

Outline of life in the Netherlands

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GENERAL LECTURE

OUTLINE OF LIFE IN THE NETHERLANDS

WT0409

P.C. Veenstra

INDIA, september 1977

WT-Rapport nr. 0409

OUTLINE OF LIFE IN THE NETHERLANDS

1. Introduction

I am greatly honoured, that on occasion of my visit to your proud and lovely country, I got this opportunity to deliver a lecture. Although my daily work is purely technical; as you probably know I use to lecture production engineering at the Eindhoven Technological University, I would like to give an outline of the conditions of life in a highly developed country like the Netherlands. When I have finished I hope to have convinced you that, though quality of life is high in Western Europe and in particular in the Netherlands, it is far from being a paradise and the price which is paid to achieve the present standard is high, may be too high, in terms of noise, pollution, psychical stress and materialism. In order to obtain a logical structure in my lecture, it is composed of different sections, more or less related to my own field of production engineering as part of society.

Thus I propose to discuss:

- the geographical location of the Netherlands
- the demography
- the economy
- the social security
- the tax system

2. Geographical location

The Netherlands cover an area of 36.854 km^2 and hence it belongs to the very small countries in the world.

Slide 1
Neth.vs. INDIA

How small it really is becomes clear when comparing it with the state of Bihar and the Indian sub-continent.

Slide 2
Neth. in
EUROPE

The word "Netherlands" means "Low-Lands", a name which is given to the country because of its location on the mouths of the rivers Rhine, Meuse and Scheldt and in fact being the estuary of these rivers.

Slide 3
Comp.Geogr.

Over a period of many centuries the low lands were formed out of the sediments of the rivers. Still today the word applies; a major part of the country - which moreover is the most densely populated part - is situated well below sea level.

Slide 4

Slide 5
Slide 6
Comp. Geogr.

This forced the Dutchmen since centuries to protect themselves against the sea, by means of building dikes, designing "polders" and pumping water out - thus in the mean time reclaiming land. You see here the origin of the famous Dutch wind-mills, in fact pumping stations continuously driven by the wind and from an economical point of view early capital investments in machinery to be used in the ever-lasting struggle against the water.

The "wet civil engineering" as it is called, naturally developed in Holland to a very high level of skill, and nowadays there are big Dutch firms operating all over the world in reclaiming land, building sea-ports and doing all sorts of highly specialised jobs in civil engineering.

Slide 10
Comp. Geogr.

In the Netherlands, after the great disaster of 1953, when a combination of high tide and a North-Western gale flooded the country and nearly 2.000 people were killed, a giant project was started - known as the DELTA-project - applying all modern means available, to protect the country once and for ever - so it is hoped.

Slide 10÷20
DELTE WORKS

Of course the Dutch are rather proud of this tremendous works which are proceeding according to the plans and will be finished in the course of 1978. Even is there some boasting when believing the international press which stated: "God created the world, but the Dutch made Holland". I think, however, this is not the Dutch character; the eternal struggle against the forces of nature taught the Dutch humbleness and they live in their low countries knowing deep in their hearts that, whatever they do, the great waters may hit them again.

Slide 20

On the other hand, the location of Holland at the mouths of the major European water ways has been of great importance for the development of a world-wide trading business and in the 17th century the foundation of colonies all over the world. As a matter of fact the same pattern was followed as the British did half a century later, which lead to several naval wars between Holland and England, and the loss of many Dutch colonies.

Slide 21
Rotterdam
center EEC
Slide 22
Economy table.

In modern times the geographical situation of the Netherlands has become even more important and did ever grow since the foundation of the E.E.C. - the European Common Market - where Holland ranked among the very first six participants. Indeed, the Dutch are the transporters in the community, along the roads and by shipping. The port of Rotterdam is the largest in the world, handling roughly 30.000 incoming ships a year, amounting to 255 millions GRT.

3. Demography

The Netherlands is one of the world's most densely populated countries, having 400 inhabitants per km².

In considering the question whether a country is over-populated, it is of course not enough to calculate solely the number of inhabitants per km²; account must also be taken of the economical prospects, the production potential available, the feasibility of major capital investments and in particular the extent to which all possibilities are being realised and exploited in a given political situation. In the sense that the means of subsistence are inadequate for the number of inhabitants, there is definitely no question of over-population in the Netherlands.

