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Chapter 7

Netherlands

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The Netherlands is a rather small country (some 41,000 square kilometres of land) and had little less than 15.5 million inhabitants in 1995, which means it has a high population density of 452 people per square kilometre (Netherlands, Statistics Netherlands 1996a).

THE PROFILE OF THE NETHERLANDS

Demography

Although the Dutch population can be considered to be rather young when compared to other European countries, there is growing concern about the consequences of the ageing process of the Dutch population in the near future. While the percentage of young people (aged 19 or less) decreased between 1985 and 1995 from 28.3 to 24.4, the percentage of elderly (aged 65 or more) increased slightly from 12.0 to 13.2 (Netherlands, Statistics Netherlands 1992, 1996a). In the next 20 to 40 years, the percentage of elderly of 65 years and older will increase to 17 in 2015 and to almost one-quarter of the population in 2035 (Netherlands, Statistics Netherlands 1996b). In 1994, 31.1 per cent of all households were one-person households and 0.5 per cent were lone parent families (Netherlands, Statistics Netherlands 1996a).

[†] The research underlying this chapter was carried out while the first author was at Tilburg University. The views expressed are those of the authors and do not necessarily reflect the views or policies of Statistics Netherlands.

Socio-economic conditions

In the 1990s, the Netherlands has build up a remarkable economic record. Apart from a moderate annual inflation rate of 2.0 per cent over the period 1985–94, the Dutch Gross Domestic Product (GDP) per head is higher than the European Community (EC) average (see Table 7.1). Moreover, in the Netherlands, the real annual GDP growth rate per head was 1.8 per cent during the 1985–93 period whereas it was 1.6 per cent in the EC. Having an economic growth between 2.5 and 3 per cent in 1996 and an inflation rate just below 2 per cent, the Netherlands stands out economically among the other member states of the EC. Such achievements could be pursued due to a relatively high labour productivity and despite the rather low labour participation rate (see Table 7.1). Although female labour force participation showed a sizeable increase between 1985 and 1994, it still remains at a rather low level. While Dutch unemployment rates are rather low compared to the EC average, the Netherlands is confronted with a high rate of long-term unemployment. The increase in the working population between 1985 and 1991 and the falling unemployment rate reflect the favourable economic conditions. However, one should keep in mind that the increase in the working population went hand in hand with an increase in the number of part-time jobs and flexible labour contracts. In 1994, 36.4 per cent of the workers were employed in a part-time job (37.4 per cent in 1995) while 10.9 per cent were employed on a temporary basis (OECD 1996).

Social protection

The Dutch welfare state is often pictured as having one of the most equitable, generous and comprehensive social protection systems. Income policies have produced a high degree of income equality. Social protection expenditure as a percentage of GDP is higher in the Netherlands than in any other EC country. Social protection expenditure per head is also quite sizeable (one-quarter higher than the EC average in 1993). However, annual growth between 1985 and 1993 averaged 2.3 per cent, a lower growth rate than the EC average of 3.6 per cent. The share of sickness and invalidity benefits in total social protection benefits was equal to 43.1 per cent in 1985 and it increased to 44.6 per cent in 1993. The share of old age and survivors pensions in total social expenditure is also quite

Table 7.1 Summary statistics for the Dutch economy and the European Community in 1985, 1991 and 1993–4

	<i>The Netherlands</i>			<i>European Community^a</i>		
	1985	1991	1993	1985	1991	1993
GDP/head ^{b, 1} (UK£)	6,887	7,873	7,884	6,147	6,966	6,957
Labour force participation ^{2, 3, 4} (%)	49.7	56.9	58.9 ^c	54.3 ^d	54.6	55.0 ^c
males (%)	65.7	70.0	70.4 ^c	69.0 ^d	67.5	66.6 ^c
females (%)	34.1	44.3	47.7 ^c	40.9 ^d	42.6	44.2 ^c
Unemployment rate ^{2, 3, 4} (%)	10.5	7.3	7.2 ^c	9.5	8.5	11.4 ^c
Social protection expenditure in % of GDP ⁵	31.7	32.4	33.6	26.0	26.0	27.8
Social expenditure per head ^{b, 5} (UK£)	2,181	2,521	2,585	1,604	1,930	2,067

Source:

- 1 Eurostat (1995a)
- 2 Eurostat (1987)
- 3 Eurostat (1993)
- 4 Eurostat (1996)
- 5 Eurostat (1995b).

Notes:

- a The EU includes Belgium, Denmark, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain and the United Kingdom.
- b The data on GDP and social security expenditure presented in this table are expressed in UK pounds sterling at constant 1985 prices.
- c The data are for 1994
- d Spain and Portugal not included

substantial (32.7 per cent in 1985 and 37.1 per cent in 1993). The share of unemployment protection expenditure decreased from 11.6 per cent in 1985 to 9.2 per cent in 1993, mainly as a result of the falling unemployment rate.

The societal and political organisation of the welfare state in the Netherlands has typical corporatistic features through its traditional pillar-structure. Christians, Protestants, Socialists and Liberals were in separate organisations and tried to influence the form and content of the welfare state through their representatives in the decisive social and political bodies. This has characterised the Dutch welfare state over the period from the Second World War up to the early 1980s. The social protection system in the Netherlands is a mixed system which embodies elements of the Bismarckian and the Beveridgian welfare state models. According to others, the Dutch system combines elements of Esping-Andersen's typology of social democratic, corporatist and the liberal models (Engbersen *et al.* 1993). The first employee insurance scheme, which was introduced in 1901, covered the risk of accidents at work. Thereafter, disability, sickness and unemployment insurance were introduced. These employee insurance schemes were of the Bismarckian type: they were organised through the state, they were categorical since they covered the working population (*werknemersverzekeringen*) only and they were based on compulsory contributions levied on the wage bill. The old age and survivors pensions, as well as the family benefit scheme, were of the Beveridgian type (flat-rate pensions). They were universal since they covered the whole adult population, they were financed through contributions to be paid by the whole population (*volksverzekeringen*) or through general taxation. Still, most of the social protection benefits are contributory and insurance based. General assistance benefits on the other hand are financed through general taxation. The General Assistance Act was introduced in 1965 and was inspired by liberal views on the role of the state as provider of last resort. Assistance benefits are uniform, at a minimum level and means-tested by taking income from other sources (that is, both insurance benefits and earnings) within the household as well as savings and assets into account. Liberal ideas also have had a clear impact on the unemployment and health insurance schemes.

