person will be paid from the national sickness fund, instead of by the employer, so that the possible extra sickness risk will not burden the wage cost. The employer can get a reduction on his WAO-contributions if 5% or more of his wages is paid to disabled employees.

### ***Short-term disability: sickness***

Before 1994 benefits for workers who were ill (for less than a year after which period the disability scheme comes into force) were paid from the collective sickness fund for the full period. The fund was financed by contributions from employers and employees. The relation between degree of sickness absenteeism and costs of insurance was not strong, since contributions were only differentiated between branches of industry. Thus, at the level of individual firms and workers, incentives to prevent sickness were lacking. This changed with the 1994 TZ 'act on reducing sickness absence', which obliged employers to pay sick employees at least 70 per cent of their wage for the first six weeks of absence (two weeks for companies with less than 15 employees). Thus, the first weeks of sickness were privatised and did not burden the national sickness fund anymore. Either employers now paid wages for sick employees directly, or like most of them did, reinsured the risk with private insurance companies. Reducing sickness absenteeism was now in the employer's interest. The 1994 TAV law discussed earlier introduced a further differentiation of contributions for sickness benefit within industry sectors. Firms with a higher absenteeism than their sector's average pay higher contributions.

The TZ, especially the part concerning privatisation of the first weeks of sickness benefit, had an immediate and large effect on the national sickness fund. In 1993, 345.000 sickness beneficiaries were paid compared to only 175.000 in 1994. In 1994 the overall percentage of reported absenteeism dropped from 7 per cent to 4.5 per cent of total labour time and has stayed at that lower level since then (Ctsv 1995: 65). Although there is a natural floor to this percentage, central government hoped that a further privatisation would result in a further decrease and extended the period in which

employers had to pay wages to sick personnel to one year. This measure, known as the WULBZ law that came into effect in 1997, practically implies the abolition of the ZW. ZW still exists at present, since it still covers the sickness risk of specified categories (estimated at 15 per cent of the previously covered population), like pregnant women, (partly) disabled workers, people on temporary contracts and apprentices. But for the largest part of the Dutch workers it is replaced by the employer's duty to keep on paying wages during sickness leave.

To conclude, the labour market participation of long-term and short-term disabled workers has been the subject of major policy concern. Access to the schemes is restricted, more work is seen as suitable for people with disabilities, partly disabled unemployed have stronger work obligations, and a number of financial incentives have been introduced for unemployed, but mainly for employers.

## 5. Some critical remarks

Having sketched trends in (un)employment and activation policies we will now address the policies' successfulness on the basis of three questions:

- 1) to what degree is there a 'Dutch miracle'?
- 2) how effective are activation measures regarding the (re-)insertion of unemployed and disabled people?
- 3) what are the activation policies' implications for social citizenship?

### 5.1 A Dutch miracle?

The 'Dutch miracle' of strong job growth and steady decrease of unemployment figures of the past years gets admiring attention from many academics and policy makers. It is generally believed that corporatist wage moderation - wage moderation explicitly agreed upon between government and social partners - is at the heart of the success. We feel that this straightforward view on the Dutch success story needs to be put into perspective.

Firstly, regarding employment growth, it is true that in terms of the number of employed persons the second half of the 1990s witnessed an explosive increase: the working labour force grew with nearly 900.000 people from 1994 to 1999. However, in terms of the total of hours worked annually in the Dutch economy, the growth was much less impressive. After 1970 (indexed at 100) the number of hours worked decreased steadily to 90.6 in 1985, from which moment on it started to increase, but it reached the level of 100 not before 1994. Until 1999 it increased to only 109.8 (SCP 2000:280). In other words, the Dutch miracle comes down to an increase of the total of available work of 10% only, compared to 1970. Clearly, the discrepancy between the large growth in persons with a job and the much smaller growth in hours worked annually can be explained by the fact that the largest part of the new jobs (65%) are part-time. Most of these part-time jobs are occupied by women, which entered the Dutch labour market *en masse* in the 1990s. One could conclude that the Dutch jobs-machine mainly consisted of a giant redistribution of the work available. Grossly put: fulltime jobs held by men in an industrial economy have been replaced by service economy part-time jobs held by women.

