

The Dutch Welfare State
From collective solidarity towards individual
responsibility

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Layout: Inge Merete Ejsing-Duun

Print: Uni-Print, AAU
Aalborg 2006

ISBN 87-90789-81-4

ISSN 1398-3024-2006-41

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Summary

This paper discusses developments in the Dutch welfare state. It starts with a historical perspective, showing how 19th century laissez faire policies developed into an all-encompassing and generous welfare state in the 1960s and 1970s, which was based on a model of collective solidarity. It then focuses on the adaptation of the Dutch welfare state to economic and social challenges in the period from the 1980s till present. It critically discusses changes in welfare benefits and services in some detail. The conclusion is that a new model of individual responsibility was adopted and implemented.

1. Introduction: the development of the Dutch welfare state in historical perspective

The start of the modern Dutch welfare state is usually situated in 1874, with the implementation of a law forbidding labour by children less than 12 years of age ('Kinderwet van Van Houten'). National surveys at the end of the 19th century had shown the dire situation of large parts of the population to its full extent. The 'social question' concerning large-scale poverty and misery among the working population was much debated in parliament, but it was not before 1901 that the first social insurance scheme, the law on work injury benefits, was introduced. After this first step and up till the Second World War, further national schemes were introduced, covering also invalidity, including old age, and sickness. Typical for that time, the idea was that government should intervene as little as possible. Instead of tax-based national schemes (like an old age pension for all), a programme of mandatory, contributory social insurances was introduced. In the pre-war period all schemes were confined to waged workers, based on the principle of the 'just wage', which legitimised insurance contributions as part of the normal wage-cost. The pre-war schemes were organized at the level of individual (large) companies or separate sectors of industry, as a result of which the welfare system as a whole was patchy and had a limited degree of collectiveness. It also had a limited degree of redistributive solidarity, since the schemes closely followed the logic of private insurance. Generally, benefits were low and in many cases did not reach subsistence level. Large state contributions to the social insurance funds were often necessary to guarantee a certain benefit level, and there were still many claims for poor law support. People not eligible for this support had to rely on churches and charities.

After the Second World War the Dutch welfare system expanded rapidly. Inspired by the inadequacies of the pre-war system, hope for a new and better society and, not least, Beveridge's reports the Van Rhijn Commission presented its blueprint for a new system in 1945. The legitimising principle for social protection was broadened from the 'just wage' to the idea that 'society, organized in the state, is liable for the social security and

protection against want of all its members, on the condition, that citizens themselves do all that can be reasonably expected in order to acquire such security and protection' (Van Rhijn, 1945). This principle opened the door for a system that included all citizens, not just waged workers.

In the years after the Van Rhijn report a number of so called 'people's insurances' was introduced by the state, which covered old age, death (survivors) and disability for all citizens. These schemes were highly collective, that is, designed and controlled by the state, and highly solidaristic, because bad risks were not excluded and contributions were proportional to income instead of to risk. The new principle also gave way to the construction of a national safety net, or social assistance scheme, which replaced the inadequate poor law and created a national vertical solidarity between richer and poorer people. With respect to workers' insurances, the new principle broadened the responsibility of the state, leading to a national unemployment insurance scheme for waged workers, as well as to a collectivisation and 'solidarisation' of schemes covering the risks of work injury, invalidity and sickness. The new schemes and regulations mostly took effect in the 1950s and 1960s. They created large-scale horizontal, as well as vertical solidarity in the Dutch welfare system, thus connecting different generations, professional groups and social classes.

The process of collectivisation and solidarisation got a strong impulse in the 1960s when Veldkamp, Minister of Social Affairs formulated a new and broader legitimising principle for social protection, holding that 'every citizen has a right to self-realization and to equality of chances'. It stressed the general, societal character of social risks and the mutual responsibility citizens therefore have for each other's life chances. It regarded the right to social protection as universal and unconditional, and thus lacked the element of reciprocity, which formed the basis of Van Rhijn's legitimising principle. Alongside income benefits, the post-war years saw the introduction of a national health insurance for people on lower income, national school and study allowances, housing benefits for tenants and tax credits for home-owners, etc.

