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INTRODUCTION

Since the beginning of the 1980s the Dutch social security system has been under permanent reconstruction. For budgetary reasons, but also to adjust the system to modern work and living patterns, major changes took place in unemployment, disability, sickness, old age, survivors and child benefits, as well as other social assistance schemes. The system as a whole has become more selective and less generous, the emphasis shifting from income protection to 'active' policies emphasising labour market participation ('welfare to work') and from collective towards individual responsibility (Van Oorschot 1998a).

This period of social policy reconstruction has seen a permanent debate on the future of pensions in the light of the ageing of the population. Economic analyses have focused on the question of whether a good quality pension system could be maintained without an excessive rise in costs and about the ways any future pension system should be financed. Sociological analyses focused on the legitimacy of the proposed alternative solutions to the problem. Central to these debates has been the future of the national insurance pension, AOW. The fact that it is funded on a pay-as-you-go basis makes the problem more directly compelling and, in 1998, the debate resulted in national legislation. Since with regard to capital funded occupational pensions the problem is less compelling, they have been discussed less. However, not least because changes in the state pension may influence the level of occupational pensions, occupational pensions have also been subjected to policy responses.

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This article will briefly describe the demographic trend of the ageing population and the financial problems it has created, as well as the measures that have been taken to tackle the problem. It will concentrate primarily on the national insurance pension and pay only brief attention to occupational pensions, not only because the AOW dominates the debate, but also because there is a lack of information on occupational pensions. As far as the AOW pension is concerned, we will present some results of public opinion surveys, which indicate that the policy measures taken fit closely with public preferences.

For an adequate understanding of the problem, however, it is necessary to first present a brief sketch of the Dutch pension system and some of the recent developments in it.

THE DUTCH PENSION SYSTEM

The Dutch pension system has three tiers. The first tier consists of the national old age state pension, the AOW (Algemene Ouderdomswet), which was introduced in 1957. The AOW is a compulsory pay-as-you-go pension scheme which pays flat-rate, non-means-tested benefits to all citizens of 65 years of age or older. It is financed from contributions that are levied as a percentage of the incomes of employees and the self-employed. Since benefits are paid at a flat rate, there is a maximum level of income over which contributions must be paid. This contribution ceiling is relatively low, and corresponds with the first of the three layers of income taxation. The AOW benefit equals the so-called 'social minimum', the amount thought to be sufficient to cover the necessary costs of living of a household. The level of the social minimum is equal to the net minimum wage, which is linked to the average wage level. As a result structural increases in wages lead to higher pensions. (Incidental wage increases, like, for example, those due to career steps, are not included in the linking mechanism). The single elderly get 70 per cent of the social minimum as an AOW pension, partners in a couple each get 50 per cent. If the partner of a pensioner is under 65 a supplement is payable which is means tested, i.e. if the partner has an income of his or her own (above a certain level) no supplement is paid. The AOW pension is paid to all elderly people, independent of their contribution record, and thus functions as a basic income for those who are 65 or over.

The second tier consists of occupational pensions, where participation is often compulsory for employees. There are a few thousand different schemes, most of which are capital funded, but, in other respects, there is great variety among them. For example, there are defined contributions schemes, average pay and end pay schemes. Despite these differences, about three quarters of the schemes are varieties of the end pay system, where the pension is calculated as a percentage of the last wage. A situation where the pension pays up to 70 per cent of the average wage over the last three years, given a contribution record of 40 years, is typical. Shorter contribution periods result in lower percentages. The AOW functions as a first layer in many occupational schemes, in the sense that the payment tops up the AOW benefit to a given percentage of the wage. At present about 90 per cent of all employees are covered by an occupational pension scheme, while about half of the pensioners have an occupational pension on top of their AOW. There is a trend towards increasing occupational pension coverage; in the 1980s only 80 per cent of employees were covered (Van der Werf and Smidt 1997).

The third tier consists of individual, private pensions but this tier is badly documented.

In the last two decades the state AOW pension and occupational pensions have been modernised.