Secondly, now unemployment is very low at about 3%, it looks as if a situation of full employment, as in the early 1970s, is near. However, the 3% concerns registered unemployment, that is, people without a job, who have registered at the Labour Office, who want to work for at least 12 hours a week, and who are directly available for work. This is a very strict definition of unemployment, compared both to the ILO standardised unemployment definition (that counts persons seeking any hours of work) and the number of registered job seekers as such. In 1998 there were about 300.000 registered unemployed in the Netherlands, about 425.000 people who were unemployed according to the ILO standard, and about 700.000 registered job seekers (SWZ 2000b:28). Clearly, the number of unemployed people (with or without benefit) that are not contained by registered unemployment is very large. In other words, there is more real unemployment within the 'Dutch miracle' than the official figure suggests.

Thirdly, the suggested prime importance of Dutch corporatism and wage moderation needs to be put into perspective too. During the 1980s, when in most European countries unemployment was high,

Sweden was the exception. According to many this was due to Swedish corporatist policy making, in which social partners and government agreed upon important industrial, employment and labour market policies. In the 1990s, however, Sweden has high unemployment rates of 7% to 10%. Is corporatism gone there, or is it not such a strong guarantee for low unemployment after all? In this respect it should be noted that in the 1980s the then Dutch Prime-Minister Ruud Lubbers complained about the 'Dutch disease' with which he meant that the tradition of consensus building between social partners and government was a strong obstacle for taking necessary policy measures aimed at reducing unemployment. At least, then, there are various interpretations possible of the relation between corporatist policy making and combating unemployment. Anyway, corporatism is not the only road to success. There are other countries in Europe that have succeeded in bringing their unemployment rates down significantly in the 1990s, like Denmark (8.5% to 5.2%), Ireland (13.2% to 5.8%), Portugal (7.6% to 4.6%) and Norway (5.3% to 3.2%) (OECD 2000). For these countries other explanations for success, than corporatism, will be valid.

As for Dutch wage-moderation it can be questioned whether the so-called Wassenaar Agreement of 1982, in which government and social partners agreed on a moderate development of wages in return for employment creating measures, had such an important effect as Visser and Hemerijck (1997) suggest. Firstly, since the fundamental shift from strong wage increases to more moderate levels already occurred in the second half of the 1970s (SCP 2000: 290). In other words, worsening (un)employment had already turned the tide. And secondly, the real growth in employment took place after 1994, more than 12 years after the agreement. Although the effect of corporatist agreement on employment development is questioned here, it does not mean that wage moderation as such had no role. On the contrary, there is a broad consensus in the Netherlands that it had (Bovenberg 1997, Van der Ploeg 1998). The processes involved, however, may differ from the 'corporatist agreement' - hypothesis. An alternative explanation of the continuous Dutch wage moderation over a period of nearly 20 years is that high unemployment rates suppressed wages, since they weakened the position of Dutch unions, and that the strongly increased female labour participation compensated at the household level the negative effect that wage moderation had on household incomes (SCP 2000).

To conclude, the 'Dutch miracle' contains less employment growth than suggested by the growth in the number of people doing paid work, it conceals a high degree of hidden unemployment, and corporatist agreements seem not to have played a prime role.

