

Miracle or Nightmare? A Critical Review of Dutch Activation Policies and their Outcomes

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ABSTRACT

This article 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 social rights and citizenship, especially of those groups which traditionally are most vulnerable. The ‘Dutch miracle’ is further 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. If a future recession hits the Netherlands, the miracle will turn into a nightmare for many due to the significant overall loss of social protection.

INTRODUCTION

Stimulating labour-market participation of unemployed and (partially) disabled social security claimants is becoming a central element in European countries’ welfare reform programmes (e.g., Gilbert, 1992; Scarpetta, 1996; Thornton *et al.*, 1997; Hvinden, 1998; OECD, 1996, 1998). This ‘activating-welfare-states’ trend, associated with populist policy slogans like ‘welfare to work’, ‘active line’ or ‘work, work, work’, manifests a fundamental change in social protection philosophy, in stating 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

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employment is not possible, the long-term unemployed should be stimulated towards other socially valuable activities, in order to avoid their social isolation and exclusion. Perhaps with the exception of Sweden, in which the 'arbetslinjen' approach has always been central in social protection policy, the participation trend in most countries constitutes a break from a former 'passive doling out of money'.

The Netherlands is no exception to this general 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 the unemployed that had already been installed in the 1980s by his Christian Democratic predecessor Ruud Lubbers. From the early 1980s onwards, the country had been plagued by high numbers of (long-term) unemployed people. In recent years, however, unemployment has decreased steadily, at present being back at the low levels of the prosperous early 1970s, and employment has skyrocketed. It is generally believed that Dutch activation policies and wage moderation have contributed to this 'Dutch miracle' (a term coined by Visser and Hemerijck, 1997) significantly.

The miracle has attracted quite some attention. It has been described and analysed from within (e.g., by Visser and Hemerijck, 1997; Van Oorschot, 1998a; De Beus, 1999; Becker, 2000), and Dutch developments figure regularly in international comparisons of welfare state developments (e.g., Esping-Andersen, 1999; Goodin *et al.*, 1999; Scharpf and Schmidt, 2000; Casey and Gold, 2000; Kautto *et al.*, 2001). Most studies lead to, or start from, a positive overall evaluation of Dutch policies and their outcomes. When it comes to understanding the success story, the role of Dutch corporatism and wage moderation usually gets most of the emphasis, while the numerous other activation measures taken in the fields of social security and labour market policy tend to be disregarded. What is lacking are critical views, not only on the exact character of 'the Dutch miracle' but also on the success and outcomes of the other activation measures – to what extent have they really promoted the labour participation of vulnerable groups, and what is their overall effect on citizenship? Hardly any of the studies mentioned employ a citizenship perspective when evaluating the outcomes of Dutch welfare state policies in recent decades.

This article aims at presenting a critical review of the Dutch activation measures taken in the fields of social security and labour market policy. On the basis of an initial sketch of the wider socio-economic context in which the measures were taken, involving brief descriptions of overall

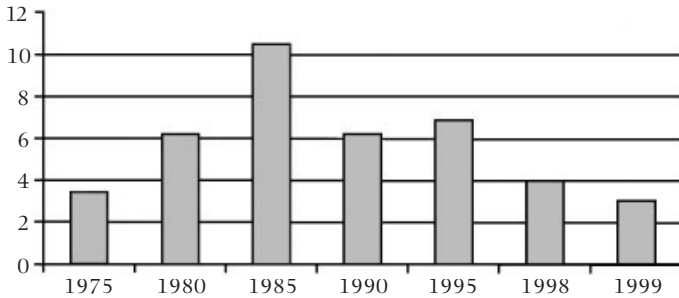


Figure 1 Dutch unemployment rates 1975–1999

Source: OECD 1999a

developments in Dutch (un)employment, social security and labour market policies, the most important of the activation measures taken will be discussed. Subsequently, the nature and extent of the Dutch ‘success story’, the effectiveness of the activation measures and, finally, their implications for citizenship will be subjected to a critical analysis.

