

The Netherlands Long years of reform now tested by the recession

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In the Netherlands, a wide range of benefits providing a replacement income existed from the end of the 1960s. They were linked to rates of pay or the minimum wage and particularly included welfare benefit, which was funded by taxation as a safety net that replaced unemployment and disability benefit in the event of expiry of entitlement or ineligibility, i.e. for those without work or income. Thus the issue of ‘welfare without work’, which put pressure on non-wage labour costs and the competitiveness of a country, was identified in the Netherlands early on, at the time when the impact of the two oil crises was felt in the 1980s. At the same time, there was a dominant view that the system of protection against dismissal and unemployment was excessively rigid and harmful to the economy. As a result of these two trends, the Netherlands has been in a virtually continuous process of reforming unemployment policy and the unemployment benefit system. Over more than 20 years, the systems, financing and structures have been redesigned many times in the context of social security reforms. The aim has been to effect a reversal of priorities by seeking first and foremost to put people into, or keep them in, employment and only secondly, where this proves impossible, to pay benefits. In considering the impact of these developments on unemployment benefit (unemployment in the broad sense of absence of employment), it is apparent that there has been an overall reduction of protection due to more stringent eligibility criteria and changes to the benefit structure, with a trend towards retrenchment. However, in terms of combating unemployment, ever since the first Kok government (1994) emphasis has been placed on activation and on modifying the structure and working methods of the public employment service, and this has nonetheless helped to generate new momentum for integrating or reintegrating the unemployed into the labour market. This trend was

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reinforced to such an extent by the renewed growth apparent from 2005 onwards that, in the first half of 2008, the most pressing task in the Netherlands was no longer to combat unemployment but to increase employment rates, in a context of 3.6% unemployment as defined by the ILO.

Today, the repercussions of the financial crisis and the sudden slowdown in global growth have brought the Netherlands into a recession that is all the more severe given the particular sensitivity of its economy to global economic developments. The unemployment rate is rising again, reaching an average of 4.6% between February and April 2009 and increasing by over 10% in the space of a year. In view of the rapid economic downturn, growing unemployment and shrinking employment rates, the question is whether the right balance has been struck, in this new situation, between the amount of flexibility and security present in the various strands of the social security system that have been pared down somewhat. In seeking to answer this question, we will start by outlining trends in the overall economic context and in the number of benefit recipients within the various social security schemes. We will then go on to describe the changes to the management structure of these schemes, before addressing developments in the benefits system and activation policy.

A sudden downturn

The Netherlands is a small country with a very open economy that is highly sensitive to developments in international trade: one third of its value-added comes from exports, which are ‘the engine of the Dutch economy’ (CPB, 2009). The fall of around 10% in international trade in 2008 therefore had a substantial impact on the Netherlands. The entry of the economy into recession following the financial crisis of summer 2008 rapidly led to a worsening of the employment situation, which since 2005 had shown extremely positive development.

Growth in GDP, on a downward trend between 2000 and 2005, recovered and accelerated until to 2007 (3.5% according to CBS), maintaining a higher level than in the eurozone. The sound health of the Dutch economy was reflected in job creation, the growth of the working population and falling unemployment. However, this rosy view of the situation needs to be qualified in a number of ways. On the one hand, youth unemployment, which remained higher, and persistent long-term

unemployment continued to cause concern. On the other hand, despite a deliberate policy to promote the employment of older people (Wierink, 2005), unemployment figures from the Dutch administration indicated that older people and the unskilled were over-represented among the long-term unemployed (CWI, 2008).