The changing role patterns for men and women, exemplified by the increasing labour market participation of women, has meant that the AOW, and Dutch pensions in general, have had to be modernised to adapt to these changes. The Third EC Directive on the equal treatment of men and women has been an important stimulus here. In the course of the 1980s women formally received the same rights as men, the old age pension for couples was 'individualised' (formerly the man of a couple got 100 per cent of the flat rate benefit level, now each partner gets 50 per cent), unmarried couples were now treated in the same way as married couples, and a means test relevant to the supplement for the partner under 65 was introduced.

The modernisation of Dutch occupational pensions mainly consists of three trend: (i) equalising the rights of men and women; (ii) improving the rights of part-time and low-paid workers; and (iii) introducing elements of choice to meet changes in individual work and living patterns (e.g. in a growing number of schemes employees can now opt for either a survivor's pension, or a higher old age pension). This process of modernisation continues. However, among the thousands of different occupational schemes, there is a large variety in the pace and content of the modernisation measures (see e.g. Devreese 1989, Eichholtz and Koedijk 1996).

The Ageing Of The Dutch Population And The Expected Consequences For Social Security

From the 1960s onwards the average age of the Dutch population has been increasing. Table 1 shows that the total population is growing, but that the proportion of people aged 65 and over is increasing more rapidly than younger categories. The youngest category, those under 20, is decreasing. The table thus shows the process of what is called in the Dutch debate, 'greyification' or 'de-greaning'. There is even a 'double greyification', since the fastest growing category is that of the very old, people of 80 years and older.

Table 1 (Expected) age structure of the Dutch population 1960-2030 (index 1989=100; (n)=1989x1000)

	1960	**1989**	**(n)=**	**2000**	**2030**
0-20 years	109	100	(4.122)	96	85
21-64 years	68	100	(8.807)	109	102
65-79 years	61	100	(1.459)	113	184
80 years and over	39	100	(418)	123	209
total 65 years and over	56	100	(1.877)	115	189
total population	78	100	(14.805)	106	109

Source: SCP 1990, p. 422 (based on Population Prognoses 1989 of the Central Bureau of Statistics, middle variant)

Whereas in 1989 about 13 per cent of the total population was 65 or over, in 2030 this will have increased to 22 per cent and the latest projections of the Central Bureau of Statistics show that it will increase further to 25 per cent by 2040. From then on stabilisation and a subsequent decrease can be expected.

The ageing of the population will have strong effects not only on housing provision, healthcare and consumption patterns but also on social security. Of course, the number of old age pensions will increase, but, before a peak is reached, the effect will be a rise in the numbers of people claiming disability and social assistance benefits. At present a large cohort is still under 65. In its pre-pension stage, the ageing of this group will first mean an increase in work incapacity, as well as an increase in long-term unemployment, since in both cases older workers are more at risk than younger workers. Table 2 shows that the number of old age AOW pensions is expected to double in the period from 1990 to 2030. The acceleration will mainly take place after 2010, when the post-war 'birth wave' will start to retire. The number of disability benefits, and the number of social assistance benefits, are expected to have increased by a third by the year 2030.

Table 2 (Expected) numbers of benefits as a result of demographic trends, 1990-2030

	number of benefits x 1000			index (1990=100)		
	1990	**2010**	**2030**	**1990**	**2010**	**2030**
AOW pension	2.043	2.647	4.050	100	131	198
disability benefit	881	1.205	1.174	100	137	133
social assistance	218	276	289	100	127	133

Source: SCP 1994, p. 211

The growing number of AOW pensions will lead to a substantive increase in expenditure: from 5.3 per cent of the gross domestic product in 1995, to 7.5 per cent in 2037, and up to 9 per cent if economic growth is lagging (predictions of the Central Planning Office in TK 1997-1998, 25699, nr.3, p. 2). Since the AOW is a pay-as-you-go scheme, the increased costs will necessitate higher contributions. It is estimated that the contribution percentage will have to rise from about 15 per cent of wage costs, to about 20 per cent by the year 2030 (studies mentioned in Devreese 1989), and to 26 per cent in 2035 (predictions of the Central Planning Bureau, CPB, in TK 1997-1998, 25699, nr. 3, p.3).