THE WIDER CONTEXT

Developments in Dutch (un)employment

Following the oil crisis of 1973, unemployment started to rise from about 50,000 to 200,000 in 1975. This number was deemed ‘unacceptable’ by the then current government. After the second oil crisis, unemployment figures reached an all time high of 800,000 in 1984. From then on the numbers dropped gradually (among other things 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 again rising figures. In recent years, the number of unemployed has decreased 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 per cent, which equals about 250,000 registered unemployed people.

Suggesting that unemployment developments only follow economic ups and downs, and the resulting variations in the demand for labour, would be to judge on the basis of an incomplete picture. In the Netherlands, developments in the supply of labour have been equally important. Figure 2, which compares labour demand and labour supply for the period between 1970 and 1999, shows that employment has risen permanently, with the exception of the recession years of the 1980s. A steep rise in job growth occurred subsequently, thus making visible the ‘Dutch jobmachine’ or ‘Dutch miracle’.

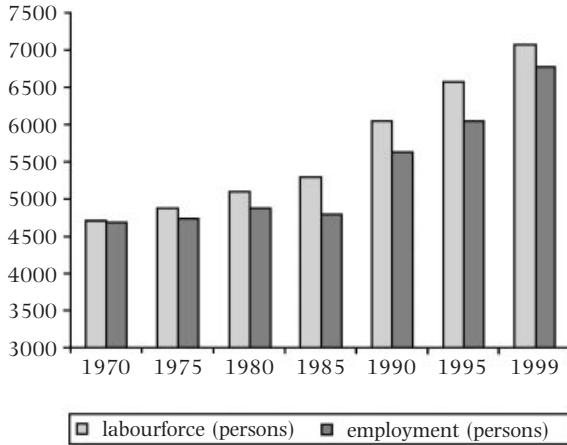


Figure 2 *Labourforce and employment (Nx1000)*

Source: SCP 2000

The 'miracle' did not result in vanishing unemployment, however, because the labour force grew even faster than the number of jobs. For a large part, this was due to the massive growth in female labour market participation, which started at the end of the 1970s, stabilised in the beginning of the 1980s, but accelerated after the major economic crisis. The male labour force increased by only 20 per cent between 1970 and 1999, while the female labour force expanded by 139 per cent. In the same period, the participation rate of men dropped from around 90 per cent to 83 per cent (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 per cent to 64 per cent (due to a number of different factors, such as the increased educational level of women, the gradual improvement of childcare facilities, and primarily the swiftly changing attitudes regarding women's roles: SCP, 2000; Visser, 1999). Overall participation increased in this period from 59 per cent to 74 per cent (OECD, 1999b; OECD, 2000).

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 in their thirties with children) have brought it up to a level of nearly 70 per cent. Part-time work has also become more popular among Dutch men since the 1980s, but appears to have stabilised in the 1990s

at about 16 per cent. 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 (Eurostat 1998).

At present, there are major shortages on the Dutch labour market. The number of unfulfilled vacancies increased from 41,000 in 1994 to about 200,000 in 2000, which is about 2.5 per cent of total employment. A comparison with the total of 230,000 registered unemployed people in 2000 shows that there is a serious mismatch between the qualifications demanded by employers and those possessed by unemployed people.

Trends in Dutch social policies

Since the successive oil crises of the 1970s, the Dutch welfare state has been under permanent pressure. The main trends in social security and labour market policies from these years onwards are described here (based on Visser and Hemerijck, 1997; van Oorschot, 1998a; SCP, 1998a; SZW, 1998), and are followed by a more detailed focus on activation measures proper.

Social security

The economic crisis made it clear 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 insurance benefits and by 'freezing' the level of assistance and the state pension. This reaction was known as 'price' policy, because it was mainly directed at keeping the system affordable. By 1990, however, 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. Among the measures taken were the sharpening of work record requirements for unemployment insurance; a limitation of the duration of earnings-related disability and unemployment benefits; a restriction of the concept of disability and a re-examination of the disability status of 400,000 disabled workers according to the new concept; a nearly full privatisation of sick pay; a differentiation of employers' disability benefit contributions; and the exclusion of young people from social assistance benefits.