Finally, a consideration of the structure of social security results in a more differentiated view of unemployment rates in the Netherlands. Both the system of unfitness for work - which in the 1980s and 1990s accepted people as unfit for work because they were unemployable - and the welfare assistance scheme, a safety net replacing unemployment benefit on expiry of entitlement or providing a minimum income to those without financial resources, were readily accessible to people out of work and gave unemployment in the Netherlands a character all of its own. For this reason, the Dutch were constantly concerned with taking action to contain and reduce the number of people drawing these social security benefits, at the same time as they performed remarkably well in terms of the actual rate of unemployment. Thus the number of people receiving social security benefits dropped considerably from 2004 to 2008 (CBS, 2008). Unemployment among older people, however, fell by much less (-3% for those aged 55 to 65). Over the same period (end of 2004 to the end of 2007), the number of people on disability benefit (847,000 at the end of 2007) fell by 12%. Finally, the number of welfare beneficiaries (274,000 at the end of 2007) also decreased, by 19% from the end of 2004.

But the financial crisis, bringing in its wake a sudden contraction of international trade, had a serious impact on the Dutch economy and put an end to these positive developments. From autumn 2008, economic growth slowed and growth in GDP, at 3.5% in 2007, fell to 2% in 2008 and is expected to be -3.5% in 2009. The unemployment rate as a percentage of the working population is again on the rise and forecast to reach 5.5% in 2009 and 8.75% in 2010 - having fallen to as little as 3.9% in 2008 (CBSa, 2009). Although the number of welfare benefits paid out decreased by 3% between March 2008 and March 2009, a new upward trend represents a further sign of a worsening economy: in May 2009, for the first time since 2005, there was an increase (+1.7%) in the number of welfare recipients and a 10% rise in benefits that had been paid for less than a year to new entrants to the system (CBSb, 2009). The most recent downward adjustments to replacement income payments for unemployment or inactivity, along with efforts to refocus benefit schemes on activation - inspired by an approach offering incentives for job

creation - are now required to have positive effects in a situation where demand for labour has suddenly fallen.

A trend towards benefit cuts

The overall impression that one gains from considering the long-term development of the various income protection schemes is one of a gradual reduction linked with a number of factors that are alternative or cumulative. But across the board, in all of these restructured schemes, enabling people to return to work is affirmed as a priority, with a redefinition of acceptable work, i.e. work that must be accepted to avoid the reduction or cancellation of benefit.

Unemployment insurance

It is certainly no accident that the unemployment insurance system is the one that appears to have changed least, to be best funded – by contributions – and so less of a direct burden on the public finances, and most strongly defended by the social partners. In the course of successive reforms, eligibility conditions have become stricter and the benefit period has been reduced, partly to block this benefit as an alternative option following the abolition of early retirement schemes in 2004. With each reform, the amount of work a person is required to have done in the period prior to unemployment has increased and the age factor, which determined the period of unemployment benefit for those entitled to benefit proportional to their last pay, was done away with in 2005 and replaced by a person's 'actual' length of service.

Until the 2005 reform, the Dutch unemployment benefit system was relatively generous. The conditions relating to previous employment were not very exacting. The payout period was long - up to 5 years - for people who had 40 years of service or more, with an original approach to length of service, according to which a person's age determined what the Dutch called their 'notional' length of service¹. In 2005, a number of new

1. This is calculated by adding to the years of service calculated as above the number of years obtained by subtracting 23 years from the worker's age. For example, for a person of 43 who is made redundant and meets the 3/5 condition, their entitlement is calculated as follows: 43 years of service – 23 = 20 years, with an entitlement of 1.5 years to benefits that extend the basic benefit.

adjustments were made to the system. These were part of the compromise that ended a crisis provoked by the abolition of tax relief on early retirement schemes and the introduction of a system of individual savings to finance extended periods of leave. The intention was clearly to close off the option of using unemployment as an interim solution prior to retirement. These changes had been put forward to the government on the basis of a unanimous vote in the Economic and Social Council in April 2005. The reference period became stricter: a person now had to prove that they had worked for 26 of the previous 36 weeks, and the maximum period for receiving benefits proportional to pay was substantially cut, from 60 to 38 months. This reflected a desire to remove the option of long-term unemployment for older people who were out of work. Entitlement to extended benefit was now calculated on the basis of a person's actual length of service, with one month of benefit per year of work, with at the same time a transitional period for unemployed people already in the system on the basis of their notional length of service. Finally, the specific assistance scheme for the oldest unemployed remained in place, after the maximum period mentioned above, i.e. between 50 and 60 years.