## **5.2 The effectiveness of activation policies on re-insertion of unemployed and disabled people**

Many individual people have found a job with the help of activation measures. For instance, about 60.000 have been employed in additional jobs (SCP 2000:288), and the 'SPAK-measure' that reduces employers' taxes and premiums on low wages is estimated to have created in between 44.000 and 76.000 extra jobs (van Polanen Petel et al. 1999). However, while the number of jobs grew from 1994 to 1999 with about 900.000, the total number of beneficiaries under 65 years of age decreased in that period with only 225.000, of which 60.000 through additional jobs. Whether the decrease in beneficiaries is a direct effect of activation measures only remains difficult to assess. It is e.g. difficult to separate it from the effects of other factors, like employment growth due to economic revival or the effects of social security restructuring. Labour market participation of unemployed is furthermore influenced by the degree to which measures are actually implemented, by selection behaviour of employers, the willingness to work of unemployed and their 're-integrability', i.e. the degree to which they can actually be re-integrated.

Although one can not answer the question whether the situation would have been worse if the measures were not taken, I think that a reserved position towards their real effectiveness is justified.

Firstly, in a recently published report in which various types of Dutch and foreign activation measures are compared the conclusion is drawn that (easy to administer, fiscal) measures aimed at reducing wage costs for employers (like SPAK) are most successful in terms of re-inserting unemployed on the regular market of paid labour (NEI 1999). (This conclusion is in line with that of an international comparative report issued by the OECD (OECD 1996)). For measures creating additional labour, however, it is concluded that mostly they result in a only a very few participants flowing into regular jobs. Once in an additional job there seem to be a lack of possibilities and

motivation to move on, since another conclusion is that the flow from subsidised to regular jobs is smaller when the subsidy period lasts longer, and when the subsidised jobs are in the public sector. Finally, the NEI-report shows that re-insertion of older people and lowly educated people is least successful, despite measures focusing explicitly on these groups. Another review of activation evaluation studies concludes that it is standard practice that administrations that want to show impressing success rates tend to cream their clientele, i.e. concentrate their efforts on those with the highest labour market chances, among which many would have found a job without the assistance of a specific measure. And also, that in many cases of additional labour the jobs that are created are in effect pushing away other people's regular jobs (SCP 1992).

Secondly, would the total of Dutch measures have had a significant effect, than one would expect that the 'outflow chances' of unemployed people would have increased rather strongly a few years after the mid-1980s, when the number of activation measures increased strongly. Table 1 shows that this is hardly the case. In the early 1990s the outflow chance of unemployed people even decreased, most possibly because of the second recession of the early 1990s, and at present the chances are at the same level still as in the early 1990s. It is not without reason that the first government of Wim Kok declared that 'work, work, work' would be its leading slogan, since it started from the assumption that existing measures were not effective enough.

**Table 1 Outflow chances\* of Dutch unemployed people and disability claimants**

	1992	1993	1994	1995	1996	1997	1998	1999
<b>unemployment insurance</b>	35.8	32.6	31.9	35.2	33.7	36.1	36.5	35.4
<b>unemployment assistance</b>						16.0	15.2	
<b>disability insurance</b>	4.4	4.4	5.8	6.1	3.7	3.2	3.5	

\* Outflow chance: terminated benefits due to resumption of work, as a proportion of the number of benefits at the end of year y-1 and the number of new benefits in year y  
 Source: SCP 2000: 341