The reconstruction of the national insurances also reflected changes in Dutch society and culture. Some revisions were aimed at 'modernising'

the schemes by making them consistent with changing role patterns of men and women, particularly the increased participation of women in the labour force. Where modernisation implied an increased coverage, and thus conflicted with the general aim of cutting back on social expenditures, means tests were introduced to keep total expenditures under control, as was the case in the old age and survivors' pensions.

There is no doubt that the measures have contributed to reducing social security expenditures (from 20 per cent of GDP in 1980 to 13 per cent of GDP in 1999: SCP, 2000:332). The system's collapse was prevented. At present, there is no prospect for a further rapid and substantial decrease in benefits expenditure, due to the very high number of disability benefits (nearly 1 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.

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, for instance, housing were stimulated, unprofitable industries were supported and employment in the (semi-) government sector extended. When these measures had no direct impact on unemployment, a strategy directed at reducing labour supply was adopted. 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 benefits programme.

The measures taken, however, were not a match for the economic effects of the oil crisis of 1979. 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 thus 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, began. Curtailing wage costs was regarded as the prime effective instrument for stimulating employment. The benefit cutbacks had to result in lower contributions, and thus in lower wage costs, but the main emphasis was placed on wage moderation. The Wassenaar Agreement of 1982, under which social partners, pressed by the central government, agreed on a moderate development of wages, is seen by some as a central and effective event in Dutch (un)employment policy making (Visser and Hemerijck, 1997). Others

see it merely as a formalisation of a trend that was already present, since real wages had decreased from the late 1970s onwards, due to increased unemployment and the weakening position of Dutch unions (SCP, 2000: 290). In any case, the agreement had no immediate effect on (un)employment.

It was only with the improvement of the global economy from 1985 onwards that the ranks of unemployed started to shrink. This process was markedly gradual, however, and the problem of long-term unemployment persisted. This gave rise to the idea that the unemployment problem was not only based on a lack of jobs, but also had to do with the characteristics and behaviour of the unemployed and employers themselves. Therefore, the government's attention shifted from a macro approach, to a more micro-directed approach. Labour market participation of unemployed people was given top priority, and various means were applied.

On the whole, the activation of beneficiaries and social security entitlements became more closely interlinked. In the beginning of the 1990s, in particular, 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.

A CLOSER LOOK AT DUTCH ACTIVATION MEASURES

In the course of the past two decades numerous activation measures have been taken, of which the main lines are presented here. A distinction is made between activation measures proper and work-related benefit criteria. The first can be defined as measures that are directly and explicitly aimed at the (paid or unpaid) labour participation of unemployed people or at preventing employed people from becoming unemployed. Introducing and tightening work-related criteria for benefit entitlements have an indirect (but mostly not unintended) activation effect: they make unemployment less attractive for workers and result in higher pressures on unemployed people to find work. Measures aimed at the (re-)integration of disabled workers are discussed separately: Dutch disabled workers have no formal obligation to find work, but their labour market participation has become a major concern.

Activation measures

Since the second half of the 1980s, there has been an 'explosion' of activation measures (see Van Oorschot and Engelfriet 1999 for a detailed review of measures). Prior to this period, the main scheme was *Loonsuppletie* which offered a temporary wage supplement for all categories of unemployed people willing to accept a job with a wage below their previous

wage level. The newly added measures were specifically aimed at young and the (very) long-term unemployed, who by then formed a large segment of total unemployment. However, three groups with notoriously bad labour market chances – the older unemployed, women and ethnic minorities – have been 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 the government has hesitated to design any explicit measures for them. No public statements on the reasons for this can be found, but it could have to do with a fear of (further) stigmatising unemployed women and people from ethnic minorities in the eyes of employers. It might also be related to government sensitivity to public opinion, which is not in favour of positive discrimination for ethnic minorities and women (van Oorschot, 1998b). With respect to the 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 obligation to seek work as a means of creating more opportunities for younger cohorts. It was only very recently, in 1999, when unemployment has dropped substantially, that this exemption has been abolished. In other words, the older unemployed have most emphatically not been among the priorities for activation.