The definition of acceptable work was revised on 1 July 2008. Guidelines from the Minister of Social Affairs, who has authority over the UWVs (the agencies that manage employee benefit schemes, pay benefits and are responsible for activation), impose an obligation on unemployed persons in search of work for over a year to apply for any available vacancy, whatever its nature and even if they are overqualified. This guideline will apply from 1 July 2009 to the unemployed registered after 1 July 2008 (MSZ, 2008). The change above all affects the most highly qualified. Under the previous rules (dating back to 1996), acceptable work was defined in relation to a person's previous job, their professional experience, training, pay and a reasonable journey time, and every six months, a job at one grade lower was deemed to constitute acceptable work. In the new system, after two six-month periods, any accessible job, even unskilled, must be accepted regardless of its duration. It must be accepted irrespective of the level of unemployment benefit, i.e. with a supplementary benefit paid to maintain the level of unemployment benefit during the period of entitlement. Thus if a person takes a job, even part-time, they will not lose their benefit and their income will be maintained at the level of their previous benefit.

It may be that the system has not yet stabilised. A commission, set up following the failure of discussions on the reform of redundancy procedures, considered alternative scenarios for stimulating labour force participation. It delivered its report in June 2008², proposing sweeping changes to unemployment insurance, combining a personal budget system for each employee to finance continuing training, with 'work insurance' covering the two six-month periods before a local authority assistance scheme takes effect. This proposal, which substantially reduces the benefit period, greatly concerns the FNV. The union tried to hinder it by going it alone and making a verbal agreement at the beginning of September with the employers in the VNO-NCW (Jorritsma, de Waard, 2008; Berghuis, 2008, and FNV, 2008), without the CNV or any consultation with its federations. In doing so it accepted what it had hitherto rejected, that is, limiting redundancy pay to one year's pay for those with an annual salary of over 75,000 euros (*cf.* Wierink, 2007 and 2008). Discussions between the social partners at the beginning of October finally endorsed this compromise, to which all parties rallied in the struggle against inflation, with the government abandoning plans to raise VAT by 1% on 1 January and abolishing employee unemployment insurance contributions as of the same day (de Waard, 2008).

Incapacity benefit

Any study of unemployment benefit would be incomplete if it failed to include the benefit system for incapacity, disability or unfitness for work, depending on how one chooses to translate the WAO scheme. Established in 1967 to guarantee a replacement income for people incapable of working, whether or not for professional reasons, the scheme very rapidly acquired a huge number of beneficiaries. This was the result of a structure that was accessible to people who had become unsuitable for work due to technological developments or the nature of the labour market. The WAO scheme, more favourable than unemployment benefit (80% of the last wage or salary until retirement), was therefore used by the social partners - which managed the benefit agencies - as a means of absorbing the crises in employment that affected the Netherlands up to the 1990s. From 195,000 people in receipt of benefit in 1970, this figure rose to 610,000 in 1980 and 912,000 in 1990 (Holcman, 1998). Since the beginning of the 1980s, a constant concern of the government has been

2. The Bakker Commission.

how to slow down the entry of new claimants and reduce the number of beneficiaries. The system has been modified on numerous occasions. The benefit system first underwent radical reorganisation in 1993³ (Holcman, 1998). For new entrants and those under 50 who already receive benefit, the calculation formula may vary the amount and duration of benefit depending on the age at which the beneficiary became disabled. The degree of incapacity for work was redefined so that rather than taking account of a person's capacity to find work that is 'appropriate' considering their skills set and former earnings, it was based on their capacity to take on 'acceptable' work. Up to 2005, subsequent reforms aimed to increase the involvement of companies in preventing incapacity for work. The period during which companies were responsible for funding sick pay and for redeploying workers was increased from 52 to 104 weeks, before they could be covered by incapacity benefit, and a system was established under which employers paid incapacity insurance contributions that varied in proportion to their use of the system.

