



The Netherlands

## Trends, Recent Developments, “Feeding in” and “Feeding out”

A Study of National Policies

Drs. T. Nederland  
Dr. M.M.J. Stavenuiter  
Drs. H.R.A.M. Swinnen  
Verwey-Jonker Institute

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*November 2007*



On behalf of  
**European Commission**  
DG Employment, Social Affairs and Equal Opportunities



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## Summary

The 2007 Progress report on the Dutch National Reform Programme for 2005 – 2008 starts with underlining that the Netherlands has “A new government with solid ambitions for growth and employment ... in close cooperation with social partners and local governments ... consistent with the recommendations and points requiring attention for the Netherlands.”

After referring to the basics of the NRP, the report gives an overview table of the Commission's recommendations, points requiring attention and the Dutch government's policy response to these:

- Improve labour supply, particularly with respect to women, older workers and vulnerable groups
- Increase private investment in R&D
- Create one-stop shop for hiring the first employee
- Increase the number of hours worked.

Moreover, the report explicitly covers the issue of flexicurity and youth unemployment.

The 2007 NRP Implementation Report gives clear references to social inclusion issues, including the reference to an intermediate message – in the form of a letter – to the Commission about the NSR on Social Protection and Social Inclusion. This is a clear sign that Dutch government wants to stress the coherence between its plans for Growth and Jobs within the renewed Lisbon Agenda and the plans within the social inclusion agenda. This means more attention for feeding out / feeding in between the two policy agendas.

### *Feeding out*

The NRP explicitly mentions that the current economic boost offers a lot of possibilities for people in a weak position on the labour market to find a job. And that this is helping to increase the degree of participation and strengthen social cohesion.

The Dutch Cabinet will enhance the working hours of women by increasing child care facilities, setting up a taskforce called “part time plus”, by tax facilities and by fighting the pay disparities between men and women. But it does not really put the gender imbalances between men and women on the agenda. For older workers, government will continue to give financial incentives for continuing to work and discouraging early retirement, introduce a participation bonus for and a means tested contribution from the early retired, it will intensify measures for accompanying older unemployed people and those on incapacity for work benefits. But most incentives are for employees and not for employers, and an important cause for early retirement, i.e. negative perceptions, is not further analysed. A lot of attention goes to better preparing young people for their future, but is it wise to disband the Task Force Youth Unemployment?

We can conclude that in the Dutch 2007 NRP report social inclusion is mentioned, but it seems that the link between economic growth and social cohesion is not further questioned. In the policy measures however, more in particular about employment policy, concrete initiatives are taken to improve the income and social position of all the groups with a weak labour market position. It seems though that the demands of the labour market (in function of economic growth) are more steering than the social and economic needs at the supply side. Social effects of economic and

employment policies are almost not explicitly mentioned, although they are present as we demonstrated.

### *Feeding in*

The NSR has been mentioned explicitly in the 2007 NRP progress report in two instances. On p. 5 the remark is made that in 2007 the Member States do not have to write a NSR, but that since in the Netherlands a new Cabinet has been launched this cabinet has sent a short letter to the European Commission on – among others – the field of social inclusion.

On p. 43 the NSR is referred to again and we can read that the Dutch government is aware of the fact that the Lisbon agenda has taken into account the common social goals of the Member States. Next we can read that no NSR has been published in 2007 and that normally the NSR and the NRP complement each other. There is no further detailed description of how this complementarity is put into practice.

A few examples of feeding in could be identified: about the accessibility of health services and about school drop-out of youngsters. Complementary to this, in the “letter” about the NSR, one can read that the NSR objective of promoting participation will include the creation of different types of subsidised employment and social activities in order to help those “far away from the labour market” to be among the 200,000 people that the government wants to provide with a job during this Cabinet’s term. Furthermore, the NSR programme for increasing the participation of children and youngsters announces actions to activate youngsters with low employability, and more in general it insists on the transition from school to work.

### *Governance*

A few examples of “joined-up” policies can be found in the Childcare Act, the employment and educational policies for young people, and the employment policies for minorities.

As to the involvement of other levels of government in the policy development and implementation, intensive consultation with the Association of Dutch Municipalities has been organised. The concerns of municipalities are more taken into account than in former plans. Social partners also have had good possibilities to bring their concerns to the fore. Their advice is separately reported.