Only few activation measures are solely aimed at the unemployed individuals themselves. Wage supplement for those accepting a job with a lower wage level, reorientation interviews aimed at designing individual re-insertion plans (*heroriënteringsgesprekken*) and 'social activation' (unpaid, so-called *Melkert III* jobs) are the only measures that do not require the immediate cooperation of employers. All other schemes do, in the sense that they try to encourage employers to employ long-term unemployed mainly by means of temporary or permanent wage subsidies and reduction of taxes and social security contributions. Apparently, the perceptions and attitudes of employers, and their related selection behaviour, are seen as more of a concern than the motivations and qualifications of the unemployed. Studies have indeed shown that by far the largest segment of all unemployed individuals is very eager to find a job (e.g., Kroft *et al.*, 1989; Hoff and Jehoel-Gijsbers, 1998) and that employers are prejudiced against (long-term) unemployed people (van Beek, 1994; Zwinkels and Besseling, 1997).

There is a mix of measures aimed at employment in additional and in regular jobs. Both types of job can be realised in either profit or non-profit organisations. Paid, additional jobs are mainly created for the very long-

term unemployed (*Banenpool*, *Melkert I and II* jobs), when such jobs are the only way of avoiding the strong barriers for this group, consisting of their stigmatisation among employers, their older than average age, their lower than average skill level and the higher proportion of ethnic minorities. In the case of the young unemployed, additional jobs under the Youth Work Guarantee scheme have replaced the right to social assistance benefit.

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. In 1988, for instance, about 7,000 young unemployed participated in the forerunner of the Youth Work Guarantee scheme, while nationally about 45,000 met the criteria. The *Vermeend-Moor* Act, which offers payroll tax reduction, covered 170,000 people in 1987, but only 6,000 participated (SCP, 1992). Even the 'larger' schemes, like *Banenpool* (23,000 participants) and *Melkert I* (40,000) and *Melkert II* (20,000) only cover small parts of their target groups of a few hundred thousand long-term unemployed.

Finally, most of the various measures have recently been integrated into two framework laws. One, the Act on the Integration of Jobseekers (*Wet Inschakeling Werkzoekenden*, *WIW*) administered by municipal social services, is aimed at the participation of long-term unemployed in additional jobs. It incorporates both the Youth Work Guarantee scheme and *Banenpool*. The other, the Act on Reducing Contributions (*Wet Vermindering Afdracht*, *WVA*) integrates schemes aimed at other types of unemployed or employed people, mostly schemes offering reductions and subsidies to employers. Government reasons for integration are various: there was overlap between some of the measures, and at some points even competition; clients and administrations had difficulties in distinguishing between the various conditions and target groups; and there was lack of overall coordination.

Work-related benefit criteria

From the mid-1980s, work-related benefit criteria and conditions have been introduced and tightened (see Clasen *et al.*, 2001 for details). Initially, they mainly served the purpose of cutting back on social expenditures, later they were explicitly motivated by government on the basis of their activating effects. Work-related benefit criteria and conditions made unemployment less attractive for workers and resulted in higher pressures on unemployed people to find work.

With regard to unemployment insurance, two moves were made. The 1996 Law on Penalties and Measures (*Wet Boeten en Maatregelen*) intensified the sanctioning policies of social security administrations in order to

activate the unwilling unemployed more vigorously. Formerly, issuing penalties for non-compliance with job-search obligations was a 'competence' of administrative bodies, some of which acted quite leniently, but with the new law sanctioning became an obligation, penalties were nationally prescribed per type of misbehaviour and administrations were policed on their implementation. Secondly, during the 1980s and 1990s, the work-relatedness of eligibility and entitlement criteria increased significantly, mainly through linking (more closely) to a person's work record. Whereas before 1987, benefit eligibility depended on having worked at least 130 days in the year previous to unemployment, this was changed in a number of steps into a combination of 26 weeks of work in the previous 39 weeks and employment during four out of the last five years. The combination of these criteria means that currently only about 45 per cent to 50 per cent of workers are still entitled to the standard wage-related benefit if they become unemployed. Those who only meet the criterion of 26 weeks out of 39 are entitled to a short-term benefit of 70 per cent of the minimum wage, and others will have to rely on means-tested social assistance. The maximum duration of the standard benefit has been extended from 2.5 years to a maximum of 7.5 years, but this only counts for those with a very long work record. For those with shorter work records, it has become more difficult to get benefits 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.

