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DUTCH EXPERIENCES WITH THE EUROPEAN EMPLOYMENT STRATEGY

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1 Introduction

Following the adoption of the Amsterdam Treaty, which introduced a new title on employment, the member states of the European Union agreed at the Luxembourg Jobs summit in November 1997 on a European Employment Strategy (EES), also called the Luxembourg process. This strategy is built on thematic priorities, grouped in four pillars and described in Employment Guidelines. Every year, these Guidelines have to be translated in national policies. The policies of individual member states are presented in the National Action Plans for Employment (NAPs). The NAPs are analysed by the Commission and the Council of Ministers, on the basis of which the Council of Ministers issues country-specific Recommendations for member states employment policies.

At the start of the Luxembourg process, the member states agreed to evaluate the process after five years. The European Commission undertakes the macro part of this evaluation, while the member states take part in a policy review. The policy review takes place in all fifteen member states at the same time. The Dutch Ministry of Social Affairs has invited SEO Amsterdam Economics and AIAS, both associated to the University of Amsterdam, to investigate the importance of the European Employment Strategy for Dutch employment policy and Dutch social-economic affairs in general. The research project has been supervised by a commission of civil servants from the ministries of Social Affairs and Employment (divisions general social economic affairs, general labour market policy, co-ordination emancipation policy, labour relations, international affairs and research and development), Education, Culture and Science, Economic Affairs and Finance.

The underlying report aims to answer two important questions.

- To what extent did the employment guidelines of the EU influence Dutch employment policy and did the Netherlands learn from other countries?
- How effective are Dutch policy measures in reaching the aims of the European Employment Policy?

We start our analysis in chapter 2 with a description of the European Employment Strategy. Chapter 3 gives a sketch of the development of the Dutch labour market in the years preceding and since the Luxembourg Jobs Summit. It identifies the labour market areas on which the Netherlands should perform better after the start of the Luxembourg process and to what extent progress was made. In chapter 4 we give a concise overview of Dutch policy developments, grouped along the European guidelines, with the aim of showing whether the Dutch government made an attempt to facilitate the amelioration of the problematic labour market fields identified in the third chapter. Next, in chapter 5, we answer the first question mentioned above. We analyse to what extent the policy described in chapter 4 was inspired by the EES. We do this by assessing whether Dutch politicians and policy makers learned from the process of the National Action Plans, the recommendations and the peer reviews. After that, chapter 6 answers the second question raised. It analyses the effectiveness of Dutch labour market policy on three key themes: activating social policy, equal opportunities and modernisation of work organisation. Finally, chapter 7 concludes this report with our findings on the Dutch experiences with the European Employment Strategy.

2 The European Employment Strategy

In the second half of the 1990s a growing number of policy makers became convinced that separate co-ordination instruments were necessary within the Economic and Monetary Union to combat structural unemployment. The EMU itself (agreed upon in the Treaty of Maastricht, 1991) was well designed for creating economic stability and a common monetary policy, but not for preventing unemployment turning into structural unemployment.¹ At that moment politicians and members of the European Commission concluded that macro-economic policy should be supplemented with social policy. The European Commission and the European Parliament strongly supported an employment policy at European level. Furthermore, there was a coincidence of the entry of Sweden, Finland and Austria (countries with traditionally active labour market policies) as members of the European union in 1995, whereas in larger European countries, such as Britain, France, and Germany, social democratic parties came into office in 1996 and 1997. Finally, strong support came from subsequent presidencies of the European Council such as Ireland, the Netherlands and Luxembourg. For example, under the Dutch presidency in spring 1997, Minister Melkert of Social Affairs and Employment defined social policy at a European conference 'as a productive factor'.² All of this meant that a coalition consisting of heads of governments, members of the European Commission, and the European parliament, lead to the opportunity for the European Council to take the constitutional decision to include the Employment title in the Amsterdam Treaty in June 1997.³ Due to the efforts by Luxembourg's Prime-minister Jean-Claude Juncker, this was followed in November 1997 by the Luxembourg Jobs summit, where the member states of the European Union agreed on a European Employment Strategy.

Benchmarking and peer pressure

The co-ordination and fine-tuning of social-economic policy in the fifteen European member states proceeds in distant stages and with various results (see table 2.1). In contrast to monetary policy, in the area of employment policies *no* decision-making power has been transferred from the member states to the European level. Neither is aimed at harmonisation of policies in these countries, such as for example occurs in the field of health and safety. The EES is about mutual information and joint orientation. It makes use of what we call benchmarking⁴ and peer pressure⁵. Benchmarking serves to make policy performance transparent by comparing countries using standardised measures. Peer pressure is the core of the political model of the EES.

Like in the EMU-procedure, the peer pressure process of the EES works with guidelines, agreed upon by the Council. The EES is however, due to the reasoning mentioned above, not as

¹ Larsson (1998), Goetschy (1999), Van der Meer (2000), Van Riel and Van der Meer (2002), and own interviews, Fall 2001.

² Hemerijck (1998).

³ Van Riel and Van der Meer (2002), and own interviews, Fall 2001.

⁴ See: European Roundtable of Industrialists, different reports; Romanelli (1999).

⁵ Kandel and Lazear (1992), Varian (1990).

committing as the monetary strategy, which has strict sanctions (laid down in the Stability and Growth Pact). In the EES, the member states have the responsibility to perform their own employment policy since it is recognised that member states have different social and institutional background. The available sanctions of the Commission are 'soft' political incentives: the Council issues recommendations to member states on issues that need better performance. Furthermore, the monetary strategy has only four indicators (interest rates, inflation, government budget, and state debt); the employment strategy has approximately twenty guidelines, each having multiple indicators.

According to the Treaty, the Employment Strategy thus has less constitutional status than the monetary strategy: it is designed institutionally in another way and has different impact due to the political model on which it is founded. In the Lisbon-summit of March 2002, the so-called 'open method of co-ordination' was coined, aiming at applying the co-ordination procedures of the EES to other policy fields such as social exclusion and poverty, and pensions.

Benchmarking in comparison with the OECD

An alternative example of employment policy benchmarking is found in the OECD Job Strategy.⁶ There are however differences between the OECD Job Strategy and the European Employment Strategy. First and most important is the institutional difference. The OECD Job Strategy provides a more independent analysis which aims at *informing* via its publications, and on an annual basis it informs the joint meeting of Ministers of its member countries (see the information column in table 2.1). The EES is a political process with a *joint orientation* and peer pressure (see the next column in table 2.1). Secondly, the OECD performs a nearly academic, technocratic analysis which is not committing countries in any way to change. The EES explicitly needs co-operation from the member states and is therefore more binding. Where the OECD tells how it should be, the EES tells what is feasible. Thirdly, a difference on economic views seems to occur. The OECD is more supportive to flexible labour markets, while the EES supports activating social policy.

The peer pressure

How is the European Employment Strategy politically designed? The process starts with 'guidelines', drafted by the European Commission, commented upon by member states in the Employment Committee (EMCO) and issued by the Council of Ministers of Social Affairs and Employment (see table 2.1). The final version of the guidelines is used as the basis for the National Employment Action Plans (NAPs), which every country has to deliver, according to a prefixed time-schedule, but not later than May 1st. The countries first present their NAPs in a multilateral meeting in the Employment Committee. This official country examination takes place in a short session (of about one to one and a half hours per country), due in June. After that, the countries discuss the NAPs with the European Commission in a non-official bilateral meeting (of three to four hours) to get to the point where they agree on the data, such that no misunderstandings remain. Also problems and the way these are handled in the country are being discussed. In autumn, the Commission drafts the Joint Employment Report and the guidelines, due for the coming year. These documents are discussed by the Employment Committee, then political 'orientation' takes place in the Council of

⁶ See OECD, *Employment Outlook* reports.

Ministers, followed by a second discussion in the Employment Committee. Finally, decision-making takes place in the Council of Ministers. In the event the European Commission sees room for improvement of employment policy in member states the Commission drafts recommendations. These recommendations are discussed twice by the Employment Committee, and finally, agreed upon and issued by the Council of Ministers. The European Council (of heads of governments) discusses these documents, but has no decision-making power.

This process of guidelines, NAPs, country examinations and recommendations is supposed to put peer pressure on the member states. Another instrument, used in the EES to supplement the peer pressure, is the so-called peer review. The European Commission selects an issue on which a country performs well. The country is then asked to provide a presentation of its policy on this issue. Other countries may visit this presentation to learn from it. They may explain how they deal with the issue, what problems they were confronted with and to what extent the policy is transferable to them.

These guidelines, indicators, NAPs, country examinations, recommendations and peer reviews together form the instruments of the European Employment Strategy. We will evaluate their respective roles in this report for the implementation of the EES in the Netherlands in chapter 5.

Table 2.1 The annual schedule of the EES

	<i>First quarter, until May 1st</i>	<i>Second quarter until September 1st</i>	<i>Third quarter, until November 1st</i>	<i>Fourth quarter</i>
<i>Employment Committee (EMCO)</i>	Member states hand in NAP before May 1st.	Multilateral examination of the NAPs in EMCO in June	The committee addresses one debate about the reports and proposals of the Commission, mentioned below in point two	There is one meeting with decision-making about the reports and proposals of the Commission, made in the third quarter
<i>European Commission</i>			Preparation of three documents (the Employment Package): <ul style="list-style-type: none"> • Draft-version Joint Employment Report, including analysis of the NAPs • Proposal for country specific Council recommendations • Proposal for joint employment guidelines 	
<i>Council (of Ministers of Social Affairs and Employment)</i>			Political orientation debate about the Employment Package	Political agreement on the Employment Package
<i>European Council (of leaders of government)</i>				Discussion about the decisions of the Council of Ministers

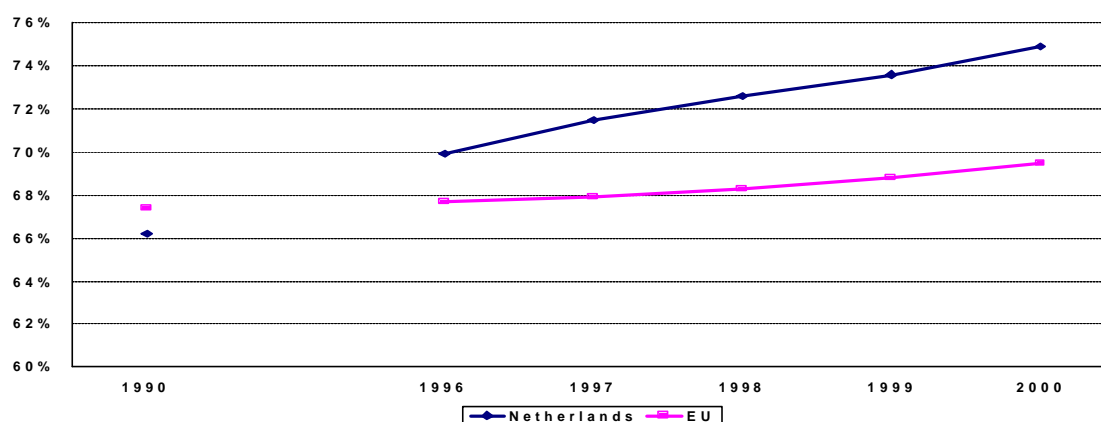
3 Dutch labour market developments

Dutch labour market policy cannot be evaluated without knowledge of the labour market situation in the Netherlands. In this section we will examine the Dutch employment developments, relative to the European Union (EU-15 average). We include data preceding the start of the European Employment Strategy and the developments from then on. We start our overview with the potential labour force and the actual participation rates. Next we review the unemployment situation and we finish with a discussion on some specific aspects of the working population that proved relevant for the focus of the EES in the Netherlands.

3.1 Potential labour force and participation

In 1990, the potential labour force (the total population aged 15-64 years) was about 9.1 million persons. This grew to almost 10 million persons in 2000. Not only the potential labour force increased in this period; also actual participation rates became higher.

Figure 3.1 Labour force participation rates in persons



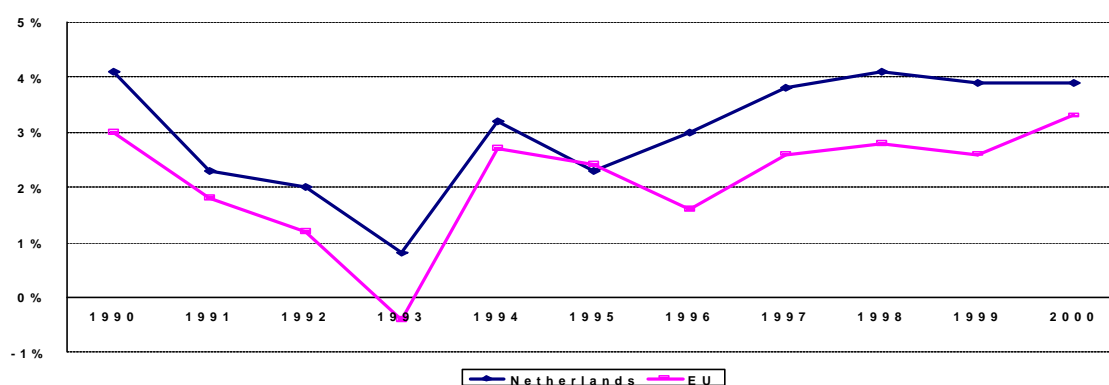
Source: Eurostat Labour Force Surveys.

Figure 3.1 shows the labour force participation rates (all persons who are able to and willing to work aged 15-64 in relation to all persons aged 15-64) of the Netherlands and the European Union. In 1990 the EU-average participation rate of 67% was slightly higher than the Dutch participation rate (66%). Since 1994 the Dutch participation in persons is higher than the EU-average. The EU-average increased to 69.5% in the year 2000, compared to 75% in the Netherlands.

The rise in potential employment and participation reflect the strong growth of labour supply. Labour demand is largely determined by the economic situation. Figure 3.2 presents the development of the real growth of the gross domestic product (gdp). During the years in which the

Employment Strategy was initiated real gdp in the Netherlands grew considerably above the European Union average. This may be ascribed to a number of causes, including the rather bad starting position (the Dutch economy suffered more from the recession in the 1980s than most other economies), strong export (due to a combination of strong world trade growth, a favourable real exchange rate due to the exchange rate setting and wage moderation c.q. Phillips curve effects) and initiatives to make the Dutch economy more flexible and competitive (institutional reform and tax reform). Labour productivity did not increase dramatically, as a result labour demand (actual employment) shows a very favourable development.

Figure 3.2 Real GDP growth



Source: OECD.

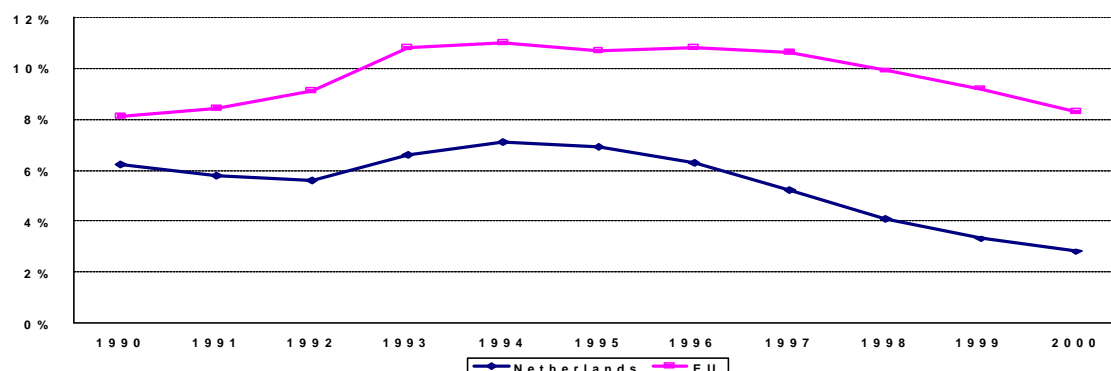
3.2 Unemployment

Due to the strong increase in labour demand, (official) unemployment rates in the Netherlands dropped far below the EU average, as figure 3.3 shows. We should note however that official unemployment statistics are favourable to the Dutch labour market situation and make it look better than it actually is, since a significant proportion of the labour force is contained in the disability insurance scheme. Approximately 9.5% of the potential labour force receive disability benefits: 7% of the potential labour force is regarded as being fully disabled and another 2.5% as partially disabled.⁷ These numbers are substantially higher than those of other European countries are. Especially the disability rate of employees younger than 45 years is higher than the European average.⁸

⁷ Statline, CBS shows 949,400 people on disability benefits in 2000.

⁸ Adviescommissie Arbeidsongeschiktheid (2001).

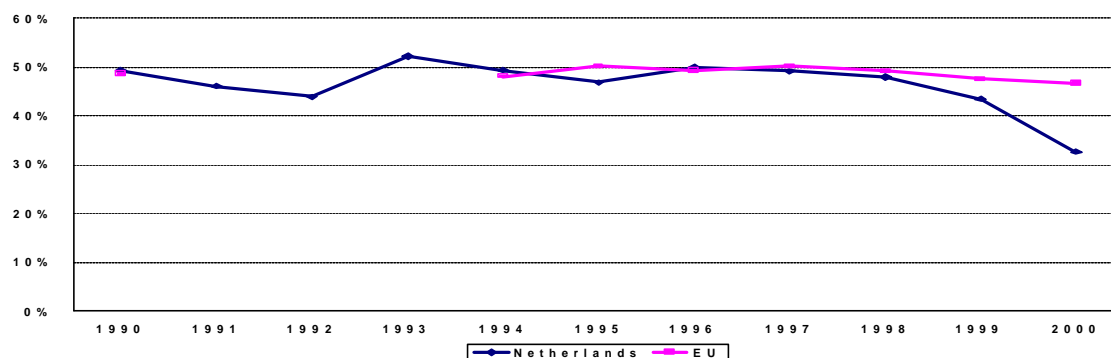
Figure 3.3 Standardised Unemployment Rate



Source: Eurostat Labour Force Surveys.

An important dimension of unemployment is its duration. The EES guidelines give specific attention to long-term (more than twelve months) unemployment. As figure 3.4 shows, the share of long-term unemployment in total unemployment was stable until 1998 and decreased sharply in following years. This contrasts to the EU average, where there was no serious improvement in the long-term unemployment share.

Figure 3.4 Long-term unemployment (% of total unemployment)



Source: OECD.

Table 3.1 gives a comparison of male versus female long-term unemployment. Up to 2000 Dutch long-term unemployment was above the EU average. Until 1999, male long-term unemployment was above the EU average. The female long-term unemployment rate was below the EU average. As of 1999, both male and female long-term unemployment decreased rapidly. The historically high rates of long-term unemployment among men converged to the (decreasing) rate among women.

Table 3.1 Long-term unemployment (% of unemployment for men and women)

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Netherlands men	55.2	53.6	47.0	52.7	50.0	51.6	54.3	49.9	51.3	47.7	31.7
European Union men	47.0				46.7	49.0	47.6	48.5	47.5	46.1	45.3
Netherlands women	44.6	39.6	41.6	52.0	48.7	42.0	46.1	48.5	45.2	40.4	33.4
European Union women	50.1				49.7	51.2	51.2	51.8	50.7	48.9	47.9

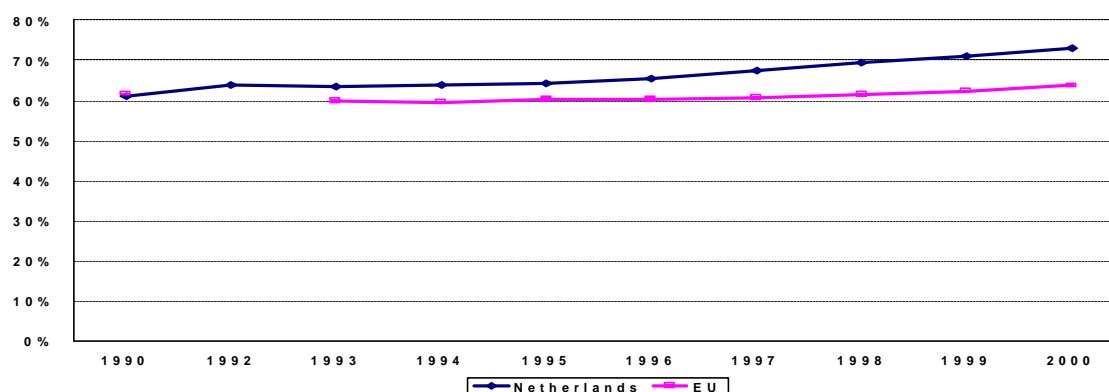
Source: OECD.

3.3 Employment participation rate

The concepts of labour force participation and unemployment can be combined to the so-called employment participation, which is a central concept in the European Employment Strategy since Lisbon. The employment participation rate gives the relation between the working labour force and the potential labour force. That is, it corrects the labour force participation rate (the sum of working population and unemployed persons), shown in figure 3.1, for the unemployment rate, shown in figure 3.4.

The European Council in Lisbon (March 2000) agreed to set targets concerning the employment participation rates. The EU-target for 2010 is 70%. Figure 3.5 shows the actual employment participation rate of the Netherlands and the EU-average. Since the Dutch labour force participation rate is higher than the EU-average and the unemployment rate is lower, it is no surprise that the employment participation rate in the Netherlands lies above the EU-average. It already exceeds the 70% target. However we should note that reaching this target depends on the definition of employment that is used. Figure 3.5 shows numbers reported in the Eurostat Labour Force Surveys (and OECD data), in which all people working more than zero hours a week are counted as employed. If only jobs for more than 12 hours a week are counted, then the Dutch employment rate is 64% in 1999.

Figure 3.5 Employment participation rates, in persons

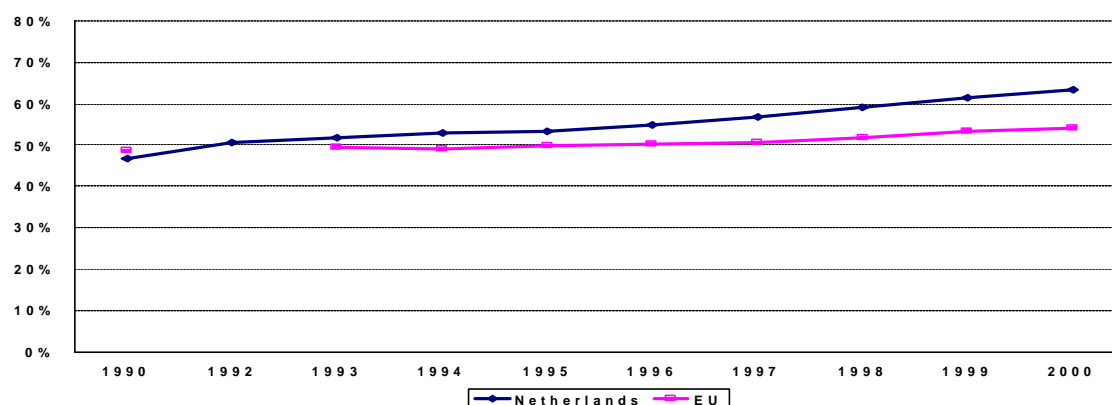


Source: Eurostat Labour Force Surveys.

Women and elderly people

The Lisbon target for female employment participation is 60%. Figure 3.6 shows the development of the employment participation rate of women. Since 1993 the Dutch rate lies above the EU-average. The Netherlands set its own target (based on national definitions, i.e. those working more than 12 hours a week) at 65% for 2010. If we base the employment participation rate of women on the Dutch definition, the number for 2000 is 52%.⁹ Thus the aim is to increase this rate by 12% in ten years time, which means serious efforts will be necessary.

