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# Serie research memoranda

**Dutch experiences in reforming social insurance and implementing active labour market policy in 1987-1995**

A.I. Stigter

Research Memorandum 1997-22

May 1997



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## Matters of design

### *Dutch experiences in reforming social insurance and implementing active labour- market policy in 1987-1995*

A.I. Stigter\*

#### Samenvatting

*Deze studie geeft een overzicht van veranderingen in het socialezekerheidsstelsel en het actief arbeidsmarktbeleid in Nederland in de periode 1987-1995. Daartoe worden achtereenvolgens de beleidsdoelstellingen, -maatregelen en -evaluaties van deze veranderingen besproken. Ook worden nog bestaande problemen geïnventariseerd en nieuwe maatregelen aangedragen. Drie verschillende benaderingen worden daarbij onderscheiden: de stelselherziening van 1987, de herijking van de verantwoordelijkheidsverdeling en de combinatie met actief arbeidsmarktbeleid. Deze strategieën vullen elkaar aan omdat zij gezamenlijk bijdragen aan de toekomstige betaalbaarheid van de sociale zekerheid en de financiële prikkels op de arbeidsmarkt vergroten.*

#### Abstract

*The object of this study is to review Dutch experiences in reforming social insurance schemes and implementing active labour market policy in the period 1987-1995. This paper specifically aims at discussing the objectives of the reforms, describing the measures actually implemented, summarizing existing evaluations of the impact of the reforms and highlighting remaining problems with the status quo and the further reforms that may be necessary. The study distinguishes three major policy approaches as to reform social insurance, respectively renovating the social security system (the 1987 system reform), reforming the organisational structure of social insurance, and renewing active labour market policies (integrating benefit-awarding agencies and public employment services). These measures can be seen as complementary as they are elements of an overall policy to safeguard the future viability of social security and to improve labour market incentives.*

*This review forms part of a comparative study by the International Labour Office that encompasses France, the United Kingdom, Australia and the Netherlands.*

\* March 1996, Applied Labour Economics Research Team, Vrije Universiteit, Amsterdam, The Netherlands. This research project of the International Labour Office (ILO) has been carried out under supervision of Frank den Butler. The author would like to thank Dennis Snower for his comments on an earlier version and acknowledges the financial support by the ILO.

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## Chapter 1 Labour participation and social security

### §1.1 Introduction

Today's economic policy debate in the Netherlands focuses on the low labour participation and high costs of social security. In its coalition agreement, the current cabinet has proclaimed the shortage of employment to be the key problem of the Dutch economy. Despite rapid job creation in the past decade, large parts of the labour force continue to be non-employable. This is mainly due to the fast growth of labour supply. Until recently the growth of the Dutch labour force has been curbed by earmarking great numbers of workers as 'non-employable', i.e., persons who could not be employed at present economic conditions have easily been absorbed by generous and lenient sickness, disability, unemployment and early retirement schemes.' The increase of labour supply can now largely be explained by three developments: sustained large numbers of women enter the labour market,<sup>2</sup> substantial parts of the immigrant population join the labour force, and former disability beneficiaries re-entry to labour market activity. With regard to the latter tendency, this is the indirect and combined result of complementary policy measures, such as constricted eligibility conditions, cuts in benefit levels and durations and re-examination of disability beneficiaries.

Compared to other developed countries, Dutch labour participation is indeed low. Table 1.1 summarizes some key OECD figures on participation rates for several European countries. In this inter-country comparison, participation in the Netherlands seems rather low, especially considering that the OECD definition measures labour participation in persons instead of full-time equivalents. However, working part-time is a widespread phenomenon in the Netherlands, well above the EU

**Table 1.1 Labour force participation rates in selected European countries 1980-1994**

	1980	1985	1990	1994
Belgium	63.0	62.0	62.6	64.0
<b>Denmark</b>	79.2	81.9	81.9	80.9
<b>France</b>	68.4	66.4	66.6	67.3
Germany	68.3	67.4	69.1	69.1
<b>Italy</b>	60.3	59.1	61.3	58.8
<b>Ireland</b>	63.2	62.2	62.3	64.0
<b>Netherlands</b>	57.7	56.0	58.2	60.7
Sweden	80.8	81.6	83.0	76.4
United Kingdom	74.0	74.4	76.7	74.3

*Source:* OECD (1995). The OECD definition of labour participation measures the labour force divided by the total working-age population, normally restricted to individuals of 16-64 years old.

[1] The concept of 'non-employability' derives from the starting-point that these categories are very similar from an economic point of view. Van der Praag & Van Beek (1991).

[2] Traditionally, female labour participation has been very low in the Netherlands. For instance, the participation rate of married women has been as low as 2% in 1947 and 4% in 1960.

**Table 1.2 The relation between 'inactives' and 'actives' in selected European countries**

	<i>inactive ratio</i>	<i>inactive ratio excluding old age pensions</i>
Belgium	1.061	0.512
Denmark	<b>0.736</b>	0.353
France	<b>0.835</b>	0.338
Germany	<b>0.884</b>	0.407
Ireland	n.a.	n.a.
Italy	n.a.	n.a.
<b>Netherlands</b>	<b>0.829</b>	<b>0.426</b>
Sweden	n.a.	n.a.
United Kingdom	0.808	0.342

*Note:* The so-called inactive ratio is defined as the ratio between the number of people receiving benefits and the number of active workers. *Source:* Nederlands Economisch Instituut, in Ministry of Social Affairs and Employment (1995), 11.

average.<sup>3</sup> Thus, table 1.1 still overestimates Dutch labour participation.

Since 1970 the volume of social security beneficiaries has doubled from 2.1 to 4.2 million benefit years. Whereas in 1970 a person receiving a benefit had his support paid by two active workers, at present each active worker in the Netherlands almost completely supports another person who receives a benefit. This so-called 'inactive ratio' has increased from 0.44 in 1970 to 0.85 in 1995. The incidence of non-employability is even worse at the lower end of the labour market. For instance, every hundred low-skilled workers have to support ninety sickness, disability or unemployment beneficiaries, apart from other social security benefits.<sup>4</sup>

Until now, the deterioration of the inactive ratio has been primarily the result of the vast increase of the number of social security beneficiaries. In the next decade the ageing population will cause further upward pressures on the development of the inactive ratio. In a recent study on the development of the Dutch economy in the period 1990-2015, two out of three scenarios show that the inactive ratio will deteriorate even further in the next ten years, from 0.86 in 1990 to respectively 1.18 or 0.99 in 2005." In all three scenarios the deterioration of the inactive ratio is mainly due to the increase of the number of aged people. This demographic development will cause considerable additional upward pressures on the social security budget, only to be compensated by cutting down benefit generosity even further or restraining the number of beneficiaries in other social security schemes.

Yet, compared to other European countries, the level of the inactive ratio in the Netherlands is not exceptionally high. Table 1.2 presents figures on the inactive ratio for several European economies. The overall inactive ratio is about average for these countries. Table 1.2 clearly shows that most European countries can be characterized by large income transfers from the active to the inactive population. Similar to the Dutch case, this is the result of two developments: the

[3] In the Netherlands 14% of all men and 63% of all women work part-time, as opposed to for instance 8.4% and 41.3% in Sweden, 6.3% and 45% in the UK, and 2.2% and 30.7% in Germany (data for 1992, see OECD (1995a)).

[4] Central Planning Office (1991).

[5] Central Planning Office (1992).

**Table 1.3 Social protection expenditures as a percentage of GDP<sup>a</sup>,  
in selected European countries 1980-1993**

	1980	1985	1990	1993
Belgium	28.0	29.3	27.0	27.6
<b>Denmark</b>	28.7	27.8	29.8	33.2
<b>France</b>	<b>25.4</b>	28.8	27.7	30.9
<b>Germany<sup>b</sup></b>	28.8	28.4	26.9	27.6
<b>Ireland</b>	20.6	23.6	<b>19.5</b>	21.4
<b>Italy</b>	19.4	22.6	24.1	25.8
<b>Netherlands</b>	30.1	31.7	32.2	33.6
Sweden	n.a.	n.a.	n.a.	n.a.
United Kingdom	21.5	24.3	22.7	27.8

<sup>a</sup> At market prices

<sup>b</sup> Excluding the new Länder

*Note:* Social protection expenditures refer to benefits which have been made up of transfers to households to cover social risks. These social risks entail financial costs or loss of income, and include the following categories: sickness, invalidity, disability, occupational accidents and disease, old age, survivors, maternity, family, placement, vocational guidance, resettlement, unemployment and housing. *Source:* Eurostat (1995).

proportional increase in the ageing population and the earmarking of large parts of the labour force as non-employable. Still, whereas in most countries the population is already relatively aged, this has not yet been the case in the Netherlands. Thus, so far the low participation rate in the Netherlands is primarily due to substantial inactivity among persons of working age.

The vast increase of the volume of beneficiaries has caused social security expenditures to rise rapidly over the past decades. The further extension of social security acts, liberalized eligibility conditions, rising benefit levels and increased maximum benefit durations, have also contributed to the rise of the social security budget. Thus, upward pressures on the social security budget are caused both by price and volume components. Table 1.3 summarizes the share of social protection expenditures in the gross domestic product. Social protection is a broad concept, covering all social risks that entail financial costs or of loss of income for households. From inspection of table 1.3, it emerges that social expenditures take one-fifth to one-third of GDP. The Netherlands cannot be considered as a major outlier, social expenditures being somewhat above average.<sup>6</sup>

Taking into account the composition of the social expenditure budget this broad picture changes dramatically, at least with regard to the Netherlands. Table 1.4 surveys the ratio between expenditures on work-related insurance schemes and total social protection expenditures. The shares of these categories in total outlays indicate the program wise variation between countries. Large cross-national differences exist with regard to the share of unemployment insurance, probably due to different labour market conditions and diverse benefit levels. Table 1.4 clearly shows that the share of disability and sickness benefit programmes is roughly the same for all countries, with one major exception. Disability outlays in the Netherlands account for twice as

[6] Comparing social protection expenditures may be tricky. First, only gross figures are given, but not the net costs (gross versus net payment of benefits). Second, tax expenditures do not appear in the statistics. Third, in addition to the public expenditures one should also take into account the private expenditures by employers and employees.

**Table 1.4 Disability, sickness and unemployment benefit expenditures as a percentage of total social protection expenditures in selected European countries 1980-1993**

	<i>Disability<sup>a</sup></i>		<i>Sickness</i>		<i>Unemployment</i>	
	<i>1980</i>	<i>1993</i>	<i>1980</i>	<i>1993</i>	<i>1980</i>	<i>1993</i>
Belgium	9.6	8.9	21.8	22.9	9.2	10.0
Denmark	8.4	8.4	26.7	18.8	10.8	12.6
France	6.2	5.7	26.2	26.4	4.3	6.8
Germany <sup>b</sup>	8.8	9.2	28.3	27.9	3.1	5.9
Ireland	6.3	6.9	36.6	29.7	8.0	14.5
Italy	7.8	6.9	24.6	22.2	2.3	2.1
Netherlands	24.1	22.4	23.8	22.2	6.1	9.2
Sweden	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
United Kingdom	8.8	11.7	23.0	19.2	8.2	6.1

<sup>a</sup> Occupational accidents and diseases excluded

<sup>b</sup> Excluding the new Länder

Source: Eurostat (1995).

much as the average share in the other countries. There are no particular reasons *a priori* to expect large cross-national differences in the potential demand for disability insurance, so the question raises why Dutch disability programmes are so expensive, even after successive policy measures to restrain the number of beneficiaries.

In conclusion, the Netherlands can be characterized by low labour participation, substantial non-employability among persons of working age and a high level of public expenditures on social insurance programmes (especially for disability schemes). These eclectic features can be linked by considering the economic effects of social security.

### §1.2 The economic effects of social security

The development of a comprehensive system of social security is essential to the welfare of Western European countries and is therefore often associated with highly developed welfare states.<sup>7</sup> Social security contributes to an equitable income distribution, reduces uncertainty, promotes social mobility and conduces to macroeconomic stability. Still, social security may cause considerable welfare losses as well, due to behavioural effects on the supply side and the demand side of the labour market.<sup>8</sup> Social security programmes are largely financed by employer and employee borne contributions, which drive a wedge between gross labour costs for the employer and net earnings for the employee. The budgetary costs of social security therefore directly add to labour costs. The tax wedge also indirectly affects labour costs, since wages are largely negotiated on an after-tax basis. Generous benefits levels, extended coverage and increased maximum benefit

[7] See e.p. Oudshoorn & Vijlbrief (1995).

[8] See Vijlbrief (1992). Jehocel-Gijsbers *et al.* (1995).