The new Cabinet has also organised a “Participation Summit” in which it came to agreements with social partners and local authorities on employment and participation policies.

An imbalance between the NRP and the NSR remains, in that NGOs, the voluntary sector and organisations of people experiencing poverty and social exclusion are not heard in the framework of the NRP.

*2007 Social Policy developments*

Finally, it has to be stressed that the 2007 Dutch NRP progress report is more a description of starting and future policies than an account on past performance. This is of course due to the election period and the start-up of a new Cabinet. From a combating poverty perspective it is important to underline that income measures in 2007 only aimed at keeping the purchasing power more or less at its previous level, i.e. the increases are meant to compensate for loss of purchasing power due to economic developments and/or changes in indirect taxation. The increase of income is marginal. According to figures of the Ministry of Social Affairs and Employment the income of different types of households increases with 0.75% to 1.25%. The lowest income groups face less increase than higher income groups.

## 1. Short summary of the Dutch NRP implementation report 2007

### 1.1. The implementation report and the Lisbon recommendations and areas to watch

The 2007 Progress report on the Dutch National Reform Programme for 2005 – 2008 starts with underlining that the Netherlands has “A new government with solid ambitions for growth and employment ... in close cooperation with social partners and local governments ... consistent with the recommendations and points requiring attention for the Netherlands.”

After referring to the basics of the NRP, the report gives an overview table of the Commission's recommendations, points requiring attention and the Dutch government's policy response to these:SI Header 3

	Recommendation & points requiring attention	Policy response
Recommendation	<ul style="list-style-type: none"> <li>▪ Improve labour supply, particularly with respect to women, older workers and vulnerable groups</li> </ul>	<ul style="list-style-type: none"> <li>▪ Improve financial incentives, enhance options for combining work and care, strengthen market position of people aged 45+, stimulate diversity policy, combat discrimination, improve quality of education and prevent pupils' leaving school early</li> </ul>
Points requiring attention	<ul style="list-style-type: none"> <li>▪ Increase private investment in R&amp;D</li> <li>▪ Create one-stop shop for hiring the first employee</li> <li>▪ Increase the number of hours worked</li> </ul>	<ul style="list-style-type: none"> <li>▪ SME innovation offensive, innovation programmes for societal challenges, 'key areas' approach</li> <li>▪ One-stop shop has been realised. Also, more options for electronic business counter</li> <li>▪ Tax measures that make working more rewarding, expansion of parental leave and pre-school and after-school care</li> </ul>

The report's summary then systematically discusses the challenges to tackle. It takes the participation in paid work as its first challenge. The report describes the “favourable baseline conditions” (the high total participation rate and female employment) and some anticipated effects of previous measures (e.g. new unemployment benefit duration rules and the Capacity for Work Act (WIA)). Nevertheless, the report says that the new government and the social partners are

committed to further improving labour force participation and to increasing the number of hours worked, whereby investing in human capital "is extremely important".

Secondly, the report announces further measures to increase the number of entrepreneurs, by making it easier for starters and SMEs to start and run a business. Reducing the regulatory burden for businesses and improving mobility through replacing existing taxes by taxes on kilometres driven should improve the conditions for running a business. The government expects this to have positive effects on labour participation, knowledge and innovation. But it also gives separate attention to knowledge and innovation where it intends to meet an R&D intensity target of 3% of GDP by promoting higher education and improving the quality of research and stimulating innovation in the SME sector. Innovation will be geared towards six key areas and specific attention will be paid to societal challenges such as care, water and energy, safety & security and agro-innovation.

Finally the report mentions the Cabinet's ambitions in the area of energy and sustainability, for which it also counts on strong European support.

For each of these policies, the government earmarked the funding that it considers to be needed for realising the measures.

- With regard to labour market participation the Cabinet has incorporated the following block-grant funds in the 2008 Budget Memorandum:
  - child care envelope (€700 million);
  - labour market participation, from the participation, margins of society and poverty envelope (€170 million);
  - parts of quality of education, from the education envelope (€747 million);
  - labour market participation burden envelope (€1,200 million).
- The Cabinet's investments in the business climate are partly incorporated in the €200 million entrepreneurship envelope.
- Part of the funding for knowledge and innovation can be found in the innovation, knowledge and research envelope (€300 million).
- For energy and sustainability, the Cabinet has included, among others, a €500 million energy envelope in the policy programme.