However, with the oil price induced economic crisis of the late 1970s – early 1980s the period of expansion, collectivisation and solidarisation of the Dutch welfare state came to an end. Since then the history of it can be characterized as one of retrenchment and of adaptation to a series of challenges, the most important of which are high inactivity rates, changes in male and female role patterns, and population ageing, this all in a context of Europeanisation and globalisation. The emphasis in social protection policies shifted from welfare to work. Income benefits were reduced substantially, while labour market insertion measures and work-care reconciliation arrangements were extended. While initially, in the 1980s, policies were mostly aimed at curtailing benefits for citizens and workers, the focus was directed also to employers and administrative bodies in the 1990s. This all will be

discussed in more detail later, but here it is important to note that gradually a new concept of social protection developed, based on a fundamental critique of the model of collective solidarity. After the economic situation had improved from the mid-1980s onwards, it were no longer purely budgetary and economic reasons that legitimised changes in the welfare system, but a wish to entirely change its nature. The main objection against the model regards the moral hazard that is connected to it. That is, the national and collective nature of the system is assumed to undermine feelings of responsibility and to promote calculative behaviour among all actors involved, be it citizens, workers, employers, unions or administrative bodies. Since the collectivity foots the bill, none of the actors has an incentive to limit the system's use. Based on this diagnosis, Dutch government has tried to redirect responsibilities, and now emphasizes that personal responsibility, of all actors, is the first priority. This has resulted in various policy measures, such as introducing risk differentiation, activation, privatisation and decentralisation. While in the period after the war Van Rhijn's reciprocity principle was one-sidedly implemented by focusing on government's duty to take care of its citizens, at present, the flip side of citizen's responsibility is stressed most.

2. The present Dutch welfare system

2.1 A general sketch

The present Dutch welfare system is characterised, firstly, by its comprehensiveness. Like in other highly developed European welfare states the government intervenes substantially in nearly all aspects of citizen's wants, needs and well-being. The main policy fields are health, housing, education, work and income. With regard to health, government has organised an all-embracing system of (semi-) public and private health care, with a mandatory, solidaristic health insurance for the lower- and middle-income classes, which as from 2006 will also incorporate the higher income classes. Dutch housing policy is characterised by providing for a large stock of 'social housing', and by housing allowances for tenants, with tax deductibility of mortgage rent for home-owners. The educational system is characterised by free to near free education at primary and secondary levels, and a system of mixed flat-rate and means-tested study-allowances for students of higher education. All these fields have been under reconstruction in the last decades. From a social welfare perspective important changes regard e.g. the inclusion of higher income classes in the national mandatory health insurance scheme, the limitation of housing benefit, and the linking of study allowances to student performance. We will not elaborate on these issues here, due to space restrictions. We will concentrate in stead on the areas of

work and income, which generally are seen as the core elements of the welfare system. This we will do in the next section.

A high degree of corporatism is a second main character of the Dutch welfare system. That is, in all major socio-economic policy areas government consults social partners, who meet in the Foundation of Labour (Stichting van de Arbeid) and in the Socio-economic Council (Sociaal Economische Raad). Such consultation is highly institutionalised and prescribed in the standard process of social policy making. Where in other countries, like e.g. Germany, corporatist policymaking seems to inhibit drastic changes, in the Netherlands agreements between government and social partners (although not always easily reached) have guaranteed a rather flexible adaptation of the Dutch welfare system. An example is the Agreement of Wassenaar of 1982, where social partners and government agreed on wage-moderation and stimulation of part-time work in order to fight unemployment and increase overall employment. The agreement allegedly contributed significantly to the so-called Dutch job miracle of the 1990s (see Visser & Hemerijck, 1997). Another aspect of Dutch corporatism is that some areas of social welfare are mostly left to collective labour agreement between the social partners in sectors of industry, like e.g. issues of flexible and part-time work, leave schemes for worker-carers, top-ups of disability benefit levels, early exit arrangements, etc. Typical in this respect is that a majority of over 80% of Dutch workers take part in mandatory, capital-funded, occupational pension schemes, which pay out earnings-related pensions. Because of this, the Netherlands is second after the USA on the list of countries with large degrees of private spending on pensions (Adema & Ladaique, 2005). Social partners used to be heavily involved in welfare administration, especially regarding workers insurance schemes and employment services. This, however, was abolished in recent years, as one part of government's actions to create an incentive structure less vulnerable to moral hazard.