**durations reduce job-search** and training incentives for beneficiaries, **leading to increasing** reservation wages and **longer unemployment duration**. Especially in the lower segments of the labour market, the **difference** between wages and the minimum **guaranteed income** is **very small**, **thus leaving** semi- and unskilled beneficiaries hardly **better off after taking a job**. These **reduced** efforts at self-support are reinforced **by income-dependent subsidies and other means-tested** welfare programmes.

The welfare **losses** of social security **may be** reinforcing, so that in **an** adverse **economic** environment a downward spiral **may arise**, in which **both** employment and labour participation **decrease**.<sup>9</sup> In the Netherlands, social funds are financed on a **balanced** budget basis. Whenever the **number of inactive workers rises**, so will social **security contributions** and **gross labour costs** for employers. Consequently, more workers **are** laid off and the demand for social security is **trapped** into a negative spiral, diverging further and **further** from **equilibrium**. This **mechanism**, which is sometimes referred to as the 'social security trap', is **institutionally** established **by the pay-as-you-go** financing system of social security.<sup>10</sup> **After adverse** shocks, the least **productive** workers are easily absorbed by social insurance programmes, since eligibility conditions are lenient and enforcement loose. **Utilizing** disability schemes for redundant workers is in the interest of both **employers** and workers: the former to circumvent firing **costs** and to avoid social friction, the **latter** to **safeguard generous** and lengthy benefits. **Thus**, the outflow to social security is biased, contributing to the rise of **average** labour productivity of employed workers, **but** leaving redundant workers permanently outside the labour force. Because of **increasing** social **security outlays** and diminishing tax and premium revenues, the wedge between **gross labour costs** and **after-tax** earnings increases, thus requiring remaining workers to **be** even more **productive** and consequently accelerating the **number** of redundancies among **below-average productive** workers. Hence, **due to inefficient institutional arrangements** in social security, **adverse** shocks **may cause** a self-sustaining spiral with detrimental and enduring effects on labour **demand** and labour participation.

This 'downward spiral' has been aggravated **by** the changing social climate and the failure to devise **active policies**. Due to massive unemployment, people **have** become aware of their **legal** right to **demand** social security in case they become eligible, so that overall people **may** have become habituated in obtaining **benefits**. This **practice** puts **mutual** solidarity on the test and **erodes** the sense of responsibility **when** applying for social security. Further, **active** labour market policies have been **insufficient** so far. Until now, the performance of the **Public Employment Service (PES)** has been mediocre. The employment **agencies** and **benefit-awarding agencies** have failed to **collaborate** systematically, so that no **effective** sanction **policies** have **yet** been **carried out** for beneficiaries **who** fail to meet their obligations. **It is therefore unlikely that the PES is able to** increase the financial **pressure** on **benefit claimants** to seek for a job. **Conversely, because** of the poor performance of the **PES**, the positive impact of its **counselling activities** on the motivation of clients has been underutilized. The **result may** easily **be** that people no **longer participate** in the labour market, **lose** their **skills** and see their job **prospects fall, leading to a vicious circle** of rejection and alienation.

Several policy measures **can be** devised as to **promote** labour participation and to **reverse** the downward **spiral**. One obvious **strategy** is to **reduce** the wedge **by cutting** down social security

[9] See e.p. Keuzenkamp *et al.* (1993). Den **Butler** (1993). May & Muysken (1992).

[10] Van der Praag & Van Beek (1991).

contribution rates. The question is whether to **reduce employee borne or employer borne contributions**.<sup>11</sup> Policy measures aimed at reducing the employee's wedge stimulates employment **directly**. Reducing **employee borne premiums** **makes work more attractive** and stimulates labour **supply**. Decreasing employee's contributions is **also** conducive to wage restraint, as wages are **mostly** negotiated on an after-tax basis. Still, in the long **term** the distinction between **cutting** down the employee's wedge **or** the employer's wedge disappears. Instead of reducing the overall tax wedge, it **may be more** effective to focus on the **segments** of the labour market where **economic** inactivity is primarily concentrated: the lower end of the labour market. **One** possibility, which is sometimes referred to as the '**Robin Hood strategy**',<sup>12</sup> is to redistribute **social** security contributions and **income** taxes from low- to high-productive workers, e.g. by giving every employee a fixed **earned** income tax **credit or a lump** sum tax deductible **item**.<sup>13</sup>

Apart from reducing the tax wedge, **several** other **instruments** can be devised as to **curb** the deterioration of **the inactive** ratio. As of the mid **1980s**, various **measures** have been **carried out** as to improve the functioning of the labour **market**. **One** effective strategy, which has extensively been used in the Netherlands, is wage restraint, so as to stimulate labour **demand**.<sup>14</sup> Moreover, the linkage **mechanism between** wages and benefits has largely **been** suspended in the past fifteen years, so that wage-benefit ratios have decreased and job-search incentives have been reinforced. Eligibility conditions have been tightened and maximum **benefit** durations have been reduced. **These** so-called '**price policies**' have been relatively **successful, even** though the **average benefit level** is **still very** high compared to other **European** countries. Despite the increased **demand** for **social** security, the ratio of **social** security outlays to **GDP** is now relatively **stable**.

Still, the beneficiary volume has not been curbed, especially with **regard** to disability insurance. This is for a **large** part due to the highly complicated and fragmented character of the organisational **structure** of the Dutch **social** security system. The so-called '**social** partners' (trade **unions** and employers' organizations) **still play a** dominant **role** in administering and implementing **social** security programmes. Until **very** recently, the system of **social** security has failed to provide incentives at the implementation stage as to have these interest groups pursue **active policies** as to restrain the **number** of beneficiaries. Only **after several** critical evaluations, a **broad economic** policy **debate** has been initiated on rethinking the foundations of Dutch **social** security. As a consequence, it is now been widely perceived that the balance between '**passive**' and '**active**' **policies** has to **be** redressed. A reciprocal concept of **income-support** has been devised. According to this concept, beneficiaries do whatever they **can** as to **provide for their own means of living**. **Conversely**, the government supplies job-search assistance services and **re-employment programmes**. One way to do so is to have the Public **Employment** Service and the benefit-awarding agencies **work** together, so as to increase the **favourable effects** of **active** labour market **policies** **and** to monitor job-search efforts **by** unemployed.

[11] See e.g. Hagen (1995).

[12] See Bovenberg *et al.* (1994), Graatland (1994).

[13] As proposed by the Advisory Commission on the Lower Segment of the Labour Market (1994).

[14] Most Dutch economists agree on the beneficial effects of wage restraint on labour demand. See e.g. De Vries (1994) and Brøersma (1995). See Kleinknecht (1994) for a dissident view.

### § 1.3 Aim of this study

The object of **this paper** is to review recent experiences in reforming social insurance **schemes** and implementing active labour market policy in the Netherlands. This paper aims at discussing the objectives of the reforms, describing **the** measures that **have been** implemented and reviewing evaluations on the impact of the reforms. This study further **analyzes** remaining **problems** and the government's intentions on future reforms that **may be necessary to solve these problems**.

The **paper** is organized as **follows**. Chapter 2 is a very **brief** introduction to the current Dutch system of social security. This study distinguishes three **major** policy approaches in reforming social insurance. The **first** approach is to revise the **system** of social security. In 1987 seven acts have been **implemented** which form together the '1987 system reform'. This **system** reform **will be discussed** in chapter 3. A **second** approach, to be analyzed in chapter 4, is to revise the organisational **structure** of social insurance so as to **ensure an efficient and effective implementation** of these programmes. The **third** policy approach is to **redress the balance** between active and passive labour market **policies**. According to this approach, which is **discussed** in chapter 5, the Public Employment Service and **benefit-awarding** agencies **collaborate**, so as to set up an 'integral case assessment' of beneficiaries. Thus, prevention and reintegration are **used** as active **strategies** to **restrain the number** of **benefit** recipients. **Chapter 6** discusses the impact of the reforms so far, **analyzes the chief causes** of the problems in Dutch social **insurance** and **reviews the cabinet's intentions**.

Not **all** policy approaches have **been equally** successful. The **first** policy **strategy**, the so-called 'system reform', is the oldest and primarily aims at improving the coherence within the system of social security. In **line** with this approach, **retrenchments** are **particularly the result** of reduced price **components** in the social security budget. By contrast, the **other** two policy approaches **can be** characterized as volume-policies. The **second** approach, reforming **the** organisational **structure**, **focuses** on the implementation stage of social insurance and is therefore a process-oriented policy **scheme**. The third strategy, redressing the **balance between** active and passive **policies**, **alters** the foundations of social **security**. According to this approach, reintegrating **benefit claimants** is just as important as wage **replacement** and minimum **income guarantees**. Despite these differences, the three approaches that are distinguished here **can** be seen as complementary, as they are strategies to safeguard the future viability of social security (at **the macro level**) and as they are elements of **an** overall policy to improve labour **market incentives** (at the **micro level**).

In the Netherlands, it is not yet customary to **evaluate** new policy **measures**.<sup>15</sup> Still, only very recently **several (parliamentary)** commissions have investigated various social security **programmes**. A very influential evaluation, which is **discussed** in chapter 4, is the **Parliamentary Inquiry** on the implementation of social insurance. Further, in 1989 **an extensive** research project has been initiated, the so-called 'Project **Evaluation** of the Revised System of **Social Security**'

[ 15] Note that the Ministry of Social Affairs and Employment publishes a biannual *Nieuwsbrief Sociale Zekerheid*, which surveys all publications on social security and labour market policy. All evaluation assignments financed by the Ministry of Social Affairs and Employment are reviewed in the Government Budget (White Papers (1995)). The reports of the Social Security Research Commission, an advisory board to the Ministry, are surveyed by Terpstra (1995).

(PERS), by the Ministry of Social Affairs and Employment, the Social Insurance Council and the Dutch Association of Municipalities. It has not yet **been** completed, and not **all** of the project groups have published their reports, but as far as the PERS results are relevant here, their conclusions **will be** referred to. The functioning of the reorganized **Public Employment Service** has **been** investigated by the 'Commission-Van Dijk'. This **evaluation report** is **discussed** in chapter 5.<sup>16</sup>

[16] Other major evaluations, which will not be reviewed here, are the reports by the 'Doelman-Pel-Commission' and the 'Van der Zwan-Commission' on national assistance programmes.

## Chapter 2 Brief overview of the Dutch social security system

This chapter provides a **brief** overview of the **current** system of social security in the Netherlands. Section 2.1 **introduces** the **main** characteristics of **the system**. Section 2.2 discusses the **main** functions of social security and the linkage **mechanism** between wages and benefits. Section 2.3 briefly **sketches** the administration of social security schemes.

### §2.1 Institutional and fundamental characteristics

Table 2.1 summarizes the organization of the social security system in the **Netherlands**. Within the Dutch system a distinction is **made between** social insurance and social provisions. Social insurance schemes **are** divided into employee insurance schemes and **general** insurance schemes. The division **between these** two kinds of **arrangements** is based on the **scope** of the application: social insurance schemes are **national programs covering all** residents, whereas employee insurance **schemes cover** only private sector workers (**civil** servants have their own **schemes**). Social assistance programmes are welfare provisions for those **who** are not able **to** provide for their own **means** of living and **who** are not eligible to social insurance schemes.

The primary difference between social insurance and social provisions lies in their financing and administrative modes. In **principle**, both employee insurance schemes and **general** insurance **schemes** are financed **out** of **mandatory** contributions by **employees** and **self-employed**. **All** social insurance **programmes (excluding child care** allowances) are financed by a **pay-as-you-go** system, so **that** contribution **rates** cover expected risks. By contrast, social **assistance** provisions **are** funded by **general** revenues. Social insurance programmes are administered by **industrial** associations managed by employers and employees. The administration of **welfare** provisions is assigned **to** the Social Security **Institute** (*Sociale Verzekeringsbank*).

**Employees'** insurance includes provisions against the **loss** of **income** due to unemployment (New Unemployment Benefits Act, *nww*), sickness (Sickness Benefits Act, *zw*),<sup>17</sup> disability (**Disability Insurance** Act, *wao*) and medical **care** (**Health** Insurance Act, *zfw*). **General** insurance **schemes** are **national** programmes that cover the risks of old age (**General** Old Age Pension Act, *awo*), disability (General Disablement Benefits Act, *aaw*) and exceptional health **costs** that **are not covered** by health **cost** insurance (**General** Act on Exceptional Medical Expenses, *awbz*). In addition, **general** insurance **schemes** include **child** benefits (**General** Family Allowances Act, *akw*, financed **out** of general revenue) and provisions for widows and orphans (General Widows' and Orphans' Pensions Act, *aww*).<sup>18</sup>

Social assistance **composes** of unemployment assistance (**State** Group Regulations for **Unemployed Workers**, *rww*), public assistance (National Assistance Act, *abw*), **supplementary** benefits (**Supplementary** Benefits Act, *tw*), social employment service (Sheltered Employment Act, *wsw*)

[ 17] Only very recently, Parliament has decided to largely privatize the Sickness Benefits Acts. See section 4.3.