So far, this description of the Dutch NRP progress is based on the general part (part I) of the report 2007. In three background chapters, the government gives full detail of the progress made and of all the policy measures taken and planned. We will discuss these along the feeding out / feeding in analysis.

## 1.2. Other major developments reported

In the section above (1.1.), in order to give a full picture of the Dutch NRP Progress report 2007, already two issues are mentioned that exceed the recommendation and points to watch: the overall conditions to run a (SME) business, and the Cabinet's ambitions in the area of energy and sustainability.

In relation to the field of social protection and social inclusion, the report at several points refers to the issue of demographic change and the policy attention given to this by the new programme Ministry for Youth and Family: a separate section of the employment chapter concerns youth (p. 42). In this section, the report mentions the decrease in youth unemployment, but the unemployment rate of youngsters is still twice as high as the average. Reference is made also to the success of the Youth Unemployment Task Force, reaching its objectives (40,000 jobs) in the spring of 2007. The task force was then disbanded, but its recommendations will be implemented. Moreover, special attention will be given to the transition from school to work (and to early school leave) (p. 48 and 57).

Furthermore, the report underlines that Dutch government has taken several initiatives to increase flexicurity of the Dutch labour and social security regulations. It refers to the Flexibility and Security Act, giving employers more options for concluding and terminating flexible contracts (p. 42 and p. 55).

## 2. Assessment of the implementation report from social inclusion perspective

In its Assessment of the Dutch NRP, the Commission writes that "The Implementation Report is also closely linked to the National Strategy Report on Social Protection and Social Inclusion". In our own assessment we were somewhat less positive about this link: "For the Netherlands, it is difficult to assess the feeding in / feeding out issue between the NSR Social Inclusion/Social Protection and the NRP. A number of references to the NSR in the NRP are made, but our analysis reveals that these are not the result of an active "check" of the NRP for its links with social inclusion objectives and approaches. Both the NSR and the NRP are (partial) descriptions of the same Dutch national macro economic and social policies along different European guidelines. The cross referencing between both documents are just proof of the coherence in the national policy strategies."

The 2007 NRP Implementation Report gives clear references to social inclusion issues, including the reference to an intermediate message – in the form of a letter – to the Commission about the NSR on Social Protection and Social Inclusion. This is a clear sign that Dutch government wants to stress the coherence between its plans for Growth and Jobs within the renewed Lisbon Agenda and the plans within the social inclusion agenda. This means more attention for feeding out / feeding in between the two policy agendas.

### 2.1. Feeding out

The EC explains feeding out as the way in which the objectives of the NRP can serve social cohesion. In the guidance for the experts it is stated that social progress can not be achieved with anaemic growth and low employment, but that it can not be assumed that economic growth and

higher employment lead automatically to improved social cohesion. They need to be underpinned by provisions for the most vulnerable groups and by modern and active social protection systems in order to deliver social progress. In this paragraph we will briefly deal with the assumptions in the 2007 Progress Report on the Dutch NRP 2005 - 2008 and discuss the position of women, older workers and vulnerable groups<sup>1</sup> on the labour market. As to other possible feeding out issues – i.e. ensuring an adequate income from work, addressing territorial differences, assessing the impact on social protection systems, addressing the contribution of fiscal policies – we will not separately go into these, because the NRP does not describe the outcomes of its economic and fiscal policies in terms of social cohesion. As far as labour market participation, social protection and social cohesion are mentioned in these sections of the NRP, it is in terms of feeding in and not feeding out.

### *Assumptions of the Dutch NRP 2007 Progress Report*

On p. 8 of the NRP it is explicitly mentioned that the current economic boost offers a lot of possibilities for people in a weak position on the labour market to find a job. And, furthermore, that this is helping to increase the degree of participation and strengthen social cohesion. The Dutch labour market policy focuses largely on measures to enhance the labour market participation of women, older workers (45+), youth and vulnerable groups (such as people on public benefits, the disabled and immigrants). Two remarks can be made on this focus on labour market policies. First, the link between economic growth and the strengthening of social cohesion is taken as an assumption in the Dutch NRP, but is not further questioned. What will happen when the economic boost comes to a standstill? Can everyone profit from the economic growth of this moment and is everyone with a paid job economically independent? These are questions which are not dealt with in the progress report. Secondly, although enhancing the labour market participation of older workers, women and vulnerable groups is very important, the question has to be asked whether a single focus on labour market participation is sufficient and will solve the problem.