Despite its strong corporatist character, the Dutch welfare state is generally considered to be a 'hybrid' between the Esping-Andersenian types of conservative/corporatist and social-democratic welfare regimes. This is because its social security system does not only contain Bismarckian-type social insurances for workers, but also universal, so-called people's insurances that cover all citizens.

Fiscal welfare plays a relatively small role in the Dutch system of social welfare. There are tax provisions for working people, especially for those who have children, and there are tax provisions for pensioners. Government also facilitated early pension schemes by rendering tax deductibility to premiums, but with a view on increasing the labour market participation of older workers, this has been abolished. Institutions of welfare society, like charities, churches and claimants' movements, also play a very marginal role in the Dutch system.

2.2 A brief description of income and work arrangements

In our description of welfare arrangements we will focus on those areas, which have been central to the welfare adaptation process of the past two decades. These regard social security benefits, labour market policies and work-care reconciliation. To fully understand the present situation one cannot do without references to the immediate past, because many of the arrangements have been changed substantially. The Dutch welfare state is one where retrenchment and adaptation have gone beyond rhetoric.

2.2.1. Social security benefits

Basically the Dutch public social security system contains three types of scheme. First, there are the universal, so-called *people's insurances*, covering the demographic risks of old age (AOW), survivors pension (Anw) and child benefit (AKW). These national insurances are compulsory, contributory schemes covering all citizens. Waged workers and self-employed people pay contributions, which are set percentages of income and function as earmarked taxes. Child benefits are flat-rate, old-age pensions are flat-rate with a small means-tested component, while survivors pension is fully means-tested. The Dutch people's insurances are administered by the Social Insurance Bank (Sociale Verzekeringsbank SVB), which is a semi-public administrative body with an independent board of experts and controlled by the Ministry of Social Affairs. Second, there are the so-called *workers' insurances*, covering unemployment (WW), and long-term disablement (WAO). Short-term disablement, or sickness insurance was part of the worker's insurances, but was privatised in 1997 (see later). The worker's insurance schemes are compulsory, contributory and cover all those working under a labour contract. Contributions are paid as a percentage of wages, while benefits are partly wage-related and partly flat rate depending on claimants' age and work record. Worker's insurances are administered by the Administrative Body for Worker's Insurances (Uitvoeringsorgaan Werknemersverzekeringen UWV), which is a public body in the Ministry of Social Affairs. Third, there is the safety net of *social assistance* (WWB), which is available for all citizens who have little or no income from work or other benefits. Social assistance is non-contributory and paid from general taxation. It is means-tested, with tests on assets and incomes of claimants and their partners. Benefits are up to subsistence level, which equals the level of the minimum wage. Dutch municipalities administer social assistance.

As a rule, Dutch flat rate income benefits (like e.g. the national pension AOW) pay 100% of the minimum wage level to couples (married or unmarried), 70% to single people, and 90% to single parents with children below 18 years of age. Means-tested benefits (like social assistance) maximally top up people's incomes to these same levels. The earnings

related part of worker insurance benefits (like unemployment and disability insurance) pays 70% of previous gross wages, be it with a (relatively high) ceiling.

People's insurances

In the process of adaptation the initially universal people's insurances have become more selective, as well as more complex. Implementing equal rights for men and women, induced by the third EU Directive on Equal Treatment, under conditions of a fiscal crisis, has meant the introduction of means tests in the old age and survivors pension schemes. Child benefit is still not means-tested, but now offers less protection especially for larger families.

