



# Integrated approaches to active welfare and employment policies

## The Netherlands

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## Foreword

The advent of the euro in 2002 and the preparatory talks on the participation of the former Eastern Bloc countries have given a new impetus to the faltering debate on the optimum structure for the European Union. However, one point on which people do agree is the principle of subsidiarity as regards the level of social security. Nonetheless, the relationship between social security policy and labour market policy has been high on the European agenda for years, out of awareness that only a strong European economy can successfully face the challenges on the world market. Although the European Union has seen the employment situation improve over the past five years, it still performs badly in many respects in comparisons with the situation in the United States and Japan. At numerous conferences, such as the ones in Amsterdam, Luxembourg and Lisbon, it has therefore been agreed that social security policy and labour market policy should adopt a more activating approach. The points agreed include the annual preparation of employment policy plans, and the issuing of guidelines linked to those plans in view of the need to reduce unemployment further and to combat social exclusion.

These agreements form part of a common European Union strategy, although the scope for control and the implementation are confined to national level. One element of this strategy is the exchange of information (best practices, benchmarking, peer review) so that Member States can learn from one another and can also call one another to account for practical results. This strategy is also known as the “open coordination method” (Dutch Lower House, 2000), which is a curious coincidence, given the subject of the study to which this report relates.

Against this background, the European Foundation for the Improvement of Living and Working Conditions, Dublin, has included the project on *Integrated approaches to active welfare and employment policies* in its 1997-2000 research programme. The aim of this project is to describe and analyse the processes, structures and mechanisms which the European Union Member States use in their efforts to improve coordination between social security policy and the active labour market policy. All Member States are taking part in this project, except for Luxembourg, Austria, Sweden and Greece. The national situation is first described for each participating country. Next, a consolidated report is produced on the basis of the national reports. The overall report will be published early in 2001.

This report is the Dutch national report. The layout of the report is based on the format supplied by the European Foundation for the Improvement of Living and Working Conditions. The first two chapters deal successively with the Dutch social security policy and the active labour market policy. The third chapter focuses on the process of restructuring the Dutch welfare state. This process can be summed up as an attempt to improve institutional coordination between the two areas of policy. The fourth chapter contains three case studies which offer convincing evidence of the complexity of attempting to achieve more cohesion and coordination. The fifth chapter links the preceding chapters to one another and offers some concluding remarks. Finally, the sixth chapter contains a short thematic summary. The design and research questions of the study, the bibliography and a key to the abbreviations are annexes to this report.

## Social security in the Netherlands

During the first three decades after the war the Netherlands built up an extensive social security system. Although the level and duration of some benefits were cut back considerably during the next twenty years, risk cover in the Netherlands is still very substantial. Over the years, the term “social security” has therefore increasingly become an umbrella term covering a growing number of schemes. In general, all these schemes are aimed at maintaining and if possible promoting continuity of labour and income and guaranteeing adequate access to certain services, especially health care (Goudswaard et al., 2000). The first section of this chapter offers a brief account of this system and of the most important schemes from the point of view of the subject of this study. The second section then goes into more detail on the Dutch “social safety net”, the National Assistance Act.

### Social security

#### Schemes and players

Within the social security system, a distinction is made between *social insurance* and *welfare benefits*. An initial distinction between the two concerns the basis on which people apply for benefit. In the case of social insurance, it is a question of paying a premium, which may be compulsory, whereas in the case of welfare benefits it is a question of determining the applicant’s need. Apart from the child benefit scheme, entitlement to benefits exists only where there is a need in view of the applicant’s circumstances in terms of income and assets. A second difference between the two is that social insurance is financed almost entirely out of premiums via a pay-as-you-go system, while welfare benefits are paid for entirely out of general funds.

Within the social insurance system as a whole, a distinction can be made between *national insurance* and *employed persons’ insurance schemes*. In principle, national insurance covers all residents and non-residents who are subject to tax on wages and salaries because they have a job in the Netherlands. The benefits are the same for everyone, although sometimes they do vary according to lifestyle to take account of differences in ability to pay. As a rule, employed person’s insurance covers only employees and persons equivalent to employees against the risk of loss of income on account of sickness, unemployment or permanent disability. These schemes are also known as “loss of pay” insurance.

Central government, local authorities and the institutions responsible for the administration of welfare benefits and compulsory social insurance are all classed as part of the *public sector*. The *private sector* also plays an important role in shaping the social security system. This mainly concerns schemes which employers and employees have mutually agreed during the periodic consultations on conditions of employment, such as:

- benefits in excess of the statutory minimum in the case of sickness, unemployment and disability
- supplementary private pension schemes
- early retirement and flexible pension schemes.

The chart below gives a brief summary of the main social security schemes belonging to the public sector. It also indicates for each scheme which authorities are responsible for the administration and supervision (Goudswaard et al., 2000; Elsevier, 1999; VSV, 1998). The main administration agencies are the Social Insurance Bank (Sociale Verzekeringsbank,

SVB), the National Health Insurance Fund (Ziekenfonds) and the private insurers; the National Social Insurance Institute (Landelijk instituut sociale Verzekeringen, Lisv) and the social security administrative agencies (uitvoeringsinstellingen sociale zekerheid, Uvi's), and finally the local authorities. The main supervision agencies are the Social Security Supervision Board (College van Toezicht Sociale Verzekeringen, Ctsv) and the Ministry of Social Affairs and Employment (Ministerie van Sociale Zaken en Werkgelegenheid, SZW).

Chart 1.1 Social security schemes (selected)

Type	Scheme	Administered by	Supervised by
Social insurance: national insurance	AOW = General Old Age Pensions Act	SVB	Ctsv
	ANW = Dependants Benefits Act	SVB	Ctsv
	AWBZ = Exceptional Medical Expenses Compensation Act	National Health Insurance and private insurers	National Health Insurance Council
	AKW = General Child Benefits Act	SVB	Ctsv
Social insurance: employed person's insurance	WW = Unemployment Insurance Act	Lisv and UVIs	Ctsv
	ZW = Sickness Benefits Act (privatised)	Lisv and UVIs	Ctsv
	WAO = Invalidity Insurance Act	Lisv and UVIs	Ctsv
Welfare benefits	ABW = National Assistance Act	Local authorities	SZW
	IOAW = Older and Partially Incapacitated Unemployed Workers' Income Support Act	Local authorities	SZW
	IOAZ = Older and Partially Incapacitated Former Self-Employed Persons' Income Support Act	Local authorities	SZW
	WAJONG = Disability Benefits (Young Disabled Persons) Act	Lisv and UVIs	Ctsv
	TW = Supplementary Benefits Act	Lisv and UVIs	Ctsv

#### *AOW*

The aim of the General Old Age Pensions Act is to give the whole population of the Netherlands insurance against the financial effects of old age. Everyone is entitled to an old-age pension on attaining the age of 65 years. Married couples and cohabiting pensioners each receive a net pension more or less equal to 50% of the net minimum wage. This represents a gross benefit of 1,229 guilders per month. Single pensioners receive a net pension of roughly 70% of the net minimum wage (1,778 guilders gross).

#### *ANW*

The Dependants Benefits Act replaced the General Widows' and Orphans' Benefits Act on 1 July 1996. The Dependants Benefits Act regulates the right to benefits for dependants and orphans losing one or both parents. Entitlement to a dependant's pension applies to every dependant with an unmarried child under 18 years of age belonging to his/her own household, if he/she is registered as at least 45% disabled and was born before 1 January 1950. The net amount of the dependant's pension is roughly 70% of the net minimum wage.

#### *AWBZ*

The Exceptional Medical Expenses Compensation Act is intended to insure the whole population against the risk of exceptional medical expenses. The AWBZ covers residents and employees/non-residents who are subject to deduction of tax on wages and salaries. The AWBZ is used to finance certain forms of health care provision, such as home care, admission to or residence in an old people's home or nursing home and various forms of mental health care provision.

This therefore concerns medical risks which are not covered by the national health insurance fund or ordinary private health insurance. The persons insured often have to pay a contribution, the level of which frequently depends on their income.

#### *AKW*

The General Child Benefits Act is intended to provide a financial contribution for insured persons who are caring for and bringing up children. Entitlement to child benefits applies to: children aged under 16 years who are living at home; children aged up to 16 who are not living at home, if the parent can prove that he/she is contributing to the child's maintenance costs; unemployed children aged 16 and 17 years, under certain conditions; unemployed children aged 18 to 20 years for six months following completion of their training or education. The level of the benefit depends on the age of the children. For children aged 12-17 years, for example, child benefit is 460 guilders per quarter.

#### *WW*

The purpose of the Unemployment Benefits Act is to insure employed persons against the financial impact of unemployment. Employed persons under 65 years of age are insured for a benefit in the case of involuntary unemployment. This benefit is pay-related and totals 70% of the daily pay, subject to a maximum of 81,158 guilders per year. The duration of this benefit depends on length of service and is between six months (in the case of four years' service) and five years (in the case of 40 years' service or more). Once the pay-related benefit has expired, the unemployed person is entitled to a continuation benefit for two years (or 3.5 years in the case of persons aged 57.5 years or older) and 70% of the gross minimum wage. After that, there may be entitlement to ABW benefit.

#### *ZW*

Employed persons prevented from working by sickness are entitled to continue receiving at least 70% of their agreed pay, but no less than the minimum wage, for a period of 52 weeks. In most cases the benefit totals 100% of pay as agreed under the collective labour agreements (CAOs). The benefit is subject to a limit of 70% of the maximum insured daily pay of 81,158 guilders per annum. The ZW has been privatised since 1 March 1996.

#### *WAO*

Employed persons under age 65 are insured for a benefit in the case of loss of income on account of disability. Persons are classed as disabled if, as a direct result of sickness which can be determined in objective, medical terms, they are totally or partially incapable of earning from work which they are still capable of performing the normal level of income earned by fit persons of comparable capability. Entitlement to benefit does not apply until the person has been unfit for an uninterrupted period of 52 weeks. The benefit is awarded for five years. The award is reviewed within one year of being made. The WAO benefit successively comprises a loss-of-income benefit based on the daily pay, the duration of which depends on age, and a continuation benefit based on the continuation daily pay, with no time limit. The insured daily pay totals a maximum of 311 guilders. The level of the benefit depends on the percentage of disability. Anyone declared to be 80% or more disabled receives a benefit equal to 70% of the insured daily pay or continuation daily pay.

On 1 January 1998 the WAO premium was transferred from the employee to the employer under the "PEMBA" Act [concerning premium differentiation and market operation in occupational disability insurances]. The WAO premium has also become partly dependent on the employer's occupational disability risk, and employers are now able to carry their employees' disability risk themselves for a certain period of time.

### *ABW*

Every Dutch national or foreigner lawfully resident in the Netherlands, aged 18 years or over and lacking the resources to provide for basic essentials is entitled to assistance. Certain groups are excluded, such as students and persons in custody. The level of the benefit (net per month including holiday benefit) totals 1,054 guilders for single applicants aged 21 to 65 years, 1,476 guilders for single applicants aged over 65 and 2,109 guilders for married or cohabiting applicants. The amounts can be increased by up to 422 guilders per month if the general essential cost of living is higher. In addition, there is entitlement to Special Assistance, if necessary, on grounds of individual circumstances (see also section 2.4 on the poverty policy and section 4.4 on the poverty trap). The applicant's own income (e.g. wages or income from investments) excluding child benefit and rent subsidy is deducted from the amounts of ABW benefits, special assistance and premiums for accepting work. This is known as the income test. The partner's income is generally also taken into account here. There is also a means test. Applicants must first draw on their capital; a small amount of capital is exempt (9,850 guilders for single persons and 19,700 guilders for married couples and lone parents). A maximum of 60,000 guilders invested in the applicant's own home is disregarded.

### *IOAW and IOAZ*

These two schemes offer an income guarantee at the level of the social income for specific groups. The numbers entitled to benefit are very low.

### *WAJONG*

Under certain conditions, young disabled persons can claim a benefit for loss of earning capacity on account of disability. Young disabled persons are those who have been declared disabled by their 17<sup>th</sup> birthday and students declared disabled after their 17<sup>th</sup> birthday. In the case of 80% disability or more, the benefit is a maximum of 1,640 guilders gross per month (70% of the basis).

### *TW*

Persons entitled to loss-of-income benefit under one of the employed persons' insurance schemes may be able to claim a supplement, depending on their household circumstances. The supplement is the difference between the actual benefit received under the loss-of-income insurance and the minimum wage (or 90% or 70% of that figure).

Schemes which also come under social security but will not be discussed here include the WAZ (Self-Employed Persons Disability Insurance Act). The WSW (Sheltered Employment Act) will be discussed in the next chapter.

## Volume and trends

### Volume

The past thirty years have seen a steep rise in total social security spending. However, in terms of gross domestic product (GDP) the trend is downwards.

Table 1.1 Summary of social security spending, 1970-1999; excluding pension insurance (billion guilders)

	1970	1980	1990	1995	1999
Social insurance	17.5	73.2	105.5	127.3	138.6
Welfare benefits	1.6	10.8	21.1	22.3	22.0
Schemes for public sector employees	1.4	4.9	6.6	7.1	7.1
Total	20.4	88.9	133.2	156.7	167.7

Goudswaard et al., 2000

This study is concerned primarily with unemployment and inactivity. When considering the number of persons who for that reason claim social security, it is therefore better for the remainder of this report to disregard a number of the schemes mentioned above (AOW, ANW, AWBZ, AKW, ZW and TW). The other schemes can be divided into three groups:

- employed persons out of work (WW)
- totally or partially disabled persons (WAO, WAZ, WAJONG)
- persons entitled to assistance (ABW, IOAW, IOAZ).

The table below summarises for these three groups the trend in the numbers entitled to benefits over the past twenty years (expressed in full benefit years). The penultimate line in the table shows the *social security ratio* (SZQ: total social security expenditure divided by GDP, excluding expenditure on state pensions [AOW]) and the last line gives the *I/A ratio* (the number of inactive persons divided by the number of active persons [in work], for persons aged under 65).

Table 1.2 Number of persons entitled to benefits (x 1,000 benefit years)

	1980	1985	1990	1995	2000
WW	160	264	163	345	223
WAO / WAZ / Wajong	608	695	790	752	780
ABW / IOAZ / IOAW	192	574	551	516	407
Social security ratio excluding AOW	10.7	12.4	10.9	9.4	7.8
I/A ratio < 65 years	30.9	43.5	41.8	39.3	31.4

SZW, 1999a (2000 is estimated)

The table shows that the number of people entitled to benefits under the WW and the ABW tends to fluctuate. This number is in fact closely related to the economic cycle and general trends in employment. In contrast, the number of disabled persons shows an almost continuous upward trend.

### Trends

The social security system has been constantly changing in the post-war period. In the construction phase, the protective function of the system was central. It was a system that

offered insurance against loss of income, with a guaranteed minimum income for everyone. By the end of the 1970s the system was broadly complete. After that there was a change in the character of the public debate on social security, particularly on account of the deteriorating economic situation. Initially, there were changes to the level and duration of benefits. After a time, fraud prevention also attracted greater attention. In recent years, the activation effect of the system has come to play an increasingly important role. The primary aim here is to make all parties involved more aware of the need to limit the take-up of social security schemes and to promote reintegration. During the government's last term of office (i.e. 1994-1998) various measures were introduced for this purpose. Examples include the radical changes to the Sickness Benefits Act and the WAO, and the revised ABW (SZW, 1999a).

This study will not go into the international context. An interesting publication here is 'Benefit dependency ratios. An analysis of nine European countries, Japan and the US' (Arents et al., 2000).

To sum up, it can be said that the debate is currently focusing not on the *content of the schemes* (level and duration of benefits) but on improving the *efficiency of administration* and creating new *financial incentives to enhance effectiveness*. Apart from changes to laws and regulations, attention has also centred primarily on modifications to the social security administration agencies (see also Chapter 3 and section 4.2 on the SUWI operation). These changes are aimed at improving the service to clients, promoting efficiency of administration and achieving an integrated approach to activation (social activation, targeted income support, emphasis on activating elements in the enforcement policy). Many of these changes combine public and private elements.

## **National Assistance Act**

This section goes into detail on the National Assistance Act (de Algemene bijstandswet, ABW), the social safety net in the Dutch social security system.

The following will be discussed:

- some general characteristics
- past and future policy
- information obtained from some recent evaluations.

## **General**

This section presents the most important general characteristics of the ABW (Goudswaard et al., 2000; Elsevier, 1999; SZW, 1999a; VSV, 1997). The following will be discussed:

- recent political history
- current practice and implementation
- the claimant population
- benefit levels
- conditions and obligations
- associated rights
- summary of operation.

## **Political history**

The new National Assistance Act (ABW) came into effect on 1 January 1996. The new law gives local authorities more scope to adopt their own policy. Where necessary, local authorities can grant a



supplement on top of the national basic standard benefit. This means that the benefit is better tailored to individual needs, one factor being whether it is possible to share the essential cost of living with someone else. There is more control “at the gate”, facilitating better fraud prevention. Finally, there are now more strings attached to the assistance. The basic principle is that everyone should support themselves as far as possible, but it is still the case that anyone unable to do so, and unable to claim under any other social law or provision, is eligible for assistance.

### Practice and implementation

We have already stated which people may be entitled to benefit under the ABW (see section 1.1.1). People who believe they are entitled to such benefit apply to their (municipal) social service department. Social service officers assess the applications, examining such points as the possibility of an early return to work or of taking up training. Applicants must be actively seeking work (inquiring about vacancies, registering with the Job Centre, attending courses) and must take part in a personal plan [“trajectplan”] if that is considered necessary. The personal plan sets out what has been agreed between the person in question, the social service department and/or the Job Centre. Applicants must also inform the social service department of everything relevant for the purpose of determining entitlement to benefit and the level of benefit (obligation to supply information), otherwise they are guilty of fraud. The social service officers also collect information on such matters as previous employment, assets and domestic circumstances. Special conditions apply to the self-employed. Benefits are paid monthly in arrears.

There is not entitlement to assistance for:

- employed persons who are not working on account of a strike or a lock-out, unless the hardship clause applies to them
- persons in custody (they are covered by existing provision, i.e. they are kept by the State)
- students who can claim a study allowance or student grants or loans
- foreigners resident illegally in the Netherlands
- young people covered by the “comprehensive approach “ [Sluitende Aanpak]
- 18 to 21 year-olds resident in an institution
- persons remaining abroad on holiday for longer than the permitted period.

### Claimant population

The following tables concerning the size and characteristics of the ABW claimant population were based on the Assistance Statistics kept by the Central Bureau of Statistics (CBS) (SZW, 2000a). These statistics record *households* entitled to assistance, because benefit entitlements and levels are determined at the level of households. It is the *applicant* who is considered for the purpose of determining the characteristics of the household. This concerns applicants living independently who are under the age of 65.

Table 1.3 ABW claimant population by age in percentage and absolute terms (total)

	1995	1996	1997	1998	1995-1998
< 23 years	6%	6%	5%	5%	- 22%
23 - 44 years	65%	64%	61%	58%	- 28%
45 - 57½ years	21%	22%	24%	25%	- 3%
57½ - 64 years	8%	8%	10%	11%	+ 13%
Total (absolute)	489,200	481,100	437,400	397,100	- 19%

SZW, 2000a

This table shows that the number of benefit claimants showed a marked fall in the period between 1995 and 1998. As a percentage of the corresponding population group, the figure was down from 4.9% in 1995 to 3.9% in 1998. This decline continued after 1998, and the estimate for 1999 comes to 365,000. It is also apparent that the ABW population is growing older.

Of the 1998 ABW population, 45% were male and 55% female. Since in the case of married couples it is usually the husband who is, or is regarded as, the applicant, the figures based on sex provide a distorted picture. If married couples are divided into men and women and if both groups are included in full in the total, the ratio is: 40% male to 60% female. During the period from 1995 to 1998 the number of male claimants declined more steeply than the number of females.

The decline in the number of claimants between 1995 and 1998 occurred in all benefit duration categories. The decline was greatest (1995-1998: - 34%) in the case of short-term dependence on assistance (under 1 year). This caused the proportion of long-term dependence to increase from 37% (1995) to 46% (1998).

Table 1.4 ABW claimant population by type of household in percentage and absolute terms (total)

	1995	1996	1997	1998	1995-1998
Married couple	19%	18%	18%	18%	-23%
Single person	57%	58%	57%	56%	-21%
Lone parent	24%	24%	25%	26%	-11%

SZW, 2000a

Over the years, more than half of the claimant population has consisted of single persons without children, and roughly a quarter lone parents. About one third of this last group has one or more children under 5 years old. If we look at the trends from 1995 to 1998, we find that the decline in the group of lone parents has been slower than that in the other two categories.

In 1997, 33% of the population receiving assistance had completed elementary education, 28% lower general secondary education/preparatory vocational education, 6% higher general secondary education/pre-university education, 20% intermediate vocational education and 13% higher vocational training/higher education. The standard of education of the population receiving assistance is low in comparison with the population of the Netherlands aged from 15 to 64 years. In 1997, 14% of the population had completed only elementary education (against 33% of those on assistance) and 53% intermediate/higher vocational training or higher education (against 33% on assistance).

Between 1995 and 1998 the ratio between the numbers of Dutch and non-Dutch persons entitled to benefits remained more or less steady, at 84% to 14%, though during those years the number of Dutch nationals claiming benefits declined less steeply than the number of non-Dutch nationals (19% against 26%). However, owing to the relatively small number of non-Dutch claimants, this trend is barely visible in their share of the total.

At the end of 1998 the province of Groningen had the highest proportion of benefit claimants as a percentage of the population (5.7%), while the provinces of Drenthe and Zeeland had the lowest (2.7%). The ranking of these provinces was the same in 1995. The "assistance density" appears to be directly linked to the size class to which the municipality or local authority

belongs. At the end of 1998, ABW claimants represented 10.6% of the total population in local authority areas with a population of 250,000 or more. In local authority areas with a population of under 5,000 the figure was just 0.9%. Variations in assistance density between local authorities did decline somewhat between 1995 and 1998.

Table 1.5 Numbers claiming and ceasing to claim ABW benefits in 1997 and 1998 by age

	Number of new claimants 1997	Number of new claimants 1998	Number ceasing to claim in 1997	Number ceasing to claim in 1998
< 23 years	32,200	26,100	28,500	21,400
23 – 44 years	113,100	91,200	150,500	125,700
45 – 57½ years	19,400	17,100	23,300	22,900
57½ – 64 years	4,800	4,500	5,700	4,800
Total	169,500	138,900	211,900	178,600

SZW, 2000a

In 1998, the number of new households claiming ABW benefits was over 30,000 fewer than in 1997. This mainly concerns the 23 – 44 age group (and within that the 23 – 34 age group). There were also fewer households ceasing to claim in 1998 than in 1997. This decline is due mainly to the lower take-up, particularly among the younger age groups, who often remain on benefits for only a short time.

### Level of benefits

The individual's responsibility to be self-supporting is the primary consideration. Entitlement to assistance for everyday living costs and the level of benefits are therefore geared to the circumstances and capabilities of the person and the household. Local authorities take account of this by deciding on supplements (see below) and reductions, and in so doing determine exactly how much assistance is granted. Every local authority must set out this policy in a municipal bye-law accessible to everyone. Section 1.1.1 has already discussed the level of benefits.

Since 1974, benefit levels have been based on the level of the net minimum wage. For an employed person aged 23 or over, the gross minimum wage for full-time work stands at 2406.30 guilders per month with effect from 1 January 2000. Under the ABW, couples living together, whether married or not, receive a net sum equal to roughly 100% of the net minimum wage, while single persons in principle receive 50% to 70% of that figure. This is known as the *net-net link*. During the 1980s and for part of the 1990s this link was applied only partially, if at all. As a result, claimants saw their purchasing power drop by around 9% between 1980 and 1999.

In addition to the national standard rates for single persons and lone parents, the local authority can grant a *supplement* equal to 20% maximum of the net minimum wage. These categories are entitled to the maximum supplement if they can satisfy the authority that they cannot share expenses (housing costs) with another person. In the case of persons living together who are able to share expenses (housing costs) with another person, the basic standard rate can be reduced.

In addition, the *Special Assistance* scheme can be applied. This is available for people in a special situation entailing higher costs than those covered by the general national assistance. These costs may relate to living conditions or health, but also the cost of increasing the chance of employment (study expenses, child care). If appropriate, special assistance may also

be granted as a loan. Persons with a minimum income from another source (e.g. AOW) may also qualify for special assistance.

### **Conditions and obligations**

There are obligations attached to the grant of assistance. The first is that people must do everything they can to find a job themselves. In the case of unmarried couples living together, this obligation applies to them both. However, it does not apply to:

- persons aged 57 ½ years or over
- anyone with total responsibility for caring for a child under the age of five years; if the care is shared with the partner, then both may be granted partial exemption
- other groups of persons defined by the local authority as (temporarily) exempt from the obligation to find work; this may also include people participating in social activation schemes.

### **Associated rights**

Anyone receiving assistance benefits must be insured via the national health insurance fund. The nominal health insurance premium and the premium for supplementary insurance which is available via the national health insurance fund must be paid by the insured person.

If the assistance application is rejected in whole or in part, a notice of objection may be submitted to the Municipal Executive (Mayor and Councillors). After that, it is possible to appeal to the district court and to lodge a higher appeal with the Central Appeals Court.

### **Summary of operation**

Total spending under the ABW came to 10.6 billion guilders in 1999. 89% of this was spent on benefits and loans, 5% on social security charges and 6% on administration costs. Central government contributes 78% of the funding and local authorities 22%.