We will explain this matter further by discussing the labour market measures taken for specific groups.

### *Women on the labour market*

The net labour market participation of women in the Netherlands was 55.8% in 2006. Although this percentage is higher than in many other European countries it is not likely that the national target for 2010 (65%) will be reached. Even more alarming is that most Dutch women have only small part time jobs. On average Dutch people work 30.9 hours per week compared to 37.8 for the EU-25, mostly because of the small jobs of women. The Dutch Cabinet will enhance the working hours of women by increasing child care facilities, setting up a taskforce called “part time plus” and by tax facilities (p. 44-45). Furthermore the government realises that pay disparities (of which still 7% is not explicable) between men and women are an important barrier for women to enter the labour market or to balancing the number of working hours between partners. The Cabinet will call upon employers to take their responsibility in this and will make efforts as public employer to give the good example.

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<sup>1</sup> Since these are the subject of the main Commission's recommendation in the Assessment of the Dutch NRP in part II of the report Implementing the Renewed Lisbon Strategy for Growth and Jobs – “A year of delivery”.

However, gender differences on the labour market not only deal with the economic disadvantages of women, but also with gender imbalances. In this respect it is not very reassuring that the Dutch government only take measures related to the labour market participation of *women*. The assumption is that when preconditions to work are optimised, the rest will follow as a matter of course. In this respect it is not very reassuring that the Dutch government only takes measures related to the labour market participation of women. The assumption is that when preconditions to work are optimised, the rest will follow as a matter of course. The Dutch government ignores gender imbalances and assumes that men and women have an equal position in work and at home. When the role of men and the unequal distribution of care will not be included in labour market policies, women will remain behind.

### *Older workers*

The report states that the rate of participation in the 55 and older age group is still too low: 41.7% in 2006. It is even lower among those aged 60-64: 20.8%, which is nearly 40 percentage points lower than the 55-59 age group (58.1%). The main causes mentioned are early retirement (despite the abolition of tax benefits for early retirement and pre-pension schemes), relatively high wage costs and negative perceptions. Nevertheless, rising participation statistics demonstrate that the situation is changing. The Cabinet is taking further measures to boost the policy. (p. 47)

The measures are essentially directed towards employees, i.e. financial incentives for continuing to work and discouraging early retirement, a participation bonus and means tested contribution from the early retired, measures for accompanying older unemployed people and those on incapacity for work benefits. There are no measures mentioned towards employers and no further analysis of the "negative perceptions". There is also no questioning of possible conflicting policy options, such as this expectation of more people (men and women) participating longer on the labour market, and at the same time counting on more involvement in voluntary care and welfare activities.

### *Youth*

In earlier reports we already mentioned that the policies for combating youth unemployment are successful and inventive Dutch social inclusion policies. The Youth Unemployment Task Force has been presented as a good practice. The 2007 NRP report summarises the situation for youngsters as follows: "Unemployment among young people has fallen in recent years, from an average of 13.5% in 2004 to an average of 10.7% in 2006. The statistics also show that while youth unemployment is decreasing faster than the overall unemployment level, it is still twice as high as the average unemployment level. While unemployment is falling among both ethnically Dutch and ethnic minority young people, it remains considerably higher among the latter. In 2006 the unemployment rate was 22.3% among 15 to 24-year-olds in the non-Western minority working population compared to 9.3% among the Young ethnically Dutch working population." (p. 48)

In relation to youth, the Dutch NRP report refers to the European Youth Pact of the European Council, to child poverty being a European policy priority in 2007 and to Alliance for Families. It underlines the importance of the introduction of a Programme Ministry for Youth and Family under the new Dutch government. In its policy measures for youth unemployment, the Cabinet put most emphasis on school drop out and the transition from school to work. The Youth Unemployment Task Force has reached its objectives, says the report, and could therefore be disbanded. Although the recommendations from the final report of the Task Force have been

adopted, it would perhaps have been wise to keep the Task Force in function for assuring the sustainability of results.

### *Vulnerable groups*

Measures to increase employment among vulnerable groups are aimed at minorities, people who are partially able to work and recipients of social assistance benefit. The 2007 NRP report summarises its efforts in this saying that "It is important to provide these groups with financial incentives, training and other assistance (p. 48).