Survivors pension Anw

The reconstruction of the survivors pension insurance was implemented in 1996. The former scheme, dating back to the 1950s and based on a male-breadwinner model, only covered widowhood (not widowers) and married couples. Under the new Anw, males and unmarried couples are entitled to receive benefits, but the population covered by the scheme was otherwise drastically limited. Most important is that only those persons are entitled now who have been born before 1950, or have children under 18, or are disabled. Younger survivors are supposed to work and have an income. Furthermore, an income test was introduced, both for cutting back on expenditures as well as to account for the fact that widowhood no longer automatically implies need. With its means test and sharp limitations of the entitled population, the Anw deviates strongly from the traditional Dutch idea of a people's insurance, which comprised of universality and the absence of means testing.

Old age

The male breadwinner based old age pension scheme AOW of 1957 was adapted in the 1980s. Firstly, it was 'individualized', holding that partners now each had a right to 50 % of the full benefit (in stead of 100% for the male partner), married and unmarried couples are now treated equally, and a means test was introduced for cases in which the partner is younger than 65. In such cases the older partner receives 70% of the full benefit, while an additional top-up of 30% depends on the younger partner's labour income. In the context of population ageing the AOW scheme is still the object of debate. There are various proposals for its further adaptation, among which increasing taxes paid by pensioners with additional income seems to have the highest change of being implemented in near future. Compared to other European countries the pension time bomb is a less serious problem in the Netherlands, because of the substantial coverage and relatively generous benefits of second pillar occupational, capital funded pensions schemes.

Child benefit

The child benefit scheme AKW of 1963 has been repeatedly adjusted in various ways. The overall trend has been a reduction of the population of children for which benefits are paid and a reduction of benefit levels, both aimed at a decrease in benefit expenditure. For instance, in 1986 child benefit for children between 18 and 27 years of age was abolished, and benefits for younger (less costly) children have been reduced. As a result, the social protection, particularly of larger families, has diminished quite substantially. Larger families with low income are strongly over-represented in Dutch poverty figures.

Workers insurances

In 1985, soon after the economic crisis of the 1980s had reached its definite peak, the benefit levels of all workers insurance schemes (unemployment, disability, sickness) were reduced from 80 per cent of previous earnings to 70 per cent. From then on further measures were taken.

Unemployment

In 1987 the unemployment insurance scheme WW of 1949 was replaced by a new law, which introduced more stringent work record requirements as a criterion for assessing entitlement to, and duration of, WW benefit. Under the new WW, entitlement required that one had worked at least 26 weeks in the previous 52 weeks, and the wage-related benefit lasted only half a year on principle. This half-year period of the wage-related benefit could be extended as a function of work history, i.e. if people had worked for at least three years in the last five years. After termination of the wage-related benefit unemployed people became entitled to a 'follow-up benefit', which was a non means-tested flat rate benefit of 70 per cent of the minimum wage level, for one year. Once this had expired, people had to claim means-tested social assistance. Eventually then, all long-term unemployed end up on social assistance. In 1995, when unemployment figures had increased again, work history criteria were made stricter. For the short-term benefit one has to have worked 26 out of 39 weeks, and for an extended wage-related benefit one now also has to have worked 4 out of 5 years. The extended period depends on age and is maximally 5 years. In 2003 the follow-up benefit was abolished.

Because of the revisions adequate income protection in case of unemployment became more strictly limited to workers with more regular and longer lasting labour market ties. Other groups experience more difficulty in being entitled to a wage-related benefit, especially young people, people with flexible labour contracts and people with repeated unemployment spells. They will have to rely on social assistance, instead.