### **Policy**

The policy regarding the ABW can be broadly defined as:

- increasing the chances of returning to work
- improving administrative efficiency
- coordination with the poverty policy.

### **Returning to work and the ABW claimant population**

The ABW population is very diverse. Common categories are:

- people who, owing to a combination of care functions, have little if any chance of taking part in the work process; the number of lone parent households claiming ABW benefits totalled around 109,000 at the end of 1997 (105,000 single mothers and 4,000 single fathers); this is 25% of the population claiming assistance; around 40% to 55% of all lone parent households are entitled to assistance
- people who for personal reasons are so remote from the labour market that it is not possible to arrange work directly ("phase-4 clients"); this is the target group for social activation
- people who have still been unable to find work after expiry of their unemployment or disability benefits.

In order to promote the chances of returning to work, it is therefore necessary to develop a policy tailored to the characteristics of the population.

In general, people entitled to ABW benefits have little chance of employment, certainly compared with those on unemployment benefits, as may be seen from the following tables.

Table 1.6 Chances of returning to work for WW and ABW claimants, by period on benefits, 1996

	< 1 year	1-2 years	2-3 years	3-4 years	4-5 years
WW	51%	31%	22%	20%	ND
ABW	25%	18%	14%	10%	8%

SZW, 1999a

Table 1.7 Chances of returning to work for WW and ABW claimants on benefits for less than one year, by age, 1996

	< 1 year WW	< 1 year ABW
18-24 years	61%	32%
25-34 years	54%	24%
35-44 years	51%	17%
45-54 years	39%	14%
55-64 years	17%	(insufficient numbers)
<b>Average</b>	<b>51%</b>	<b>25%</b>

Lower House, 1999a

The longer the period on benefits, the smaller the chance of returning to work as a result of medical or social impediments, demotivation, obsolescent skills, etc., and the selection effect on the employer's side. The figures in both tables were based on 1996, and since then there has generally been a sharp improvement in the chances of returning to work, though that does not necessarily mean that the differences between WW and ABW claimants have diminished.

The main instruments for increasing the chances of returning to work are: the Job Seekers Employment Act (WIW), the "I/D jobs" scheme [providing initial work experience and promoting transfer to ordinary jobs], social activation, young immigrants target group policy, better child care arrangements, the integration of financial resources in the Work and Income Fund and finally the Disabled Persons Reintegration Act (WREA). The first two instruments will be explained in more detail in the next chapter.

### *Social activation*

Social activation is part of the effort being made throughout the government to prevent or alleviate social exclusion for citizens and population groups. A combination of low standard of education, no job, low income and low self esteem creates social risks. In this connection, a number of departments are working on the details and implementation of their own policy under various names (social cohesion, social infrastructure, social activation and poverty policy, social security). In this way, social activation is creating a demand for provision such as general social work, RIAGG (regional institutions for out-patient mental health care) and alcohol and drugs rehabilitation centres. Good coordination is necessary here between the SZW and the VWS (Ministry of Health, Welfare and Sport).

Social activation is an explicit element of the "Comprehensive Approach" (see Chapter 2). Through the WIW education and activation budget, local authorities have received funding for the provision of subsidies, education and activities (voluntary work, traineeships, promotion of social skills). According to the SZW, practical experience shows "that the development of networks [between the various organisations involved at national, regional

and local level] is crucial to the success of social activation projects and a genuinely integrated approach” (SZW, 1999b).

#### *Young immigrants target group policy*

The government wants to reduce unemployment among young immigrants. Detailed plans are set out in the policy document “Gaining opportunities, seizing opportunities. Integration policy, 1999-2002” issued by the Minister for Urban Policy and Integration of Ethnic Minorities (GSI). Participation in the labour force and facilitating labour market access are the focus of much attention. In 1998 and 1999 incentive projects were launched by 33 local authorities.

#### *Child care arrangements and out-of-school care facilities for lone parents*

These arrangements are intended to make it financially possible for local authorities to purchase additional child care places on top of the existing supply. These places are specifically intended for people claiming ABW assistance and other benefits.

#### *Work and Income Fund*

With effect from 1 January 2001, the financial resources of the ABW and the WIW will be combined in the Work and Income Fund. At the same time, local authorities will contribute a larger share of ABW funding. The aim is to help people to come off benefits by establishing a direct link with local labour market instruments. Local authorities will be rewarded for a successful policy of reducing dependence on benefits.

#### *WREA*

Many ABW claimants have a chronic physical, psychiatric and/or mental impediment which causes them problems in finding work. To promote their participation in the labour force, the WREA contains a separate scheme aimed at the local disabled population.

#### **Improving administration**

In recent years, local authorities have been given ever-increasing responsibility for implementing the assistance policy. To perform their growing role in the overall management of policy, local authorities will need to adopt a steadily more professional approach to control, management and administration. They will increasingly have to act as clients while retaining ultimate public responsibility. Here they must determine the target results in advance, and then seek out the organisations capable of delivering the required services by a set deadline and on a value-for-money basis. In the past few years, to provide guidance during this change process, the Assistance Quality Task Force (TKB) has provided support for implementation. On 1 January 2000 the Association of Netherlands Municipalities (VNG) took over these functions. In future years there will be closer attention to the effectiveness of local authority policy.

#### **Coordination with policy against poverty**

The budget for Special Assistance has expanded greatly in recent years, from 430 million guilders in 1997 to 780 million guilders in 1999. On the one hand, this is evidence of the successful implementation of the policy against poverty (see section 2.3). At the same time, it appears to have exacerbated the poverty trap (see section 4.4), with all the associated, potentially inhibiting effects on participation in the labour force.

## Impact and evaluation

When the new ABW was introduced in 1996, it included a provision whereby evaluation would be conducted within four years of the law's entry into force. Two studies have been published in that connection: an initial, predominantly qualitative study of the way in which local authorities are handling the relationship between the law's three main functions in implementing the law (Bos et al., 1999) and a more comprehensive evaluation of the effectiveness and impact of the law (SZW, 2000a). The principal results of these studies are set out below.

### Main functions of the ABW

The ABW comprises three main functions:

- the *function of reducing dependence on benefits*: all activities aimed at attaining the point where the person concerned is able to support himself (once again) and no longer needs to claim general assistance; these activities therefore do not cease immediately on participation in training and social activation activities
- the *care function*: all activities aimed at combating social isolation, poverty or other forms of serious financial problems among clients; this includes such matters as social activation, debt rescheduling, exemption from local charges, special assistance and specific payments in the form of free or cheap subscriptions; the actual provision of benefits is really also part of this function, but that is primarily an administrative and executive process
- the *fraud control function*: all activities aimed at combating fraud, such as the receipt of income from legitimate or illegitimate employment, failure to disclose assets, dishonesty regarding cohabitation; staff are also on the alert for fraud when assessing the legitimacy of the benefit; the gate-keeper's function plays an important role in fraud prevention.

There are several activities associated with each of these functions. These are summarised in the chart below.

Chart 1.2 Activities of local authorities as part of the main functions of the ABW

Care	Reducing dependence on benefits	Fraud prevention
Providing appropriate benefits	Drawing up personal plans	Stricter implementation of the gate-keeper's function
Implementing local policy on reductions and supplements	Imposing or granting exemption from the obligation to work	Stricter control and review
Social activation (phase 4)	Closer attention to appropriate work	Imposition of fines
Grant of special assistance	Implementation of subsidy/incentive policy Imposition of measures Cooperation with Public Employment Service	Stricter collection

Bos et al., 1999

In the relationship between the three main functions, synergy is apparent in two particular ways:

- there is often a direct link between providing care and reducing dependence on benefits: the possibility of resolving "care problems" is first considered before the process of getting people off benefits begins

- there is greater synergy in the assessment of the legitimacy of the benefit; that assessment, which is really an element of fraud prevention, is an integral part of the process of paying out benefits.

The connection between the three functions and the associated potential conflicts do not appear to present any fundamental problems for local authorities. The reasons are:

- the work of the benefits officers is pragmatic, and is aimed at producing a tailor-made solution; in general policy-makers give benefits officers the discretion to assess for themselves the extent to which the client is capable of managing without benefits
- the process of paying out benefits involves a number of procedures concerning legitimacy and registration; the question of legitimacy is largely dealt with separately from fraud prevention, and is handled by the social service officer
- legal and organisational frameworks for local authorities create clarity; doubtful cases can be referred to an “examiner” or a member of the policy staff.

All the same, a number of criticisms are justified. These concern the integrated character of the service to the client, for instance. Owing to the expansion in employment, the ABW population increasingly consists of a hard core of phase-4 clients. These are often people with multiple problems. Before activation can be attempted, the intangible care problems also have to be resolved. However, such “integrated” approaches appear to be rare. The reasons given are:

- the network of welfare institutions involved in local social services necessary for this purpose has often not yet been built up
- because of the political focus on reducing dependence on benefits, social activation has not yet been adequately developed as a care instrument
- too little is known about the precise composition of this group.

More generally, it can be said that a situation lacking a proper balance between care and reducing dependence on benefits can create the following adverse effects:

- financial uncertainty owing to the sudden cessation of important services (such as debt rescheduling) if people are taken off benefits
- a very small rise in income if work is accepted (poverty trap, section 4.4)
- diminishing social participation owing to inadequate attention to care needs
- creaming off the ABW population, leaving behind only the most under-privileged.

In addition, there could well be conflict between the care function and the fraud prevention function. A strict approach, particularly to “minor” cases of fraud, can threaten the care function. According to some people, an effective local care and poverty policy is therefore the best strategy for preventing fraud of this type (Simons, 1996). Finally, fraud prevention can also inhibit the elimination of dependence on benefits. For many, including a large number of immigrant business owners, activities in the informal economy are often helpful in making the transition to regular, “legitimate” work.

Two tendencies are apparent as regards the *organisation of the administration of the ABW*. These link in with the two idealised organisational models for administration:

- one tending towards integration of the two main functions, reducing dependence on benefits and care, handled by a single officer; the officer has overall control and the administration of care measures and projects promoting independence is contracted out to specialist agencies as far as possible



- one tending towards a clear segregation of functions between the administration officers; in those cases there are often separate departments for activation and the provision of income; this is known as the “functional model”, where part of the expertise relating to care and the promotion of independence often exists in-house, so that part of the support can be provided by the department itself; an ABW client then usually has two officers dealing with his case.

Researchers state that there are no indications that either of the two models is more effective than the other. Moreover, the variations in administration should be reduced by the activities of the Assistance Quality Task Force.

### **Effectiveness and impact of the ABW**

Four performance measuring points have been formulated for this general evaluation of the ABW. They are derived from the aims of the new law and represent a continuation of the main functions mentioned earlier. The points to be measured are as follows:

- promotion of activation and reducing dependence on benefits (see also section 2.2.3)
- offering an income guarantee
- controlling abuse
- promoting efficient implementation.

The main findings are set out below for each point.

#### *Activation*

- The number of ABW clients has fallen considerably in recent years, from 489,000 in 1995 to roughly 365,000 at the end of 1999. This fall is most marked in the case of people receiving assistance for a relatively short time. This means that the claimants will increasingly comprise people who have been on benefits for relatively long periods.
- Local authorities have made great efforts to achieve this reduction in dependence. Of course, the favourable trend in employment has also played an important role. It is not possible to determine the specific contribution which local authority activities have made towards reducing dependence on benefits.
- Local authorities use a wide range of new activation instruments. However, there is still room for improvement as regards their integrated application.
- The intention was that local authorities would develop their own policy and adjust it on the basis of policy and implementation data. So far they have only partially succeeded, one reason being that local authorities do not yet collect sufficient data which can be used to assess the results of their efforts.
- Local authorities have gained a better idea of their clients’ capacity for work. This has enabled them to obtain a more accurate picture of the ones who can be granted exemption from the obligation to work. However, this will certainly not mean that demand and supply can be readily matched.
- Local authorities cannot offer an appropriate personal plan for everyone who qualifies. This is because of the substantial labour entailed in administering the plan, the form of cooperation with the Public Employment Service and the shift in the clientele towards people very remote from the labour market.
- Most participants in the “benefits activation experiments” (EAU) have moved on to a regular employer via a subsidised job or work experience post. The EAU system was taken over by the WIW on 1 January 1998 in the form of the I/D jobs.

### *Income guarantee*

- With the introduction of the new ABW, local authorities were made responsible for implementing their own policy on supplementary benefits to ensure that national standard rates were adapted more closely to the needs of the client and the local situation. The number of national standard rates has also been reduced with a view to simplifying the administration and improving manageability. In practice, local authorities seem to have placed the emphasis on simplifying the administration rather than developing their own policy on supplementary benefits. For this purpose they mainly use the Special Assistance Regulation.
- Variations between local authorities increased when the supplements were introduced.

### *Control of abuse*

- A key aim of the new ABW was to counteract fraud. This was to be achieved by a more transparent system of rules, by stipulating a number of basic requirements in the law as regards benefit applications, payments and supervision, by giving local authorities incentives via policy plans and the free provision of information by third parties. The evaluation reveals that the gate-keeper's function (assessment of the first application for assistance) has been reinforced by the above elements since the introduction of the new ABW. Activities at a later stage ["after the gate"] have also been improved by better management.
- However, it has also emerged that local authorities do not collect sufficient information and do not always make a good analysis of the local situation, so that the inclusion of quantitative objectives in policy plans is not yet universal.
- The growing exchange of information with other bodies such as the tax authorities and the Information Management Group (in connection with student funding) has made a substantial contribution towards reinforcing the gate-keeper's function. But there are still some problems regarding the exchange of information, notably because of incompatibility between computerised systems.

### *Implementation*

- Three factors promote the proper implementation of a law: practicable legislation, a clear, motivating allocation of responsibilities between central and local government and finally, sufficient initiative on the part of the local authorities. One of the aims of the new ABW was that these three aspects should be mutually beneficial. According to the evaluation, this has now been "broadly" achieved, following a difficult start.
- It has certainly made a contribution here to the second aspect mentioned, the relationship between central and local government. The implementation of the ABW involves "joint administration" whereby the central government implements the policy in broad terms and the local authorities can and must to some extent develop their own policy. It is therefore a question of mutual dependence, which in this case has led to a more horizontal management structure.
- Another development which has made a positive contribution towards implementation is the greater involvement of the clients. There has been a statutory obligation concerning the participation of clients since 1 July 1998.
- A new problem concerns whether, while maintaining local authority responsibilities, more central control over the computerisation of local administrative processes is a basic condition for efficient and effective implementation. In view of the necessary standardisation and the quality and affordability of systems, the number of people advocating central control has risen of late.

## Labour market

This chapter focuses on the Dutch labour market. The following topics will be considered:

- developments in recent years and the current situation
- the general policy on employment and active labour market policy
- the relationship between this active labour market policy and the policy against poverty

### The Dutch labour market

Since the mid-1990s the Dutch economy has enjoyed remarkable, sustained growth. Combined with the demographic trends towards fewer young workers and an ageing workforce, this has led to strong expansion of employment and increased participation in the labour force. The recorded unemployment rate has dropped to 2.4% (mid-2000), a level last achieved more than 20 years ago. At the same time the number of vacancies has risen to record levels: at the end of March 2000 there were 216,000 vacancies. There are 37 vacancies for every 1,000 jobs in the private sector (CBS, 2000b). The fact that employers are finding that over half the vacancies are difficult to fill (CBS, 2000a) shows that these trends have led to increasing tension on the labour market. Nevertheless, there are still very many people on unemployment benefit (see table 1.2), an unused potential labour source at the time of an economic boom. This situation is also known as the “two faces” of the current labour market (SZW, 2000b).

The Netherlands has experienced a scarcity of supply on the labour market before. In the 1960s and the early 1970s tens of thousands of workers were recruited from abroad, particularly Turkey and Morocco, to meet the demand for manpower. Participation in the labour force by women was very low, certainly at the beginning of this period. During the long recession of the 1970s, lasting until 1982, unemployment increased rapidly. This unemployment was seen at all levels in the labour market. The measures taken at the time included the introduction of early retirement. After 1982 the economy and employment began to expand again, encouraged by wage moderation, government spending cuts and international recovery. Labour force participation rates increased once again, but unemployment remained persistently high until the early 1990s.

Many people regard 1982, the year in which the “Wassenaar Agreement” was concluded whereby employers and workers publicly acknowledged their belief in wage moderation, as a turning point in the history of the Dutch labour market. Since then, the social security ratio (social security expenditure divided by Gross Domestic Product) has fallen sharply and there has been an equally marked improvement in the I/A ratio (the number of inactives or benefit claimants divided by the number of people in work). In the past 15 years, Dutch employment has expanded by over 30%, while for Europe the expansion rate has been less than 5%. Labour force participation rates have grown strongly, especially among women (from 43% in 1988 to 57% in 1999). However, these positive trends have caused the slack in the labour market, which was certainly very considerable until 1994, to be converted to a shortage. This shortage is fairly general, but is particularly marked in the Randstad conurbation and North Brabant. Sectors where labour is particularly scarce are the building industry, the hotel and catering industry, business services (particularly financial services and the ICT sector) and the health sector.

The forecasts for the coming years predict somewhat more moderate growth, so that the expansion in employment will also level off. These scenarios put net excess demand at 70,000

vacancies in 2004. However, the initial signs are that economic growth is exceeding these expectations, so that the shortage can only become worse.

### **Reasons for the shortage**

The Ministry of Social Affairs and Employment describes the current mismatch between demand and supply as qualitative, because the large number of vacancies contrasts with a far greater unused potential labour supply of over 1.5 million people. This potential consists primarily of the registered unemployed, people who want to work but are not available in the short term or who have not recently been seeking work, part-time workers wishing to work longer hours and a latent reserve among groups where the labour force participation rate could increase (particularly men aged between 55 and 64 and women in general). Although this potential labour force cannot be calculated accurately, there is a general consensus on the factors behind the qualitative mismatch. First, the required standard of education for current and future vacancies is generally higher than it used to be. It is mainly those who have completed higher education, and to a lesser extent intermediate education, who have benefited from the expansion in employment in recent years. As a result, there have been fewer jobs for the less skilled. In addition, the unemployed are trailing ever farther behind those in work in terms of skills. Not only do people in work have an increasingly high initial standard of training, but they are constantly acquiring new skills while they are working. Though demand for work at a lower level is declining, there is a potential labour supply which is large but increasingly hard to place.

### **Problems on the labour market**

If we adopt a broader perspective than that of the current shortage, then in addition to the above factors we can mention a number of problems which are hampering the operation of the labour market (De Haan and Smit, 1999). On the *demand* side, this concerns the selective recruitment and personnel policies applied by businesses, which mean that the low-skilled and older people in particular have less chance of obtaining or keeping paid employment. In addition, there are often inadequate facilities available for combining work and care, and that has a particularly discouraging effect on attempts by women to find work. On the *supply side*, limited willingness to accept or train for particular types of work plays a part. Medical and psycho-social problems are often a barrier, too. Finally, there is the *political/institutional context*, involving such factors as the complexity of the laws and regulations and the constant amendments being made, the resulting problems of implementation (incompatibility between IT systems), inadequate communication (e.g. between Lisv and social security administration agencies on the one hand and the Public Employment Service on the other), the sometimes limited effectiveness of employment measures and finally the poverty trap, which can inhibit labour force participation. The largely *political issues* in this area include the level of the statutory minimum wage, the current employment protection rules, the fact that collective labour agreements have been declared generally binding and the sanctions policy. However, discussions on these issues are not currently at the heart of the debate on labour market and social security policy.

### **Supply categories**

Below is a brief description of a number of groups which are included in the potential labour supply. The descriptions show that the risk of unemployment is still very unevenly distributed. This even applies to long-term unemployment and life-time unemployment. There is a considerable overlap between some groups.

### *Benefit claimants*

As already stated, the number of claimants has fallen sharply in recent years. This decline has occurred mainly among the population claiming unemployment benefits, and to a lesser extent among National Assistance claimants. More problematic are the numbers on sickness benefits (sick leave is on the rise again) and especially the numbers of disabled (particularly those claiming WAO benefits).

### *Disabled*

The Dutch system of occupational disability insurance differs in several fundamental respects from systems in many other countries. First, all risks are insured; second, the benefits paid out to the young disabled and self-employed are also included in the total volume. Leaving that aside, the number of disabled persons is still high. Despite numerous measures, which will continue indefinitely for now, this number has been increasing again since 1996.

### *Minorities*

Labour force participation among ethnic minorities or immigrants increased faster than among the native population from 1994 to 1998 (9% against 6%). During the same period, unemployment dropped from 26% to 16%. Minorities have therefore caught up to some extent on the labour market, but all the same their unemployment rate is still four times as high as the rate for the native population.

### *Less skilled*

Although the quantity of supply in the lowest segment of the labour market is adequate, the number of hard-to-fill vacancies has also risen there in recent years. This is the segment where the “two faces” of the labour market are particularly persistent. Unemployment among the low-skilled (vocational/lower general secondary education) is 10% against 3% for the highly skilled (higher vocational training/higher education).

### *Older people*

Although labour force participation among older people (55+) has risen in recent years, it is still well below the average, including in comparison with other countries. Only one in three persons aged 55 years or more performs paid work. In view of the costs and the current shortage, the collective early retirement schemes launched in the 1980s have been rapidly dismantled and replaced by more individual pension schemes.

### *Women*

Labour force participation among women has increased sharply in the past ten years. Most of the increase is due to more women with children continuing to work or returning to work after a short period. Yet the rate of participation by women is still well below the rate for men (57% against 85%), unemployment is higher (7% against 4%) and many of them work only part-time, not always from choice. The higher the standard of education among women, the more likely they are to be in paid employment. This difference has become more marked in recent years.

## **Employment and labour market policy**

The ultimate aim of Dutch social-economic policy is to achieve a situation in which everyone is self-supporting as far as possible, without relying on public funds. Increasing the rate of labour force participation is seen as the key instrument both to reduce dependence on benefits and to create a basis for the social security system which is sufficiently strong to cope with

the ageing population in the years ahead (SZW, 1999a). This section takes a detailed look at the policy aimed at boosting the rate of labour force participation on the basis of the following topics:

- general employment policy in the form of macro-economic and structural reinforcement policy
- the active labour market policy, specifically aimed at creating an effective labour supply
- the legal instruments and measures for implementing the active labour market policy and the budget available for that purpose
- some results of evaluations of the active labour market policy.

### General employment policy

General employment policy covers a large number of policy objectives. The main ones are listed below, and some are explained on the basis of actual policy initiatives.

Chart 2.1 General employment policy

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Continuation of the macro-economic and budgetary policy; the framework is provided by:

- the coalition agreement of the second “purple” [cabinet comprising social-democrat, left-leaning and right-leaning liberal ministers] administration (1998 – 2002)
- the Stability and Growth Pact

Further reduction in labour charges aimed at wage moderation and making it financially more attractive to accept a job:

- increase in the standard deduction for employment-related expenses: total cost 800 million guilders
- introduction of the “21<sup>st</sup> century tax system” in 2001: reductions and shifts in charges will reduce the direct charges on labour by 17 billion guilders
- experiments in cutting the rate of VAT on a number of labour-intensive services (e.g. cleaning and hairdressing), to promote employment for the low-skilled and to counteract illegitimate and semi-illegitimate working.

Improving market efficiency

- the spring of 1999 saw the launch of a follow-up to the “MDW” operation (stimulating market forces, deregulation and quality of legislation, aimed at reducing unnecessarily restrictive regulations and improving the efficiency of the market); the new projects are aimed at the problem of school drop-outs, health service waiting lists and the elimination of barriers to enterprise

Investments in infrastructure

- physical infrastructure
- social infrastructure
- skills infrastructure: concerns both initial education and training for those in work or seeking work; an outline agreement has been concluded between employers and workers on promoting more “learning at work” to give the maximum number of people a “starting qualification” (basic vocational level); the rules on attending training courses while still retaining benefits have also been made more generous; finally, the “employability agenda” is under discussion with employers and workers

Promoting enterprise

- reducing the administrative burden on businesses by 15% under the MDW
  - creating an efficient market (new Competition Act, liberalisation of the Establishment of Businesses Act, relaxation of the Shop Hours Act)
- 

SZW, 1999a, 1999c

General employment policy really also includes the promotion of wage cost control, which many regard as the most important economic pillar of the Dutch “polder” model. Although the government’s role is limited here in relation to that of employers and workers, there is continuing consultation on this matter, e.g. in the Social and Economic Council (SER).

## **Active labour market policy**

As stated in the “Social Policy Document 2000” (SZW, 1999a), the government and employers and workers have a shared responsibility when it comes to implementing the policy aimed at sustained participation in paid employment for those in work and for those seeking work.

The role of employers and workers, described only briefly here, relates mainly to:

- *providing basic training and retraining for the current workforce*; training has a beneficial impact on promotion within a business, on the retention of staff (including older workers and women with care duties) and on the quality of labour
- *designing the personnel policy to retain existing staff*; not only via conditions of employment but also via the working environment (avoiding excessive pressure of work)
- *cooperation at regional, sectoral and branch level*; cooperation offers ways of tackling problems in filling vacancies, for instance; the Public Employment Service can perform an important role here.

Apart from the education policy, which will not be considered in detail here, the government’s role consists primarily in an *active labour market policy* that produces an appropriate response to the “two faces” of the current labour market. In the years ahead the emphasis will be placed on the following elements:

- developing the preventive, active labour market policy
- stepping up the existing labour market policy and creating a benefits administration system geared more towards reintegration
- continuing to develop the policy for specific target groups.