[18] As of July 1996, the *AAW* is to be replaced by the a more stringent survivors' benefits act.

**Table 2.1 The organisation of the Dutch social security system**

	<i>Arrangement</i>	<i>Administration</i>	<i>Supervision</i>
<b>Social insurance</b> (employee insurance)	Unemployment insurance (nww)	Industrial Associations <sup>a</sup>	Supervisory Board for Social Insurance
	Sickness insurance (zw) <sup>b</sup>		
	Disability insurance (wao)		
	Health cost insurance (zfw)		
<b>Social insurance</b> (national insurance)	Exceptional health cost insurance (awbz)	Health Insurance Funds	Health Insurance Council
	Child care allowances (akw)	Social Security Institute	Supervisory Board for Social Insurance
	Old age pensions (aow)		
	Survivors insurance (aww) <sup>c</sup>		
	Disability insurance (aaw)	Industrial Associations <sup>a</sup>	
<b>Social assistance</b>	Supplementary benefits (tw)		
	Supplementary benefits (ioaw/ioaz)	Municipal authorities	Minister of Social Affairs and Employment
	Social / unemployment assistance (abw/rww)		
	Social employment service (wsw)		

<sup>a</sup> Coordinated by TICA

<sup>b</sup> As of March 1996, the ZW will be largely privatized. See section 4.3

<sup>c</sup> As of July 1996, the AWW will be replaced by a new survivors' benefits act

and assistance to senior or **partially** disabled, unemployed or former self-employed **persons** (Act on **Income** Provisions for Older or Partially Disabled, Unemployed Workers, **IOAW**, and Act on **Income** Provisions for Older or Partially Disabled, Former Self-Employed, **IOAZ**).

## **\$2.2 Benefit generosity and the net-net link**

The two fundamental **principles** of the Dutch social security system are **mutual** solidarity and the responsibility of the government to **protect** its residents from poverty. From these **principles** the two primary functions of the system **follow**: wage replacement and minimum income guarantee. The former is a form of mutual solidarity among employees and employers as to **protect** the employees' acquired standards of living. The **latter**, which is sometimes **called** the safety net, is a constitutionally established form of **mutual** solidarity between **all** residents. Besides these more traditional functions, it has now **been** widely acknowledged that re-employing and reintegrating beneficiaries into the labour force is an **explicit** function of social security as **well**. The reintegration function expresses the reciprocal character of the relation between the **state** and its citizens. **Only those who** are not **able** to **provide** for their own **means** of living **are eligible** to social security benefits. Those **who** are already in a social security programme have the obligation to search for a job as to re-entry into the labour **market**. Conversely, the state does not only provide

**Table 2.2 Beneficiary volume and total expenditures for major social security schemes<sup>1</sup>**

	<i>Number of beneficiaries (x 1000 persons)</i>	<i>Total expenditures (in milliard guilders)</i>
Unemployment insurance (WW)	332	9.0
Disability insurance (WAO/AAW)	894	21.6
Sickness insurance (ZW)	175	5.2
<b>Old age pensions</b> (AOW)	2,152	32.5
Child benefits allowances (AKW)	1,812	6.9
<b>Survivors' insurance</b> (AWW)	194	4.8
<b>Social assistance</b> (ABW)	184	3.9
<b>Unemployment assistance</b> (RWW)	326	6.9
<b>Supplementary benefits</b> (TW/IOAZ/IOAW)	126	1.1

<sup>1</sup> Figures for 1994.

Source: CTSV (1995a), Central Bureau of Statistics.

for benefits, it actively helps beneficiaries by **means** of job-search assistance and re-employment programmes.

The **benefit levels** of social insurance programmes and welfare provisions are **all** related to the **after-tax** minimum wage. The generosity of the Dutch social security system has therefore primarily been dependent on the level and development of the statutory minimum **wage**. This is a **consequence** of the 'net-net link' (*netto-netto koppeling*) between **flat-rate** benefits and the net minimum wage. Thus, if contract wages in the private sector rise, and the minimum wage increases, so does the generosity of income-support measures. In the past fifteen years this linkage **mechanism** has mostly been suspended, as to redress job-search incentives for beneficiaries and to cut down social security expenditures. Since 1992 this **practice** has become **law**, as the link has **legally** been made **conditional**.<sup>19</sup> The net-net link is now only to **be** applied **when** wages do not rise excessively and the ratio between the number of social security beneficiaries to employed **persons** does not exceed a reference **level**.

### *\$2.3 Social security administration<sup>20</sup>*

As pointed **out** in **section** 2.1, social security programmes are administrated **by** two kinds of bodies. **Work-related** social insurance schemes, including the AAW, are administrated by nineteen industrial insurance associations (*bedrijfsverenigingen*). These associations, which are organized per industrial sector **or** occupation, are managed **by representatives** of employers and employees. Because of its similarity to the WAO, the AAW is **also** implemented by the industrial insurance

[19] See Vijlbrief & Van de Wijngaert (1995).

[20] See also chapter 4.

associations. National insurance schemes covering demographic risks are administered by the Social Security Institute, in which formerly **independent** Labour Boards **have been** integrated as regional agencies. Similar to the industrial associations this institute **also** consists of **representatives** of employers and employees. National assistance **programmes are** administered by municipalities, supervised by the Ministry of Social Affairs and Employment. Finally, the **ZFW** and the **AWBZ are both** administered by health insurance funds and designated private health insurance **companies**, under supervision of the Health Insurance Council.

Until recently, the Social Insurance Council (*Sociale Verzekeringsraad*, SVR) supervised the industrial insurance associations and the Social Security Institute. Trade **unions**, employers' associations and government appointees **all** had **equal shares** of members in this council. In addition to its supervisory tasks, the svr **has been** an advisory board to the Ministry of Social Affairs and Employment. Informally the insurance associations cooperated in a Federation of Industrial Insurance Associations (*Federatie van Bedrijfsverenigingen*, FBV). When the new Social Security Organization Act **came into effect**,<sup>21</sup> the SVR and the FBV **have** been abolished. The supervisory tasks of the svr have **been** transferred to the Supervisory Board for Social Insurance (*College van Toezicht Sociale Verzekeringen*, CTSV), which has a board of three independent members. Most of the coordinating, regulatory and advisory tasks of the former Social Insurance Council are now concentrated in a Temporary Institute for Coordination and Tuning (*Tijdelijk Instituut voor Coördinatie en Afstemming*, TICA). This institute **can be** regarded as a successor of the Federation of Industrial Associations.

[21] See section 4.2



## Chapter 3 First approach: Renovating the social security system

As of the late 1970s, the demand for welfare state services rises steadily, and so do public expenditures on income maintenance. Yet, it was not until 1987 before substantial policy measures have been carried out as to curtail the high costs of social security. In 1987 seven bills have come into effect that together form the 'system reform' (*stelselherziening*) in Dutch social security. Section 3.1 briefly describes this reform. Section 3.2 analyzes the system reform and discusses the extent to which its objectives have been attained. Section 3.3 discusses subsequent policy measures and highlights remaining problems.

### §3.1 The 1987 system reform

The system reform has been initiated by the center-right coalition government under Prime Minister Lubbers. In 1983 this cabinet had asked the Social and Economic Council and the Equal Rights Council for advice on the revision of unemployment and disability schemes and related social assistance provisions.<sup>22</sup> In this mandatory request for advice, the government released a set of concrete proposals to reform social insurance.<sup>23</sup> In its request for advice, the government gave three primary motives for a system reform, namely the need to back the level of public spending, the inability of the current system to cope with the scale and the structural nature of economic inactivity, and the desire to create more individual financial independence within the system. More specifically, the government hoped to achieve four major goals.<sup>24</sup> First of all, the government desired to cut back the social security budget, in the interests of economic recovery and as to warrant its future viability. Next, the cabinet favoured to promote coherence within the system and between the system and adjacent legislation. Thirdly, the government wanted to modernize the social security system, among other things by making the system more compatible with new work patterns and extra-marital forms of cohabitation. Fourthly, the government wished to eliminate certain imbalances and inequities within the social security system, such as the unequal treatment of males and females and of long-term unemployed and disabled.

The main features of the 1987 system reform can be summarized as follows. First, unemployment insurance has been drastically revised. The former Unemployment Benefits Act (ww) and the Unemployment Provision Act (wwv) have been replaced by the New Unemployment Benefits Act (nww), so that the arrangements for short-term and long-term unemployment benefits

[22] In case of major revisions of social policy, the Dutch government is obliged to consult several advisory bodies, such as the Social and Economic Council, the Equal Right Council and the Council of State. The Social and Economic Council is the highest advisory body on socio-economic affairs. The Social and Economic Council equally consists of union federations, employers' associations and so-called 'Crown members' (i.e., independent experts, to be appointed by the government). Note that these extensive consultancy procedures are time-consuming and may raise serious institutional barriers to social innovation.

[23] See WRR (1985).

[24] See De Jong *et al.* (1990) and Aarts & De Jong (1992).

have been **integrated**. Unemployment has **been** redefined. Employees are now eligible to **unemployment benefits** if they lose at **least** five hours or half of their number of weekly work **hours**. The maximum benefit duration has become dependent **upon** the work **record**, and is extended **from** six months to twelve months (in accordance with the former **wwv**). Voluntary unemployed, **who** were prior **to** reform eligible to unemployment **assistance** arrangements (**RWW**), **are** now covered **by** the **nww**. Former conscripts and wilful unemployed, **who were** in **principle** entitled to unemployment **income** provisions, are now **fully** eligible **to** unemployment benefits. **If** benefit claimants do not **(fully) meet to all** eligibility conditions, industrial associations **can** impose sanctions, either **by** refusing (part **of**) the benefit **or by** reducing the **benefit** duration.

With **regard** to disability schemes, prior to reform the assessment of the degree of disability was not only based on medical **factors**, but **also** on labour **market** conditions. **Adjudicators** had to take into account the **potential** difficulties **partially disabled may** experience in **finding** employment. This 'labour market consideration' in the disability assessment has **been** eliminated. Next, the minimum guaranteed income for unemployment and disability beneficiaries has been protected by the introduction of two new **laws**, a supplementary benefits act (**rw**) and an **income** provision act for **senior** and disabled unemployed (**ioaw**). **If** sickness, unemployment **or** disability benefits **fall below** the minimum guaranteed income, supplementary **benefits may be** applied for. In order to prevent older and **partially disabled persons who are** unemployed from **falling** down into **means- and wealth-tested social** assistance **after** their unemployment **or** disability benefit expires, the **ioaw** supplements the total **income** of **these persons** and their partners up **to** the minimum guaranteed income. With **regard** to the **benefit level**, **after** reform benefit-wage **ratios** for **social** insurance programmes have **been** reduced to seventy per cent.<sup>25</sup> The 'net-net' link between **flat-rate** benefits and the net minimum wage has been suspended, and so has **the adjustment** of **the** minimum wage **to changing costs** of living (though only temporarily).

### *\$3.2 Evaluating the 1987 system reform*

The 1987 reform seems to have had little effect on restraining the volume of disability **beneficiaries**. **Table 3.1 illustrates** that the number of disability benefit recipients continues to rise **after** 1987. The abolition of the non-employability provision **may** not have had the expected impact on the inflow of new disability **beneficiaries**. Whereas the government estimated the volume of hidden **unemployment** in the **WAO/AAW** at **almost** fifty per cent, in the official evaluation report the unemployment component has been adjusted to only about ten per cent of the total disability **population**.<sup>26</sup> One possible explanation is that the remaining working capacity of recent disability beneficiaries **may** have been overestimated, since **disability** enrolment had **already** lost most of its attraction, both in terms of **benefit** generosity and efficiency.<sup>27</sup> Further, the **average** degree of disability of pre-reform beneficiaries **may have** increased due to previous **attempts as to apply** the labour **market** consideration more **strictly**. Moreover, the impact of the new ruling on disability assessments **may** have been overestimated, provided that the responsible **administrative bodies** have

[25] Note that some of these benefit cuts have already been carried out before 1987.

[26] Ministry of Social Affairs and Employment (1990).

[27] De Jong *et al.* (1990) and De Jong & Aarts (1992). See also Besseling & Sprenger (1991). In the period 1980-1985, modal beneficiaries had already lost 25% of their after-tax purchasing power.