The ageing of the population will also affect the future costs of occupational pensions, despite the fact that most are capital funded. It is expected that extra funding, i.e. a rise in contributions, will be necessary for two reasons. First, since most occupational pensions top up the state pension to a percentage of end pay, extra funding will be necessary if the pension level lags behind developments in the average wage level. As noted earlier, the AOW pension is linked to changes in the average level of structural wages, but not to the average level of incidental wage increases. Second, since many occupational schemes offer pay-as-you-go-financed 'back service' in order to adjust occupational pensions to increased wages and prices, the ageing of the working population leads to higher costs. Thus younger workers have to pay higher contributions to finance the growing number of retrospectively adjusted pensions. In the 1980s a number of studies attempted to estimate the expected rise in contributions for occupational pensions as a percentage of the wage cost. The results varied from 10 per cent to 20 per cent (see Devreese 1989 for an overview). A recent micro-simulation study by Jansweyer (1996) suggested an increase from 7 per cent of the wage cost in 1995, to 13 per cent in 2010 and to 26 per cent in 2040. However, like the results of all long-term predictions in the field, this development is highly dependent on assumptions about developments in wages, prizes and profits. In a number of alternative scenarios, in which occupational pensions are assumed to be less generous (e.g. offering 60 per cent instead of 70 per cent of the end pay, or based on average pay rather than end pay) Jansweyer calculated that the necessary rise in contributions would be significantly lower.

POLICY RESPONSES

National insurance pension - AOW

Early studies on the consequences of ageing for pensions, like that of Van Den Bosch *et al.* (1983) which concluded that it would give rise to either double AOW contributions, or half pensions were quite alarming. Extended studies followed after these early warnings, and produced more reassuring results. For instance, a special government commission (the Commission Drees) reported in 1987 that the increased AOW cost could be overcome under certain conditions, among which a reasonable economic growth rate was central, and the same conclusion was drawn in a study by a leading Dutch scientific advisory council (WRR 1993) and in Jansweyer's micro-simulation study (Jansweyer 1996).

Nevertheless, because there will be an ageing of the population and pension costs will rise significantly, and because there are too many insecurities involved regarding the future development of central factors like wages, prices, employment and economic growth, central government felt it necessary to take measures. Although they were reassuring, the studies mentioned above did not conclude that nothing had to be done. Instead, they proposed and discussed a large number of possible solutions which, in combination with low to moderate economic growth, could safeguard pension quality and control pension costs.

The following types of solution figured in the Dutch debate (from SCP 1996).

1. Lower pension costs

Limiting indexation: one possibility would be to limit the indexation of pensions to increases in wages. This would mean that pensioners would benefit less from increases in wealth than non-pensioners. From 1984 to 1989 this method was applied in order to tackle the budget crisis that resulted from the economic recession of the early 1980s. The level of all minimum benefits, including the AOW, were 'frozen' at their 1984 level with the result that the net AOW benefit ultimately lagged behind wages by

1.7 per cent. In the long run, however, such a policy would lead to too large an income difference between pensioners and non-pensioners, and the costs of occupational pensions could rise steeply when they topped up the lagging AOW pension to a percentage of the end pay.

A higher pensionable age: there have been proposals (e.g. from the Conservative Liberal Party, VVD) to increase the standard pensionable age from 65 to 67 years. This argument is based on the premise that nowadays people start working later in their lives and have a higher life expectancy. The solution would, however, run contrary to actual developments, where an increasing number of people are exiting from the labour market before the age of 65. The labour market participation rate of those between 60 and 65 years of age dropped from 85 per cent in 1960 to 27 per cent in 1990 (SCP 1994, p. 213). This is due partly to the rise of early retirement schemes and partly to the establishment of alternatives sources of income, like disability and unemployment benefits, which make early exit possible. Among the public there is a strong preference for earlier rather than later retirement.