### **Preventive, active labour market policy**

The preventive, active labour market policy is also described as the “comprehensive approach” and is aimed at preventing long-term unemployment (more than 12 months). This approach is the Dutch way of implementing the second guideline of the European employment policy laid down by the 1997 European Summit in Luxembourg. Even before this guideline was issued, the Netherlands complied with it in respect of unemployed persons up to the age of 23 years via the JWG (Guaranteed Youth Employment Act, see below). Work is currently in progress on introducing a comprehensive approach for the new unemployed aged 23 or over, in so far as they need help (training, work experience or practice in applying for jobs, etc.), before they can find work. This policy is being phased in so that by 2003 at the latest there will be a “comprehensive approach, as far as possible”.

The policy is being implemented by providing additional funding (in 2000: 202 million guilders contributed by central government plus a part of the ESF-3 resources) for the purchase of additional counselling and support to promote labour market entry. These resources are available for the three organisations concerned: LISV (for unemployment benefit claimants), local authorities (for ABW benefit claimants, including via the Urban Policy) and the Public Employment Service (for those not entitled to benefits). In addition, the WREA offers funding so that the new disability benefit claimants can be offered counselling and support. This new policy also requires modifications to the practical implementation arrangements. It is necessary to take the trouble to define the target groups, some of which are new, to agree new arrangements with the counselling and support personnel and to check whether those unemployed for the first time are in fact offered such support.

### **Stepping up the existing labour market policy**

As in the case of the preventive policy, there is an important role here for local authorities, the Public Employment Service and the UVIs (social security administration agencies).

*Local authorities* now have their own extensive range of instruments for activating persons on benefits, the young unemployed, the long-term unemployed and a specific element of the disabled population, and for facilitating their entry into the labour market. These instruments include the WIW, the local authority element of the WREA, the I/D jobs and the WSW (see next section). One new feature compared to earlier years is that from 2000 onwards local authorities are expected to undertake more activities under the WIW in the field of social activation of people very remote from the labour market (phase-4 clients). Another innovation is the launch of trial projects in which local authorities can make use of the whole range of instruments on an integrated basis. These projects consider not only how effective the measures are in getting persons into work, but also the impact on the authority's own organisation and the costs per job.

The *Public Employment Service* performs an important role in the active labour market policy, e.g. in coordination between sectoral demand and local supply. The 18 District Public Employment Service offices and six local authorities will together provide a nation-wide infrastructure for filling WIW work experience posts. The Public Employment Service is also responsible for developing specific instruments and offering them for phase-4 clients. With effect from this year, the activities of the Public Employment Service are being reorganised. The whole basic service is being taken over by the new *Centres for Work and Income* (CWIs), while the reintegration activities have been placed with a privatised operation called "KLIQ". Section 4.2 examines these changes, which are being implemented as part of the "SUWI" operation (Structure for the Administration of Work and Income).

As regards the role of the *social security administration agencies*, see Chapter 1 and section 4.2.

### **Attention to specific target groups**

The aim as regards the *ethnic minorities* is to halve the difference in the rate of unemployment between Dutch nationals and minorities (currently 4% against 16%) by the year 2003, jointly with the social partners. To achieve this, the intention is that more collective labour agreements should include the participation of minorities in the labour force. There are also agreements with SMEs, a covenant has been concluded with a number of large firms, and the establishment of an Intercultural Management Service Point is under consideration. The Labour Force Participation (Minorities) Promotion Act (SAMEN) is an instrument providing general support here.

The greater the impact of the shortage on the labour market, the stronger the realisation that *older workers* are vital in meeting the demand for skilled workers. The most obvious strategy here is to curb early retirement in companies by means of an age-conscious personnel policy and a good working environment. This is primarily the responsibility of employers and employees. The SER has now recommended a possible design for an active labour market policy for older workers. In any case, it is clear that to achieve a higher rate of labour force participation by older workers, a radical change of attitude is needed among both employers and employees. In recent years a growing number of early retirement schemes have been converted to flexible pension schemes in which employees pay a higher proportion of the costs.

The uneven distribution of work between men and women is still an obstacle hampering any sustained increase in the labour force participation rate for *women*. The aim is to increase that rate, so that economic independence and care responsibilities can be combined for both men and women (the "combination" scenario). To achieve that goal, child care facilities are being



increased and enterprise is being encouraged in personal services via the Private Cleaning Services Scheme. According to the National Support Centre for Women and Assistance (1999), however, the government has gone too far in its activation efforts. Although they favour a combination of working and caring, that is not meant to be based on the scenario of going out to work and contracting out all the care. According to them, this activation policy places too little value on unpaid work and is also insufficiently aware that social cohesion demands more than a high rate of labour force participation. “Social exclusion is seen as not having a paid job. That is a totally false definition. A paid job is only part of the picture. Society is more than a factory, office or bank. Steering people into paid work (and the word “steering” [“toeleiding”] hardly implies independence) means nothing other than maintaining the primacy of paid work as it exists at present.” They therefore argue that persons seeking paid employment should be able to make their own arrangements to facilitate labour market entry, and have their own personal reintegration budget for that purpose.

### **Instruments, population and budget**

This section summarises the statutory instruments and measures being used to implement the active labour market policy. It also examines the size of the target group at which these efforts are directed. Finally, it gives a brief account of the available budget (SZW, 1999c, 1999a, 1998).

### **Instruments and measures**

There are four different groups of instruments, measures and services:

- measures to improve the position of persons very remote from the labour market (WIW)
- measures to create extra jobs (additional and/or subsidised jobs: I/D jobs, WSW)
- measures to reduce wage costs for employers (SPAK, VLW)
- the basic service of the Public Employment Service.

#### *Job Seekers Integration Act (WIW)*

The WIW follows on from such measures as the Guaranteed Youth Employment Act (JWG) and the Job-sharing Scheme (BP), and was introduced on 1 January 1998. The WIW gives local authorities responsibility for doing as much as possible to help the long-term unemployed, benefit claimants and young people to become self-supporting. It offers scope for subsidising *work experience posts* with ordinary employers. For people more remote from the labour market, local authorities can make use of *special WIW jobs*. In the case of those not (yet) capable of being integrated into the work process, the local authority is responsible for reducing remoteness from the labour market by *social activation and training*. The local authority can also use the instruments available under the WREA for disabled persons receiving local authority benefits.

The WIW gives local authorities more scope for controlling the local active labour market policy for all persons very remote from the labour market, regardless of the nature of the benefit. This control function also concerns coordination with the labour market instruments of other players, such as the public and private integration organisations, the social security administration agencies and employers and workers in the various sectors. Owing to the streamlining of various government schemes brought about by the WIW, they are also in a better position to offer social activation on an integrated basis, including work experience posts. The number of participants in the WIW scheme is estimated at 48,000 for the year 2000.

Apart from the streamlining of schemes, various budgets are also being combined in the *Work and Income Fund*. This fund is intended to give local authorities greater freedom in their policies and to create financial incentives in the implementation of local reintegration policy.

#### *I/D Jobs scheme*

Under the 1994 government coalition agreement, it was agreed that existing jobs with local authorities and care institutions should be expanded by an additional 40,000 permanent structural jobs, the wage costs for which would be fully reimbursed by the State. These jobs had to be provided in the bottom segment of the labour market (pay: up to 120% of the Statutory Minimum Wage). The aim was to create additional jobs for the long-term unemployed and in that way to improve the public service (supervision, quality of life, environment, sport, education, health care). This scheme was called the *Additional Jobs Scheme for the Long-Term Unemployed* (EVLW), but was also named after the then minister "Melkert-I". Roughly 30,000 jobs were created altogether up to mid-1998.

When the next coalition government took up office, it was decided to increase the number of jobs from 40,000 to 60,000 in 2002 and to change the name to the *I/D Jobs Scheme* [providing initial work experience and promoting transfer to ordinary jobs]. This was done because the scheme now included scope for moving on to more skilled jobs in the public sector (up to 150% of the Statutory Minimum Wage). In 2000, to encourage workers to move on to other jobs, both the employee and the local authority are being granted a bonus when the employee moves on.

#### *Sheltered Employment Act (WSW)*

Since its introduction in 1969, the WSW has offered the opportunity of appropriate work in a sheltered workshop specifically designed for the target group in question. On 1 January 1998 the radically amended new WSW came into effect. Significant changes included the more precise definition of the target group, the possibility of placement in or secondment to an ordinary job, and normalisation of the employment relationship. In contrast to previous practice, there must be physical, intellectual or mental impairments which can be medically demonstrated. The criterion is no longer the handicap itself, but the restriction in relation to the work to be done. People ceasing to qualify on the basis of the new definition can apply for assistance under the WIW. The possibility of placement in or secondment to an ordinary job has been introduced in order to increase the chance of transfer to ordinary work. Workers then come under the employer's collective labour agreement. The total numbers participating in the WSW scheme currently stand at 93,000. To reduce the waiting lists, additional resources are being made available from 1999. Over 4,000 additional jobs will thus be created by 2002.

#### *Reducing employers' wage costs*

Under the Salaries Tax and Social Security Contributions (Reduced Remittances) Act (WVA) introduced on 1 January 1996, an employer can in certain cases reduce the wage tax and national insurance premiums which he has to pay over to the tax authority. The WVA comprises six rebates including the Special Rebate (SPAK) and the rebate for the reduction of long-term unemployment (VLW).

The aim of the SPAK is to promote employment, particularly at the lower end of the labour market, where the productivity of many workers is relatively low. The rebate has been gradually increased to 3,660 guilders a year. By the introduction of the "transfer SPAK" in 1997, a transfer option has also been added to this scheme.

The VLW replaces the Working Life Integration Act (WBA) and aims to get more of the long-term unemployed into work by reducing wage costs at and around the minimum wage. Employers taking on a long-term unemployed person can obtain a rebate for four years on the

wage tax and national insurance premiums to be paid over. The rebate totals 4,610 guilders a year for employees earning monthly pay of up to 130% of the Statutory Minimum Wage for a working week of 32 hours or more.

The two rebates can be combined, so that, overall, employers need no longer pay any employer's charges at minimum wage level (23% reduction in wage costs). According to an evaluation, the SPAK has a very extensive reach; in 1996, employers used the SPAK for 85% of the eligible employees. In the same year, the VLW was granted for almost 35,000 long-term unemployed, mainly for subsidised employment or EWLW jobs.

### *Basic service of the Public Employment Service*

The basic service of the Public Employment Service offers general facilities for matching demand and supply on the labour market and is intended for all job seekers. These facilities include the circulation of information, giving advice, drawing attention to vacancies and arranging the filling of vacancies. The Public Employment Service receives a state contribution for this service. Each year over 200,000 people find a job through the Public Employment Service Job Centres. The basic service also includes determining how remote the unemployed are from the labour market, with the aid of the "opportunity meter", also known as "phasing" (cf. section 4.2). In all, this phasing amounts to the following:

- phase-1 clients: work can be arranged immediately, no need for any measures to promote employability
- phase-2/3 clients: suitable for the labour market within one year (phase 2) or two years (phase 3) via the use of suitable labour market entry instruments
- phase-4 clients: in view of severe personal handicaps, are first dependent on measures aimed at social activation, health care or assistance; possible use of instruments geared more to the labour market is confined to the longer term.

### **Target group**

With regard to the target group addressed by all these policies, the following distinction applies:

- *the handicapped and those without handicaps*: owing to their special problems, the handicapped are disregarded here;
- *inflow* (flow figure: the annual inflow of new job seekers) and *existing population* (position figure: the numbers not in work at any given moment who have been registered with the Public Employment Service for longer than one year as seeking work);
- *phase 1* (only basic service) or *phase 2, 3 or 4* (reintegration target group, reintegration measures, subsidised employment and social activation).

In 1998 the *inflow* totalled 610,000. The majority are relatively well-educated people under 40 years of age. Many were also placed in the phase-1 category. Of the total inflow, 245,000 people belong to phase 2, 3 or 4 and the "not known" category (the high number under "not known" is due to the gradual introduction of the "opportunity meter"). Since roughly 25,000 people initially classed as phase 1 still failed to find work themselves, this part of the reintegration group comprises 270,000 people.

The *existing population* totalled 335,000 people at the end of 1998. The composition of this population is very different from the inflow in terms of age (older), standard of education (lower), ethnic group (more immigrants) and place of residence (more often large towns/cities). Almost half of the existing population belongs to phase 4 and only 12% to phase 1. The whole of the existing population is included in the reintegration target group.

Table 2.1 Policy measures, phasing and population, 1998

	Phase 1	Phase 2/3	Phase 4 + Phase not known
Policy measures	Basic service Activation and monitoring	Basic service Activation and monitoring Reintegration measures Subsidised work	Basic service Activation and monitoring Reintegration measures Subsidised work Social activation
Inflow	365,000 (- 25,000)	74,000 (+ 25,000)	171,000
Existing population	45,000	125,000	195,000

SZW, 1999b

Since flow and position figures cannot be added together, this table cannot be used to calculate the total reintegration target group at any given moment. The figures have now fallen sharply owing to the sustained buoyancy of employment.

### Budget

The table below shows the changes in the budget available for the active labour market policy for the unemployed and those in employment.

Table 2.2 Budget for active labour market policy (x 1,000 million guilders)

	1998	2000	2002
Reintegration	1.600	2.204	2.313
Social activation	273	312	284
Subsidised work	6.453	7.229	7.913
Basic Public Employment Service service	618	535	535
WVA total	2.525	3.020	3.020
Total	11.469	13.300	14.065

SZW, 1999a

In the years ahead, total spending will increase from over 11 billion guilders in 1998 to 14 billion in 2002. By way of comparison, in 1985 the figure was “only” 3.8 billion guilders. Disregarding the WVA rebates, expenditure on the active labour market policy in proportion to the overall labour market and social security expenditure has risen from 20% in 1985 to 40% in 1998. The table shows that over half of the spending is intended for subsidised work (particularly WIW, I/D jobs and WSW). The increase in reintegration expenditure is due mainly to higher spending on the Comprehensive Approach and the WREA. The reintegration expenditure includes the service contribution by the Public Employment Service, which deals with roughly 75,000 clients every year.

### Impact and evaluation

This section takes a brief look at the results of the Dutch active labour market policy on the basis of a number of topics and criteria (cf. in particular Nes et al., 1998, and also: CPB, 2000b; Dunnewijk and Vogels, 2000; De Koning, 1999; Welters, 1998). General employment policy is left out of account here; for that, we refer you to the many publications which have now been issued on the Dutch “polder model” (Delsing, 2000; Visser and Hemerijk, 1999). As regards the active labour market policy, it has become good practice in recent years to check the effect of new legislation, measures and instruments by monitoring and/or

assessment via evaluations. Despite these efforts, much – often essential – information is still lacking, so that it is not easy to gain an insight into crucial criteria such as the reach and the net effectiveness of a particular instrument. That is also one reason for the very small number of publications comparing laws and instruments with one another and thus providing a cohesive picture.

### **Reach**

The *absolute reach* of instruments is largely determined by the amount of the available budget (see below). Here we are concerned primarily with the *relative reach*, the number of persons reached as a percentage of the target group. Of the instruments used up to 1998, most reach only a small proportion of the target group. Exceptions are the information and advice instruments, direct intermediary services, SPAK and JWG. The little information that is available on the composition of the population reached shows that, in general, women, the low-skilled and the long-term unemployed are reached reasonably effectively. Young people are almost always over-represented.

### **Gross effectiveness**

Gross effectiveness means the number of people moving on from an active labour market policy measure to an ordinary job. In so far as information is available, it appears that the gross effectiveness is relatively high for job seekers with greater opportunities (young people, short-term unemployed, more highly trained, Dutch nationals). This indicates that it is difficult to eliminate the differences in job opportunities between the various groups.

### **Net effectiveness**

Net effectiveness means the number of people moving on to an ordinary job after taking part in a labour market measure. In other words: without participation, that would not have happened. Although this is one of the most important criteria for assessing the results of measures and instruments, there is even less information available on this than on gross effectiveness. In addition, publications certainly do not always arrive at the same conclusions. According to Nes et al. (1998), training and subsidised work can be said to have a positive net effect, and that effect is greatest for the very long-term unemployed, low-skilled and older unemployed. According to the CPB (2000b), checks on choice of occupation (by means of tests and advice) are the only way of significantly improving the chance of a job. Though training and work experience do have a positive effect, it is not significant. Training in applying for jobs is actually said to have a significant, negative effect.

### **Costs and benefits**

The social return is positive if the benefits outweigh the costs of the measures; the benefits are translated into net effectiveness in the form of savings on social security spending. However, on the basis of the available data, it is not possible to make any clear statement on the cost/benefit ratio.

Another question is whether the available budget is considered large enough. There are no political differences of opinion on this, partly because of the increases in recent years (see table 2.2). The debate is actually going the other way: the emphasis is gradually shifting to whether the budget can be cut in view of the very low rate of unemployment that has now been achieved. SZW is resisting that at the moment, drawing attention to the composition of the residual population of unemployed persons (the “hard core”) and the fact that the total group of non-actives (including the totally or partially disabled) has shrunk by much less than the group of registered unemployed.

## **Side effects**

The main, possible adverse side effects of labour market measures include the situation where the same would have happened without any action being taken (“dead-weight loss”: this actually corresponds to the concept of net effectiveness), the displacement of ordinary jobs by additional or subsidised jobs (substitution) and, finally, distortion of competition and budgets between participating firms and those not taking part in the measures.

The first situation is being discussed primarily on account of the payroll deduction rebates, and especially the SPAK. According to Welters (1998) and the Dutch Chamber of Audit (1999), there is a substantial dead-weight loss here. However, Dunnewijk and Vogels (2000) paint a much more positive picture. They indicate that demand for labour, especially low-paid workers, has a very negative link with wage costs. Owing to the “skill-biased” technological changes, which are generating growing demand for the highly skilled and falling demand for the low-skilled, there is a permanent threat of a dichotomy in the labour market. This threat makes it essential to continue the SPAK. The SPAK makes it possible to keep the low-skilled in the labour force and gives them a chance of attending vocational training, which also upgrades their employability in the long term.

Displacement and substitution are also difficult to determine objectively. This is due partly to opposing trends which do not occur simultaneously. Is there displacement if subsidised jobs are created for functions which were previously axed to save money? In practice, the additionality criterion is being steadily less stringently applied, and the debate has shifted to other aspects, particularly conditions of employment of subsidised work, and transfer from subsidised work to ordinary jobs.

There seems to be little distortion of competition and budgets. The first point here is the large reach of the payroll deduction rebates (SPAK and VLW) in the market sector. The second is that any differences in the use of subsidised labour in the public sector and the health sector can hardly be classed as a distortion of competition.

## **Problems in implementation**

The way in which labour market measures are implemented also has a decisive influence on the outcome. Evaluations have revealed the following problem areas:

- finding suitable, motivated candidates
- lack of cooperation between municipal social services, Job Centres and social security administration agencies
- inadequate and poorly coordinated IT systems
- the complex legislation and multiplicity of instruments
- the use of instruments
- discrepancies between the maximum permitted wage for an instrument’s participants and the level of the lowest pay scales in a number of sectors, making it difficult to place participants in those sectors
- coordination of child care facilities and working hours or course hours
- the lack of after-care for participants.

Many measures have now been taken on this front, including those concerning cooperation between intermediary organisations (SUWI), the coordination of IT systems (e.g. via the CVCS), legislation (simplification and integration of measures, cf. for example the WIW), pay differentials (transfer jobs, SPAK transfer), child care facilities and after-care (mentor systems). To some extent, the privatisation of the Public Employment Service reintegration services can be included here, although that also raises many new questions. These concern such matters as guaranteeing the quality of services provided by private reintegration firms. Other matters are not so easy to address, such as the quantity and quality of the candidates and

the politically sensitive issue of the relationship between “instruments which increase opportunities” and the sanctions policy.

### **Conclusion**

In general, people agree that the government plays an important role in the active labour market policy and that this cannot be left entirely to the market. There are too many market imperfections for that, representing a constant threat to people in a vulnerable position on the labour market (CPB, 2000; De Koning, 1999). Opinions differ on exactly how the policy should be designed. This is due in part to differences in political and social viewpoints, but another factor is the lack of unambiguous evaluation data on the effectiveness of the policy and the various instruments. However, it is clear that, in view of the present labour shortage, the policy requires adjustment in an important respect. In comparison with five or six years ago, it is far less a question of creating jobs and far more a question of activating the non-actives as another way of meeting the pressing need for new personnel.

### **Policy against poverty**

Policy against poverty, or “poverty policy”, as a specific government policy with its own objectives, i.e. not just one of the aspects of social security policy, has really only existed since 1995. In that year’s address at the opening of parliament, the first “purple” administration called on the general public, businesses, public authorities and social organisations to work together in single-mindedly and energetically tackling social exclusion and hidden poverty in our society. This acknowledged for the first time that poverty also exists in a wealthy country like the Netherlands. This open acknowledgement found its political reflection in the policy document entitled “The other side of the Netherlands”. Apart from practical measures to combat poverty, the then Minister for Social Affairs and Employment, Melkert, announced that the trend in poverty in the Netherlands would from then on be systematically monitored, as would the policy being developed to tackle it. An independent drafting committee consisting of academic researchers has since then been producing an annual report on “Poverty and social exclusion”, describing and analysing the main aspects of poverty. It also examines the effectiveness of the policy adopted to combat poverty. Apart from this annual report, the results of the “Poverty Monitor” are published every two years by the Social and Cultural Planning Bureau (SCP).

This section will briefly examine the following subjects:

- definitions of poverty
- implementation of the poverty policy and the relationship between this policy and the more comprehensive labour market and social security policy
- the results in recent years.

### **Definitions**

In practice, two different indicators are used to calculate the poverty rate. The first is the *low-income threshold*. A household is regarded as poor if its standardised disposable income is below that threshold. The threshold is based on the level of National Assistance for a single person in 1979, the year in which minimum benefits in the Netherlands reached their highest level in real terms. For other years this threshold is linked to the price index. By standardisation, the purchasing power of the income is adjusted for differences in the composition of the households (De Beer, 1999). The low-income threshold is used as a guide in this section.

The second indicator is the *policy-based or social minimum*. This threshold is derived from the standards set in the social legislation, particularly the actual net benefit amounts under the ABW, the AOW and the child allowance. This criterion is based on political decisions, such as the link with the Statutory Minimum Wage, and thus offers no fixed point of reference in comparisons over time (SCP, 1999).

The above indicators are based on income thresholds. Apart from the determination of those thresholds, poverty is also defined on the basis of other indicators such as the duration of the poverty, the household's assets, fixed costs and subjective poverty (the number of households stating that it is *difficult to get by* on their disposable income).

Finally, it must be remembered that poverty and poverty policy relate to the entire population, in contrast to the active labour market policy, which focuses solely on the potential workforce (aged 15 to 64 years).

### **Policy**

The policy document mentioned earlier, "The other side of the Netherlands", regards the performance of paid work as the best remedy for poverty. "Improving opportunities for people to enter the labour market is the best way of combating and preventing poverty. The government's general employment policy (in this case, that also means the active labour market policy) is therefore the central plank in its efforts to combat poverty." (SZW, 1995). Two reasons can be put forwards for this central principle. First, at the micro-level of households, finding work almost always means increasing income. Second, at macro-level, the greater the number of people in paid employment, the larger the economic base available to finance social security, while social security spending declines. This increases the scope for sustaining social security at a relatively high level (De Beer, 1996).

The second key element of the poverty policy is direct income support. The most important instrument here is Special Assistance, on which spending has increased substantially in the past few years (see section 1.2.2). Exemption from local charges, the local "pass" and the contributions towards housing costs and school costs might also be mentioned. One of the adverse side effects here is the poverty trap (see section 4.4).

Finally, a third element of a slightly different kind is the Urban Policy. This is examined in detail in section 4.3.

### **Results**

Looking at the situation over 20 years, the incidence of poverty increased sharply between 1981 and 1985 (from 13% to 22%), then dropped back to 15% in 1990, and has since stabilised. That is a remarkable fact and means that the strong expansion in employment in the latter half of the 1990s has not yet led to any substantial reduction in poverty in the Netherlands. This is made clear by the next two tables, which distinguish between active households (households in which the main breadwinner has an income from employment) and non-active households.



Table 2.3 Incidence of poverty among active households, 1977-1997 (%)

	Total	Single income households				Dual income households
		Total income households	single persons	Lone parent households	Couples	
1977	8	10	7	17	10	2
1985	11	15	10	24	16	3
1997	7	10	11	29	7	3

De Beer, 1999

The table shows that poverty among active households occurs mainly in lone parent households. That is also the only category with a rising poverty rate in the years after 1985. It is evident that an increasing proportion of them end up in low-paid and/or part-time work.

Table 2.4 Incidence of poverty among non-active households by type of benefit, 1977-1997 (%)

	Total	Assistance or unemployment	Disability	Pension < age 65	Pension, age 65 or more
1977	22	48	13	13	20
1985	36	71	30	13	31
1997	29	72	31	9	20

De Beer, 1999

The disturbing point about poverty among non-active households is that only pensioners have improved their lot since 1985.

The main reason for the persistent poverty is that the expansion of employment has resulted primarily in a large increase in the number of two-income households and a decline in the proportion of “breadwinner households” (single income), while the proportion of households without an active breadwinner has hardly declined at all. In 1985 this figure was 42% and in 1997 it was still very high at 39%. The commonest explanation for this stagnation is that many of the new jobs were part-time jobs in the service sector. These jobs were more attractive in terms of pay and content for women returning to work, and easier for them to obtain than for (predominantly male) benefit claimants.