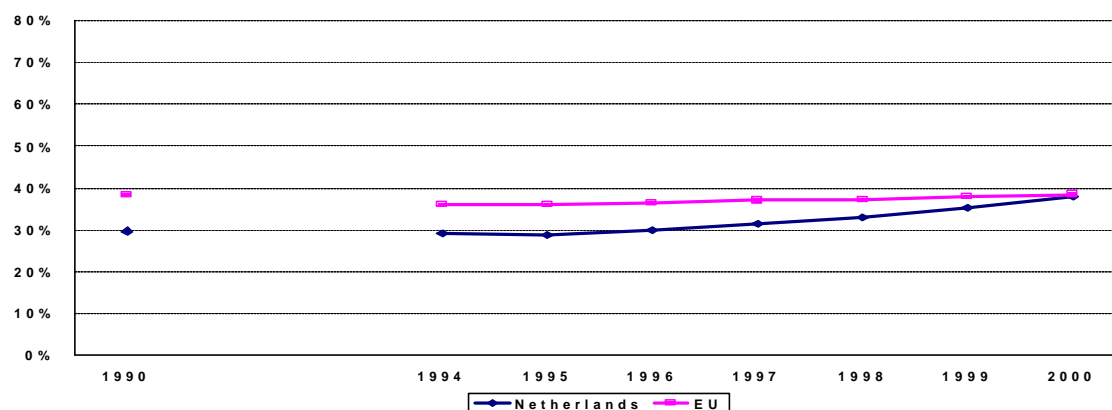
Figure 3.6 Employment participation rates, women



Source: Eurostat Labour Force Surveys.

The Dutch government set a target for the employment participation rate of elderly persons (aged 55-64) of a yearly growth of $\frac{3}{4}\%$. Figure 3.7 shows the development of this indicator. Here, the Netherlands performs worse than the EU-average. The Dutch employment participation rate of persons aged 55-64 did grow however, and even faster than the target during the last two years.

Figure 3.7 Employment participation rates: age group 55-64



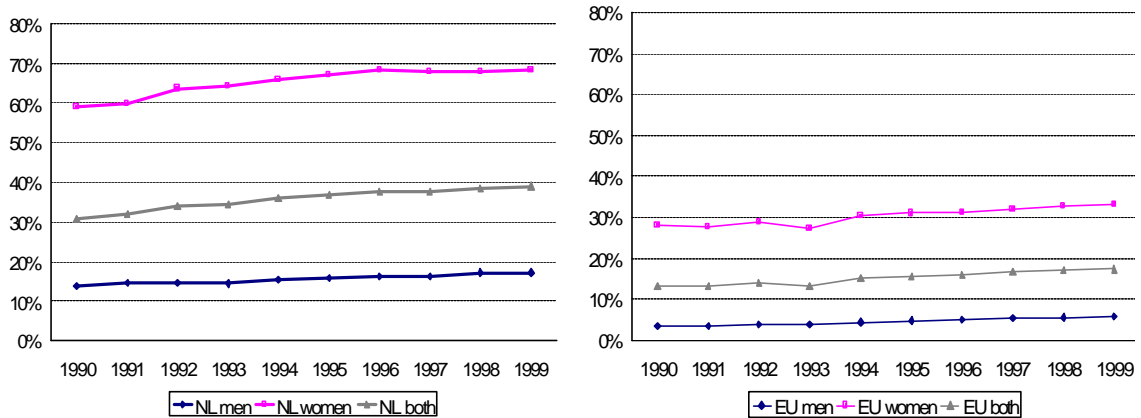
Source: Eurostat Labour Force Surveys.

⁹ CPB (2001).

Part-time work

An important feature of the Dutch labour market is the prevalence of part-time and temporary work. Figure 3.8 shows the share of part-time employment in total employment. We see a remarkable difference between the Netherlands and the EU-average. In the Netherlands almost 40% of the working labour-force works part-time, while in the European Union not even 20% works in part-time jobs. As the two figures show, part-time work is especially prevalent among women. An important issue is the reason why people work part-time. In 1999 in the Netherlands 72% of the people working in part-time jobs deliberately chose to do so.¹⁰ On average in the EU this was 60%. We may conclude from these figures that Dutch part-time employment shares are higher than the EU-average, largely because of individual preferences (and because the Dutch system is more facilitating towards part-time employment than most other systems in the EU).

Figure 3.8 Part-time employment in the Netherlands and the EU-average (as % of total employment in group)



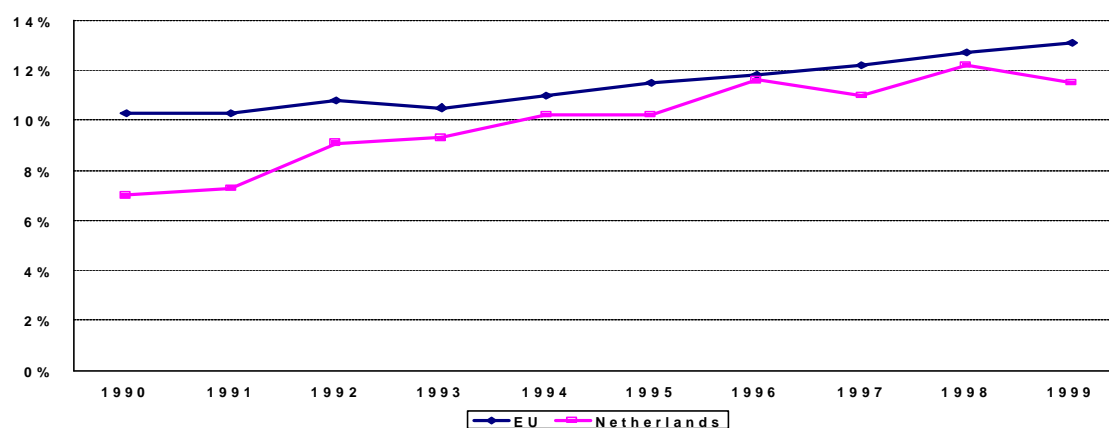
Source: Eurostat.

Another aspect of the working labour force is the share that works in a temporary job. Figure 3.8 shows this aspect for the Netherlands and the European Union. In 1999 approximately 11.5% of the Dutch employed had a temporary job. The average of the European Union was 13.1%. Since 1992 the quantitative differences between the EU-average and the Netherlands on this issue are small, but a qualitative difference remains. In the Netherlands more than 50% of the people with a temporary job (6.3% of the 11.5%) didn't want a regular job, while in the European Union only 10% of the people who had a temporary job (1.3% of the 13.1%) did so voluntarily.¹¹

¹⁰ Source: Eurostat.

¹¹ Source: Eurostat.

Figure 3.9 Temporary employment (as % of total employment)



Source: Eurostat.

Self-employed

The Dutch share of self-employed in the labour force is lower than the OECD-average. Nevertheless, the Netherlands was one of the strongest examples of the revival of the number of self-employed in the beginning of the 1990s.¹² A difference can be made between employers and own account workers. In the Netherlands approximately 63% of the self-employed can be regarded as own-account workers, without personnel. This share is slightly lower than the OECD-average, and a bit higher than the average of the EU-countries.

3.4 Conclusion

This chapter described the rather favourable developments of the Dutch labour market during the last decade. It was shown that the Netherlands already performed well at the start of the Luxembourg process (1997) on the issues of overall unemployment and participation. The EES did not have to accomplish a trend break in this respect.

Problematic areas at the start of the EES that were identified are long term unemployment, specific employment participation of women and elderly persons, and the number of disabled. Thus, these are the areas on which Dutch labour market policy focussed (see chapter 4). Performance on these issues did improve since the start of the EES in 1997. The growth of labour demand (due to the favourable development of real gdp) certainly helped in realising this performance. Labour market policy may have been a catalyst. Chapter 4 provides a survey of relevant policies in this regard. Chapter 5 discusses to what degree the European Employment Strategy inspired these policies; chapter 6 assesses their effectiveness.

¹² OECD (2000).

4 Dutch policy development along the European Guidelines

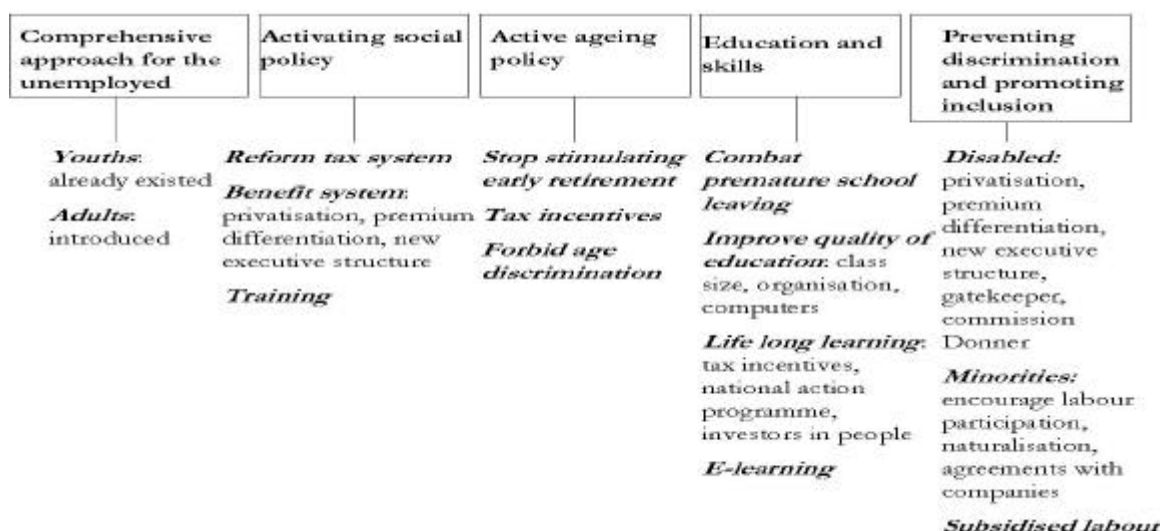
Every year, the Dutch National Employment Actions Plan (NAP) reports the proceedings on the European guidelines. In this chapter we give a short overview of the development of Dutch policy along these guidelines. The guidelines are grouped into four thematic priorities, called pillars. They are:

- employability;
- entrepreneurship;
- adaptability and
- equal opportunities.

Each section of this chapter discusses the respective policy developments. In the previous chapter we concluded that at the start of the EES in 1997 the Netherlands had to work in particular on long-term unemployment, specific employment participation of women and elderly, and the number of disabled. This chapter will show to what extent policy measures have been introduced in an attempt to achieve better performance on these issues. Annex A3 presents the policy initiatives in more detail, where chapter 6 discusses the effectiveness of relevant policy measures.

4.1 Employability

Employability is the most prominent pillar for the employment strategy. A large number of policies are involved. Here we give only a short overview of the most important developments.

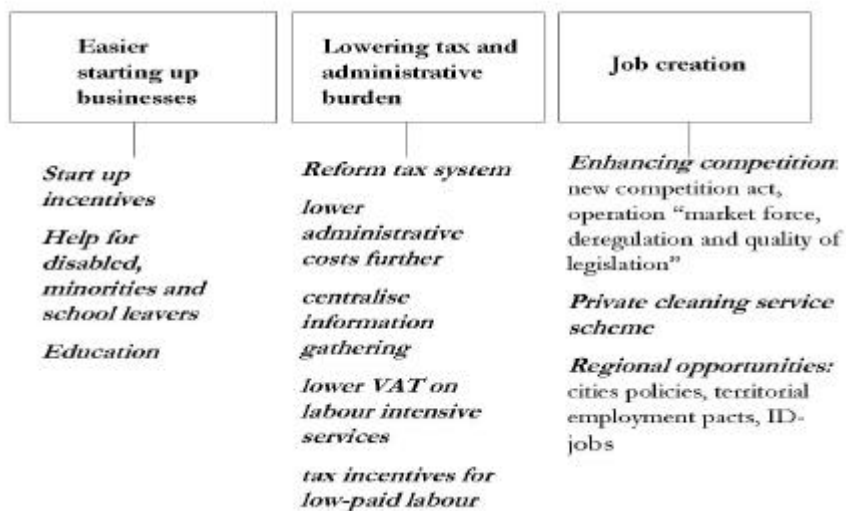


The Netherlands did issue new policies to increase performance on some of the themes regarded problematic at the start of the EES. With respect to combating long-term unemployment a shift towards prevention has been introduced by means of the comprehensive approach. Activating measures have been introduced in order to stimulate labour force participation, especially by way of tax incentives. Life-long learning has been given attention and institutional structures have been changed.

Chapter 3 showed that performance in most problem areas improved between 1997 and 2000. Whether this was due to the new policy measures or rather to overall good economic performance, will be discussed in chapter 6.

4.2 Entrepreneurship

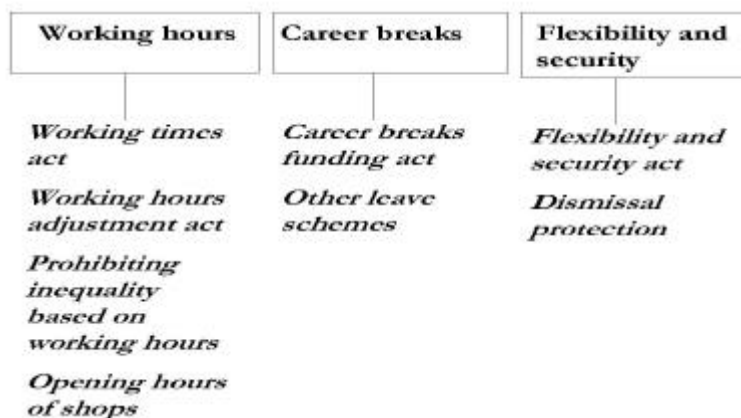
The second pillar of the European Employment Strategy concerns entrepreneurship. The overview below shows the relevant policy developments in this pillar.



Problematic issues in this area were the discrepancy between Dutch and EU competition legislation, the high administrative burden on enterprises and the low rate of self-employment. The most important policy development in this respect is the New Competition Act. Also important is the policy initiative on competition, deregulation and quality of legislation (MDW), aimed at improving the competitive structure of the Dutch economy and diminishing the administrative burden. Regarding the low self-employment rate, some start-up incentives have been introduced for specific target groups. The administrative burden has been attacked among others by attempts to centralise administrative information gathering.

4.3 Adaptability

The third pillar of the European Employment Strategy concerns adaptability. The overview below shows what kind of policy is regarded to be part of this pillar.



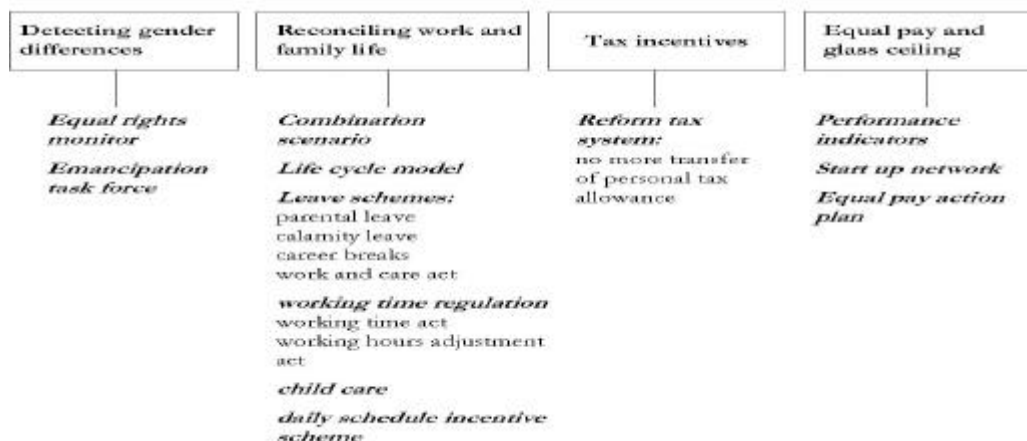
At the start of the EES the Dutch government and the social partners had already met the preconditions for modernising the organisation of labour. Within the statutory framework the government had created space for the social partners to make changes, so that they could (and still can) come up with tailor-made solutions at industry or company level if necessary. Examples introduced before 1998 include new legislation on working hours, the broadening of the opening hours of shops and a law prohibiting inequality in terms and conditions of employment based on working hours. Since 1998 more progress has been made. The most important one is the introduction of the Flexibility and Security Act in 1998, introducing legal certainty in flexible work relations. Furthermore the Working Hours Adjustment Act and the Career Breaks Funding Act were introduced.

4.4 Equal opportunities

Equal opportunities form the fourth and final pillar of the EES, thus explicitly addressing the gender related differences between men and women on the labour market. In the Netherlands equal opportunities policy is a separate policy-pillar, which at the same time aims to be an interwoven part of policies of the other guidelines (gender mainstreaming). Therefore, the overview below, which shows the policy steps taken, points also to some policy developments already mentioned in the other pillars.

As we described in chapter 3, the Netherlands had important steps to take on this issue when the Luxembourg process started. Even though the labour force participation of women increased substantially up to 1998, a further increase was deemed necessary. The government facilitated this increase by means of several tax incentives, leave schemes, childcare and working time regulation.

The 'combination scenario', aiming at an increased possibility for both men and women to combine work and family responsibilities, was key to the Dutch approach in this respect. Since 2001 the so-called life cycle model became effective, aiming at policy facilitating responsibilities of all people in different stages of their lives.



Apart from this labour participation issue, equal opportunities policy also includes the removal of unequal pay and glass ceilings in career developments for women. As shown in Annex 3, little progress has thus far been achieved on these issues.

4.5 Conclusion

Chapter 3 gave insight in the labour market developments of the Netherlands during the last decade. Some issues, such as long-term unemployment, labour force participation of women and the elderly, and high disability were defined as the key problem areas at the start of the EES. In this chapter we have given an overview of new policies introduced in order to improve performance on these issues. Indeed most of these issues have been addressed by a range of policy measures, like the comprehensive approach (long-term unemployment), the introduction of leave schemes, working time regulation and more child care facilities (female labour participation).

Chapters 2, 3 and 4 provided the necessary bones for an analysis of the European Employment Strategy. Chapters 5 and 6 proceed with the flesh. Chapter 5 discusses to what extent this new policy was introduced because the EES demanded so. We will determine to what extent the Netherlands learned from the EES and whether learning instruments have been used effectively. After that, chapter 6 analyses to what extent relevant policy measures contributed to the better performance of the Dutch labour market.

5 Peer pressure and policy learning

“Knowledge is more a matter of learning than of the exercise of absolute judgement. Learning requires time, and in time the situation dealt with, as well as the learner, undergoes change.” – Frank H. Knight

The European Employment Strategy (EES) represents a new mode of multi-level governance in the European Union. It is intended to deal with policy areas and problems in which national interests and different policy legacies rule out common European solutions and policies. But nonetheless the integration of European markets and the single currency require a ‘policy of common concern’¹³ based on a new mix of European and national policy-making. This *open method of co-ordination* - as it is officially called since the 2000 European Council in Lisbon - is modelled on the EES.¹⁴ It is advertised as a role model for other policy fields, like education, research and development, social inclusion and pensions.¹⁵ Its inventors and proponents characterise it as a *mutual learning process*, based on common guidelines and targets, periodic monitoring, evaluation and peer review, and committing private and public policy actors in member states to look for solutions in the same direction of ‘increasing labour market participation’ and ‘activation’, albeit not necessarily by using the same methods or policies.¹⁶

The policy learning perspective is central to this approach. Therefore we will, in this chapter, discuss this issue. What do we mean by it and how can we measure whether policy learning (or mutual learning, as it called in EU documents) actually takes place? Did Dutch policy makers learn something from their colleagues that they did not already know? What? How? Was the EES – for instance, the making of the National Action Plan, the feedback from Brussels, the peer reviews in which the Netherlands participated – instrumental in policy learning? What did the Netherlands offer to policy makers in Brussels and in other member states?

We start in section 5.1 with an introduction on the subject of policy learning: what is meant by it and how can it be measured. Next section 5.2 shows how several elements of the Dutch labour market policy have changed due to the EES. Based on interviews, section 5.3 gives an overview of learning effects of the five instruments of the EES. Section 5.4 gives an overview of strengths and weaknesses of the EES from the point of view of involved parties. This leads us to section 5.5 that assesses policy learning.

¹³ Amsterdam Treaty.

¹⁴ Hodson et al. (2001)

¹⁵ CEC (2000, 2001); CEU (2000)

¹⁶ Klemmer et al. (2000); Larsson (1998); Rodrigues (2000)

Sources

The analysis in this chapter is based on policy documents and interviews with influential individuals who are involved in the European Employment Strategy in the Netherlands. Annex 1 gives an overview of our interview partners and annex 2 gives the interview protocol.

5.1 Policy learning

Following Hall, we define *policy learning* as the ‘deliberate attempt to adjust the goals of techniques of policy in the light of the consequences of past policy and new information so as to better attain the ultimate objects of governance’.¹⁷ This understanding of policy learning involves three central variables:¹⁸

- the principles *goals* that guide policy in a particular field;
- the techniques or policy *instruments* used to attain these goals;
- the *institutional* setting of these instruments (who is responsible for what).

Changes in policy goals, instruments and shifts in authority or responsibility indicate that learning has taken place.¹⁹ However, we must distinguish learning and change. Learning is neither a sufficient nor a necessary condition for change. Policy change can be imposed from without, result from political turnover or from random events, and not all learning leads to reform. Policy-makers who ‘learn lessons’ may be replaced before they can apply them and they may lack the will or power of implementation. Learners may decide against change *because* of what they have learnt.²⁰ Moreover, learning *that* is not the same as learning *how*.²¹ It is therefore useful to conceptualise policy learning as involving a *two-stage process* in which:²²

1. the observation and interpretation of experience lead to a change in the cognitive and/or normative orientations of policy-makers, and
2. these changing orientations influence subsequent behaviour.

Learning takes place in degrees. Visser and Hemerijck (1997), in a critical reading of Hall (1993), propose to distinguish between three levels of learning. First-order changes are no more than minor adjustments in the policy instruments – for instance, in the case of employment policy, a change in procedures of placement, the change in benefit-levels etc. Second-order changes involve a form of retooling and the introduction of new policy techniques, such as new tax or benefit (des)incentives, like the Taxation-plan for the 21st century, or the introduction of the incentive-scheme in the disability-regulation. Third-order changes concern a shift in ‘the hierarchy of goals and instruments

¹⁷ Hall (1993), pp. 278.

¹⁸ Visser and Hemerijck (1997), pp. 58-62.

¹⁹ Hall (1993).

²⁰ Friedlander (1983)

²¹ Breslauer (1991) pp. 825

²² Levy (1994)

employed to guide policy'.²³ In agreement with Kuhn's paradigm of 'normal science' and paradigm shifts, Hall conjectures that a third-order change comes close to a paradigm shift and that such shifts are preceded by an increasing frequency and intensity of anomalies within and malfunctioning of the existing policy paradigm. Visser and Hemerijck (1997) argue that the shift in thinking about employment, participation and activation in Dutch politics in the 1990s, preceding the EES, constitutes a paradigm or third order change.

In this study we have the task to establish how much of learning can be attributed to the participation in the European Employment Strategy. Methodologically, this is a difficult question. The Netherlands participates in many international or supranational organisations like the EU, OECD, IMF, United Nations, and it is hard to disentangle the influence of each. Few policy changes can be explained purely as a function of internal determinants (with no diffusion effects) or solely as a result of diffusion (with no impact of internal factors). The paradigm shift in Dutch thinking about employment, participation and activation preceded the EES, but was probably not entirely unrelated to international critique and model comparisons. For instance in the framework of annual OECD surveys of country policies, which suggested that labour market participation should be increased and labour market regulation should be relaxed. Our hypothesis is that the learning impact of the EES on Dutch employment policy, if any, is found in first- and second-order changes, consolidating the (third-order) shift towards activating employment policies and improving its instruments and institutional setting.

5.2 Changes in Dutch labour market policy due to EES

In chapter 4, we described the evolution of Dutch labour market policy along the European guidelines during the period 1998-2001. In this section we discuss to what extent the changes in Dutch labour market policy may be attributed to the EES, according to a number of individuals that were involved in introducing, implementing or monitoring the EES in the Netherlands. Four issues are considered relevant.

First, the comprehensive approach (and hence activating social policy) has gained impact due to the EES. The Netherlands already had a comprehensive approach for the youth since 1992 (guideline one), but introducing it for adults (guideline two) had weak political support. The prevailing philosophy was that primarily long-term unemployed should be helped. Resources were directed towards this goal, at the cost of activating policies for newly unemployed. External pressure from the EU was necessary for a policy change. During the introduction phase of the comprehensive approach, Dutch government officials organised meetings about the implementation of the comprehensive approach with colleagues from several member states. Here, policy makers also

²³ Hall (1993) p. 284.

learned that too strong instruments were used for implementation. Instead of training, for example, in many cases simpler forms of support could be sufficient, like active job finding assistance.