Thirdly, despite the measures taken there is still a large proportion of long-term unemployment. With the favourable developments in the labour market the contours of a relatively large group of people who are seen as very difficult to integrate, if at all, become visible. According to the Social and Cultural Planning Office (SCP 2000) this counts for as much as two-thirds (N= 1.100.000) of all people on unemployment insurance, unemployment assistance and disability benefit (N= 1.600.000) on the basis of legal criteria. These criteria exclude people from the legal work obligation on grounds of e.g. older age, medical and social reasons, care tasks and the like. However, many of the re-integration measures (like REA and WIW) are intended to promote the labour market participation of exactly these people. On subjective grounds, i.e. when the unemployed and disabled people were asked how they experienced their labour market chances, four-fifths were very negative. That is, only one-fifth had the idea that there would be jobs available, and that soon they would find one (Research voor Beleid 1998). Also according to administrative criteria the number of 're-integratable' unemployed is very low. When unemployed people register at the Labour Office their 'distance to the labour market' is assessed in terms of 'fases', on grounds of their personal qualifications, the labour market situation in their profession etc. Fase 1, 2 and 3 clients are 're-integratable', fase 4 clients are not. Of all disability benefit claimants 45% is assessed as belonging to fase 4, which is the same for people on social assistance (Research voor Beleid 1998). The SCP study concludes on grounds of these figures that there is a 'stagnation of reintegration' in the wider context of job growth and decreasing overall unemployment, and it is therefore critical on the effectiveness of re-integration measures. It considers the process of re-integration as 'very laborious' (SCP 2000: 288). The study mentions several factors that can explain this stagnation for long-term unemployed, social assistance clients and disabled. One is that employers prefer younger, healthy, 'Dutch' people, who are not stigmatised by a (long) period of benefit dependency (also van Beek 1994, Zwinkels and Besseling 1997 in scp 20000 348), another that the fast increase in female labour participation prevented long-term unemployed to fill the many places that became vacant in recent years. The fact that most of the new jobs are part-time plays a role here too: part-time wages are mostly too low for beneficiaries to overcome the poverty trap, while they are attractive as a second household income for women.

In the case of (partly) disabled workers the conclusion that measures taken are ineffective and even contra-productive can be drawn without much reserve. The privatisation of sickness benefit and premium differentiation in the disability insurance scheme have created a remarkable tension between the intended activation impact of these measures and their actual effects. For, the incentives for employers are set such that they profit from having a workforce with a minimal disability and sickness risk. A number of evaluation studies (Ctsv 1996:199, Schellekens et al. 1999, Schoenmakers and Merens 2000, Van der Giezen en Jehoel-Gijsbers 1999) have by now shown that chronically ill people and (partially) disabled people nowadays even have more, in stead of less, difficulties in (re-)entering jobs, because employers screen new employees more stringently on their health status; that the chances to be fired have increased for workers with a worse health status; that the number of temporary labour contracts, as a means of prolonging the period of screening employees on their 'sickness leave behaviour', nearly doubled from 1993 to 1995 from 11 per cent to 20 per cent of all labour contracts; that hiring workers via employment agencies, to reduce the risk of sickness pay, rose in the same period from 4 per cent to 9 per cent; and that, while in 1991 20% of disabled peoples' job applications led to an interview, this had decreased to 11% in 1998. Furthermore, financial incentives for employers to hire or keep disabled workers do not seem to work, since Andriessen et al. (1995) conclude from their study on selection behaviour of employers that they are interested more in what they see as 'good candidates', than they are in financial premiums.

On grounds of these findings one would expect that the 'out flow chances' of disabled people would have gone down in the second half of the 1990s, after the introduction of privatisation and premium differentiation. This is precisely what is shown in table 1.

To conclude, although many thousands of people got a (additional) job through activation measures, the aggregate effect of such measures on the labour market participation of unemployed people seems not to be very strong. In the second half of the 1990s the decrease in the number of beneficiaries has been much lower than the explosive growth in the number of jobs, the outflow chances of unemployed people have not improved and those of disabled people have even worsened. The re-integration of the most vulnerable groups is 'stagnating'. Overall it seems that on the aggregate activation measures at best have further facilitated the labour market participation of those who might have got a job anyway in the period of strong job growth.

### **5.3 Implications for citizenship**

Looking at citizenship as a set of legal rights, it can be observed that from the mid-80s onwards there has been a clear development in Dutch social protection towards both a decline of rights - in terms of limiting access to benefits, and decreasing levels and duration of benefits - and a more 'active' approach of beneficiaries, in which their work-obligations were more strongly emphasised. The first means that the overall level of citizen's social protection has declined, especially for those with weaker ties to the regular market of paid labour, like workers on flexible contracts, young workers, workers with repeated unemployment spells and disabled workers, but also for single parents, long-term unemployed and elderly people. The second, that rights to benefits are now much more conditioned by people's willingness to work. From this perspective of declining rights and increasing obligations the policy changes' implications for citizenship are negative.