As to the financial incentives, this consists essentially of a tax measure to fight against the so-called inactivity trap. According to the estimates of the Ministry of Social Affairs and Employment these measures will make only substantial difference for single parents accepting a job (8% increase of income) and for the partner re-entering the labour market gaining at least 120% of the minimum wage (3% increase of income) (p. 50). One could thus expect that one of the most at risk of poverty groups in the Netherlands, single parent households, will improve their position the next couple of years. This is then to be considered as a positive feeding out effect of the NRP.

As to *minorities*, the emphasis will be on increasing the participation rate of young people. The Social and Economic Council has observed that the problem is not a lack of policy, but a need to improve the implementation of existing policy. The drive to combat early school leaving (*Aanval op de uitval*) will be continued and reinforced through cooperation between government, parents, schools, business (for traineeship placements and on-the-job training placements), social workers, youth services, municipalities, police and the Ministry of Defence. (p. 50)

The overall efforts for integration will be intensified through an "Integration Delta Plan" and special efforts will be done to fight against discrimination on the labour market: "The outcome of the discrimination monitor this autumn will be used as the basis for developing an appropriate strategy in consultation with the social partners and organisations representing minorities". This is to be seen as a measure with potential feeding out effect.

For people *partially able to work* the chances to find a job seem to be increased the last few years. One must say that rather severe (re-)assessment measures had been taken to limit the inflow, which created a lot of uncertainty and a deteriorated financial position of many disabled persons. For those who are now re-entering the labour market, the financial position improves, as well as for those who are fully and permanently unable to work. A special income arrangement is made for those who are following a re-integration programme and 10,000 bridging jobs are foreseen for those who still have no prospect of employment after 12 months.

*Persons entitled to social assistance benefit* (minimum income scheme) are under the entire responsibility of municipalities. The minimum income level and entitlement rules are still nationally defined. Since a few of years, a stricter "gatekeeper" practice of the Centres for Work and Income (CWI) is one of the reasons for a fall in the number of new claimants.

A positive feeding out effect of the changing responsibilities is the greater attention of municipalities for social and economic re-integration of the most difficult groups, and the greater freedom to organise extra cost reimbursements for categories of claimants. "In addition, the possibility of setting up a Participation Fund is being considered; in the first instance such a fund would bring together three streams of financing (Work and Social Assistance Act integration

budget, civic integration funds and education funds). This will increase the options for local authority spending and there will also be a changeover to long-term budgets." (p. 53)

We can conclude that in the Dutch 2007 NRP report social inclusion is mentioned, but it seems that the link between economic growth and social cohesion is not further questioned. In the policy measures however, more in particular about employment policy, concrete initiatives are taken to improve the income and social position of all the groups with a weak labour market position. It seems though that the demands of the labour market (in function of economic growth) are more steering than the social and economic needs at the supply side. Social effects of economic and employment policies are almost not explicitly mentioned, although they are present as we demonstrated.

## 2.2. Feeding in

In the spring of 2007 the EC underlined the need to strengthen the assessment of how social policies can contribute to more jobs and growths. In the guidance for the experts for the assessment of the Progress report 2007 of the NRP it has been acknowledged that it will be difficult to see how social cohesion goals can contribute to the Lisbon goals. However we can assess how NSR policies are explicitly mentioned in the NRP and will mention some concrete examples of feeding in.

### *Explicit references to the NSR*

The NSR has been mentioned explicitly in the 2007 NRP progress report on p. 5 and p. 42. On p. 5 the remark is made that in 2007 the Member States do not have to write a NSR, but that since in the Netherlands a new Cabinet has been launched this cabinet has sent a short letter to the European Commission on – among others – the field of social inclusion.

On p. 43 the NSR is referred to again and we can read that the Dutch government is aware of the fact that the Lisbon agenda has taken into account the common social goals of the Member States. Next we can read that no NSR has been published in 2007 and that normally the NSR and the NRP complement each other. There is no further detailed description of how this complementarity is put into practice.

### *Examples of feeding in*

One of the social cohesion goals of the NSR is the accessibility of services. In the 2007 NRP report a reference is made to the accessibility of health care (p. 30). The access to health insurance is guaranteed to all Dutch citizens since everyone has equal access to the standard health insurance package. The standard health insurance only provides for basic medical aid. Many handicapped and chronically ill people make extra costs but the income effects of this are not mentioned in the NRP. For additional insurance the insurance companies can be selective, but the NRP mentions that 93% of the insured have an additional insurance and that we can conclude from this that the accessibility for everyone is sufficient.