Individualisation of the AOW pension: The Christian Democratic Party (CDA) advocates that all pensioners should get a pension equal to 50 per cent of the social minimum. For the rest of their income in old age people would have to insure themselves in the private market or through occupational schemes. The average pension cost would drop and the AOW would be independent of household composition. However, since such a measure would take a long time to fully implement (people would need time to built up the required supplemental pensions) it might come too late to be of any help when, between 2015 and 2040, the percentage of people who are elderly is expected to peak. Furthermore, not everyone would have the financial means to purchase extra insurance and, in those cases, the individualised AOW pension would be too low, leading to additional claims for social assistance.

Means-tested AOW: extending the use of the means-test from the income of the partner younger than 65 to the income of the pensioner could result in significant savings. Arguments against this are that the administration of the scheme would become more complex and costly, and that it might have serious negative effects on people's propensity to save or insure for old age. The latter might constitute a major problem among those with lower to middle incomes and smaller assets, resulting in a general deterioration of pensions. If only high incomes and large fortunes were means-tested, any financial savings would be small.

2. Higher pension contributions

Levying contributions from pensioners: the Scientific Council for Government Policy (WRR) has suggested in its advisory report, *Ouderen voor Ouderen,* levvying AOW contributions among pensioners on that part of their income which exceeds the level of the social minimum. Solidarity between richer and poorer pensioners would thus be created, and there would be no negative effect on the average wage cost.

Extending the contribution basis: it has been proposed that the income ceiling below which contributions are levied should be raised from the first layer of income taxation to the second or third layer. Those with higher incomes would therefore pay more into the scheme. The objections are that the resulting higher wage costs could have a negative effect on employment, and that the knock-on effects would require the tax system to be redesigned.

Fiscalisation of the AOW: with this alternative, pension costs would be paid from the revenues of general taxation. This would broaden the contribution basis too, but could also have major effects on the tax system.

Contribution maximisation and partial fiscalisation: in a mixed system government would contribute to the pension costs from general taxation to supplement contributions from the working population. This would be a way of limiting both governments' and citizens' contributions, and the latter could be set at a maximum in order to control the level of wage costs.

3. Distribution of costs over time

Transformation to capital funding: transforming the pay-as-you-go AOW into a capital funded system would, in principle, reduce the pension's vulnerability to demographic changes. However, it would take several decades before the funds would be adequately filled. In the transition period, the working population would have to pay double contributions: one for the ongoing pay-as-you-go scheme, which would come to an end once the capital funds had been built up sufficiently, and one for the capital funds proper.

The establishment of a savings fund: a national fund could be built up to co-finance the AOW pension for the period in which the ageing of the population reaches its peak. The present working population would start paying into the fund. It would, however, result in an increase in wage costs, potentially increasing levels of unemployment. The Social Democrats (PvdA) and Progressive Liberals (D66) were in favour of this solution, combined with levying contributions on pensioners with higher incomes in order to diminish the pressure on wage costs.

A number of these solutions were discussed in a Green Paper on the financing of the AOW (*Werken aan Zekerheid*), issued in 1996 by the coalition government of Prime Minister Kok. The paper fitted in with the central element of Dutch socio-economic policy of the last decade, which is the attempt to control wage costs in order to increase international competitiveness and thus the level of employment (Van Oorschot 1999). Typically in this respect it expresses the central government's primary concern to limit the rise in the AOW contribution rate (i.e. contributions as a percentage of wage costs) as high rates will have a negative effect on employment. A maximum limit on the contribution rate is proposed, accompanied by a commitment to supplement the necessary AOW budget with revenues from general taxation. Secondly, the paper observes that, in recent years, the indexation procedure applied to the first layer in income taxation (which functions as the AOW contribution ceiling) has resulted in a narrowing down of the basis of contributions. The ceiling is partly linked to the development in prices, while pension benefits are linked to wages. Since wages have increased faster than prices, there has been a mismatch between pension financing and expenditure. This mismatch is expected to increase in the coming years. The Government is of the opinion that the mechanism for indexing the ceiling has to be altered, but prefers to postpone doing it for a number of years in order to link the issue to an intended tax reform. The Government has not opted for extending the contribution levy to the second and third layer of income taxation on a point of principle, arguing that in a national insurance scheme with flat rate benefits, the equivalence between contributions paid and the pension received should not be abandoned. The Green Paper rejected increasing the standard pensionable age on the pragmatic grounds that it would not be very effective, given the fact that the labour market participation of those between 55 and 65 years of age is actually very small. Finally, the Green Paper discusses the pros and cons of establishing a national savings fund to co-finance future AOW costs, funded by contributions from employees and the self-employed, and concludes that it could be a serious option.