In 2005 the system was restructured even more fundamentally by a reform that was part of the compromise agreement ending the crisis surrounding the abolition of early retirement as of 1 January 2006 (*cf.* Wierink, 2006). The title of the law is indicative of how the system was refocused on employment: the Law on Incapacity for Work became the Law on Work and Income (WIA). It can be divided into two parts:

- a system of incomes for people with total and long-term incapacity to work (IVA), with over 80% incapacity;
- a regulation on returning to work for people with partial incapacity to work, i.e. between 35% and 80% incapacity.

The system no longer covered people with a degree of incapacity of less than 35%, unlike the previous scheme that covered incapacity rates from 15%. Without employment or resources, these people were reduced to claiming unemployment benefit if entitled to it, or welfare benefit.

A vast exercise was embarked upon to review all cases of incapacity of people under 50. In terms of benefits, those hardest hit by the reform were people with partial incapacity. The idea was to amend the definition

3. The law *Wet Terugdringing beroep op de arbeidsongeschiktheidsregelingen (TBA)*, 1 August 1993.

of incapacity to make employability a central plank of the system, by no longer taking into account a person's remaining capacity to work but rather their remaining capacity to earn by doing '**generally** acceptable work', and to ensure that employment was more attractive than remaining inactive, even if a job did not correspond to a person's skills set or previous level of pay. The degree of incapacity was thus fixed in inverse proportion to a person's remaining capacity to earn. Benefits for total and long-term incapacity (with no prospect of improvement in the next 5 years) are now fixed at 75% of the last wage or salary, with no time limit, and are subject to an annual medical examination. For someone acknowledged to have a degree of incapacity of 35 to 80%, there are several levels of benefit, depending on how long they worked prior to their illness, their age and whether or not they have a new job. This new approach to benefits means that the amount of benefit is always higher for those who have a job, particularly a substantive one.

Social welfare benefits, or minimum income

The third system (*Bijstand*) providing a replacement income is a type of universal minimum income, financed from taxation, for people over 18 without employment or financial resources. Established in 1963 as a replacement for the Poor Law of 1912, it constitutes a key element of the Dutch social security safety net before people are covered by the general pension system. It was not until 1972 that national rules were laid down on the level of this benefit, which was designed to enable people to meet their everyday needs, and amounts were specified that applied nationwide. The introduction in 1969 of a mandatory minimum wage for adult workers represented a further stage in the process of normalising welfare assistance. Initially, this kind of benefit guaranteed a household an income based on the minimum wage, which itself was standardised at a level that would guarantee a reasonable standard of living for a traditional family with a housewife and two children (Albeda, Dercksen, 1989). Single mothers, many of whom received this benefit, were completely exempt from seeking work until their youngest child reached the age of 12. At the end of 1998, a quarter of welfare claimants were lone parents, and mainly single mothers.

In 1996 a first reform gave local authorities more responsibility for managing the system and authorised a policy of individual supplements of up to 20% of basic benefit for specific costs or expenditure. It also

defined new obligations to take steps to return to work for all those aged under 57.5 years, who were obliged to accept any 'suitable' job (*passende arbeid*) or embark on training or a back-to-work programme. Requirements for single mothers were stepped up, with only mothers with children under 5 now exempt from preparing to return to work.

1 January 2004 saw the entry into force of a new welfare assistance reform, after no fewer than 61 amendments since the 1996 law. As with the incapacity law, the new title reflected the shift in the intention behind it: it was now called the Law on Work and Assistance (WWB). The emphasis on employment was now a priority. The system was funded by a state subsidy to local authorities consisting of two parts, one financing the minimum guaranteed income and the other financing the activation policy. Local authorities were given greater autonomy to define their benefit policy, and the national funds allocated to them for welfare benefit were no longer ring-fenced, to encourage them to reduce this expenditure and spend the savings elsewhere. It was up to local authorities to reduce the flow of people entering and increase the flow of those leaving the system. Helping benefit claimants to return to work became the top priority, and the traditional exemptions for older people and women caring for small children were no longer enshrined in legislation. Young people under 21 had their benefit reduced to the same level as family allowances, and it was up to their parents to supplement it or, if they did not, up to the local authority to intervene on a case-by-case basis. Finally, a person claiming benefit was obliged to accept any 'generally acceptable' job rather than merely any suitable job as under the previous law, even if it had no connection with their previous job, was less well paid or was beneath their level of skills.