A second example concerns the fight against early school leave, which is also one of the main topics of the NSR. Children who drop out of school have no starting qualifications for entering the labour market and are as a result preconditioned for poverty and social exclusion. The Dutch government takes this problem very seriously and has set the target to diminish the number of

drop-outs from 71,000 in 2002 to 35,000 in 2012. Several organisations, such as schools, corporations, municipalities and centres for youth will work together in achieving this goal. Especially municipalities play a large role in this since young adults until the age of 27 will no longer have a right to social benefits. They either will have to work or go to school. It will be a challenge for the coming years whether the municipalities will succeed in their youth policies, so that hopefully less than 35,000 young people in 2012 will drop out. Since the new Dutch Cabinet has a Programme Minister for Youth and Family, we expect that the issue of early school leaving will remain high on the political agenda.

As said, there is no detailed description of how the complementarity between NSR and NRP is to be reached. Looking at the letter about the NSR, however, one can read that the NSR objective of promoting participation will include the creation of different types of subsidised employment and social activities in order to help those "far away from the labour market" to be among the 200,000 people that the government wants to provide with a job during this Cabinet's term.

Furthermore, the NSR programme for increasing the participation of children and youngsters announces actions to activate youngsters with low employability, and more in general it insists on the transition from school to work.

### 2.3. Governance

Within the Dutch 2007 NRP Progress Report, the links between economic and social policies concentrate on:

- the creation/maintenance of a healthy economy as a precondition for adequate social policies;
- the contribution of a healthy social security and social protection system to the economy;
- social security and social protection reforms in function of employment policies;
- the contribution of education and social services to employment policies.

It is difficult to say if these links could be considered as forms of "joined up" policies, or just forms of interdependency. There are examples where social and economic policies share their targets. Among these are:

*The childcare act* (p. 45): "Day nursery facilities, playgroups and programmes for pre-school and early-school education (VVE) are largely aimed at the same target group: children up to 4 years of age. However, each of these types of childcare has developed in its own way, due in part to separate legislative systems and other funding frameworks. Those who combine work and caring for a child will still be entitled to benefit under the Childcare Act. At the same time, the current low entry threshold for the playgroup system will also remain. The funding and quality of day nursery facilities and playgroups will be equalised and the quality level as a whole will be raised. Opportunities will be created for broad-based facilities that offer both a day nursery (supervision, education and care) and a playgroup (play, interaction, stimulation of development). These facilities will play a key role in enabling parents to combine work and care and in combating language difficulties by offering qualitatively tested VVE programmes."

*Employment and education policies for young people* (p. 47-48): "In the spring of 2005 the European Council adopted a European Youth Pact within the framework of the Lisbon Strategy. The Youth Pact draws attention to the need to increase youth participation in the labour market. In the spring of 2007 the European Council reiterated the need to combat poverty and social exclusion, particularly among children, and emphasised that all children must have equal

opportunities. The Council has also established an Alliance for Families. The new Cabinet is pleased that Europe is paying more attention to youth and family, within the context of the Lisbon Strategy and in other ways. The Cabinet has appointed a Minister for Youth and Family because it considers a comprehensive approach to youth and family policy to be extremely important.”

“On 28 June 2007 the Minister for Youth and Family sent his programme “All opportunities for all children” to parliament. In this programme, the Minister describes his youth policy priorities for the Cabinet’s current term. One of those priorities concerns the transition from school to work. Every young person needs to be properly prepared for his or her future. The link between school and work is an important part of this preparation. We need to prevent young people dropping out of school without obtaining a basic qualification, because it makes them vulnerable in the labour market and reduces their chances of a good future. Ethnic minorities are over-represented among early school leavers and the unemployed. Section 4.4 describes efforts to reduce the drop-out rate and strengthen the connection between education and the labour market.”

*Employment policies for minorities* (p. 50-51): “Finally, the Cabinet will be presenting its Integration Delta Plan aimed at improving the quality of integration so that more people will be able to complete the integration process at a higher level and participate economically, socially and culturally in society. To achieve this goal, it is important to recognise that needs and preferences differ from group to group. With this in mind, groups of immigrants will be more clearly defined and suitable approaches will be tailored to their needs (see also the letter ‘National Strategy Report’, which was sent to the European Commission mid-September).”