**Table 3.1 Unemployment, sickness and disability programmes 1986-1995**

	average number of benefits (x 1000 persons)			dependency rate <sup>a</sup> (per 1000 persons at risk)			total expenditures (in milliard guilders)		
	ww <sup>b</sup>	ZW	WAO/AAW	ww <sup>b</sup>	ZW	WAO/AAW	ww <sup>b</sup>	ZW	WAO/AAW
1986	<b>68</b>	263	778	1.9	7.2	10.6	1.6	7.0	16.8
1987	129	277	793	3.4	7.3	11.0	3.1	7.3	16.9
1988	172	288	814	4.4	7.3	11.0	3.8	7.7	17.0
1989	173	317	844	4.2	7.6	11.2	3.8	8.7	17.2
1990	163	348	<b>881</b>	3.8	7.9	11.4	4.0	10.2	20.1
1991	<b>175</b>	348	903	3.9	7.7	11.3	4.4	10.5	21.1
1992	208	341	912	4.6	7.4	11.2	<b>5.5</b>	10.6	21.9
1993	269	<b>345</b>	921	5.9	7.4	11.0	7.2	11.0	21.9
1994	332	<b>175</b>	894	7.2	3.x	10.5	9.0	5.2	21.6
1995 <sup>c</sup>	363	173	873	3.7	4.s	10.2	9.2	4.2	20.8

<sup>a</sup> Defined as the number of beneficiaries per thousand persons at risk

<sup>b</sup> As of 1987 the ww includes former wwv beneficiaries

<sup>c</sup> Average of January to November

Source: CTSV (1995a and 1996).

been able to **adjust** to the new ruling at all.<sup>28</sup>

**Table 3.2** surveys various estimates of the 'hidden unemployment component' in disability programmes. **All** studies that both refer to the period before 1987 and analyze the inflow into disability **schemes**<sup>29</sup> show that a large share of disability spells (thirty to fifty per cent) **can** be related to labour market conditions. The only study that **uses** data **after** the system reform shows that the labour market related inflow into disability schemes is **ten** to twelve per cent, in **accordance** with the official evaluation. Hence, as of 1987 the labour **market** related **inflow** into the **WAO/AAW** **may** have diminished considerably, and without **the system** reform the number of **benefit** claimants **may** have increased even more.<sup>30</sup> Nonetheless, the system reform has failed to tackle the volume of existing beneficiaries. **Systematic** re-examinations of disability beneficiaries have been restricted to **persons** younger than thirty-five years, hereby examining only ten per cent of the total disability **population**.<sup>31</sup>

Because of increased coverage and extended **benefit** duration, the volume of recipients of unemployment insurance has **almost** tripled. The inclusion of new **categories** of **workers** who have become eligible to the **WW** has led to a structural increase in the **number** of beneficiaries of thirteen per cent, of which three-quarters is due to benefit claims **by** partially **disabled**.<sup>32</sup> The

[28] See De Jong & Aarts (1992).

[29] Thus, all studies except for Westerhout (1995) and Hassink *et al.* (1995). The former analyzes the *stock* of disability beneficiaries, the latter uses data on 1990.

[30] Of the most recent studies, Westerhout (1995) analyzes the *stock* of disability programmes and concludes that still half of non-participation due to disability insurance can be characterized as hidden unemployment, whereas Hassink *et al.* (1995), using data on disability *inflows*, find that only ten to twelve per cent of transitions into disability insurance are due to labour market conditions. Moreover, as of 1987 the fraction of partially disabled steadily rises, causing the magnitude of disability benefits to diminish.

[31] De Jong & Aarts (1992).

[32] Ministry of Social Affairs and Employment (1994b).

Table 3.2 The hidden unemployment component in disability programmes

Author(s)	Data	Conclusions
Van den Bosch & Petersen (1983a)	sectoral data, 1968-1979	the growth of disability incidence rates is for a large part related to deteriorating labour market conditions
Van den Bosch & Pclersen (1983b)	macro data, 1968-1982	as of the early 1970s, the hidden unemployment component in the WAO steadily rises to 220,000 benefit years (46%) in 1982, see also Van den Bosch & Petersen (1980)
Roodenburg & Wong Meeuw Hing (1985)	sectoral data, 1971-1981	as of the early 1970s, the labour market related inflow into the WAO steadily rises to 36% in 1981
Aarts & De Jong (1992, chapter 5)	micro data on workers, 1980	hidden unemployment component is approx. 30%50% of disability volume
Westerhout (1995)	macro data, 1973-1992	half of total disability benefit years (WAO, AAW and ZW) in the period 1973-1991 can be characterized as hidden unemployment
Hassink <i>et al.</i> (1995)	firm-level data, 1990	10-12% of the outflow to disability is due to redundancy

price component in the **WW** has diminished slightly, among other things as a **result** of the introduction of (lower) follow-up benefits. After reform, the number of imposed sanctions in the **WW** steadily rose from 27,000 in 1987 to 51,000 in 1991.<sup>33</sup> Half of the sanctions are related to 'reproachable unemployment', though large differences between industrial associations exist, primarily **due** to **branch-specific factors** and interpretation **problems**. The effectivity of sanction policies is severely retarded by two organisational **problems**. Though the **PES** has to inform **industrial** associations **when** beneficiaries do not **meet** their obligations, it **does** not always do so. And, it was not until 1991 that industrial councils have monitored job-search efforts of **beneficiaries systematically**.

With **regard** to the coherence and the transparency of **social** security, the reformed system explicitly distinguishes **between** wage-replacement and minimum guaranteed **income**. By the introduction of the supplementary benefits act the **wage** replacement schemes no **longer** have a safety net **function**.<sup>34</sup> Thus contributions to work-related insurance schemes cover expected risks **properly** and equivalence **prevails** in **social** insurance. Whereas prior to reform workers were covered by diverse and multiple programmes, now **all social** insurance programmes in **principle** correspond to different risks. Despite this analytical improvement, the implementation of the **social** security system has become more intricate. In illustration of the increased administrative **complexity**, **after** reform the staff of the industrial associations and other **executive** bodies has expanded considerably (by at least 5.0% in 1987). Administrative **costs** have **also** risen structurally, by approximately 100 **million** Dutch guilders (17.7%) in 1987.<sup>35</sup> The assessment of eligibility

[33] In 't Groen & Koehler (1993).

[34] Note that the budgetary costs of these new supplementary arrangements has been more or less in accordance with initial expectations. Thus, the impact of changes in the safety net function have been estimated correctly. With regard to social assistance arrangements, here actual costs deviate substantially from original estimates. However, these deviations seem to be due to exogenous developments rather than to the system reform. See Ministry of Social Affairs and Employment (1992 and 1991).

[35] Own calculations, on the basis of svr (1989). Administrative costs of social assistance arrangements seems not to have increased structurally, see Ministry of Social Affairs and Employment (1991).

conditions in the new Unemployment Benefits Act has become **more complex**, as **coverage has become more heterogeneous**. Though the elimination of the labour **market** consideration has disentangled disability and unemployment components in the **AOW/AAW**, the assessment of 'mixed' benefit **levels for partially disabled may have become more complicated as well**. As a **result** of the introduction of supplementary benefits, unemployment and disability beneficiaries **may be eligible** to two kinds of benefits, thus **making administrative procedures more intricate**.

Work-related employee insurance schemes **are now fully individualized**, so that **equal rights for men and women are institutionally established in social insurance programmes**. **Partially disabled and senior unemployed persons are treated more equally**. Prior to reform, partially disabled **were eligible** to full **wage related** benefits of unlimited duration, whereas **older unemployed workers fell down to social assistance** after their benefits expired. Since the **non-employability** provision has **been abolished** and both **groups** have become eligible to supplementary benefits, this **unequal treatment has largely been removed**. The increased **importance** of the minimum guarantee **income** has nonetheless not reduced the demand for **social assistance schemes**, which contain tests on wealth, income and household composition. With **regard** to equal rights, this situation is peculiar since for supplementary **benefit schemes no inherent income and wealth tests apply**.

### *§3.3 Remaining problems and subsequent policy measures*

**After** the 1987 reform, the safety **net** function of **social security** has become more **prominent**, at the expense of wage-replacement. The **share** of above-minimum benefit reciprocity in **social insurance programmes** has diminished considerably, so that **more** beneficiaries find themselves in the safety net of **social security**.<sup>36</sup> This tendency **may entail adverse fiscal externalities**.<sup>37</sup> Workers have **ever** been anxious as to reduce their financial risks on the private insurance market, and **firms** have encouraged supplementary **contracts** as to avoid resistance of employees **after** their dismissal. These **contracts may generate adverse externalities on the government budget**, as it invites 'moral hazard' behaviour. One **can observe** that **successive benefit cuts** have at least partially **been** 'repaired' through collective agreements. Since it is **still** customary that the Ministry of **Social Affairs and Employment** legally extends **collective** labour agreements, the **effects** of these **benefit cuts** have partially been nullified. Whether these supplementary **contracts** have **actually caused considerable upward pressures** on the government budget is doubtful, but it surely has thwarted the credibility and consistency of **social policy**. And, if not repaired, the **consequent** tendency towards the minimum guaranteed **income may have fostered the demand for all sorts of income dependent subsidies, such as rent subsidies, child care and home help**, causing government outlays to **rise** indirectly.

Despite **many** alterations and improvements in the **social security system**, and more **specifically** the extension of sanction **policies**, the 1987 reform does not solve the **problem** that Dutch **social insurance fails to provide incentives for unemployed and disabled to re-entry into the labour force**. Though **after** reform employee benefits have become **less lenient and generous**, so that job search incentives **may have been reinforced**, the minimum guaranteed **income is still very**

[36] De Jong *et al.* (1990).

[37] Van der Ploeg & Teulings (1992).

high. Especially in the lower segments of the labour market, the difference between wages and the minimum guaranteed income is small, thus leaving low-skilled unemployed and disabled hardly better off after taking a job. The inherent income and wealth tests in social assistance schemes, as well as income-dependent subsidies aggravate this failure of the social security system. Further, the reform does not include any measures as to have the Public Employment Service (PES) and benefit-awarding agencies collaborate systematically, so that no effective sanction policy can yet be carried out.<sup>38</sup> At implementation stage major differences in imposing sanctions occur, due to diverse interpretations of eligibility conditions in various industries. On balance, the 1987 reform has not really contributed to redressing the balance between active and passive labour market policies.

The most important failure of the system reform is probably that after 1987 the volume of beneficiaries continued to rise steadily. When it became clear that the impact of the system reform on the volume of social insurance fell short of its initial expectations, three new bills have been drafted as to develop more effective volume-policies. These three acts, which have become effective as of 1992, 1993 and 1994, specifically aim at restraining the numbers of sickness and disability beneficiaries, both by providing financial incentives for employers and employees and by tightening the access to social security. Employers have been obliged to pay at least seventy per cent of previous earnings in the first two or six weeks of sickness leave (dependent upon company size).<sup>39</sup> Contribution rates for sickness benefits have been differentiated to industry and firm level. Table 3.1 illustrates that these measures have had a tremendous effect on the incidence of sickness leave. Prior to the new ruling, the average number of sickness spells was 300,000. Only two years later, in 1995, the amount of average sickness spells fell to 209,000.<sup>40</sup> The amount of disbursed benefits fell from 8.7 milliard Dutch guilders in 1993 to 4.2 milliard guilders in 1995.<sup>41</sup>

With regard to disability programmes, in addition to the abolition of the non-employability provision in 1987, disability has been redefined again. Under the new ruling, there now must be a straight relation between the impairment and the employment disability. Adjudicators no longer take into account the claimant's education and former occupation. The maximum duration of disability benefits has become dependent upon the employee's age, and so has the level of the follow-up benefit. For new disability claimants this implies that the benefit level is seventy per cent of their previous earnings, after which benefits gradually decline to only seventy per cent of the minimum wage. Those who are already in the scheme will be re-examined and partially disabled are obliged to accept available jobs. A 'bonus-malus' system has been introduced to create financial incentives for employers as to discourage the use of sickness and disability schemes and to stimulate reintegration for people with few job opportunities.<sup>42</sup>

This package of measures has had a significant effect on the volume of disability beneficiaries.<sup>43</sup> Not only is the inflow to disability tightened again, this is the first time that all beneficiaries who are already in the scheme are re-examined systematically, thus tackling the

[38] See section 5.2.

[39] This spring, Parliament has agreed to extend this period to fifty-two weeks. See section 4.3.

[40] Figures for November 1993 and 1995. Source: CTSV (1996). The TZ Act has become effective on January 1st, 1994.

[41] c-rsv (1996).

[42] This 'bonus/malus' system has meanwhile been abolished, mostly because employers find this arrangement unfair: in disability programmes no distinction has yet been made between professional risks and social risks.