However, there are also some more reassuring explanations. The last date on which measurements were taken was 1997, and it is very likely that the positive effects of the economic boom were not yet fully apparent at that time. Furthermore, the budget for income support measures has been greatly increased in the past few years and a great deal of attention has also been paid to improving the reach of those measures. The fact that finding work only gradually leads to an increase in income is also relevant. If someone who is “poor” finds work and manages to keep it, it will be four years before his or her average gross income will exceed the Statutory Minimum Wage. Another qualifying factor is due to the dynamics of poverty. Between 1989 and 1997 only 3% of households were on persistently low incomes, but that still represents 220,000 people.

## **Coordination: processes, structures and players**

### **Introduction**

This chapter examines the theory behind the central concept of this study: coordination. At the same time, it introduces some other terms and trends concerning the field to which coordination is applied in this study, namely that of the relationship between social security policy and labour market policy. This chapter thus performs a pivotal function in the report, referring back to developments discussed in the two preceding chapters and also looking forward to the three case studies which will be examined in the next chapter. If coordination is defined as mutual harmonisation and “establishing cooperation”, we can say that this is a “coordinating chapter”.

The structure of this chapter is as follows. First it examines the government’s changing role over the past two decades. The next section describes the general situation on the basis of changes in social security policy and labour market policy. Finally, each of these changes is linked to the concept of coordination.

### **The changing role of the government**

The concept of coordination assumes that a number of players are planning or have already undertaken various activities, and that those activities do not naturally fall into line with one another. As a result, unintended side effects may occur which may threaten the attainment of the intended objectives. To prevent that, control is necessary, with better or different ways of coordinating the development and execution of the activities. In the case of social security policy and the active labour market policy, the government has always been expected to act as coordinator in the first instance. Over the years, the government has made significant changes to the way it performs this role. In broad terms, there are two factors behind these role changes: the “hard” factor of the economic situation and the state of public finances, and the “soft” factor of the ideological view on what the role of government ought to be in the circumstances. To some extent it is the government itself that adopts and implements this view, but relationships with other players, not least the general public, employers and workers and other interest groups, also play a part. For a proper understanding of the current efforts to improve coordination between social security policy and the active labour market policy, it is therefore necessary to glance back at the changing role of the government over the past two decades. At this point it should be noted that “the government” is certainly not a homogeneous player. It is one with “many heads”, differentiated according to level of administration (state, provinces, local authorities) and areas of policy (such as ministries at central government level) with their panel of administrative agencies (e.g. Public Employment Service, Tax Authority).

The economic recession of the latter half of the 1970s was the main factor prompting reconsideration of the government’s role. That recession pushed up the numbers of unemployed, cast doubt on the affordability of social security and caused national budget deficits to reach worrying levels. At first, the government’s response was confined to a stringent policy of economy measures which were maintained for a long period. In addition, however, demographic, social and cultural developments were undoubtedly also important. These include the changing composition of households, due partly to the rising divorce rate,

the growing number of ethnic minorities and - from the 1990s - the shrinking proportion of young workers and the ageing workforce (a pattern which slowly but surely emerged), and the steadily increasing proportion of women going out to work. Within a short space of time, society became more diverse in many respects. From the 1970s onwards, people's standard of education also rose steadily, helping to create the "well-informed" citizen. The economic recession also reduced faith in the government's ability to control the economy and led the way to more "calculating" behaviour among both the public and businesses.

With the benefit of hindsight, this period – which some people dubbed "the decline of the welfare state" – is viewed as the beginning of the restructuring and modernisation of the welfare state (cf. Geldof and Vranken, 1999; Gough, 2000; Townsend, 2000; INPART, 2000). The essence of this process of change, which has only gradually taken shape and is far from complete in many respects, is the government's search for different control mechanisms, forms of organisation and underlying principles. In very broad and rather disrespectful terms, this process of change can be described on the basis of the following topics:

- *decentralisation*: while the central government used to have total responsibility for both developing and implementing policy, the lower administrative levels, particularly local authorities, are gradually coming to play an ever more important role
- *autonomy and privatisation*: on the basis of the newly discovered principle that a government does not have to do "everything" itself, numerous administrative agencies are being given autonomy, which "distances" them from the policy, or are being totally or partially privatised; the policy itself is to be devised by small, high-grade core units; where cooperation between the government and the business world is desirable or necessary, public/private partnerships can be set up
- *efficiency, effectiveness and market forces*: the aim of the process of granting autonomy and privatisation is to make the administration more efficient and effective; the government itself is also increasingly being analysed on the basis of these criteria; in so far as social security administration agencies still operate in protected markets, it is highly necessary that they should experience "market discipline"
- *integrated policy*: policy initiatives from different ministries or different departments of the same ministry must be developed and implemented jointly; this principle has spread from spatial planning to other areas of policy; integrated policy is seen as the best remedy for "compartmentalisation"
- *interactive policy development*: to avoid the age-old dilemma of an authoritarian "top-down" approach or a smooth-talking "bottom-up" approach, the principle of interactivity is being introduced; instead of publicity campaigns about decisions which have long since been taken, consultation with the organisations concerned now takes place at the earliest possible stage
- *deregulation*: the government has gone too far in its attempt to develop legislation to cover every conceivable situation; this has a multitude of drawbacks, ranging from the unintentional discouragement of private enterprise to tax returns that nobody is able to complete except for "the highly gifted with a minimum income", deregulation may mean both fewer regulations and a more cohesive and therefore more transparent set of rules
- *safety net and activation*: in the first instance, people must look after themselves: a safety net is offered only where that is absolutely necessary; but even where there is a safety net, activation is the guiding principle, rather than protection which encourages passivity; in relation to the subject of this study, this can be explained by the mottos of the two "purple" administrations: "work, work, work" (1994-1998, aimed at increasing the labour force participation rate) and "work and income" (1998-2002, aimed at reducing the number of benefit claimants: "work before income" would therefore be more appropriate)

- *rights and obligations*: to limit abuse, fraud and the number of “free riders”, the government has to draw attention to the connection between rights and obligations, which was always included in any legislation but which, depending on the mood of the times, did not always receive the attention it deserves.

It is tempting to pick out, on the basis of these topics, a single, all-embracing and clear trend which can be used to define the government’s change process. However, as will be evident from the next section, where these changes are described on the basis of social security policy and active labour market policy, that is not really possible.

## **Social security and the labour market**

If the changing role of the government has become obvious anywhere, then it is in the areas of social security and labour market policy. In the past ten or fifteen years the number of changes (new legislation, reallocation of duties and responsibilities, reorganisation, autonomy and privatisation, complex IT projects, etc.) has been unprecedented, as we also remarked in the two preceding chapters. The high point of this drive for change is the SUWI process, the institutional entrenchment of the link between work (active labour market policy) and income (social security policy). This process has had a long running-in period and will be completed in the years ahead. This major change in the social security and labour market system has been chosen as one of the case studies and will therefore be considered more closely in the next chapter. This section will place the whole process in a more historical and institutional perspective.

### **Restructuring**

According to Van der Veen, the changes in the Dutch “corporatist welfare state” over the past twenty years can be defined as a process of “managed liberalisation” (Van der Veen, 2000; Sol 2000; Van Hoof and Mevissen, 1999). For this study the concept of management is particularly important because it assumes an attempt to achieve greater coordination. To what extent has that been the case?

The aim of the restructuring process which was launched in the 1980s but did not become radical in character until the 1990s was to reinforce the activating content of social security policy and labour market policy, while at the same time incorporating stricter control mechanisms. The strategies used were as follows:

- *institutional restructuring* of the organised relationship between the government, employers and workers, businesses and social security administration agencies by partial dismantling of the corporatist structure; it was decided to keep employers and workers “at arm’s length”, notably on the basis of the outcome of the parliamentary inquiry on the administration of employed persons’ insurance
- the *introduction of financial incentives and more market forces* as an additional control instrument in relations between central and local authorities and in relations with social security administration agencies
- a *reduction in the discretion* available to social security administration agencies by more tightly worded legislation, by emphasising claimants’ obligations, in particular, as well as their rights, and by developing clearer guidelines for implementation processes.

This change process, which targeted both the *content* of policy and its *implementation*, produced some paradoxical results in the final design of the SUWI operation.

- The government did not confine itself to monitoring or managing a system of collective rights and obligations, but actually expanded its own role, contrary to the general trend towards “hands-off government”. In the new structure, the government carries full responsibility for administering employed person’s insurance, including the assessment of claims. By this about-turn in the plans, the government prevented employers and workers from regaining influence over the awarding of benefits. This also meant that the CWIs became totally public and there are no hybrid organisations in which public and private bodies have to work alongside one another.
- Market forces were confined to the insurance of partially privatised risks (such as sick leave and disability), reintegration services, and the occupational health services which have been around for some time.
- Employers and workers retain some influence over policy via their position in the Council for Work and Income, but are kept at “arm’s length” from its implementation.

According to Van der Veen, three factors account for the difficulties encountered in the restructuring process.

- First, in institutional restructuring, liberalisation has never been an end in itself, but was meant to promote the viability of the welfare state in the longer term. That viability includes maintaining the level of protection of social security and guaranteeing control over its administration. At the point where the risks appeared too great, the government changed course. Those risks first include a form of “market corporatism” which could arise as a result of mergers between social security administration agencies, insurance companies and occupational health services. Second, there is the “exclusion” of people by risk selection on the part of businesses and private administrative institutions with regard to workers and claimants.
- In the second place, the changes in the closely interconnected policy areas of social security and labour market policy did not begin simultaneously. One example is the reversal of the tripartite structure of the Public Employment Service, which initially gave employers and workers a management role alongside the government. At that time there was as yet no similar debate over social security responsibilities.
- Thirdly, when the process of managed liberalisation began, awareness of this interconnection was not yet sufficiently definite for a clear plan of attack to be designed for the whole restructuring process.

It is clear from this that, though the government did maintain constant control during the restructuring process, it was repeatedly surprised by both the effects of its own policy initiatives and by external developments. Only late in the day did it adopt a relatively transparent solution which facilitates a more coordinated service for clients.

Employers and workers are still indignant about the attack on their position of power in the social security system. According to the FNV [Federation of Dutch Unions], the debate on the restoration of the welfare state has concentrated too much on the relationship between “the public” and “the private” instead of the relationship between “the government” and “society’s middle ground”. The FNV also considers that the debate has been dominated too much in recent years by institutional issues (“which organisation gets which duties”) so that insufficient attention has focused on improving working procedures of social security administration agencies (particularly to reduce the number of disability benefit claimants). As a result, in the final design for the SUWI process, it was precisely the most vulnerable part of the system that was privatised, namely the implementation of reintegration measures, while the actual payment of benefits, a job that will become entirely public, could quite easily have

been contracted out to the private sector. According to the FNV, the SUWI process therefore does not offer any guarantees of better coordination between social security policy and the active labour market policy.

### **The many faces of coordination**

If coordination is the mutual harmonisation of activities, then every decent person should be in favour of it. Because coordination is good, coordination is politically correct. But it is not that self-evident, nor does it come with no strings attached. Why is it really necessary to coordinate government policy? There are some obvious reasons:

- the government sometimes has objectives which are or appear to be mutually incompatible
- the government itself consists of numerous organisational units which may differ from one another in their opinions, outlook or organisational culture, or even their political interests (compartmentalisation)
- there can be an overlap of functions between those units, or the allocation of functions between them may be unclear (a form of internal policy competition)
- the implementation of policy rests with multiple organisations, sometimes operating from different sectors (government, non-profit, market)
- the clients, the recipients of government services such as the public and businesses, do not form a homogeneous group and therefore cannot all be tackled in the same way, and they often make use of more than one government service.

In all these cases, coordination can promote faster, better and cheaper attainment of policy objectives. Coordination is then a means or strategy for achieving the following (Geldof and Vranken, 1999):

- a coherent policy with common goals
- a coherent set of measures
- cooperation between the players involved.

Coordination can also be seen as a point on a kind of “scale of intimacy” in mutual relations; the following steps and corresponding structures and characteristics are identified here (cf. Vanhoren and Struyven, 2000):

- “*communication*”: round table, informal relationship, exchange of information
- “*contribution*”: working party, informal relationship, offering support for the attainment of individual aims
- “*coordination*”: task force or alliance, formal relationship, agreements on the complementarity of individual aims
- “*cooperation*”: partnership or coalition, formal relationship, joint aims
- “*collaboration*”: working together, formal and also permanent relationships, common mission
- “*integration, transfer*”: integration or merger in another organisation; a single (new) aim or mission.

Depending on the situation, players who in one respect or another are “forced to work together” are able to choose a particular position on this scale. One might also advocate a dynamic view whereby the players indicate the appropriate direction on the scale of intimacy in which their relationship should develop.

If the topic of coordination focuses on the organisation and implementation of active welfare and employment policies – a significant aspect given that some 30,000 people are concerned with this (Ministry of Social Affairs and Employment, municipal social services departments, Public Employment Service, Job Centres, social security administration agencies, reintegration agencies, etc.) – the following division into five categories proposed by Mintzberg is relevant:

- *mutual harmonisation*: coordination by informal communication between the individuals carrying out the work
- *direct supervision*: coordination by the person in charge of those doing the work
- *standardisation of working procedures*: coordination by specifying exactly what the various individuals should do
- *standardisation of the output*: coordination by specifying exactly what the end product should be
- *standardisation of knowledge and expertise*: coordination by arranging professional training for those doing the work.

According to Van der Krogt and Mol (1998), this last form of coordination should increasingly be used in view of the growing complexity of the government's duties and functions.

### **Applications**

The remainder of this section will present a somewhat kaleidoscopic account of the above general, abstract concepts on the basis of recent developments in active welfare and employment policies and the active labour market policy. This discussion will be structured around the topics used earlier to describe the changes in the welfare state.

### *Decentralisation*

In the past ten or fifteen years, local authorities have been allocated steadily increasing responsibilities and financial resources for activating and reintegrating the unemployed. This process of decentralisation has given local authorities greater discretionary scope. It has also altered many other things which can be classed as coordination mechanisms. First, the introduction of universal applicable instruments such as the Opportunity Meter and the Classification Meter (KWINT), systems of placing new claimants in various categories according to their "distance to the labour market". The state often insists that such instruments be introduced before decentralisation can proceed. The reason is that central government wants to guarantee that clients are accorded equal treatment and to prevent administrators from meting out arbitrary treatment or abusing their discretionary power. Second, imposing more stringent requirements on procedures for reporting the results of the policy and accounting for budget expenditure to the central authority. Usually, new, universal monitoring instruments or information systems are developed for this. The CVCS is one example. Third, and more generally, there is the introduction of the concept of "joint administration". In that situation, two different government agencies agree on the allocation of duties and powers. These three measures can be viewed as coordination activities deemed necessary on the vertical axis (central-local) when launching the process of decentralisation.

Another aspect of this decentralisation process is that the increased role of local authorities in controlling local social security and labour market policy also leads to different or new coordination mechanisms at horizontal, local level. To some extent, local authorities can themselves decide on the detailed arrangements. One example is the close cooperation between the WIW [Job Seekers Employment Act] organisation and WSW [sheltered employment] agencies in some local authority areas. Another example is the choice between

maximising the implementation of policy in-house, or contracting out to the market sector on a massive scale. Such choices are important for the network in which local authorities operate and the way in which the lines of that network can be drawn.

#### *Autonomy and privatisation*

The previous section has already considered the “managed liberalisation” of the Dutch welfare state. Such a complex process, with the constant threat of paradoxical outcomes, imposes heavy demands on the government’s capacity for coordination (“fine tuning”). The case studies provide an illustration of this.

#### *Efficiency, effectiveness and market forces*

The government in general has become increasingly critical of the efficiency and effectiveness of the administrative agencies. To assess the contribution made by new legislation, reorganisation or the introduction of more market forces, they are also demanding ever more efficient monitoring and policy information systems (see decentralisation). This emerges clearly from the case study on the Urban Policy.

#### *Integrated policy*

Both the Urban Policy and the poverty trap policy are examples of the complexity of integrated policy. In both cases, all coordination levels are involved: horizontal coordination at central level (relationships between the various ministries), vertical coordination between central and local level (relationships between one or more ministries and local authorities) and horizontal coordination at local level (relationships between various local organisational units). It is obvious that such complexity is hardly conducive to the speedy development and implementation of policy in most cases.

#### *Interactive policy development*

Apart from “integrated policy”, “interactive policy” is also a buzzword in the government’s management jargon. Interactive policy development represents an attempt to escape the drawbacks of the top-down and bottom-up approaches. It is increasingly seen as essential for actually involving the players in the policy. In that sense, this interactivity can be defined as a preventive instrument to avoid coordination problems at a later stage. However, it is certainly not true that every policy initiative rapidly becomes the subject of broad debate in society. The government still exercises too much control for that, and employers and workers and client organisations are not sufficiently involved in more fundamental changes.

#### **Deregulation**

As society becomes more varied and the population becomes more diverse, it is possible to detect a trend in policy proposals towards developing specific instruments, rules on implementation and financial provisions for each specific target group or situation. This was also apparent in Dutch social security and labour market policy, and led to a lack of transparency in the instruments, competition between target groups and inefficient compartmentalisation in financial administration. In the wake of the general drive for deregulation which developed in the 1990s, changes were introduced in this area of policy, too. These include the streamlining of the instruments (e.g. the amalgamation of the Guaranteed Youth Employment Act [JWG] and the Jobs Pool in the Job Seekers Employment Act [WIW]), introduction of standardised phase-allocation instruments to determine how great are the barriers between the unemployed and the labour market [“remoteness”] (Opportunity Meter, Classification Meter) and a standardised client monitoring information system (CVCS), and finally the merging of budgets (e.g. the Fund for Work and Income).



All these changes can be seen as a way of avoiding coordination problems. This streamlining limits the number of instruments and rules, expanding the scope for application and making it easier to provide clients with a customised service. One example is the service provided in the form of an individual package of measures to help the unemployed back into work (“ITB”). However, that is only one side of the story, because streamlining leads to both greater discretionary scope for advisers and increased restrictions on that scope, since standardisation is proceeding simultaneously and the central authority is imposing stricter accountability requirements. If we take Mintzberg’s classification, we can state that there will always be some tension between the standardisation of working procedures (specific rules) and the standardisation of knowledge and expertise (general framework).

#### *Safety net and activation, rights and obligations*

On these topics, two examples of coordination can be mentioned. The first is the comprehensive approach, via the direct link between the safety net and activation (see section 2.2.2). The second is the amalgamation of a number of data banks, to detect fraud in benefit applications.

#### **Summing up**

We have already said that coordination can help in the development of a coherent policy with common objectives, a coherent set of measures and effective cooperation between the players involved. This could be defined as a form of “good (activation) governance”. But how can we demonstrate the extent to which this is achieved? The table below therefore lists some failure factors as a basis for developing more specific measuring points.

Chart 3.1 Failure factors in good activation governance

Topic	Failure factors
Decentralisation	<p>Imprecise agreements between administrative levels, dual structures</p> <p>Policy competition (e.g. between local authorities)</p> <p>Inadequate investment in staff competence at lower administrative levels</p> <p>Heavy investment in ICT to permit standardisation of data systems</p> <p>Unequal treatment of clients</p> <p>Local level offers insufficient points for applying labour market policy, shift to regional and sectoral levels desirable</p>
Autonomy and privatisation	<p>Market corporatism, so that government does not have a clear picture of, and/or any further influence over, value for money</p> <p>Risk selection by employers and social security administration agencies</p> <p>High transaction costs</p> <p>Diminishing legitimacy of public provision</p>
Efficiency, effectiveness and market forces	<p>A great deal of reorganisation is required to make public administrative institutions operate more efficiently and effectively. That reorganisation often leads to uncertainty over career prospects, absenteeism and an exodus to the market sector (employment agencies, reintegration agencies)</p>
Integrated policy	<p>Delays in the development and implementation of policy, caused by the complexity of the subject, objectives and policy processes, the large number of players involved (compartmentalisation, conflict of interests) and the lack of a comprehensive strategic view</p>
Interactive policy-making	<p>Delay in the development of policy caused by the large number of players involved (conflict of interests) and the complexity of the network</p> <p>Uncertainty at the start of the process can have an adverse impact on cooperation</p>
Deregulation	<p>Insufficient protection in specific situations</p>
Safety net, activation, rights and obligations	<p>Encroachment on clients' privacy</p> <p>If the activation and sanctions policy is implemented too strictly, there is more chance of people dropping out and hence limited reach</p>

## Coordination in practice

### Introduction

This chapter presents three case studies concerning initiatives aimed at complex policy problems, seeking new forms of coordination between activation and security. The following will be discussed:

- the SWI project and the SUWI process
- the Urban Policy
- the policy aimed at alleviating the poverty trap.

The criteria for selecting the case studies were that they must reflect the diversity of policy initiatives, conform to central aims of government policy, be located at the intersection between activation and security and qualify as best practice, including for an international audience.

The case studies all follow the same layout. First comes a description of the institutional context and the need to develop new policy. Next, we examine the change processes implemented or proposed, after which we look at the target results and the possible side effects. Here we pay special attention to the coordination mechanisms used and the effects on the service to the clients at whom these initiatives are aimed.

### SWI and SUWI

#### Introduction

This section examines two of the most comprehensive restructuring processes in Dutch social security and the active labour market policy: the *Partnership for Work and Income* (SWI) project and the still more radical process of the *Structure for the Administration of Work and Income* (SUWI). Although the SWI project ended recently, by no means all of the elements have yet been incorporated in the regulations or implemented in practice. That is true of the SUWI process in general. It means that the description of the general context (section 4.2.2) and the coordination mechanisms in the *Centres for Work and Income* (CWIs, section 4.2.3) will focus mainly on the plans which have been developed. Here it must be remembered that, during 1999, the government adopted a radical change of course. Instead of the initial option chosen of private claims assessment and private administration of social security, the government decided that these functions should be performed by the public sector. It also decided on a new, independent but public organisation within the active labour market policy, instead of collaboration between the parties involved.

The description of the SWI project and the SUWI process will set out the legal parameters and policy principles at central and decentralised level, and then compare these with everyday practice (section 4.2.5). The results of the interviews with those directly involved in real life (i.e. on the shop floor) and document analysis will play a central role in that comparison. In line with the basic principles of the research project, the main focus here will be on the administrative structure and the implementation of the legislation in respect of national assistance claimants.

## **Change processes: SWI/SUWI**

### **Trying to achieve optimum cooperation**

For decades now people have been trying to improve the cooperation between existing institutions in the labour market and social security field. It has always been felt that there were problem areas and all kinds of misunderstandings between the institutions and that, in general, reintegration into the labour market was too slow and inefficient. Over the years, various methods of cooperation have been developed, ranging from all forms of central and local plans and agreements between parties and between individual advisers within the set-up, to gradually more dominant political intervention in the direction of enforcing cooperation between institutions (Bodelier, 2000).

Two examples of a breakdown in communications.

- The Job Centre is responsible for notifying the benefits agency if an unemployed person is not making sufficient efforts to find work. This function has never been performed perfectly because of the lack of feedback following such notification or because the Job Centre assumed that notification has too little impact on benefits. Conversely, the benefits agency did not feel that it was the Job Centre's "errand boy", and – where the National Assistance Act is concerned – for the local authority, in particular, there are other considerations, apart from efforts to find work, which influence the level of benefits.
- If the Job Centre considered that training was necessary, there were all kinds of rules – which in practice were often impediments – concerning provision of the same training by the benefits agency. One agency often offered far more scope (or was more tight-fisted) than another.

In conclusion, as regards the general drive to increase cooperation, we can say that since the welfare state restructuring process in the latter half of the 1990s there has been a change of course, and the labour market and social security are now viewed far less in isolation. Labour market policy is being tied in with social security objectives, under the motto of work before benefits. In this terminology, social security policy has taken the lead; labour market policy is subservient, particularly for avoiding a benefits situation. The gap between labour market agencies and social security agencies is being reduced in that the concept of social security is no longer seen merely as the careful provision of benefits, but now also includes the reintegration of claimants. This task was previously the exclusive preserve of labour market policy, i.e. the Public Employment Service.

### **Partnership for Work and Income (SWI)**

In 1995, on the basis of a request from the government to the then central institutions concerned with labour market policy and social security policy (TICA [Interim Institute for Coordination of Social Security Legislation], VNG [Association of Netherlands Municipalities] and CBA [Central Board Public Employment Service]), an SWI management group (Partnership for Work and Income) was set up to ensure process-oriented cooperation between local authorities, the Regional Boards of the Public Employment Service (RBAs) and the social security administration agencies (UVIs). The aim of this process was to improve efficiency in getting people back to work by placing greater emphasis on client reintegration and by better cooperation and better allocation of responsibilities between the parties concerned. This change process was intended to culminate, by 1 January 2001, in a structure comprising over 200 CWIs (75 have so far been set up) to offer public services at local and regional level in order to match demand with supply on the labour market. However, as unemployment is falling, the number of CWIs is now expected to total around 100. The LIWI

(National Institute for Work and Income) is being set up as an independent administrative authority to maintain control over these CWIs. One of the LIWI's other tasks is, at the request of the Minister for Social Affairs and Employment, to conduct a check on the implementation of proposed legislation concerning work and incomes (in so far as the LIWI is responsible for the implementation). In this set-up the LIWI therefore has an important coordinating role, both at national policy level and with regard to the practical implementation work of the CWIs.