Disability

In the recessive years of the 1980s the Dutch disability insurance scheme of 1967 (WAO for employees, AAW for self-employed) proved to be too easily accessible and too generous (compared e.g. to unemployment insurance benefit). Employers and employees used it as an attractive route to fire (older) workers, respectively to exit the labour market on good conditions. From the 1980's onwards various governments have tried to control and limit the inflow into the scheme (for details see, Van Oorschot & Boos, 2001). In a first attempt, aimed at making the benefit less accessible and attractive for employees, replacement rates were lowered from 80% to 70%, partial disabled workers were no longer granted full benefits to compensate for their reduced labour market chances, and stricter assessment rules were implemented. The latter was accompanied with a re-assessment of all claimants under 50 years of age, with as a result that about a quarter of them lost their disability benefit. Such re-assessment of younger claimants was repeated in 1993 and in 2004, with comparable results. The duration and level of benefit was made dependent upon age, reducing attractiveness further. In a second stage, in the 1990s, a number of incentives were introduced aimed at employers. They could get a bonus when employing disabled workers, and a fine when they fired them, and insurance premiums were partly linked to the number of disabled workers companies generated. All measures had no substantial effect on the inflow in the disability scheme, because the increased labour participation of Dutch women and the ageing of the work force compensated for them. However, with the so-called 'Gatekeeper Act' (Wet Verbetering Poortwachter) of 2002 disability figures started to decline substantially. The essence of this act is that workers with health problems can only enter the disability scheme if in the period of sick pay they and their employers have evidently tried to prevent such access as best as possible. The decline in claimant inflow is no reason for the present government to leave the scheme as it is. As from 2006 the WAO-scheme will be replaced by WIA, a scheme that emphasis the work capacities instead of incapacities of workers with health problems. Its most important features are that workers with less than 35% incapacity will not be entitled to disability benefit, while only those with incapacity of 80% or over are entitled to a wage-related disability benefit. Those in between have the primary duty, together with their employer, to find and accept an adapted job in or outside the company. If they succeed, the WIA scheme pays 70% of the difference between the old and the, often lower, new wage. If they do not succeed, the worker may receive a partial disability benefit, on the condition, however, that both parties evidently have done their best to find suitable work. In the process of adaptation the AAW, the national disability insurance for self-employed people, has been abolished, leaving the self-employed to insure their risk privately.

Sickness

With regard to short-term disability benefits, or sickness pay, the adaptation measures taken have been drastic. In a series of steps, the public sickness insurance scheme (Ziektewet, ZW), offering 70% of the wage, has been privatised nearly fully. The ZW still exists for small categories of workers, including pregnant women, (partially) disabled workers, people on temporary contracts and apprentices. For the majority of over 85% of Dutch workers, however, it has been replaced by the employer's duty to continue to pay wages during sickness leave. Employers now either pay wages for sick employees directly, or, as most of them have done, reinsure the risk with private insurance companies. Reducing sickness absenteeism is now in the employer's interest. The duration of this privatised sick pay was one year, but has been extended to two years, in order to prevent access to long-term disability benefit (WAO) further. In the first year employers may top up the statutory benefit level of 70% to 100% of the wage, but this is not allowed in the second year in order to make sick pay less attractive.

Social assistance

The social assistance scheme ABW, which took effect in 1965 introduced state-financed minimum income protection in the Dutch social security system. Because it functions as a last safety net ABW is means-tested. In 1996, the benefit was adapted. Firstly, the system of benefit rates was simplified into only three rates: 50 per cent of the level of the minimum wage for single people, 70 per cent for single parents and 100 per cent for couples. Single people and single parents can apply for a 20 per cent supplement in which case they have to prove that the basic rate is too low for their specific circumstances. People younger than 21 can only claim in exceptional cases. Secondly, to be able to fine tune benefits to local and personal circumstances, the administering municipalities have to design and implement an assistance supplements policy, comprising the rules under which beneficiaries can claim supplements to their basic benefit, subsidies for training and education, costs related to part-time work, special needs costs etc. Thirdly, beneficiaries have to be 'activated' to participate in the labour market. This policy has been implemented in different ways: the standard of 'suitable work' has been broadened, implying that clients are expected to accept jobs below their educational level and former job level; for each client with a reasonable chance on the labour market the administration has to design and implement an individual plan for (re-)insertion. This activation trend in the assistance scheme culminated in the new Act on Work and Assistance (WWB), which replaced ABW in 2004. Now municipalities carry the full cost of the benefits, giving them a strong incentive to 'activate' claimants effectively, and no exceptions on job seek obligations are made anymore for client groups like single parents and older unemployed.