Besides a trend in all three systems towards tightening eligibility criteria and cutting benefits, there is also considerable convergence in their approaches to enabling people to return to work in the context of unemployment policy. Activation will be a shared priority in the management of all three systems.

Destination employment

The incapacity and welfare assistance systems are structured in a way that makes them, in effect, into systems that target very long-term unemployment caused by exclusion, both social and health-related. As in

the unemployment benefit system, the activation policies implemented within these schemes (training, guidance, support, job placement, conditionality, job subsidies etc.) have the common goal of enabling people to return to work, although they use different instruments and involve different agencies.

Support rather than training

According to Georges, Méda and Grivel, the proportion of 'active' expenditure on labour market policies is twice as high in the Netherlands as in the EU-15: 56.1% in the Netherlands in 2005 compared with 27.7% for the EU-15 in 2004. Within this active expenditure, however, training expenditure is still the poor relation, being reserved for the unemployed who are most distant from the labour market and targeted at short vocational courses.

Employment subsidy measures are largely implemented by local authorities as a way of reintegrating welfare benefit claimants into the labour market. For the unemployed who require closer, more targeted support in order to return to work, measures mainly take the form of coaching or individual support tailored to their specific profile. An evaluation of such measures carried out between 2000 and 2004 highlighted the positive effect of this support on the number of people leaving the unemployment schemes (Georges, Grivel and Méda, *op. cit.*). Coaching takes various forms, depending on how distant an unemployed person is from the labour market and which agency is responsible for their case. After the intake phase, or registration of unemployment, people with the most valuable assets in terms of skills and experience are the only ones taken on by the CWIs (Centres for Work and Income): they receive low-level support, largely in the form of information from employers about vacancies. Other categories of unemployed (those in receipt of welfare benefit and the disabled) are handled by the local authorities, while those who appear more difficult to reintegrate are dealt with by the UWVs (employee benefits agencies).

Targeted activation backed up by media coverage of its aims

In a consideration of the priority areas within unemployment policy, one priority that becomes apparent is the provision of specialised coaching

aimed at different target groups, similar to a marketing approach. At the end of the 1990s, when unemployment among people of foreign origin was a priority issue, the government stated its objective of reducing unemployment among foreigners from 16% to 10% by 2002 (Wierink, 2003). A new priority was identified for 2003-2007, targeting unemployment among young, unskilled people aged under 25. A working party was established, the *Taskforce Jeugdwerkloosheid*, headed by the president of the SME employers' association. The aim was to both encourage and support employment under job creation schemes and apprenticeships for young people in the private sector and to provide incentives for people to return to education to obtain school-leaving qualifications or complete unfinished training. A somewhat similar media campaign was launched in 2005 on the employment of older people - another group experiencing difficulty in returning to work - based on the work of a taskforce focusing on them. For each campaign, dedicated human resources were made available within the Centres for Work and Income in the form of specialist employment advisors.

Privatisation of support

Since 2000, the reintegration of people deemed unfit for work has become a market, and this change was supported by the entry into force of the SUWI law on the unemployed. The UWV agencies subcontract support for unemployed people registered with them to private-sector reintegration companies. Through a tendering process, the agencies entrust to these companies 'batches' of beneficiaries who share common characteristics, in an attempt to limit any 'cherry-picking'. The sector has seen exponential growth but remains extremely heterogeneous, and there are difficulties with quality control. Between 2000 and 2007, the number of reintegration companies rose from 40 to 2000.