Political environment

The political context of the Netherlands is characterised by a long tradition of coalition governments. Three coalitions under the direction of the Christian Democrat Prime Minister Ruud Lubbers have dominated the political context: Lubbers I government (centre-right coalition 1982–6), Lubbers II government (centre-right coalition 1986–9) and Lubbers III government (centre-left coalition 1989–94). The main policy issues of the Lubbers I government were the reduction of public spending and the budget deficit, economic recovery and the restoration of employment (Roebroek 1993). The reform of the social protection system was also part of the political agenda, particularly with respect to health care, health insurance, family care and the level of the benefits (Roebroek 1993). The retrenchment policies to cut down government spending and reduce the budget deficit was continued during Lubbers II government. This government carried out a far reaching reform of the social protection system, particularly with respect to disability and unemployment benefits (lowering of benefits and reducing their duration). The Lubbers III government tried to reduce the budget deficit by limiting public spending through a further reform of the employee disability scheme, and through adjustments in health care programmes. With respect to disability, the policies of Lubbers II government were particularly aimed at reducing the number of recipients by reducing the flow out of employment, by a penalty on quits and lay-offs of disabled people, and by providing financial incentives to hire disabled people. Lubbers III government also aimed to privatise the disability scheme by reducing the legal protection against disability risks, by differentiating premiums according to the distribution of disability risks across firms and business sectors, and by giving greater responsibility to employers and employees within the framework of collective labour agreements (*Collectieve Arbeidsovereenkomst*) to determine the appropriate coverage of disability risks.

POVERTY IN THE NETHERLANDS

The definition of poverty

In the Netherlands, both in the political and the scientific debate, there is no consensus about the definition of poverty and its relationship with other concepts, such as social exclusion, deprivation,

relative deprivation, marginalisation, disadvantage and social disadvantage. This chapter draws upon a conceptual framework which distinguishes between the concepts of income poverty, relative deprivation, impoverishment and social exclusion (Berghman 1995). The framework is, first of all, based on the distinction between income poverty (that is, lack of income) and relative deprivation (that is, inadequate living conditions). Second, it differentiates between static and dynamic perspectives.

According to Ringen (1988), poverty can be defined and measured in two ways: directly and indirectly (related distinctions were made by Sen (1979) between the direct method and the income method and by Atkinson (1987) between the right to a minimum level of resources and the attainment of a minimum standard of living). A direct definition of poverty focuses on relative deprivation; poverty is viewed as having unfavourable living conditions (broadly defined in terms of food, clothing, accommodation, social participation, education, work and social contacts). Such a definition is termed direct because it focuses on the actual spending patterns and living conditions of individuals. An indirect definition of poverty is aimed at measuring poverty using an indirect yardstick for consumption and living conditions, such as disposable income.

Under the indirect definition of poverty – the subsistence definition – people are poor if they do not have at their disposal the minimum amount of resources considered necessary to achieve a certain minimum living standard. This minimum amount of resources is called the subsistence minimum or the income poverty line.

The direct definition of poverty – the deprivation definition – states that individuals are poor if their living conditions lag behind what is considered to be just sufficient in the society in which one lives. The direct definition is therefore based on the person's actual living conditions, whereas the indirect definition is based on income as one of the determinants of these conditions. Research for the Netherlands (Dirven and Berghman 1991; Muffels 1993) indicates that income poverty is not the sole determinant of relative deprivation; other economic and social and cultural resources, appear to have an independent impact as well.

Poverty definitions may thus be classified into indirect (definitions of income poverty) and direct (definitions of relative deprivation). While the former are based on a uni-dimensional perspective on poverty in terms of a lack of income, the latter usually take a

multi-dimensional perspective in terms of people's actual living conditions. Both concepts are used in a static sense, referring to the situation of individuals at a specific point in time. According to Berghman (1995), a distinction should be made between concepts referring to situations and concepts referring to processes. Table 7.2 displays the four possible combinations of direct and indirect definitions of poverty on the one hand, and static and dynamic definitions on the other hand. The concept of impoverishment may be used to denote the processes leading to income poverty, while the concept of social exclusion can be used to refer to processes bringing about a situation of relative deprivation.

As processes, impoverishment and social exclusion refer to chains of events causing people's income and living conditions to deteriorate to the extent that a situation of income poverty or relative deprivation occurs. Both processes may be triggered by changes in people's employment status as well as changes in family composition and may be affected by structural features of the labour market and the system of social protection (for example, (minimum) wage regulations, implicit tax rates and benefit levels). Moreover, due to stigmatisation, discouragement effects or moral hazard behaviour, previous situations of income poverty and relative deprivation may contribute to the processes of impoverishment and social exclusion. In this chapter, an analysis is carried out of the incidence of income poverty and relative deprivation and its evolution in the period under investigation. We will also draw attention to the flows into and out of poverty and the distinction between persistent and temporary poverty which is extremely important from a policy point of view. For further information on the processes of impoverishment and social exclusion the reader is referred to other publica-

Table 7.2 The conceptualisation of social exclusion and poverty

	<i>Process</i>	<i>Situation</i>
Indirect definition	Impoverishment	Income poverty (insecurity of subsistence)
Direct definition	Social exclusion	Relative deprivation (social disadvantage)

Source: Berghman 1995.

tions (Muffels 1993; Dirven and Fouarge 1995, 1996; Fouarge and Dirven 1995).

The incidence of poverty

This section presents results on the incidence of poverty in the Netherlands. The focus is, therefore, on income poverty and relative deprivation. The methods used to measure income poverty and relative deprivation are discussed briefly. The results are based on the Dutch Socio-Economic Panel Survey (Lemmens 1991), which is carried out by Statistics Netherlands and covers about 5,000 households. These households are interviewed annually (bi-annually until 1989). The most recent and comprehensive available data relates to the 1985–91 period, which is analysed below. A summary of more recent income poverty data for the period 1985–95, is drawn from the recently available waves of the Dutch Socio-Economic Panel Survey (SEP). Unfortunately, due to major changes in the questionnaire of the SEP, it appeared to be impossible to update the results on the incidence and persistence of relative deprivation.

Income poverty lines

In this section, two income poverty lines are used to determine income poverty during the period 1985 and 1991: the National Social Minimum Income (NSMI) and the Subjective Poverty Line (SPL). These poverty lines have in common that they are not imposed by the researcher, but have been drawn by politicians and the population, respectively. The National Social Minimum Income is based on political consensus (or, at least, on a majority view) as regards the minimum subsistence level. The Subjective Poverty Line is rooted in the everyday experiences of individuals trying to make ends meet (van den Bosch 1994).

Although no official income poverty line exists in the Netherlands, the amounts given in the General Assistance Act can be taken as the level of income which is considered by the authorities as the minimum income level necessary to live in subsistence. The amounts are dependent on the composition of the recipient's household, his or her age, and whether or not he or she shares a home. In determining the National Social Minimum Income level, not only general assistance benefits but also holiday allowances,

incidental benefits, family allowances and student grants are included in the calculations.