The Green Paper was sent to the Social Economic Council (SER), where the social partners participate with independent experts, for advice. The SER's advice was to adjust the indexing of the contribution ceiling, to maximise the contribution rate at 16.5 per cent to raise the contribution ceiling and to contribute to the cost of pensions using general tax revenues. The Council proposed this mix of measures as a way of broadening the contribution base while, at the same time, preventing an excessive increase in wage costs and the negative effect this would have on employment levels. The Council's opinion on the idea of a national savings fund was inconclusive. It suggested that the matter should be looked into more carefully, particularly its potential effect on incomes and wage costs, as well as its implications in the reforming of the tax system. It recommended that the legislation should be postponed for the moment. The Government's reaction to the advice was that the suggested adjustment of the indexation procedure and raising of the contribution ceiling should be seen in the context of intended new tax legislation, but that postponement of a fund was undesirable, since establishing a fund later would make the measure rather ineffective.

Discussion of the Green Paper in the Permanent Parliamentary Commission on Social Affairs and Employment and in the Commission on Finance revealed that the Government's analyses and ideas were welcomed positively by most of the political parties, including the Social Democrats (PvdA), the Christian Democrats (CDA), the Conservative Liberals (VVD), the Progressive Liberals (D66), and the Green Left (Groen Links) (TK 1996-1997, 24328, nr.4). The necessity of taking measures was accepted by all political parties. The debate focused largely on the practicalities of alternatives, and on the pros and cons of different solutions, but, with one exception, did not criticise the Government's basic ideas and preferences. The alternative of a national savings fund was endorsed, but not the idea of filling it with contributions from citizens. Most political parties feared that this would have a negative effect on wage costs and employment. The Government was advised to draw up a proposal for legislation along the lines of the proposals outlined in the Green Paper, and to consider an idea, suggested by the Social Democrats for financing the savings fund with contributions from the state. The economic situation was considered favourable for such an option.

Having received advice from the social partners and from both parliamentary commissions, legislation was prepared. Legisaltion was discussed in parliament in April 1998 and accepted with broad support. The parliamentary debate again revealed a broad consensus among the different political parties about the necessity, and content, of the proposed measures. Government followed the advice of the parliamentary commissions to finance the savings fund with state contributions.

Two measures were taken in the *'Adjustment of the Law on the Financing of National Insurances'* (Wijziging van de Wet Financiering Volksverzekeringen):

A maximum limit on the contribution rate: the AOW contribution rate was set at a maximum of 16.5 per cent in order to prevent an uncontrollable growth of contributions paid by employees and the self-employed. The extra money which needed to pay for pensions will be provided annually by the Government. In the next decades the ratio of government funding relative to contribution funding will increase.

The establishment of an AOW Savings Fund: in order to partly pay for the peak of pension costs after the year 2020, a savings fund is established, to which government will donate a specified amount of money each year for the next couple of decades. It aims to have saved about NLG 3.5 million by the year 2020.