The local authorities, for their part, making use of the social work budget now earmarked for employment, have become more active in guiding benefit claimants towards employment, and now only contract out 50% of support services. They refer those on benefit to 'client managers', who are often able to provide individual, tailor-made support. Since 2005 the unemployed have been able to choose their reintegration company, with which they conclude an individual reintegration contract. One in two of the unemployed makes use of this option. It appears that this arrangement, which is more expensive than the allocation method

traditionally used by the UWVs, is also more effective in enabling an unemployed person to be more actively involved in their own reintegration plan (Georges, Grivel and Méda, *op. cit.*).

Local authorities more involved in subsidising employment

It is the local authorities that implement job subsidy measures. They have a long-standing tradition in this area dating back to the first Kok Government (1994-1998) and the so-called 'Melkert' jobs, named after the then Minister of Social Affairs. These were socially useful jobs in the public and quasi-public sector (such as janitors in educational establishments), for which people were paid up to 130% of the minimum wage depending on their qualifications. Although the programme itself has been terminated, a large number of people remain employed under this scheme. Subsequently, the so-called *I/D-banen*⁴ jobs were introduced, offering work experience or temporary employment, which only to a very limited extent met their objective of facilitating the transition into 'regular' work by offering a reduction in employers' social security contributions.

Following the introduction of the Work and Social Assistance Law (WWB) in 2004 and the separation of the benefit and reintegration budgets, local authorities developed the WorkFirst programme. Here they were free to develop their own policies on providing financial incentives for recruitment and allowing people to receive benefits and earnings from employment at the same time. In 2007, only 5% of local authorities had failed to introduce financial incentives for recruitment, and here too it is clear that they also spent very little on training. In contrast, there were fewer schemes for combining benefits and earnings from work (from 3 to 6 months' duration), which local authorities considered to be ineffective in helping the least employable people back to work. For such people, authorities tended to focus on 'social activation' schemes rather than integration into the workforce (Kemper, 2008).

The website of the Dutch Association of Directors of Social Services indicates that 47.3% of expenditure on labour market integration is spent on remuneration for socially useful work (formerly Melkert jobs and I/D

4. Law on Integration of Job-seekers, or *Wet Inschakeling Werkzoekende*.

jobs), 5.5% on new measures under the WorkFirst programme, and 6.6% on recruitment subsidies (*loonkostensubsidies*). However, it should be borne in mind that, according to this Association, 27.6% of those receiving welfare benefit in 2007 were exempt from seeking work.

At the end of 2007, the government announced new subsidies for job creation in the private sector, amounting to half of the minimum wage for one year. This is to permit people who are less immediately employable to work for a period of two years, during which they receive their social security benefits plus a bonus and gain work experience in a company with one day of training per week; there is no commitment from the employer to hire them afterwards (NRC, 7/12/2007).

Doubts about the effectiveness of activation

In spring 2008, members of the lower house of Parliament demanded a debate on the use of the two billion euros allocated each year to reintegrating the unemployed into the labour market, after a report by the Ministry of Social Affairs concluded that reintegration pathways generated little value-added in terms of helping the unemployed back to work. An evaluation of the effectiveness of support services contracted out to reintegration companies has recently been published, but is inconclusive (SEO, 2008). More fundamentally, should we endorse the criticism, supported by Plantinga and Tollenaar (2008), of the short-termism of this policy of ‘activation by any means’ and particularly of the local authority WorkFirst programme? Another study highlights the limitations of this non-co-operative policy, which provides a financial incentive for local authorities to take beneficiaries out of the welfare system as quickly as possible, without them having any real scope to influence the local labour markets that are naturally outside their purview (Erdzes, 2008) – even up to the point where, several months later, they find the same people again unemployed.

The long and winding road towards a one-stop-shop

While, as Daniel Clegg suggests, changes to the management of unemployment benefit have made it possible to reorient the system towards activation, it is important to note that this was a lengthy process of trial and error. The removal of the social partners from the

management of unemployment insurance funds and the merging of benefit agencies with job placement services and local authority social services departments dealing with welfare benefits were processes that took a long time and are not yet fully complete. From 1995 to 2000, from the OSV Law on the Organisation of Social Insurance Funds right up to the SUWI Law on the Implementation Structure for Work and Income, the Netherlands went through a turbulent period characterised by layer upon layer of organisational reforms, some of them contradictory.