## **SUWI**

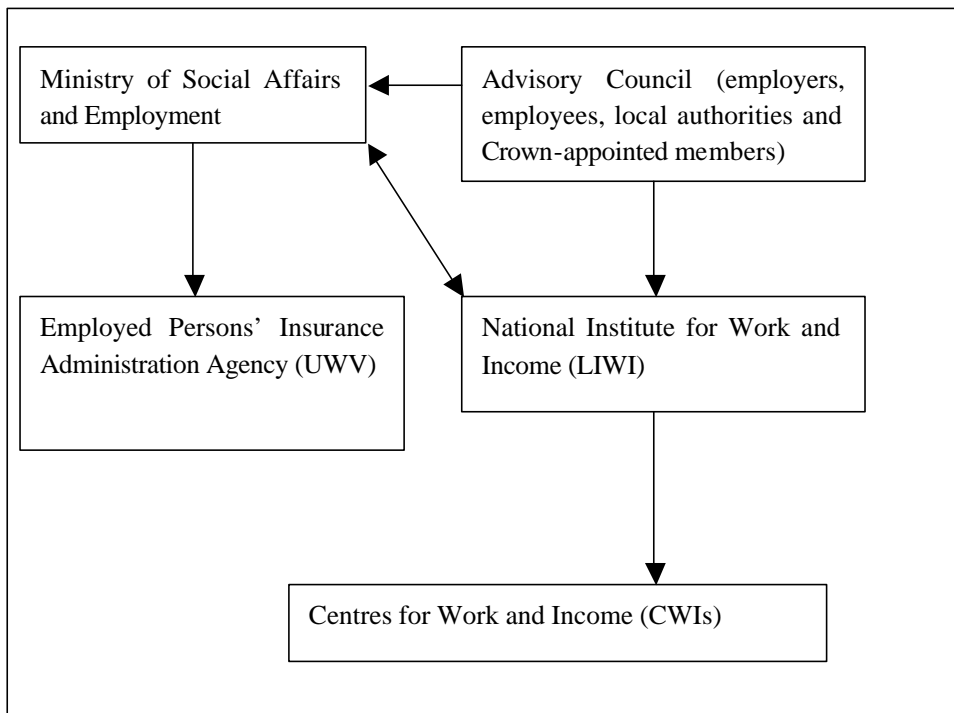
The government's position on the Structure for the Administration of Work and Incomes (SUWI) as stated in January 2000 is based on the 1998 Coalition Agreement. That agreement gave a detailed account of the intended practical changes to the Public Employment Service and social security. The government's current decisions are in line with the aims of the Coalition Agreement: work takes priority (work before income), the provision of a single point of access ["one-stop shop"] for the client at the start of the process, better and faster activation of those who are entitled to benefits and those who are not, and more effective and efficient administration. Administrative improvements should maximise the number of people being helped back to work as quickly as possible, while ensuring that clients for whom that is not feasible (immediately or at all) gain access to benefits in the simplest possible way. In addition, improvements to the administration are an essential requirement for the policy aimed at preventing unemployment and disability and promoting reintegration of benefit claimants.

This position taken by the government resolves some of the issues that have been on the agenda for years. Since the parliamentary inquiry into social security administration agencies in 1993 identified a number of defects in the social security system, the government has been working towards this by stages. Over the years, specific cooperation had developed between local authorities, job centres and social security administration agencies, there have been radical amendments to the social security legislation, the Manpower Services Act and the National Assistance Act (in order to create an activating system and to give employers more incentives than before to minimise the burden of benefit payments) and a degree of privatisation has been introduced. There is now also independent supervision over the administration. The key elements of this restructuring, which is expected to take five years, may be summarised as follows.

The administrative work of collecting premiums, assessing claims and arranging benefit payments is placed with a single public body, the Employed Persons' Insurance Administration Agency (UWV). In addition, the reintegration of the unemployed and handicapped is being carried out by private reintegration agencies on behalf of the most appropriate parties. The government has also confirmed its earlier decision to set up the National Institute for Work and Income (LIWI) and the Centres for Work and Income (CWIs).

To make the structure of the SUWI model easy to follow and to clarify the way in which the SWI process is incorporated in that, figure 4.1 offers a diagrammatic representation of the principal players.

Figure 4.1 Structure for the Administration of Work and Income (SUWI)



The SWI project was formally concluded recently with the establishment of three “change managers”. One of these managers is responsible for proceeding with the establishment of the CWIs. An important element of this manager’s work is the provision of guidance and support on splitting the Public Employment Service organisation into a public division and a private division. The public division will be responsible for the basic service via the CWIs, while the private division will compete on the private market as a reintegration agency. The other change manager is in charge of forming the UWV agency out of the existing LISV and the five currently still private social security administration agencies (UVIs). Together with the chairman, who is responsible for coordination and mutual harmonisation, these three officials form the change management team.

### **Independent administrative authorities**

Another feature of this process is the legal structure of the two umbrella organisations, the UWV and the LIWI. In both cases the government has opted for an independent authority model, whereby the central government is kept at arm’s length. It establishes the general policy and parameters but is not directly involved in the administration. A separate body is appointed to supervise the legality and efficiency of the independent authority’s activities.

A structural diagram also clarifies the position regarding the SWI project, except that the lines in figure 4.2 indicate cooperation rather than a hierarchical relationship.

Figure 4.2 The CWI process

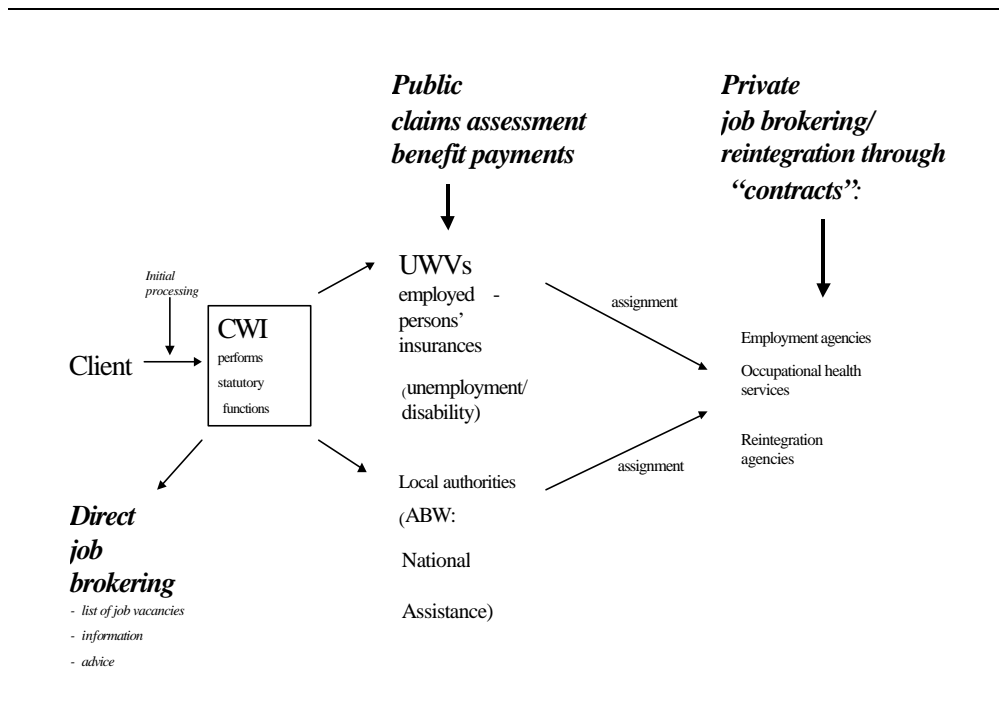


Figure 4.2 shows that there is a direct link between local authorities and CWIs, because the local authorities are responsible for the reintegration of National Assistance claimants. Local authorities outsource the actual reintegration work by using private reintegration agencies. The Fund for Work and Income (FWI) which is being set up gives local authorities the financial incentive to conduct an effective reintegration policy. Until recently, the municipal social services department handled the entire process of registration, claims assessment and benefit payments (ABW). As a result of the SWI process (in this case the establishment of the CWIs), there have been some changes here for potential and existing clients of local social services. The role of the CWI in this will be explained in more detail in section 4.2.3. The diagram also makes it clear that clients for whom employment cannot be arranged immediately will receive a “chain of services” comprising three distinct stages: initial processing (CWI), claims assessment and payment of benefits (UWV, local authorities) and finally reintegration (reintegration agencies). This means that the need for coordination will remain undiminished in this new set-up.

### Social security and the social partners

In the Netherlands, the social partners (employers’ and workers’ organisations) have traditionally been closely involved in the administration of social security. For instance, until recently they were directly represented in the management of the unemployment benefit and disability benefit agencies (the industrial insurance boards) and the Public Employment Service. As a result of the SUWI restructuring operation, the social partners are being kept at a much greater distance so that their involvement in the design and implementation of the

active labour market policy and the social security policy is confined to membership of advisory bodies such as the Council for Work and Income.

### **Summing up**

To sum up, we can state that the entire SWI project which, following the political decisions concerning the proposals on the Structure for the Administration of Work and Income (SUWI), is leading from cooperation to integration of the front office functions of the three arms of the administration (social services, Public Employment Service and social security administration agencies) implies a radical transformation in the administration of social security. While existing administrative bodies are handing over functions which are being integrated into the CWIs, they will also have to prove themselves on the market to some extent. In this process, coordination between the services provided by the various agencies in the market remains important.

### **Centre for Work and Income (CWI)**

The CWI is the place to which all potential benefit claimants seeking work and needing benefits will come. It is a public institution which takes on the administration of a coherent set of functions comprising the following elements:

- management of the national vacancy data bank
- management of the national applicants data bank
- active brokering
- provision of information
- advisory function
- processing of applicants for work and income
- determination of the difficulty of placing clients on the labour market, using the Opportunity Meter and the Classification Meter (KWINT)
- possible assessment of re-phasing

A number of these tasks will be considered in more detail.

The idea of the single point of access is central to the CWI approach: in contrast to what used to happen, a client seeking work and/or applying for benefits now has to deal with just one officer in the first instance. That officer processes the new application for work and income. This means that, during the first contact, he compiles all the necessary administrative data required for slotting the job-seeker into the labour market and for handing the application for benefits under the National Assistance Act.

This includes:

- recording personal particulars (identification)
- recording the person's tax and social security number
- describing the reason why the person is claiming benefits
- describing the working background and training..

Apart from having his personal data recorded, the person concerned is given a form which can be used to apply for benefits as referred to in the National Assistance Act. Following a general check to ensure that they are complete – and if there is no work available immediately for the person concerned – these particulars are forwarded electronically to the local authority, which has to assess whether or not the person is entitled to benefits and to deal with the subsequent payment of benefits, if appropriate.



Another important element of this processing of work and income applicants is the determination of the difficulty of placing the person concerned on the labour market. An instrument has been developed for this purpose, which can be used to allocate the person concerned to a particular phase. The next section will look at this instrument more closely.

### **Coordination mechanisms and instruments relating to the CWIs**

This section will examine the design of the coordination mechanisms and instruments adopted by the policy-makers in the plans for setting up the CWIs. This concerns both coordination aspects relating to the basic parameters and aspects which the officials have to define in carrying out the work.

### **Cooperation with other parties**

In designing the optimum service for clients and effective, efficient operation, CWIs and agencies paying out benefits (the local authorities in the case of national assistance and the UWV for unemployment and disability benefits) work together and coordinate their working procedures. That avoids the risk of duplication and mistakes in transfers between organisations. Where client contact is concerned, every effort is made to arrange combined accommodation in shared premises. Private organisations involved in reintegration and acting as intermediaries, such as occupational health services, employment agencies and specialist reintegration agencies, can have offices here, too. A more specific aim of this concentration in one location is to reduce the separation between the types of work involved in various phases of arranging employment. Knowledge of one another's activities is essential to bridge any cultural gaps between organisations involved in the process of arranging employment and reintegration. In that sense, setting up shared premises in this way is an important means of coordination. The LIWI's job is to discuss the establishment of such shared premises with the local authorities concerned (in a town or region).

For the purpose of regional cooperation, regional platforms will be set up shortly, in which the CWIs in the region can hold discussions with service providers (e.g. reintegration agencies, employment agencies) and "clients" (e.g. employers). These platforms are to be initiated by the largest local authority in the region concerned. The main aim of such platforms is to serve as an aid to communication between the parties concerned, since they are not being accorded any formal decision-making powers.

### **Single point of access [one-stop shop]**

As already stated, the CWI philosophy is based on the idea of a single point of access. In terms of coordination, such an approach is very important for the efficient processing of benefit applications and for encouraging entry to the labour market. Key concepts here include case management and personal advice. Wherever possible, clients are advised by one case manager with whom they can discuss matters.

### **Phase allocation**

Since the beginning of 1999, the "Opportunity Meter" has been used when the client first contacts the CWI, to determine the difficulty of placing the client on the labour market (estimating the chance of work). The aim of this uniform method is to determine what needs to be done in order to steer the client (back) into the labour market. At the same time, it is an instrument for giving clients themselves a better understanding of their opportunities on the labour market.

In the first instance, this instrument is used to allocate the client to a general phase. A questionnaire is used to check the client's working history and training. A decision chart is then used to allocate the client to phase 1 or 4, or "to be decided". The significance of these phases is as follows:

- Phase 1: the person concerned can find employment immediately. No facilitating measures are required. However, the person concerned could make use of the basic service provided by the CWI, including the information and advice function and the vacancy service.
- Phase 4: owing to serious personal impediments, the person concerned is initially dependent on a set of measures aimed at social activation, welfare or assistance. Instruments oriented more towards the labour market are only a longer-term option.
- To be decided: people are placed in this category if it is not immediately clear how hard they are to place on the labour market.

In the case of clients allocated to phase 4 and "To be decided", the general phase allocation is always followed by a second, more detailed discussion which examines the client's opportunities and background in greater depth so that the allocation to a particular phase can be corrected if necessary. For the "to be decided" group, this is followed by a second classification (by means of the Classification meter). This is not so much concerned about the precise difficulties in the way of placing them on the labour market. It comprises mainly an analysis of ways in which those difficulties can be overcome. This then leads to a further phase allocation for the client. Apart from still being assigned to phase 1 or 4, the client may be placed in phase 2 or 3. The meaning of these phases is as follows.

- Phase 2: The person concerned is considered suitable for the labour market within one year if appropriate instruments are used to facilitate employability.
- Phase 3: The person is sufficiently hard to place for it to take measures lasting at least one year, but a maximum of two years, to facilitate access to the labour market.

A reintegration recommendation is then drawn up on the basis of the second classification. This recommendation is sent to the agency paying the benefits. If the client disagrees with the phase allocation he can object (to the LIWI) and appeal (to the courts).

### **Monitoring and activation**

A further aspect of coordination is monitoring of the agreed tasks, allocation of duties and working methods. In the first instance, the CWI officer dealing with new applicants is responsible for monitoring the activities and the client's willingness to cooperate in an early return to work or reintegration. This applies particularly if benefits are applied for as well as the intermediary activities. By proper exchange of information with the benefits agency, this institution can maintain control over the activities of the CWI officer within the activation process. The intention is to facilitate this exchange of information by using ICT wherever possible.

### **Use of ICT**

One of the important coordination mechanisms in the restructuring of the active labour market policy and the social security policy is the use of ICT (information and communications technology). For this purpose it was decided to start by introducing a Client Monitoring Communication System (CVCS). This system supports cooperation between the parties involved in facilitating labour market access and reintegration throughout the entire process, from the moment when a client is first registered to the point where the client is placed in paid employment or when the parties end the process.

The aims of using the CVCS system are:

- Support for the working process of a job centre
- Fewer forms, greater access to data
- Better client monitoring over time
- Saving time on mutual communication
- Greater client-friendliness
- Fewer transmission errors
- Better management information

Development of this system is currently in a pilot phase. CVCS will be developed nation-wide on the basis of the pilot project evaluations.

### **Client participation**

The subject of client participation in social security has attracted growing interest in recent years. This applies in all kinds of social and political developments: activation (work before income), the changing functions and roles of administrative agencies, the need to improve quality, the tendency towards an integrated, individual service, democratisation, more independent and better informed citizens, need for customisation, privatisation and market forces. The developments which concern enshrining the right to client participation in laws such as the National Assistance Act and the new Social Security Organisation Act (NOSV) make the subject even more relevant today. This legislation in fact acknowledges that citizens have a right to be involved in matters which concern them.

Within the CWI organisation, too, an important principle concerns organising good client participation. For this purpose, the SWI project management team set up a “Customer Satisfaction” project. In this connection, “customer” means the person seeking work (anyone coming to a CWI for work or benefits). The aim of this project is to improve the quality of the CWI service from the client’s point of view. The crucial question here is how CWIs can involve their clients in the quality of their service, and how one can measure customer satisfaction in relation to that service.

There are currently a number of instruments available for consulting clients. In the near future, as the CWI structure takes shape, these instruments can be further developed. Client consultation may take four different forms:

- non-targeted, continuous notification of clients’ opinions: using a suggestions box, complaints form or brief questionnaire to find out about clients’ needs, wishes and ideas with the aim of making incidental improvements
- general reporting of clients’ opinions: usually large-scale market research on the quality of service with the aim of collecting general information on the strengths and weaknesses of the service provided
- in-depth information on clients’ opinions: arranging group interviews or detailed questionnaires on particular subjects to collect specific information which can be used to target specific improvements in quality
- direct dialogue with client groups or their representatives: arranging direct confrontation with users, or developing client participation, via consultation with a client council or panel.

All the above instruments have both advantages and disadvantages. The establishment of client councils is a particularly difficult point in connection with the activities of a CWI, because a client council requires a clear target group, but a CWI generally has a large turnover

of clients rather than a permanent clientele. Instead of individual clients, client organisations can be asked to sit on a CWI client council. Members of existing client councils in the region are one possibility.

### **Effectiveness and efficiency**

For monitoring and promoting the efficiency and effectiveness of the CWI, the SWI process management team has developed an instrument for monitoring its own behaviour and performance as an organisation. Some of the questions must always be answered when making reports. The questions go through the policy cycle (plan, interpretation, implementation and evaluation) for each part of the work process. The report can then be used to provide a general picture of the CWI's position in terms of efficiency and effectiveness.

### **CWI in practice**

#### **Introduction**

To illustrate how a CWI functions in practice in a number of relevant respects, a CWI organisation in the West Netherlands was examined in more detail, taking a particular look at the CWI Leiden. This institution was formally set up on 1 January 2000. Its official name is still "the future CWI", but the reorganisation process initiated by the SUWI restructuring is in full swing. This means that by October 2000 the "old" Public Employment Service must be finally split into a private division and a public division (the basic service). The intention is that the public component of the "old" Public Employment Service organisation (the Job Centre) should become the core of the CWI. This will then have a staff of around 40 people, supplemented by local authority representatives (i.e. transferred local authority officials) and representatives (to be transferred) from the currently still private social security administration agencies (UVIs). The new private component of the Public Employment Service, called "KLIQ", has been set up in the same building in Leiden, with around 40 staff. This operation is expected to be a success in Leiden, in view of the good contacts with the local authority and the good service provided in the past in terms of reintegration activities.

These developments are bound to cause some disquiet among employees, certainly among those who work for the Public Employment Service, in view of the uncertainty in the short term. Another factor is that demand for services is shrinking because of the declining supply of job-seekers as a result of the booming economy, while the character of the service is also shifting towards short-term contact as a result of rapid changes on the labour market. For instance, increasing numbers of graduates are contacting the CWI for that reason.

#### **Finance**

In contrast to the Public Employment Service, the CWI will no longer be financed on the basis of output (e.g. number of applicants, number of cases dealt with, etc.) but much more on the basis of the quality of service. That quality will be constantly monitored according to various indicators via surveys among both employers and workers. There will therefore also be a quality grading system.

#### **Coordination in practice**

In the region where the CWI operates or is to operate, there is a consultative body for the parties involved in the organisation of the CWI, namely the Public Employment Service, the local authority and the social security administration agencies. This body takes the decisions on the structure and design of the regional CWI, under the chairmanship of the Leiden councillor responsible for regional policy. This steering committee will be abolished as soon

as the national CWI change process has been completed. The CWIs will then be controlled by the LIWI.

For the present, the joint CWI operation in Leiden is taking shape at the site of the former job centre. The other parties involved in the active labour market policy (employment agencies, reintegration agencies, etc.) will soon be able to acquire space here, too. This puts into effect the concept of shared premises, one of the keystones of the idea of good cooperation and short lines of communication between parties concerned with the active labour market policy. In the future the CWI will possibly move to a new office in the neighbourhood of the central railway station.

The formal establishment of the CWI also involved cooperation and coordination between the parties concerned with the CWI in the form of specific projects. This cooperation is described below: the local authority was the main driving force here.

### **Neighbourhood approach: a model project for the active labour market policy**

In April 1999 the Leiden Municipal Executive approved the plan for tackling unemployment in Leiden-North via a locally oriented approach. This project was called: "Who works, wins". The intention is to achieve a comprehensive approach in line with government policy, to prevent people from remaining dependent on benefits for too long. One of the basic principles concerns finding out whether a local, project-based approach is better than individual measures to facilitate labour market access.

Leiden-North was not chosen at random. Unemployment in this area is still high, despite the economic growth and the associated strong demand for labour. On 1 January 1999, 741 people were registered as unemployed and seeking work in Leiden-North. The largest group (489 people) belonged to phases 3 and 4. The standard of education is generally low. 536 people had completed only elementary education or lower vocational training. Another striking point is that 376 people had been out of work for more than two years.

A further reason for choosing Leiden-North was that a number of initiatives have already been developed in this area. This project could try to link into existing collaborative schemes.

The aim of this project was formulated as follows:

- To inform employers of available subsidies and to create new jobs
- To arrange employment immediately for phase-2 unemployed persons seeking work. To set up measures to facilitate labour market access (subsidised work, training, social activation, welfare) for job-seekers who are harder to place (phase 3 and 4)
- To reduce unemployment in Leiden-North, the overall objective being: 25% of phase 2 find work, 10% of phase 3 find work, 10% of phase 3 and 4 take an active part in measures to promote employability.

The project was carried out on the basis of two key elements:

- Setting up an information meeting for employers in Leiden and the immediate surrounding area. Explaining the new opportunities offered by this project, and particularly the additional scope for subsidised employment.
- Preparing and conducting individual interviews with unemployed job-seekers and arranging regular, subsidised or voluntary work.

The results achieved by approaching employers were initially promising. Of the 955 firms contacted by letter, 12% indicated that they were interested in finding out about the various

subsidy options. However, the resulting supply of vacancies was very small. In the end, only 8 vacancies were offered, and 3 were filled by the target group.

The activating policy was far more successful with regard to the unemployed job-seekers. Before the interviews with this group began, good working arrangements were agreed with the various organisations involved in carrying out the project. The primary cooperation partners are the Job Centre, De Zijl Bedrijven (DZB, the Sheltered Public Employment Service in Leiden which also coordinates the WIW, the I/D Jobs Scheme and the Apprenticeship Service) and the municipal social services department. Arrangements were also agreed with the Leiden Welfare Organisation (LWO), the General Social Work agency and the GGD (local health authority) on referral and feedback. Job-seekers were selected on the basis of data comparisons between the job centre and the social services. Initially, job-seekers receiving national assistance from the social services and not yet taking part in any measures were selected. Altogether, 264 clients were approached in 1999.

During the interviews the client's situation is defined. These interviews are held in the area where the client lives. They consider what steps are necessary to gain eventual access to the labour market. After this first discussion, the client is immediately referred to the job centre, sheltered Public Employment Service, apprenticeship service or elsewhere, depending on the client's situation and the difficulties impeding placement on the labour market.

At the end of 1999 the targets for the acceptance of work and employability measures were exceeded: 63% of phase 2, 32% of phase 3 and 13% of phase 4 were in work. The last figure, in particular, was higher than expected. 56% of the intended employability measures had been carried out. However, it should be pointed out that the final results will only be apparent in the longer term.

The approach adopted proved fruitful. Not letting go of the client is a key feature of this method. Watertight agreements were made with the partners. All the organisations involved in the project set aside certain parts of the day for calling on clients. Good, workable arrangements were also agreed concerning feedback on the interviews. This means that there are short lines of communication for getting the client started on a course of action as soon as possible.

### **The CWI instruments**

For the time being, the advanced range of CWI instruments (the Opportunity Meter, the Classification Meter, reappraisal of the labour market position, etc.) is only being used by former Public Employment Service staff. However, the integration of the service with the local authority and social security administration agencies has now already reached the point where staff of those institutions are involved in providing the basic service in the front office, and thus in processing applicants. Training is, of course, necessary before staff from other institutions can be allocated to specialist work.

One of the central tasks of the Leiden CWI is processing new applicants. In principle, every registered applicant is first matched with the available vacancies before any application for benefits is submitted. In the case of schoolleavers, it has been agreed with the Leiden local authority that, after registering with the CWI, they should first contact employment agencies to inquire about vacancies. If suitable vacancies are refused, no national assistance will be granted. The Leiden local authority ensures by means of frequent contact that it is kept informed of the stock of vacancies at employment agencies.

National assistance clients in Leiden know from the first contact – the integrated initial processing – what is going to be done for them and what will happen to them. The action plan arranged is set out in an agreement. Clients are expected to do much of the work themselves. The CWI provides guidance for phase 1, 2 and 3 clients, while the local authority deals with

phase-4 clients. This last group is offered either an employability action plan or a welfare plan. The latter consists primarily in creating the conditions for a future employability plan, e.g. tackling drug addiction. There are strict working arrangements concerning the mutual exchange of information and the deadlines for taking subsequent steps. The local authority monitors the whole process.

Proposals based on initial classification and involving measures for transferring from the CWI to the local authority or benefits agency (depending on whether the client receives unemployment/disability benefit or national assistance) generally have a price tag. However, the Leiden local authority almost always approves the proposed action plans. In the case of the benefit agencies, it is often different. These organisations consider many such proposals too expensive. However, the Leiden local authority regularly pays the cost itself in the case that a client receives an unemployment benefit as well as National Assistance.