[43] See CTSV (1995b).

extraordinary **incidence** of disability **spells** in the **Netherlands**. Whereas in 1993 the **number of** disability benefits amounted to 894,000, this **figure** has dropped to 862,000 in 1995.<sup>44</sup> This has **been** the very first **time that** the number of disability beneficiaries has diminished since the introduction of the *wao* in 1967. Further, the disability dependency **rate**, defined as the **number of** beneficiaries **per thousand persons** at risk, has declined from 11.0 **per thousand workers** in 1993 to 10.2 **per thousand** in 1995. The total **amount of disbursed** disability benefits has decreased with **six per cent** in two **years**, from 21.9 milliard guilders in 1993 to 20.6 milliard in 1995.

In **short**, despite the unprecedented **drastic** character of the 1987 **reform**, **one can doubt** whether the foundations of social insurance **have been** affected. The institutional and fundamental characteristics of social security **have not been** altered, and the number of beneficiaries has only decreased after successive policy **measures** as of 1992. It may seem more **appropriate** to speak of 'renovating' **rather** than 'reforming' the **system** of social security. Thus, despite its **ambitious** nickname, the 1987 'system reform' now merely **appears** as a cumulation of policy **measures** within an existing system, as has **been pointed out** recently **by a Parliamentary Inquiry Commission**.<sup>45</sup> Moreover, this Parliamentary Inquiry, which has investigated the organisational **structure** of social insurance programmes, shows **that** legislative intentions **can easily** become stranded at the implementation stage. This is the **subject** of the next **chapter**.

[44] (TSV (1996). Figures for 1993 and november 1995. Note that the TBA Act has come into effect as of Augustus 1st, 1993.

[45] See also Lameris & Snijders (1994).

## Chapter 4 Second approach: Reforming the organisational structure

The framework of **current** social security **design has largely been** based on the consensual and neocorporatist **nature** of the Dutch economy in the **1950s and 1960s.**<sup>46</sup> Historically-grown **power relations** between **unions**, employers' confederations and government are **still present** in the current administration of **social** security. The dominant **role** of the so-called 'social **partners**' in the organisational structure of social insurance programmes has far-reaching consequences for the functioning of executive bodies, **especially** with regard to the effectiveness of volume policies. This is for a **large part due to a lack of checks and balances** in the **initial** design of social security as **well** as in successive **extensions** and modifications of social insurance programmes, as has recently **been pointed out** by a Parliamentary Inquiry. Thus, the **large demand** for social security provisions **can at least partly be ascribed to its** complicated and dispersed organisational structure. **Section 3.1** briefly describes **the attempts** to reorganize the organisational structure and further surveys the **main findings** of the Parliamentary Inquiry. Next, in **section 3.2**, recent efforts as to reform the implementation of social insurance programmes are **discussed**, primarily **based** on the **new Social Security Organization Act**. **Section 3.3** **assesses** remaining **problems** in the *status quo* and **discusses** the intentions of the current coalition government.

### §4.1 Parliamentary Inquiry Commission Buurmeijer

The **Social Security Organization Act** of 1950 has been founded on the concept of functional decentralization. According to this concept, **central** authorities have no reason for intervention if the parties concerned are able to **implement** social insurance schemes themselves. Functional decentralisation therefore refers to the devolution of authority to implement social insurance **legislation to representatives** of employers and employees. This **appeal** for 'subsidiarity' or 'sovereignty in **one's** own circle' is reflected by the foundation of industrial insurance associations and the **Social Insurance Council**.

**Social partners** have **always** resisted a dominant **role** for the government in supervising and implementing social security acts. **Already** in 1967, the Minister of **Social Affairs Veldkamp** requested the **Social and Economic Council** for **advice** on a new organisational structure. **Veldkamp** suggested that **all** social security schemes were to be administrated by one organization. **However**, social **partners** could not **come to an** agreement on this proposal. Twelve years later, the Ministry of **Social Affairs** decided to install **an** advisory commission as to revise the organisational structure of social security. This commission concluded that industrial associations and social services had to be integrated **regionally**, cooperating closely with public employment agencies. The supervision by the **Social Insurance Council** had to become **fully** independent of social partners and the authorities of the Council had **to be** extended. Not surprisingly, **unions** and employers' associations were very critical of this report. Then, in 1984, **seventeen** years **after the initial**

[46] See Waldendorp (1995) for a survey of Dutch **neocorporatism**.



request for advice, the Social and Economic Council finally delivered its advisory report. As was to be expected, the council arrived at the conclusion that social partners were still indispensable in implementing and supervising social insurance schemes.

The government now advocated a gradual revision of the organisational structure of social security. The cabinet acknowledged that this approach, with due to historically grown relations, was needed as to ensure public support and to emphasize the importance of social consensus. Furthermore, pursuing an integral reorganization of all executive organs simultaneously might endanger the quality of services. The first concrete step to a new organisational structure was, in 1989, the mandatory request for advice to the Social and Economic Council on a new Social Security Organization Act. This initiative, which is discussed in the next section, was being welcomed by the Social and Economic Council, though the council did not stop stressing the importance of industrial insurance associations. Meanwhile, the Social Insurance Council had decided to transfer all supervisory tasks to a new Supervision Chamber, in which a (bare) majority of seats had been reserved for independent members.

A step-by-step approach may seem as a solution to the deadlock in renegotiating a new organisational design. However, an incremental reorganization may have been inappropriate in dealing with the scope of problems involved. Dutch labour relations decentralized further, especially as of 1982. Wage bargaining primarily took place at industry and firm level. No longer unions and employers perceived the full costs of social security benefit claims, so that their wage bargaining may entail large adverse fiscal externalities.<sup>47</sup> In line with this development the significance and legitimacy of advisory bodies such as the Social and Economic Council had crumbled. Stressing the importance of revitalizing neocorporatist institutions seems therefore not in accordance with actual power relations in wage bargaining. Against this background it may not have come as a complete surprise that in 1993, after a critical report by the General Audit-Office on the functioning of the Social Insurance Council, Parliament decided to install a Parliamentary Inquiry Commission as to investigate the organisational structure of social insurance.

This 'Buurmeijer-Commission' (after the name of its chairman) has been the first Parliamentary Inquiry on social security in Dutch post-war history.<sup>48</sup> The main objective of the Parliamentary Inquiry is to investigate both effectiveness and efficiency of the implementation of social insurance programmes in the period 1980-1992. In addition, the Parliamentary Inquiry Commission is interested in the question whether an adequate monitoring and screening system exists as to safeguard the development of the beneficiary volume. In its final report, the Buurmeijer-Commission points out three major problems in current social security design.

First, despite complex administrative procedures, intricate organisational structures, the implementation of social insurance programmes is equitable, accurate and consistent. In this sense, social insurance administration has been highly biased, as actual implementation is merely confined to assessing and granting benefits. The organisational structure has failed to provide incentives as to restrain the volume of beneficiaries. Hence, social insurance administration has become an immense 'benefits factory', where matters of efficiency and effectiveness play only a minor role. Moreover, little attention had been paid so far as to prevention and reintegration as active

[47] See e.g. Kcuzenkamp *et al.* (1993).

[48] Parliament can decide to collect its own information by means of a Parliamentary Inquiry. A Parliamentary Inquiry Commission has far-reaching powers, as it can hear witnesses under oath and imprison witnesses who refuse to testify.

strategies to reduce the number of benefit recipients. Social insurance administration has **been** widely **dispersed**, and as a **result** of this beneficiaries face **many different** institutions **which may**, as a **whole**, form an obstacle to **active** and reintegrative measures. The administering bodies **have** failed to **collaborate**, and **have not even been** interested in **each others** problems.

**Second**, the division of responsibilities between the government and social **partners** has **been** indistinct. The **interests** of employers and branch **unions partly** coincide with those of industrial insurance associations. No financial link exists between private interests of social **partners** at the industry level on the **one** hand and the public interest on the other, since social insurance contribution **rates are** identical throughout the economy. Disability insurance programmes have been used **by** employers and branch **unions** as a generous redundancy **scheme** and a **convenient** form of **early** retirement. This 'extensive **use**' of disability schemes has **been** advantageous to **unions** and employers as to circumvent firing legislation, **so** as to avoid social **conflicts** and to **secure** generous and enduring benefits. Utilizing the **WAO/AAW** disability schemes for redundant workers has **been easy**, as eligibility thresholds **have been** low and specifications and **implementation** loose.

Third, political and administrative supervision has failed. The Social Insurance Council has not been able to supervise industrial associations effectively. The **reason** is that the **SVr** consists of the same interest groups it is supposed to supervise, so that supervision has not been **independent** of the 'insiders' in the labour **market**. This situation has been aggravated as social partners inclined to cooperate in the Federation of Industrial Insurance Associations. Although this federation **lacks public-law** status, it has **gradually** gained considerable exercising **power** as it informally deprived the **SVr** from its tasks. Not only the Social Insurance **Council** has failed to supervise the organisational **structure**, the Ministry of Social Affairs and Employment and Parliament **have been** criticized for their passive and inert role, as both have more **been** interested in producing social security schemes than in supervising and administering these programmes. Cabinet and **Parliament** have been very cautious to social partners as to preserve social consensus, while it was in the interest of social partners to keep **employee** insurance programmes generous and **accessible**.<sup>49</sup> **Only** recently, after 1990, the government and social partners have **bothered to redress the balance** Of **active** and **passive** policy, so as to cut down **the** number of **beneficiaries**.

In conclusion, the Parliamentary Commission **forcefully** shows that structural **economic** inactivity and low labour participation are at least partially **due** to endogenous institutional elements in the organisational structure of social insurance. Generous and lenient social insurance programmes easily **absorb** redundant workers, while providing few incentives as to re-entry the labour **market**. The organisational **structure** has failed to **provide** the necessary checks and **balances** as to prevent that partial interests of **trade unions** and employers prevail over the public interest, whereas political and administrative supervision **has** failed. The Buurmijer-report **plays an** important role in future social **policy**, as will **be** demonstrated in the next section.

[49] This might explain why government has awaited the advisory SER report on a new organisational structure for seventeen years. It may also explain why both Parliament and the government have tolerated the 'extensive use' of disability schemes. See Van den Heuvel (1994).

#### §4.2 Reforming social security administration

As has **already been pointed** before, the first step to a new organisational **design** is **the government's** initiative for a new Social Security Organization Act. This **bill provides** only a transitional framework that solves **the** most urgent **problems** in the prevailing system, until a more definitive organisational **design** has **been** developed. A future organisational structure must be organized regionally, as **the cabinet** has adopted the desire of Parliament as expressed in **the 'Wöltgens-resolution'**.<sup>50</sup> The Secretary of **State** for Social Affairs and Employment motivates the transitional character of the act by pointing **out** that social security **can** only be reorganized **fully after** the political debate on the **relation between** government and social **partners** has **been** crystallized.

The new Social Security Organization Act **provides** several **adjustments** in the top of **the** executive structure. Most **notable** is the foundation of a national supervisory body and a **national** coordinating body. The act therefore puts an end to the ambiguous character of the Social Insurance Council, as it **separates** its coordinating and supervisory **tasks**. The industrial **associations** and the Social Security **Institute** **are** now to **be** supervised by a **fully independent** Supervisory Board for Social **Insurance (CTSV)**, whose board consists of three **independent** experts. Further, most of the coordinating, regulatory and advisory tasks of the former Social Insurance Council are to **be** concentrated in a Temporary **Institute** for Coordination and Tuning (**TICA**), which **can be** regarded as a successor of the Federation of Industrial Associations. The board of this **institute** consists of social **partners** and an independent chairman. **One** of its **main** tasks is to support and to coordinate the transition from a **sectoral** to a regional organisational structure. **Industrial** associations **are** obliged to put **out** their administration to a designated administrative office, so that managerial and administrative tasks are **fully** separated. Finally, industrial **associations** and the **PES** have to **collaborate** regionally, **supported** and coordinated by **TICA**.

As of January 1997, the new organisational structure has to **be** completed. In the **cabinet's** view, **all employee** insurance **schemes** will **be** implemented per region. The regions **will** coincide with the twenty-eight existing **districts** along which employment services have been organized. In **each** region one administrative body is **responsible** for the 'integral case assessment' (*integrale gevalsbehandeling*) of social insurance beneficiaries. These regional offices will therefore replace the current **industrial** insurance associations. Regional administering **bodies** have to **operate** in close cooperation with the **PES**, so as to **enable** front office collaboration (*één loket, i.e., 'one-desk approach'*) **or** back office collaboration (*één dossier, i.e., working jointly on the same administrative file*). **These** regional **offices** have to be **coordinated** by a **national administrative** body, the **future** successor of **TICA**.