An important governance aspect is of course the way in which different government levels collaborate in the design, the implementation and evaluation of the NRP. The Association of Dutch Municipalities is regularly consulted by national government while drafting the NRP and the implementation reports. From a social inclusion perspective this is all the more important because most aspects of social policies are largely devolved to the municipalities. More in particular, the Work and Social Assistance Act (*Wet Werk en Bijstand* = minimum income scheme) and the Social Support Act (*Wet Maatschappelijke Opvang*) make the care for and accompaniment of the most vulnerable people almost entirely a local responsibility. And government plans even further devolving of the minimum income scheme. The 2007 NSR report refers to this responsibility of municipalities, saying that “A qualitative study (May 2007) shows that almost half of the municipalities have already shifted their attention to the more difficult groups and almost one third of the municipalities are intending to do so in the short term. This means that topics such as social activation, care and subsidised employment will become more important.” This means also the recognition by central government of the importance of social policy measures supporting employment and economic policies. It is clear from previous consultations that municipalities claim more possibilities to underpin their activation policies with greater freedom (and less bureaucracy) in spending budgets for income and participation support.<sup>2</sup> Former governments limited the possibilities for municipalities to make supplementary cost reimbursement arrangements for categories of benefit claimants. These possibilities are enlarged now to allow a tailor made approach without too much bureaucratic burden.

Last, but not least, the social partners are consulted also during drafting of the NRP and implementation reports. The 2007 NRP Implementation report makes explicit reference to the outcomes of this consultation and the way in which government policy responds to the input from social partners. Furthermore, the current government organised a “Participation Summit” with social partners and the Association of Municipalities. This meeting resulted in a tripartite policy

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<sup>2</sup> See i.a. SGBO. (2006). *Inventarisatie armoedebeleid G27*. VNG: Sector Document Processing.

commitment by which all the parties acknowledge the urgency, analysis and challenges. The Cabinet and the social partners – each from its own responsibility – are fully committed to increasing the effective labour supply, increasing the adaptability of the labour market and creating opportunities for vulnerable groups. (p. 41)

Finally, the Cabinet, the Labour Foundation and the VNG have agreed to examine in the course of 2007 in which way regional cooperation can be improved. Municipalities will work to bring employers, educational institutions, employees, the Centre for Work and Income (CWI) and the Employee Insurance Implementing Body (UWV) together and make concrete performance agreements on joint efforts, quality and effectiveness of service provision to employers and jobseekers. In addition, the Cabinet and the VNG have made agreements aimed at helping approximately 75,000 people off social assistance benefit and 25,000 people who are not entitled to benefit to enter the labour market by 2011. In addition, the Cabinet is providing funding for 10,000 bridging jobs for people who have been reassessed and whose benefit, as a result of that one-time reassessment process, has either been reduced or terminated. Employers and employees will also be incorporating arrangements in their collective labour agreements (CAOs) pertaining to employment for those who are only partially fit for work. (p. 41)

It is clear that consultation about the NRP is well institutionalised and effectively organised between different government levels and with social partners. However, there is an unbalance between the NRP and the NSR where also NGOs, social professionals and (representatives of) people experiencing social exclusion are included in consultation processes. If full consistency between the NRP and NSR is to be achieved, one could expect Dutch government to develop a more inclusive consultation practice.<sup>3</sup>

### **3. Key trends and recent developments in the Netherlands in relation to social protection and social inclusion**

#### **3.1. Economic, social and demographic context**

The Dutch 2007 NRP report gives a good overview of strengths and weaknesses as to the socio-economic situation of different groups at risk of poverty and social exclusion in the Netherlands. This is also to verify in the indicators given in annex to the report. We will therefore not go into details about the economic, social and demographic context. We will just remind of some (relative) strengths and weaknesses in the Dutch situation and link this to the policy developments.

As strengths can be mentioned:

- The overall economic situation and growth.
- The low overall unemployment rate.
- The total labour market participation rate.
- The increasing labour market participation of older workers.

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<sup>3</sup> An example of such practice can be found in Ireland, where the NGO and voluntary sector have obtained full social partner status.

Weaknesses:

- The risk of poverty rate is stagnating at about 11 / 12 %.
- The average number of hours worked is low, mostly due to very small part time jobs of women.
- The unemployment rate among ethnic minorities remains high.
- The educational level of young people is relatively low and there are too much early school leavers.
- The pay disparities between men and women are not decreasing.