The Subjective Poverty Line (Goedhart *et al.* 1977) is based on the judgements of heads of households about the minimum income required for their household. Although the adjective 'subjective' may perhaps suggest otherwise, this poverty line is not a purely subjective one. It refers to the fact that calculating the level of the Subjective Poverty Line is based on the subjective judgements of heads of households, taking as the point of departure their answers to the so-called minimum income question: 'What net income do you consider to be the absolute minimum for your household in your circumstances? In other words: if you had any less, you would not be in a position to make ends meet.' From these judgements an average or inter-subjective judgement is derived.

The answer to the minimum income question appears to be related to the composition of the household, the actual household income and the average income of the household's reference group, defined here as people with the same age and educational level. It can be shown that a level of income exists such that for all incomes below this level the income of the household is lower than the minimum income, whereas for all incomes above this level the income of the household is higher than the minimum income. This level of income is called the Subjective Poverty Line; it is the point at which households can just make ends meet.

In general, the level of the Subjective Poverty Line is higher than the level of the National Social Minimum Income. Apparently, the opinions of politicians and the population differ with respect to the level of the subsistence minimum. In order to determine income poverty, the level of the National Social Minimum Income and the Subjective Poverty Line is compared with the annual disposable income of the household. The latter is determined on the basis of a list of twenty-seven income components and includes the incomes of all household members. A person is considered to be in a situation of income poverty if the annual disposable income of the household to which he or she belongs, is lower than the National Social Minimum Income or the Subjective Poverty Line.

The incidence of income poverty: 1985-91

Table 7.3 presents results on the evolution of income poverty in the Netherlands between 1985 and 1991. For that purpose, the panel

data are analysed as if they represent a series of repeated cross-sections. This enables trend analyses to be carried out, which gives insight into changes in the incidence of poverty and its distribution across population subgroups.

As far as the incidence of income poverty is concerned, the data indicate that, in 1990, about seven per cent of the Dutch population lived below the National Social Minimum Income, while about 11 per cent lived below the Subjective Poverty Line. Moreover, the situation has become somewhat worse between 1985 and 1990. The proportion of poor people was higher in 1990, irrespective of the income poverty line.

Engbersen, Vrooman and Snel (1996) present more recent figures on the incidence of income poverty. These show a slight decrease in the proportion of households below the social minimum during the first half of the 1990s, while the average amount of money needed to lift these households up to the level of the social minimum (the poverty gap) appears to have increased. However, due to the use of other definitions and data sources, their figures are not comparable to those presented in Table 7.3.

Poverty persistence: 1985–91

The richness of the panel data allows us to investigate the flows into and out of poverty and to assess whether poverty is temporary or persistent for particular groups in society. Following Bane and Ellwood (1986), a poverty spell approach is adopted here where a poverty spell is assumed to start after an individual being out of poverty in a particular year moved into poverty in the year after. The measure is based on the standard life-table approach. Income mobility is then defined in terms of the exit rate out of poverty,

Table 7.3 The evolution of income poverty, 1985–90: percentage of persons below the National Social Minimum Income (NSMI) and the Subjective Poverty Line (SPL)

	1985	1986	1987	1988	1989	1990
NSMI	6.4	6.4	6.7	6.1	5.4	6.7
SPL	9.6	11.7	12.8	12.4	9.7	11.1

Source: Muffels, Dirven and Fouarge 1995.

conditional on experiencing a poverty spell during specific time periods. In this approach, the survival rate after n years of poverty (that is, the proportion of people that did not escape) provides an estimate for the persistence of poverty.

The results of Table 7.4 show that there is a high income mobility in the Netherlands. Most poverty spells tend to end within two years. Notice that the mobility is much higher according to the National Social Minimum Income than according to the Subjective Poverty Line. This may be attributed to the lagged response of income evaluations to actual changes in income. Information for the Netherlands from other work (Duncan *et al.* 1993) show that beginnings and endings of poverty spells are to a large extent related to labour market events (losing or getting work, reduced or increased working hours) and household formation events (divorce or separation, (re)marriage). There is also evidence that in the period 1985 to 1991 the poverty status of groups with high annual risks on poverty, such as lone mothers, widows, long-term unemployed and disabled people, became worse through increasing persistent poverty (Muffels *et al.* 1995). Further analyses show that this is most likely attributable to falling escape rates out of poverty. The most recent figures published by Statistics Netherlands (1996c) on the numbers of households on a persistent low income indicate that this situation has continued during the first half of the 1990s. Periods of economic upswing obviously provide no guarantee for solving the issue of poverty. On the contrary, it appears that increasing labour market opportunities are preserved for a selective

Table 7.4 Long-term poverty according to the 'poverty spells' indicator and two poverty lines: the National Social Minimum Income (NSMI) and the Subjective Poverty Line (SPL); survival rate (%): 1985–90

Poverty spells (survival rate after n-years)	1	2	3	4
NSMI				
Total population	28.7	13.9	2.5	0.0
SPL				
Total population	56.3	39.2	26.1	23.4

Source: Muffels, Dirven and Fouarge 1995.

group of people. This means that for poor people with a very low chance of acquiring a regular job, the likelihood of moving out of poverty will not rise and poverty will become more persistent.

The incidence of income poverty: 1985–95

Table 7.5 presents results on the evolution of income poverty in the Netherlands between 1985 and 1995. Since the data were released in June 1997, it was not feasible to derive the National Social Minimum Income level and the Subjective Poverty Line for this statistical update. Instead, two other indicators of income poverty were used.

First, the incidence of income poverty was determined by taking all individuals living in households below 50 per cent of median standardised household income. This criterion is a common measure of income poverty used by the European Commission's statistical office (Eurostat) and independent researchers throughout the European Union. Second, figures are presented on the percentage of persons living in households having difficulties living within their household income. These figures are based on the answers to an income evaluation question phrased as follows: 'How did you get along with your household income in the previous twelve months?' If the answer was 'very difficultly' or 'difficultly', the household was considered to have difficulties to get along.

The poverty rates according to the 50 per cent of the median criterion indicate that, throughout the 1985–95 period, income poverty remained within the range of about 8 to 10 per cent of the Dutch population. The percentage of individuals living in households having difficulties to get along, on the other hand, fell dramatically in the second half of the eighties. This was followed by a slight increase during the first half of the 1990s. In 1995, about 11 per cent of the Dutch population lived in a household having difficulties to get along.

Poverty persistence: 1985–95

Using the indicators presented above, it is now possible to study the persistence of income poverty during the 1985–95 period. In Table 7.6, the persistence of poverty is analysed using the life-table approach. It displays the proportion of all poverty spells which started during the observation period (including multiple spells if

Table 7.5 The evolution of income poverty, 1985–95: percentage of persons below 50% of median standardised household income and living in households having difficulties getting along

	<i>Below 50% of median standardised household income*</i>	<i>Having median difficulties getting along</i>
1985	8.5	18.4
1986	8.2	15.8
1987	8.3	13.8
1988	8.6	11.6
1989	8.6	10.2
1990	10.0	–
1991	8.6	9.0
1992	8.8	9.3
1993	9.5	10.0
1994	9.4	12.3
1995	–	11.4

Note:

*As of 1990, the measurement of income was changed from current monthly income (in October) to income in the previous year. The figures have been adjusted in order to be comparable across the whole period.

an individual became poor more than once) and continuing after one year, after two years, and so forth. Survival rates are indicative of poverty persistence.