A second point where the EES has stimulated Dutch policy concerns statistical monitoring, where the Council issued twice recommendations. Lack of statistical monitoring was a problem indeed, caused by the fact that there are many parties (government departments, municipalities, executive institutions, public employment service) involved in the implementation of employment policy. Co-operation from all parties was necessary to obtain good statistical information. The recommendations by the Council added pressure to co-operate. A next step would be to use the information for improving the measurement of policy effectiveness. Learning from the (few) other countries with better practice on this regard may add to the value of the EES in the future, some of the interviewed hold.

A third issue mentioned in some interviews is life-long learning. The concerns about life-long learning in the Netherlands precede the EES: Dutch social partners have discussed the issue of employability in the Foundation of Labour explicitly since 1996. Our interview partners, however, believe that the EES helped to give higher political priority to life-long learning, but they also suggest that the effect of the EES on this theme is substantially smaller than on the comprehensive approach. Nevertheless, the awareness has grown that life-long learning needs further political support and may benefit from the introduction of additional funds for improving entry qualifications of vocational training. This is in line with the conclusion of the Lisbon summit (March 2000), about reducing the number of school dropouts in the age range of 18-21, and improving vocational education and training.

A fourth issue is the fact that the EES helped in defining a Dutch target for labour market participation of women in the long run (65% for 2010). According to the interviews, this was stimulated by external pressure from Europe. The combination of a guideline on female participation on the hand, and the request for quantitative indicators on the other hand, added support to the introduction of this target. The co-ordinating Department for Emancipation of the Dutch Ministry of Social Affairs and Employment was able to make it an official government position.

5.3 The instruments of learning

Chapter 2 described the EES as a political process. Its instruments are the indicators, guidelines, the National Action Plans, the country examinations, the recommendations and the peer reviews. In this section we will evaluate these instruments of the political process on its contribution to policy learning in the Netherlands. We will highlight to what extent Dutch politicians and civil servants have learned from European experience.

Guidelines

The guidelines are drafted by the European Commission, discussed by the Employment Committee and issued by the Council. They specify where European member states should aim with

employment policy. The interviewed individuals generally agree on fact that there are too many guidelines. This overflow of guidelines causes lack of coherence and focus, which decreases their power. They loose vigour. This is also indicated by the fact that very few of the interviewed person actually know the explicit text of the guidelines.

Three different arguments are thought to be responsible for the large number of guidelines.

- Firstly, some individuals argue that guidelines are abundant and changing due to increasing European political ambitions.
- Secondly, the text of guidelines is the result of a political compromise between member states. Every country wants to have guidelines on which it scores well. And since the process is a political one, there has to be something 'in' it for every country. Compromise policies dictate a long list of guidelines.
- Thirdly, there is the argument that employment policy is complex, which is reflected in a sophisticated set of guidelines. This is less due to a political process than to the substance of the matter.

Although our respondents express different views on the causes, they unanimously agree that there are too many guidelines. According to one interview partner, a number of about ten guidelines (instead of the current number of eighteen) would achieve the same result, probably even more. Furthermore, our respondents suggest that if the guidelines would be less detailed and more output-oriented (less on learning 'how', more on learning 'what') the familiarity with the guidelines would increase, and their impact would rise.

Most respondents agreed that there is an implicit hierarchy in the guidelines. Employability issues are believed to be the most important ones, both in the Netherlands and in the European Commission. Several argued that especially the 'comprehensive' approach is the most important aspect of the EES for the Netherlands. Entrepreneurship, some suggest, is out of place in the Employment Strategy. It would fit much better in the Cardiff process about the product market strategy. The adaptability pillar is according to some respondents not fully developed in the Dutch implementation of the EES. Another interviewed expert argued that the equal opportunities pillar is misplaced. Gender mainstreaming implies that this issue should be part of all other policies, hence no separate pillar and guidelines should be necessary.

National Employment Action Plans

The knowledge of the existence of the National Employment Action Plans (NAPs) is substantial among the people who are involved in the EES. Reading and reflecting on the NAPs is less common than knowing of their existence, however. People who are invited to comment on a preliminary version of the NAP complain that there is not enough time to give thorough comments. The total of all National Employment Action Plans of all countries, the Employment in Europe Report and the Joint Employment Report (in sum about 1,000 pages) is simply too much. Most respondents have not at all or not fully read them. At best they read the summary, where they find ideas of where to look for policy ideas in other countries.

Country examinations

In the first two years of the EES, civil servants of the European Commission visited countries and kept speeches for Dutch civil servants (the co-called road show) in an attempt to stimulate the co-operation of the countries with the EES-process and to explain the way the NAPs should be built up. After two years this was no longer believed to be necessary. These visits were replaced by bilateral seminars in which a country explains what it has written in the NAP to the European Commission in order to resolve potential misunderstandings. In addition, according to the Treaty of Amsterdam, the EES involves a multilateral meeting of all member states and the Commission on an annual basis in the Employment Committee.

These 'country examinations' are not public. This has both an advantage and a disadvantage. An advantage is that public discussions might become less frank. Domestic policy makers would rather issue political statements than discuss the real problems they encounter. A disadvantage of closed sessions is that other policy makers, not directly involved, are not able to learn from and benefit from the discussions held.

Recommendations

Recommendations are issued by the Council. They are based on the evaluation of the NAPs by the Commission and the discussion in the country examinations. The recommendations are above all a political instrument that should guarantee the peer pressure for individual member states – they are the closest thing to political sanctions. In February 2000 the Netherlands received the following recommendations.

1. Continue efforts to improve the tax-benefit system with a view to removing disincentives that may discourage participation in employment, in particular of women and older workers. Resolute efforts are needed to reduce the high number of persons who remain outside the labour market supported by passive income support schemes.
2. Pursue efforts to upgrade the statistical monitoring system, so that policy indicators on prevention and activation will be provided by 2000 in accordance with agreed definitions and methods.

In January 2001 the recommendations for the Netherlands were.

1. Continue to co-operate with the social partners, to reduce disincentives in the benefit system liable to discourage people from participating in the open labour market, in particular people receiving disability benefits, and generate poverty traps.
2. Continue to upgrade the statistical system so that policy and output indicators are available early enough to be used for monitoring and evaluating on-going implementation of the preventative approach.

The respondents point out a few problems related to the recommendations.

- The recommendations are political instruments and, therefore, they should be realistic. In chapter two we already discussed that this is one of the main differences with the OECD Job Study. There is a trade-off between political focus and the wish to cover the whole EES area. To
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maintain focus, there should not be few recommendations. If you wish to cover the whole area, there should be a broader set.

- A question raised by some interview partners is whether it is efficient to give every country new recommendations every year. This does not give member states the time to really do something about it. Not giving recommendations should be possible.
- The impression is that member states try to keep the Council from issuing too strong recommendations. No country wishes to expose its most sensitive problems to the others. So they try to wriggle out. The impression is that larger countries are more successful in this sense than smaller countries.
- Recommendations always ask to do something extra, while many interview partners argue that it would be better if the Council would stimulate countries to abolish ineffective policy.
- About the recommendations given to the Netherlands the opinions differ. Some think the recommendations have been too general and too weak; they would rather see more serious criticism. Others think the recommendations have indeed exposed the weak spots of the current labour market policy. This holds for example for the recommendation about the lack of statistics and about the way the disability problem is treated. This last group of respondents also is more positive than the former about the way the Dutch minister of Social Affairs and Employment has received the recommendations. They think the minister really cares and feels the pressure.

Peer reviews

The peer review procedure is an instrument for learning among civil servants (a process in which the minister is not involved). Every year the European Commission invites countries to choose items from a list of issues on which they can organise a peer review. Countries may choose to participate in peer reviews of other countries. The next table gives an overview of the peer reviews organised and attended by the Netherlands.

Netherlands organised	Netherlands participated	Netherlands did not participate
Reduction of non-wage labour cost, particularly for low-paid labour	Activation and individual employment service (Finland)	Women entrepreneurship – business advisors for women (Sweden)
The Flexibility and Security Act	Life long learning: university for learning and individual learning accounts (UK)	Promoting continuing training in micro- and small enterprises (Portugal)
	National action programme for ageing workers (Finland)	The “New services, new jobs” programme (France)
	Making work pay: tax and benefit reform (UK)	Youth unemployment policies and New Deal for young people (Denmark and UK)
	“Inserjovem” and “Reage” initiatives: a preventive action (Portugal)	The social partners’ agreement on employment stability (Spain)
	“Arbeitsassistentz”: Support for the integration of disabled people into the labour market (Austria)	Bridging benefits for promoting self-employment (Germany and Italy)
	Employability enhancement programmes (Denmark)	Reorganisation and reduction of working time (France)
	Workplace development programme (Finland)	Reduction of administrative burdens for enterprises (Italy)
		Reducing the gender digital divide in skills and employment (Germany)
		Territorial Employment Pacts (Austria)
		The Rosetta plan: a springboard for young people into employment (Belgium)
		Immediate action programme for training, qualification and employment of young people (Germany)
		Social responsibilities of enterprises (Denmark)
		Access routes to employment for young people in danger of exclusion (France)
		Building sustainable competitive advantage in industry (Ireland)

Although everybody agrees that the idea behind the peer reviews is a good one, especially since the experiences of the participating countries are being compared and written down, in the interviews two main points of criticism were raised.

- Only good practises are being reviewed. This is a consequence of the fact that the EES is a political process where countries only wish to talk openly about issues on which they perform well. Illustrative is the remark by the ministry of Social Affairs and Employment on the Flexibility and Security Act: ‘We were proud about this policy and wanted to propagate it’. The general impression is that it would be better if the worst practises would also be reviewed. The fact is that these issues are indeed discussed with other countries, but not in the official peer reviews.

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- The participation in peer reviews by other countries suffers from co-ordination weaknesses and insufficient engagement. In the Dutch case, the ministry of Social Affairs and Employment obtains the invitations and sends them through to the most involved departments. These departments decide for themselves whether they will visit the peer reviews or not. There are no obligations. The consequence is that peer reviews on topics, that might be relevant for Dutch policy-making, are not visited.

The peer reviews organised by the Netherlands themselves seem to be well received. Visiting countries showed genuine interest.

Indicators

Related to every guideline are indicators for labour market performance. The idea is that this helps in the benchmarking exercise. The opinions about the indicators are mixed. The most important positive point regards the fact that indicators are needed for comparison of performances, especially quantitative indicators help to express labour market developments in relation to a common standard. Our interview partners for example think positively about macro-indicators. E.g. an indicator on the employment ratio and the participation ratio, and an indicator on long-term unemployment are believed to be very useful. In addition, some indicators are believed to be helpful for the comparison of developments in the field of social exclusion and poverty, and pensions.

Also some negative points were mentioned.

- Countries do not want to be evaluated on indicators on which they score badly. So the discussion is less about the message of the indicator, than on its methodological weaknesses, or political context.
- There are too many indicators. One does not see the wood for the trees any longer.
- When indicators are being used, the risk is that countries will focus their efforts solely on the indicators, and will lose the overview of the labour market as a whole.
- Because employment issues are to a large extent qualitative, it is hard to determine quantitative indicators.

Numbers are often hard to compare. Consider the comprehensive approach, where countries had to indicate which part of the new unemployed had been offered a route back to employment. Some countries counted a route even if there had only been a conversation with the unemployed for no more than ten minutes. Other countries took the 'offer' more serious and counted a route if there had been a substantial interview in which the possibilities had been discussed. Comparing scores on indicators is meaningless if measurements are not comparable.

5.4 Strengths and weaknesses of the EES

The interviews reveal that the EES receives broad political support. Our interview partners argue that they take the EES seriously, and we believe they do. They also wish the EES to be continued

after this evaluation period, since they estimate the benefits higher than the negative effects. Only one interview partner argued that he expected the EES to evade and disappear when more focus and convergence of national policies would have been realised.

Especially the benchmarking and peer pressure procedures are regarded as positive. Nevertheless there was substantial criticism on the way the EES is implemented. Some of these issues have already been discussed in the former sections. Here we provide an overview of strengths and weaknesses, based upon our interview reports.

Strengths

- *Political relevance.* Due to the EES, employment policy is being discussed at the highest European level. The peer pressure procedures via the open method of co-ordination keep responsible ministers and civil servants alert. Moreover, the EES leads to focus and convergence of social policy in member states. Some persons argue that, due to the introduction of the open method of co-ordination, progress has been reached not only in employment policy, but also in fields of social exclusion and pensions, which was not foreseen some years ago.
- *Efficiency.* The dissemination of the EES within the public administration, the political arena and the social partners is fairly efficient. The EES is discussed on a regular basis as (one of the many) agenda issues in the Committee for Social Affairs in the Dutch Parliament. Hence all political parties are informed about the EES. Dutch citizens are directly informed about it by the media, though not frequently under the EES banner. The road show of 1998-1999 and the council recommendations to the Netherlands have reached the national newspapers, mostly as small articles in the economic annex, only once on the front pages (about the comprehensive approach). Moreover, the EES is widely described in the most important policy document about labour market policy, the 'Sociale Nota' of the ministry of Social Affairs and Employment, as well in many other reports of this ministry. All civil servants should therefore be informed about the EES. Among the social partners, the process is efficiently controlled by only one or two representatives of these organisations, who attend annual meetings and defend their points of view, without spending too much of their time. This shows that at all levels, within the parliament, the public administration and the social partners, the EES is being discussed. It would however be an overstatement to argue that these issues are top priority at these levels.
- *Information.* The benchmark and monitoring procedures allow for common evaluation criteria of policy performance (indicators) and descriptive analyses of policy change. As such transparency, systematic analysis and consistence are being improved.
- *Mobilisation.* The EES helped the national discussion in the Netherlands on some issues (such as long-term unemployment) out of a blind alley, so an indirectly effect can be sorted. The EES therefore seems to be relevant. The EES helps to legitimise new policy initiatives and to allocate additional power to certain policy decisions, which have more viable positions when they are in line with the European orientation.
- *Learning.* At certain points learning effects have been realised. Whether this results in implementing policy changes and whether it contributes to policy effectiveness needs to be seen. This will be discussed in section 5.5.

Weaknesses

- *Lack of substance and focus.* A general impression is that in a lot of cases the impact of the European Employment Strategy is moderate. It basically serves as an extra justification for policy that would have been introduced anyway. It shows the Netherlands is on the right track according to the European guidelines. Most of the times the recommendations to the Netherlands stress issues that national parties were already considering. In addition, respondents argue that the EES lacks focus: there are too many and too detailed guidelines, as well as too many indicators. Moreover there is a tendency to change guidelines every year. Also the recommendations are believed to be too weak, and they should not change every year. The EES involves too many compromises. Goals instead of instruments should be discussed. The annual evaluation puts too much stress on the 'input' rather than the 'output' of policy. Perhaps more quantitative goals should be set.
 - *Bureaucracy.* There are too many processes at the same time: Stability and Growth Pact (fiscal), Luxembourg (employment), Cardiff (product markets), Cologne (mediation between macro-economic and employment policy), Lisbon (open method of co-ordination of social policies). The co-ordination between these processes means a lot of work at European level as well as in the member states. Some respondents argue that it would be better to have one co-ordinating process, based on a trimmed form of the existing processes, aiming at special issues. Many interview partners argue that the different presidencies of the EU have been 'too ambitious' which leads to co-ordination overload.
 - *Fragmentation and autonomy.* The EES has developed smoothly within the ministry of Social Affairs and Employment, but the co-operation in the EES of some departments and the social partners is moderate. Some guidelines can only be implemented at company level or with support of other ministries. These departments contribute to the EES where necessary. The social partners do comment on relevant parts of draft texts about guidelines and the NAP. However, they stress their own responsibility and autonomy relative to domestic and EU policies. The employers' associations argue that they and the trade unions in the Netherlands operate in different ways than is foreseen in the EES. Informal and qualitative co-ordination of employment policies is considered to be the Dutch way. The trade unions are slightly more involved with the EES than employers, because they feel that social policy in Europe should be stimulated and co-ordinated and possibly because they have more to gain from co-ordination. The trade unions have supported the comprehensive approach, both social partners co-operate on the issue of life long learning, and the trade unions have also attempted to put equal pay on the agenda.
 - *Hysteresis.* A general policy problem is the so-called hysteresis in policy-making, which means that policy responds to the past instead of anticipating future developments. This also holds for the EES. The comprehensive approach may have been more suitable for the 1980s and early 1990s, than for the current Dutch situation of an extremely tight labour market.
 - *Window-dressing.* There is little attention to learning from failure. As a result only extra policy is demanded, but the European Council never recommends the abolishment of ineffective policies. The interviews suggest that learning from failure has not taken place. Poor performance and bad examples are never brought in discussion, as this is believed to be politically too risky. The
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participation in peer reviews is believed to be non-committing. In general, member states try to evade discussions on negative points. A related comment is that NAPs should focus on policy intentions instead of an overview of existing policy.

- *Timing.* The length of the annual process is too short. As a result everything has to be done hastily. Members of national parliament and social partners have little time to give substantive comments (sometimes documents arrive only one week before a meeting is scheduled). A two-year process might solve this problem.

5.5 An assessment of policy learning

This section answers the questions about policy learning. We have asked whether there is a change in the cognitive and normative orientations of policy makers, and whether these changing orientations have resulted in changes of subsequent behaviour. There is no doubt that those responsible in the public administration and among the social partners are conscious about the process of European integration and the interdependence of economic and political process at European level, including employment policy.

The interviews reveal that due to the EES, four political issues have gained priority: the comprehensive approach, statistical monitoring, life-long learning, and a target for labour market participation of women. From a methodological perspective it is however very difficult to argue that this is due to peer pressure alone. It seems that the comprehensive approach and statistical monitoring indeed have benefited most from European support. This is less the case for life-long learning. The target of female participation needs to prove its effect in the long term.

This brings us to the question of political and departmental (or organisational) learning experience. To what extent have individual persons, like ministers, high civil servants, politicians or social partners learned from the EES?

Firstly, these actors admit that they have learned by just taking part in the decision-making process and reporting on this in government reports and parliamentary documents. They see the peer pressure as a useful instrument, especially for putting pressure on ministers and civil servants at the highest level. They add, however, that this is only an annual, or at most semi-annual, concern. Their daily considerations regard the national parliament, the municipalities, provinces, the public employment office and the social security boards, who all put more pressure on them.

Secondly, the learning effects appear to differ at the various levels of the public administration. Politicians, ministers, high civil servants and members of the social partners draw lessons from developments elsewhere, which are discussed in the Employment Committee and the Council. The different instruments of the EES (guidelines, NAPs, country examinations, recommendations and indicators) are therefore helpful for considering new policy proposals. The responsible persons at the highest political and administrative level seem to gain new ideas from developments elsewhere. Civil

servants at lower levels in the administration argue that they sometimes learned about issues they were not aware of before, for example about institutional characteristics of wage setting or of social policy-making in other countries. At this level, the NAPs, the indicators and the peer reviews are believed to be a useful tool of learning and comparing different policy practices.

Thirdly, these learning effects are by no means unique to the EES; learning also takes place from other sources. For example, the annual so-called 'Benchmarking' studies of the Ministry of Economic Affairs or the bi-annual international meetings of the department for industrial relations (at the Ministries of Social Affairs and Employment) provide alternative learning experiences. However, the EES encourages the formation of ad hoc committees on certain themes. For instance, Dutch government officials invited foreign colleagues to discuss the comprehensive approach in 1999 and 2000. Other civil servants went to Sweden to learn about labour force participation of women, and childcare. Dutch officials have visited England for their 'one office' approach of social security, and Germany and France for the reintegration of occupationally handicapped and Denmark for the integration of ethnic minorities. In a similar way Germany perhaps has learned from the Dutch Act on part-time work and the Netherlands learned about the Act of funding career-breaks from Belgium. These examples may be supported by, but are not a unique effect of the EES. Also, both employers' associations and trade unions have European organisations where learning takes place outside the EES. Both ETUC (European Trade Union Confederation) and UNICE (Union of Industrial and Employers' Confederations of Europe) provide exchange of information and mutual experiences. The fifteen NAPs however provide a potentially useful comparison of policy initiatives in the different member states, which allow for mutual visits and communication between civil servants.

Fourthly, according to some persons interviewed, the Netherlands would like to learn more from other countries, for example on the issues of the poverty trap and early school leaving. Although these items are present in the guidelines, the Netherlands feels that it puts more pressure on these issues than other countries do. This has to do with the implicit rank order in the guidelines and the different labour market performance, which differs among countries. These opportunities should be used in the future.

Thus, the EES has resulted in new cognition, but only partly in new behaviour. Ideas derived from the EES are discussed in government publications; political and administrative routines need to take European issues into consideration. Still, the division of labour between civil servants, between government departments and between the government and the social partners is not changed, and the policy process takes a similar route as before. Responsibilities have remained where they are. Regarding the co-operation between government departments the EES does not seem to have had much influence. It still seems to be the case that every department carries out its own part of policy, also its part of the European Employment Strategy. Sometimes there are projects on which several departments work together, with one in a co-ordinating role. In this respect EES-policy does not change national policy.

When we try to express the learning experiences in terms of the three distinguished levels of learning, we conclude that our initial hypothesis was correct. First order and second order learning do take place, third order learning does not (yet) occur. We arrive at the following conclusion.

1. First-order learning: There have indeed been made minor adjustments in policy instruments. This is a continuous process, not exclusively in response to the employment guidelines. Such processes would occur anyway, also without the EES.
 2. Second-order learning: there has been modest application of new policy techniques: the comprehensive approach has come to the top of the agenda (with clearer new responsibilities and tasks of involved parties) and a new form of monitoring was applied. There may come initiatives in life-long learning.
 3. Third-order learning: the EES did not contribute to a shift in the hierarchy of goals and instruments to guide policy. The attention to increasing participation and activation of the labour market policy in The Netherlands originated already from the early 1990s, and preceded the EES.
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6 Effectiveness of Dutch policy

“A policy is a hypothesis, which has to be tested against reality and corrected in the light of experience” – Karl Popper

In the preceding chapters we discussed the development the Dutch labour market and policy measures relevant for the European Employment Strategy. An important question is whether this policy has been effective in reaching the goals proclaimed by this strategy. Chapter 5 already touched on delicate issues of measuring effectiveness. It was suggested to be a weak spot in the Netherlands (and likely in many other member states). In this chapter we try to examine the effectiveness of Dutch policy. We focus on three key issues: activating social policy, equal opportunities and modernising work organisation.

Effectiveness of policy is a complex notion. Data about the number of persons successfully participating in a scheme are in many cases available. This is sometimes known as ‘gross effectiveness’. Many persons who successfully participate, for example, in a job finding scheme, would have found a job by themselves as well. Gross effectiveness therefore overstates the contribution of a policy measure to actual labour market performance. Correcting for this overstatement leads to the notion of ‘net policy effectiveness’.

Net effectiveness is much harder to measure than gross effectiveness. Even when net effectiveness can be measured, we have to keep in mind that there are not only the effects on the target group, but other groups in society may also be affected. Substitution effects or crowding out are examples. Thus net effectiveness on the target group must not be confused with net effectiveness for society as a whole. Ideally, we would like to measure the net effectiveness on society as a whole, but this is a very difficult exercise.

Apart from this distinction between gross and net effectiveness, policy has both direct and indirect effects. The policy not only has effect in itself, but may also change social opinion or culture; it gives a signal to society that an issue is deemed important. Consequently, this may change the way citizens, enterprises and institutions behave. The existence of this indirect effect makes the measuring of effectiveness even harder. A Dutch politician interviewed for this project stated that this indirect effect is much more important than the direct effect. Measuring ‘direct’ net effectiveness has, therefore, low priority in his view.