The close cooperation between the Leiden local authority and the CWI has also led to the development of instruments aimed specifically at phase-4 clients. The projects can be called “Orientating the long-term unemployed”, “Women in perspective” and “Jobs are central (for immigrants)”. These projects concentrate on equipping people with basic skills before proceeding with an employability plan.

### **Activation in the future CWI context**

After her divorce, Marina de Graaf (44) is looking for work. During her 15-year marriage she did no paid work. At the CWI she has an interview with a member of staff who, following a general initial processing procedure, indicates that Marina should be provisionally allocated to phase 4 in view of her personal circumstances. The member of staff also records a number of particulars concerning an application for national assistance. One week later, in the second classification procedure, another member of staff at the CWI establishes that phase 4 is indeed the appropriate category. During this interview, Marina has stated that she suffered both financial and mental problems after her divorce. The CWI officer assesses what should be done so that Marina can eventually participate in society once again and then be helped back to work, and incorporates that in a recommendation for the local authority.

Once Marina’s particulars have been forwarded by the CWI to the municipal social services department, the Municipal Executive (B&W) decides that she qualifies for National Assistance. Following referral, Marina has to deal with the social services department, where a member of staff draws up an action plan for her. Since Marina herself still has little idea of what she can do, the officer suggests that she could start with a career guidance course and might then do voluntary work in order to re-establish a set pattern and make social contact. Marina’s debts are not so great as to require debt rescheduling. However, it is suggested that she should temporarily arrange for her fixed costs to be paid through the social services department and thus be deducted from the benefit. This action plan and the monitoring will provide Marina with regular contact with the social services department. The local authority outsources the execution of the plan via an agency which specialises in preparing re-entrants for the return to the labour market. In due course, this agency might also arrange job brokering.

### **Client participation**

The Leiden CWI is currently implementing the RIA System (Information and Advice Update). With the aid of this system, CWI clients, i.e. employers, job-seekers and other parties, can obtain information about aspects of the CWI’s work. The system records the operations carried out, making it possible to obtain reports on frequently raised questions.

Soundings are to be taken shortly on client satisfaction with this computerised service and provision of information, and the system can then be adjusted accordingly. The intention is to conduct periodic measurements of satisfaction among clients by means of surveys.

## **ICT**

The AGORA system will shortly be installed at the Leiden CWI. This means that the main system used at the CWI will be different from the one originally intended for the country as a whole. This system is able to communicate with both the local authority client monitoring system and the social security administration agencies systems. Thus, the municipal social services department initial processing module can also be implemented by AGORA.

## **Summary**

The key feature of the Leiden approach is: clear cooperation agreed among all the parties involved, properly streamlined working procedures and the elimination of waiting times for job-seekers needing an action plan. The Leiden comprehensive approach is aimed both at new national assistance clients and at those who have been unemployed for a long time. This approach has been so successful in Leiden that the Leiden local authority and the Leiden CWI have been awarded 2<sup>nd</sup> prize in the “Werksleutel 2000” [Key to Work 2000] competition. This project awards prizes for the most creative and innovative interpretation of the comprehensive approach.

## **Urban Policy**

This section deals with the Urban Policy. By way of introduction, it first examines how this policy has developed on a national scale in recent years, the underlying general objectives and the way in which the management aspects are organised. The other sections then present the urban policy of one municipality, Leiden, as a case study.

## **Introduction**

Towns are important centres for social, economic, cultural and political interaction in Dutch society. This key position presents them with not only numerous development opportunities, but also a whole range of risks. These risks are expressed in most concrete form at neighbourhood level in the form of unemployment, low incomes, social exclusion and crime. Large towns and cities, in particular, suffer from intractable labour market problems, partly because the expansion of employment and decline in unemployment there are lagging behind the trend elsewhere in the Netherlands (BZK, 1999; SZW, 1999a; Verweij et al., 2000).

Just after the 1994 elections, the four largest cities in the Netherlands (Amsterdam, Rotterdam, The Hague and Utrecht) focused their attention on this issue in their “Delta Plan for the Cities”. This plan proposed a new strategy for tackling the specific problems of cities. Close cooperation between central and local government, employers and other local organisations could reduce unemployment, promote the integration of immigrants and improve living conditions in the cities. Eventually this led to a covenant between the central government and 25 cities (the “G25”) for 1994-1998. The total budget came to roughly 3.5 billion guilders.

Although this period did duly produce results, many people felt that a still more intensive approach was desirable. In response, following the 1998 elections it was decided to make



more funding available and to appoint a separate Minister for Urban Policy and Integration of Ethnic Minorities (GSI), who would of course include the urban policy in his portfolio. In organisational terms, urban and integration policy comes under the Ministry of the Interior and Kingdom Relations (BZK). The department handling the urban policy has a staff of around 24 people.

A “re-start covenant” was agreed with the G25 taking part in the urban policy from 1994 to 1998, in order to arrive at a view of the development possibilities for the cities and on that basis to devise long-term, integrated urban development programmes for the period 1999-2003. At the end of 1999 those programmes led to customised covenants for each city. A total of 17 billion guilders was made available for this second phase of the urban policy.

### **Objectives and design**

The main objective of the urban policy is to restore a balance in urban development and re-establish the relationship between the various functions of cities in order to help create a “complete, safe city, fit to live in, where all citizens have equal opportunities” (BZK, 2000b). Each programme is based on an integrated approach to the three pillars of the urban policy:

- *economy and labour force participation*: strengthening the urban economy by cooperation with partners in order to achieve sustainable development of urban employment, urban spaces and expertise
- *physical/spatial infrastructure*: improving access to the economic centres of cities and simultaneously limiting the harmful effects of mobility on the environment and safety
- *decent living conditions and social structure*: achieving structural improvements in the position of the most vulnerable groups by preventive measures (limiting the influx) and by social and economic activation (encouraging people to leave).

The development and implementation of the urban policy are based on a number of institutional or administrative design principles. The main ones are:

- *integrated approach*: a combined approach to urban problems on the basis of the three pillars mentioned: the municipal long-term development plans have to focus equally on the three pillars
- *interaction and partnership*: in relations between local authorities, businesses, institutions and the public, plans have to be developed interactively; no single party can formulate objectives or implement measures unilaterally
- *clear allocation of roles between central and local government*: it is local authorities, not the state, that determine the specific objectives included in the programmes; local authorities are felt to be in a better position to do this than the state because they are closer to the residents; the state provides the resources; however, the long-term development plans have to be approved by the Council of Ministers
- *arrangements agreed via covenants*: the state and local authorities set out their agreements in covenants
- *monitoring and evaluation*: to gain a better idea of the actual effects of the urban policy, local authorities have to formulate measurable objectives and performance for their programmes, stating how those objectives are to be achieved and which players will be involved
- *spending of financial resources*: the minister responsible for the urban policy ensures that the other ministries present the minimum number of obstacles to integrated implementation at local level; for this purpose the minister may intervene in the spending of certain budgets of those ministries

- *advice and support structure*: an interdepartmental committee with representatives of almost every ministry advises the minister; in addition, various working parties have been set up with representatives of ministry staff and cities; the “Urban Policy Centre of Expertise” is also being set up; it is to amalgamate all the available expertise and act as a source of advice for local authorities and other organisations.

### **Other aspects**

The other aspects of the urban policy relevant to this study include:

- *Neighbourhood approach*: Local authorities taking part in the urban policy are expected to concentrate their efforts primarily on a small number of neighbourhoods. Within those neighbourhoods, the main aim is to abolish the segregation of functions which became increasingly marked in post-war urban development. In practice, this means trying to reduce the geographical distance between living and working and to build a greater variety of housing, encouraging diversity among groups of residents. This is intended to stop deprived neighbourhoods from sinking to the level of “ghettos”.
- *Umbrella function*: The urban policy has a substantial “umbrella function”; the minister for the urban policy is the coordinator, instigator, catalyst and process monitor, but is not ultimately accountable to anyone. Responsibility rests with the ministries and local authorities concerned. The Ministry of Social Affairs and Employment is still responsible for employment policy, including the development of laws and measures such as the Job Seekers Employment Act and the I/D jobs, and supervising their implementation. That policy has its own instruments, financial resources and network of responsibilities and is aimed at all municipalities in the Netherlands. Part of this policy and the associated resources are being provided with an additional label under the urban policy, and in some cases the budget is being increased.
- *No dispersal*: The urban policy is based on the assumption that the problems are concentrated in the large cities and that the problems there are fundamentally different from those in medium-sized and small towns. There are therefore no plans to increase the number of municipalities taking part. Nonetheless, there is now a group of 5 municipalities (Alkmaar, Amersfoort, Emmen, Lelystad and Zaanstad) which want to be included in the urban policy and which, after some lobbying, have secured a small additional budget. Local authorities are, of course, free to adopt the “urban policy philosophy”, including the integrated and interactive approach, but that is not among the objectives of the urban policy.
- *Partnership and benchmarking*: In the G25, the G21 operate more or less as a collective; they make comparisons between themselves and want to keep up with one another (inspections, benchmarking). The four largest cities (Amsterdam, Rotterdam, The Hague and Utrecht) are used to going their own way.
- *Information and Communications Technology (ICT)*: Under the urban policy, special attention is paid to the role and scope of ICT. For instance, an interim advisory committee “ICT and the City” has been appointed and in September 2000 a major international conference is being held (BZK, 2000a).

### **Relevance of the urban policy**

The urban policy is an interesting case study for this piece of research, for various reasons.

- *Objectives*: The urban policy’s objectives also combine activation with social security. For example, links are established between the provision of measures to promote entry to the labour market and improvements in living conditions in the same neighbourhood. Another example is the establishment of the “business advice centre” by local authorities. Anyone wishing to set up in business in the town can put any questions to the centre, and also

receive advice on obtaining the necessary permits. In return, these businesses are asked to consider the local labour market (preferably by recruiting from among vulnerable groups) and the quality of life in the town.

- *Design principles:* The integrated approach based on the three pillars requires coordination ability, and the interactive method assumes the involvement of interest groups.
- *Number and level of organisations concerned.* The sheer number of organisations concerned at local, regional and national level in itself means that the urban policy represents an ambitious challenge to their coordination abilities.

### **Context: Leiden is learning**

Leiden is a medium-sized town in the province of South Holland with a large, historic centre. The municipality has a population of 117,000 and performs a regional role for the surrounding urban area and the neighbouring dune lands and bulb-growing district. The surrounding municipalities are relatively small and prosperous, with only low levels of unemployment. Leiden is home to many educational institutions, including the oldest university in the Netherlands. The population of Leiden comprises 9.3% ethnic minorities (people from Turkey, Morocco, Surinam and the Antilles) and 13.6% other immigrants. The corresponding figures for the Netherlands as a whole are 7.2% and 10.7% respectively. In 1998, unemployment in Leiden stood at 6%, equal to the national rate (Verweij et al., 2000).

Since 1997 Leiden has been recognised as a “large city” and the municipality is taking part in the urban policy. For the urban policy phase 2 (1998-2002), Leiden launched a plan which eventually led to the approval of the long-term development programme (MOP) in 2000. This plan comprised the following phases:

- *developing a long-term view* (end of 1998): by consultation with numerous organisations, experts and “leading residents”, a long-term view was drawn up for the period to 2010: the “Vision 2010: this is my city”
- *drawing up the long-term development programme* (summer 1999): following on from the view of the city which had been developed, the first version of the long-term development programme was drawn up and submitted to the minister
- *note to the MOP* (end of 1999): as most of the MOPs of the other cities this first version of the Leiden MOP received some notes of the Council of Ministers because the objectives were not specific enough; some people claimed that this was due partly to the fact that the local authority had abolished the “Statistics and Research” department a few years previously, and therefore did not have sufficient information to determine policy; it has now been decided to reinstate this department; anticipating the adjustments the customised covenant was signed
- *adjustments to the MOP* (spring 2000): intensive efforts were then made to produce a final version of the MOP, which was eventually given the title: “Leiden is learning”;
- *approval of the MOP* (June 2000): this final version was approved by the Council of Ministers in June 2000, and will be examined in the next section.

The local urban policy organisation is very small, partly on account of the urban policy’s umbrella character. It has a project leader and a project secretary who work under the official direction of the head of the Social and Economic Affairs department. The staff dealing with the subjects concerned are responsible for actually carrying out the work. Political

responsibility rests with one of the councillors, who consults regularly with the permanent urban policy advisory committee.

### **Change processes: the Leiden programme in brief**

The Leiden long-term development programme is based on a vision of the city's identity and development opportunities. This has been encapsulated in the deliberately ambiguous title: "Leiden is learning". This title refers not only to the many educational institutions but also to the high-technology businesses which have become established in the city in recent years. Leiden wants to gather and transfer knowledge, but it also wants to learn: "learning about other cultures, new ideas and new businesses." (Leiden, 2000a, 2000b).

In Leiden, on the basis of this vision, the three pillars of the urban policy have been transformed into seven programme action lines, each with a number of sub-programmes:

- Learn Young (Learn Fair)
- Social Aspects and Skills
- Historic City
- Expertise
- Living
- Accessibility
- Basis for Quality

Taken overall, the MOP budget applied for the years 1999-2003/2004 in Leiden totals over 838 million guilders. This sum is made up as follows:

- Specific central government funding made available for predetermined programmes (*ISV/GSB earmarked funds*): 211 million guilders.
- Specific central government funding for discretionary spending within the MOP's objectives (*ISV/GSB uncommitted resources*): 81 million guilders.
- The expenditure included in the (draft) municipal budget or long-term estimate and the investment programme for 2000-2003, where the aim of the product corresponds to the programme or sub-programme under the MOP (*local authority*): 255 million guilders.
- The contribution expected or desired from third parties for the implementation of the programme or sub-programme (*partners*): 291 million guilders.

The Leiden long-term development programme has seven programme action lines with a total of 35 sub-programmes. Two of these sub-programmes are described below.

<b>Programme action line</b>	<b>Learn Young (Learn Fair)</b>  As a haven of learning, Leiden aims to offer young people an attractive, healthy and safe environment in which they can develop their talents and skills to the full.
<b>Sub-programme</b>	<b>From School to Work (12-23 years)</b>
<b>Aims</b>	For young people, the link between education and the labour market is of great importance. This sub-programme encourages young people to gain some basic qualifications. If they fail to do so, they are offered personal action plans via the Comprehensive Approach which can still lead to a job.
<b>Measurable objectives</b>	The school drop-out rate among pupils in compulsory, partially compulsory and non-compulsory education is 20% down in 2004. The number of people aged 16-23 leaving school without any basic qualifications is 20% down in 2004.  Cut the number of young benefit claimants by at least 25% in each planning period, i.e. from 195 to around 145 young people.
<b>Approach</b>	<p><b>Education</b> Develop and set up a central agency in Leiden where children with learning difficulties can be helped sooner. Referral arrangements for children with severe learning difficulties, launch an experimental training group and set up a number of crisis centres. Set up a platform to develop a course for high-risk trainees that leads at least to a minimum recognised qualification. Further development of the welfare advice teams.</p> <p><b>Registration</b> Improvements in the registration of those leaving school early. Appointment of a project leader and a progress monitor. Checking what the situation would have been with no action.</p> <p><b>Compulsory education</b> Development of an organisational plan for a centre for reporting absence from school for the South Holland-North region. Schools can report actual or potential absenteeism to that centre, after which the matter will be dealt with from there.</p> <p><b>Care facilities</b> Joint efforts should be made via existing cooperative arrangements to extend the reach of the existing facilities. A covenant will be concluded between the education service, the Public Employment Service, the youth assistance service and local authorities with a view to developing a comprehensive, interlinked approach for school drop-outs.</p> <p><b>Support and guidance</b> In the case of young benefit claimants for whom the link between education and the labour market has not yet been found, specific research and analysis will be conducted as the basis for offering personal action plans and case management.</p>
<b>Partners</b>	Regional consultation between those responsible for Education; consultation group concerning the Regional Reporting and Coordination Centre; Public Employment Service. Youth Assistance Service; organisations representing ethnic minorities, refugees and muslims.
<b>Funding</b>	ISV/GSB earmarked: 3,420,000 ISV/GSB uncommitted: 1,850,000 Local authority: 0 partners/third parties: 0 Total: 5,270,000

Leiden, 2000a

<b>Programme action line</b>	<b>Social Aspects and Skills</b>  As a haven of learning, Leiden aims to offer everyone, including all welfare groups, the opportunity to participate in society as independent individuals.
<b>Sub-programme</b>	<b>Participation through Work</b>
<b>Aims</b>	Despite the favourable labour market situation, not everyone succeeds in finding paid work on their own. This applies particularly to people who have been marginalised for a long time, people with little education, limited by personal factors or circumstances, and sometimes applies to ethnic minorities and asylum-seekers. In the Leiden haven of learning, everyone joins in via ordinary or subsidised jobs, education, employability measures or in other ways.
<b>Measurable objectives</b>	During the planning period, the number of registered unemployed job-seekers will drop by 25% against 31 December 1999, the number of unemployed job-seekers out of work for over 12 months will drop by 25% and the proportion of immigrant unemployed job-seekers will show a proportionately greater decline. In the planning period, the number of unemployed job-seekers in the three districts with the highest percentage of unemployment will fall by 25% to around the Leiden average. Comprehensive approach to new applicants: in 2004, everyone claiming benefits for the first time will be offered an action plan within one year. Of the existing claimant population, 60% of those receiving advice and support should transfer to a job. Continued progress monitoring, with a disproportionately high rate of participation in employability measures among ethnic minorities. Creation of another 49 I/D jobs a year, aiming at 10% participation by handicapped people. Continuation of the range of WIW instruments, with 60% of people remaining in work after work experience and transfers to ordinary jobs up from 7% to 25% for people with WIW jobs. Continuation of the range of WIW activation instruments. Continuation of the training scheme for "Migrants in the catering trade". For each year of the planning period, purchase of resettlement support for newcomers, aiming to reach 100%.
<b>Approach</b>	Design of a comprehensive approach Reinforcement of the neighbourhood approach Partial conversion of Leiden DZB (sheltered employment company) from an organisation for the administration of subsidised employment to a job development organisation. Maintaining and where necessary modifying and extending the level of provision so that groups very hard to place on the labour market can be adequately reached. Examples include: the Dream and Action project, for those with a higher level of skills, using the "personal training budget" instrument; a trainee programme for immigrant policy staff; the Spending Money project to encourage young people to focus on work; "Afaak", specially for young Moroccans. Support and guidance Integrated design of the municipal policy on Work and Incomes
<b>Partners</b>	Business community, job centres, centre for work and income, social security administration agencies, regional authorities, Work for Asylum Seekers in Leiden, "Meander", LWO, STAG
<b>Funding</b>	ISV/GSB earmarked: 91,035,000 ISV/GSB uncommitted: 1,350,000 Local authority: 12,613,000 Partners/third parties: 2,286,000 Total: 107,284,000

Leiden, 2000a

## **Coordination results**

In describing the results of urban policy we need to distinguish between local and national level. This section will first consider the situation in Leiden before examining the national situation.

### **Leiden**

The final version of the Leiden long-term development programme (MOP) was only approved recently. At the moment, work is in progress on implementing the programme action lines in the form of project proposals. In that sense, the results cannot be determined until late 2003 or early 2004 on the basis of the objectives formulated, but it is still possible at this stage to mention certain effects which can be regarded as resulting from the Urban Policy.

#### *Internal cooperation*

First, the local authority employees involved consider that participation in the Urban Policy has improved cooperation within their own organisation. The larger a town's population, the larger the municipal organisation and the more frequently it is divided into separate departments and services. If the departments are also housed in separate premises and are confronted to a greater extent by the political ambitions of councillors, that soon produces the risk of a compartmentalised organisation with its own culture and interests. In Leiden, the Urban Policy has made people feel that they no longer represent a particular department but are focusing primarily on problem solving. Also, the Urban Policy has promoted improvements in organisational culture and internal quality policy. The local authority policy staff all attend a course on "Improving policy quality". A management consultancy has also been brought in for now, to devise a new general management philosophy and style.

#### *Interactive approach*

The interactive approach worked very well in Leiden. While information meetings and compulsory inquiries used to take place on completion of the policy development process, brain-storming sessions are now held at an early stage with partners and other organisations. There were some initial problems with this because people were used to presenting a clear and more or less final plan. However, there was some reticence over direct participation by the public. All interactive consultation sessions were based on a policy of selective invitation. On the other hand, it is said that residents will participate to a greater extent in the drafting of the specific project plans, the phase which the MOP has currently reached, than in the earlier phases, and that in principle every resident is entitled to comment on the MOP.

#### *Relations with central government*

According to the people involved, the Urban Policy has also led to more transparent and better relations between the local authority and central government. The mutual dependence within that relationship, with the state developing the policy outline and providing the financial resources, while the local authority is responsible jointly with the partners for the specific details and implementation of the policy, has been considered beneficial since participation in the Urban Policy. People now have their own clear responsibility for the town in which they live. There is also closer contact with central government. Particularly since the notes to the first version of the MOP, numerous employees of the various ministries have visited Leiden to assist with the second version of the programme.

#### *Integrated approach*

In principle, the integrated approach is considered a plus. However, owing to the limited scope for shifting financial resources between the three pillars of the Urban Policy, and to the

existence of “dual structures” due to the Urban Policy’s umbrella function (cf. section 4.3.6), people are still rather sceptical about the permanent contribution of the Urban Policy towards curbing the compartmentalisation of policy.

### *Neighbourhood approach*

Concentrating the policy initiatives on a small number of districts is also seen as worthwhile. However, that does not mean that residents of those districts welcome all the proposals. In Leiden, the plan for introducing greater diversity in the housing stock and population groups in a particular deprived district, whereby a number of rented homes had to make way for more expensive owner-occupied housing, was rejected by many of the residents.

### **Central government**

The consultation partners at national level (GSI and SZW) also mention a number of positive achievements of the Urban Policy.

- A useful lesson of the Urban Policy for the central government is that ministries also need to work on a more integrated basis. This approach is currently also being applied to the activities following the firework disaster in Enschede.
- Through the Urban Policy, the Ministry of Social Affairs and Employment has established closer relations with the G25 and communications with them have improved. This offers benefits for future policy development, e.g. as regards the Comprehensive Approach.
- The Urban Policy has highlighted the fact that greater financial scope for local authorities is very important. This includes eliminating the barriers between budgets and avoiding dual structures. The Fund for Work and Income is one example. In the case of the “physical and spatial infrastructure”, budgets have already been amalgamated and local authorities have more powers to decide for themselves on spending so long as they still meet the objectives.
- The Urban Policy has also encouraged greater amalgamation of information. It has become clear that there is far too much separation here. One example is the municipality of Amsterdam which has no less than 52 policy monitors.
- Although the conclusion of covenants between central government and local authorities is not experimental and is therefore no longer an example of policy innovation, it has once again proved to be a successful instrument.

### **Impact on benefit claimants**

The impact of the Urban Policy on (the number of) claimants in Leiden cannot yet be determined. That, too, will not be possible until 2003/2004. At the moment, we can only state that direct participation in the policy development phase has been limited, but that it may very well be greater when it comes to drawing up the project plans. This does not mean that benefit claimants have no influence at all, but that influence is exercised not through the Urban Policy but through the statutory client participation of National Assistance claimants (cf. Chapter 1). Leiden has such a Clients Council for some time. The municipal social services department controlled the composition of this council, with selection being based mainly on types of households. This council is intended only for subjects where the municipal social services department has a direct role, and not for broader policy initiatives such as the Urban Policy, and still less for the creation of Centre for Work and Income. At first, social services staff felt that the council was a “troublesome obligation” which they were obliged to put up with. Later, the council came to be seen as a necessary, strategic partner. However, people do mention a number of conditions that must be satisfied, such as investment in facilities for the



council and in the quality of the members, and guaranteeing continuity of membership. This last point is understandable, but is in fact contrary to the objectives of the employment policy.

## **Conclusions**

There are two reasons why the Urban Policy is needed: first, the specific problems of large cities (many deprived districts with cumulative problems) and second, the specific management or institutional design principles applied in developing, implementing and evaluating the Urban Policy. On the basis of these principles we can make some more general comments.

### *Integrated and interactive approach based on partnership*

This approach seemed to be the greatest benefit of the Urban Policy and many people consider it essential for successful implementation. Although one might remark that such an approach is not exactly new, the Urban Policy offers many local authority employees their first, full opportunity to gain experience of this type.

### *Allocation of roles between central government and local authorities*

The Urban Policy is not in fact an example of decentralisation. It has done nothing to alter the allocation of the statutory duties and powers between central government and local authorities, as there has been no transfer of duties and powers. However, local authorities have gained greater freedom to decide for themselves how to spend the financial resources, they have been given greater control, and different management principles are being applied. The local authorities would in fact like to extend their discretionary powers over spending.

### *Drawbacks of the umbrella function*

As we said earlier, the Urban Policy has an extensive umbrella function. Many policy initiatives introduced some while ago are now being presented as Urban Policy objectives. One of the drawbacks is the creation of dual structures in both the local authority organisation (Urban Policy project management plus specific services, divisions and departments) and in the accounting. It is necessary to account twice for the spending of some Urban Policy resources (e.g. both to the Ministry of Social Affairs and Employment and for Urban Policy purposes).

A second effect is that the Urban Policy budget to a large extent concerns earmarked funding that the local authorities would have received anyway.

This leads to a third effect. Owing to this financial situation, it is often not possible to state what additional activities can be carried out with the additional funding provided. This will make it very difficult to evaluate the effects accurately. The General Audit Chamber has already raised critical questions on this with the government. However, at local authority level this is not a serious problem. So long as they achieve their objectives, the means by which they do so is less important to them.