The results show that most poverty spells end after one year. Income poverty thus appears to be a short-term situation for most people. There is, however, a remarkable difference between the two poverty definitions. The survival rates below 50 per cent of median standardised household income decrease more slowly with duration than those in a situation where individuals are living in households which have difficulties to get along. While 21 per cent of the former spells continue after five years, this is true only for 7 per cent

Table 7.6 Long-term poverty according to the poverty spells indicator using below 50% of median standardised household income (1985–94) and having difficulties getting along (1985–95)

<i>Poverty spells</i> (cumulative survival rate after n-years)					
	1	2	3	4	5*
Below 50% of the median	44.2	32.7	26.7	20.9	20.9
Difficulties to get along	41.2	22.6	13.9	9.1	6.8

Note:

* Due to the low number of observations, the cumulative survival rates for six years or more are not included in the table.

of the latter spells. Apparently, low income situations are more persistent than feelings of income deprivation.

Relative deprivation: 1985–91

While income poverty lines may be used to describe the income situation of households, relative deprivation indices are employed to study situations of multiple disadvantage. Following the works of Townsend (1979), Mack and Lansley (1985) and Desai and Shah (1988) on the definition and measurement of relative deprivation, Muffels (1993) developed a Subjective Deprivation Poverty Line. It is based on the majority view of the Dutch population about the living conditions which are considered sufficient for a given type of household.

The derivation of the Subjective Deprivation Poverty Line involves two main steps. First, the extent of relative deprivation of a household is determined using a so-called subjective deprivation scale. This scale consists of a list of items reflecting people's living conditions. The extent of deprivation is calculated as a weighted sum of the score on each item that the individual considers as absolutely necessary to have. If he or she lacks an item, one is added to the deprivation score and if he or she possesses it, one is subtracted. However, while adding up and subtracting these items, weights were used reflecting the extent to which various items were possessed or lacked by the reference group of the household. The

reference group was assumed to consist of households with heads having the same age and educational level.

The second step is to transform the subjective deprivation scale into a Subjective Deprivation Poverty Line. The transformation is based on the level of satisfaction expressed by the respondent with respect to his or her living conditions. This is measured by the so-called life resources evaluation question, which was asked directly after the list of items:

If you consider the way in which your household lives at the moment, would you call your household poor, or in fact rich, or somewhere in between? You can answer by giving a score to your situation. A score of 1 means that you consider yourself to be very poor; a score of 10 means that you consider yourself to be very rich.

The level of the Subjective Deprivation Poverty Line is then assessed by assuming that there exists a level of deprivation below which people live in deprivation poverty and above which people do not live in deprivation poverty. The dividing line is found by assuming that, as with the school mark system in the Netherlands, a score of 5.5 reflects the dividing score between 'satisfactory' and 'unsatisfactory' which can therefore operate as the threshold level with respect to the evaluation of one's living conditions. The resulting Subjective Deprivation Poverty Line varies across household types, because the score on the answer to the life resources evaluation question is also influenced by reference group factors, age and marital status of the head of household, and indicators of financial stress. The latter is indicated by the head's opinion about the current financial situation of the household and by his/her financial expectations. The level of the poverty line can be taken to be the line which exists, according to the Dutch population, between a 'sufficient' and an 'insufficient' level of living conditions for a given type of household.

The incidence of relative deprivation: 1985–91

As Table 7.7 indicates, a substantial decrease in the incidence of relative deprivation was observed between 1985 and 1991 among both households and individuals. By the way, the proportion of relatively deprived households appears to be higher than the proportion of relatively deprived individuals. Apparently, relative deprivation

is more common among smaller households. Moreover, the ratio of deprived to non-deprived households and individuals appeared to have decreased by about 10 per cent per year. Closer examination of the data showed that this was mainly caused by decreasing levels of the Subjective Deprivation Poverty Line, while the living conditions did not change on average. Apparently, the level of deprivation which is considered by the Dutch population to be the dividing line between satisfactory and unsatisfactory living conditions decreased between 1985 and 1991. Using different data and definitions, Engbersen *et al.* (1996) show that the average level of well-being increased slightly between 1991 and 1993. Since the bottom end benefited from this increase to the same extent as the rest of the population, it is argued that the incidence of relative deprivation remained at a stable level.

Deprivation-poverty persistence: 1985-91

To assess the persistence of deprivation status we had to impute the information for the years 1987 and 1989 for which we lacked information on deprivation. The predicted deprivation-poverty status can then be used to calculate the spell-based measure of income mobility and poverty persistence (Muffels and Dirven 1995). In Table 7.8 the results on the persistence of deprivation-poverty are given.

The results show that in general the stability of deprivation-poverty is higher than was found using the income-poverty lines and especially compared to the social minimum threshold. After

Table 7.7 The evolution of relative deprivation, 1985-91: percentage of households and percentage of persons below the Subjective Deprivation Poverty Line (SDL)

	1985	1986	1988	1991
SDL 5.5				
Households	14.0	13.2	11.6	9.0
Individuals	10.8	10.2	9.4	6.1

Source: Muffels, Dirven and Fouarge 1995.

Table 7.8 The persistence of subjective deprivation poverty according to the Subjective Deprivation Poverty Line (SDL); survival rate (%): 1985–91

<i>Deprivation spells (survival rate after n-years)</i>				
	1	2	3	4
Total population	47.8	27.2	27.2	27.2

Source: Muffels and Dirven 1995.

four years, about 30 per cent of the deprivation-poor had not managed to escape from poverty.

GROUPS MOST AFFECTED BY POVERTY

This section presents information on the distribution of poverty across population groups. The presentation is based on the social barometer of poverty in the Netherlands (Muffels *et al.* 1995), which provides an insight into the distribution of annual poverty rates across a large number of demographic and socio-economic background variables, such as sex, age, household type, educational level, and so forth.

Poverty profile in the early 1990s

The results presented in Table 7.9 refer to the most recent comparable data available on income poverty (1990) and relative deprivation (1991). Again, the National Social Minimum Income (NSMI) and the Subjective Poverty Line (SPL) were used to measure income poverty. Relative deprivation was operationalised by the Subjective Deprivation Poverty Line, using a level of 5.5 (between unsatisfactory and satisfactory) on the life resources evaluation question (SDL 5.5).