Since measuring indirect effects is all but impossible, and because it seems likely that policies with identifiable direct effects will contribute most to possible indirect effects, we do not share this opinion. Therefore, we present in this chapter an overview of assessments of direct policy effectiveness on the issues mentioned above. In performing the evaluation of the effectiveness of policy on the three issues, we examined existing Dutch research. Where Dutch research was scarce, international research has been used to give an indication of the effectiveness of the policies under consideration. When available, we also present hints on indirect effectiveness.

Evaluation methodology

Effectiveness evaluations can generally be divided into different categories.

1. Evaluations using interviews.

These studies use interviews with participants in a scheme to determine the effectiveness of a policy measure. Employers for example can be asked whether they would have hired an individual in the absence of a programme, or employees can be asked whether they would have accepted work in the absence of a subsidy. An important disadvantage of this method is the danger of distortion because of socially desirable answers. It is for example possible that employers exaggerate the effect of a programme, to avoid the impression that they misused the subsidy.

2. Evaluations using quasi-experiments.

In this type of studies programmes are evaluated ex-post. The situation of (former) participants is compared to the situation of non-participants. This 'comparison group' of non-participants is typically matched as close as possible to the observed characteristics of those who underwent the treatment. Often a problem in this kind of studies is the difference in unobserved characteristics, the so-called selection bias, between participants and non-participants, which may affect outcomes. Some studies try to control for the possibility of a selection bias.

3. Evaluations using controlled social experiments.

The method of random assignment experiments is comparable to the method of quasi-experiments described above. The difference is that data are not collected ex-post, but by way of real experiments. Individuals who would like to participate in a programme are randomly allocated to either a 'treatment' group – those who receive the service- or a comparison group – those who do not. Then the differences in outcomes of the two groups are compared.

4. Evaluations using post-program data on a macro-level.

In this type of evaluation studies relations on a macro-level are searched for between the policy and the extent of the target group. Corrections for other factors influencing the size of the target group, such as the economic conditions, are made. The outcomes of such studies are often not robust, because often insufficient data are available.

There is no clear-cut answer as to which evaluation method should be used. Ideally, conclusions on the effectiveness of a policy measure are drawn on the basis of different evaluation methods. There are (too) many Dutch evaluation studies of policy measures that do not follow one of the evaluation methods described above.²⁴ Instead, in many cases only the size of the participation in schemes and the characteristics of the participants are studied. While this provides useful information, it cannot answer the vital question of whether the programme in question worked or not and whether the net social benefits exceed the net costs. Something can be said about gross effectiveness, but not about net effectiveness. The Netherlands rightly received recommendations from the EU to improve the

²⁴ The OECD e.g. in Martin (2000) acknowledges that few countries, notably the US and Canada, have a tradition in measuring net effectiveness on this policy area. Only recently countries like Sweden, Norway, Denmark, Australia and the UK started measuring net effectiveness.

database for evaluation purposes. We note that not only data, but also the policy methodology is demanding when proven effectiveness is an aim.

In this chapter our goal is to assess what can be said on net effectiveness of policy measures. We base this assessment on a review of separate policy instruments used. Even though the EES does not have the intention to look at individual policy measures, but rather at the overall performance of the labour market, we follow this procedure to get an idea of the influence of policy measures on this overall performance.

6.1 Activating social policy

The issue of net versus gross effectiveness is clearly present in research regarding activating social policy. Gross effectiveness, outflow into regular work, will be higher than net effectiveness because of dead-weight loss, substitution effects and displacement effects. The dead-weight loss signifies the participants of the program that would have found a regular job also if the policy measure had not been introduced. There is a substitution effect if the improved employment for the target group comes at the expense of worsened employment prospects for other non-subsidised workers. A displacement effect means that subsidised jobs have displaced unsubsidised jobs elsewhere in the economy.

Activating social policy is a very broad term, among which we find a broad range of different measures. As part of the social activating policy we distinguish four specific types of measures. We regard the comprehensive approach as an encompassing general measure that applies to the inflow into unemployment that may involve some of the following specific measures.

1. Job mediation
2. Incentives to reintegration
3. Education and vocational training
4. Wage cost subsidies and direct creation of jobs

All measures consist of different instruments. Instruments can be aimed at the individual that has to be activated or at employers that have to hire these persons (and keep them from firing or entering into the disability insurance scheme). Most instruments focused on individuals are found in the first three types of measures and the ones focused on the employer in the last two.

In the table below, a number of specific instruments of activating social policy in the Netherlands are listed (the very general tax reform operation that was introduced in 2001 also contributed to activating labour market policy). The aim of all measures is to activate people, to get them to work. This can be done by stimulating inflow into employment or by preventing outflow out of employment. Inflow into employment can be inflow into subsidised jobs or (ultimately) into regular jobs. In determining the effectiveness of instruments, in general we will look at the number of people

guided to regular paid jobs. Whenever a specific goal, different from this general aim, is set for a measure, we will mention so.

Table 6.1 Instruments of activating labour market policy

Type of measure	Instrument
Mediation	Active mediation
	Vocational choice tests
	Application courses
Incentives for individuals	Outflow premiums
	Sanctions in unemployment benefits and social benefits
Vocational training	Training routs offered by Employment Office or municipality
	Fiscal payment reduction on educational expenses
Wage costs subsidies and direct creation of jobs	Subsidised jobs (WIW, I/D, WSW)
	Subsidies for occupationally handicapped (Act Rea)
	Fiscal payment reduction for low skilled workers (WVA-SPAK)
	Fiscal payment reduction for long term unemployed (WVA-VLW)

Since the early nineties the Netherlands devoted an increasing amount of effort and money on activating social policy. A report by the WRR (1990), *Een Werkend Perspectief* (A Working Perspective) was highly influential in changing this policy orientation. Compared to 1990, the expenses on social activating policy have been tripled to reach 5 billion Euro on relevant expenditures and about 1 billion Euro of fiscal compensation in 2001. Compared to 1998, the amount of fiscal compensation remained the same, while the expenses have risen with about 1 billion Euro.²⁵ The expenditures on activating labour market policies as compared to the European Union average are shown in table 6.2. The European average of activating labour market expenditures has risen in recent years, both in percentage of gdp as in share of all unemployment expenditures. The Dutch expenditures have risen even more so.

Table 6.2 Expenditures on activating labour market policies

	1986-90	1991-95	1996-99
% of GDP			
Netherlands	0.56%	0.85%	1.07%
EU average	0.62%	0.79%	0.78%
% of total unemployment expenditures			
Netherlands	16%	22%	25%
EU average	28%	28%	29%

Source: Calmfors et al. (2001)

²⁵ Ministerie van Sociale Zaken en Werkgelegenheid (2001a).

The instruments listed in table 6.1 will be analysed in this section. We will start discussing the comprehensive approach, which is also treated separately in the guidelines from the European Commission. Within the comprehensive approach, elements of the first three types of measures are combined. After discussing the Dutch experiences with the comprehensive approach, the already mentioned types of social activating measures are treated.

6.1.1 Comprehensive approach

The Job-seekers Employment Act (WIW) of 1998 contains a comprehensive approach for the young unemployed. Within six months they are offered a route leading to employment. After a maximum of a year the young unemployed are entitled to a WIW-job. The comprehensive approach for adults started in 1999 and is planned to be fully comprehensive in 2002. As noted in chapter 4 and 5 this was in response to the demands of the first guidelines.

The comprehensive approach aims at offering guidance to the newly unemployed in an early stage of their unemployment spell. This includes both unemployed persons with and without benefits. This means that the Netherlands has a broad target definition as compared to some other countries.²⁶ Young unemployed receive an offer within the first six months of their unemployment, adults should be given an offer within the first year. Depending on their distance to the labour market (every newly unemployed is grouped into one of four categories depending on their distance to the labour market), different measures can be taken to lead them to work. The routes generally consist of education, application courses and work experience.

The comprehensive approach was evaluated in 1999 and 2000. Data for the evaluations are scarce, because the existing information systems were not apt for complete monitoring of the comprehensive approach. As a reaction to the European Commissions' recommendations, information systems are being changed such that in the future the comprehensive approach can be monitored in a better way.

The evaluation studies show that in 1999 approximately 38,000 routes were started by adults.²⁷ Traditionally, the public institutions responsible for reintegration left the execution of the routes to the Employment Office. Recently the municipalities and the national institutions, called UVIs, can also let private companies take on this task. In 2000, they took care of roughly 15% of the routes.²⁸ In the future gradually more reintegration activities will be outsourced to private companies.

The measure of comprehensiveness is given in Table 6.3, based upon studying a cohort of both youth and adults who became unemployed in January of the respective years. As noted before the approach for young persons is completely comprehensive, while in 1999 the approach for adults slightly improved: 86% of the 2000 group had a job or program within 12 months, compared with

²⁶ KPMG-BEA (2001).

²⁷ Dijk et al. (2001).

²⁸ Mandow et al. (2000).

84% in 1999. However, the proportion of jobless becoming long-term unemployed with no action plan also increased slightly, from 63% in 1999 to 66% in 2000.

These data give insight in the comprehensiveness of the approach, but are less informative about its effectiveness. The aim is to prevent people from becoming long-term unemployed. In chapter 3 we showed that long-term unemployment did decrease in the Netherlands. We cannot judge, however, to what extent the comprehensive approach was responsible for this amelioration but it may be fair to suggest that it helped in a culture shift among unemployed persons and the institutions involved in activating the unemployed. In other words, the net effectiveness is unclear but a positive indirect effect is likely to be present.

Table 6.3 Input and output indicators for young people and adults registered as unemployed with the Employment Service (excluding disabled) and their situation after 12 months

	Total (2000)	Total (1999)	Men (1999)	Women (1999)
Youth (<23 years)				
Share still unemployed after 12 months	10%	13%	12%	15%
Share of unemployed that started a concrete individual action plan before being unemployed for 12 months	100%	100%	100%	100%
Share of those still unemployed after 12 months that did not yet receive an individual action plan	0%	0%	0%	0%
Adults				
Share still unemployed after 12 months	21%	26%	22%	31%
Share of unemployed that started a concrete individual action plan before being unemployed for 12 months	12%	17%	15%	19%
Share of those still unemployed after 12 months that did not yet start an individual action plan	66%	63%	62%	64%
Share of those still unemployed after 12 months that did not yet receive an individual action plan: rate of failure	59%			
Share of those still unemployed after 12 months that refused an individual action plan: rate of refusal	7%			

Source: National Employment Action Plans 2000 and 2001.

6.1.2 Job mediation

Job mediation is a specific element in the comprehensive approach but did already exist for a longer period. An evaluation on the macro level led to the conclusion that public mediation in the early 1990s did not have value added compared to other job search possibilities.²⁹ Two controlled social experiments on the effect of counselling and monitoring in the Netherlands have contradicting results. An experiment held in 1990 showed a positive effect. Counselling and monitoring reduced the time taken to find a job because people participating in the program made more job applications than those not participating did. No differences were found in matching probabilities.³⁰ A more

²⁹ De Koning et al (1995).

³⁰ Gorter and Kalb (1997).

recent controlled social experiment did not show a positive result. Especially monitoring did not affect the exit rate to work; it just caused a shift from informal to formal searching methods.³¹ It is difficult though to compare these controlled social experiments, because the situation on the labour market was very different in the two evaluation periods. The first one was held at a time of high unemployment, the second during a tight labour market. This might be a possible reason for the different results.

International experiences may give more clarity. Controlled social experiments in the United Kingdom and in the United States found significant positive effects of counselling and monitoring.³² A study on available evaluations on labour market policy state that counselling and monitoring seem to have impacts of the order 15% to 30% on the exit rate to employment. Combined with additional strategies of intervention by the Employment Office the total effect of activities of the Employment Office might increase the exit rate by 30 to 50%.³³

The Dutch researchers themselves explain the difference between the result of the last social experiment in the Netherlands (counselling and monitoring not effective) and the international literature. Counselling and monitoring in the experiments abroad is more focused on individuals with a large distance to the labour market, who therefore have less access to informal searching methods. Following this explanation, the conclusion on the effectiveness of counselling and monitoring may be that it has not always proven to be effective in the Netherlands, but that it might become more effective if it will be focused more on people with a large distance to the labour market, and if the labour market is less tight.

The yearly cost of job finding assistance can be approximated by the budget of the Arbeidsvoorziening, whose basic task is providing such job finding assistance. In 2001 this budget was 327 million Euro.³⁴ Per unemployed served, this amount is not very high, given the yearly inflow of unemployed of roughly 250,000 persons (according to CBS-data) into unemployment benefits. More focus on persons with a large distance to the labour market occurs could probably reduce costs without decreasing effectiveness.

On the effect of mediation instruments such as vocational choice tests and application courses, different Dutch researches point into different directions. In general, the effect of these instruments on the chance of finding a job varies between slightly positive and even negative. In a quasi experiment with data running from February 1992 till December 1993, Van der Aalst en Hermsen showed a slightly positive effect of application courses on employment and a slightly negative effect of vocational choice tests. The result might not be very robust, because of the fact that the selection bias was not taken into account. Another evaluation that controlled for selection bias showed the reverse: a slightly negative effect of application courses and a positive effect of vocational choice

³¹ Van den Berg and van der Klaauw (2000).

³² Dolton and O'Neill (1995); Meyer (1995).

³³ Martin & Grubb (2001).

³⁴ Ministerie van Sociale Zaken en Werkgelegenheid (2001d).

tests. The effectiveness of an instrument varied between groups. For example vocational choice tests showed to be most effective for male, regular skilled and especially young up till 25 years of age. Still, the effect was not impressive: following a course for this group made the chance of finding a job 5 percentage points higher. Furthermore the researchers indicated that motivation is a far more important factor making the chance of finding a job bigger. Motivation can also make the vocational choice test and the application courses more effective.³⁵

We conclude that job mediation was not strongly inspired by the EES, that the net effectiveness is potentially positive (especially during times of severe unemployment and when focussed to appropriate target groups). If job mediation contributes positively to motivation, then an indirect positive effect may occur.

6.1.3 Incentives

A very important instrument is the introduction of employment incentives for people on benefits. Individual incentives used in the Netherlands consist of imposing sanctions in case of abuse of benefit schemes and the provisions of outflow premiums. Incentives for employers include the obligation to continue paying the wage of sick workers during the first year of illness and experience rating (premium differentiation) in disability insurance (Pemba, see Annex A 3.1). Here, we restrict our discussion to incentives aimed at individuals.

Sanctions

Sanctions can be imposed in case of abuse of benefit schemes. Examples of abuse are insufficient job search activity, rejecting suitable job offers or not providing enough information on search activities to the administrative agency responsible for the benefits. The Unemployment Act allows for serious sanctions since 1987. Different Dutch evaluations on the effectiveness of sanctions on the exit rate to work have taken place. All used the evaluation method of quasi experiments.

The majority of the evaluations show positive results. Mullenders showed with data from 1992 and 1993 that a reduction of unemployment benefits after eight weeks of unemployment enlarges the probability of outflow of unemployment within six months from 59% to 68% and the probability of outflow after 12 months from 71% to 81%.³⁶ Van den Berg et al. and Abbring found an even stronger result: the transition rate to work doubles when sanctions are imposed. They remark that the real effect of sanctions is probably even stronger than what they find in the quasi experiment. The reason is that the threat effect of sanctions is not taken into account in such an experiment. From a theoretical bases it is expected that individuals have a higher transition rate to work in a system with sanctions even before they are give a sanction.³⁷

³⁵ CPB (2000).

³⁶ Mullenders (1996).

³⁷ Abbring (1997); Van den Berg et al. (1998).

The three evaluations mentioned above took into account the possible heterogeneity between the sanctioned group and the control group: benefit receivers who receive a sanction might be less motivated than the group that does not. Van den Berg et al. showed that, if they would not take this selection bias into account, the effectiveness of sanctions would be lower. This might explain why a fourth Dutch analysis, that did not take this selectivity bias into account, did not show a significant effect of sanctions on the exit rate to work.³⁸ On the basis of Dutch research we therefore conclude that sanctions have proven their effectiveness for the specific groups involved. Moreover, indirect effects seem to be present.

Outflow premiums

A disincentive for labour supply at the lower level of the labour market is the poverty trap. If this trap exists, people who leave the benefit system and start working hardly experience an increase in income. As we noted in chapter 4 Dutch policy aims at reducing the poverty trap. It is too early to assess the effectiveness of this policy.

Even if the poverty trap is not resolved fundamentally, a temporary outflow premium can stimulate unemployed to get a job. In the Netherlands municipalities can provide outflow premiums to stimulate the transition from the benefit system or a subsidised job to a regular job. Since no Dutch evaluations are available, a conclusion on the effectiveness must be drawn from evaluations abroad. Controlled social experiments in the United States show that such outflow premiums may lower the unemployment duration significantly.³⁹ Two remarks must be made however. First of all, the increase in outflow might not lead to a net decrease in total expenses, since it is possible that the public savings on benefit payments do not outweigh the expenses on outflow premiums. Secondly, the experiment points out that there is a danger of abuse. People switching from one job to the other may try to stay unemployed in between to receive the premium. Based on this (modest) evidence we conclude to a positive effect of the provision of outflow premiums.

Incentives for special target groups

Finally, the Dutch government aims at creating incentives for special target groups, such as older workers and ethnic minorities – problem groups at the start of the EES. Measures to stimulate the elderly to keep on working, such as the abolition of the fiscal support for early retirement schemes, are on their way, but not yet implemented. Ex ante research shows a positive effect of the abolition of this fiscal support and stimulation of the creation of flexible and pre-pension systems on the participation rate of elderly workers.⁴⁰

Besides the participation of the elderly, the government intends to stimulate the participation of ethnic minorities. In January 1998 the Act to Stimulate Labour Participation of Ethnic Minorities (Wet Samen) became effective. Since then, companies with 35 employees or more have to indicate annually how many people from ethnic minorities they employ and in case of a shortfall how they

³⁸ SGBO (1995).

³⁹ Meyer (1995).

⁴⁰ Nelissen (2001).

plan to increase this number. In 2000, this act was evaluated. The microanalysis, on the basis of questionnaires filled in by employers, showed a positive, but very small effect of the act. The aggregate data did (after correction for other factors) not show a positive influence of the act on the employment rate of ethnic minorities. It was therefore concluded that if there is any effect, it is very small.⁴¹ Still, a very tight labour market helped to achieve the goal of the *Wet Samen*: in recent years, a spectacular reduction of the unemployment rate of minorities occurred (decrease from 16% in 1998 to 10% in 2000, while the unemployment rate among native Dutch decreased from 4% to 3%).

Self employment grant

Before the start of the EES, a self-employment grant was introduced in 1996, by the *Besluit bijstandverlening zelfstandigen* (similar instruments exist for disability and unemployment). A Swedish evaluation suggests a positive effect of these self-employment grants.⁴² Fay (1996) concludes that evaluations of the few programmes that exist in this area have generally found favourable results. But since the number of programmes and evaluations is small, caution is required to generalise this result.

The number of self-employed in the Netherlands decreased in recent years: from a historical peak level of 791,000 fte in 1997 to 769,000 fte in 2000.⁴³ The number of beneficiaries of the ‘*Besluit bijstandverlening zelfstandigen*’ did not exceed 1,000 persons in both years. Whatever the development of the number of self-employed, the contribution of the BBZ on (the growth of) the number of self-employed is very limited.

6.1.4 Vocational training

An activating measure that had a separate place in the European Commissions’ guidelines until 2000, is vocational training. Instruments to stimulate vocational training are aimed at both persons on benefits and employers. A wide range of instruments exist (see also Annex 3), sometimes generally available for all citizens or companies, sometimes targeted to specific groups. A number of measures involve public funding, but private funding (for example using industry schooling funds, O&O-fondsen) is available as well. This makes a general assessment of costs and benefits a complex task. Here, we mention a few specific measures (see also Annex 3).

One way to stimulate individuals to follow education and training is to subsidise their expenses for the education. Apart from the schooling and training as a part of the routes offered in the comprehensive approach, unemployed, disabled and persons in other social assistance schemes have the possibility to follow schooling while keeping their benefit. Experiments are carried out with broadening schooling opportunities for the unemployed. Furthermore, industry based schooling of hard to place unemployed takes place. A further incentive in the WIW is introduced by means of financial incentives for unemployed and disabled who finish schooling.

⁴¹ Zandvliet et al (2000), p. 85.

⁴² Calmfors et al (2001).

⁴³ CPB, MEV 2002, Annex 7.

An incentive used for employers to train their employees is earmarked tax reduction. A stimulus for employers to hire individuals in apprenticeship training is present by means of a fiscal reduction for apprenticeship training. And subsidies are available for schooling employees without entry qualifications to gain that level.

The use of public financed training and the cost thereof are hard, if not impossible, to determine for the reasons presented above. No clear information is available about the number of unemployed (or other people on benefits) or employees using the schemes mentioned above.

Table 6.4 shows the number of employees that received some kind of job-related training, publicly or privately financed. It shows that training has increased significantly between 1993 and 1999. Among these are an estimated number of 100,000 persons for whom the fiscal facility for apprenticeship is used and approximately 28,000 on other publicly financed training.⁴⁴

Table 6.4 Training within companies with more than 10 employees

	Total of trainings	Total costs (million Euro)	Training's per 100 employees (all companies)	Mean costs per employee in Euro (all companies)
1993	841.000	1.531	38%	495
1999	1.559.000	3.052	77%	825

Source: www.statline.nl.

A Dutch quasi experiment with data over the period 1992 and 1993 shows a positive effect of training.⁴⁵ The chance of finding a regular job rises by 10 percentage points for the people who have been unemployed for more than three years by following training. However, possible heterogeneity between the selected control group and the participants group was not taken into account. If participants are more motivated to find a job than non-participants are, the effect of training is over-estimated. Another Dutch quasi experiment with data from 1993 till 1997 that did take this selection bias into account showed no significant positive effect of training.⁴⁶

Overview articles of international literature on training support the latter result: quite some evaluations show low or even negative rates of return for participants of public training programmes.⁴⁷ Especially the unemployed with the lowest qualifications, and within this group the out-of-school youth hardly profit from training programs. Since large costs are involved with this instrument, this is a harsh conclusion. However, some training programmes do seem to yield positive results. This applies for training for groups with latent qualities, such as women who re-enter the labour market and immigrants well educated in their land of origin. Swedish studies furthermore indicate that small size programmes obtain better results than large size programmes.⁴⁸

⁴⁴ Source: Ministry of Social Affairs and Employment

⁴⁵ Van der Aalst and Hermsen (1994).

⁴⁶ CPB (2000).

⁴⁷ Fay (1996), Martin and Grubb (2001).

⁴⁸ Calmfors et al. (2001).

Given the conclusion that training programmes are likely to be effective for women re-entering the labour market, a recent study on women re-entrants is insightful. It shows that the current system has elements that obstruct women from enter a training program.⁴⁹ Firstly because they are often erroneously classified as having a short distance to the labour market and thus are not eligible for subsidised training. And secondly because they often not on social benefits and can therefore not use some arrangements.

6.1.5 Wage costs subsidies and direct creation of jobs

A final instrument used in activating social policy consists of wage costs subsidies and direct job creation. In recent years these have been important labour market instruments of the Dutch government. Subsidised jobs, sheltered employment, special subsidies for occupationally handicapped and fiscal instruments to stimulate job creation are used in this respect.

Direct job creation

Subsidised employment schemes in the Netherlands are, as mentioned in annex A3.1, the Job-seekers Employment Act (WIW, January 1998) and the ID-job Program for the long-term unemployed (ID-banen, January 2000). The Sheltered Employment Act (WSW, January 1998) provides subsidised jobs for disabled who can only work under special conditions. Because of the fact this latter is quite different from the first two measures, it is treated separately hereafter. All mentioned acts are successors of initiatives developed in previous years, in this sense they do not derive from the EES.

These acts result in different schemes of direct job creation:

1. WIW work experience places: a regular employer receives a subsidy from the municipality to hire an unemployed person. The duration of the wage cost subsidy varies from six to twelve months.
2. WIW jobs: An unemployed is hired by a municipality and is set to work within the public-, non-profit- or private sector. The employer pays a fee to the municipality. The contract is for two years to start with and afterwards can be changed into a permanent contract.
3. ID jobs: The unemployed gets a subsidised job in the public or non-profit sector, paid by the municipality, for an indefinite period of time.
4. WSW jobs: The disabled who can only work under special conditions get a subsidised job.