### *Neighbourhood approach*

The neighbourhood or district approach provides local authorities with an instrument for offering all kinds of initiatives on an integrated basis and concentrating them on a small number of districts. But of late there has been growing criticism of this approach. Although it is acknowledged that certain districts suffer from cumulative problems to some degree, it is said that they are certainly not sufficient to justify concern about the creation of ghettos such as those in the United States. Moreover, the diversity policy (varied housing and population groups) is not felt to improve the socio-economic position of the weaker groups in these

neighbourhoods. Although cohesion and security can be influenced or achieved at neighbourhood level, problems such as poverty, unemployment, and poor education could all be tackled on a larger scale (Klein, 2000). This ties in with one of the key conclusions of the ex-ante evaluation carried out by the Central Planning Bureau (CPB) on the long-term development programmes of the G25 (CPB, 2000a). The CPB, too, states that the local authority sometimes has very little influence in solving problems. One example is unemployment. Since labour markets tend to be regional rather than local, and are increasingly extending even beyond the regional level, confining employment policy to a particular district or local authority area will not be very effective. With regard to many Urban Policy topics the CPB advocates a strategy whereby consultation is also arranged with neighbouring and regional authorities. In addition, the CPB considers that local authority plans tend to be far too similar and there should be more policy innovation and even competition on policy. According to the CPB, the financial resources should be allocated more on the basis of plan quality and results achieved, and less frequently according to the principle of “fair shares”. Local authorities respond by stating that the broad framework of the Urban Policy is laid down by the central government, not by local authorities.

### *No dispersal*

There are no plans to extend the Urban Policy to more towns. Various arguments may be put forward against that. First, if an approach is successful, one might consider extending it to the maximum number of towns. Second, the criterion for participation is decidedly arbitrary, as there are towns which are not included in the G25 but which do have districts with serious problems. There are also towns which are included in the G25 but which, on the basis of many indicators, are hardly worse off than the national average. Leiden is one example.

## **Poverty trap**

### **Introduction**

Many households on low incomes take up means-tested schemes such as housing subsidies, Special Assistance and exemption from local charges. One effect of this is that a rise in income, e.g. due to finding paid employment or working longer hours, is partly and sometimes actually totally negated by a loss of means-tested benefits. This effect may be made worse by the fact that benefit claimants who find a job are faced with additional expenses that are certainly not always reimbursed, such as the cost of travelling to work, clothing, the cost of obtaining work. Losing all or part of the additional income naturally makes work (or more work) a less attractive option. This effect is called the poverty trap.

Although the poverty trap has long attracted the attention of both politicians or policy-makers and researchers, it is only very recently that any empirical studies of this phenomenon have been published, and it is only three years ago that a first interdepartmental committee was appointed to examine the nature and extent of the problem and formulate solutions. At the moment, however, the poverty trap is still high on the political agenda.

This case study will first give a brief account of the most relevant means-tested schemes and the associated concepts. This will be followed by discussion of various initiatives concerning the poverty trap, undertaken so far by politicians and policy-makers. Finally, there is a description of the current situation and the link between the problem of the poverty trap and the subject of this study.

## **Context: schemes and concepts**

### **Means-tested schemes**

Via means-tested schemes, the government ties the use of a particular form of provision to an income-related subsidy or levies an income-related personal contribution. The household is taken as the income unit. In the case of local schemes, the income concept used is almost always net income, whereas in national schemes it is taxable income. There is often a maximum level of income beyond which there is no longer any entitlement to the scheme. Some schemes apply asset-testing as well as income-testing. The distinction between occasional and periodic use is also important (WHIR, 2000).

Means-tested schemes have become very complicated over the years. They have become increasingly interconnected, their design is becoming less systematic, the *marginal pressure* (the difference between an increase in gross income and the associated change in net income expressed as a percentage of the gross change in income) has been stepped up in many cases on budget control grounds, and some schemes are also used to attain income-policy objectives. This complexity is reflected in a low take-up level for some schemes (WHIR, 2000). The poverty trap is due primarily to the *cumulation* (of the marginal pressure) of means-tested schemes, in addition to the pressure of the individual schemes. If the total marginal pressure is 100%, there is no improvement in income; if it is over 100%, income declines. The table below summarises the main means-tested schemes.

### **Student Finance Act (WSF)**

Student finance is intended to guarantee access to education for all income groups. To pay for their studies, higher education students (higher vocational training and university education) can claim a means-tested supplementary grant in addition to a basic grant and a student's card for use on public transport. The remainder of the standard budget specified by the WSF is available for loans at a low rate of interest.

### **Study Costs Allowances Act (WTS)**

The aim of the WTS is to guarantee access to intermediate education for children of parents on lower incomes. Such parents can obtain an allowance towards tuition fees and towards other study expenses (books, etc.) for each pupil.

### **Housing subsidy (HS)**

The aim of the HS is to guarantee that households on low incomes can live in good, affordable housing. Under the Housing Subsidy Act, tenants are granted a subsidy based on the standard rent calculated according to their taxable income and their actual rent.

### **Residential care (AWBZ institutions)**

Long-term residential care is provided in AWBZ institutions and care homes. Residents pay a contribution which depends partly on their income and whether or not they have a partner living at home.

### **Home care**

This scheme provides essential home care for a contribution affordable for people on lower incomes. The personal contributions are structured differently, because there is no admission to a residential institution. The maximum personal contribution is dependent on income.

### **Subsidised legal aid**

Subsidised legal aid is intended to facilitate access to the law for everyone, regardless of ability to pay. The legal aid boards decide on both factual and financial grounds whether an applicant qualifies for additional legal representation. At the same time they determine the level of the personal contribution. This scheme is used only occasionally, and it is almost always impossible to foresee take-up.

### **Child care**

The costs of child care in day nurseries set up by the government or by private operators are shared by parents, local authorities and employers. The schedule of rates of parental contributions towards child care recommends a contribution from parents which is dependent on income. That recommendation is normally followed in practice.

### **Special assistance**

Special assistance is provided for essential living expenses due to special circumstances which cannot be met out of general national assistance or the individual's own resources.

### **Exemption**

If individuals are unable to pay and have no assets they can claim exemption from local taxes, water rates and state taxes (e.g. property tax, refuse collection charges, sewerage charges). Local authorities are bound by rules laid down by central government, but may nevertheless set the rate of exemption at a maximum of 100% instead of 90% of the relevant standard assistance rate.

### **Social participation**

This covers various schemes including the "minimum income earner's" card (a pass issued by local authorities to provide easier access to educational, sporting and cultural activities), education expenses (fund for indirect education expenses such as travel costs and excursions), group supplementary health insurance (to supplement the compulsory health insurance package), debt assistance (debt rescheduling), Child Care Scheme (the scheme whereby local authorities buy in additional child care places for lone parents to increase their rate of participation in the labour force), activating and employability measures (e.g. exempting income from employment under the ABW, granting premiums for participation in the WIW or other measures).

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WHIR, 2000

The table below summarises the means-tested schemes according to the following characteristics:

- **level:** central (state) or decentralised (local authorities)
- **marginal pressure:** see above
- **income concept:** the income used as the basis for calculating whether people qualify for the scheme, and the level of entitlement
- **budget set aside (state) or expenditure (local authority):** the costs entailed in the schemes.

Table 4.1 Means-tested schemes by level and marginal pressure

Scheme	Level	Marginal pressure	Income concept	Budget set aside (state) for 2000 or spending in 1997 (local authority) in million guilders
Student Finance Act	State	26%	Taxable income (t-3)	2400
Study Costs Allowances Act	State	25%	Taxable income (t-3)	450
Housing subsidy	State	40-50%	Taxable income (t-1)	3000
Residential care	State	0-50%	Income subject to contributions	11,500
Home care	State	0-20%	Taxable income (t-2)	3200
Legal aid	State	5%	Net income	220
Child care	State	15%	Net income	?
Special assistance	Local authority	10-50%	Net income	1997: 414
Exemption from charges	Local authority	Max. 50%	Net income	1997: 145
Social participation	Local authority	not available	Net income	1997: 541

WHIR, 2000

### Gain in purchasing power

In presenting the discouraging effects of the poverty trap, it is often assumed that there is little if any advantage to claimants in accepting a job that boosts their purchasing power by less than 10%. The reason is the balance between the income forfeited from means-tested schemes and the additional expense of having a job (cost of travel to work, which is not reimbursed, representation costs, moving expenses, costs of employing help in the house). There are signs that these “material acquisition costs” come to 6.5% of earned income (SZW, 1999a). To illustrate this, the next table sets out the gross wage at which a 10% increase in purchasing power is achieved in relation to a minimum level of benefits. This gross wage varies according to the household because the grant of means-tested benefits is also based on this, and according to the level of rent because the rent/housing subsidy is of decisive importance in such calculations (Allers, 2000).

Table 4.2. Gross wage at which purchasing power increases by 10% of the minimum benefits for a low, average and high level of rent (as % of the minimum wage)

	Low rent	Average rent	High rent
Single person	103	111	120
Couple, no children	145	151	162
Couple with children	147	153	165
Lone parent household (rate group 4)	129	129	133

Allers, 2000

The poverty trap can be explained in the light of the situation of a *single person in receipt of national assistance* (ABW). This single person receives 70% of the statutory minimum wage plus, depending on the person’s housing situation and the local authority’s policy on incomes and poverty, various means-tested schemes. If this single person accepts work at 70% of the minimum wage (i.e. part-time), then his purchasing power remains the same. At a higher gross wage, the net wage increases but the right to exemption from local charges is soon lost (between 75 and 79% of the minimum wage). The right to Special Assistance is also reduced. At wages in excess of 85% of the statutory minimum wage, the housing subsidy is gradually

reduced. This negates every increase in income until entitlement to housing subsidy is lost altogether at 105% of the statutory minimum wage. Only from this point onwards does a rise in income boost purchasing power. At an average rental, this means that an income of 111% of the statutory minimum wage is required to achieve a 10% increase in purchasing power.

The table also shows that the poverty trap is even worse for *couples*. This is due mainly to the higher standard rate of assistance (100% of the statutory minimum wage). In addition, *couples with children* often receive a higher housing subsidy. In the case of *lone parent households*, the age of the children is relevant: with children under twelve, the tax-free amount is higher (rate group 5) than with older children (rate group 4).

### **Lower end of the labour market**

Unemployment has fallen steeply in recent years. People with a low standard of education are over-represented in the current group of unemployed. Research on the lower end of the labour market and the “reserve wage” (the level of income at which there is no difference between claiming benefits and working) reveals that women and the more highly trained consider finding a job more important than the pay. For these two groups, the inconveniences of working are offset by job satisfaction, the way in which they identify with their job and the contact with colleagues. In contrast, the opposite applies to the less skilled. Therefore, as unemployment becomes concentrated among those with few skills, that creates a substantial group with limited earning capability, or the poverty trap of the unemployment schemes.

### **Complexity**

The poverty trap is a complex problem for various reasons. First, the large *number* of means-tested schemes is an important factor. The list mentions ten such schemes, but that certainly does not cover the whole spectrum. Owing to this number, the total marginal pressure may be not only substantial but also difficult to determine or predict for people taking up one or more of these schemes. A second reason is the multiplicity of *players* involved at national level (ministries) and the fact that these schemes are sometimes available independently of one another. A third reason is that alongside the *national level* there are also players at *decentralised level*, particularly local authorities, which have their own role in the overall scheme. Local authorities are expected to perform that role particularly energetically where the poverty policy is concerned. The fourth reason is that this issue involves not only various *policy objectives* but also numerous *administrative and management aspects*. This applies in particular to the way in which the concept of income is determined and recorded. At the moment there is no central recording. All the players perform their own calculations.

### **Change processes**

#### **History**

The poverty trap first attracted close attention in the early 1990s. In that period, the Netherlands was in an economic recession and means-tested schemes were regarded as a relatively cheap way of improving the income situation of specific groups. In 1991, following lengthy debate, the Special Assistance scheme was also decentralised, giving local authorities more powers in the field of incomes policy. This trend was given a major boost from 1996 onwards because, in accordance with the EU agreements in Copenhagen in 1995, local authorities were expected to play a greater role in poverty policy and income support for people in particular categories. This enabled local authorities to use the local incomes policy for minimum wage earners to pursue policy objectives which they could not attain via the

Special Assistance scheme, regulated at national level. Local authorities were eager to seize this opportunity.

In recent years the poverty trap has been high on the political agenda. There are various reasons for this.

- Owing to economic growth in the past few years and the relatively favourable outlook, there appears to be scope for cutting back means-tested schemes to a less lavish level.
- The same economic growth has led to a shortage on the labour market. Moderating the poverty trap could alleviate the current scarcity of labour.
- Owing to the policy of decentralisation and the greater autonomy of local authorities, the incomes policy is increasingly influenced by the local income support policy. This inevitably causes irritation between the national level (Ministry of Social Affairs and Employment as the ministry currently responsible for incomes policy) and the decentralised level of local authorities. That irritation is expressed particularly in the broad manner in which local authorities interpret Special Assistance and the scope for exemption from local charges. In the case of Special Assistance, there is the example of the “provision of white goods” whereby benefit claimants receive an allowance towards the purchase of consumer durables such as refrigerators and sofas. According to the Ministry of Social Affairs and Employment, this is misuse of the Special Assistance and encroaches on the individual responsibility of benefit claimants. Moreover, very substantial sums of money are involved here.
- There is a growing political consensus that the lack of coordination between ministries regarding the cumulative effects of the means-tested schemes should be transformed into a common approach.

### **Working parties**

The most important initiative for improving the coordination of policy regarding the poverty trap was the appointment of three working parties or committees. Over the past three years these committees have passed the baton on to one another. The first working party (the “Derksen committee”) was appointed in 1997 and its job was to conduct an exploratory study of the poverty trap, including the administrative issues. The most significant conclusion of this working party was that, on balance, the negative impact of means-tested schemes outweighed the benefits. The second working party (“the Teulings committee”) reported in 1999 and focused mainly on structuring the problem and formulating proposals whereby taxable income would more often be used as the criterion of ability to pay. Finally, the third working party, on the Harmonisation of Means-Tested Schemes [WHIR], also known as the “Gradus” committee, published its report in the spring of 2000. This committee had to take stock of the effects on the poverty trap of the current means-tested schemes (including local authority schemes) and research the scope for further harmonisation and simplification. In the light of the shortage on the labour market, the committee paid much attention to the cumulative effects of the schemes on labour force participation. It also looked at the problem of non-take-up. None of the three committees had to consider ways of combating moonlighting, though reducing labour costs was also an important topic.

The last working party aimed to achieve unanimity on the nature and extent of the problem and possible ways of resolving it. For that reason, in contrast to the earlier committees, the working party included representatives from all the ministries involved: Social Affairs and Employment (SZW), the Interior and Kingdom Relations (BZK), Economic Affairs (EZ), Finance, Justice, Education, Culture and Science (OC&W), Health, Welfare and Sport (VWS), and Housing, Spatial Planning and the Environment (VROM). On the other hand, the Association of Netherlands Municipalities (VNG) was indignant at not being represented in

the working party. The working party argued that the abstract level of the assignment made it impossible to have VNG representatives, because that would create too many administrative problems.

The working party carried out its work mainly by calculating the poverty trap effects of the schemes and seeking a basis for harmonising and simplifying the administration. In the process, it consulted such bodies as the Central Planning Bureau (CPB), local authorities and organisations representing claimants.

### **Coordination results**

The WHIR report was published in February 2000. The government will be announcing its position shortly. The report discussed various ways of solving the poverty trap, and also dealt with ways of simplifying the administration. In broad terms, the conclusions and recommendations were as follows:

- dismantle means-tested schemes in combination with generic income improvements
- increase special tax allowances for working people on low incomes
- more gradual tailing off of means-tested schemes, thus reducing marginal pressure
- non-cumulation
- grant incentives for the acceptance of work and/or participation in employability measures (as was done, for example, in the Tilburg model, where a covenant was also drawn up between the local authority and the client)
- phase out gradually on acceptance of work, so that entitlement to means-tested schemes is retained for some time.

The aim is therefore to limit and as far as possible reduce the number and scope of the means-tested schemes in combination with generic income compensation. This is the most elegant solution, but is also very expensive, because generic compensation increases costs by a factor of 3 to 5, i.e. the current spending has to be multiplied by that factor. The main reason is that people who have never hitherto claimed or been entitled to the schemes will also benefit from this compensation (sometimes actually twice, as in the case of two-income households under some schemes). To dismantle the schemes it is necessary to adopt a phased approach spread over 3 to 4 years, on account of the Tax Plan 2001. This plan produces a substantial increase in purchasing power, and a simultaneous generic compensation for means-tested schemes brings the risk of an undue improvement in purchasing power and overheating of the economy, accompanied by inflation.

The housing subsidy, Special Assistance and the local authority minimum income policy seem to have the most impact on the poverty trap. Separate recommendations are therefore formulated for these schemes. For instance, in the case of the housing subsidy, it is suggested that the minimum personal contribution towards the rent should be increased (with generic compensation for the loss of purchasing power) and the period over which the subsidy is not reduced should be extended (to soften the poverty trap effect). With regard to exemption from charges, it is recommended that this scheme be restored as an income safety net, thus limiting the target group. Special Assistance should also operate as a safety net, and each individual case should be examined before it is granted. It would be a good idea to take account of the claimant's position in relation to the labour market (difficulty of placement).

As regards the relationship between central and local government, the report noted that more detailed arrangements should preferably be agreed. The basic principle here is that means-



tested schemes, generic in character, are the responsibility of the state. More exact criteria also need to be drawn up for local authority schemes based on categories. The reason is that the state considers that the local authorities are often too quick to use the schemes in a generic way, and at the same time they sometimes exclude certain groups (such as those in work earning around the minimum wage).

The working party also suggests the development of a normative indicator for testing current proposals and future policy measures. This indicator may take the form of an average standard worked out for representative types of household, and would need to be reviewed annually. The standard makes it easier to calculate whether accepting work will mean an increased income. It can also ensure greater unanimity over the target band width for such an increase in income.

As regards simplifying the administration of the schemes, it is proposed that income and asset data be supplied direct by the tax authority. This would produce a substantial efficiency gain. However, the concept of income would then need to be standardised on taxable income. For example, at the moment the tax authority does not have any information on people's current incomes (only on income in previous years) and basis its calculations on persons, not households. It is suggested that a subsequent working party might address this administrative issue.

The working party also examined the potential for central administration of means-tested schemes. In principle, this is considered possible but, owing to the large amount of information specific to particular schemes, this approach would require due care. A second reason for exercising care is that the players involved have to relinquish part of their powers or authorise a central body to use their data. An intermediate step might be a central basic administration system which would make it easier to counteract the effects of cumulation and to check the legitimacy of the benefits awarded.

The working party meetings also discussed other policy options (cf. Allers and Heeten, 2000), but without arriving at a unanimous viewpoint. These included the "earned income tax credit" (EITC) and identifying different sections within the target group for means-tested schemes on the basis of the difficulty of placing them on the labour market. The idea here is that it will be a long while before the poverty trap becomes relevant to unemployed persons who are very hard to place (phase 4). For this group, standard rates of assistance could be increased, so that recourse to Special Assistance could be greatly reduced. The VNG is in favour of this. In contrast to this group, there are the unemployed who do still have a chance of finding paid employment (phase 2 and 3). In their case, the means-tested schemes ought to be phased out more gradually than they are at present. However, discussion of such a distinction and an increase in the standard rate of assistance is politically very sensitive, partly because of the indirect link between benefits and the statutory minimum wage, and the fear of reintroducing "elements which promote passivity" in schemes at the expense of the activating objectives.

### **Road show**

Pending the government's adoption of a position and the debate on the subject in the Lower House, the Ministry of Social Affairs and Employment has begun an intensive dialogue with the local authorities, Regional information and discussion meetings are being held for the purpose of talking to local authorities about the inconsistencies in local authority administrative practice (e.g. exclusion of working people on low incomes from some schemes in favour of national assistance claimants) and, more generally, the relationship between local incomes policy, the poverty trap and labour force participation. In the recent past, local

authorities would have been sent a Ministry of Social Affairs and Employment circular notifying them of correct administrative practice. However, owing to the policy of decentralisation and the greater autonomy of local authorities, such a top-down approach is becoming increasingly uncommon. The current cycle of information meetings, also described as a genuine “road show” by the officials involved, is better suited to the “culture of consultation” in the polder model (management by speech, persuasion; there is now greater acceptance that it takes time for local authorities to acquire the capacity and experience to implement policy independently). The VNG is also involved in this road show.

### **Politics**

As stated earlier, we are now waiting for the government to adopt a position and for the subject to be debated in the Lower House. During such a “lull”, it is common for political parties and players, after initially supporting the working party’s recommendations, to revert to their old positions in order to continue to influence the political decision-making. For instance, the right-leaning liberal party VVD is advocating the dismantling of all means-tested schemes, the Economic Affairs Ministry considers that the poverty trap policy merely shifts the problem to the higher levels in the incomes structure, and the Finance Ministry takes the view that generic compensation measures will cost too much. On the other hand, there is also the usual support, such as that from the Ministry of Housing, Spatial Planning and the Environment, that wanted to change elements of the housing subsidy anyway.

### **Impact on claimants**

According to policy staff of the Ministry of Social Affairs and Employment, the poverty trap – particularly the effect of discouraging participation in the labour force – is an economic concept rather than a psychological one for many claimants. This means that there are few signs that claimants are greatly influenced by the threat of the poverty trap when deciding whether or not to look for a job or accept work. One explanation for this apparently odd situation is probably that individual claimants seldom work out for themselves the figures which researchers and policy-makers calculate. And these are not very easy sums to do, partly because of the different years and basic principles (such as the concept of income) on which the calculations have to be based. The poverty trap is to a large extent a delayed effect, i.e. it takes a year or two after finding work before the adverse effects are felt. At that point, people do not readily make comparisons with their original position, or their income has increased sufficiently for the adverse effects to be less important. For organisations representing claimants, however, the existence of the poverty trap as an economic concept is a reason for arguing on the basis of a principle of justice that incomes should at least be prevented from declining on acceptance of a job.

### **Conclusions**

The poverty trap is a complex problem for several reasons. First, there are many different schemes, players and levels of government. Second, it concerns both policy objectives (some of which are mutually contradictory) and more technical administrative aspects. Third, there is a direct link with fiscal policy and with more general incomes policy, such as the level of benefits and the link between benefits and the statutory minimum wage.

This confronts the government with a number of dilemmas. Should it opt to combat poverty and put up with a potential disincentive to work, or should priority be accorded to increasing

the rate of labour force participation, which may cause the incomes of certain groups to fall. Should it choose expensive generic compensation measures or specific measures which may be more difficult to control and may lead to reduced transparency. Should it go for a swift but confrontational top-down solution, which is no longer really possible, or a much slower bottom-up approach.

In the face of such a complex issue, it is necessary to outline the tactics to be adopted in order to attain the objective. Setting up working parties to define the issues and formulate the policy options is a first step. These working parties have made it clear that a coordinated approach is the only way to get results. However, more is required for successful implementation. In that respect, there was a risk entailed in excluding the VNG from membership of the working party. The present roadshow should straighten out the ensuing problems.

At the moment, no clear political choices have yet been made. A likely option will involve some “technical” improvements to curb incorrect use and limit cumulation effects, and a partly generic solution phased over time. In addition, there is the express intention that the poverty trap should remain high on the political agenda, partly to achieve a consensus on the gradual dismantling of the means-tested schemes.

## Conclusions

Despite the dynamic, complex nature of the subject of this study, the relatively elusive nature of coordination and the heterogeneity of the case studies, this final chapter offers some concluding remarks. Once again, it is based on the format provided by the European Foundation for the Improvement of Living and Working Conditions.

### Coordination: levels, forms and players

#### Current manifestations of coordination.

Is coordination a “hot issue” in the Netherlands? At first, one is inclined to say it is not. The term coordination does not immediately make the heart beat faster, so in modern policy it is seldom mentioned as an end in itself. And perhaps that is not so surprising: the need for coordination is often so obvious that it can easily be overlooked. In addition, it is never a question of coordination on its own, but of many other objectives at the same time, such as promoting efficiency and effectiveness, which are also easier to measure. But this does not do justice to the present situation. In the first place, the three case studies provide convincing evidence of the efforts to achieve better coordination between the various policy initiatives. If those initiatives are examined more closely, coordination is particularly important because a number of radical change processes are being initiated simultaneously and the aim is to reconcile various, sometimes conflicting objectives. The concept of “managed liberalisation” is a striking example. In the second place, and this concerns an aspect which this study disregarded, close attention focuses on the relationship between national and international level, particularly the European Union. At that level there is certainly a debate between advocates of open coordination (also known as “soft law”) and more traditional, farther-reaching legislative instruments. In the third place, the corporatist consultation structure which forms the basis of the Dutch polder model can be taken as an example of policy coordination.

#### Levels

Coordination is an essential ingredient in policy processes, regardless of whether they are at the development phase, the implementation phase or the evaluation phase, and regardless of the level or levels at which these policy processes operate. The three case studies all differ in the way in which an attempt is made to find points where a more coordinated policy can be applied. The *Urban Policy* concerns a form of decentralisation involving both vertical coordination between the central level of the Ministry of the Interior (which is responsible for Urban Policy) and the decentralised level of local authorities, and horizontal coordination at local level. In contrast, the *poverty trap policy* places the emphasis on horizontal coordination at national level. One reason for this is that solutions to the poverty trap are currently being sought at central level, and not in fundamentally different guidelines on means-tested schemes to be granted locally. The *SUWI process* involves all levels, which is presumably one of the reasons for its faltering progress and the delay in making decisions. Another reason is that the many discussions on the privatisation of public services also had an influence.