Underlying the social barometer of poverty are a number of demographic and socio-economic background variables. The selection of variables is based on theory as well as on the observed impact from a multivariate analysis. Each of the variables included in the social barometer has a direct impact (net of the other variables) on the risk of being poor at a specific point in time. Of those, the

following variables appeared to have the strongest effects: sex of the head of household, age of the head of household, marital status, position in the household, household type, socio-economic group of the head of household, socio-economic class of the head of household and the number of earners in the household. The distribution of poverty across population groups defined by those variables is discussed here.

Sex, age, marital status and household composition

As Table 7.9 indicates, income poverty is rather unevenly spread depending on whether the household has a *male* or a *female* head. The risk of being below the NSMI appears to be about three times as high for individuals living in a household with a female head compared to those living in a household with a male head. According to the subjective poverty lines (SPL and SDL), the differences are even larger. The distribution of poverty across *age groups* of the head of the household shows the lowest (16–24 years) and the highest (75 years and older) age groups to be consistently more prone to poverty.

Breaking down poverty by *marital status* of the head of household, it appears that individuals living in households with a divorced or widowed head have the highest risks of being poor. The risk of being relatively deprived is particularly high among those in households with a divorced head.

Table 7.9 also indicates that *single persons* generally have the highest risk of being poor. This is especially so according to the two subjective poverty lines (SPL and SDL) and to a lesser extent according to the NSMI. This conclusion partly reflects the results found for persons living in households with a female or divorced/widowed head and indicates that single divorced or widowed females have relatively high poverty risks.

One-person households as well as *single-parent households* have much higher risks of being poor than couples. Among couples, the presence of children does not increase the risk of being poor (rather the opposite). Non-family households (for example, students living in the same household) are less prone to poverty than other groups.

Table 7.9 Percentage of persons below the National Social Minimum Income (NSMI), the Subjective Poverty Line (SPL) and the Subjective Deprivation Poverty Line (SDL 5.5) by demographic and socio-economic background variables in the early 1990s

	NSMI (1990)	SPL (1990)	SDL 5.5* (1991)
Sex of the head of household			
male	5.1	6.9	3.1
female	16.3	36.0	23.1
Age of the head of household			
16-24	26.9	41.7	10.9
25-49	5.0	6.6	5.1
50-64	7.8	11.7	7.3
65-74	5.3	18.1	5.6
75+	9.6	27.5	10.8
Marital status of the head of household			
married	4.1	4.6	2.3
divorced	16.4	27.8	40.2
widow(er)	11.0	37.5	10.8
unmarried	14.4	25.8	7.6
Position in the household			
single	17.1	42.8	32.5
head of household	5.4	6.6	9.1
partner	4.5	5.4	7.9
child	4.9	5.3	7.4
other	2.2	6.5	6.5
Household type			
one-person household	17.1	42.8	16.7
non-family household	4.8	5.9	1.6
couple without children	5.2	7.3	2.9
couple with children	3.6	3.6	2.0
single-parent household	16.6	20.3	31.4
Socio-economic group of the head of household			
self-employed	9.4	11.8	4.8
public employee	1.7	2.4	1.9
private employee	3.4	4.4	2.0
unemployed	30.5	45.4	20.7
(early) retired	6.9	18.8	6.8
disabled	13.5	23.8	16.2
on general assistance	35.0	51.1	66.1
Socio-economic class of the head of household			
service class	1.8	2.5	0.9
routine non-manual	2.6	5.0	2.6
<i>petit bourgeois</i>	11.8	14.3	11.8
farmers	10.9	9.6	1.1
skilled workers	2.3	2.6	2.3
non-skilled workers	7.2	9.2	4.7
farm workers	13.9	17.1	0.0
Number of wage earners in the household			
0	16.6	32.4	16.1
1	5.1	7.5	4.3
2	2.8	2.5	1.7
3+	1.2	1.2	0.7

* The SDL was set at a level of deprivation which corresponds with a score of 5.5 on the life resources evaluation question. This score reflects the dividing line between satisfactory and unsatisfactory living conditions.

Source: Muffels, Dirven and Fourage 1995

Socio-economic group, socio-economic class and number of earners

The distribution of poverty by *socio-economic group* of the head of household in Table 7.9 shows, first, that self-employed heads are more likely to be income poor than employees, although this differentiation applies much less to relative deprivation. This may be due to the differential evolution of self-employment income over time, which may be negative in one year (business losses), but fully compensated in the next (business profits). Secondly, people dependent on social protection benefits are more likely to be poor than people with a paid job. This holds except for the retired (including those on early retirement), who may be able to draw upon savings and/or whose subjective assessments of income may be more positive due to lower demands for income and lower income expectations. The poverty risks for employees would suggest that the *working poor* do not exist in the Netherlands. However, the increase of *atypical* and *flexible* jobs (that is, fixed-term, part-time and/or without fixed working hours), which have higher poverty risks than other workers, could make it an issue in the near future.

For persons living in households with an employed head, the social barometer includes information on poverty risks by *socio-economic class*. The classification into socio-economic classes used here was developed by Erikson, Goldthorpe and Portocarero (1979) and is based on information on the employment sector (manual, non-manual and agricultural work), skills, employment status (self-employed, employee) and supervision status (large owners/supervisors, small owners/supervisors, no supervision). As Table 7.9 indicates, farm workers, the petty bourgeoisie and farmers face high risks of being income poor, while relative deprivation stands out among the latter class only.

To conclude, this section briefly discusses the distribution of poverty in the early 1990s across households with different *numbers of wage earners*. Not surprisingly, poverty risks are highest among those without earnings. Among those with earnings, the risks decrease slightly with the number of earners in the household.

Poverty profile in the mid-1990s

Table 7.10 presents information on the groups most affected by income poverty in 1995. While the data refer to 1995, the 50 per

cent of the median criterion was based on annual household income in 1994.

According to the 50 per cent of median standardised household income criterion, four groups appear to be most affected by income poverty in the mid-1990s, as in the early 1990s: households with a head aged 16–24, recipients of social assistance benefits, the unemployed and single-parent households. At least one in five of these groups are below the income poverty line. Moreover, the results indicate that most social assistance beneficiaries in the Netherlands have difficulties to get along with their income. In addition, single-parent households, the unemployed, divorced and female-headed households also have more difficulties than other groups. Poverty risks thus appear to be high for those on social assistance, the unemployed and single-parent households according to both criteria. While young heads of households are at risk of being below 50 per cent of median standardised household income, they do not display disproportionate difficulties getting along on their incomes. This may be explained from the transitory nature of their low income situation.