Removal of the social partners from management of social insurance funds

From 1952 until the beginning of the 1990s, the social insurance funds (sickness, unemployment and incapacity insurance) were managed by social security management associations organised by occupational sector and on the basis of parity⁵. As a consequence of the worrying trend in the number of people claiming incapacity benefit (WAO) and of the rise in unemployment at the end of the 1980s, the activities of these occupational associations were subject to close scrutiny. In spring 1992 it was decided to embark on the extraordinary procedure of a parliamentary inquiry, to be headed by PVDA member Flip Buurmeijer and tasked with investigating the implementation of the social security laws between 1982 and 1992. The final report was submitted on 7 September 1993.

The report concluded that the administration of benefits was correct and efficient, but that the fund management bodies had totally failed in their task of controlling social security expenditure. In particular, eligibility rules for incapacity benefit (WAO) were very lax and examining doctors had a great deal of latitude in assessing cases and accommodating people's wishes. Such practices were encouraged by the consensus that existed between the social partners to channel excessive numbers of employees towards WAO benefit in particular, which paid higher amounts and was less likely to lead to disputes. Parliament adopted three motions aiming to place the management bodies under independent administrative control, remove access to WAO benefit from the social

5. Cf. www.europa-nu.nl for information on the parliamentary inquiry into social security management bodies.

partners' sphere of responsibility, introduce a management structure by region rather than by sector and unify benefit and job placement services within a one-stop-shop.

The competitive model in benefit management

A 1995 law began by separating the responsibility for social security management from the responsibility for defining management policy. The latter remained with the sectoral, parity-based associations, but day-to-day management was taken over by four new independent, privatised institutions, each responsible for a number of sectors⁶ and recognised by the Ministry. Competition was introduced between them in terms of administration and management costs and thus in the rate of contributions that they could charge, since the sectoral associations were entitled to change from one management body to another. Under the legislation, the system was headed up by an independent monitoring body that no longer included the social partners, the CTSV or Board of Supervision for Social Insurance, while responsibility for coordination and guidance was given to TICA, the Temporary Institute for Coordination and Harmonisation. In March 1997, new legislation abolished the occupational associations, with only inter-sectoral associations permitted.

Closer involvement of social partners in job placement

With regard to job placement and employment policy measures (guidance, training and job subsidies), the network of government Employment Offices underwent a thorough reorganisation in 1990 (Jacobs, Heerma van Voss, 1996). In line with a major drive at the time to make public administration more efficient, the aim was to render them more autonomous rather than to privatise them. A non-governmental public-sector organisation was established, called the *Arbeidsvoorziening*, literally 'employment scheme' (Law of 28 June 1990). This body consisted of a central management body (CBA), regional management bodies (RBA) and local employment offices. Management at central and regional level was tripartite, with state representatives and

6. GUO, SFB Groep, Cadans, GAK Nederland BV.

the social partners accounting for a third each. These offices in charge of job placement were also responsible for registering the unemployed and sending on their details to the benefit agencies. However, this reorganisation did not succeed in breathing new life into the system or relieve it of the administrative practicalities of registering the unemployed. The weakest link remained job placement, which was heavily dependent on companies forwarding details of vacancies to the employment offices.