However, in a physical sense, referring to traffic congestion, environmental pollution, scarcity of space for recreation, there are clear signs of over-population to be observed.

The government judges the problem sufficiently important to nominate a minister especially for environmental protection in combination with public health.

Since the year 1830, when the first census held showed a population of 2,6 millions, the population increased to 13,3 millions in 1973. It is estimated that since historical times about 60 millions of Dutchmen ever lived.

So over 20% of all Dutchmen that ever populated the low countries live today, which is another way to visualize what is called a "population explosion".

As is clear from statistics, the steady growth of the population in spite of continuous decreasing birth rate is mainly due to improving care of public health. Particularly the infant mortality dropped sharply since the beginning of this century.

Because of increasing effectiveness of birth control or family planning - doubtless going in parallel with increasing standard of life and expanding industrialisation - and the weakening of religious "tabu's" - it is expected that the Dutch population will stabilize at 15 millions or probably less in the year 2.000.

As a matter of fact young married couples do not want the burden of many children, however, practically all of them wish to have children, but no more than two and a dog. Modern chemistry obviously is of a great help to achieve these aims.

Increasing quality of public health does not only affect infant mortality, it clearly also has influence on the population pyramid, in the sense that the population is ageing. Today the average age of men amounts to 71 years and 77 for women. As a consequence about 10,5% of the population is aged over 65 years. This brings about a tremendous social problem, which was solved early in the fifties by the introduction of a general age pension in the context of the social security system in the Netherlands. I am proud to say that today there are no needy and poor aged people in my country.

Slide 23
Comp. Geogr.

4. The Economy

The Netherlands was for a long time a country with a distinctly agricultural character. Up to the year 1900 there were still as many workers in agriculture as in industry.

However, as the population density increased it became more and more difficult to ensure adequate employment, a reasonable standard of living and equilibrium in the balance of payments.

The latter problem calls for permanent attention in the Netherlands. A small and densely populated country that possesses only a few natural resources is of course forced to import a considerable range of goods and materials, which rapidly leads to a deficit in the balance of payments.

Now, in spite of the fact that the Netherlands is an excellent country for agriculture, horticulture and live stock farming because of its fertile soil and its temperate climate (average temp. 10 °C; January + 1 °C; July + 17 °C; precipitation 750 mm evenly distributed over the year) and even in spite of highly developed mechanisation, this alone cannot lead to the goals mentioned.

Slide 25
Economy

Slide 26
Economy

Still, however, the contribution of agriculture both the export (25%) and to the turn-over in food - and allied industry is substantial. Today the Netherlands is a highly developed industrial country, although compared with the surrounding countries industrialisation started fairly late.

In particular during the economic crisis of the thirties and during the two world wars the development was slow and in fact after 1945 the

pace was accelerated. The possibilities to this were largely thanks to Marshall Aid which the American nation granted the devastated countries of Europe in that difficult period after World War II. As you know Holland encountered specific problems as Indonesia liberated itself from the colonial status and became the Republic of Indonesia. It took a couple of years before the wounds were healed, but today the relations with the republic are fully normalized and I think that every Dutchman feels this to be right. Of course the youngsters do hardly realise that there ever was a Dutch colony in the present Indonesia.

Next, after repairing war damage and starting industrialisation again there was a real boom in industrial expansion, amounting to a growth of 6 to 7% annually in the period to 1973. Of great importance as to this is the existence of four giant multinationals in the country, being Philips, Unilever, Shell and Akzo.

But also the governmental policy in those days was directed to give private enterprise and free trade every opportunity.

The government created the conditions for the maintenance of a strong competitive position by means of

1. a trade policy directed at the international liberalisation of trade, according to the basic ideas of the common market as formulated in the treaty of Rome.
2. improvement of general technical conditions, such as extension and adaption of technical training at all levels - both in industry and in agriculture.

There exist in the country

1 primary technical schools LTS

2 secondary technical schools MTS

where craftsmen are trained in all different fields of technology.

3 higher technical schools HTS

4 technological universities TH

training engineers for industry.

The country counts by now 12 universities and technological universities with about 120.000 students.

The expenses for education form by far the main post in the national budget (1975: 9% of national income).

Slide 28-40
DIASERIE THE

The Technological University of Eindhoven, which I have the honour to represent, was founded in 1957 in this general pattern of industrialisation. Only a few years later a third technological university in the eastern part of the country was to follow.