#### Forms

Coordination may take various forms. It may constitute a broadly-based decision to coordinate or reconcile various policy processes or objectives, but may also coincide with re-arrangement of the logistical process of getting people into work (starting with the single access point approach) or part of it (the Opportunity Meter as a universally applicable instrument). In all these cases, coordination combines a rational process of reconciliation (of

various policy objectives or even opposing interests) and a more “political” process of acceptance of proposals or decisions.

### **Players**

The case studies also differ from one another in the number and type of players involved in the policy processes. The *SUWI process* once again offers the most complex network, while the *poverty trap policy* operates in an arena which is much easier to comprehend. On the other hand, the latter actually involves more players at central level, including the ministries of Social Affairs and Employment, Finance, Housing, Spatial Planning and the Environment, and Education, Culture & Science. Owing to the lack of any hierarchical relationship between ministries, decisions on change processes generally take longer than where there are strong vertical links.

Of course there are many other players in addition to the government organisations. The *SUWI process* is also interesting in this respect, particularly because of the involuntary changes in the position of employers and workers organisations and the changes in the government’s appreciation of market operators. Employers and workers claim that they are still being made to “pay” for their unwritten pact whereby redundant workers claimed disability instead of unemployment benefits in the 1970s and 1980s. The government is keeping employers and workers at a distance because it fears a repeat of this type of situation which is difficult to control. That is all the more persuasive now that unemployment has fallen to the point where the number of people unfit for work is almost the only remaining socio-economic problem. If privatisation forms part of the policy process, there will be additional complications for coordination. By definition, market operators have opposing interests and it is then up to the government to make the rules. This is a factor at the moment in the privatisation of reintegration activities.

Clients or benefit claimants and their organisations may also be players at this level, though their position has remained decidedly marginal in the policy processes mentioned. This is due partly to the fact that, in all three case studies, the emphasis is on the development phase of new policies. They are expected to make a greater contribution when it comes to implementing that policy, at least in the case of the *Urban Policy*.

### **Instruments to encourage coordination**

The case studies, particularly the *SUWI process*, offer an insight into the range of instruments or strategies which can be used to encourage coordination. The crucial, general strategies are:

- coordination with existing collaborative arrangements
- provision of a comprehensive framework covering objectives, planning and budgets, and also indicating the (often decentralised) discretionary power
- exerting controlled pressure to promote a results-oriented approach
- setting up a professional support organisation to offer guidance on the change process
- embedding the change process in a larger, strategic framework
- monitoring the progress of the change process and, where results are disappointing, switching to tighter control and, if necessary, modifying the objectives and/or abandoning the initial design principles.

The next section will fill out these strategies at two levels, namely at the *macro level* of the welfare state or central government and at the *micro level* of the social security administration agencies.

### **Coordination across the spectrum from communication to integration**

Just as coordination may take many different forms, so it also operates flexibly across the spectrum from communication (the exchange of information on the basis of informal relations) to integration (the formal combining of tasks, duties or activities). Examples of communication are the exchange of information on clients between various data managers to coordinate the control of possible benefit fraud and to amalgamate information on vacancies. Examples of integration are the one-stop-shop and the merger of the five social security administration agencies to form a single UWV. In short, the variations are enormous. However, it is clear that the greater the political importance attached to a policy initiative, the greater will be the pressure for collaboration or even integration. In consequence, in such a situation “mutual coordination” which is often merely informal will not be deemed sufficient and the aim will be to “standardise knowledge and expertise”.

### **Coordination in practice**

How can coordination be achieved in practice? If we are to say anything on this, we need to distinguish between the macro level of the welfare state, the social security system or central government, and the micro level of the social security administration agencies and projects. The link between the two levels is formed on the basis of the concept of “policy lessons” as used by Hemerijck and Visser (1999).

At *macro level* the process of reforming the Dutch welfare state can be summed up as a form of policy lessons in which a combination of “imperfect knowledge” and “incomplete power” form the starting point for policy adjustments. In this case, “imperfect knowledge” stands for the absence of a blueprint for the target situation, and “incomplete power” means the fact that, apart from central government, there are also other powerful players operating together in a “shared policy area”. In the case of the SUWI process, these players include in particular employers and workers, advisory bodies, social security administration agencies and insurance companies. In this “shared policy area”, policy developments and institutional changes are the outcome of a combination of decisions and “puzzle-solving under conditions of uncertainty”. The term “policy lessons” applies if, in such a situation, a deliberate attempt is made to adapt the policy objectives, instruments and methods. Efforts to increase coordination could be added to this.

Policy adjustments can be sub-divided into three levels. Level 1 concerns changes to the government’s policy instruments, level 2 concerns institutional adjustments within the overall government system of formal rules, and level 3 concerns a fundamental shift in policy paradigms from the overall objectives and causal assumptions behind policy moves. Hemerijck and Visser claim that each higher order adjustment is associated with increasing politicisation of policy. The three case studies illustrate this. The *poverty trap policy* is currently aiming primarily at a “technical” solution in the range of policy instruments, the *Urban Policy* focuses on decentralisation, and the *SUWI process* has twice been an illustration of a shifting policy paradigm.

The higher the level at which policy adjustments are made, the more players and the more vested interests are involved, thus making it harder to achieve coordination. One advantage of the Dutch corporatist consultation structure is extensive capability for problem-solving and learning in society, which means that, once a decision has been taken, new policy is easier to introduce and the implementation and/or maintenance costs are lower. The disadvantages are

the consultation “circus” and the constant danger that no decision will be reached (policy deadlock).

For the macro level, Hemerijck and Visser formulate some lessons which can be transposed to the subject of this study and which link up with earlier remarks on the importance of integrated, interactive policy processes:

- level 3 policy adjustments (such as modernisation of the welfare state) are difficult but not impossible
- social consensus is vital here, e.g. to avoid vetoes
- policy adjustments sometimes entail disagreeable changes, so that there needs to be “light at the end of the tunnel”, i.e. practical advantages must be on offer in the near future
- the players involved must have the stamina and political courage to put their own position on the line and to make other players fulfil their obligations without that being at the expense of mutual trust.

In contrast, the *micro level* of organisations and projects concerns very specific principles such as:

- promoting an organisational culture geared to cooperation, by means of a cooperative management style
- setting up a project organisation to stimulate and support the process (keeping the number of “dual structures” to a minimum)
- making clear agreements with the employees concerned on the boundaries of their discretionary scope
- offering specific training for these employees
- distributing information (leaflets, journals, internet web-site) among staff and clients
- pursuing an internal mobility policy to avoid “compartmentalisation” as a result of dead-end career paths
- promoting client participation.

## Results

The intended results of the policy initiatives described in the three case studies are difficult to define uniformly. At the most abstract level, of course, the aim is to achieve an activating social security policy and labour market policy, to revitalise cities and to limit the poverty trap. However, in all three cases there are many underlying or more specific objectives, such as increasing the labour force participation rate among lone parents, reducing “social insecurity” in cities and improving the incomes of those on minimum wages. To some extent, these objectives also form part of other policy processes. Elsewhere in this report we have already said that this mosaic of objectives and policy processes will hamper subsequent evaluations.

Although all three policy initiatives already go back some way, the ones described here in the case studies are recent. Of these, the time-scale of the *Urban Policy* is the most clearly defined - (1999-2002) - and it was only this year that the government adopted a decision in principle on both the *SUWI process* and the *poverty trap policy*. That means that there are no measurable results in any of the three cases.

Since the *poverty trap policy* is not very radical, on account of the relationship with the structure of the tax system and the level of the statutory minimum wage, this subject is likely to be back on the political agenda after a time. In a way, that is odd, because this is a level 1 adjustment.

## **Effects for benefit claimants**

The (intended) direct advantages of the three policy initiatives for benefit claimants include:

- a better service by limiting the number of access points and by a clearer system of referral
- a more transparent system of rights and obligations; some local authorities conclude individual contracts or covenants, which might lead the way to a personal reintegration budget
- an integrated approach comprising measures to get people into work and social activation plus a welfare plan
- a comprehensive approach with clear agreements on the times for using labour market instruments
- extending the reach of the instruments used, e.g. by increasing the available budget and training advisors to recognise poverty situations; in recent years this has reduced the “non-take-up” of means-tested schemes
- making the phasing process uniform, thereby in principle increasing the chance of equal treatment;
- a link between education and the labour market situation
- reducing the poverty trap
- indirectly: reinforcing the activating content of the social security policy and the labour market policy, thus increasing the opportunities for paid employment and maintaining the current level of social security.

The potential disadvantages include:

- a greater chance of risk selection
- encroachment on privacy by linking the data banks of different data managers
- a society which begins to show the features of a “workfare” system, partly because of the current labour shortages.

## **Effects for the government**

The above advantages for benefit claimants naturally also apply to the government. If, by well-coordinated initiatives, the policy is implemented more efficiently and effectively, with less compartmentalisation, unemployment will fall and the number of benefit claimants will decline, reducing the demands made by social security on public funds and leaving more money for other urgent matters.

That sounds very good, but, as is often the case, the money must be spent before the benefits are felt. In that respect, coordination and synergy mean the same thing. In the case of business mergers, shareholders are offered the longer-term prospect of economies of scale and/or cost advantages. In the short term, however, there is often additional expense such as the cost of absorbing losses and making “excess” staff redundant. In the case studies presented here, too, the longer-term benefits mean additional costs in the short term, such as the cost of launching change processes, equipping project management organisations, developing new instruments and staff training. In addition, there is always uncertainty among staff, particularly about their own jobs or careers. One example is the formation of the CWI, which will cause the loss of a thousand jobs. But the sharp fall in the numbers of unemployed is also a factor here.



## **Coordination in perspective**

### **Success factors**

At the end of the third chapter, this report included a diagram of the factors which may threaten “good activation governance”. If these factors are reversed, we naturally get a list of success factors. To complete that list, we need to add the “lessons” formulated earlier in this chapter for macro level and the principles for micro level.

### **Environmental factors**

Even if we have such a list, we are naturally still very dependent on the environment. That environment is constantly changing, but without always sending out clear signals. An economic recession and high unemployment encourage the development of new forms of policy coordination, but may also hamper such development if spending cuts take top priority. Similarly, sustained economic growth and low unemployment may both promote the need for coordination on account of the increased financial scope, and curb it because the focus of policy has now shifted to other areas. Coordination, or chaos as the natural opposite, are therefore to some extent based on a free choice.

## Summary

### Introduction

- On the authority of the *European Foundation for the Improvement of Living and Working Conditions* in Dublin, TNO Work and Employment in the Netherlands has carried out a research project on integrated approaches to active welfare and employment policies. The specific aim of this project is to describe and analyse the processes, structures and mechanisms by means of which the Member States of the European Union strive for a better coordination between their social security policy and their active labour market policy. Eleven Member States participated in this project. Each participant has drawn up a national report. These national reports will be used as an input for the consolidated or synthesis report, to be published by the European Foundation for the Improvement of Living and Working Conditions in 2001. This report is the Dutch national report.

### Social security

- The past thirty years have seen a steep rise in total social security spending. However, in terms of gross domestic product (GDP) the trend is downwards since 1985. The I/A ratio, the number of inactive persons or benefit claimants divided by the number of active persons (in work) has improved considerably in the last 15 years. This I/A ratio has fallen from 43,5 in 1985 to 31,4 in 2000.
- The social security system has been constantly changing in the post-war period. In the construction phase, the protective function of the system was central. It was a system that offered insurance against loss of income, with a guaranteed minimum income for everyone. By the end of the 1970s the system was broadly complete. After that there was a change in the character of the public debate on social security, particularly on account of the deteriorating economic situation. Initially, there were changes to the *level and duration of benefits*. After a time, attention became centred on improving the *efficiency of administration* and creating new *financial incentives* to enhance effectiveness. Fraud prevention also attracted greater attention. In recent years, the *activation effect* of the system has come to play an increasingly important role. The primary aim here is to make all parties involved more aware of the need to limit the take-up of social security schemes and to promote reintegration. Various measures were introduced for this purpose, such as the radical changes to the Sickness Benefits Act and the WAO.
- The National Assistance Act (ABW) is the social safety net in the Dutch social security system. Every Dutch national or foreigner lawfully resident in the Netherlands, aged 18 years or over and lacking the resources to provide for basic essentials is entitled to assistance. The number of benefit claimants showed a fall of 19% in the period between 1995 and 1998. As a percentage of the corresponding population group, the figure was down from 4.9% in 1995 to 3.9% in 1998. This decline continued after 1998. The ABW population is very diverse. Common categories are people who, owing to a combination of care functions, have little if any chance of taking part in the work process; people who for personal reasons are so remote from the labour market that it is not possible to arrange work directly; and people who have still been unable to find work after expiry of their unemployment or disability benefits. Evaluation studies point out that the activation function of the ABW is sometimes in conflict with the care function.

### Labour market

- Since the mid-1990s the Dutch economy has enjoyed remarkable, sustained growth. Combined with the demographic trends towards fewer young workers and an ageing

workforce, this has led to *strong expansion of employment* and increased participation in the labour force. The recorded unemployment rate has dropped to 2.4% (mid-2000), a level last achieved more than 20 years ago. At the same time the number of vacancies has risen to record levels: at the end of March 2000 there were 216,000 vacancies. There are 37 vacancies for every 1,000 jobs in the private sector. This *shortage* is fairly general, but is particularly marked in the Randstad conurbation and North Brabant. Sectors where labour is particularly scarce are the building industry, the hotel and catering industry, business services (particularly financial services and the ICT sector) and the health sector. According to employers half the vacancies are difficult to fill. Nevertheless, there are still very many people on unemployment benefit, an unused potential labour source at the time of an economic boom. This situation is also known as the “two faces” of the current labour market.

- Increasing the *rate of labour force participation* is seen as the key instrument both to reduce dependence on benefits and to create a basis for the social security system which is sufficiently strong to cope with the ageing population in the years ahead. The *general employment policy* in the form of macro-economic and structural reinforcement policy as well as the *active labour market policy*, specifically aimed at creating an effective labour supply, are aimed at this.
- The active labour market policy of the *government*, as a response to the “two faces” of the current labour market, has the following elements:
  - developing the preventive, active labour market policy
  - stepping up the existing labour market policy and creating a benefits administration system geared more towards reintegration
  - continuing to develop the policy for specific target groups.
- Clusters of *instruments, measures, and services* that are at the disposition of the government are
  - measures to improve the position of persons very remote from the labour market
  - measures to create extra jobs (additional and/or subsidised jobs)
  - measures to reduce wage costs for employers
  - the basic service of the Public Employment Service.
- In general, people agree that the government plays an important role in the active labour market policy and that this cannot be left entirely to the market. There are too many market imperfections for that, representing a constant threat to people in a vulnerable position on the labour market. Opinions differ on exactly how the policy should be designed. This is due in part to differences in political and social viewpoints, but another factor is the lack of unambiguous evaluation data on *the effectiveness of the policy and the various instruments*. However, it is clear that, in view of the present labour shortage, the policy requires adjustment in an important respect.
- The government’s general employment policy (in this case, that also means the active labour market policy) is the central plank in its efforts to combat poverty. Two reasons can be put forwards for this central principle. First, at the micro-level of households, finding work almost always means increasing income. Second, at macro-level, the greater the number of people in paid employment, the larger the economic base available to finance social security, while social security spending declines. The second key element of the poverty policy is direct income support. The most important instrument here is Special Assistance, on which spending has increased substantially in the past few years. Finally, a third element of a slightly different kind is the Urban Policy.

## Coordination in the modern welfare state

- The changes in the Dutch “corporatist” welfare state over the past twenty years can be defined as a process of “managed liberalisation”. The aim of the restructuring process which was launched in the 1980s but did not become radical in character until the 1990s was to reinforce the activating content of social security policy and labour market policy, while at the same time incorporating stricter control mechanisms. The strategies used were as follows:
  - institutional restructuring of the organised relationship between the government, employers and workers, businesses and social security administration agencies by partial dismantling of the corporatist structure
  - the introduction of financial incentives and more market forces as an additional control instrument in relations between central and local authorities and in relations with social security administration agencies
  - a reduction in the discretion available to social security administration agencies by more tightly worded legislation
- This process of change is described and analysed in chapter three on the basis of the following topics: decentralisation; autonomy and privatisation; efficiency, effectiveness and market forces; integrated policy; interactive policy development; deregulation; safety net and activation; rights and obligations.
- Coordination can help in the development of a coherent policy with common objectives, a coherent set of measures and effective cooperation between the players involved. This could be defined as a form of “good (activation) governance”. To demonstrate this and to develop more specific measuring points some failure factors are defined at the end of chapter three.

## Case-studies

- Chapter four presents three case studies concerning initiatives aimed at complex policy problems, seeking new forms of coordination between activation and security: the SWI project and the SUWI process; the Urban Policy; and the policy aimed at alleviating the poverty trap.
- The *SUWI process* concerns fundamental changes in the allocation of responsibilities and tasks in the administration of the social security and labour market policy. The administrative work of collecting premiums, assessing claims and arranging benefit payments is placed with a single public body, the Employed Persons’ Insurance Administration Agency (UWV). In addition, the reintegration of the unemployed and disabled is being carried out by private reintegration agencies. The government has also confirmed its earlier decision to set up the National Institute for Work and Income (LIWI) and around 100 Centres for Work and Income (CWIs).
- The main objective of the *Urban Policy* is to restore a balance in urban development and re-establish the relationship between the various functions of cities in order to help create a “complete, safe city, fit to live in, where all citizens have equal opportunities”. The development and implementation of the Urban Policy are based on a number of institutional or administrative design principles. The main ones are:
  - integrated approach: a combined approach to urban problems on the basis of the three pillars mentioned: the municipal long-term development plans have to focus equally on the three pillars
  - interaction and partnership: in relations between local authorities, businesses, institutions and the public, plans have to be developed interactively; no single party can formulate objectives or implement measures unilaterally

- clear allocation of roles between central and local government: it is local authorities, not the state, that determine the specific objectives included in the programmes; local authorities are felt to be in a better position to do this than the state because they are closer to the residents; the state provides the resources; however, the long-term development plans have to be approved by the Council of Ministers
- Many households on low incomes take up means-tested schemes such as housing subsidies, Special Assistance and exemption from local charges. One effect of this is that a rise in income, e.g. due to finding paid employment or working longer hours, is partly and sometimes actually totally negated by a loss of means-tested benefits. This effect may be made worse by the fact that benefit claimants who find a job are faced with additional expenses that are certainly not always reimbursed, such as the cost of travelling to work, clothing, the cost of obtaining work. Losing all or part of the additional income naturally makes work (or more work) a less attractive option. This effect is called *the poverty trap*. Over the past three years three working parties have analysed the poverty trap and made some suggestions to limit the negative effects. At the moment, no clear political choices have yet been made. A likely option will involve some “technical” improvements to curb incorrect use and limit cumulation effects, and a partly generic solution phased over time.

## Conclusions

- The search for (more and better) coordination is a form of *policy adjustment*. Three levels of adjustments can be discerned in this field. Level 1 concerns changes to the government’s policy instruments, level 2 concerns institutional adjustments within the overall government system of formal rules, and level 3 concerns a fundamental shift in policy paradigms from the overall objectives and causal assumptions behind policy moves. Each higher order adjustment is associated with increasing politicisation of policy. The three case studies illustrate this. The poverty trap policy is currently aiming primarily at a “technical” solution in the range of policy instruments, the Urban Policy focuses on decentralisation, and the SUWI process has twice been an illustration of a shifting policy paradigm.
- The higher the level at which policy adjustments are made, the more players and the more vested interests are involved, thus making it harder to achieve coordination. One advantage of the Dutch corporatist consultation structure is extensive capability for problem-solving and learning in society, which means that, once a decision has been taken, new policy is easier to introduce and the implementation and/or maintenance costs are lower. The disadvantages are the consultation “circus” and the constant danger that no decision will be reached (policy deadlock).
- Based on the case studies some *lessons* for policy initiatives aimed at more and better coordination at the macro level of society as well as at the micro level of organisations are formulated in chapter five.
- Advantages of the policy initiatives for *benefit claimants* include a better service; a clearer system of referral; a more transparent system of rights and obligations; an integrated approach comprising measures to get people into work and social activation plus a welfare plan. However, there are also potential disadvantages, such as a greater chance of risk selection; an encroachment on privacy; and a society which begins to show the features of a “workfare” system.
- The above advantages for benefit claimants naturally also apply to the *government*. If, by well-coordinated initiatives, the policy is implemented more efficiently and effectively, with less compartmentalisation, unemployment will fall and the number of benefit claimants will decline, reducing the demands made by social security on public funds and

leaving more money for other urgent matters. That sounds very good, but, as is often the case, the money must be spent before the benefits are felt. The longer-term benefits mean additional costs in the short term, such as the cost of launching change processes, equipping project management organisations, developing new instruments and staff training.

## **Annex 1: Design of the study**

### **Background**

The 4-year programme for 1997-2000 of the *European Foundation for the Improvement of Living and Working Conditions* is paying special attention to research on policies aimed at the coordination in linking work and welfare policies. By stimulating the rethinking of social welfare systems and their relationship with labour market issues it is intended to improve policy frameworks at European and national levels as well as their delivery through services at local and regional levels.

### **Aims of the project**

The specific aim of the project *Integrated approaches to active welfare and employment policies* (Research project 0194) is three-fold:

- to give an actual description of the policies and measures of the various minimum income and social assistance schemes in the Member States and of the services offered to minimum income recipients (description of the context);
- to make an analysis of (the progress or the stagnation in) the establishment, the structures and the processes for coordination especially between social security services and employment services (identification and assessment of coordination mechanisms);
- to formulate recommendations and proposals for action to improve both the coordination and the effectiveness of activation policies for minimum income recipients (policy proposals).

### **Research questions**

Based on these aims, the following research questions are at stake:

- Which actors have or should have a central role in the coordination of employment and social protection and other policies for (re)integration into society? What are the responsibilities of these actors and in which way do they perceive their responsibilities?
- Which mechanisms are developed for the coordination of activation measures as applied to recipients of social assistance or minimum income schemes? These mechanisms can be horizontal (between the different types of actors involved) and vertical (amongst the different levels of decision-making and implementation of policies).
- What is the impact of these coordination mechanisms on specific client groups such as long-term unemployed, ethnic minorities and disabled people? Which data are available on the efficacy and effectiveness of these mechanisms?
- What kind of obstacles can be discerned for an improvement of these coordination mechanisms? What is the solidity of these obstacles? How do the actors involved perceive their 'degrees of freedom' to introduce more effective coordination mechanisms?

### **Research design**

The research project will be carried out in the following three stages: desk research, interviews and report. Each of these activities will be accompanied by a meeting in Dublin with the researchers of the other EU countries involved in this project.

The main objective of the *desk research* is to present a description of:

- the various minimum income and social assistance schemes as well as the legal context of these schemes;
- the specific activation policies targeted at minimum income recipients;
- the services offered to minimum income recipients exposed to activation measures;
- the main actors involved in these schemes, especially those actors who are responsible for the coordination between social security services and employment services;

- the vertical and horizontal coordination mechanisms and instruments as far as they are applied by the actors.

To get a more profound insight in the progress or the stagnation in the coordination of work and welfare policies, *interviews* will be held with representatives of the key actors involved (Ministry of Social Affairs and Employment, Ministry of Interior Affairs, local communities, employment services, trade unions, client organisations). The main objectives of these interviews are:

- to get ‘behind’ the concepts of coordination;
- to assess the impact of coordination mechanisms on the efficacy and efficiency of activation policies;
- to assess the effects of coordination on minimum income recipients;
- to describe a number of successful projects or schemes (best practices);
- to collect information about options and obstacles for a further improvement of these coordination mechanisms.

A *report* with an analysis on integrated approaches to active welfare and employment policies will be delivered. This national report will be used as an input for the consolidated or synthesis report, to be published by the *European Foundation for the Improvement of Living and Working Conditions*.



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### **Annex 3: Key to abbreviations**

AAB	Active labour market policy
ABW	National Assistance Act
AKW	General Child Benefit Act
ANW	Dependants Benefits Act
AOW	General Old Age Pensions Act
AWBZ	Exceptional Medical Expenses Compensation Act
BZK	Ministry of the Interior and Kingdom Relations
CBA	Central Board of the Public Employment Service
CTSV	Social Security Supervision Board
CVCS	Client monitoring and communication system
CWI	Centre for Work and Income
FWI	Fund for Work and Income
GSB	Urban Policy
GSI	Urban Policy and Integration of Ethnic Minorities
GSD	Municipal social services department
IOAW	Older and Partially Incapacitated Unemployed Workers' Income Support Act
IOAZ	Older and Partially Incapacitated Former Self-Employed Persons' Income Support Act
ICT	Information and communications technology
LISV	National Social Security Institute
LIWI	National Institute for Work and Income
NOSV	New Social Security Organisation Act
SPAK	Special rebate on deductions
SUWI	Structure for the Administration of Work and Income
SWI	Partnership for Work and Income
SZB	Social security policy
SZW	Ministry of Social Affairs and Employment
TICA	Interim Institute for Coordination of Social Security Legislation
TW	Supplementary Benefits Act
UVI	Social security administration agency
UWV	Employed persons' insurance administration agency
VNG	Association of Netherlands Municipalities
WAO	Invalidity Insurance Act
WAJONG	Young Handicapped Persons Disability Benefits Act
WIW	Job-Seekers Employment Act
WML	Statutory minimum wage
WSW	Sheltered Employment Act
WW	Unemployment Insurance Act
ZBO	Independent Administrative Authority
ZW	Sickness Benefits Act

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