In short, the revision of social assistance has led to a higher municipal responsibility and discretion, as well as to a higher emphasis on getting people (back) into jobs.

2.2.2 Labour market policies

With the steep increase in unemployment in the beginning of the 1980s a period set in in which labour market policies became part of the central focus points of the Dutch welfare state. As in many other European countries a shift 'from welfare to work' set in. Initially, the high levels of unemployment and the need to cut back on benefit expenditure urged for stimulating the (re-) employment of various groups of job seekers. At present, with lower unemployment levels, active labour market measures are still needed with a view on population ageing, which in the near future asks for maintaining an adequately productive labour force, as well as with a view on the labour integration of young unemployed, older workers and ethnic minorities.

The types and numbers of measures Dutch governments have taken in the course of the last two decades are so numerous that it is not possible here to discuss them in detail. The main lines, however, can be sketched with a distinction being made between macro-oriented and micro-oriented policies. Macro level participation policies aim at creating favourable wider economic, social and institutional conditions for labour participation, while micro policies try to influence the qualifications, behaviour and choices of individual actors, be it employers or employees. Among the macro-level policies two stand out for their longer-term impact on the Dutch labour market and labour costs: wage moderation and part-time work policies. In the beginning of the 1980s curtailing wage costs was regarded as the prime effective instrument for stimulating employment. In addition to benefit cutbacks, which had to result in lower contributions and thus in lower wage costs, the main emphasis was put on wage moderation. Under government's threat of a national 'wage stop', social partners agreed in 1982 on a moderation of wage increases, which would recover the profitability of industries, with a reduction in working hours, in return for the unions. This so-called Wassenaar Agreement had no immediate effect on unemployment, but it gave the Dutch economy and labour market a head start from the moment the global economy started to improve in the mid-1980s. In 1992 and 1993 again wage moderation agreements were made between government and social partners. In the eyes of successive Dutch governments, part-time work contributes to several policy goals at once: improving the labour market participation of women, thus contributing to their emancipation and economic self-sufficiency; keeping older employees at work; contributing to a more equal division of paid and unpaid work; and reducing unemployment. Therefore, several governments have actively stimulated the growth of part-time work since the end of the 1970s. With success, because at present the Dutch labour marker shows the highest part-time work rates in Europe, among male as well as

among female workers. In the early 1980s, the government paid subsidies to employers and employees for innovatory cases of part-time work. In the 1982 Agreement of Wassenaar social partners also agreed to stimulate the redistribution of work, among other things by means of part-time work. In the mid-1980s, the government subsidised employers' initiatives for introducing both part-time work and working-time reduction in their firms on a larger scale. In the same period, working hours and wage level thresholds were removed from social insurances. In 1993, all part-time workers gained a right to the (proportional) legal minimum wage and holiday pay, and from 1994 occupational pension funds can no longer exclude part-time workers. In 1996, the equal treatment of part-time and full-time workers was codified in the civil code and in labour law, implying that from then on part-timers have equal rights in collective labour agreements concerning, for example, wage levels, wage supplements, reimbursement of expenses, bonuses, occupational social security and pension schemes and training facilities.

Wage moderation and part-time work, however, were not sufficient to create employment for all jobseekers. In the 1980s and 1990s there were still large segments of younger and older unemployed people, (partial) disabled workers, unemployed people from ethnic minorities and job seeking housewives. To stimulate the employment of such various groups a plethora of micro-level labour market policies have been 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 (e.g. through 'job-pools') and young unemployed (e.g. through the Youth Work Guarantee Scheme, JWG). With these measures the activation of beneficiaries and social security entitlements became more closely interlinked, and in the mid-1990s work came to be seen as a better means of social protection than benefits. This 'welfare to work' perspective is very much a characteristic of the present Dutch welfare state.