For WIW-work experience places and WIW-jobs the aim is outflow into regular employment. These subsidised jobs should, possibly in combination with training, reduce the distance to the regular labour market. For the ID jobs this is the case to a lesser extent. Outflow into regular employment is only one of the goals, next to creating jobs for the lower end of the labour market and improving the collective sector. To judge the effectiveness of ID jobs only on the realised outflow to regular

⁴⁹ Janssen et al. (2001).

employment would therefore be unfair. Nevertheless table 6.5 shows for all three schemes the number of long-term unemployed involved and the part that flows out to the 'regular' labour market.

Table 6.5 Subsidised labour and outflow to regular employment, 2000

	WIW-jobs	WIW-job-experience places	ID-jobs
Average take-up(in fte)	34,900 ¹	5,300	43,000
Outflow (in % average take-up)	50% ²	147%	18%
Outflow into regular employment as a percentage of total outflow	39% ²	36%	34%
Outflow into regular employment as a percentage of average take-up	19% ²	53%	6%

1. A WIW- job in full time equivalents is 32 hours.

2. WIW-outflow includes a small outflow to a WIW job experience place or ID-job.

Source: Quarterly data municipalities and WIW-monitor & preliminary volume information WSW, National Employment Action Plan 2001.

Table 6.5 shows that 19% of the WIW jobs flow into regular work; for the WIW job-experience places this is 53%. For ID jobs the table shows that the outflow into regular jobs is lower than for WIW jobs and experience places, which according to the different aim of the scheme should not be surprising or worrying.

As stressed before, to determine the net effect of subsidised jobs, information is needed on the comparable outflow out of the benefit system into regular employment for persons without these subsidised jobs. A Dutch quasi experiment with data from the mid 1990s shows a positive effect of the subsidised jobs. ⁵⁰ A group of participants of the subsidised jobs was compared to a group that started working in a subsidised job, but dropped out early. The net effectiveness is estimated at 16 to 20 percentage points: from the participants who did not flow out early 73% percent found a regular job, compared to 53-57% of the early drop-outs. However, a selection bias in this quasi-experiment is very probable, since the motivation to work within the group of early dropouts is likely to be lower then for the group of non-early dropouts. The researchers therefore remark that the net effectiveness of 16-20 percentage points is a maximum estimation. Not surprisingly another Dutch quasi experiment that did take this selection bias into account found a lower, even negative, net effectiveness. ⁵¹ Possible explanations the researchers give for this negative effectiveness is that employers might consider the fact that somebody worked on a subsidised job as a negative signal. Furthermore a possible explanation is that, in the execution of the schemes, outflow is not central and receives too little attention. This may be caused by the way subsidised jobs are financed. The amount of money an executive organisation receives depends on the number of persons with subsidised jobs. They thus benefit from a high number and have no direct interest in stimulating outflow, even though that is the principal goal of the scheme. A literature study and interviews on

⁵⁰ Jansen (2001).

⁵¹ CPB (2000).

the role of municipalities confirmed the finance structure as a bottleneck for outflow into regular employment.⁵²

Survey articles indicate that the vast bulk of studies on effectiveness of subsidised jobs find that this type of measures have little success in helping unemployed people to get permanent jobs in the regular labour market. While subsidised job creation in the public sector seems ineffective to stimulate outflow to regular work, results are a bit better for wage cost subsidies in the private sector. But a large substitution effect diminishes net effectiveness. Employers fire regular personnel to hire subsidised, and therefore cheaper, workers.⁵³

A fair conclusion seems to be that Dutch evaluations showed little effectiveness of subsidised jobs in reaching the aim of stimulating outflow into regular employment. International literature confirms these findings. The cost of these instruments are high: 908 million Euro for ID jobs and 891 million Euro for WIW jobs in 2001.⁵⁴ However, as noted before, in case of ID jobs not only the effect on outflow to regular labour is important. An evaluation study on the effect of ID jobs within the health and care sector concluded on the basis of interviews that ID jobs are effective in improving the quality of public services.⁵⁵ The extra workers help in lowering the work related stress for the total labour force in this industry, which has problem finding enough personnel. Because of this, the organisations have more time for their key activities, can develop new activities and can ameliorate the quality of their services.

Sheltered employment

WSW-jobs offer sheltered employment to persons with a physical, mental or psychological disability. Since 1969 the Sheltered Unemployment Act, WSW, concerned jobs in so-called Social Working Places. Since 1998 the new WSW started. In this new WSW, municipalities can still place disabled in the Social Working Places, but can also place them 'externally', with regular employers. Besides that, there is now the possibility of 'supported employment', where the disabled is hired by a regular employer, and the municipality supports by offering a wage cost subsidy, financial compensation for extra coaching by a job coaching organisation and/or financial compensation for workplace-adjustments. While the WSW never aimed primarily on stimulating inflow into regular employment, but mainly on offering permanent sheltered employment for the disabled, these new measures were meant to stimulate the possibility of outflow into regular employment.

The number of people with a WSW place has risen in the year 2000 to almost 100,000. The mean duration of a WSW-job is almost 12 years.⁵⁶ Yearly about 5% flows out. Only a small part, 15%, goes to a regular job.⁵⁷

⁵² Dijkstra et al (2001).

⁵³ Fay (1996), Martin & Grubb (2001).

⁵⁴ Ministerie van Sociale Zaken en Werkgelegenheid (2001c).

⁵⁵ Pen et al (2001).

⁵⁶ Van der Geest et al (2001).

⁵⁷ preliminary volume information WSW.

In order to stimulate outflow to regular employment, structurally 25% of the new WSW placements should be directed to 'supported employment placements' (SE-placements). This share should be reached in 1999, meaning 1.250 SE-placements. In practice not even 200 SE-placements were realised at the end of 1999. The realised percentage will probably rise in the next couple of years, but 25% seems unattainable. The reason is that a large part of the target group of the WSW is not able to work in supported employment and a significant part does not want to.⁵⁸ The first results from the SE-placements do not show impressive results in stimulating outflow to regular employment. The outflow into regular employment as a percentage of total outflow is 10%.⁵⁹

The financial structure of the WSW does not stimulate municipalities to aim at outflow to regular jobs. On top of that, the clients themselves have no incentives to leave the WSW for a regular job. Financially it is not always attractive for them, and they often have a status build up within the WSW-company, which they have to let go of if they leave.⁶⁰ As outflow to regular jobs is only a secondary goal of WSW, these findings are not too disturbing. It may even be interpreted as positive: it may indicate that persons in sheltered employment are not capable of performing regular employment. Thus only those who really need this scheme use it, which means selection criteria are good.

A conclusion on the effectiveness of the sheltered employment is hard to draw. In providing permanent sheltered employment for the disabled that really need this type of jobs the WSW seems to be effective. To judge it on outflow to regular work would do no justice to the scheme, since that is not the primary goal. It should however be mentioned that the setting up of SE-working places, which do have the intention of flowing into regular employment, encounters difficulties and is thus far hardly effective. In 2001 the net cost of the WSW were 1,558 million Euro.⁶¹

Subsidies for occupationally handicapped

In July 1998, the Occupationally Handicapped Reintegration Act (Rea) was introduced. It was not a totally new system of regulations, but foremost a bundling of existing reintegration measures. The act contains measures to keep occupationally handicapped employees employed, and measures to help the unemployed occupationally handicapped to find a job.⁶² These goals are to be attained by offering a reintegration route or using separate instruments. Examples of reintegration instruments are:

- subsidies to adjust the working place to the (newly hired) occupationally handicapped,
- supplementary wage subsidies for the occupationally handicapped.

In 2000, an evaluation of the act was carried out.⁶³ In this evaluation, the researchers abstain from a judgement on the effectiveness of the act. Their reason is the lack of good statistical information at

⁵⁸ Van Nes et al (2001).

⁵⁹ Van der Geest et al (2001).

⁶⁰ Dijkstra et al. (2001).

⁶¹ Ministerie van Sociale Zaken en Werkgelegenheid (2001c).

⁶² Besides the subsidies, the Occupationally Handicapped Reintegration Act contains measures reducing the risk of costs of illness when an occupationally handicapped is hired.

⁶³ Wever et al. (2000).

the macro-level, the fact that the act was still very new, and that new measures have been introduced. Table 6.6 is constructed from the quantitative data that did come available on reintegration routes within the act. The placement percentage of 34% is higher than expected. The researchers have indicated that this may be the result of the relatively good economic situation in the Netherlands, and therefore of shortages on the labour market in the period after the introduction of the Rea Act.

Research by SEO Amsterdam Economics and TNO, which is currently carried out, indicates that the net effectiveness of different Rea-instruments might be significantly positive. The job opportunities of individuals, for whom the instruments are used, increase substantially. The study corrects for selection effects and unobserved characteristics, which is important in measuring the effect of policy measures, but often ignored in past studies. Again, reservations should be made regarding the macro effect, because of the substitution effect. Nevertheless, the outcomes lead to the conclusion that at least the measures within the Rea act may indeed be effective in helping disabled individuals in finding a job. And if substitution effects are not too large, the costs may be compensated by lower benefit payments.

Table 6.6 Number of routes and number of placements

	Before Rea (Mean per year)	Goal for Rea (Mean per year)	1-7-1998 to 31-12-1999
Mean number of routes (A)	40.000	50.000	65.185 bought 19.201 (number of ended Rea-routes)
Number of placements (B), according to Rea criteria ¹	10.000	15.000	6.490
Placement result (B/A)	25%	30%	34% ²

¹ Rea criterion: contract for at least half a year and placement with the aid of the Rea placements.

² Here the placement result is taken as the number of placements over the number of ended REA-routes. Placements over the number of bought routes would not give a comparable placement result, because a lot of routes that started after the introduction of Rea are still in the initial phase.

Source: Wever et al., 2000.

Fiscal instruments

Just before the introduction of the EES, a new law came into force, the 'Wet vermindering afdracht loonbelasting en premie voor de volksverzekeringen' (WVA, January 1996). This law aims at reducing the employers' tax wedge for the low-paid labour force. Two important fiscal measures were part of that law. First of all the SPAK, which is a discount on the tax paid for all employees with a wage up to 115% of the legal minimum wage working for an employer. And secondly the VLW, which is a four years subsidy for employers who hire a long-term unemployed.

Table 6.7 gives an overview of the use of SPAK. In the year 2000 employers received SPAK for about 1 million workers, which costs about 930 million Euro. The incidence is so high because the scheme holds for all employees working at an employer and not only the newly hired, like the VLW.

Companies that asked for SPAK in 1996 comprised 72% of the companies that were entitled to do so.⁶⁴ SPAK reaches 92% of all people with a wage below 115% of the minimum wage.

Table 6.7 SPAK coverage and budget

Year	Coverage in number of employers	Coverage in number of employees	Coverage as % of all employees	Budget (in millions of Euro)
1996	162,000	810,000	16%	358
1997	179,000	1,100,000	20%	570
1998	173,000	885,000	16%	814
1999	174,000	880,000	14.5%	902
2000	166,000	1,000,000	?	930

Source: National Employment Action Plan 2000; Annual report tax institution; SZW (2001) Aan de slag.

Are employers more likely to hire low skilled unemployed with the SPAK than without? The evaluation study on SPAK set out by the government in 1998 is not informative about the net effectiveness of the SPAK.⁶⁵ Opinions vary from a moderate positive effect to even a slightly negative effect. A positive effect from the SPAK on employment was estimated in a study with questionnaires for employers.⁶⁶ The net effect on total employment was estimated to be 4.9% and the net effect for the low paid 5.9%. This means that 5.9% of the employees involved in SPAK would not have found a job without SPAK. For the effect of SPAK on total employment, the crowding out of non-SPAK employees was taken into account. A problem of this study is the low response rate and the risk of bias due to the use of questionnaires. The same researchers performed a cross section study that showed no significant effect from SPAK on employment. Another evaluation, using post programme data on a macro level and a quasi experiment, found no positive effect of the policy measure on employment.⁶⁷ The quasi experiment even indicated that SPAK negatively affects hiring wages and the pay rise of low-wage employees in SPAK-receiving countries. Another study from 1998⁶⁸ and calculations from 2001 indicate a small positive effect of SPAK on the employment level.⁶⁹ In May 1999 a peer review on the Dutch approach to targeted wage cost reductions was held. The conclusion was that some displacement effect and dead-weight loss occur, but that the SPAK did result in extra jobs for the low-paid.

Three remarks should be made. Firstly, the studies mentioned above only cover the period 1996-1998. In that period the SPAK subsidy was about 500 Euro. In 1998 the SPAK was increased to 1.817 Euro and in the years thereafter it was linked to inflation. This means that the reduction of wage cost in the evaluation period was smaller than at this moment. Since economic theory predicts that lower wage cost imply higher labour demand, the mentioned results underestimate the effect of the current SPAK. The second remark concerns the aim of the SPAK. The SPAK was introduced

⁶⁴ van Nes et al (1998b).

⁶⁵ van Nes et al (1998b).

⁶⁶ Polanen et al. (1999).

⁶⁷ Muhlau and Salverda (2000).

⁶⁸ Van Opstal et al. (1998).

⁶⁹ SZW (2001a).

not only to create jobs, but also to continue the existence of low-paid jobs. This effect is not covered in the evaluation studies. We do not know which part of existing low-paid jobs would have vanished if the SPAK had not existed. The third remark concerns the effect of SPAK in reaching the aims of employing ethnic minorities. According to employers and employees the SME-agreement on employment for ethnic minorities is largely successful due to the SPAK.⁷⁰ The SPAK offers the possibility to employers to pay a bit more than the productivity of the worker in question, in order to make work attractive for low-productive workers (from ethnic minorities).

Different studies find different effects of the SPAK. The effect on unemployment, if any, is probably small, the cost are high. Does the same apply to the fiscal measure for long termed unemployed – one of the core issues when the EES took off? Because of the fact that employers receive this VLW-subsidy only for newly hired employees, the incidence is much smaller than of SPAK. This also means costs are lower: 176 million Euro in 2001, going to about 14.000 employers.⁷¹ Regarding its effectiveness, evaluation studies indicate a positive effect of VLW on employment. On the basis of a questionnaire in which employers are asked for their opinion of VLW, researchers conclude that the net effect on total employment can be estimated to be 13-43% and for the target group on 33-67%.⁷² But there is a high overlap with subsidised work. In two third of the cases, VLW is given to subsidised labour. Corrected for this, the effect is estimated to be 3-11%.⁷³ As is always the case with studies based on questionnaires or interviews, the risk of bias is considerable. However, another study in which a macro simulation model was used also found a positive effect from VLW on employment.⁷⁴ According to the authors the better result of VLW compared to the SPAK is caused by the fact that VLW focuses directly on the target group, namely the long-term unemployed, while SPAK does not.

The evaluation in the autumn of 1999 of the VLW shows that the rebate for low-paid workers has resulted in 46,000-59,000 additional jobs in the private sector since 1996, while the reduction scheme has helped 10,000-19,000 long-term unemployed find work. The average (employers' plus employees') tax wedge dropped significantly for the lowest income category up to the end of 1999 and will drop further by 2001.⁷⁵

Studies on projects comparable to SPAK and VLW in other countries confirm the slightly positive effect and the large dead-weight loss and substitution effects of these measures.⁷⁶ Examples are the American Work Opportunity Tax Credit (WOTC) (dead-weight loss 70%), the English Workstart (dead-weight loss 71%) and the Australian Jobstart program (dead-weight loss 73%).⁷⁷

⁷⁰ SER (2002).

⁷¹ Belastingdienst (2001).

⁷² Hoffius et al (1999).

⁷³ Polanen et al. (1999).

⁷⁴ SZW (2001a).

⁷⁵ Dutch NAP.

⁷⁶ Martin & Grubb (2001), Welters (1998).

⁷⁷ Welters (1998).

Summarising the findings on direct job creation and wage subsidies, we have found that the impact of the EES on this behalf was small, the net effect is small and realised at high costs, and indirect effects are unclear.

6.1.6 Summary

As shown above, the Netherlands applies a broad range of social activation instruments. Not all of them seem to be very effective. To summarise, table 6.8 below gives an overview. The first evaluative column of this table indicates the impact of the EES on the measures at stake. The net effectiveness is summarised in the second column. If there are credible indications of indirect effectiveness, this is reported in the third column. The final column provides observations on the feedback of the EES. The scores are the following:

- ++ = very effective
- + = moderately effective,
- 0 = hardly or not effective
- = negative effectiveness,
- ? = unclear or no evaluation available

Table 6.8 Impact of EES policies

Measure	Impact of EES	Net effectiveness	Possible indirect effects	EES learning
Comprehensive approach	++	?	+	NL participated in peer review individual employment services
Job mediation	0	+	+	
Incentives	0	++	+	NL attended peer review Making work pay (UK)
Education and training	0	?	?	NL participated in peer review life long learning (UK)
Wage cost subsidies and direct job creation	0	0	?	NL organised peer review on targeted wage cost reduction

The comprehensive approach is completely comprehensive for the young unemployed, and partly comprehensive for adult unemployed. On the net effectiveness of the comprehensive approach no conclusion can be drawn on the basis of the Dutch evaluations.

Even though not all studies point in the same direction, job search assistance appears to be effective. In the Netherlands however, it appears to be focused on people with a small distance to the labour market, which makes the results lower than results attained in other countries. The cost of 327 million Euro are relatively low given the high number of people that receive assistance. The cost effectiveness could increase further if assistance would be focussed more on people with a large

distance to the labour market. Mediation instruments such as vocational choice tests and application courses appear not to be very effective.

Studies on the effect of sanctions on the outflow to regular labour point at a clear positive effect. The effect of the other incentive instrument, outflow premiums, is not yet clear in the Netherlands, but does seem positive in foreign research.

The effectiveness of public training is hard to assess, given the lack of data, but international survey studies suggest that effectiveness is often disappointing, especially compared with the costs. For specific groups results are positive. This is valid for example for women re-entering the labour market and immigrants well educated in their country of origin. Cost effectiveness is low, but could be increased by focus on special groups. We summarise our findings on effectiveness with a question mark. Indirect effects are unclear.

Subsidised jobs directly created by the government are often not effective in stimulating outflow into regular employment. Especially in the light of the high cost this result is disappointing. Outflow into regular employment is however not the only objective of all subsidised jobs. They do happen to offer a large number of people social contacts by way of employment, and the quality of the public service is ameliorated. For jobs for disabled (WSW) the aim of outflow is practically absent. On the effectiveness of instruments for the occupationally handicapped in the Netherlands, such as wage cost subsidies, no conclusion can be drawn yet. Finally, fiscal measures show possibly small positive results, but large dead weight losses. The effect of the fiscal reduction for hiring long-term unemployed is better than for low-income workers. Indirect effects are unclear.

6.2 Equal opportunities

Even though in recent years the Dutch government issued separate emancipation reports, Dutch equal opportunities policy is an integrated part of other policies. The focus on the subject of equal opportunities is on the possibility to combine work and family responsibilities over the life cycle of individuals. Hence childcare, leave schemes and working time regulation are the central issue. Apart from this, little action is taken regarding equal opportunities. Nevertheless the government set goals. In 2010 the female employment participation rate should be 65% (2000: 52%), the share of women with an income high enough to provide economic independence should be 60% (1998: 39%) and the 'female share' in total labour income should be 35% (1998: 28%). Regarding family responsibilities the aim for 2010 is to have 40% of unpaid work connected to family life taken care of by men (1998: 35%).

This section gives an overview of existing policy and its effectiveness in stimulating female labour supply. Unfortunately not many evaluations per subject exist. Most measures are evaluated once, with the aim of determining the use of the regulations, which is not informative on its effectiveness in stimulating female labour supply. Nevertheless we give an idea of the effectiveness based on

observations that come closest to 'effectiveness', also using international literature. Once again our aim is to provide insight into the net effectiveness. In this case this means the number of women that participates on the labour market due to the policy measure, that otherwise would not have participated.

6.2.1 Childcare

Economic literature suggests that subsidising childcare is an effective means of stimulating women's labour supply.⁷⁸ Nevertheless the number of childcare places in the Netherlands is less than seems desirable and only a small part of it is subsidised. Table 6.9 gives an overview of the number of children in childcare. Only 15% of the 0-3 year olds use this facility, and only 2% of the 4-12 year olds do. The use is to a large extent determined by the supply of childcare places, because of the fact that a shortage still exists.

Little empirical evidence exists on the volume of informal childcare, but this is probably as large as the formal childcare. No empirical evidence exists on the substitution between formal and informal childcare. No empirical evidence exists on the effect of informal childcare on women's participation rates. Finally, governmental policies focus primarily on formal childcare arrangements, and to a minor extent on informal arrangements.

The share of childcare cost paid by Dutch parents themselves, diminished over time. This means that an incentive is given to the labour participation of women, also because female labour supply is more elastic than that of men. Powell (1997) e.g. reports a significant negative effect of childcare cost on both female labour force participation and the hours of work. The childcare cost elasticity for labour force participation is estimated to be -0.38 in Canada. A national study of the effect of childcare shows a high social yield of subsidising childcare: the government income by means of extra taxes outweigh the cost of the subsidies.⁷⁹ Also the individual yield due to the increasing economic independence of women is positive.

The share of the cost paid by the government also diminished over time, which combined with the diminishing contribution of parents means the costs paid by firms have risen. This appears to cause some problems. Employers are less willing to hire workers for which they have to pay childcare cost than workers for which these cost are absent. This means an obstacle for the job-finding opportunities of women. In addition, employers pay more for childcare for employees with a lower income. This means that the former conclusion is especially true for women in the lower segment of the labour market. The New Childcare Act, which becomes law in 2004, aims at removing these obstacles. From then on, firms will pay a fixed amount per employee who uses childcare. This new act also introduces a change in financing of childcare by the government. Instead of subsidising places directly, all parents get a budget (voucher), which they can spend on the childcare they want. This will stimulate the supply of commercial childcare. As the vouchers are attached to the child and

⁷⁸ E.g. Ribar (1992); Gustafsson and Stafford (1992); Maassen van den Brink et al. (1995).

⁷⁹ Maassen van den Brink et al. (1995).

not conditional on having paid employment, this will diminish the effect on labour force participation of women.

Table 6.9 Number of children in childcare

	1990	1992	1994	1996	1998	1999
all day care	38,400	56,700	83,000	100,800	117,200	133,500
halve day care	2,500	3,600	4,200	4,100	3,900	3,500
company places	4,600	4,600	5,100			
out of school care	5,000	10,500	15,200	25,200	39,000	52,000
guest parental care	2,400	9,300	12,200	15,800	21,700	21,000
child care for 0-3 year olds	6.1%	8.4%	10.4%	13.4%	15.6%	
out of school care (4-12 year olds)	0.3%	0.6%	0.9%	1.5%	2.2%	
share paid by:						
government	53%	49%	40%	37%	33%	
parents	34%	31%	26%	25%	19%	
firms	11%	18%	31%	35%	45%	

Source: Keuzenkamp and Oudhof (2000).

6.2.2 Leave Schemes

The Parental Leave Act, allowing parents to take some time off during the first years of their children's lives, also seems to help in stimulating women's labour force participation. Women make more frequent use of parental leave than men do. If the legislation would not have existed, 13% of the female leave takers would have quit their job, 51% would have continued working fewer hours and 29% would have continued in the same way as before and the rest does not know. For men these values are 2% respectively 26% and 67%. Of course this is a subjective way of measuring the effect of the act on labour participation. Nevertheless it gives an indication that the act indeed stimulates women to continue working. It has to be noted however that most women start working part-time when the leave is over. Probably part of the women would also stop working in case working part-time would not have been possible, which means it is not just the possibility of parental leave that keeps them in their job, but also the subsequent possibility to work part-time. This means the net effect of the act is probably a bit smaller than the 13% who says they would have quit.

Grootscholte et al. (2000) also show that for some workers the parental leave is used as a stepping stone towards a part-time job. They take the leave in a part-time form and learn whether they like this and at the same time they show their employer that working part-time is possible. Many couples would prefer to work both maximally 32 hours a week (see also section 6.3). Thus parental leave is an instrument which may help in reaching this preferred situation.