However, from another perspective one could point to the 'explosion' of different types of labour market policies, directed at the (re-)insertion of various kinds of unemployed and disabled people. To the degree that they are effective, these policies create rights and opportunities for citizens to participate on the labour market and integrate (back) into society. Although, as we have seen, it might be rather difficult to single out the effectiveness of activation policies, evaluation studies do indicate that in the Netherlands they have had little effect on the labour market chances of long-term unemployed, older unemployed, people from ethnic minorities, and that in the case of disabled unemployed there even is a contra-productive effect.

On balance one could conclude that policy developments in the past two decades have not had a positive effect on the citizenship rights and obligations of especially the groups that traditionally are among the most vulnerable.

When looking at citizenship as people's real opportunities for social participation and integration, in stead of as a set of legal rights, it is important to observe that there is a strong tendency to see labour market participation as the most adequate and direct way to full citizenship. In the time period under consideration the chances for this type of integration have been unequally distributed among various social categories. This is shown by table 2.

Although younger people throughout the period have had higher chances of being unemployed, long-term unemployment, which hinders full citizenship most, occurs more among older age categories, especially among those of 55 years or older. Both unemployment and long-term unemployment is much higher among citizens from a non-Dutch ethnic origin, than among the Dutch. And the same counts for people with the lowest level of education (only primary school) compared to the other categories. Clearly, the activation policies of the 80s and 90s have not been able to alter existing patterns of exclusion. They have had no positive implications for the integration chances of older unemployed, people from ethnic minorities and the lowly skilled.

**Table 2 Concentration of categories in (long-term) unemployment , 1981-1995**

	Unemployment relative to labour force					Long-term unemployment relative to unemployment			
	1981	1985	1990	1995		1981	1985	1990	1995
<b>Total</b>	1.00	1.00	1.00	1.00		1.00	1.00	1.00	1.00
<b>Sex</b>									
men	0.93	0.93	0.92	0.91		0.99	1.02	1.08	1.02
women	1.18	1.16	1.15	1.15		1.01	0.95	0.89	0.98
<b>Age</b>									
15-24	1.60	1.66	1.33	1.46		0.73	0.76	0.60	0.54
25-54	0.76	0.84	0.96	0.95		1.16	1.13	1.09	1.11
55-64	1.02	0.43	0.59	0.49		1.42	1.39	1.53	1.42
<b>Nationality/ethnicity</b>									
Dutch		0.92	0.84	0.83			0.98	0.99	0.94
Non-Dutch		5.57	2.82	2.70			1.07	1.02	1.17
Surinam/Antillian		2.26	3.23	2.49			1.24	0.99	1.20
Turkish/Moroccan		2.97	5.88	5.09			1.20	1.10	1.25
<b>Educational level</b>									
primary school		2.51	2.58	2.48			1.16	1.19	1.14
lower secondary		1.34	1.15	1.26			0.92	0.90	1.00
higher secondary		0.41	0.61	0.77			0.84	0.92	0.94
higher professional/university		0.52	0.72	0.65			0.89	0.92	0.93

Source: De Beer (1996:325)

The table 2 furthermore shows that women have a slightly higher chance on unemployment than men, but a smaller chance of being long-term unemployed. In the Dutch context this might be due to women withdrawing from the labour market once their unemployment gets longer and longer. Despite the fact that there are no strong differences in unemployment chances between men and women, the chances for social participation are much lower for certain categories of women, especially single parents and single elderly women, due to the invariably much higher incidence of low incomes and poverty among them (SCP 1996, 1999).