3. increasing production of energy.

This has been greatly supported by the discovery - in the early sixties - of a huge natural gas field in the northern part of the country. The selling of the gas all over Europe, after transportation through high pressure pipe-line systems, contributes substantially to the equilibrium of the balance of payments.

Slide 41
Holland

However, it is prospected that at the end of the present decade the output of the field will begin to decrease and that at the end of the next decade the gas will only be available for the home market. For this reason the government promotes different investigations in the field of the development of new sources of energy, like solar energy, wind energy and fusion energy.

It, however, is very likely that the country will be forced to invest in nuclear energy, although there is severe resistance against this from the side of several groups.

Up to now two atomic power stations are in operation in the country.

4. promoting research and development in applied and technical sciences by founding a semi-state research organisation TNO.

5. promoting the establishment of foreign companies in the Netherlands and supporting collaboration between foreign and Dutch companies.

6. generous tax allowances for accelerated depreciation of assets and investment allowances.

Slide 42/42A
Economy table
1.

As a consequence of all this in the period from 1952 to 1973 the total volume of exports increased seven-fold, whereas between 1960 and 1973 the country's wealth in real terms almost doubled.

However, this is too much of paradise; it too good to be true.

After two decades of working and working in full employment and even serious labour shortage, and after reconstruction of the country and its infra-structure, it began to dawn to the people that the natural resources of basic raw materials and also of energy are not infinite, and even worse, that the capacity of nature to handle pollution by industrial waste is very limited.

Youngsters and students, who had never really known times of poverty and scarcity, started revolting against the 'materialistic consuming society' and advocated a fundamental structural change in society, after the example set by radical students movements in France and Western Germany.

The slogans at that time were: "limit growth and industrial expansion", "control the multi-nationals", and "fight and struggle for a just society".

To some extent these slogans framed honest juvenile ideals, but far more a vague discomfort due to the unability to have some insight in the increasing complexity of society and in the way real economic power is concentrated and exerted.

As you know, the principles of these ideas were more or less supported by the work of "the Club of Rome", and somewhat later the world had to face the oil crisis, which had a tremendous influence on the development in the recent years. This also holds for the Netherlands, in spite of the country's balloon of natural gas.

The ideas and ideals of the early action- and protestgroups readily found support from radical side and later from "New Left" and affiliated groups, having mainly intellectuals and semi-intellectuals as members. They strongly advocate fundamental reform of society and in the worst case even complete destruction of western society.

Although their aims and methods are far from being accepted by the Dutch people - in the contrary many citizens see quite a bit of hypocrisy in it since these revolutionaries after having turned the world upside-down like to keep their cars, their comfortable houses and the general standard of living of the decadent present society - so, in fact being a minority group, they became a political factor. This is not at least because of their strong influence in the radio - and television networks, and the traditional Dutch half-hearted attitude with respect to political matters as such. The Dutch are more interested in the question what goals a political party can achieve in favour of his individual material situation, than in political ideology.

However, it must be recognized that the Labour Party, today the largest party; gradually turned to a more left course. This found shape on the level of national policy and legislation when in 1973

the Dutch people voted for a "progressive government", a coalition of Labour, Christian-Democrats and radicals, headed by the socialist prime-minister Joop den Uyl, an economist by professional training. Although this government behaved far from extremely radical in its aims of "reconsidering and resharing power, income and knowledge", the mere fact that a progressive government was in power gave foothold to many different groups and even political parties to create an irrational and unreasonable atmosphere of suspicion, with respect to industry in general and the multinationals in particular. This, for sure, is one of the reasons for the rapid deterioration of the industrial climate in the Netherlands.

Slide 43
Holland survey

In the same time, partly due to the oil crisis, which in Holland was sharpened to an oil-boycot because of the traditional friendly attitude to Israel, economy became stagnant, rate of productivity and turn-over decreased whilst unemployment increased.

Very clearly the post-war paradise was finally lost.

However, the Dutch workers being used to a steady increase in net-income, strongly supported by the Unions insisted on that, and as a consequence the increase in labour cost in combination with the cost of social security soon exceeded the rate of productivity. Obviously this is one reason for inflation and further rise of unemployment since the enterprises are getting more and more inclined in labour-saving methods, like rationalising, mechanizing and automation.

For this very reason the unemployment rapidly changes its nature from being economical to structural.