The use of the act differs between sectors. It is used mostly in sectors where the leave is paid. This means gains can be reached in sectors where leave is not paid for at this moment. In 2001 the

government introduced a tax incentive to stimulate arrangements between employers and employees by making it fiscally attractive for employers to continue to pay salary during parental leave.

The Career Break Funding Act, which gives employees the right to a long period of partly paid leave when the employer finds a benefit receiver as replacement, is used very little. The requirement of replacement is the main reason for this. Therefore this requirement is released after the evaluation became public. The labour market effects are also small. Nevertheless the impression of the evaluation report is that the act could help stimulate female labour force participation, since 22% of the leave takers think they would otherwise have quit their job.⁸⁰ Of course this is a subjective measure and on top of that it just means these people would have quit for the period of the leave, after which some of them probably would have returned to another job. So the importance of this act in stimulating labour supply of women is probably small.

In 2001 a fiscal policy arrangement is introduced enabling employees to save time or money for future leave. The preservation period of holiday leave is extended from two to five years, and it is possible to allot part of the holidays to other purposes, such as long-term paid leave or training. The possibility to save leave may help both men and women to better combine work and care. As such this policy change may stimulate labour supply of women. However, no evaluation results are present at this moment.

6.2.3 Working time regulation

The evaluation of the Working Time Act (see also below, section 6.3.2) shows that the aims concerning better combination of work and family responsibilities of employees in practise did not get of the ground.⁸¹ So the implications of this act for the female labour supply are insignificant. The Working Hours Adjustment Act does seem to have potential. Working hours of couples appear to differ substantially from their ideal situation.⁸² There is however no information available yet about the use of this act.

6.2.4 Activating re-entrants

Another issue regarding equal opportunities concerns the activating social policy aimed at re-entrants. Re-entrants are mostly women who start working again when their children reach a certain age. There appear to be some problems on this issue, especially with respect to the lower educated re-entrants.

First of all there appears to be little financial incentive for lower educated women with children to start working. Janssen et al. (2001) find a large poverty trap, in particular for low-paid part-time work, on the basis of calculations based on the new tax system that was introduced in 2001.

⁸⁰ R. van der Aa et al (2000).

⁸¹ Mevissen et al (2001).

⁸² Keuzenkamp and Hooghiemstra (2000).

Depending on the household situation and the partner income, the marginal tax rate amounts between 50% and more than 100%.

Janssen et al. (2001) show that apart from the absence of financial stimulus, there are institutional barriers for re-entrants in the Netherlands. They conclude that only 20% of the female re-entrants trying to find work wished to take part in reintegration trajectories. The intentions are to increase this number to 80% in 2010.⁸³ Wijnands and Sabir (2001) conclude that lack of acquaintance causes the small use, which means more information should be provided. FNV (2000) concludes that another bottleneck is the fact that women do not feel welcome, because the assistance from labour exchange or temporary work agencies was minimal. Women were told they were too old or their wishes (part-time during school hours) were impossible. Based on interviews with representatives of public and private employment agencies Janssens et al conclude that these agencies indeed do not put much effort into finding work for these women if their wishes are perceived unrealistic. Also women appear to become demotivated when they find out they can only work for low wages, because their experience has little job market value.

From these national investigations we conclude that mediation of re-entrants falls short. In section 6.1.2 we already showed that job search assistance leads to higher job finding probabilities, which holds for most unemployed, but in particular women. This effect is larger for people with worse labour market perspectives. So offering job-finding assistance could especially help re-entrants with mediocre perspectives. Since job-search assistance is usually the least costly active labour market programme,⁸⁴ an extension of this assistance would be advisable.

Institutional barriers also appear to exist regarding schooling for re-entrants. Women re-entering the labour force often have had little schooling (30% less than secondary vocational education) or their knowledge has become obsolete. Nevertheless a substantial group gets classified as having little distance to the labour market. Janssen et al. conclude on the basis of interviews with representatives of intermediaries that this happens too often. In that case women get no schooling offer, while they do need additional schooling. In previous years special Women's Vocational Schools (Vrouwenvakscholen) recruited potential re-entrants. There were approximately ten schools throughout the county, and they were mainly funded by the European Social Fund. The schools had very good achievement rates. Now most of these schools are closed, partly because of mainstreaming policies: the schools have become part of the adult vocational training system for jobless persons.

We may conclude that too little re-entrants receive education. International literature shows that it is this group that would gain most from schooling. Martin and Grubb (2001) stress that both formal classroom training and on-the-job training appear to help women re-entrants, while they are not effective for men.

⁸³ Ministerie van Sociale Zaken en Werkgelegenheid (2001b).

⁸⁴ Martin and Grubb (2001).

6.2.5 The social security system

The change of a society in which only males work and women stay at home to take care of children by a society in which both partners work, demands changes in the system of social security. Formerly all Dutch regulation was based on the breadwinner's model. This model originates with a standard life pattern of men (first school, then uninterrupted period of full-time work, then retirement) and a standard life pattern of women (first school, then short period of paid work, then caring for children and husband). The income of the breadwinner was protected against social risks like illness, disability, unemployment and ageing. The income of the (female) partner was protected against the risk the income of the breadwinner was lost by death or divorce. In recent decades the changed view on the life pattern of especially women led to changes in the tax legislation, labour legislation and family legislation and in the social security system. The social security system is influenced by a growing number of women in paid job. But also elements of the legislation that protected women against the loss of the partner's income are abolished. We give an overview of the regulations, which influence labour participation of women.

The system of health insurance has not been changed. This means that non-working women are automatically insured by way of their working partners. This contributes to the poverty trap (better perhaps: dependency trap) that arises in case these women start working.

The risk of losing the partner's income is covered by alimony legislation. Men have to pay alimony to their former wives in case of divorce. This legislation nowadays offers less protection than it did in the past. Alimony is no longer awarded for an indefinite period of time, but restricted to a period of 12 years, with a limited possibility to extend it. This means that after this period women lose income, which is an incentive to start working, if they did not do so already.

Another part of legislation that has changed, is the replacement of the Act on Widows and Widowers by the General Relatives Act in 1996. The protection of women against loss of their partner's income has been reduced substantially. It means amongst others that widows who were born after 1950 are no longer entitled to benefits. They now have an incentive to start working, which they did not have under the former act.⁸⁵ Women with children younger than 18 years are still entitled to benefits for their children. A large part of the ANW-entitled is already working.⁸⁶ A problem is that the responsible organisations do little to stimulate the rest to turn to the labour market. These women are not obliged to look for work, which hampers reintegration efforts. But as soon as the youngest child turns eighteen, the benefit lapses, which means women have to apply for social assistance. It would be better if they already oriented themselves on the labour market before that moment.

⁸⁵ CPB (2001).

⁸⁶ Does et al. (2001).

6.2.6 Equal Pay

The Act on equal treatment of men and women became law in 1980. It says that the unit of comparison between a man and a woman performing the same work is the firm in which they work. Also it says that labour should be valued according to a sound system of function valuation.

One study shows that the difference between wages of Dutch men and women is 23% in the market sector and 15% in the public sector. Correcting for observed differences, like education, experience, tenure, age and function type, between men and women leaves a difference of 7% and 4% respectively.⁸⁷ It is possible that part of this difference is not due to discrimination. Not all relevant variables have been included in the regression analyses. This applies mostly to the inclusion of detailed industry and occupational dummies, but also to the inclusion of a variable 're-entrant'. Another study shows that occupational segregation, measured by five aspects, is the main cause of the pay gap between men and women.⁸⁸ First of all women work in other occupations than men and these occupations are lower paid. Within occupation there are hardly any pay gaps. Secondly women work at lower functional levels, which causes them to earn less. Thirdly men more often have managerial positions and if women do so, they profit to a lesser extent from it. Fourthly the number of hours worked was checked, but did not appear to influence the hourly wage of men versus women. Fifthly factors like education level, education strand and age influence the pay gap. Career breaks negatively influence women's, not men's, financial position. In short, there is little scientific support for the hypothesis that the unexplained part of the wage gap is due to discrimination.

Nevertheless the observation of differences, explained and unexplained, does give an indication of the existence of unequal pay. Therefore the Dutch Ministry of Social Affairs decided to develop a scan to test job classification systems on gender neutrality. This scan is at this moment being developed. Also influence of the transition to new, flexible, pay systems on equal pay is subject of discussion.

The subject of equal pay is primarily the responsibility of the social partners. The government stimulates and supports their actions. In 2000 the European Trade Union Confederation decided to start a broad campaign for equal pay. There is no information about its effectiveness however. At the beginning of the year 2001 one of the large Dutch trade unions stated that in its new policy on employment conditions the reduction of the pay gap between men and women remains an important point of attention.⁸⁹

⁸⁷ Arbeidsinspectie (2000).

⁸⁸ Bakker et al. (1999).

⁸⁹ FNV (2000b).

6.2.7 Summary

The analysis in this section shows that there remain many opportunities to stimulate equal opportunities. The summarising table 6.10 below shows the rough assessments. The score-codes used in the table are the same as in section 6.1.6:

Table 6.10 Policy measures related to equal opportunities

measure	Impact of EES	Net effectiveness on female participation	Possible indirect effects	EES learning
Childcare	0	++	?	
Working time regulation	0	?	?	
Activating re-entrants	0	+	?	
Social security reform	(0)	+	?	NL received EU recommendation on improving tax benefit system for female participation.
Equal pay	0	?	?	NL did not attend peer review female entrepreneurship (Sweden) and gender digital divide (Germany)

Even though the female labour participation increased significantly in recent years, strong opportunities remain to stimulate it further. Participation by women, which we focussed on in this section, can be stimulated further by means of extra (subsidised) childcare, better job search assistance and schooling possibilities for women re-entrants, payment of (parental or care) leave and diminishing the poverty (dependency) trap. This would help to continue the rise in employment participation of women. However institutional arrangements were found to contribute only marginally, if at all, to the rise in female labour supply up to this moment.⁹⁰ The increasing proportion of women with higher education and a high valuation of market work were the two main causes of rising female participation in the labour force. In addition, greater flexibility in work schedules (part-time work) has relaxed a demand constraint, allowing more women to participate in the labour market. Nevertheless increasing childcare facilities and increasing training and job search assistance for potential re-entrant appear to offer policy opportunities for the future.

A conclusion of the effectiveness of Dutch measures on promoting equal opportunities for women is summarised by Schippers: “most policy measures fail to hit the mark. Even though the intentions behind all measures are good, the political discussion usually leads to a compromise that is less

⁹⁰ Schettkat and Yocarini (2001).

effective (or worse, ineffective) than the original plan or idea. These 'second best' solutions bring their own political dynamics."⁹¹ As a matter of fact, Schippers also criticises the lack of priority given to equal opportunities: it seems to be more of an afterthought to employment policy. Nevertheless the introduction of the Emancipation Task Action Plan, the 'new social action contract' of the social partners and the introduction of the Equal Rights Monitor are seen by Schippers as positive action regarding gender mainstreaming.

6.3 Modernising work organisation

The issue of modernising work organisation is wide ranging. Determine the effectiveness of policy is complex. After all, the goal of modernising work organisation is not very concrete and thus hard to measure.

We address efforts taken by government and social partners with the intention of modernising work organisation. Specifically, we address the Flexibility and Security Act, the Working Times Act, the Working Hours Adjustment Act and the Investors in People project. Few studies give information about the impact of the policy under consideration. Where available we give an overview of these effects, keeping in mind that these effects are not always directly related to the main goal of modernising work organisation.

6.3.1 Flexibility and security

The most important Dutch legislation that aims at modernisation of work organisation is the Flexibility and Security Act that was introduced in 1999. Two evaluations of this act have been performed since.⁹² Also a discussion paper, used as input for the peer review that the Netherlands organised on this subject, was issued.

The aim of the act is to improve the functioning of the labour market, by deregulating among others market entry for employment agencies on the one hand and improving labour- and social security rights for flexible employees. Initially, there was some fear that improved labour rights would lead to a reduction of flexible employment. It is hard to assess whether this effect indeed occurred. No hard information is available on the transition attributable to the new act of employees from the various types of flexible labour to either unemployment or permanent employment. Soft information based on questionnaires among employers and employees suggest that negative effects are limited.⁹³ Employees indicate that 4 to 7% of transitions had to do with the Flex and Security Act. According to employers' estimates, 6,000 fixed term contracts were terminated leading to unemployment. On the other hand, 72,000 of the fixed term contracts changed into a permanent position. Most

⁹¹ Schippers (2001).

⁹² Grijpstra et al (1999) and De Klaver et al (2000).

⁹³ De Klaver et al (2000).

employers hold that the Flexibility and Security Act is no hindrance or stimulus for their willingness to hire personnel (Table 6.11). If however they think there is an effect, it is mostly negative. Only the fact that after three fixed term contracts, the fourth one at the same employer automatically becomes a permanent one, is seen more as a stimulus than a hindrance for hiring personnel, both fixed-term and permanent.

Table 6.11 Effect of the Flexibility and Security Act on employers' willingness to hire personnel

	hindrance	no effect on willingness to hire	Stimulus
refutable legal conjecture	24%	70%	7%
pay on call workers at least 3 hours per call	29%	64%	7%
limitation period exclusion right to continued wage payment	31%	52%	17%
change in trial periods	22%	73%	6%
fourth fixed term at same employer is automatically a permanent contract (effect on fixed term employment)	9%	66%	25%
fourth fixed term at same employer is automatically a permanent contract (effect on permanent employment)	11%	71%	18%
terms of notice	7%	83%	10%
change in agency work agreement	18%	66%	17%

Source: De Klaver (2000).

The favourable economic situation, with a large demand for labour and few layoffs, also limits the possible negative side effects of the Flexibility and Security Act. The general opinion is that the real effects of the Flexibility and Security Act on employment will show up as soon as the economy starts developing in a less favourable way. Another remark that should be made is that many industries have not yet arranged their specific 'flex situation' in the collective labour agreement. By way of collective labour agreements it is possible to deviate from certain 'flex provisions'.

An interesting issue is the way social partners are involved in the policy process. Modernising work organisation is by its nature the area of the social partners. They had an important role in the Flexibility and Security Act. The government department drafted the act, but eventually the different departments involved could not come to an agreement. Then the social partners took the initiative and made a proposal that was practically entirely adopted by the government.

6.3.2 Working hours

Another important aspect of modernisation of work arrangement has to do with working hours (see also section 6.2.3 above). In this respect the Working Time Act, which was renewed in 1996 to streamline existing legislation regarding working times, and the Working Hours Adjustment Act, which was introduced in July 2000, play a role.

The Working Hours Adjustment Act legally facilitates preferences of employees for an increase or decrease in their working hours. The employer has to approve this preference, unless serious company interests are at stake. As such, the act did contribute to the modernisation of work arrangements. The act has not been evaluated yet, therefore, it is hard to assess its effects

The potential of the Working Hours Adjustment Act is large, especially among young parents. In 1998 34% of the couples were single earners, 36% one-and-a-half earners (woman part-time, man full-time), 4% half-half earners (both part-time) and 14% double earners (both full time). Asked for their preferences, 35% of both men and women say they would prefer the half-half earners situation, 30% of both prefer the one-and-a-half earners situation, about 25% prefer the single earners situation and only 5% prefer the double earners situation. This means a lot of working partners would like to change the way man and woman combine work and care. And thus they would like to change their working hours.

In practice employers and employees already negotiated working hours whenever any of the two wished to change the contract before the act came into force. The bargaining power of employees has since been strengthened: occasionally, employees go to court in order to defend their rights. In general, however, the act seems to formalise what informally already broadly existed. Nevertheless we can conclude that in Dutch society the possibilities to adjust working hours have been increased and as such work arrangements have been modernised.

The renewing of the Working Times Act in 1996 had two aims:

1. the promotion of safety, health and well being of employees in relation to their work and resting hours;
2. to contribute to the possibility to combine work and care activities meeting the flexibility wishes of both employers and employees.

Few Collective Labour Agreements were adjusted on the issue of safety, health and well being. Probably, social partners had already reached equilibrium between the demands of employers and employees. The stimulation of larger flexibility in work and resting hours has been achieved to a large extent, on this regard The Netherlands belongs to the forerunners in the EU. Thus the renewing of the act indeed contributed to the modernisation of work organisations.⁹⁴

The fact that the Working Times Act seems to help in granting people's wishes regarding working hours, indicates effectiveness of the act in modernising work organisation. An opposing feature is formed by the fact that 22% of organisations infringes the rules: 10% infringes the standard norm that is laid down in the Working Times Act and 12% infringes deliberated norms. Most of these are on the issue of maximum daily or weekly working hours, night shifts and over time. Also the fact that 40% of employees had problems regarding the combining of work and care, even with employers who kept to the agreements made, means that the aim of the Working Times Act in this

⁹⁴ Mevissen et al. (2001).

respect was not reached. Earlier, we noted that the aim of enhancing the possibilities of combining work and care is not yet sufficiently realised. So some further modernisation remains to be achieved.

6.3.3 Employability

Inspired by experience in the United Kingdom, the Dutch ministry of Economic Affairs started in the end of 1997 with pilot projects 'Investors in People'. The companies involved in this project are coached to develop plans for strategic staffing policy. In these plans they determine what type of knowledge and skills they need and what should be done to develop these. Once the plan is approved by the independent IiP-commission, the company gets the IiP-certificate.

A review of British research and evaluation on Investors on People shows that employers who become involved mainly expect to see benefits in terms of workforce development, although some also expect to see improved business performance and increased public recognition.⁹⁵ A clear majority of employers report having achieved the benefits they anticipated in terms of workforce development. Furthermore, many employers report that IiP has improved their business performance. It has not yet been proved that the link is causal.

Legislation on flexibility and security, working times and part-time work supports employability. Furthermore, government and social partners actively discuss issues like quality of employment, Human Resource Management, (age conscious) staffing policy, preventing illness/disability, training and the like.⁹⁶ This signals some growing awareness on the subject of modernising work organisation in the Netherlands.

6.3.4 Summary

The effectiveness of the measures that fall under the heading of improving work organisation is summarised in table 6.12 below. The codes used in the table are the same as in section 6.1.6. Note that effectiveness of modernising work organisation is not easy to assess, as quantitative or specific qualitative goals are not always easy to identify. Note also that on some issues, like flexibility and security, the Dutch situation is very different from (and, one might argue, ahead of) most other EU countries. It is, therefore, a fair judgement to hold that with regard of flexibility and security, positive impact on labour market participation and work quality exists. The impact of EES is small. Given the position of the Netherlands the peer review that was organised seems well chosen.

⁹⁵ Claytor (2002)

⁹⁶ Ministerie van Sociale Zaken en Werkgelegenheid (2000c).

Table 6.12 Policy measures related to work organisation

Measure	Impact of EES	Net effectiveness	Possible indirect effects	Remarks
Flexibility and security	0	+	?	NL organised peer review
Working time regulation	0	?	?	NL did not attend peer review France
Employability	+	?	?	NL attended peer review life-long learning (UK) and employability (Denmark), but not self-employment (BRD/Italy)

6.4 Conclusions

Chapter 3 gave us insight in the labour market developments of the Netherlands. It showed some problem areas at the start of the EES and how the performance on these issues changed between 1998 and 2000. Chapter 4 summed up the policy developments aimed at increasing performance. In this chapter we determined to what extent this policy could indeed be held responsible for the improvement of macro labour market indicators. We also reflected on the impact of the EES on introducing new policies, and learning effects that may be due to the EES.

Our conclusions about the effectiveness of Dutch labour market policy are mixed. A very serious problem is the lack of solid studies addressing net economic effectiveness. In addition, the (scarce) existing national evidence, combined with international research results, lead us to the conclusion that the improvement of the macro labour market performance is primarily the result of the positive development in the economic environment (high gdp-growth). Quite some specific measures have little proven measurable impact if at all, occasionally at high costs (training, wage cost subsidies). Those measures were often inspired by the bad economic tide of the 1980 and early 1990. Once they became implemented, however, the tide had changed and their value added in a much stronger economic environment is often doubtful. This interpretation is very much in line with the findings of the governmental studygroup Toekomst van de Arbeidsmarkt (SZW 2001a).

7 General conclusions

This report presented an analysis of the European Employment Strategy on the Dutch level. The European Employment Strategy (EES) started in 1998 and is based upon four pillars: employability, entrepreneurship, adaptability and equal opportunities. Its aims are to improve performance of labour market policy of member states, by means of what since the Lisbon summit (2000) is called the method of open co-ordination. Open co-ordination is a political model of 'soft' decision-making based upon peer pressure and benchmarking. For that purpose, the EES uses guidelines, indicators, National Action Plans, recommendations and peer reviews. These are what we call the learning instruments of the EES. In this report we assess whether the learning instruments of the EES were helpful for Dutch labour market policy and performance and, therefore, helped reaching European goals.

The EES was introduced at a moment when the Dutch economy was flourishing. In many respects, the urgency of the strategic aims of European labour market policy was lower in the Netherlands than in most other EU member states. Still, at the start of the EES several themes were identified as relevant for the Netherlands. The most important ones were large long-term unemployment, low participation of elderly and women, and high disability rates. These issues were addressed by new Dutch policy, as we described in chapter 4, falling under the employability pillar of the EES. This pillar is generally perceived as the most important one for the process.

The guidelines of the EES were instrumental to the introduction of an encompassing comprehensive approach. The European guidelines helped to give those responsible for labour market and social policy an argument to increase efforts on preventing long-term unemployment. Long term unemployment decreased sharply since the start of the EES. This development is largely unrelated to the EES, however, and has much more to do with the tight labour market that arose after continuing high growth rates of Dutch gdp.

Overall employment participation was already satisfactory at the start of the EES, at least when measured in persons. A pressing issue remained the participation of elderly persons and women. Some policy measures have been implemented since 1997, but we do not see a strong tendency of policy innovation due to learning from other EU member states in this respect. Chapter 6, in which effectiveness of different policy instruments was assessed, showed that a number of measures, in particular training and job mediation for women, might benefit from more focus to those groups.

We noted that unemployment indicators for the Netherlands are flattering, due to the relatively large number of people receiving disability pensions. This number increased further since the start of the EES. Policy initiatives taken since are still too premature to provide a convincing assessment. The Netherlands received a recommendation of the Council on this issue. This was however formulated in a rather vague way, with little engagement.

As far as policy learning concerns, we conclude in chapter 5 that the Netherlands clearly benefited from the EES on four points. First of all, the encompassing comprehensive approach for the unemployed would not have been introduced with the same urgency had the EES not existed. To a lesser extent life long learning was stimulated by the EES. Since this guideline is explicitly addressed by the social partners, no shift in government budget is attached to this issue, which diminishes its impact. A third learning issue regards statistical monitoring. Twice, the Netherlands received a recommendation on this issue. The monitoring of the comprehensive approach indeed ameliorated. In chapter 6 we conclude however that measuring effectiveness of policy, an important aspect of monitoring, still needs a lot of improvement. A final issue on which the Netherlands learned from the EES concerns the quantitative goal for female labour participation. Before the EES was introduced, the Dutch policy view regarded employment by women as an individual choice. The guidelines of the EES demanded policy to stimulate women to participate in the labour force and, combined with the European call for quantitative goals, it stimulated the Netherlands to set its own goal for female labour participation (65% in 2010).

Apart from these four learning issues, chapter 5 shows that many labour market measures and instruments that have been presented within the context of the EES would have been introduced anyway: whether or not an EES had existed. Learning from other countries' experiences would have been possible as well. On the level of specific policy formulation, therefore, the EES seems of relatively modest importance. Nevertheless, all of our interview partners were in principle positive about the open co-ordination process (although questions were raised about overshooting refinement of indicators and a tendency towards country-specific instrument-orientation of the EES). Both politicians, high government officials and social partners derived ideas from it. However, we see another potential value added in a different dimension. An advantage of the EES is the possibility to make a comparison between the effectiveness of different policy instruments. As we have shown in chapter 6, assessments of net effectiveness are a very weak point of the policy process – a conclusion that may hold for more EU member states. By introducing measurement standards (cf. the recommendation of the EC) but also assessment procedures, comparative experiences may become more transparent. An EES that would be less geared towards inspiring and monitoring specific instruments, and more to the general policy making and policy evaluation process, would yield value added. Two main conclusions are that the focus of the EES is not clear and that no learning from failures takes place. All in all this leads to the conclusion that the EES was not without merit for policy making, but neither was it the powerful tool for improving social economic policy in the Netherlands it could have been.