#### §4.3 Remaining problems and intended policy

The new Social Security Organization Act **provides** only some transitional arrangements, so that the political **debate** on a future organisational structure of social insurance programmes has not

[50] In the subsequent political debate on the **Buurmeijer-report**, Parliament has concluded that supervision has to become fully independent of social partners and social security administration has to be organized regionally instead of sectorally, in close cooperation with the **PES**. These proposals are usually referred to as the 'Wöltgens-resolution'.

been concluded. **Yet**, the coalition **agreement** of the current government under **Prime Minister Kok** contains far-reaching **proposals** as to revise the **organisational design** of sickness and **disability** schemes. The Sickness Benefits Acts has to be largely privatized. **Parliament** has **already consented** to the government's proposals, and employers **are** now **obliged** to **continue** to **pay wages** for at most fifty-two **weeks** of sickness spells. With regard to disability insurance, competition and differentiated premiums **are** to **be** introduced. As has **already been pointed out** in the **previous** section, the government has adopted the **Wöltgens-resolution** so that in **future** social insurance programmes **will be organized** regionally instead of sectorally. Further, the cabinet emphatically favours an **active** role for social partners in a **future** organisational **structure**.<sup>51</sup>

Thus, the intentions of the cabinet **can** be summarized by four key words: (partial) privatization, competition, regionalization and **subsidiarity**.<sup>52</sup> This **combination** is sometimes referred to as 'parallel privatization', since employers **will be** free to choose **who** is to cover sickness and disability **risks**, industrial insurance associations **or** private insurance companies. Compared to the current system, employers **may decide** to 'opt **out**' of public social insurance. Parallel privatization therefore **refers** to a dual system of social security in which risks **can be** covered **by** either public authorities **or** designated private insurance companies. In the cabinet's view the differentiation of social insurance contributions and the legal provision to 'opt **out**' are complementary measures, both **aiming** at '**market-like**' **discipline** in social insurance. Without competition by **private** insurance **companies**, industrial associations **have** little **interest** in reintegration and prevention strategies. Only employers perceive incentives as to restrain disability spells. Conversely, opting **out** without differentiated contribution **rates** is foolish, because **companies** would **be indifferent** to the question whether to opt **out** **or** not.

The advantages of privatization are evident. Employers are confronted with the full budgetary **costs** of sickness and disability spells, so that strong financial incentives emerge as to improve working conditions and to foster other prevention strategies. Since the competition between private and public insurers **will** focus on premium **rates**, the assessment of benefit claims **will** become more **strict**. **Average** contribution **rates** **will** consequently fall.

Yet parallel privatization **brings** along various difficulties.<sup>53</sup> As to ensure the accessibility to the insurance market, minimum eligibility conditions have to **be** stated so that **adverse** selection problems are avoided. But, if private insurers are **able** to pass **large parts** of disability **costs** to public funds, the insurance **contracts** between insurers and insured invite 'moral **hazard**' behaviour and unnecessary **benefit** claims. It is in the interest of both the employee and the employer to **conclude** supplementary contracts, the former as to reduce the **income** losses **due** to work-related risks, the **latter** as to be able to get rid of redundant workers. Thus, the supplementary insurance market **may cause** considerable **adverse fiscal externalities**.<sup>54</sup>

A prominent issue is whether employers **will** incline to **select workers** on health risks, provided that **these** risks **are** observable. Employers **may be** induced to **select** applicants on health

[51] Emphasized once more by the broad character of the request for advice to the Social and Economic Council on the transition to a territorial organisational structure.

[52] The intentions of the government follow the line of arguments of three advisory reports: of the Parliamentary Inquiry Commission (see section 3.1), the Scientific Council for Government Policy (WRR (1994)) and the Social and Economic Council (19956).

[53] See Bekkering (1994 and 1995), Van Praag (1995) and Petersen (1994).

[54] Van der Ploeg & Teulings (1992 and 1993). See also section 3.3.

risks. For instance, if specific occupational health risks are correlated to age, employers in industries with high health risks **may rule out** older workers, hereby leaving **large** groups of individuals permanently outside the labour force and destroying considerable amounts of **human capital**. From the employers' point of view, this **may** be justified as sickness and disability schemes do not distinguish between **professional** and social risks. In combination with liberalized employee security legislation and **flexible** labour relations, the **social** and **economic** side-effects of the cabinet's **proposals may** therefore be detrimental, **especially** if **one** takes into account tightened eligibility conditions and reduced benefit generosity.

In line with this argument, companies **may** further seek to employ workers on a temporary basis, so that the **costs** of sickness and disability **spells** are reconsigned to **public** social insurance. Thus, as an unintended side-effect, parallel privatization **may lead** to an enormous increase in the number of flexible labour **contracts**, causing upward pressures on the social security budget whenever sickness and disability **spells** occur. A related **problem** is the position of the chronically **sick** and **partially disabled**. For those **who** are **already** employed, privatization **may** have positive effects as their employers are stimulated to improve working conditions. But, unemployed outsiders might see their job opportunities shrink even further, since employers are **longer able** to pass the **costs** to **society** at large. Therefore privatization **may** further the **vicious** circle of **rejection** and stigmatization for persons with health problems.

Another problem of privatization is the assessment of benefit claims. The **adjudication** of sickness **spells** is now **carried out** by private working conditions **companies**. Already now, as a **consequence** of the Working Conditions Act, employers **have been** obliged to hire **these** companies **to reduce** the incidence of sickness leave. In **case** of conflict between the employer and the worker, industrial associations **may** provide a **second** opinion. **One can wonder** whether the industrial insurance associations are **fully** independent, as they are involved in both **assessing** claims and granting **benefits**. To circumvent these problems an independent institute **should be** established as to **assess** benefit claims.

Apart from these intrinsic difficulties of privatization, one **may** raise the question to what extent private and public insurers of work-related risks **can** coexist permanently.<sup>[55]</sup> The transition to a **dual** system of social security is hampered by a **major difference** in the financing modes of public industrial insurance associations and private insurance **companies**. Whereas industrial associations equalize employee risks by a **pay-as-you-go-system**, private disability insurance schemes are financed by a **capital** funding system. In the cabinet's proposals, firms that **decide** to opt **out** do not only have to **pay** contributions to the insurance company but **pay-as-you-go** premiums for 'old' disability **spells covered** by public social insurance as **well**. The **pay-as-you-go** contribution **rate** gradually declines as the stock of 'old' disability beneficiaries declines over **time**. According to calculations by the Association of **Insurers**, it **takes** eight to **twenty-one** years before it will be profitable for employers to have disability risks insured by private insurers.<sup>[56]</sup>

Thus, the stability of a dual system of disability insurance schemes **can** be endangered for two reasons. First, the competition by **private** insurance companies **may be** ineffective, since in the initial years the **capital** funding system is more expensive for firms. **Second**, companies with a

[55] Already now private insurance **companies** cover **disability** and sickness risks, since **branch unions** and employers have repaired previous **benefits** reductions through **collective** labour **agreements**. See section 3.3.

[56] SER (1995).

below average risk profile may decide to leave the public disability schemes first. If this happens, contribution rates for the remaining firms will rise, making even more low-risk firms leave the public scheme. In both cases the insurance market is unstable and the dual system will eventually lapse. To safeguard the viability of a dual system of social security, it is at least necessary to have industrial insurance associations switch over to a capital funding system. Alternatively, private disability arrangements may be limited to a fixed number of years, after which disabled may apply for public follow-up benefits. According to this scenario, the difference in financing modes raises less obstacles to viable competition between private and public insurers.

The cabinet's intentions not only comprise of privatization and competition, but of regionalization and subsidiarity as well. The proposals on regionalization may cause large organisational problems if trade unions and employers are still responsible for the administration and implementation of social insurance programmes.

Regionalization seems practicable as to organize social security. Already now volume policies contains both sectoral and regional elements. Still, a major obstacle to these active policies is that the organisational structure of social insurance and employment services do not yet correspond.<sup>57</sup> So, it may seem appealing to have employment agencies (which are organized regionally) carry out employee insurance schemes or to have regional offices implement these schemes in close collaboration with the PES.<sup>58</sup> Such an integral or analogous administration of social insurance programmes and manpower services facilitates the 'one-desk approach', hereby fostering accessibility for social insurance beneficiaries and promoting reintegration.

With regard to the role of trade unions and employers, not only do social partners finance social insurance schemes, their involvement in wage bargaining affects social security in many ways. Trade unions and employers' organizations may therefore claim a joint responsibility in the organisational structure of social insurance. Involving these interest groups may further be conducive to internalizing adverse externalities of wage bargaining. Though the disadvantages of industry-level bargaining and intermediate degrees of corporatism may apply to the organisational structure of social security, differentiating social security contributions may yield strong and sufficient incentives for employers and trade unions to take into account the full costs of benefit claims. Moreover, successive retrenchments have reinforced the importance of sectoral wage bargaining, since branch unions and employers have reintroduced benefit cuts through collective agreements. Differentiating insurance contributions and privatizing disability schemes may therefore be complementary measures to the joint responsibility of government, trade unions and employers' organizations.

However, the transition from a sectoral to a regional organisational structure may be at least partly incompatible with the involvement of trade unions and employers.<sup>59</sup> The beneficial effects of differentiating premiums might be cancelled out, if regional instead of sectoral bodies take over the administration of social insurance schemes. Sectoral expertise on work-related risks and working conditions, brought in by branch unions and employers, can get lost in a territorial

[57] Enquêtecommissie Uitvoering Sociale Verzekeringen (1993).

[58] As an alternative to a regional organisational structure, municipal authorities (which already now administer social assistance programmes) may take over the implementation of social insurance programmes. Local authorities are equipped to promote labour participation and to assess benefits claims. Already now, a comprehensive policy as to assist recipients of welfare provisions is carried out, whereas public employment agencies are not yet functioning well (see chapter 5).

[59] Cf. SER (1994a). See also the explanatory memorandum to the new bill on the PES.

organisational structure. Conversely, prevention and reintegration as widely recognized labour market instruments may have more success if social insurance programmes are both organized and implemented per industrial sector or occupational group. Further, whereas now the behaviour of branch unions and employers may still be monitored and even coordinated at the national level, it is doubtful whether these actors will let the public interest prevail over their private interests in the new territorial organisational structure. Though sectoral wage bargaining within regions may still be conducive to internalizing adverse wage externalities, the fiscal internalisation effects may be less strong than within current wage bargaining. Thus, the transition to a territorial structure may hamper the effectiveness of volume policies, if social partners continue to play a dominant role in administering social insurance. Considering the wish of Parliament to adopt a regional organisational structure, it may therefore be desirable to curtail the administrative powers of unions and employers.

## Chapter 5 Third approach: Renewing active labour market policy

Reintegrating and re-employing **beneficiaries** into the labour **force** has now **been** acknowledged as an **explicit** function of social insurance, in addition to the **more** traditional safety **net** and wage replacement functions. This is **a result** of the **report** by the Parliamentary Inquiry Commission and advisory **reports** of the Scientific Council for Government Policy and the Social and **Economic Council**.<sup>60</sup> Effective reintegration requires **that** benefit awarding agencies and public employment agencies do **collaborate**. Public employment agencies **have** often **been** criticized for lacking the institutional potency **to anticipate** to labour market **dynamics**. **Only** recently, in **1991**, the **PES** was reorganized drastically, towards a tripartite, decentralized and demopolized organisational **structure**. **Section 5.1** briefly surveys the **development** of the new Public Employment Service Act. **Section 5.2** evaluates the reorganized **PES** and **discusses** collaboration **projects** between the **PES** and benefit-awarding agencies. **Section 5.3** reviews the government's intentions on the **PES**.

### *5.1 A new tripartite Public Employment Service*

The purpose of the Public Employment Service is threefold.<sup>61</sup> Regular employment policy aims at enhancing the efficiency of the matching process of labour **demand** and labour supply, so **that** a given number of job seekers is associated with fewer **vacancies**. Target group policy directs at improving the labour market situation of specific groups and individuals **who have** few job opportunities. Cyclical employment policy aims at clearing the labour market **by** reducing excesses of **supply** and **demand**. Several instruments are available, **such** as labour market information, vocational guidance and counselling, regular employment exchange and placement **services**, **schooling** and training programmes, wage subsidies and subsidised employment.

Until recently, the **PES** has been an exclusive government responsibility, **controlled by** the Directorate-General for Public Employment Service of the Ministry of Social Affairs and **Employment**, and implemented by regional job **offices**. **When** new **PES** Act came effective on January 1st 1991, this situation **came** to an end. The development of this act is a long history of bargaining, negotiating and **compromising**.<sup>62</sup> As early as in 1980, the government had asked the Social and **Economic** Council for **advice** on a Public Employment Service Act. The need for legislation on **PES** was motivated by the **lack** of a coherent and **legal** set of instruments. Apart from this technical reason, the **PES** had to be reorganized as **to** solve some urgent social problems. For one **thing**, the programme of employment measures had become highly fragmented. The establishment of an autonomous **PES** plays **a crucial** role in promoting coherence in active labour market policy. Further, because of massive unemployment, Parliament tended **to** spend **large** sums of money on labour market programmes. By integrating these programmes it **may** become possible **to** monitor the quality and the effectiveness of employment measures, so **that** budgetary **control** could be

[60] Enquêtecommissie Uitvoering Sociale Verzekeringen (1993). *WRR* (1987 and 1990) and *SER* (1990).