POLICY RESPONSES TO POVERTY

Up to the end of 1995, the Netherlands had no official anti-poverty programme, since it was believed that poverty hardly existed. There were programmes focusing on those with low incomes but the term poverty was expressly avoided. In the political debate on the social renewal policy (*Sociale Vernieuwingsbeleid*) at the beginning of the decade, emphasis was put on the concept of social disadvantage (*sociale achterstanden*), which refers to disadvantages in terms of income as well as living conditions. The concept of poverty was dealt with only occasionally in government reports on social policy. However, it was explicitly acknowledged that, despite the high level of the minimum guaranteed income, problems of social disadvantage were present in the Netherlands. Moreover, social disadvantage was characterised as a problem of non-participation in the labour market. The government argued that, while the Dutch system of social protection appears to be rather effective in alleviating financial distress, it is rather ineffective in increasing (full-time) labour market participation.

Various policy measures were proposed to create employment and lower the number of beneficiaries. These measures were aimed at increasing labour market participation and reducing

Table 7.10 Percentage of persons below 50% of median standardised household income and living in households having difficulties getting along by demographic and socio-economic background variables in 1995

	Below 50% of median standardised household income	Having difficulties getting along
Sex of the head of household		
male	8.8	8.6
female	13.4	29.6
Age of the head of household		
18-24	30.6	15.8
25-49	9.3	10.0
50-64	8.8	12.1
65-74	5.8	16.3
75+	4.8	12.7
Marital status of the head of household		
married	8.8	8.4
divorced	15.7	33.8
widow(er)	6.7	20.9
unmarried	10.4	10.8
Position in the household		
single	8.5	18.6
head of household	8.1	10.1
partner	8.0	8.1
child	12.2	12.1
other	28.1	15.4
Household type		
one-person household	8.5	18.6
non-family household	7.8	13.3
couple without children	4.5	6.8
couple with children	11.0	9.0
single-parent household	20.0	42.7
Socio-economic group of the head of household		
self-employed	11.2	9.7
public employee	1.8	5.2
private employee	3.4	6.7
unemployed	29.8	42.2
(early) retired	5.0	13.5
disabled	10.9	21.3
on general assistance	32.7	85.5
Socio-economic class of the head of household		
service class	1.4	4.0
routine non-manual	2.9	6.7
<i>petit bourgeois</i>	12.5	10.5
farmers	16.3	10.1
skilled workers	3.3	7.1
non-skilled workers	7.6	11.5
farm workers	3.0	11.9
Number of wage earners in the household		
0	17.4	23.5
1	12.7	10.7
2	2.2	5.1
3+	0.6	2.0

social disadvantage. Although the proposals were not explicitly framed in terms of poverty, they can be conceived as dealing with related problems. The aim of these policy measures is to intervene in the processes leading to relative deprivation and social disadvantage. Previously, we have referred to these as the process of social exclusion.

In its report on social policy, the present 'purple' coalition (consisting of Social-Democrats, Democrats and Liberals) under the direction of Social-Democrat Wim Kok proposed the following general policy framework (Netherlands, Second Chamber 1994). First of all, macroeconomic measures, such as wage restraint, tax decreases and shifts in the tax burden are considered necessary to increase employment. In that respect, tax decreases for low-paid jobs are regarded to be one of the main policy instruments. Second, in order to reduce problems associated with long-term unemployment, the government called on the social partners (that is, employer and employee organisations) to develop a common strategy to tackle persistent unemployment. In the meantime, employment programmes were set up by the Minister of Social Affairs and Employment, Horst Melkert, to create 40,000 additional jobs in the public sector (the so-called Melkert I jobs), followed by employment programmes for the creation of jobs in the private sector (Melkert II jobs) and the non-productive social sectors of the economy (Melkert III jobs). Third, a fundamental reform of the social protection system was proposed in order to increase incentives to participate in the labour market. The reformed system should meet the following new standards: its preventive function should be improved, its selectivity should be increased and recipients should be required to adopt a more active attitude towards the seeking of employment. More attention should be paid to private income protection schemes. And, last but not least, implementing bodies should be judged by their effectiveness.

On 24 November 1995, following the United Nations summit on poverty and social exclusion, a government report entitled 'The Other Side of the Netherlands' (*De andere kant van Nederland* (Netherlands, Second Chamber 1995) was presented to Parliament by the Minister of Social Affairs and Employment. The report is important because, for the first time, the government not only officially recognised the existence of poverty in the Netherlands but also accepted responsibility for tackling the problem. It thus ended a long period of denial and reluctance by government to substitute

the term 'poverty' in official policy reports for the vaguer notion of 'social disadvantage'.

The current government explicitly aims at preventing and tackling problems of 'silent' or hidden poverty (*stille armoede*) and social exclusion. It claims that poverty in the Netherlands is a problem of people lacking social and economic opportunities. Poverty should therefore not be conceived *sensu stricto*, that is, as referring to situations of hunger, physical hardship and starvation, such as is the case in Third World countries. Instead, poverty in the Netherlands is primarily a matter of 'silent' poverty hidden behind the curtains of prosperity. However, the government does not provide an explicit criterion to distinguish between overt and hidden poverty. In defining poverty, it adheres to the European Commission's definition of poverty:

[T]he poor shall be taken to mean persons, families and groups of persons whose resources (material, cultural and social) are so limited as to exclude them from the minimum acceptable way of life in the Member State in which they live.

(Hagenaars *et al.* 1994: 2)

It should be noted that this definition is relative: poverty is defined relative to the living standard of the member state where a person lives. Moreover, the definition is multi-dimensional: it combines various types of resources as well as people's actual living conditions.

Contrary to the definition of poverty, social exclusion is defined more vaguely in terms of a worsening of social living conditions, a restricted social network, the continuous use of strategies for survival and the lack of opportunities. Again, this is a multi-dimensional definition which combines various aspects of people's living conditions. Moreover, it suggests that social exclusion is a process and refers to changes over time.

The government's aim is to combat poverty and social exclusion using four policy strategies. The first strategy deals with employment creation. Employment policies pursue the creation of at least 350,000 jobs within the next four years (1996–9), especially at the lower end of the labour market. For those with very little opportunities to find a job (for example, women with young children, elderly persons, people with low educational attainments or severe social and psychological problems), the government promotes social

participation by stimulating unpaid social activities and allowing benefit recipients to earn some additional income.

The second strategy aims to use the general assistance scheme as the safety net. This presumes that the government will protect the purchasing power of minimum benefits; that the effectiveness of the special assistance scheme will be assured; and that the income position of the elderly and families with children will be improved.

The third strategy requires that the amounts to be paid by low income households for fixed housing costs should be lowered and more households with financial problems should be guided and supported by local authorities. This includes measures to keep the costs of housing low, to reduce the municipal tax burden for low income households and to alleviate problematic debts.

The fourth strategy is to increase the take-up rate of entitlements to social protection by streamlining administrative procedures, by reducing and simplifying regulations, by improving the quality and quantity of programmatic information, and by harmonising income concepts.