Quite apart from this there are other reasons for raising unemployment levels. Even in the fifties and sixties it was almost unheard of for a married woman to go out to work. But because of women's emancipation and the desire to be able to buy things - like expensive household goods, or cars or costly holidays - the women began to participate in the labour process. Even today women's share in the labour force - at about 30% - is low by European standards but is growing all the time. The formal introduction of equal pay for men and women in 1975 is likely to hasten this process.

Slide 44/45
Soc.Cult.Rapp.

Another reason might be that Dutch society has already reached the level of over-educating its youngsters in relation to the number of highly-qualified jobs available.

In many areas unskilled labour is short and the jobs are done by "guest-workers", imported labour from Yugo-Slavia, Italy, Spain, Maroc, Tunesia and Turkey, whilst graduates and high-school leavers are unable to find jobs.

This is also due to the introduction by law of minimum wages for young workers, which makes the young and unexperienced people too expensive for the smaller companies. Anyhow today one quarter or more of the long-term unemployed are under 25.

Coming back to economics, the first problem that that the new progressive government encountered was - as said before - the oil-crisis and after that the consequences of an increasing world-wide recession.

Slide 36
Holland survey

The answer was sought in an almost extravagantly budgetary policy and public spending.

Reflation programmes in 1974 were worth over 1 milliard guilders, in 1975 over 4,5 milliard and in 1976 about 8,5 milliard.

The money is spent on a variety of measures, ranging from extra government pay outs to social security and employment programmes, to temporary cut backs in personal taxes and more favourable depreciation rules for industry.

Nevertheless this policy puts a heavy and growing burden on the national income. The estimate for 1980 is about 35%. This burden is partly carried by selling the natural gas - as mentioned before - but also by imposing heavy taxes on income and equally high taxes on business and industry. This of course affects strongly the earning power and the general profits of the companies and puts industry in a slough of despondency and reluctance against investing, which is another aspect of the deterioration of the industrial climate in Holland.

Nevertheless it is estimated that the national debt by 1980 will amount to $3\frac{1}{4}$ - 4% of gross national product. The Dutch central bank thinks this public sector deficit is on the high side - when compared to the figure of 3% the Dutch were used to in the sixties - but so far sees no great problem in financing it, mostly on the capital markets, when assuming an average annual growth of $3\frac{1}{2}$ % g.n.p.

But the government - in spite of its progressive nature - today is well aware that the public spending honeymoon cannot go on for ever, in particular if the recovery of recession will be slower than expected and hoped for. The outlook for the end of the decade is for revenue from natural gas to start to fall, for inflation to slow down marginally and for structural unemployment to go on increasing.

All this means that the pressure on public sector finance will continue for a long while yet. This, of course, presents the government with a dilemma.

If it is to get anywhere near its medium-term goal of a growth-rate of $3\frac{1}{2}\%$ it needs to cut back on price and wage increases, but politically it is under strong pressure - in particular from the side of the Unions - to provide at least some margin for real wage increases, especially for the lowest paid groups of workers. Hence the only way out is to trim the growth in public spending and here predominantly in the sector of social security. But, of course, also in this field are many pitfalls and traps since people are inclined to keep good things firmly in hand and do not like to choose between two bad things.

However, this dilemma is the background of the governments "1% plan" accepted in October 1976; a commitment to limiting the increase in tax and social security contributions in the years up to 1980 to 1% g.n.p., instead of $1\frac{3}{4}\%$, as proposed in more prosperous times. Many high ranked officials doubt whether this measure is sufficient to improve things substantially. The president of the national bank argues that at a growth in g.n.p. of $3\frac{1}{2}\%$, public spending will still grow by $5\frac{1}{2}\%$, leaving only $1\frac{1}{2}\%$ for the private sector. Things are even worse if the annual growth will turn out to be lower than $3\frac{1}{2}\%$, as is to be expected.

A better scenario might be a smaller rise in public spending, leaving 1% for real wage increase to avoid labour unrest, 1% for the natural wage drift and 1% for the much needed improvements in industry's profits to encourage investments.

However, decisions to be taken in matters like this are often based on political believing, rather than on economical and financial hard facts. Moreover the Labour Unions have a strong say in this and most probably they will insist on their thesis that any increase

in industrial profits must be used in investments which guarantee more labour, rather than be used for rationalising the factory. It is hard to predict whether on short term a consensus will be achieved as every different group stands for his own particular interests, and political ideology alienates from national interests and economical reality.