Chapter 6 showed that Dutch labour market policy is rather fragmented: many instruments and schemes are used aiming at the same goals. The EES does not help to bring more structure into this policy. It is rather an extra policy layer. Likewise chapter 5 concluded that the EES did not help in decreasing the fragmentation of labour market policy over bureaucratic divisions of the Dutch ministries.

Chapter 6 also shows that modesty is needed in making claims on the effectiveness of the range of policy instruments that the Netherlands put under the flag of the EES in the annual National Action Plans. Either, because net effectiveness is questionable in light of the costs, or because, given the way policy is evaluated, a solid assessment is impossible.

Apart from net effectiveness, one finally may claim a success for indirect effectiveness. Policy not only has effect in itself, but may also change social opinion or culture; it gives a signal to society that an issue is deemed important. Consequently, this may change the way citizens, businesses and institutions behave. As this effect is in many cases close to impossible to measure, its existence will often remain a matter of faith. We are convinced, however, that indirect effectiveness of policy instruments with proven positive direct net effectiveness will in the end be higher than indirect effectiveness of measures without positive direct economic value. For the future of the EES, we therefore hope EES facilitates politicians to learn from the effectiveness of each other's policies – and from the harsh economic lessons that are inevitable in adaptive and innovative policy making.

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Annex 1 Persons interviewed

The analysis in chapter 5 is based on policy documents and interviews with people who are in practise concerned with the carrying out of the European Employment Strategy in the Netherlands. This means we have been talking to representatives of the Dutch Ministries of Social Affairs and Labour; Education, Culture and Science; and Economic Affairs, with representatives of employers' and employees' organisations, with politicians in Dutch parliament, with the European Commission and the Permanent Representation of the Netherlands in Brussels. The semi-structured interviews took 60 to 90 minutes of time and were kept by two of the authors of this report in the office of the interview-partners. The interview-partners were provided with a similar questionnaire, which was sent to them beforehand (see Annex 2). The status of the interviews was to arrive at a full overview of the potential impact of the EES, statistical representative ness was not aimed at. In addition we acknowledge that over the last two to three years we have been in contact to several members of the national and European parliament, as well as to civil servants in the Dutch public administration who have explained us the development of the EES. Also some telephone interviews have been conducted. A full list of official interview-partners and contact-persons, as well as the questionnaire have been provided in the annexes of this report.

Mr. Gerard de Vries is director of the department General Social and Economic Affairs of the Ministry of Social Affairs and Employment. This department is responsible for the Dutch co-operation with the European Employment Strategy. It keep up contact with the European Commission, is responsible for the drafting the Dutch NAP and initiates benchmarking processes. Mr. De Vries has since the beginning deputy member of the Employment and Labour Market Committee (EMCO) and has visited all meetings of this committee.

Mr. Roel Feringa has been involved in the start of the employment strategy as deputy director of the Labour Market department of the Ministry of Social Affairs and Employment. Since the department of General Social and Economic Affairs is the main actor in the EES, the discussion does not pass by the Labour Market Department directly. So Mr. Feringa was not asked for his specific knowledge about the EES process in total, but about the part in which his department is involved closely.

Mr. Bert Feringa is director of the department Employment Relations of the Dutch Ministry of Social Affairs and Employment. This means he is also indirectly involved in the EES process. He performs in discussions about the proposed good practises, especially when the Flexibility and Security Act was on. Furthermore he takes care of the contacts with the social partners about the NAPs and the drafted guidelines. He is chairman of gender mainstreaming and co-ordinator in the area of work and care.

Mr. Hans Borstlap was one of the highest government officials of the department of Social Affairs and Employment when the EES was prepared. This means he was actively involved in that process.

He has been chairman of the EMCO for some time. At this moment he works at the Ministry of Education and sees the process from a different angle of incidence.

Mr. Steven van Weyenberg and mr. Ronald Roosdorp are employed at the department of General Economic Policy of the Dutch ministry of Economic Affairs. This department is responsible for the input of this ministry in the EES. It has the second Dutch seat in the EMCO. Mr. Van Weyenberg formerly had job responsibility about the EES, at this moment Mr Roosdorp has. His task is to join meetings of the Economic Policy Committee (which forms the second pillar of the Ecofin Council, next to the monetary one). He also joins meetings of the Jumbo Council (all European ministers of social affair, economic affairs and finance).

Mr. Ad Melkert was as Minister of Social Affairs and Employment involved in the preparations and setting up of the EES. He played a leading role in this process. Since 1998 his ministerial period was over and he became a member of the Second Chamber for the parliamentary Social Democrats (PvdA). He was interviewed both because of his former involvement and as a current member of Dutch Parliament not present in the parliamentary committee of social affairs.

Mrs. Gerda Verburg is a member of the Dutch Second Chamber of the parliamentary Christ Democrats (CDA). She is a member of the parliamentary committee of social affairs and spokesperson for her party on social issues.

Mr. Sip Nieuwsma is secretary of social affairs of the Dutch employers' organisation VNO-NCW. He has amongst others labour market, education and social security in his job responsibilities. He deliberates a lot in the consultative bodies of the Employment Foundation (STAR) and the Social Economic Council (SER) with employees' organisations and the government. He also keeps contact with the ministry of Social Affairs and Employment and UNICE, the Union of Industrial and Employers' Confederations of Europe. These three contacts are also used with respect to the EES.

Mr. Simon van de Pol has since the start of the EES been involved in the process as representative of the Dutch employees' organisation FNV. For this organisation Mr. Van de Pol performs the national part, with employers and the ministry of Social Affairs and Employment and the contacts with other European employees' organisations in the ETUC, the European Trade Union Confederation.

Mr. Paul van Leeuwe is a member of the Dutch permanent representation in Brussels. He has been involved in the EES since the beginning.

Mr. Lönnroth joined the European Commission in June 1996. Since then Mr. Lönnroth is responsible for the actual development and drafting of the various documents and initiatives which the European Commission has taken in the field of employment. He has worked as director Labour Market Policy under Alan Larsson, the Director General at that moment. At this moment Mr. Lönnroth is deputy director general.

Apart from these people who were officially interviewed, following the interview protocol, given in Annex 2, we talked with some people in a more informal setting. It concerns the following persons:

Mrs. Jet Bussemaker is a member of the Dutch Second Chamber of the parliamentary Social Democrats (PvdA). She is a member of the parliamentary committee of social affairs and spokesperson for her party on social issues.

Mrs. Ieke van de Burg is a member of the European Parliament for the Dutch Social Democrats (PvdA).

Mr. Wim van Velzen is a former member of the European Parliament, also for the Dutch Social Democrats (PvdA). Currently Mr. Van Velzen is a research fellow of the Amsterdam Institute for Labour Studies (AIAS).

Mr. Bart van Riel is currently working at the Dutch Social Economic Council. Formerly he was employed at the European party of the Dutch Social Democrats (PvdA).

Annex 2 Interview protocol

Introduction and background questions (15 minutes)

- What is your involvement/relation with the European employment strategy?
- Do you think the European employment strategy has the same urgency as the European monetary strategy or the European competition policy?
- Who determines the contents, guidelines and evaluation criteria of this strategy? How, in this context, has the relationship between European Council of Ministers and European Commission developed during the Luxembourg process?
- In your opinion, is the European policy process mainly based on practical issues or determined politically?

Content questions (60 minutes)

- How are the guidelines received in the Netherlands? Who knows about them? What happens with them? At the ministries? The chamber? In practice?
- In your opinion, do the measurable guidelines add value to Dutch employment policy, or do they mainly consist of existing policy targets?
- What have been the changes in instruments, targets and evaluation criteria for policy with respect to (i) labour participation, (ii) activation of social policy and (iii) the modernisation of labour organisations (please explain this for each guideline, if relevant).
- Are these changes the result of European discussions, recommendations, initiatives, thoughts, or do they stand on their own?
- How and by which criteria are the NAPs evaluated in Brussels and in the Netherlands?
- How does the national policy process relate to international policy cycles? What are possible bottlenecks (in time span and content) and how can they be avoided? When does peer pressure become an issue?
- Have any experimental projects or new workgroups been started? In what areas and what is their significance?
- How and when can best practices be determined? Which criteria are used in peer reviews? Does the strategy aim at setting examples?
- In which areas should European employment strategy be improved (adapted, abolished focussed on regions, supplied with instruments)?

Impact (15 minutes)

- What is the most important added value of the European employment strategy?
- Do guidelines mainly have a symbolic value, or do they genuinely induce policy?
- Do the Netherlands learn from other countries? Can you give a true example? Do other countries learn from the Netherlands?
- What other sources should we consult?

Thank you ver much for your co-operation!

Annex 3 Policy development

A3.1 Employability

Comprehensive approach for unemployed

At the start of the Luxembourg process, the Netherlands already had a comprehensive approach for *young persons* up to the age of 23, due to the 1992 Guaranteed Youth Employment Act (JWG). Since 1 January 1998 the act has been subsumed into the wider ranging Jobseekers' Employment Act (WIW). According to this act a joint plan is drawn up, at the time of unemployment registration, with every young person who registers with the Employment Office and/or applies for a benefit from the Municipal Social Services. The aim is guiding that young person towards the labour market.

With respect to *adult workers* (over 23 years of age), the situation in 1998 was different. Not every unemployed person was offered a new start within a year. Approximately 865,000 people registered as job seeking with the employment office every year. Following registration, their distance to the labour market was determined. The vast majority of the new inflow is capable of finding a job independently. In 1998 it was estimated that 265,000 people annually do not manage to do so and that they need additional support. Half of this group was already reached using existing tools, for example by the Occupationally Handicapped Reintegration Act (REA, see below). This left 135,000 people per year to whom an additional offer had to be made. This was the potential target group of a new policy, known as the 'comprehensive approach', developed in the memorandum 'Preventing Long-term Unemployment', which was submitted to the Dutch Lower House in November 1998.

The 'comprehensive approach' could not be completely comprehensive as early as 1999, because its funds were not adequate and the executive organisations were not ready for it. According to the Dutch NAP 1999 the cabinet opted for a growth model, in which the comprehensive approach would be fully implemented for the new cohorts of unemployed in about four years. The NAP 2000 announced that the Dutch government set itself the task of introducing a 'comprehensive approach' for all new unemployed by 2002 at the latest. The 'comprehensive approach' for the long-term unemployed had at the end of 1999 reached more people than originally planned. The NAP 2001 announced that for new measures additional funding of 45 million Euro was made available for the benefit agencies. With these additional means it was expected that the comprehensive approach could be (almost) fully implemented in 2001, a year earlier than originally planned. The NAP 2000 announced that over the next five years the scope of the 'comprehensive approach' would be extended to include the current pool of unemployed. Thus far the 'comprehensive approach' was only aimed at people who became unemployed since January 1999.

Activating social policy

Regarding the activating elements of the *tax system* the Netherlands had a lot to win at the start of the Luxembourg process. To some extent this was achieved by the new tax system, which was introduced in January 2001. The reform not only meant a reduction of all rates of taxes on wages,

but also the introduction of a tax credit for workers and the replacement of the system of personal tax allowances by a system of tax credits. Furthermore, in September 2000 the government announced a long-term plan to tackle the poverty trap. A problem is that general measures to beat this problem are costly and politically controversial. So far, only minor steps have been made. One is the introduction in January 2001 of a uniform temporary tax-free bonus for long-term unemployed leaving the benefit system and a similar bonus for employees in special entry level or step-up jobs (ID-banen) who move permanently into non-subsidised jobs. In addition, the government is having discussions with various local authorities to establish clear criteria for income policy. The poverty trap issue is included in these discussions, which should lead to a covenant in the spring of 2001. Work will also continue on exploring (through fiscal surveys) how the marginal pressure of income-related schemes on the poverty trap can be reduced further in the next few years so that accepting a job can be made financially more attractive.

Regarding the activating elements in the *benefit system* the Netherlands also had a lot of work to do, even though a start was already made in the years before. During the 1980s the level of the benefits was reduced to 70% of last earned wage. During the period 1990-1995 the criteria for accepting work in the disability schemes and the reference and employment history requirements in the Unemployment Insurance Act (WW) were tightened up. Subsequently the Sickness benefits Act (Ziektewet) was privatised and premium differentiation was introduced into the disability scheme (Pemba). This means that since 1998 employers are responsible for continuing to pay wages during the first year of illness and that employers pay a higher premium for disability insurance as more employees flow into disability schemes (experience rating). Furthermore the new inflow into the disability schemes was examined in the light of a stricter disability criterion. Even those covered by the Disability Insurance Act (WAO) who are below the age of 45 were re-examined using the stricter criterion. Also in 1998 the Occupationally Handicapped Reintegration Act (REA) was implemented (see below at the section on preventing discrimination).

Following these adjustments, the emphasis in the following years, according to the NAP 1999 and as outlined in the 1998 coalition agreement, is on the executive structure. A new public body, the Centre for Work and Income (CWI), has been introduced, which takes on those tasks that are not thought to be eligible for competition. The reintegration task of the Employment Service is left to the market, CWI integrates the front offices of municipal social services, executive institutions and the employment services into one counter for all those entitled to benefit who are looking for work and need a benefit. A Work and Income Council is introduced in which social partners and local authority representatives will be involved in labour market policy and social security policy.

With regard to *training* received by people on benefits, the starting position of 1998 was thought to be satisfactory. The Netherlands was already using education as one of the ways of achieving (re)integration into the labour market, both for unemployed, disabled persons and people on general social assistance. Benefits for participants do not end until the training has been completed. This is the case even if the entitlement to that benefit would have terminated if no training had been

followed and during that period they are exempted from the obligation to actively look for employment.

Policy for active ageing

At the start of the Luxembourg process, the labour participation rates of older people in the Netherlands were very low. Therefore, and because of the ageing of the population, the NAP 1999 acknowledged that promoting the labour participation of older people should be highly relevant for Dutch employment policy.

In the NAP 2000 the government announced a package of measures falling into two categories:

1. measures to curb the outflow from employment, including the ending of the favourable tax treatment accorded to early retirement schemes and the protection from losing accrued pension rights of those who take a step backwards, and
2. measures to encourage inflow into employment, including extending the scope of the tax reduction for employers taking on long-term unemployed and abolishing the exemption from the obligation to apply for jobs for older workers aged 57½ and over.

In November 1999, a bill banning discrimination in employment on the grounds of age was presented to Parliament. The NAP 2001 announced an objective of an increase in the labour participation rate of older people (55-64 years) by ¾ % per year. Also the NAP 2001 mentioned the drafting of a bill to abolish the favourable tax treatment for voluntary early retirement schemes. It also contained a proposal for the adjustment of the scope of the tax reduction scheme for taking on long-term unemployed people, by lowering the age of entitlement from 55 to 50 and raising the maximum income from 130% to 150% of the statutory minimum wage. Finally, it mentioned the inclusion of a special statutory provision designed to prevent people who take a step backwards in their career from losing accrued pension rights. This is part of the new Pensions Bill that should be drafted by the end of 2001. An Older Workers Task Force will be installed in order to monitor relevant developments. And starting from April 2002 an increased tax credit for workers of 58 years of age and older is introduced.

Education and skills

Regarding the *transition from school to work* the aim of the Dutch government was to increase participation in vocational training programmes and to strengthen the training-work mix. The ongoing dual-track approach of the educational system represented a priority, as did the continuing efforts to combat early school leaving.

In May 1999, the cabinet published a plan of approach to combat premature school leaving, for which 28 million Euro are available. This plan was an elaboration of an earlier plan of 1993 in which regional registration centres for early school leaving were introduced. In December 1999 city covenants between the government and the 25 largest local authorities were concluded in an attempt to combat early school leaving. The 25 local authorities receive a total of 21 million Euro for this task. The rest of the 28 million Euro goes to monitoring and strengthening the regional co-ordination in other parts of the country. In 2001 the Regional Registration and Co-ordination Act

(RMC) became law, which ensures a better system of registering early school-leavers such that individual counselling can be provided. The measures are designed to help achieve the Lisbon objective, which is to halve the number of early school-leavers by 2010.

Apart from these specific measures to combat premature school leaving, some general measures have been taken to *improve the quality of education*. Additional resources have been reserved in the coalition agreement of 1998 for this purpose. This involves smaller classes, improved organisation of secondary and vocational education, more computers in classrooms and upgrading the teaching profession.

In August 2000 a plan to reduce class sizes in the first four years of primary education to 20 pupils by 2002 was implemented. In 1996 the average group size was still 26. To modernise the organisation of secondary education, as of August 1998 the existing mavo (lower general secondary education) and vbo (preparatory vocational education) systems were merged to create vmbo (preparatory secondary vocational education). The aim was to create a qualification route that can be uniformly interpreted and to promote the link with follow-up education and the labour market, which should prevent dropping out. To modernise the secondary vocational education, the Adult and Vocational Education Act (WEB) became effective on 1 January 1996. The aim is to offer young people and adults a wide range of training courses (about 700 courses, each course in two training routes – apprenticeship or full-time – divided over four qualification levels), ‘made-to-measure solutions for participants’ are possible for the institutions. This should counteract early school leaving and increase accessibility.

With respect to *life long learning*, the Dutch government has been stimulating since 1996 the combining of work and learning for the working population by means of a tax incentive scheme. Employers receive a maximum of 2160 Euro per calendar year per employee who takes a secondary vocational training (or apprenticeship) course. Also a tax concession for higher vocational training was introduced, with the aim of encouraging employers to provide vocational training for graduates of higher vocational courses. Employers receive a rebate of around 2100 Euro per student with a 36-hour working week for a period of a year. If the period is shorter and/or the number of hours lower the allowance is reduced accordingly. Furthermore as of January 1998 a tax concession for in-house training was introduced, aimed at older employees and the SME sector. The scheme was extended in January 1999. Contributions to industry wide training funds are also eligible. As the non-profit making sector is unable to take advantage of this training concession, a new concession was introduced in January 1999 to promote training in that sector, similar to the concession for company in-house training. An experiment with individual learning accounts was introduced in 2001. Starting from January 2002 a yearly tax reduction of 1529 Euro is introduced for employers with formerly unemployed workers who follow schooling aimed at reaching entry qualifications. A task force is currently examining tax reduction for personal development accounts.

Also in January 1998 the cabinet drew up a national action programme called ‘Life-Long Learning’, which covers a time scale up to 2010. In 1999 the government, in response to the report ‘Life-long

learning and working' (June 1998) by the social partners, proposed starting on the implementation of an employability agenda, together with the social partners. The NAP 2001 announced that nearly all collective agreements contain provisions on training.

Also in 1999 a quality award for companies that invest in the employability of their employees, Investors in People, was introduced, with the aim of making training a part of the corporate culture. In 2000 a pilot project for system of individual learning accounts involving 10,000 workers without basic qualifications started. Furthermore according to the NAP 2001 a Steering Group is developing a plan for unemployed people who enter the labour market without basic qualifications, to give them a chance to gain a basic qualification through a combination of working and learning.

Concerning *e-learning*, schools and institutions are given a high level of responsibility as to how they introduce ICT. Schools in primary and secondary education and the institutes for vocational training and adult education receive an amount per pupil structurally added to the budgets. In addition, the government itself is developing initiatives that exceed the scope of the individual schools. Through the ICT monitor, information is gathered nationally on the actual developments in Dutch education. The ICT monitor provides information about equipment, software use and expertise and opinions of teachers and the school management. The NAP 2000 announced that all Dutch schools would be connected to the Internet by 2001. Also in 2001 all educational establishments will be linked to the 'knowledge network' (Kennisnet), which offers educational establishments access to the Internet, and also provides a safe digital space where information and service can be found that are geared to the education sector.

Special attention is given to disadvantaged groups, which run the risk of being left behind when it comes to learning ICT-skills. Various partners in industry and education have set up a Task Force (the Risseeuw Commission) and have initiated projects with the aim of training groups that are presently underrepresented in the labour market (and particularly in the ICT sector) in ICT skills. Various measures have been initiated, partly using public funds, to improve the digital skills of disadvantaged groups and thereby put into practice the "eEurope action plan 2002". An example is the introduction of "Digital playgrounds". In public locations in disadvantaged areas in large and medium-sized cities local residents have the opportunity to acquire ICT skills under supervision, training benefit claimants in ICT skills as part of activation and reintegration policy. Another example is the Digital Vocational School pilot project with the aim of retraining less educated job seekers and provide them with ICT qualifications.

Preventing discrimination and promoting inclusion: disability

With respect to disability the Netherlands had a starting point which demanded improvement. In 1998 the relatively high Dutch level of disability (770,000 benefit years for 900,000 persons) was again rising, after falling for some years. As a means to counteract this growth, in 1998 the Occupationally Handicapped Reintegration Act (REA) and the Disability Premium Differentiation and Market Effect Act (PEMBA) became law.

The REA Act contains instruments and guarantees for employers who recruit people with an occupational handicap or reintegrate them into their own companies. Employers who recruit or relocate an occupationally handicapped person are eligible for compensation of costs involved. The employer is also protected from the financial risks of illness or (increased) disability of employees who were occupationally handicapped immediately before the appointment. Furthermore the act makes it possible to experiment with a person-related reintegration budget (PRB).

The PEMBA Act involved the introduction of premium differentiation and an (optional) own risk into the Disability Insurance Act (WAO). Through the financial incentives, the employer will be more encouraged than before to relocate partially able-bodied employees within his company and to reintegrate the occupationally handicapped. In order to counteract risk selection at the application stage, the Medical Examinations Act entered into force on 1 January 1998, which in principle prohibits medical examinations at the time of appointment. In addition social partners formulated starting points for a careful recruitment and selection policy in companies. Furthermore the NAP 1999 announced that a proposal for legislation providing for the equal treatment of people with a handicap or chronic illness is being prepared. This relates to recruitment and selection, sports and the accessibility of buildings. This proposal represents an addition to and reinforcement of the positively encouraging reintegration policy.

The NAP 2001 announced a bill (expected to become law in January 2002) designed to improve the 'gatekeeper' function, aimed at improving prevention and reintegration during the first year of illness. Both employers and employees will be encouraged to take their responsibilities.

Nevertheless the total number of disabled people in the Netherlands rose to 940,000 in 2000. The government asked a Commission, headed by Professor Donner, to identify the causes of this substantial increase and make recommendations to improve the current benefit schemes. The Donner Commission reported on its findings in the spring of 2001. The recommendations are controversial and so far, no decisions have been made on implementation.

Preventing discrimination and promoting inclusion: minorities, elderly and women

Regarding integration of *ethnic minorities*, the starting situation asked for improvement. The unemployment rate among ethnic minorities amounted to 16%, while the employment rate among native Dutch was only 4%. In 1998 the government set itself the target of halving the percentage differential in unemployment between ethnic minorities and native Dutch people within four years, thereby aiming at reducing unemployment among minorities to 10 percent. Furthermore in 1998 the Act to Stimulate Labour Participation of Ethnic Minorities (Wet SAMEN) was introduced. It stipulates that companies with 35 or more employees must indicate in an annual report how many ethnic minorities they employ and how they think they can reduce any shortfall with respect to the desirable proportionate labour participation.

Under the Naturalisation of Newcomers Act (since 1998), newcomers to the Netherlands are obliged to follow a naturalisation programme. Education forms an essential component of this programme. An Integration Task Force monitors the implementation of the Newcomers Integration Act. The

NAP 1999 announced that soon people who have lived in the Netherlands for a long time but who are insufficiently integrated (the so-called Oudkomers) would get access to programmes to reduce their disadvantaged position.