EVALUATION OF ANTI-POVERTY PROGRAMMES

The proposals made by the government received broad support in parliament. Given the public recognition of the poverty problem, the desirability of anti-poverty programmes is hardly disputed (not even by the opposition, which mainly consists of Christian-Democrats). Naturally, it is too early yet to evaluate the specific measures introduced by the government. However, some evaluation was made of policies implemented by the previous centre-left Lubbers III government, which followed three main strategies to reduce social disadvantage. Employment creation programmes were perceived by the Lubbers III government as necessary but insufficient to solve the problem of social disadvantage. This strategy was supplemented by income policies, which required adjustments of the social protection system to increase work incentives. The third strategy tackled the problem of social disadvantage at the local level by means of the social renewal policy. A few examples of the previous government's policy to reduce the problem of social disadvantage are briefly discussed here.

The job pool and the youth employment guarantee schemes

Long-term unemployment (that is, being registered as unemployed for more than one year) amounted to 247,000 in 1995 (197,000 in 1990), which is 53.2 per cent (55.0 per cent in 1990) of all registered unemployed. To tackle long-term unemployment, the job pool scheme was introduced on 1 January 1991. It is aimed at persons being unemployed for more than 3 years. In a re-orientation talk, it is determined whether an individual applies for the job pool. At present, about 23,000 people participate in the scheme, the majority of whom are aged over 35 and who have been unemployed for more than five years. Municipalities are responsible for setting up or designating a job pool foundation which is able to hire unemployed people to work in additional jobs (that is, jobs which otherwise would not have been created) within public or non-profit organisations. Earnings are set at the level of the minimum wage.

Together with women, minorities and the low-educated, unemployed youngsters (that is, those below 25 years of age) are one of the target groups of the government's labour market policy. In 1995, 89,000 youngsters (85,000 in 1990) were officially registered as unemployed, which is 19.1 per cent (23.7 per cent in 1990) of all registered unemployed. In order to prevent long-term unemployment and to provide new opportunities for regular jobs, the youth employment guarantee scheme was introduced nationally on 1 January 1992. The scheme is a safety net provision offering a temporary job, at the minimum youth wage, after six months of unemployment. At present, it applies to school-leavers below 25 years of age (youngsters without any previous work experience) and to unemployed youngsters below 21 (youngsters who have had a previous job). In 1998, all school-leavers below 27 and unemployed youngsters below 21 will be covered. The scheme is carried out by a youth employment guarantee foundation and now provides about 23,000 additional jobs mostly in public and non-profit organisations. Every six months, participants of the programme are examined to evaluate their chances of entering the regular job market so as to assess whether they need additional training or work experience. If a job offer is rejected by the unemployed enrolled in the scheme, his or her unemployment benefit can be reduced.

The general assistance scheme

The general assistance scheme is the most important scheme for guaranteeing a minimum level of resources in the Netherlands. Moreover, it should be regarded as the foundation of the social protection system, since it renders a minimum income to those who can not draw benefits from other sources. The general assistance scheme provides (means-tested) financial assistance to every registered resident who can not adequately cover the necessary costs of living for his or her household. General assistance benefits are financed by the central government (90 per cent) and the municipalities (10 per cent). Municipalities have extensive discretionary powers to determine eligibility of benefits under the scheme. They also have the capacity to provide supplementary benefits meant to offset particular costs faced by the applicants. These special assistance benefits are financed entirely by the municipalities.

The social renewal policy

Crucial elements of the social renewal policy are the direct approach of the individual citizen, the breakdown of existing legal and financial barriers and the adoption of an integrated approach at the local level in order to increase social participation by means of employment. For this purpose, responsibility for allocating money from existing local budgets is transferred to local authorities and subsidised institutions to give them a greater capacity to adopt new approaches and methods to achieve social renewal. The role of the central government has been restricted in setting the general framework within which the local authorities have acquired greater discretionary power to take their own measures to combat social disadvantage. The social renewal policy did not involve any additional government funding but only an integration of existing budgets into one large fund by the central government. In practice, the social renewal policy hardly involved any new policy instruments. Many measures, such as wage and training subsidies, sheltered employment, social work and basic education, existed before social renewal was launched. Some municipalities also had an integral policy measure directed at area-related problems (bad housing, unemployment, low education): the problem-accumulation areas policy (*Probleem Cumulatie Gebiedenbeleid*). What was really new about the social renewal policy was, most of all, its administrative nature (Oeij 1993).

Evaluation

Some evaluation studies have been conducted on programmes aiming to reduce social disadvantage. Their efficiency and efficacy was considered to be disappointing (Serail and Ter Huurne 1995). In most instances, the programmes did not reach the most disadvantaged among the target groups, while those who did participate probably would have improved their situation anyway. The impact of these programmes on the increase of labour market opportunities of the participants was estimated to be modest. Also, doubts were raised about the extent to which additional jobs were created that did not compete with regular jobs.

However, even if labour market policies fail to reduce aggregate levels of unemployment, it could be argued that they contribute to increasing mobility into and out of unemployment. And, of course, there may be good arguments to prefer an open society where the burden of unemployment is shared between many people for a short period of time to a society with an underclass of long-term unemployed people. Nevertheless, the available evidence on the mobility of the unemployed (Ultee *et al.* 1992) does not render much support for the proposition that these programmes enhance labour market mobility.

Evaluations of the Dutch general assistance system show that its efficacy in terms of reducing the poverty rate and poverty gap is high (Deleeck *et al.* 1992; Commission of the European Communities 1994). While, in 1986, the Netherlands had a poverty rate of 39.8 per cent before social protection benefits were received (using the 50 per cent of average disposable household income poverty line), it succeeded in reducing this figure by 82 per cent to 7.2 per cent after the receipt of social protection benefits. Moreover, the poverty gap was reduced by 90.9 per cent. However, like in the other member states, the system appears to be rather target inefficient. Almost half of the aggregate cash transfers goes to households that were at, or above, the National Social Minimum Income level without social protection transfers, or to households in excess to what they strictly need to stay above that level. Finally, research on the take-up of benefits (van Oorschot 1991) indicates that serious problems exist with respect to granting the least privileged their legal rights.

Evaluation studies of the Dutch social renewal policy (Oeij 1993; van der Wouden *et al.* 1994), conclude that the administrative

reforms have been effective. Moreover, the integration of policy measures is also considered to be generally successful. However, none of these studies show the extent to which the social renewal policy has contributed to a reducing the occurrence of social disadvantage in society.