Clearly, of the alternatives mentioned above, central government has not chosen to lower pension costs. It has opted, instead, to maintain the quality of the present AOW pension by leaving the rights of pensioners and the level of benefit untouched. The basic choice for tackling the problem has been to increase contribution rates. In order to prevent too high a pressure on the wage cost, which would have a negative effect on employment, and to broaden the contribution base, the government has decided to take over a substantial part of the AOW financing in the longer run. It is expected that in 2040 the pension cost will have reached its peak, amounting to around 8 per cent of GDP. Around 5.5 per cent would then be financed from contributions, 1.5 per cent by the Government's annual donations, and another 1 per cent from the savings fund (TK 1997-1998, 25699, nr. 3, p. 11).

The Government's apparent generosity is strongly related to the favourable economic circumstances that have been present in the Netherlands from around the middle of the 1990s onwards. The Government's budget deficit has decreased significantly, from 4 per cent of GDP in 1995 to 1.6 per cent in 1998, and employment levels have grown rapidly, from 6.5 million jobs in 1990 to 7.4 million in 1997 (CBS 1998). These factors offered extra means, and it is explicitly stated in the explanatory note to the legislation (the 'memorie van toelichting': TK 1997-1998, 25699, nr.3) that an important part of it will be spent on financing the AOW pension. The Government is well aware of the fact that the future hides many insecurities that can influence all the important parameters, either positively or negatively. It clearly states that the measures taken can only be successful if certain conditions are met, such as an increase in the labour market participation of older workers, a fall in the costs of unemployment and disability benefits, and a further decrease of the budget deficit. The Government considers the establishment of the savings fund and financing it in the present economically favourable circumstances to be a primary insurance against any future mishaps.

OCCUPATIONAL PENSIONS

The second tier of the Dutch pension system consists of occupational pension schemes. They constitute part of the conditions of employment and thus are the outcome of negotiations between employers and employees. The role of central government here is limited. Basically its role is restricted to the formulation of general guarantees, the regulation using fiscal tools of contributions and pensions and the imposition, at the request of the representative parties, of compulsory participation in pension funds.

It was explained earlier, that because of the ageing of the population, extra funding would also be necessary for occupational pensions. The AOW pension might lag behind the collective pension and the pay-as-you-go financed back service could also increase. This cost aspect has been a worry for the social partners and the Government because of the potential rise in wage costs that it implies. In 1997 mutual consultation resulted in a voluntarily agreed covenant on occupational pensions between government, employers and employees. It aims at modernising schemes, controlling costs and easing entrance to pension schemes (Star 1997). The covenant addresses the following matters:

Cost control
As a rise in pension contributions means an increase in wage costs, the social partners themselves felt obliged to control the total cost of pensions. This means that they will eliminate rules, like rules for automatic and unconditional indexation and extra allowances, that might hinder necessary changes. Furthermore, they agreed that modernisation measures, the option of replacing survivors' pension rights with old age pension rights and increased accessibility, may not lead to an increase in total macro level costs. On the micro level, where branch and company pension schemes are negotiated, cost increases are allowed if they are necessary to obtain a socially accepted pension scheme. Macro-level costs will be monitored by central government.

Accessibility
Entrance to the occupational pension schemes has become easier thanks to the previous efforts of the social partners and government regulations. Whereas around 80 per cent of workers were covered by occupational schemes in the 1980s, nowadays around 90 per cent are covered. Nevertheless, the covenant aims to further extend coverage. The social partners are therefore requested to eliminate thresholds and create additional pension schemes. The Government has announced that it will make regulations on this subject (TK 1997-1998, 25964, nr 1).

Compulsory participation
In principle compulsory participation in occupational pension schemes will be maintained, both for employers and employees. However, the possibility of dispensations will be enlarged (TK 1996-1997, 25014).

It is relevant for this discussion that the Minister of Finance has presented a new fiscal plan for the next century (TK 1997-1998, 25810), in which the idea of an old age pension 'umbrella' is mentioned, meaning that one fiscal standard will determine the total size of a person's old age pension (Kremers and Flikweert 1998). The central idea is that the tax deductibility of occupational and private pension contributions will be limited. The tax system will only support second and third tier contributions to levels at which a socially acceptable total pension will result (the sum of first, second and third tier rights) can be obtained. In practice this will mean tax support for pension rights that adds up to a maximum of 70 per cent of the final wage. People may, of course, purchase higher pension rights, but the extra contributions necessary for this will not be tax deductible.