As this is the safety net of the Dutch social security system, the means-tested social assistance scheme has no work-related requirements regarding benefit eligibility. Benefit level and duration are likewise independent of work record criteria, but in practice they may vary according to whether or not clients comply with work related obligations. Non-compliance may result in penalties (of 5 per cent to 20 per cent of the amount of benefit) or a withdrawal of the full benefit (for a maximum of one month). Work-related obligations have not changed in recent decades, but as in the case of unemployment insurance, the previously mentioned Law on Penalties and Measures (applied to assistance since 1997) has resulted in a more rigid and systematic implementation. Relevant changes are that the entitlement to benefit for those under 21 was replaced by a job entitlement through the Youth Work Guarantee scheme (JWG); single parents with children became subjected to work obligations once the children were over 5 (this was previously 12 years of age); the standard of 'suitable work' has been broadened, implying that beneficiaries are expected to accept work well below their educational and former job

level; and for each client with a reasonable labour market chance the municipal social service, that administers social assistance, has to design and implement an individual re-insertion plan. Since it has been recognised that nearly half of the social assistance beneficiaries have very little real chance of finding a job, municipalities have been allowed to implement 'social activation' policies to prevent social isolation and apathy: that is, to stimulate clients to do voluntary or community work in exchange for exemption from work obligations.

(Partially) disabled workers

Traditionally, the (re-)insertion of incapacitated workers has been given little attention in Dutch social policy. There were (and there still are) sheltered workplaces for a limited number of handicapped people, and the disability benefit scheme previously offered some possibilities for adjusting workplaces to handicaps, but structural and effective measures were not taken. This all changed, however, when the number of disability claimants grew to and remained at very high levels, even after the economic recovery of the late 1980s. A variety of measures were taken to try and stimulate labour market participation of (partially) disabled workers (see van Oorschot and Boos, 2001 for details).

A first significant revision took place in 1987, with regard to long-term disability. Partially disabled people without a job used to receive a full disability benefit on grounds of their very low labour market chances, but with the revision their benefit was proportioned to the degree of their disability. To the degree that they were unemployable, they became entitled to unemployment insurance or assistance, and thus subjected to work obligations. In the early 1990s, a 'bonus-malus system' was introduced under which employers received a subsidy if they employed a disabled worker for at least a year. In addition to this one-time subsidy, a 20 per cent wage subsidy was also provided. Employers had to pay a fine or 'malus' in those cases in which an employee became disabled and got disability benefit. In addition, the reference standard for the assessment of the degree of disability was broadened from work 'suited' one's educational and former job level into 'generally accepted work', a standard not connected to these criteria. As a result, more jobs were now regarded as being available for the disabled. At the same time, every disability claimant younger than fifty years of age was reassessed according to the new standard, resulting in a (partial) withdrawal of benefit in 28 per cent of all reassessed cases. The people concerned were declared to be partially or fully unemployed and had to rely on work-tested unemployment insurance or assistance. In 1995, the 'bonus-malus' system was abolished

after it had met strong resistance among employers' unions and administrative bodies.

To carry further the 'battle' against the volume of disability claims, new financial incentive measures to promote the labour participation of disabled people were taken: an extension of the wage subsidy for employers; a wage supplement for disabled workers in those cases in which loss of income ensues upon 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. Just recently, in 1998, an attempt was made to influence the behaviour of employers in such a way that they felt an individual responsibility for the prevention of disability as well as for the (re-)deployment of disabled workers. This is done by differentiating previously uniform payroll taxes according to the number of disability claims that are generated in individual firms and sectors of industry. Additionally, individual firms were offered the option of leaving the collective system and assuming responsibility for disability and subsequent benefits.

In the meantime, government acknowledged that all the measures taken were still not effective (and even, to some degree, counter-productive, as will be seen). Therefore, further measures were introduced. Employers received a fixed budget when jobs were offered to disabled individuals. They were thus expected to pay for the necessary workplace adaptations and access improvements. If the costs proved to be less than the budget provided, the surplus did not have to be re-imbursed. If costs exceeded the budget an extra payment was possible. Furthermore, sickness pay for an employed disabled person would be paid from the national sick-leave fund, instead of by the employer. Finally, an employer could get a reduction on his disability benefit contributions if 5 per cent or more of his wages were paid to disabled employees.