In this context it can hardly be denied - as mentioned earlier - that, compared with the smooth going period of the sixties, the business climate in Holland has been allowed to deteriorate. Industry is convinced that it has been squeezed dry by the high taxes and contributions to the social system. For the past 10 years the real labour costs have outstripped the gain in productivity by an average of 1% each year. Between 1968 and 1975 industrial profits as a proportion of turnover fell from 20% to 4%, which of course induced sharp repercussions on the stock-market and a continuous decrease in private investments (in 1975 the decline was 8% and in 1976 7%). Nevertheless the feeling of unease among business-men has not so much to do with any specific government policy, as the governments' generally unsympathetic attitude to business and industry, probably as a consequence of the "anti-capitalistic" attitude of the yearly congresses of the Labour party and the different more or less radical parties, based on the old and today old-fashioned thesis of class-struggle. It must be stated that even in the Universities, by certain groups stigmatized as obedient and dutiful servants of the multi-nationals, echo's of this are heard.

This went even that far that in 1976 the presidents of nine large companies, including such giants as Shell, Unilever, Philips and Akzo, summed up their feelings of unease in a letter to the government. This letter created quite a stir, because it was never done before and politically unseemly and particularly because all the signatures are very well known and carry international weight. However, it did not help a lot to improve matters and soon the affair was politically hushed up.

It is more serious that the government has to deal with a number of lame ducks in industry, which if allowed to perish, definitely increase structural unemployment considerably. Naturally the Unions put big stress on pumping in money from public means into these companies in order to keep things going. This even refers to big

companies like for instance the carmakers DAF/VOLVO, the ENKA chemical fibre group, different steel works and in particular the shipbuilding industry. Only in the latter sector, 25.000 jobs are at stake.

In spite of the governments' socialist background, nationalisation of industry, apart from the public utilities, forms no part of the governments' thinking. If a lot of money is involved in a rescue operation, the government usually takes shares in its protégé through a holding company and puts its own directors on the board to keep an eye to the course of matters. However, the government is firmly committed to getting out as soon as the firm is profitable again.

Naturally a small country like the Netherlands cannot conduct a fully autonomous and independent economical and industrial policy, let alone for the membership of the Common Market, and the easy way capital can be invested elsewhere to make it more profitable than in the homeland. So, whatever may be the political colour of the government, the freedom for economical experiments is only marginal.

For this reason more and more stress is put upon the so-called "immaterial matters", like more say of the workers in the company's policy of investing through the works council, leveling of income from different jobs and posts according to the idea of the egalitarian society (a minimum to maximum ratio of 1 to 5 is proposed), the preventing of speculation profits from the sale of land, the creaming off of "excessive profits" in favour of the workers and last but not least legalisation of abortus provocatus.

In conclusion it is to be expected that the Netherlands will slowly go this "progressive way", firmly restricted by the limits and boundary conditions of the private enterprise and of the economics of the western world.

5. Social security and the tax-system

The Dutch society developed a very sophisticated, fine-branched and above all expensive system of social security, directed to the aim that no Dutchman - or formally recognized inhabitants like guest-workers - male or female, old or young, healthy or sick, employed or unemployed is allowed to live in poverty.

Everybody is taken care off from the cradle to the grave by the social security insurance system.

To understand something of the background of this it must be stated that all the Dutch are Calvinists at heart, be they Protestant, Catholic, agnostic or communist ones, with a built-in sense of earnest endeavour and a high moral tone.

Part of that Dutch Calvinism is a desire to be doing the morally right things all the time, and a more or less dogmatic or indoctrinated feeling for what is to be considered just or not just. This is one of the reasons why in Holland exist so many "committees", groups of people who protest against in their eyes unjust treatment of minorities, prisoners, dissidents and whatever imaginable in other parts of the world. This is also one of the reasons why Dutch officials in international conferences and meetings sometimes behave so "didactic", the schoolmaster. However, it is also one of the reasons of the virtually absolute integrity of the governments' officials; corruption, breebing and backhanding are generally considered to be indecent, unduly and improper; it is "not done", and consequently heavily punished.