[61] Aarts & De Jong (1994). *Cf.* Boot (1994).

[62] See for an excellent overview Van Gestel (1994).



improved. Not only a coherent and consistent policy framework was to be designed for employment policy, very little efforts had been put so far in coordinating and integrating public employment agencies, industrial insurance associations and organizations related to public health and working conditions.<sup>63</sup> Moreover, new legislation enabled central government to supervise and regulate local and regional initiatives by municipal authorities and private interest groups. No wonder that the government was severely criticized before, not in the least place by union federations and employers' associations.

In the initial request for advice, the PES is still considered as an exclusive responsibility of the government, in spite of the political and social tendency to diminishing involvements of central government. The final advisory report of the Social and Economic Council, issued in 1985, substantially deviates from the initial proposals of the government. In its report, the Social and Economic Council concludes that the PES has to become the joint responsibility of trade unions, employers' organizations and the government, as to promote social consensus on employment measures. Under this central board operate regional boards as to anticipate to regional labour market dynamics. The formal government's monopoly on placement services has to be abolished, so that licensed private employment agencies can be initiated. With regard to social security, the Social and Economic Council concludes that the authorities of the public employment agencies and the industrial associations have to be demarcated clearly. Thus cooperation between executive bodies that are involved in either employment measures or social insurance is ruled out.

The coalition government under Prime Minister Lubbers largely agrees with the advisory report of the Social and Economic Council, and now an interdepartmental project team has been established as to prepare a bill on the employment service. Though initially Parliament is very critical of this bill, it eventually passes the PES Act in 1989. The new PES Act serves three objectives, in line with the advisory report of the Social and Economic Council: tripartite management, decentralization and demonopolization. An independent statutory body has been established, the new Public Employment Service. This organization is governed by a Central Board of Public Employment Service (CBA). In the CBA trade unions, employers and central government are equally represented. Under the central board twenty-eight Regional Boards (RBA) operate, which are comprised of regional representatives of trade unions, employers' organizations, municipal and provincial authorities. Up to a certain extent these RBAs are autonomous in carrying out their own policy. If licensed by the CBA, temporary work agencies and private counselling agencies are permitted.

Decentralization and demonopolization seem both logical strategies towards a market oriented approach of the PES. The obvious advantage of territorial decentralization is that a regionally oriented executive structure enables the PES to anticipate to regional labour market conditions. Decentralization therefore contributes to reducing mismatches in regional labour markets. Decentralization further anticipates to fully decentralized labour relations, already initiated in the 1982 'Wassenaar-agreement'.<sup>64</sup> Though previously the government had not allowed private employment exchange agencies as to avoid exploitation and preferential treatment of job-seekers, the introduction of a licence system is a first step to a complementary role of the PES. The PES thus offers services, such as labour market information and placement services,

[63] For instance, a small-scale experiment of eight Regional Coordination Commissions (RCC), initiated in 1980 and aimed at encouraging local and regional contacts and cooperation, has failed.

[64] See Van de Wijngaert (1994).

which are not provided by other private agencies. This implies that the PES will not serve the labour market at large, but concentrates on specific groups and individuals with a poor prospect of finding a suitable job.<sup>65</sup> Apart from providing public services, the PES has to coordinate private intermediaries as well.

The far most important innovation is the introduction of tripartite management, in both the CBA and the RBAS. A tripartite PES has several potential advantages for all parties involved.<sup>66</sup> For one thing, including social partners in the PES is conducive to reaching a social consensus tackling unemployment and economic inactivity. Whereas previous efforts of government have sometimes been thwarted by social partners, in a tripartite organisational structure trade unions and employers are at least passively responsible to employment measures. Moreover, social partners may be inclined to intensify their own placement services and to internalize adverse wage externalities. Social partners have often criticized the government for lacking the institutional potency to anticipate adequately and flexibly to labour market dynamics. From the government's point of view, involving social partners in the PES pleasantly incorporates their continuing criticism.<sup>67</sup> Conversely, for both union federations and employers' associations the unsatisfactorily functioning of the PES is a primary motive to participate in a tripartite organisational structure. In addition, employers welcome their potential influence on job offices and hope to gain influence on vocational education. For trade unions, participating in the PES emphasizes their attachment to employment measures.

### §5.2 Evaluating the reorganized Public Employment Service

In 1994 the PES Act has officially been evaluated.<sup>68</sup> The Evaluation Commission Public Employment Service Act, in short the 'Van Dijk-Commission' after the name of its chairman, has investigated the labour market results of the new PES in the period 1991-1994 and the extent to which these results can be attributed to the demopolized, decentralized and tripartite organisational structure of the PES. Despite the innovative character of the act, the evaluation commission severely criticizes the functioning of the new PES.

The new PES has adopted the 'slipstream mechanism'. According to this mechanism, employment agencies primarily concentrate their efforts at clients who are likely to benefit from their support, rather than to focus on persons with labour market problems. By its market share and its contacts with employers, the PES hopes to serve the interests of 'hard-to-place' clients as well.<sup>69</sup> The PES therefore considers the number of successful placements as the primary output indicator. Table 5.1 provides some figures on the number of direct placements, i.e., successful matches between registered job-seekers and registered vacancies, which can be attributed to the direct

[65] See section 5.3.

[66] See Van Gestel (1994) and REA (1995).

[67] From a historical perspective, a tripartite and relatively centralized PES is attractive to the Ministry of Social Affairs and Employment, as to exclude the ambitions of the Ministry of Economic Affairs and the Ministry of Home Affairs. See Van Gestel (1994).

[68] See Commissie Evaluatie Arbeidsvoorzieningswet (1995). Two preliminary investigations have been published separately as BEA (1995) and De Koning et al. (1995). See also Ernste (1995) and De Koning (1995).

[69] See e.g. OECD (1990), Dercksen (1994).

**Table 5.1 Direct placements<sup>a</sup> by the PES in 1988-1994**

	Numbers (x 1000 persons)			Index figures (1988=100)		
	PES <sup>b</sup>	HFR <sup>c</sup>	CBS/HJSS <sup>d</sup>	PES <sup>b</sup>	HFR <sup>c</sup>	CBS/HJSS <sup>d</sup>
1988	123	87	39	100	100	100
1989	131	81	28	107	93	72
1990	128	77	36	104	89	92
1991	129	64	28	106	74	72
1992	147	81	41	120	92	105
1993	147	83	54	120	96	138
1994	173	85	41	141	98	105

<sup>a</sup> The number of successful matches between registered job-seekers and registered vacancies, which can be attributed directly to the efforts made by the PES. Note that job-seekers may overestimate their own efforts and underestimate the efforts by the PES, so that the HJSS surveys cannot be compared directly to the CBS statistics.

<sup>b</sup> Source: PES, revised for one RRA

<sup>c</sup> Source: *How do firms recruit?*, measured as the market share of the PES times the total number of vacancies

<sup>d</sup> Source: Central Bureau of Statistics (up to and including 1991), *How do job-seekers search?* (as of 1992).

Source: De Koning *et al.* (1995), table 3.3.

mediation efforts of the PES.<sup>70</sup> From inspection of table 5.1, it emerges that the tripartite PES has performed **very well**, despite the decline of **vacancies** as of 1990. The successive increases in the number of successful placements have **caused** the **market share** of the PES to improve considerably. This tendency is **also** illustrated by table 5.2. Table 5.2 surveys market penetration **rates** and market shares of the PES in several European countries. Market penetration **rates** and **market shares** are defined as the proportion of **notified vacancies** or successful placements in **all hirings**, thereby considering hirings as a proxy of the flow of **vacancies** in the **economy**. In the period of 1991 to 1994, the market share of the Dutch PES has doubled, though the market penetration **rate** has **been** relatively stable. **However**, the growth of the market share is primarily due to increased **unemployment**. In recessions less people change jobs, so that the share of unemployed in total job-seekers increases and the market share of the PES **tends** to rise. From inspection of table 5.2, it emerges that the quantitative output of the Dutch PES is **still** modest compared to other European **countries**.<sup>71</sup>

A more sophisticated method to **evaluate** the performance of the Employment Service is to measure the impact of the PES on labour market efficiency. For this purpose, the Van Dijk-commission has compared matching-functions in different RBA regions. From this **analysis** no indications **can be** derived as to conclude that the PES has fostered the efficiency of the matching **process** significantly. **Still**, the equity in the labour market **may** have improved somewhat, though it is not clear to what extent the PES **can be** credited for this. Despite the disproportionate **inflow** of **women** and ethnic minorities into the labour force, the proportion of unemployed **among these**

[70] Thus, excluding the indirect effects of labour market instruments such as schooling and training programmes. Note that the number of placements does not reflect the mediation efforts made by the PES very well, since not every placing has the same value. Moreover, serious doubts can be raised as to the reliability and comparability of placement figures. See De Koning *et al.* (1995).

[71] The low market share of the Dutch PES may be due to the dominant role of private temporary work agencies in the Netherlands.

**Table 5.2 Market penetration rates and market shares of the PES in several countries**

<i>Country</i>	<i>Year</i>	<i>Market penetration<sup>a</sup></i>	<i>Market share<sup>b</sup></i>
Netherlands <sup>c</sup>	1990	21%	9%
	1991 <sup>d</sup>	<b>20%</b>	8%
	1992	18%	10%
	1993	20%	14%
	1994	22%	16%
Austria	1991	9-32%	3-10%
Denmark	1989/1991	<b>14-21%</b>	<b>10-15%</b>
Germany	1990	33%	22%
Norway	1988	<b>± 55%</b>	<b>± 11%</b>
<b>Spain</b>	1989	23%	<b>5%</b>
Sweden	1988	27%	20%
Switzerland	1991	<b>± 90%</b>	22-43%
United Kingdom	1988	<b>± 50%</b>	<b>± 30%</b>

<sup>a</sup> Vacancies registered by the PES as a percentage of all hirings

<sup>b</sup> Placements by the PES as a percentage of all hirings

<sup>c</sup> Based on the IIFR surveys (see table 5.1).

<sup>d</sup> The tripartite organisational structure of the Dutch PES has come into effect as of 1991.

*Note:* Inter-country comparison is severely hampered by differences in national definitions and measurement methods.

*Sources:* Norway, Spain and the UK: OECD (1993), tables 5 and 6; Netherlands: *How do firms recruit*, revised by Nederlands Economisch Instituut; all other countries: Austrian *Bundesministerium für Arbeit und Soziales*.

See De Koning et al. (1995), tables 3.4 and 8.7.

target groups has not increased. Labour market **prospects** of ethnic minorities, older and long-term unemployed have improved **slightly**, compared to the **average unemployed**. Although there is some empirical **evidence** that these disadvantaged groups **may** have benefited by the increased market share of the **PES** and the intensified **contacts** with employers, other **factors** are of greater **importance** to their labour market position.

The evaluation commission judges that the new **PES** has focused too **much** at serving the labour market at large. So far, the **PES** has defined target groups **very** broadly. Eighty-five per cent of **all** registered unemployed **falls** within one **or more** of the target groups. In the view of the Van Dijk-Commission, the Public Employment Service **should concentrate** its efforts primarily on disadvantaged groups instead of attempting to cover as **large** a part of the labour market as possible. In this sense, the Van Dijk-commission favours **a complementary role** for the **PES** to private employment agencies. Private employment agencies **can provide** most of its current services, **especially** for **persons** whose general labour market prospects are relatively good.

Though the evaluation commission does not **reject** the tripartite character of the **PES** as **such**, it concludes that the new organisational **structure** has not performed **very** satisfactorily, especially on the national **level**.<sup>72</sup> Similar to the findings of the Parliamentary Inquiry on **social** insurance, the Van Dijk-Commission **finds** that private interests of **social** partners **often prevail** over the public interest. In the **CBA**, **social** partners have **primarily** represented their own interests and have not

[ 72] See also REA (1995) and Ernste (1995).

been focused at reaching social consensus. This situation has been aggravated by the asymmetrical relation between government and social partners, because central government has played four roles: as legislator, financier, administrator and supervisor.