With regard to short-term disability benefit, or sickness pay, the measures taken have been far more drastic. In a series of steps, the sickness insurance scheme has been (nearly) fully privatised. The scheme still exists, since it still covers the sickness risk of specified categories (estimated at 15 per cent of the previously covered population), and includes pregnant women, (partially) disabled workers, people on temporary contracts and apprentices. But for the greater number of Dutch workers, it has been replaced by the employer's duty to keep on paying wages during sickness leave. Either employers now 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.

A CRITICAL VIEW

Having sketched trends in (un)employment and activation policies, it is now time to address the policies' success and outcomes on the basis of three questions: (1) To what extent is there a 'Dutch miracle'? (2) How effective are the activation measures with regard to the (re-)insertion of unemployed and disabled people? And, (3) what are the activation policies' outcomes seen from a social citizenship perspective?

A Dutch miracle?

The 'Dutch miracle' of strong job growth and steadily decreasing unemployment figures of recent years gets admiring attention from academics and policy makers alike. For instance, Dutch social security reforms and labour market policies have been propagated by the President of the Commission of the European Union as a model to be emulated by other European countries. However, the Dutch success story needs to be put into perspective.

Regarding employment growth, it is true that in terms of the number of individuals employed, the second half of the 1990s witnessed an explosive increase: the working labour force grew by 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. Since 1970 (indexed at 100), the number of hours worked decreased steadily to 90.6 in 1985, at which point it started to increase, but did not reach the level of 100 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 just 10 per cent, compared to 1970. Clearly, the discrepancy between the large growth in the number of individuals with a job and the much smaller growth in hours worked annually can be explained by the fact that the largest number of new jobs (65 per cent) are part time. Most of these part-time jobs are occupied by women, who entered the Dutch labour market *en masse* in the 1990s. One could conclude that the Dutch job machine mainly consisted of a giant redistribution of the work available. Grossly stated: full-time jobs held by men in an industrial economy have been replaced by service economy part-time jobs held by women.

With unemployment very low, at about 3 per cent, it looks as if a situation of full employment, as in the early 1970s, is near. However, the 3 per cent is 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 (which counts all individuals seeking any hours of work) and the number of registered job seekers as such. In 1998, there were about 300,000 registered unemployed people 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, there is more real unemployment within the 'Dutch miracle' than the official figure suggests.

Thus, the 'Dutch miracle' contains less employment growth than suggested by the number of people in paid work, and it conceals a high degree of hidden unemployment. From a European perspective, the Dutch picture is summarised by Becker (2000: 235) accordingly as one of 'only medium employment, low labour volume and high non-employment'.

The effectiveness of activation policies on the redeployment of unemployed and disabled people

Many individuals 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 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 by about 900,000, the total number of beneficiaries under 65 years of age decreased in that period by only 225,000, of which 60,000 were through additional jobs. Whether this decrease in beneficiaries is a direct effect of activation measures remains difficult to assess. It is difficult to separate it from the effects of such other factors as employment growth due to economic revival or the effects of social security restructuring. Labour market participation of the 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 'reintegrability', that is, the degree to which they can actually be reintegrated.

Although the question cannot be answered as to whether the situation would have been worse if activation measures had not been taken, I think that a reserved position towards their real effectiveness is justified.

First, in a recently published report, in which various types of Dutch and foreign activation measures were compared, the conclusion was drawn that (easy to administer, fiscal) measures aimed at reducing wage costs for employers (like SPAK) are most successful in terms of re-deploying the unemployed on the regular market of paid labour (NEI 1999). Concerning measures which create additional labour, however, it is concluded that they mostly result in a very few participants flowing into

TABLE 1. *Outflow probability* of Dutch unemployed people and disability claimants*

	1992	1993	1994	1995	1996	1997	1998	1999
Unemployment insurance	35.8	32.6	31.9	35.2	33.7	36.1	36.5	35.4
Unemployment assistance						16.0	15.2	
Disability insurance	4.4	4.4	5.8	6.1	3.7	3.2	3.5	