The effectiveness of the micro-oriented policies is subjected to debate. Various evaluation studies are quite critical where they point to 'creaming off'-practices by work re-insertion institutions; to the fact that few people on subsidised additional jobs flow into regular paid work; to the substitution effects of subsidised work; and to the fact that the measures do not succeed in creating equal labour market chances for traditionally vulnerable groups like younger and older unemployed, people from ethnic minorities and single parents. In the case of (partially) disabled workers, the conclusion that measures taken are ineffective and even counter-productive can be drawn without much reserve. The privatisation of sickness benefits 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, as the incentives for employers are set so that they profit from having a workforce with a minimal disability and sickness risk.

2.2.3 Work and care reconciliation

With the increasing labour market participation of Dutch women in the 1990s the Dutch welfare state has expanded in the area of facilitating citizens to combine work and care tasks. In 1994 the government adopted a 'combination' scenario as its aim for future policies. This scenario describes a situation in which each of two partners works for 30 to 35 hours a week (and thereby gain economic self-sufficiency and independence) and carry out caring tasks for 20 to 25 hours a week. The government aims to achieve this situation by 2010. At present, it can be doubted that the scenario will materialise. Still most working women have smaller part-time jobs, especially those with children, and there is no substantive trend among men to switch to more care work.

Nevertheless, the government has supported the development of childcare facilities, and it recently introduced a broader framework Act on Work and Care, which combines several existing and new measures.

Childcare

The Dutch government encouraged the development of public childcare facilities in the early 1990s by providing subsidies to municipalities, who are responsible for creating public childcare places. In 1995 the government also introduced a tax deduction for parents and employers who make use of or create childcare places, and recently the government allocated further subsidies to Dutch municipalities in order to increase the number of available daycare places. In 1999 the government expanded a scheme subsidising childcare for single parents who are looking for a job, have started working or are following training to improve their labour market position. These stimulation measures have increased the number of daycare places considerably. Availability of after-school care for older children, however, is still very limited with less than 1% of children using this kind of care. All in all, The Netherlands has been relatively late in introducing and promoting public childcare facilities and at present there is still a serious lack.

Work and Care Act

The 2001 Work and Care Act (WAZO) is the centrepiece of the government's aims concerning the combination scenario. It combines existing and newly introduced measures. In the preamble to the proposal, the government clearly states that the reconciliation of work and care is a shared responsibility of government, social partners and individuals,

which emphasises that most of the measures do not aim to enforce, but to facilitate, matters. As a consequence, much room is left for employers and employees, and collective labour agreements now are important instruments for the extension of standard national arrangements.

The existing measures that are incorporated into the new law were mostly introduced in the 1990s and include a part-time leave arrangement for parents of young children, a limited career break scheme, and a measure which gives employees the legal right to adapt their working hours, upwardly or downwardly. Evaluation studies have shown that the take-up of the parental leave scheme is low, especially among men, as well as among women who work in sectors where collective labour agreements do not provide them with (partial) wage payment during the leave.

The Work and Care Act also added new measures, such as the legal formalisation of maternity and emergency leave (both of which were granted in practice by collective labour agreements), a short-term care leave and a leave savings plan. Recently, government introduced a personal leave savings scheme (*Levenslooplegeling*), which allows workers to save, taxfree, up to 12% of their annual wage per year. The savings can be used to finance care leave, educational leave and/or early pension leave.

2.3 An analytical evaluation

The revisions of the Dutch welfare state have had as a main consequence that traditional relations of solidarity were dismantled. Ties of solidarity between good and bad risks, as well as between higher and lower incomes, have become weaker and less numerous. The system not only has lost part of its solidaristic character, it also turned less collective. Limiting covered populations, benefit levels and duration of benefits, as well as privatisation of schemes and labour market (re)insertion, resulted in a higher degree of individual responsibility for all actors involved. This is the case for employers (who have new responsibilities with regard to sickness pay and the prevention of disability), workers (who are less protected by insurance schemes) and citizens in general (for whom entitlements to child benefits, survivor pension and disability benefit were reduced substantially). All in all, a shift has taken place from inclusive solidarity towards the direction of exclusive selectivity, from collective responsibility towards individual responsibility. Initially, this was the unintended outcome of measures taken under the constraints of fiscal austerity, at present this shift is explicitly aimed at by government.