Although labour market participation chances and poverty are important indicators for in- or exclusion of social categories, more direct measurements are possible by surveying people on their social contacts, feelings of social isolation, political involvement, perceived health status, their social activities etc. A study on these issues among Dutch unemployed people, people on disability benefit and people with a regular job, showed for 1995 that (SCP1998b):

- the three groups do not differ in frequency and valuation of their personal contacts with people in their direct social environment;
- that, nevertheless, feelings of social isolation are more common among people on disability benefit, than among unemployed, and are least common among workers;

- that there is little difference between the three groups with regard to having hobby's, being a member of social clubs or doing voluntary work;
- that unemployed vote a bit less, are more left in their political orientation, but the three groups do not differ in their overall political involvement
- that (not surprisingly) the subjectively felt health status among people on disability benefit is lowest, but also that unemployed people on average feel less healthy than workers
- and finally, that workers are more satisfied with their lives (especially with regard to their financial and social status) than unemployed and disabled people.

One could conclude that the implications of being unemployed and disabled are not so much visible in actual (social) behaviour, as well as in feelings of isolation, un-healthiness and a general dissatisfaction with ones situation.

In the same study a comparison was made with the situation in 1982. It showed that unemployed, as well as disabled workers, complained more about friends having a negative attitude towards them, about feelings of social isolation and about feelings of uselessness in 1995 than in 1982. The study suggests that this change is directly linked to the 'activation trend' in social policies. Being on benefit has become less legitimate, not only in the eyes of the wider public, but also of the unemployed and disabled workers themselves.

To conclude, from a citizenship perspective the Dutch activation policies of the 1980s and 1990s can not be regarded as a great success. Overall, legal rights to social protection have declined, while obligations increased. Measures to promote labour market participation seem to have failed with regard to the integration of traditionally vulnerable groups, like long-term unemployed, older unemployed, disabled workers, ethnic minorities and the lowly skilled. The activation trend also seems to have led to increasing feelings of social isolation and uselessness among unemployed and disabled people.

## 6. Brief discussion

In this paper we have described developments in Dutch (un)employment, as well as general trends in social security and labour market policies, and we have critically discussed the successfulness of activation policies.

The Netherlands suffered from high unemployment for nearly 15 years, but at present the socio-economic situation seems very favourable. Registered unemployment is about 3% and back at its pre-recession 1970 level. Employment has grown explosively over the last six years. The main problem now seems to be a mismatch between labour qualifications asked and supplied, since unfulfilled vacancies add up to 2.5% of the working labour force.

We have seen, however, that actual unemployment is much higher than what is officially registered, that employment has mainly grown because of a large scale redistribution of the work available, that there is a large proportion of part-time work, and that the 'Dutch miracle' failed to improve the labour market situation of the most vulnerable groups, while social security restructuring worsened their social protection rights.

If the Dutch economy keeps on doing well and employment increases further, the labour market situation of vulnerable groups might improve. More likely it is, however, that in that case other sources of available labour supply will be used first, like a further increase in women's (fulltime) labour participation, since there is the reality of the mismatch between preferences of employers and characteristics of those who are regarded as 'not re-integratable'. The stagnation of re-integration might harden.

If the Dutch success story comes to an end, as is feared on grounds of increasing price inflation, and unemployment would increase again significantly, Dutch society will for the first time fully experience the consequences of the decline in social protection rights: large proportions of the newly unemployed will be on means-tested social assistance immediately, while the non-means-tested benefits for others will expire quickly. The miracle would turn into a nightmare.