* 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

regular jobs. Once in an additional job, there seems to be a lack of possibilities and motivation to move on, since it was found 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. The NEI report, which is as critical on the effectiveness of most activation measures as two comparative OECD studies (OECD, 1996; Martin, 2000), shows finally that re-deployment of the elderly and less-educated 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 impressive success rates tend to 'cream' their clientele, that is, concentrate their efforts on those with the highest labour market chances, among which there are many who would have found a job without the assistance of a specific measure. In many cases of additional labour, furthermore, the jobs that are created are in effect substituting for other people's regular jobs (SCP, 1992).

Secondly, had the total of Dutch activation measures had a significant effect, then one would expect that the 'outflow probability' of unemployed people would have increased rather dramatically a few years after the mid-1980s, when the number of measures increased to a significant degree. Table 1 illustrates 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 as in the early 1990s. It is not without reason that the first administration of Prime Minister Wim Kok declared in 1994 that 'work, work, work' would be its banner, since it started from the assumption that existing measures were not proving effective enough.

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, this accounts for as much as two-thirds (N = 1,100,000) of all people on unemployment insurance, unemployment assistance and disability benefits (N = 1,600,000) on the basis of legal criteria (SCP, 2000). These criteria excuse people from the legal work obligation on such grounds as age, medical and social circumstances, or care burdens. However, many of the reintegration measures are intended to promote the labour market participation of precisely this group of people. On subjective grounds, that is, when 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 they would soon find one (Research voor Beleid, 1998). Furthermore, according to administrative criteria, the number of 'reintegratable' unemployed is very low. When unemployed people register at the Labour Office their 'distance to the labour market' is assessed in terms of 'phases', on grounds of their personal qualifications, the labour market situation in their profession, etc. Phase 1, 2 and 3 clients are regarded to be 'reintegratable', phase 4 clients are not. Significantly, amongst disability benefit claimants, as well as amongst social assistance clients, 45 per cent were assessed as belonging to phase 4 (Research voor Beleid, 1998). The SCP study concludes on the basis 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 of the effectiveness of reintegration measures. It considers the process of reintegration to be 'very laborious' (SCP, 2000: 288). The study mentions several factors that can explain this stagnation for the long-term unemployed, social assistance clients and the disabled. One is that employers prefer younger, healthy, Dutch born people, who are not stigmatised by a (long) period of benefit dependency (also van Beek, 1994; Zwinkels and Besseling, 1997), another that the rapid increase in female labour participation prevented long-term unemployed individuals filling the many jobs that became vacant in recent years. The fact that most of the new jobs are part time plays a role here, as well: 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 (partially) disabled workers, the conclusion that measures taken are ineffective and even counterproductive 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. A number of evaluation studies (CTSV, 1996; Schellekens *et al.*, 1999; Van der Giezen and Jehoel-Gijsbers, 1999; Schoenmakers and Merens, 2000) have shown that chronically ill people and (partially) disabled people are currently encountering even greater difficulties in (re-)entering jobs. This is because employers screen new employees more stringently on their health status; the likelihood of being fired has increased for workers with a worse health status; the number of temporary labour contracts, as a means of prolonging the period of screening employees on their 'sickness leave behaviour', has nearly doubled from 1993 to 1995, from 11 per cent to 20 per cent of all labour contracts; hiring workers via employment agencies, in order to reduce the risk of sickness pay, rose in the same period from 4 per cent to 9 per cent; and, while in 1991 20 per cent of disabled people's job applications led to an interview, this decreased to 11 per cent in 1998.

On the grounds of these findings, one would expect that the 'outflow probability' 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.

In conclusion, although many thousands of people found (additional) work through activation measures, the aggregate effect of such measures on the labour market participation of unemployed people does not appear to be very great. 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 reintegration of the most vulnerable groups is 'stagnating'. Overall it seems that, on the aggregate, activation measures have, at best, further facilitated the labour market participation of those who might have got jobs anyway in the period of strong job growth.