With the shift the overall level of citizens' social protection has declined. This loss, however, does not affect everybody to the same degree. Part of the decrease in protection offered by the collective system has been 'repaired' for workers in newly bargained collective labour contracts. For instance, in many companies and industrial sectors social partners agreed to undo the consequences of limiting the duration of the wage-related

disability benefit for various age cohorts. Many other losses in protection, however, are repaired through collective bargaining for only small parts of the working population, or are repaired only partly or not at all. In most cases higher paid workers, with permanent jobs and long work histories profit most from the repairs. The loss of collective social protection is also compensated at the household level, as a result of the increased labour market participation of Dutch women, and the accompanying increase in double income households: 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, older workers, and beneficiaries who have little chance of returning to the labour market, such as pensioners, disabled workers, long term unemployed and single parents. Tragically, the measures taken in the field of short-term and long-term disability have made employers more careful in hiring workers with health problems. For such job seekers labour market access has become more difficult. Due to the retrenchment measures income inequalities have increased in the Netherlands over the last twenty years, and most recently the proportion of poor households has risen, as well as the proportion of working poor.

However, a proper evaluation of developments in the Dutch welfare state cannot do without mentioning that in the field of work-care combination provisions have expanded. Mostly, policies followed demand that increased with the growth in labour participation of Dutch women. Yet, a large majority of them is still working part-time. Some see this as proof of what many feel to be the case, which is that there is still a lack of sufficient day care facilities and adequate parental leave schemes. In the area of leave schemes for workers still relatively much is left to collective labour agreement between social partners.

3. Some comments on the future of the Dutch welfare state

As in other European countries, in the Netherlands three issues tend to dominate the debate about the future of the welfare state: globalisation, ageing and migrants.

Due to economic globalisation it is believed that the Dutch welfare state has to be levelled down further. That is, increased international competition urges to lower labour costs, for which reducing entitlements of, and thus contributions to, insurance schemes seems to be a good remedy. Such a further dismantling of collectively organised social protection fits in very easily with the dominant idea that modern citizens can and want to take care of their own. There are more double income households, people have become wealthier, and they have more savings in e.g. occupational pension schemes. However, it is recognized that this does not count for all groups in society. There is consensus that

protection at the level of a decent social minimum should stay available for all those who are in real need. Thus far, the ultimate consequence of this focus on individual responsibility with keeping safety net protection - which would mean reconstructing the Dutch welfare state along strictly liberal lines, and turn it into a residual, mostly means-tested welfare state - has not been propagated by many. On the contrary, it is especially social democrats that increasingly warn against the negative effects such dismantling would have on the social cohesion of overall society. For them, a viable and just welfare state needs the broad middle-class as a major stakeholder.

The ageing of the population is a major concern, which has already led to limiting the access to and the generosity of early retirement schemes and their functional alternatives. Basically, pay-as-you-go pre-pension schemes have been replaced by variants in which pre-pension is paid from people's savings in occupational old age pension schemes. In this way, early retirement is still possible, but at personal cost. In addition, ageing is seen as giving extra impetus to the need for activation of unemployed, partly disabled and older workers, as well as the need for a further increase in the full-time labour participation of Dutch women. All those who can work, should do so, is the leading idea, in order to enlarge the productivity base from which future pensions and care costs have to be paid. There is a pending discussion about increasing taxes paid by pensioners, and about increasing the standard pension age of 65. It can be expected that both ideas will be implemented in the near future.

As for migrants, the general idea at present is that Dutch society has been too lax in the recognition of and the dealing with the problematic aspects of integrating larger numbers of migrants into society and labour market. A tougher approach is adopted, generally, which in a welfare state context gives rise to a debate on how the Dutch welfare state can be made 'migration proof'. With this is meant a welfare state that offers adequate services and benefits to its mainstream citizens, but which, at the same time, is less attractive for new migrants. New types of welfare policies for this still have to be developed, most probably in combination with a stronger focus on selecting higher educated migrants, but it can be expected that in the near future 'newcomers' in Dutch society will have to wait more years before getting access to full social citizenship.

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