Finally, in the near future, the supervision of pension funds will be intensified. For this purpose, the Insurance Chamber (*Verzekeringskamer*) will be given more authority. In the 1950s, when the Pension and Saving Funds Act (*Pensioen en Spaarfondsenwet 1952*) was introduced, self regulation by employers and employees was assumed. However, with the increased linkage of public and private pensions, the Government felt it necessary to increase control and regulation (SZW 1999).

Public Opinion

Dutch politicians need to operate carefully when it comes to pensions policy. In the context of the welfare state, pensioners are generally seen by the public at large as a social category which is strongly deserving of support from the state. This is not only the case in the Netherlands (van Oorschot 1998b) but also in other industrialised countries (Coughlin 1980). The Christian Democratic Party (CDA) experienced this in the run-up to the elections of 1994. Despite many signals that society was not in favour of it, its then leader Mr. Brinkman persisted with his proposal to cut back on minimum benefits if the CDA were to join the new government. Societal resistance focused explicitly on the proposal to cut back the AOW pension, which is one of a number of minimum benefits. The elections of 1994 were disastrous for the CDA and soon afterwards, Mr. Brinkman left politics. In the same elections some smaller 'grey' parties gained seats in parliament. Clearly, regarding pension policy it does matter what the public thinks.

In the course of the 1990s, two public opinion polls asked people about their views on a range of alternatives for solving the problem of the future financing of the AOW pension. Table 3 shows that a rather popular measure among the general public would be to increase the contributions paid by those (including pensioners) with higher incomes. In other words, it would be regarded as legitimate to make the rich pay more into the system. The government, however, has not opted for this solution, preferring to maintain an equivalence between benefits and contributions. Opinion is clearly divided on increasing AOW contributions for all income levels. This would not be a popular measure, and the government has opted for precisely the opposite: setting a maximum contribution rate at the relatively low level of 16.5 per cent. Increasing the pensionable age, or decreasing the pension level would have been very unpopular. The Government's decision to leave pension rights untouched corresponds perfectly with this.

Table 3 Opinion on alternative solutions for financing future state pensions

	agree	**agree, nor disagree**	**disagree**	**dk/na**
increase contributions paid by higher incomes	55	23	18	4
let pensioners with higher incomes pay contributions	45	21	28	6
increase contributions for all	28	41	26	5
increase pensionable age from 65 to 67	14	21	62	3
decrease state pension benefits	3	15	79	3

Source: TISSER-Solidarity Study (1995, N=1403) (see van Oorschot 1998c)

In a study of the unemployed, it was also shown that diminishing pension rights was not a popular policy. About 70 per cent were against the individualisation of the AOW and 75 per cent were against raising the pensionable age to 67 (SCP 1996, p. 165).

Both the studies mentioned asked respondents about their views on establishing a savings fund. In one study, only 28 per cent were in favour of it (van Oorschot 1998c) and, in the other, 54 per cent were (SCP 1996). Since in both studies the wording of the question referred to a fund to be financed by extra AOW contributions to be paid by employees, these figures can not be seen as conferring legitimacy on government's decision to create a savings fund. In the government's scheme, the fund will be financed by the state, not by individuals. The difference in outcomes between the studies might be related to the fact that one was carried out among a random selection of the general public (Van Oorschot 1998c) while the other was conducted among the unemployed (SCP 1999). The unemployed seem to like the idea of a fund financed by employees more than the average citizen does.

The fact that government has taken on the responsibility for financing the AOW is in line with the relevant views of the Dutch population: 57 per cent are of the opinion that central government has the primary responsibility for protecting people against the social risks of old age, while only 15 per cent think this is primarily the responsibility of individual citizens (Van Oorschot 1998c).

Thus, the overall conclusion is that the government's policy response to the ageing of the population appears to have strong societal support. In this respect, the Kok Government seems to have learned from the experiences of the Christian Democrats.

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