Another turnaround in 2002: management back in the public domain

Between 1998 and 2002, the search was on to find an administrative structure for the job placement and benefit services. Following a new reform proposal for the *Arbeidsvoorziening* in 1998, the government tabled a Law on the Implementation Structure for Work and Incomes (SUWI), which came into force in 2002. The new structure represented a major shift away from the organisation that had existed since 1997, doing away with the various inter-sectoral benefit agencies and replacing them with a single body that was autonomous yet under the auspices of the Ministry of Social Affairs – the *Uitvoering Werknemers Verzekeringen* (UWV), or employee benefits agency. This organisation dealt with claimants at a second stage, once the Centres for Work and Income (CWI) had registered people as having lost their jobs or unfit for work, processed their benefit applications and assessed their chances of finding other work (Herbillon, 2004; Georges, Grivel and Méda, 2007). For their part, local authorities continued to deal with applications for welfare assistance. To maintain a role for the social partners sidelined by successive reforms in 1995 and 2002, a Council for Employment and Incomes (RWI) was created alongside the CWI/UWV structure, tasked with drawing up policy proposals and carrying out follow-up. This Council was composed of representatives of trade union and employers' organisations and local authorities. Also noteworthy was the legal obligation to establish Client Councils, a forum in which users could express their views and have the right to monitor activities of organisations at national, regional and local level.

The area of reintegration into employment became a marketplace open to all service-providers, with services commissioned by the UWVs, local authorities, social partners in association with sectoral training funds, or

companies with responsibility for redeploying people in danger of losing their jobs or becoming unfit for work. The organisational model was the 'one-stop-shop', or at least, at the time, 'one building' where, as far as possible, all relevant agencies were to be based.

The stage was thus set and between 2002 and 2006, the employment and benefits agencies worked to build effective and genuine co-operation. All kinds of problems remained to be resolved – to do with logistics, human resources and computer files. Subsequent to the 2004 law reforming the welfare system, the local authorities became increasingly integrated into the system, and the CWIs became the gateway to the whole employment and benefits system.

Following an evaluation in 2006 of the 2002 SUWI Law, it was decided to proceed to full integration of the UWV and CWI agencies, and this is scheduled to take effect on 1 January 2009. Over the past few years, a pilot scheme has been running at several different locations, aiming to facilitate dynamic change by disseminating good practice identified at various sites⁷ with early experience of integrating the processes of registration, profiling, career guidance, job placement and reintegration. New functions have been defined in the CWI front office: that of case manager, who deals with people out of work, and head of sector, responsible for ongoing contact with companies. The assumption is that case managers are the interface with the UWV: whether dealing with someone who has been made redundant or someone claiming incapacity benefit, they are responsible for all the different aspects of a case, i.e. looking for work, reintegration pathways or benefits. With just a few months to go until 1 January 2009, and despite difficulties with harmonising their statutes, the merger of the CWI and UWV agencies seems to be well under way⁸. In contrast, the integration of local authority social services that deal with welfare claimants has not progressed as far to date.

Given the extent of these reforms, the reduction in the number of benefit claimants and the momentum behind job creation in the 2005/2008 period, the Netherlands has been viewed as a country that has

7. The sites called '*Toonkamers*' or showcases.

8. The new local integrated agencies are named WERKbedrijf.

successfully adapted its social security system to the current situation in the European and global economy. Today, however, we should exercise caution in evaluating such developments. Firstly, such achievements may in part be purely cosmetic: the introduction of an overarching administration for the three schemes – unemployment, incapacity and welfare – means that the mechanisms by which claimants may be transferred from one to the other are less transparent than in the past (for instance, a welfare recipient who is newly entitled to unemployment benefit after so-called ‘successful integration’ in short-term employment). Secondly, in the absence of any clear indication of jobs being open to older workers (Wierink, 2007) and against a backdrop of employment cuts and a slowdown in job creation, older workers who lose their jobs will be even harder hit by the shorter benefit period. Finally, the introduction of stricter eligibility conditions for social security benefits, coupled with priority given to activation – as already criticised by W. van Oorschot (2002) – might prompt something of a rude awakening if the recession deepens and continues for a long time. It is to be feared that the ‘flexicurity’ that inspired these reforms – pursuing the structural objectives of controlling social security expenditure and promoting growth – may prove counter-productive in a time of crisis. People who are out of work run the risk of losing out on both fronts: they have less security with lower benefits over a shorter period, and less flexibility because of fewer jobs being available.

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