Still, regional boards have functioned reasonable. Here, the three parties have been more or less equivalent. Representatives of trade unions and employers have operated more independent than their counterparts in the CBA. Decentralization and tripartite management have led the PES to anticipate flexibly and timely to local and regional labour market conditions, in accordance with initial expectations. Though the expected conjunction of employment measures and collective agreements is not yet a widespread phenomenon, the number of sectoral covenants on training programmes and work experience arrangements has increased substantially. With regard to the abolition of the government's monopoly on placement services, the license system has not yet functioned very well, and RBAS have chosen to compete with private intermediaries (with reference to the slipstream mechanism). Due to a lack of central authority, large differences exist between regions, so that the coherence and transparency in employment measures have not improved so far.

The Van Dijk-Commission points out that many forms of collaboration exist between employment services, local authorities, industrial insurance associations and other executive bodies. The interests of the PES, social services and industrial associations partly coincide, because these organizations often serve the same clients. From a macroeconomic perspective, collaboration is therefore an important strategy to reduce the number of benefit recipients, so as to safeguard the viability of the system of social security. So far, collaboration projects have not yet been crystallized, not in the least place as a result of the considerable differences in the organisational structure of social insurance programmes, welfare assistance and the PES. Although local authorities and employment offices often cooperate, these forms of collaboration are generally without engagement, despite the participation of municipal authorities in the RBAS.<sup>73</sup> Collaboration between the PES and industrial associations is less common. Although these forms of collaboration have not been evaluated broadly yet, a recent survey shows that large intra- and interregional differences exist.<sup>74</sup>

Two main approaches of collaboration can be distinguished. First, collaboration can be aimed at disadvantaged groups or individuals with labour market problems. According to this target group approach, the primary objective is to promote re-entry into the labour force, for reasons of equity and volume control. For instance, the PES and social service may jointly provide intensive job-search assistance services, e.g. for long-term unemployed and persons with disabilities. Other examples of this approach are Youth Work Guarantee Plans and Labour Pools. Second, collaboration projects also may aim at improving efficiency and effectiveness of participating bodies. Well-known examples are joint front offices and joint administrative files. Within these target group-oriented and process-oriented approaches a further distinction can be made between autonomous and integrated collaboration.<sup>75</sup>

[73] See also Boorsma *et al.* (1994). Note that as of 1987, many forms of collaboration between social services and the PES have been initiated as a consequence of the 'reorientation interviews' policy. See Bouman (1992).

[74] Esser *et al.* (1995).

[75] Besides these two main approaches, policy and information collaboration can be distinguished, aimed at either developing collaboration projects or exchanging information.

### §5.3 Remaining problems and intended policy

Whereas the PES of 1991, aiming at an efficient and equitable matching between labour demand and labour supply, has initially been set up as to influence the entire labour market allocation, the report of the Van Dijk-Commission clearly shows that the functioning of the PES falls short of its initial expectations and its ambitious purposes. The current Minister of Social Affairs and Employment Melkert has reacted quickly to this critical evaluation report and has recently drafted a new bill on the PES.

In line with the Van Dijk-report, the government acknowledges that the PES has to concentrate its efforts primarily at hard-to-place individuals instead of serving the labour market at large. In the proposed new organisational structure of the PES, several ambiguous responsibilities have been removed. The demarcation of managerial and supervisory tasks have been improved. The most important element of the bill is that central government will no longer take part in the Central Board. This makes an end to the situation that the government has both supervisory and managerial tasks in the CBA. Supervision and budgetary control by the government is to be improved. Representatives of trade unions and employers in the CBA have to meet additional requirements as to ensure their independence. Further, in future private employment agencies can operate without a licence, so that the PES no longer has both executive and supervisory tasks.

Already now, industrial associations and the PES are obliged to cooperate, as a consequence of the new Social Security Organization Act. In line with the revised National Assistance Act municipal authorities have to collaborate with the PES as well. These obligations have been included in the new PES bill as well. Once these forms of collaboration are carried out systematically, for the time being coordinated by TICA, the integral case assessment of social security beneficiaries will be facilitated considerably. Benefit-awarding agencies and employment services have to maintain their independence and administrative authority. The government therefore favours process oriented collaboration as to pursue an integral case assessment of social security beneficiaries. In behalf of assistance to disadvantaged clients, industrial councils and municipal authorities may purchase placement and schooling facilities from either public employment offices or private employment agencies. This potentiality of competition may foster 'market-like' discipline for the PES.

Systematic collaboration between benefit-awarding agencies and employment agencies is conducive to effective 'sticks' and 'carrots' policies. Sanctions may be used as to increase the financial pressure on social security beneficiaries who either decline re-employment programmes or fail to meet legal requirements of availability and willingness-to-work. For an effective sanction policy, it is necessary that sanctions are implemented adequately and have the desired behavioural effects. With regard to the former condition, previous experiences of industrial councils show that large differences may arise in imposing sanctions, mainly due to branch-specific factors.<sup>76</sup> Recently new stringent guidelines have been issued as to coordinate sanction policies for unemployment assistance arrangements. At implementation stage still large differences exist in applying these regulations, even though these guidelines are well-defined and precise.<sup>77</sup>

[76] In 't Groen & Koehler (1993).

[77] Ministry of Social Affairs and Employment (1995b).

As of the 1987 system reform, sanctions are imposed more frequently. Yet, it is not clear to what extent sanctions affect job-search efforts by benefit recipients. Measuring the effects of sanctions is very hard due to sample selectivity biases. From the few studies that have been conducted so far, sanctions seem to foster re-entry chances of unemployment beneficiaries, but not of recipients of social assistance or unemployment assistance.<sup>78</sup> One needs to be very cautious on inferring that sanctions therefore not always have the desired behavioural effects, since not all differences between censured and non-censured benefit recipients can be monitored. Further, apart from the question to what extent sanctions affect the behaviour of beneficiaries, the implementation of sanctions may fail, as has been pointed out before. Hence, more stringent and systematic policies on sanctions may still be required to redress the balance between active and passive policies, and comprehensive collaboration between the employment service, municipal authorities and industrial insurance councils seems essential to such policies.

[78] See, respectively, Abbring *et al.* (1995), Ministry of Social Affairs and Employment (1995b) and Angenent *et al.* (1993).

## Chapter 6 Conclusions

The security system has not **been** designed to cope with the current **scale** and structural **nature** of **economic** inactivity it **currently** faces. Yet, the problems of the Dutch social security **system** have **been** widely ignored for a **very** long time. The Parliamentary Inquiry Commission on social insurance pin-points the **principal cause** of current problems: **trade unions** and employers' organizations have been **involved** in both developing, executing and supervising social insurance programmes. Thus, **already** in the foundations of contemporary social insurance programmes a potentially **untenable** and unworkable compromise has **been** set up **between** government and these so-called social partners.<sup>79</sup> Over the past **decades**, Dutch labour **relations** have decentralized considerably. **Wage** bargaining is now **primarily** concentrated at industry and firm level. The organisational **structure** of social insurance programmes has not **been** revised analogously. In **line** with this discrepancy, one **can** observe that **unions** and employers frequently have **let** their private interests prevail over the public interest.

Government and **Parliament** have operated **very** cautiously to social partners as to preserve social consensus. Despite evident signals that the future viability of social insurance schemes **may** be endangered, both government and Parliament have hesitated for a long **time** to undertake **drastic** policy **changes**. Not until recently, and only **after** several evaluation commissions have investigated and severely criticized (the implementation of) (parts of) the system of social security, serious efforts have been made as to reform social insurance programmes.

The first political steps to deal with the **economic** inactivity and the high **costs** of social security have been policy measures as to enhance the **coherence** within the network of different social insurance programmes, without affecting the fundamental and institutional characteristics of the system itself. This is the **ultimate** ineffectiveness of the '1987 system reform' in short. The vast volume of beneficiaries has not been curbed until successive **policy** measures as of 1992. Meanwhile, the political focus has shifted to the role of social **partners** in administering and implementing social insurance programmes. The **Parliamentary** Inquiry of 1993 forcefully shows that the **organisational structure** has failed to **provide sufficient** incentives to these interest groups as to restrain the volume of beneficiaries. The subsequent **debate** on the new **Social Security** Organization Act beneficially fosters the **economy** policy **debate** on the foundations of social insurance. Instead of only absorbing redundant workers, social insurance programmes have to be organized as to reintegrate beneficiaries into the labour market. So, it is now been perceived that reintegration is a distinct and reciprocal purpose of social security.

In its **coalition** agreement, the current **cabinet** under Prime Minister Kok has proclaimed that 1996 **will** be the year in which social security is to **be** examined again, so as to **decide** whether further reforms are necessary. Yet, the cabinet has high expectations of the policy measures that have recently **been** adopted **or** are to be implemented in the near future. The cabinet's intentions **can be**

[79] Note that whereas the Dutch parliamentary system provides **constitutional** guarantees as to separate powers, **no** comparable **arrangements** have been devised for the **collaboration between** government and social partners.



summarized by four key words: privatization, competition, regionalization and subsidiarity. These proposals **may be** criticized for **three** reasons: the continuing involvement of **trade unions** and employers, the **economic** and social side-effects of privatization, and **the** viability and stability of a dual system of social security.

It seems curious that the government **still bothers to share** its responsibilities, considering previous experiences on the involvement of social **partners** in the administering social insurance **programmes** and **employment** services. **Yet**, partial privatization of social insurance **may** yield **sufficient** incentives as **to** prevent **abuse** of social insurance schemes, since employers and **branch unions** will **be confronted** with the budgetary **costs** of sickness and disability **spells**. Therefore, **the** proposals on partial privatization and continuing involvement of social **partners may be reinforcing**. **Still**, the transition **to** a regional organisational **structure may** diminish **these** beneficial effects of **industry-level** and firm-level incentives. Taking into account the wish of Parliament to adopt a regional organisational **structure**, one **may therefore** wonder whether the administrative **powers** of social partners do not have to **be** reduced. Curtailing the **role** of **unions** and employers' **associations** in defining social policy **may further be** beneficial to the **democratic** legitimacy of **government policy**.<sup>80</sup>

With regard to **the** 'parallel privatization' of disability schemes, the advantages of privatization **may be** overshadowed **by** the adverse ex *ante* selection of workers with health problems, leaving **great** numbers of employees permanently outside the labour force. Privatization **may** therefore **be** at odds with reintegration policies. **Further**, **private** and **public** social insurance **schemes may** only coexist if **insurers** operate on **equal terms**. So as **to** safeguard the viability of a dual system of social security, it seems **sensible** to **either** smooth the financing modes of private and public insurers **or** to restrict competition to the first years of disability and sickness **spells**.

Rethinking the design of social insurance programmes further involves the need to anticipate **to tendencies** towards **flexible** and decentralized labour relations and the proportional increase of the ageing population. **Social** insurance programmes **also may be** revised as part of the **future** harmonization of national social security **systems** within the European **Union**.

[80] Consigning public responsibilities to 'social partners' does not relieve the commitment to good government. For this reason, it may be useful to recall that diminishing involvements of central government do not automatically result in reducing steering needs (Advisory Vonhoff-Commission (1981)).

## List of abbreviations

### *Social Security Acts*

<b>AAW</b>	General Disahlcment Benefits Act
<b>ABW</b>	<b>National</b> Assistance Act
<b>AKW</b>	<b>General</b> Family <b>Allowances</b> Act
<b>AOW</b>	<b>General</b> Old Age Pensions Act
<b>AWBZ</b>	General Act on Exceptional <b>Medical</b> Expenses
<b>AWW</b>	<b>General</b> Widows' and Orphans' <b>Pensions</b> Act
<b>IOAW</b>	Act on Income Provisions for Older <b>or</b> Partially <b>Disabled</b> , Unemployed Persons
<b>IOAZ</b>	Act <b>on</b> Income Provisions for Older <b>or</b> Partially <b>Disabled</b> , Former <b>Self-Employed</b> Persons
<b>nosv</b>	(New) Social Security Organization Act
<b>RWW</b>	Unemployment Assistance <b>Arrangement</b>
<b>T w</b>	Supplementary Benefits Act
<b>WAO</b>	Disablcmnt Benefits Act
<b>wsw</b>	Sheltered Employment Act
<b>nWW</b>	(New) Unemployment Benefits Act
<b>WWV</b>	Unemployment Provision Act
<b>ZFW</b>	Health Insurance Act
<b>ZW</b>	Sickness Benefits Act

### *Institutions*

<b>CBA</b>	Central Board of Public Employment <b>Service (PES)</b>
<b>CTSV</b>	Supervisory Board for Social Insurance
<b>cosz</b>	Social Security Research Committee
<b>PERS</b>	Project Evaluation of the Revised System of Social Security
<b>RBA</b>	<b>Regional</b> Board of Public Employment <b>Service (PES)</b>
<b>SER</b>	Social and <b>Economic</b> Council
<b>SVB</b>	Social Security Institute
<b>SVR</b>	Social Insurance Council
<b>TICA</b>	Temporary Institute for Coordination and Tuning
<b>WRR</b>	Scientific Council for Government Policy

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