On the other hand this attitude of doing the right things is sometimes pushed to an almost ruthless disregard of self-interest. Dutch aid to the third world, for instance, pinpointed as a matter of moral priority, has been built up despite the economic troubles at home and ranks now with Scandinavia in the world top level (over 1% of the national income). When the former Dutch colony of Surinam gained its independence in 1975, no attempt was made to stop last-minute influx of Surinamese, despite the problems these imigrants were certain to cause.

However, doing the right thing now also means exercising tolerance well beyond the limits that other countries might consider reasonable. A few summers ago the town of Amsterdam good-humouredly and generously submitted to an invasion of the world's hippies and together with them of soft drugs. The posession of these drugs in small quantities is now treated as only a minor offence and even legalization for personal use is discussed in analogy to tobacco or liquors. Indeed, one of the radio stations puts out a weekly report on market rates to discourage overcharging.

Peddling hard drugs, however, is still severely punished. Nevertheless, the general tolerance in Holland - also in the courts of justice - made the officials no match for the international drugs gangs, and Amsterdam became soon the center for hard drugs dealing.

Over the past ten years or so protest - and action groups have come and gone. Their strength sapped, perhaps, by an almost too-ready acceptance in tolerance by Dutch society. May be that they might have something to say and thus they should be heard. Next it turned often out to be only an empty barrel; and if so or not, beating ones head against a rubber wall can work suprisingly debilitating. In this same pattern radicals were made into local councillors or other officials, but anyhow provided with a reasonably salary and other facilities; an object lesson on how to kill a rebel through respectability.

In the tolerant attitude of the Dutch, sexual freedom is not an issue either; couples who live together unmarried are supposed to have some reason for that behaviour and are in no way discriminated. The official tourist map of The Hague, among its theatres, restaurants and museums solemnly lists a telephone-number for a morning-after-pill service, and practically every doctor will prescribe anti-conceptional means to a girl who asks for.

None of this means that the Dutch are particularly promiscuous, or given to drugtaking, or deny the intrinsic value of a sound family life or bent to turning society upside down. We just believe that, since some people will indulge in all these things, it is far more sensible, as well safer, to institutionalise their needs.

We try to do so in every aspect of society, to create safe compartments for different interest groups or religious groups, which allows them to live happily united and separated from others ever after.

Once there was a time that the country counted 54 political parties and today we have protestant, catholic, socialist and neutral radio-stations, unions, schools, farmer's cooperatives, and everything else imaginable.

At home, doing the right things means not only passive tolerance in the sense discussed now at length, it also means a national effort to bring basic welfare to every citizen. This means on the

one hand that detailed, imaginative and sometimes expensive thought is given to the need of small minority groups, like guest-workers, gypsies, travelling show people and immigrants, and on the other hand the maintaining of a sophisticated system of social security in the benefit of all citizens.

As a matter of fact this system was founded, as a national peoples insurance, in the fifties with the introduction of a general age pension. During the last decade the system was rapidly expanded and improved and today we have several levels of legislation in social insurance. The contributions are partly paid by the employers - which has a considerable effect on labour cost - and partly by the employees, whereas there are special regulations for the self-employed.

All social insurance benefits are kept on line twice a year with the average wage index, in order to compensate for inflation and the raise of prices.

It would go too far and consume too much time to go into all the details and therefore you allow me to quote from the Economist May 1976: "Holland is the gentlest, kindest place in Europe - that is when it is judged by the welfare benefits the citizens enjoy. By British standards everyone there, whether working or not, is amazingly well looked after".

Well, let us analyse this statement somewhat closer.

Indeed, for a start there is a minimum wage for all those over 15 who work more than a certain number of hours a week, no matter what they do. The money they get ranges in 636 to 1600 guilders per month at 23, or older. It should be noted that this minimum is much the same as the male industrial wage in Britain. However, as mentioned before, this compulsory minimum wage has a disastrous influence on juvenile unemployment.

If a worker falls ill, he is paid 80% of his normal wage (up to a limit of f 200,- a day) for up to one year. If after that time he still remains unable to work, he is protected by the legislation on disablement. This works out at a little less than sick pay, but will never amount to less than f 90,- a day, with no limit.

Since this particular piece of legislation was introduced, the apparent health of the Dutch population has deteriorated dramatically. Half of the workers over 50 are now partly or fully incapacitated under the act.

Being out of a job in Holland, although perhaps a psychological hardship, is rarely a major financial one. The dole for the first six months amounts to 80% of the worker's former pay, with generous minimum and maximum amounts.