On most of the weaknesses the current government continued, adapted or developed policy measures, presented in the 2007 NRP report, but the implementation only started after September 2007. There are no direct income measures to alleviate the situation of the lowest income groups. The improving of incomes is expected to follow the overall economic growth, the increasing job opportunities and activation measures.

### 3.2. Social inclusion policy development in 2007

The year 2007 has been relatively “quiet” in terms of actual implementation of new policies affecting incomes and social inclusion. This is due to the election period and formation of a new government. The overall assessment of the social inclusion (policy) situation from our 2006 1st Semester Report remains valid: no substantial improvement of the income position of the most vulnerable groups, work above income and individual responsibility paradigm. It is clear from the former chapter, that the policy changes announced in the 2007 NRP Report will not change the basic principle of participation, but are intended to “restore” the balance between economic and social inclusion, as well as between individual and collective responsibility. It remains to be seen if this will be enough to make a real change for the most vulnerable groups, such as lone parent families, children, the disabled and chronically ill.

Changes occurred in income policy from late 2006 until late 2007 are the following:

1. Indexation of minimum benefit levels and minimum wages.
2. Concerning children:
  - 2.1. Less expensive child care provision.
  - 2.2. Increase of child allowance with an average of 35 Euro per child per year.
3. Contributions and taxes:
  - 3.1. Decrease of 1.35% (to 3.85%) in employee contribution for unemployment insurance;
  - 3.2. Tax reduction for people in employment increases with 20 Euro and the complementary “combine” reduction for female job returnees with 80 Euro.
  - 3.3. The general tax credit increases with 21 Euro.
  - 3.4. General tax reduction with 0.5% on the first and 0.05% on the second tax bracket.

4. The general old age pension (AOW) and the pension for surviving dependants (ANW) both increase with 48 Euro per year.
5. More strict rules for all social benefit claimants.
6. More possibilities for local authorities to organise specific allowances for categories of minimum income benefit claimants.
7. Implementation of the Social Support Act.

Except for the last three points, all measures mentioned aim at keeping the purchasing power more or less at its previous level, i.e. the increases are meant to compensate for loss of purchasing power due to economic developments and/or changes in indirect taxation. The increase of income is marginal. According to figures of the Ministry of Social Affairs and Employment the income of different types of households increases with 0.75% to 1.25%. The lowest income groups face less increase than higher income groups.

One change in policy practice has to be mentioned here. There are more possibilities for local authorities to organise specific allowances for categories of minimum income benefit claimants. In former years, central government limited the possibilities for specific allowances by municipalities (Bijzondere Bijstand) to individual measures, i.e. requests had to be evaluated individually. With the new government, there are more possibilities for municipalities to give more or less automatically an extra allowance for certain categories of minimum income benefit claimants. There was a strong demand of municipalities for such possibilities, because it gives them the possibility to develop local anti-poverty policies without too much bureaucratic burden. Measures taken are for instance school allowances for families. At this stage, there is not much overview, nor evidence about the importance and impact of these measures.

The Social Support Act has come into force in January 2007. This act aims at bringing social and care services under one system, to be managed by local authorities and largely privatised / market driven in terms of service delivery. Municipalities are currently taking up their responsibilities and finding (new) ways of organising social and care services. There are great opportunities for developing tailor made approaches, which is fully recognised also by clients. However, according to the national support organisation for handicapped and chronically ill people (CG-Raad), also some indications of negative effects can be observed:

- Some municipalities seem to choose for charging the maximum allowed contribution for service delivery to clients.
- Privatisation of home care leading to budget cuts and downgrading of personal care.
- Public and/or commercial pressure on clients for the use of the personalised budget.

But it is clearly too early to dispose of more elaborate evaluations and evidence.

Finally, the reforms in the minimum income scheme of last few years led to more strict rules for benefit claimants. This seems to be confirmed by the number of minimum income benefit claimants that see their benefit cut, due to non compliance with the stricter rules for job search or job acceptance. According to Statistics Netherlands, in June 2007 almost 1%, i.e. 2690, of all minimum income benefits were touched by such financial measure. This is 4 times more the case for benefits accorded since less than one year, than for benefits lasting longer than 5 years.<sup>4</sup>

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<sup>4</sup> CBS, Webmagazine, 24 September 2007 – [www.cbs.nl](http://www.cbs.nl)

## 4. References

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