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 towards both a decline of social rights – in terms of limiting access to benefits, and decreasing levels and duration of benefits – and a more 'active' approach towards beneficiaries, emphasising their work obligations more strongly. The overall level of citizens' social protection has declined, especially for those with weaker ties to the regular market of paid labour, and rights to benefits are now much more conditioned by people's willingness to work. From this perspective of declining rights and increasing obligations, the activation policies' implications for citizenship are negative.

However, from another perspective one could point to the 'explosion' of different types of labour market policy, directed at the (re-)insertion of various categories of unemployed and disabled people. To the degree that they are effective, these policies create rights and opportunities. 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 the long-term unemployed, the older unemployed, and members of ethnic minorities, and that in the case of the disabled unemployed, there is even a counterproductive effect.

In the end, one can conclude that policy developments in the past two decades have not had a positive effect on citizenship rights and obligations, especially not for those groups that traditionally are among the most vulnerable.

When looking at citizenship as people's real opportunities for social participation and integration, instead 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 road to full citizenship. In the time period under consideration, the chances for this type of integration were unequally distributed among various social categories. This is shown in Table 2.

Although younger people, throughout the period, had a greater likelihood 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 of a non-Dutch ethnic origin, than among Dutch born people. The same is true for those individuals with the lowest level of education (only primary school) as compared to the other categories. Clearly, the activation policies of the 1980s and 1990s 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 less skilled.

Although labour market participation chances are important indicators of 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, social activities, etc. A study of these issues among Dutch unemployed people, people on disability benefits and people with a regular job showed for 1995 that (SCP, 1998b) the three groups did not differ in such actual behaviour as frequency of personal contacts with people in their direct social environment, practise of hobbies, membership of social clubs and participation in

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
<i>Total</i>	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
<i>Age</i>								
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
<i>Nationality/ethnicity</i>								
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
<i>Educational level</i>								
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)

volunteer work. They did differ, however, in their feelings of isolation, lack of health contentment and a general dissatisfaction with their situation. Disability claimants and unemployed people were worse off in these respects than working people. The study's comparison with the situation in 1982 showed that unemployed people, 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 benefits has become less legitimate, not only in the eyes of the wider public, but also of the unemployed and disabled workers themselves.

In short, 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 have increased. Measures to promote labour market participation seem to have failed with regard to the integration of such traditionally vulnerable groups as the long-term unemployed, older unemployed, disabled workers, ethnic minorities and the less skilled. The activation trend also seems to have led to increasing feelings of social isolation and uselessness among unemployed and disabled people.

BRIEF DISCUSSION

In this article, developments in Dutch (un)employment, as well as general trends in social security and labour market policies are described, and the success and outcomes of activation policies critically discussed.

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 per cent and back at its pre-recession 1970 level. Employment has grown explosively over the past six years. The main problem now seems to be a mismatch between the labour qualifications demanded and those being supplied, since unfulfilled vacancies add up to 2.5 per cent of the working labour force.

It has been seen, however, that actual unemployment is much higher than what is officially registered, that employment has grown mainly 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' has failed to improve the labour market situation of the most vulnerable groups, while social security restructuring has worsened their social protection rights.

If the Dutch economy keeps on doing well and employment increases further, the labour market situation of vulnerable groups may improve. More likely, however, is that in that case other sources of available labour supply will be used first, such as a further increase in women's (full-time) labour participation, since there is the reality of the mismatch between preferences of employers and characteristics of those who are regarded as 'not reintegratable'. The stagnation of reintegration might become even more intractable.

If the Dutch success story comes to an end, as is feared on grounds of increasing price inflation (in 2001 the highest in Europe), and unemployment were to increase again significantly, Dutch society would for the first time fully experience the consequences of the decline in social protection rights: large proportions of the newly unemployed would be on means-tested social assistance immediately, while the non-means-tested benefits of others would expire quickly. The miracle would turn into a nightmare.

NOTES

- 1 With the linkage of benefit and participation policies, the need for administrative coordination and cooperation increased. To this end, new regional Centres for Work and Income (CWI's) will be implemented in the course of 2001 and 2002. They are to function as 'one-stop' service organisations, combining participation and benefits assessment. The idea is that benefits assessment and payment takes place only after possibilities for participation are assessed. The CWI format should also promote participation in active labour market policies during benefit dependency.

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