FUTURE PROSPECTS AND STRATEGIES

The widening gap between the rich and the poor

The evidence on the evolution of poverty in the Netherlands clearly suggests that enhanced economic growth does not necessarily imply falling poverty rates and rising economic and social equality. On the contrary, recent evidence shows that the incidence of poverty remains substantial despite economic growth. At the same time, the prevalence of persistent poverty among particular categories, such as the very old, lone mothers, the long-term disabled or unemployed and widows, also remains high. One-out-of-seven people experienced poverty at least once over a six-year period. A large fraction of the population has been prone to persistent poverty, notwithstanding favourable economic conditions. Poverty is clearly present among the Dutch population, not only amongst the lowest income groups but also the middle income groups. Those who were dependent on welfare saw their exit rates from poverty fall because there were less movements into jobs that could raise their income level above the poverty threshold. It might therefore be concluded that increasing persistent poverty rates and income inequality further widened the gap between the fortunate and the socially excluded in society. Although there is a sizeable economic mobility from poverty into non-poverty, particular groups at the lowest end of the income distribution, or with relatively deprived living standards, have little chance of escaping from poverty. Mobility is high among people who are just above, or just below, the income or deprivation poverty thresholds, but low among people in the lower strata.

The decline in relative deprivation

The rise in real incomes of the average worker has gone hand-in-hand with the improvement of the general living conditions. Between 1985 and 1991, the average level of deprivation fell significantly each year. Consequently, the incidence of deprivation-

poverty fell during this period, because of the general improvement in living conditions. The evidence suggests that the fall in deprivation-poverty in this period must be attributed to a lower probability of entering poverty rather than a higher probability of escaping from poverty.

The role of the labour market

An important feature of the Dutch labour market has been the rise in employment in atypical or flexible jobs. These jobs are most frequently occupied by married women re-entering the labour market (after a period of withdrawal because of caring duties) and young people entering the labour market for the first time (school-leavers). There is considerable mobility from these flexible jobs into permanent jobs. For people receiving general assistance or unemployment benefit, the likelihood of acquiring a permanent or even a flexible job is extremely low. The longer people receive such benefit, the lower is their probability of entering a permanent or flexible job and thus of escaping from poverty. This implies that long-term poverty and deprivation become more serious even in periods of economic growth. The safety net provided by the general assistance scheme generates little incentives, or opportunity, to escape from poverty. A large fraction of additional earnings are clawed-back from the benefit, which means that the marginal net income gains of any increase in working hours employed are low. Few people are capable of escaping poverty through movements into a job or by changing their household composition by (re)marriage. For most people, even these temporary movements out of poverty are impossible and a persistent dependence on general assistance and a life in poverty remains their only prospects. The threat of rising long-term poverty among people dependent on welfare and social protection in a period of economic upswing gives a strong impetus and legitimisation for social policies that combat social exclusion and increase social cohesion and solidarity.

The role of integrative social policies

Increased social stratification urges for the operation of local, national and transnational policies to combat social exclusion and to foster social integration. At the local level, there is a greater need for integrative policies in order to prevent persistent dependency

and to offer schooling, employment and participation opportunities. There is a need for a more flexible and less institutionalised individual approach through active operation of mediating agencies and continuous support through the employment offices to bring the socially disadvantaged back into the labour market or to let them participate in social activities (for example, voluntary associations) or schooling. Intensive and tailor-made mediation activities enabled through new legislation should, according to this view, give greater room for local policies.

In the end, a fundamental reform of Dutch social protection is required to increase job search and to make it more attractive to accept a job and to provide more tools to combat social exclusion.

For the policies to combat social exclusion at the local level it is important that, to avoid treatment differences of individuals, the national authorities should have the primary responsibility to carry out income policies whereas the local authorities should have the responsibility for the execution of schooling, work experience and social activities. The income policy reforms at the national level should raise incentives for the creation and acceptance of jobs, lower unemployment and create opportunities for social participation. The conventional wisdom in the current system of social protection – that receiving a benefit and a wage are purely exclusive events – must be questioned. It then follows that the rate at which benefits are clawed back from earnings is reduced and that the earnings below the hourly minimum wage can be supplemented by a minimum guarantee from general assistance. But it also implies that the different treatment of paid and unpaid labour must be questioned and put into a challenging policy perspective in which there is greater room for policies to bring work that has disappeared back into the market. The rise in labour costs of jobs in the less productive sectors of the economy like the service sector and the public sector (health care, care services, education) together with the cuts in public expenditure spending in the late 1970s and 1980s have led to the disappearance of a large number of jobs in these sectors. By lowering the costs at which these types of jobs can be fulfilled, through lowering the wage-tax bill or a regressive system of wage subsidies, some of these jobs can be recovered. A progressive subsidy scheme means that the subsidy falls with rising wages up to a certain ceiling. By lowering the wage costs not only part of the lost jobs can be recovered but new jobs, particularly in the service sector, may be created. To avoid the negative social effects of

it one should keep the former conclusion in mind that earnings below the social minimum must be supplemented to guarantee the minimum living standard. By this proposal part of the jobs which are yet unpaid may again be supplied by the market. However, for many of these unpaid jobs it is very unlikely that these can be transformed into full-paid jobs. For these voluntary jobs, payment cannot be guaranteed through the market. If the provision of these unpaid jobs serve a truly social need, payment, if any, can only be warranted through the public sector. The challenge for public policies is to create new tools for serving these social needs which are better suited to fulfil the desired aims. This may mean a move away from the traditional collective, institutional tools to more functional, flexible and more individualised policy instruments. An example of this exists in the Dutch health care policies, more particularly the so-called 'individual care subsidy'. Older people who are assigned for an old-age home may freely choose to stay at home and to use the care budget for buying the necessary medical and social care services.

Enhanced competition at the international level requires more co-ordination of policy responses at the transnational level, particularly at the level of the European Community, since increased competition will give an advantage to economies with a low level of social protection and a disadvantage to economies with a high level of protection. This could lead to social dumping or a downgrading of social protection levels because of social tourism (movements to states with better social protection) and unwanted migration flows endangering the convergence of social protection systems. The notion of subsidiarity – the guiding principle of the Social Protocol of the Maastricht Treaty – on the one hand and the need for co-ordination on the other hand poses a major challenge for the European Commission to cope with conflicting demands in the social domain.

THE POLICY IMPLICATIONS OF POVERTY RESEARCH

Research reports on poverty made it convincingly clear to policy makers that poverty really exists in the Netherlands. It was only in 1995, after the 'purple' coalition came into force, that a policy report was produced on how to prevent and combat poverty (Netherlands, Second Chamber 1995). Research on poverty in the early 1990s called for particular attention to high levels of poverty, its stability over time and high levels of economic mobility. Less

attention was paid to the causes and structural determinants of the processes of impoverishment and social exclusion. The statement in the government report that poverty is primarily an individual and not a societal problem reflects this view. There is growing awareness in the public debate to account for the persistent and long-term character of poverty. This implies for future research that the focus should be on studying the determinants of inflow into and outflow from poverty, the processes of impoverishment-enrichment and social exclusion-integration, its consequences and outcomes, and social policy programmes at the local, national and transnational level.

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