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## APPENDIX Dutch activation measures

Measure	Target group	Type of instrument	Regular Additional	Permanent Temporary	Profit Non-Profit	Participation
Loonsuppletie regeling 1974-1987 (-> PALL)	unemployed	wage supplement for employees when accepting job with lower wage	R	T	P NP	
WVM 1983-1990	long-term unemployed (> 1 year)	additional jobs fully subsidised	A	T 6-12 months	NP	
JOB 1984-1990 (-> VU)	young long-term unemployed (> 25 year: > 2 years)	subsidies for employer and employment agency - regular 'employment agency' job	R	T max. 1 year	P NP	
Wet Vermeend- Moor 1986-1989 (-> KRA)	long-term unemployed (> 2 years)	contribution reduction (20%) for employer + one-off schooling subsidy	R	T max. 4 years	P NP	6.000
MOA 1986-1989 (-> KRA)	long-term unemployed (> 1 year)	contribution reduction for employer	A	T max. 6 months	P	7.500
TV_GWJ 1986-1991 (-> JWG)	young unemployed (< 21 year)	additional jobs - work experience	A	T max. 2 years	NP	7.000
PALL 1987-	short-term unemployed and employed	one-off bonus when accepting job with lower wage	R	T	P NP	
HOG 1988-1991	long-term unemployed	re-orientation interview aimed at designing 'individual trajectory plan'				40.000
JWG 1992-1997 (-> WIW)	young unemployed (<21 year) + schooleavers (<27 years)	additional jobs fully subsidised	A	T max. 2 years	P NP	25.000
EAA 1989-1990 (-> Banenpool)	very long-term unemployed (> 3 years)	additional jobs fully subsidised	A	T 1,5 year	NP	600
Banenpool 1990-1997 (-> WIW)	very long-term unemployed (> 3 years)	additional jobs fully subsidised	A	P	NP	23.000
KRA-WEP 1989-1997 (-> WVA)	long-term unemployed (> 1 year)	contribution reduction and wage cost subsidy for employer subsidy for guidance costs - work experience job	A	T 6-12 months	P NP	4.000
KRA-RAP 1989-1997	long-term unemployed (> 1 year)	contribution reduction and wage cost subsidy for employer subsidy for guidance costs - regular job	R	T max. 4 years	P NP	11.000
VU 1990-1992	long-term unemployed (> 2 years: ethnic min. > 1 year)	subsidies for employer and employment agency - regular 'employment agency' job	R	T max 1 year	P NP	

KRU 1993-1994	unemployed	subsidy for employment agency - regular 'employment agency' job	R	T max. 1 year	P NP	
WBA 1994-1995 (-> VLW)	(long-term) unemployed people from Banenpool, JWG, KRA-WEP	wage cost subsidy for employer	R	T max. 3 years	P NP	15.000
Melkert I EWLW 1994-1998 (-> Regeling I/D)	long-term unemployed social assistance clients (> 1 year)	permanent additional jobs fully subsidised	A	P	NP	40.000
Melkert II EAU 1995-1997 (-> WIW)	long-term unemployed social assistance clients (> 1 year)	additional jobs fully subsidised	A	T max. 2 years	P	20.000
Melkert III 1995-1997 (-> WIW)	long-term unemployed social assistance clients (> 1 year)	unpaid, voluntary work	A	T	NP	4.300
Melkert IV 1995 -	long-term unemployed social assistance clients (> 1 year)	'household service' jobs subsidy for 'employer'	R	T	NP	5.000
WVA 1996 -	long-term unemployed at lower segment of labour market	wage cost subsidy for employer	A R	T	P	
WVA-VLW 1996 -	long-term unemployed (> 2 years) and people from Banenpool, JWG, KRA-WEP	wage cost subsidy for employer	R	T max. 4 years	P NP	35.000
WVA – SPAK 1996 -	employed at job with salary up to 115% of minimum wage	contribution reduction for employer	R	P	P	781.000
WW 1998 -	framework law for subsidising regular and additional jobs, voluntary work, work experience	fully subsidised jobs contribution reduction wage cost subsidy one-off subsidies (former ly: Banenpool, JWG, KRA-WEP, Melkert II en Melkert III)	A R	P T	P NP	
Regeling I/D 1999 -	long-term unemployed social assistance clients (> 1 year)	permanent additional and regular jobs fully subsidised	A R	P	NP	60.000