For the next two years the payment drops to 75% - however, still being matched to the wages index twice a year - and after two years another special act will take care of the unemployed.

Naturally the unemployed are supposed to be looking for a new job, but there is no pressure on them to take the first thing that comes along. The job offered must be "suitable", which means that it involves work the man is trained for, that the pay is about the same as he was used to and that the job is at a reasonable distance from his home - which in the scale of distances in Holland is understood to be no more than say a hundred kilometers.

Several people, however, abuse the condition "suitable", as they compare the benefit of the unemployment act with the wage offered in the new job, and refuse to do the work for the difference.

Thus, they soon belong to the group of "professionally unemployed", people who systematically and by all sorts of tricks escape from working.

Though the government denies that the social system is being abused on a large scale, it can happen on an average day that 5% of the working population were out of a job, 9% were off sick and a further 10% were classified as long-term sick or disabled under the "working incapacity insurance act". In other words, between one fifth and a quarter of the labour force was doing no work that day.

However, the opinion of the Dutch people, being the tax payers who finance the social security, differs greatly from the official government's statements. The people agree with the government that both the old age pension act (AOW) and the general widow's and orphans pensions act (AWW) are not really abused. By the way, it is remarked, that these acts fit perfectly well in the Dutch feeling of just and not just.

Next, in an increasing scale people believe in abusing of the health insurance act and the working incapacity act, the general welfare act and in particular the unemployment benefits act.

Almost 70% of the Dutch people are of the opinion that the latter is greatly abused.

Slide 37
Table.

This atmosphere of suspicion is sustained partly by the jobless youngsters who hang around in town with plenty of money to spend, but far more by the so-called 'black-workers'. They are officially unemployed and enjoy the benefits of the act; however, they make in top of that money in a non regular job somewhere, thus having an income that would be far beyond their reach in a regular job, moreover because for clear reasons no tax is paid on the black money.

As shown before, the total amount of money involved in social security rapidly grows close to 25% of the national income. This tremendous sum of over 45 milliards of guilders*) is partly paid by the employees as their contribution to the social insurance (12% of the wage for old age pensions and widow's and orphans act; plus 8,55% for the other social security acts), it is partly paid by the employers (24,5%) and the remainder is coming from all tax payers, again including industry. It is clear that a level of social security as achieved in Holland today has a substantial influence on labour cost and consequently on the price of the products made in Holland. By now it becomes recognized, that when continuing along this way Dutch industry will price itself out of the market, which is one of the backgrounds of the governments 1% operation as discussed before.

Slide 38
Economy.

As common in most countries the Dutch system of taxation consists of two classes of taxes: the taxes on expenditure and the taxes on income, profit and wealth. In the first class the bulk of the tax revenues comes from turnover tax (tax on added value), from excise duties and from import duties, whereas in the second class the income- and wages taxes and the corporation tax bring in the greater portion of the revenues.

Slide 39
Economy.

During the last decade the total burden of taxation has ever increased in terms of money. The revenues in 1975 amounted to over the threefold of those in 1966. However, in terms of national income there is a tendency of stabilisation to be observed at slightly over 30%. This figure elucidates that Dutch society belongs to the most heavily taxed ones in the world.

*) This corresponds to roughly 4.000 guilders annually per head of the population or 13.000 guilders per worker.

The taxation on wages and income is levied in prepayments and is characterised by a steep progression according to the governments' objectives of fair distribution of income.

Slide 40
Economy.

By the way, this is a pure political issue, since if the wages of the relatively few big-earners were to be spread evenly over all workers, this would result in only a marginal raise of the average income. Anyhow, the basic idea is felt to be "just".

The income tax is levied in "bands" of "discs", each disc showing a fixed percentage of taxation. The lowest disc is already taxed to 20%, the highest one to 71%, whereas the system works cumulative. For instance on an income of f 100.000,-- a tax of roughly 50% is levied.

Many people think this level of taxation too high as it paralysed the ambition to do more work - other than "black" work - and to qualify for higher jobs. As a matter of fact the difference between the net pay for unskilled or low-skilled labour and highly skilled craftman's work has already become marginal.

Moreover, a tax level like the Dutch one provokes dodging, despite the extremely strict verification system and the high penalties. There are signs now that the government very slowly - politically hampered as it is - comes to the conviction that further increase of level of taxation is hardly attainable and it is hoped that this will get shape in a modified 1% operation.