In April 2000 the government, the Dutch Association of Small and Medium-Sized Enterprises and the Employment Service signed an agreement to place 20,000 people from ethnic minority groups in the SME-sector before May 2001. This agreement has been extended for the year 2002, accounting for 23,000 extra places. There is also the Framework agreement with large companies, implying quantified agreements with at least 100 large companies regarding the recruitment and mobility of minorities in those companies and the inter-culturalisation of their personnel policy. In June 2000 the government presented an action plan to the Parliament, announcing a large number of measures to further improve the position of ethnic minorities in the labour market. The measures are designed to ensure that implementing bodies execute the present policy more effectively and to step up the specific efforts made for minorities. An agency has been set up to 'Smooth the Way for Minorities', to help employers in implementing policy on minorities.

With regard to the preventing of discrimination and simulation of integration of *older workers*, a separate guideline is available. A bill banning discrimination in employment on the grounds of age was presented to the Parliament in November 1999.

Concerning the equal opportunities of *women* a separate pillar is implemented in the European employment strategy. There we see amongst others that the amendments to the Equal Opportunities Act and to Title 7.10 of the Civil Code in pursuance of the EU Directive on the burden of proof in cases of discrimination based on sex came into force on 1 January 2001.

Preventing discrimination and promoting inclusion: subsidised labour

A special instrument that can be used for the social inclusion by access to employment is the use of subsidised labour. In the Netherlands there are three kinds of subsidised employment schemes:

- the Sheltered Employment Act (WSW, January 1998) for the disabled;
- the Job-seekers Employment Act (WIW, January 1998);
- ID-jobs Program for the long-term unemployed (ID-banen, January 2000).

These instruments are discussed in more detail in section 6.1.5.

A3.2 Entrepreneurship

Making it easier to start up and run businesses

Concerning the obstacles to setting up small businesses, the Dutch starting situation in 1998 was not a very positive one. The share of the working population accounted for by entrepreneurs did rise from 7.4% in 1987 to 9.7% in 1997 and the number of companies had risen 50% in a decade. Internationally, though, the number of businesses was lagging behind, and the growth in the number

of new businesses stagnated since 1994. The entrepreneurial levels had not yet reached the level of 25 years ago. Few start-ups took root: fewer than 20% of start-ups took on personnel within the first two and a half years. The proportion of new techno-businesses was small (6%). Students showed little interest in entrepreneurship.

The NAP 1998 therefore announced that in order to stimulate business start-ups several policies were being pursued. First of all start-up incentives are used, including start-up tax allowances, favourable depreciation rates for new businesses and investment tax incentives. Furthermore benefit claimants can start-up business while, if necessary, benefits are continued to be paid during the first phase of self-employed activities. Also for newcomers to the Netherlands and school leavers facilities are present for the start-up of businesses. Some 2.000 to 3.000 persons a year are provided with credits plus advice and guidance. And the Unemployment Benefit Pilots Act, which passed by the Lower House in April 1999, provides an official framework for schemes using unemployment benefit funds to reintegrate those entitled to benefit as self-employed persons. Furthermore the Disabled Persons Reintegration Act (REA) includes facilities for reintegrating the disables through self-employment.

For facilitating ICT start-ups in 1998 the so-called 'Twinning network' as introduced, linked to a sponsor's fund.

In June 1999 a white paper on Innovative Entrepreneurship was presented to the parliament, which indicated how the government intends to remove obstacles to entrepreneurs in the Netherlands. Setting up businesses is seen first and foremost as a matter for entrepreneurs themselves, but it is the task of the government to create the conditions that enable businesses to succeed. Therefore the government is following a three-pronged approach: facilities for start-ups, creating an effective market and ensuring that rules and regulations are appropriate.

In September 1999 a government policy document entitled 'The enterprising society; more opportunities, fewer obstacles to entrepreneurship' was presented to the Parliament. The most important measures and initiatives in this document are as follows:

1. as of 1 January 2001 the requirements with regard to general business skills under the Establishment of Businesses Act were revoked,
 2. the government will improve the conditions for the development of risk capital markets by increasing the guarantee budget of the Small and Medium-Sized Enterprises Surety Scheme,
 3. an Entrepreneurship and Education Committee was installed in the spring of 2000 which will submit proposals to the government on ways of helping young people in education learn how to run a business,
 4. various entrepreneurship projects will be started including programmes that offer entrepreneurs help in their attempts to break into foreign markets,
 5. a networking and coaching programme and various projects for new techno-businesses at local and regional level, and
 6. special attention for encouraging entrepreneurship among women and ethnic minorities.
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Just before summer 2000 a new Dutch network of fast-growing companies was launched. Under this scheme, entrepreneurs are given the opportunity to take a look behind the scenes to see how fast-growing businesses operate.

Tax- and administrative burden

From 1994 to 1998 the *tax burden* was reduced by 8½ billion Euro, spread evenly among citizens and businesses. Also in this period a targeted reduction in wage costs was introduced by giving employers offering jobs to low-paid or unemployed workers a rebate (SPAK). For workers on 100-115% of the statutory minimum wage they receive a rebate of 1810 Euro. If a worker receives a pay rise bringing his pay to between 115 % and 130% of the statutory minimum wage, the employer receives a rebate of over 900 Euro for a further two years. In the case of workers who had been unemployed for more than a year in the wage range 100-130% of the statutory minimum wage there is an additional rebate of 2095 Euro for four years. Also a rebate for taking on long term unemployed (VLW) exits.

In 2001 a new tax system was introduced. As a consequence, the tax burden is reduced on balance by 3 billion Euro (0.8% of GDP). The burden of green taxes, VAT and property tax will rise by 6.75 billion Euro, while the direct tax burden on labour will fall by EUR 9.75 billion.

During the parliamentary period 1992-1998, in addition to the generic reduction in the tax burden, a specific reduction in the tax burden has been implemented for small and medium-sized businesses. Examples of this are: an increase in the start-up allowance, a lowering of the first tax band in corporate tax, an increase in the VAT exemption threshold, an increase in investment allowance, an increase in the enterprise exemption in wealth tax.

In 1993 the *administrative costs* to Dutch industry were over 5 billion Euro (2% of GDP). The administrative cost of taking on an employee was 1500 Euro in 1997, significantly more than in other European countries (Belgium 270 Euro, France 680 Euro, Germany 1270 Euro). Therefore, the administrative burden has been reduced by 10% (1% of GDP) during the 1992-1998 parliamentary period, due to the simplification of wage tax administrative procedures (relevant when employees are taken into service). Also the burden of surveys of the National Bureau of Statistics (CBS) has been reduced by about a quarter, e.g. by raising the observation threshold, making more use of the existing sources and using EDI. The Dutch NAP 1999 announced that the government wants to cut administrative expenses by another 15%. For this reason the government set up the Commission on Administrative Expenses. On the basis of its recommendations in May 2000 the government set up an independent advisory board on administrative burden with a three-year tenure (ACTAL), which has the authority to examine and advise on all proposed national legislation and regulations. Also from that moment on each of the ministries concerned draws up an annual action programme, aimed at reducing the administrative burden of existing legislation and regulations.

The government aims at a situation where entrepreneurs can find all the relevant government forms they need in one centralised location, can transfer information on-line and only have to supply a certain piece of information once. To reach this aim, the government is working to establish an

authentic record of all companies in the Netherlands, to be known as the basic business register. This on-line register is expected to be operational by 2002.

The VAT rate for a number of labour-intensive services (e.g. hairdressing) has been lowered so that people providing these services can compete better on price with those who offer the same services undeclared. Regional inspection teams check that Dutch companies are not using any undeclared work (this is part of a new issue in the guidelines since 2001, on which the Dutch government insisted). The introduction in 1998 of a subsidy scheme for cleaning services to prevent the very common undeclared work in this occupation complements this policy.

New opportunities for job creation

By *enhancing competition* the Dutch government has been trying to encourage the setting up of new enterprises. A major step has been taken with the entry in January 1998 of the new Competition Act, which brings Dutch competition law in line with European legislation and replaces the principle of abuse with that of prohibition. Furthermore the operation Market Force, Deregulation and Quality of Legislation (MDW), which started in 1994, improves the way the market works and cuts down on regulation. According to the guidelines, special attention has to be given to the entrepreneurship enhancing possibilities of the *service sector*. In 1999 the service sector in the Netherlands already accounted for about 60% of total employment. It was growing well compared with the European Union as a whole. The Netherlands lead over both the EU and the US in highly skilled services, but it lags behind the US, however, in moderately skilled and unskilled services. Several measures are taken to stimulate the Dutch service sector still further. The effects of the new Competition Act that was introduced in 1998 are felt most strongly by companies in the domestic market (for services) which are not yet covered by European rules. Employment in the retail trade has gone up about twice as much as overall employment since the relaxation of the restrictions on shop opening hours as part of the MDW-operation. Also in the telecom sector, where the MDW-operation increased competition, employment increased sharply. In September 2000 a new series of MDW-projects got under way, focusing on a variety of service sectors, e.g. the fast-growing training market and the private services market.

A special service-enhancing project is the introduction in January 1998 of the Private Cleaning Service Scheme (Witte Werkster). This involves the government providing a subsidy to develop a type of work – cleaning in private households – that hitherto has been almost entirely confined to the grey economy. An employer receives a subsidy of up to a maximum of 8950 Euro per calendar year for each contract of employment for at least 15 hours a week. The private individual pays a maximum of 8.75 Euro an hour for the service. This initiative was however foremost meant to stimulate employment of unemployed and women outside the labour market. The stimulation of entrepreneurship was not a main objective. Also an initiative was launched to lower the VAT-rate on cleaning services. This initiative was not executed however.

Regarding *regional opportunities* to stimulate entrepreneurship, the Netherlands was facing some problems at the start of the Luxembourg process in 1998. In recent decades, the Dutch urban

economies have developed a number of problems. The phasing-out of low-tech industries and the rise of high-tech services have led to an imbalance in demand and supply on the labour market. A climate for relocation in cities has systematically deteriorated as a result of soil pollution, poor accessibility and problems of public order. The approach to this problem, in the framework of policies directed at the larger cities, takes on a number of forms. Already before 1998 in a number of cities a financial impetus had been injected to strengthen the urban economic structure. In the four large cities economic development areas had already been designated.

The main aim of Cities Policies is to restore the balance in urban development, bring back the relationship between the various urban functions and thus work towards a 'complete city'. The government concluded an individual covenant with each of the 25 largest cities in the Netherlands for the (second) period 1999-2003. Agreements were reached concerning measures in the following three areas: (1) upgrading the physical infrastructure (2) boosting the economy and participation in employment and (3) improving living condition and the social structure in cities.

The NAP 2000 announced that Territorial Employment Pacts (TEPs) were concluded. In North Brabant, Flevoland and Limburg a regional structure has been set up to enable labour market problems to be tackled in an effective, concerted way. Regional and local authorities, trade unions, employers, Regional Employment Boards, Chambers of Commerce and educational establishments have jointly concluded TEPs. These are among the 89 TEPs that are being supported by the European Commission as part of a European pilot scheme.

Finally, apart from cities policies, special policy is designed for employment at the lower side of the labour market by the Entry-Level and Moving-On Jobs Scheme (ID-banen), which gives all Dutch municipalities the opportunity to increase the number of jobs in the public and non-profit making sectors.

A3.3 Adaptability

In 1998 the Dutch government and the social partners had met the preconditions for modernising the organisation of labour. Within the statutory framework the government has created scope for the social partners to make changes, so that they can come up with tailor-made solutions at an industry or company level if necessary. Examples include new legislation on working hours, introduced in January 1996, the broadening of the opening hours of shops in June 1996 and a law prohibiting inequality in terms and conditions of employment based on working hours, introduced in November 1996. Since 1998 progress has been made.

In the year 2000 the Working Hours (Adjustment) Act was introduced. The act passed by the Parliament in February 2000 and came into force in July 2000. This act makes it easier for employees to combine paid work with other responsibilities by giving them a statutory right to reduce or extend the contractual working hours. The act is discussed in more detail in chapter 6.

On the subject of working organisations the input of social partners is deemed important. In 1998 19% of the large Collective Labour Agreements (CAOs) had a substantial provision on part-time working or changes in working hours was included. Regarding terms of employment, 16% of CAOs made distinction between large and small (less than 12 hours a week) part time workers. CAOs of this kind are incidentally not incompatible with the Act Prohibiting Inequality in Terms of Employment Based on Working Hours. The Dutch NAP 1998 announced that the social partners reached a centralised agreement known as 'Agenda 2002'. This is the agenda for Collective Labour Agreement negotiations in the coming years and contains amongst others a number of important recommendations aimed at modernising work organisation.

In October 1998 the Career Breaks Funding Act was introduced. This legislation foresees, under certain conditions, a financial remuneration package for employees who have come to an agreement with their employer on taking a long-term period of leave for reasons of education or care provision. Other types of leave schemes, such as parental leave and calamity leave are discussed in paragraph 4.4. These schemes do indeed modernise work organisation but they are essentially part of the equal opportunities pillar.

In January 1999 the Flexibility and Security Act came into effect. In this act the government followed almost all the proposals contained in the unanimous report by the social partners. The act introduced legal certainty in flexible working relationships. Working relationships in which an individual carries out work in a personal capacity for another are interpreted as an employment contract. Casual workers are entitled to a minimum of three hours' pay per call-up. The employer is obliged to continue payment in the event of under-utilisation after the first six months of the working relationship. Probation periods are legalised to be differentiated for contracts more than or less than two years. Regarding fixed-term contracts, two successive temporary contracts that exceed a period of 36 months, or three successive temporary contracts that are followed by a fourth within that period, are converted to a contract of employment for an indefinite period. Furthermore the working relationship between a temporary employment workers or seconded workers and employment or secondment agencies is regarded as being an employment contract. After a period of 26 weeks, such temporary relationships are converted into employment contracts for an indefinite period.

Concerning the dismissal protection, in March 2000 the Dual Dismissal System Advisory Committee was set up advised the government to abolish the dual dismissal system and to introduce a dismissal system governed solely by civil law.

Training employees forms a special part of adaptability. As such life long learning is an element of this pillar. We already discussed this issue in paragraph 4.1, since this issue is also part of the Employability pillar.

A3.4 Equal opportunities

Monitoring the gender gap

In 1998 the discrepancy between the numbers of women and men in employment was already diminishing for some time. Nevertheless the Netherlands still had a gulf between the participation of women and men: fewer women are employed, more of them have a part-time job and they on average earn less per hour than men. Far fewer women are economically independent. The Netherlands has a large amount of flexibility in part-time offers. Since this is seen as the preserve of women, it is one of the main reasons for the gulf between women and men. If only women work part-time, their monthly earnings of course are lower than men's are. The NAP 1999 mentioned the fact that a system is being set up to monitor the gender aspects of social developments and as a whole. The first 'equal rights monitor' was published in November 2000. The monitor, which will appear once every two years, provides information on the progress made in working towards equal rights in society in relation to the policy pursued. In 1998 the cabinet established the Emancipation Task Force, in which each department laid down three tasks for the cabinet period 1998-2002. In addition to tasks such as improving the inflow and careering of women in the labour organisation, improving leave options and improving the tax treatment of childcare, development of the 'accessibility scenario' has been chosen as one alternative to the present 'presence scenario' in labour organisations.

The NAP 2000 added that a cross-sector approach to existing obstacles was announced in the long-range policy document on Emancipation Policy presented to the Parliament in March 2000. Traditional equal opportunities policies will from that moment on be supplemented with policy relating to the 'daily work routine' (employees with family responsibilities have different needs compared to breadwinners, for example as regards commuting) and policy in the field of information and communications technology.

Tackling gender gaps, reconciling work and family life

During the fifteen years before 1998 Dutch women have caught up with men to a large extent as regards participation in employment. At the beginning of the eighties they lagged 15 percentage points behind the OECD average and 10 percentage points behind the EU average. In 1998 the level of employment of women is the same as the OECD average and above the EU average. The breadwinner model no longer holds and the life cycle model is introduced in Dutch policy. This last model implies that during every stage of their lives, all individuals should in principle be able to be economically independent. Nevertheless the participation of women is still substantially lower than that of men, and many women in the Netherlands have part-time jobs for less than 20 hours a week, which does not usually make for economic independence. This is why the Dutch policy is based on the 'combination scenario', where women and men share the paid work with the responsibility for taking care of a family. Therefore policy is aimed at improving the combination of childcare facilities, work and family life. Thus reconciling work and family life is a means of tackling gender gaps. The

NAP 2001 mentioned the fact that the government set the objective of increasing the labour force participation rate of women to 65% by 2010.

The reconciling of work and family life is achieved by several *leave schemes and working time regulations*. In 1998 the government, in its paper 'En route for a new balance between work and family life' put forward proposals to create better opportunities for combining work and family life. The paper laid down the foundation for the Work and Care Act, which will combine and co-ordinate all the existing and new leave schemes and makes them more flexible. Existing leave schemes are maternity leave, parental leave (1991), calamity leave and the Career Break (Funding) Act (1998), to which adoption leave and care leave will be added soon. Existing working time regulations are the Working Time Act (adjusted in 1996) and the Working Hours Adjustment Act (2000). Furthermore there is legislation concerning holiday leave, which has been changed in 2000. Even though the origin of this last change had little to do with equal opportunities and much more with vast reserves of holidays, the implications enhance leave schemes.

Women are allowed to have 16 weeks of paid maternity leave. According to the Parental Leave Act as from 1991 both parents have the right to have a period of 13 weeks off, in a period of a maximum of 6 months if the leave is taken part time. In principle the leave is unpaid, unless the Collective Bargaining Agreement says otherwise. As for calamities, an employee has the right to have a short term leave for unforeseen tasks, like sick housemates or broken water pipes. The Career Break (Funding) Act, which came into force in October 1998, is designed to encourage people to take leave for care and study purposes. The requirement that the person taking leave must be replaced by someone in receipt of benefit, a disabled person or a re-entrant, makes it an employment tool as well. The leave must last at least two months. The person taking leave receives an allowance rising to a gross maximum of 440 Euro for a period of up to 18 months. The Working Time Act was adjusted in 1996 based on the principle of joint responsibility of employers and employees for the completion of the working hours in their industry or company, which means the legislation only provides a standard rule and a broader consultation rule. The Working Hours (Adjustment) Act, which came into force on 1 July 2000 makes it easier for employees to combine paid work with other responsibilities by giving them a statutory right to work longer or shorter hours. The change of the vacation legislation that have taken effect on the first of February 2001 extend the period of time in which holiday leave is valid and the extent to which holiday leave above the statutory required amount can be exchanged for pay. A fiscal deduction for employers in order to create an incentive to include agreements on (partial) wage-payment during parental leave in CLAs has come into effect in January 2001. Also starting January 2001 a new fiscal measure has come into effect which better enables the saving of days off, either in time or money. It also gives employees more security in case of bankruptcy as it pertains to their rights to vacation days.

Next to these leave and working hours regulations, the *childcare* is an important aspect of the reconciling of work and family life and the tackling of the gender gap in labour participation rates. Since 1996 a scheme known as KOA ("Kinderopvang en buitenschoolse opvang voor alleenstaande ouders in de bijstand") has existed to provide day-care and out-of-school care for lone parents on

benefits who take a job or embark on a training course or reintegration programme. The target groups for the scheme have been extended to include under-age lone parents ('teenage mothers') and lone parents taking part in social mobilisation programmes. In January 1996 a tax allowance for employers on childcare was introduced. In January 1999 this rebate was raised from 20% of the cost to the employer to 30%. As of 1 January 2000 also parents have more tax relief options. Regarding the number of available child care places, by the end of 1997 in the Netherlands 89,000 places had been provided for children aged 0-12 and 140,000 children in this age group had been taken care of, but there still were long waiting lists. Childcare facilities outside school were also lagging behind the demand considerably. Starting from 1997 over a period of four years 20,000 new childcare places for the 4-12 year olds are being created. The NAP 1998 announced that an additional 6300 new childcare facilities outside school would be created. Next, the 1998 coalition agreement has given a major financial boost to childcare facilities. An additional total of 181 million Euro has been made available (structurally from 2002), divided up between a subsidy of 113 million Euro through local authorities and 68 million Euro for fiscal measures. At the end of 2000, 126,000 places had been created under the scheme for expanding day-care and out-of-school care. In 2004 the Childcare (Basic Provision) Act will become law. The aim of the Act is to achieve more effective implementation through demand-driven management, better quality guarantees and the most level playing field possible for suppliers (childcare centres). In November 2001 the Dutch government agreed on the proposal of giving all parents an income dependent budget to spend on childcare. The parents can then decide where to 'buy' the childcare, such that commercial childcare will be stimulated. Employers will pay a fixed amount per worker, independent of the worker's income.

Not only the government but also the social partners examine how collective agreements for childcare could be promoted. During the 1999 spring and autumn round of talks between the government and the social partners the role of the social partners in childcare was discussed. In the autumn round the social partners presented recommendations from the Labour Foundation to introduce more collective agreement provisions on childcare. The number of collective agreements with specific provisions on childcare increased from 55% in 1998 and 56% in 1999 to around 60% in 2000.

A new and related development in 1999 was the 'Daily Schedule Incentive Scheme', which was designed particularly to promote pilot schemes that can help to improve the balance between work and home life for people who take on combined responsibilities. The idea is that the subsidy should result in a broad range of 'good practises'. In the meantime, following four rounds of applications, almost 400 project proposals have been submitted and 137 pilot schemes are under way.

The tackling of the gender gaps is not only achieved by reconciling work and family life, since increasing participation by women was also hampered by a high marginal barrier and the fact that the personal tax allowance of a non-working partners could be transferred to the breadwinner. The new tax system, which was introduced in January 2001, reduced the marginal barrier and removed the possibility to transfer the personal tax allowance. Also an action plan for women who want to return to work is being drawn up, according to the NAP 2001. Despite the many policy measures taken,

indications are that women returning to work are still making insufficient use of them. The action plan will suggest how this undesirable situation can be improved. One possibility might be to conduct an information campaign.

The gender gap not only consists of the difference in labour participation rates. Also there is a job level gap between working men and women. One of these gender gaps is the glass ceiling: women work at lower job levels than men. To increase the speed with which women move on to more senior jobs in the public and private sectors, the policy aimed at breaking through the glass ceiling is given an extra boost in 2001. The long-range policy document on equal opportunities identifies performance indicators for the different sectors, which are a means of encouraging companies and organisations to take further initiatives in this area. The government will encourage and facilitate initiatives through subsidies (until 2003) for expert organisations, further benchmarking and instrument development, and will also start up a pioneering network of prominent figures from the business world, support projects for women in middle management, including women from ethnic minorities, and promote part-time careers.

Furthermore the differentials pay of men and women is an issue at stake here. Regarding the promotion of equal pay for work of equal value a study began in 1999 aimed at developing a practical instrument for detecting sex discrimination in job evaluation systems. On the basis of the results of this study and of regular two-yearly surveys of the average differences in pay between men and women, a policy plan containing concrete proposals on promoting equal pay has been presented to the Parliament in May 2000. The results show that the differential is 23%, and only just over a quarter of this difference cannot be explained. The government presented an equal pay action plan in May 2000, in which it announced a number of measures designed to achieve equal pay for men and women, as well as between native Dutch people and ethnic minorities. The Labour Foundation, the Council for Public Sector Personnel Policy and the Equal Treatment Commission have been asked to make recommendations on this action plan. In April 2001 the government issued a new equal pay action plan, with the aim of stimulating equal payment in co-operation with the social partners. It shows short-term measures taken and supplementing measures in case pay difference decreases too slowly.

Also regarding people (women) re-entering the workforce, policies have changed. Over the years this group of people that is not entitled to benefits has been put on the same level as people on benefits with respect to using mediation services and schooling. At this moment the government policy regarding the re-entrants is part of the comprehensive approach. This means that people outside the workforce who subscribe at the employment office, within 12 months get an offer that must lead them to employment. The Dutch minister of state Verstand issued a report on female re-entrants in 2000. It introduces policy on this issue based on four pillars. Firstly it regards already existing schemes regarding combining working life and family responsibilities. Secondly it aims at projects for leading non-participating women to the labour market, amongst which schooling and job search assistance. Thirdly projects providing information and finally one-time fiscal measures to stimulate labour supply are proposed.
