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Assessment of the implementation of  
the European Commission  
Recommendation on **Active  
Inclusion**

*A Study of National Policies*

The Netherlands

Social Europe

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Assessment of the implementation of the  
European Commission Recommendation on  
**Active Inclusion**

**A Study of National Policies**

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**COUNTRY REPORT – THE NETHERLANDS**



## Table of Contents

Summary .....	7
1. Integrated comprehensive strategies .....	9
1.1 Comprehensive policy design .....	9
1.2 Integrated implementation.....	13
2. Impact and cost-effectiveness of measures introduced or planned .....	15
2.1 Adequate income support & inclusive labour markets .....	15
2.2 Access to quality services .....	19
3. Financial resources .....	20
3.1 National resources .....	20
3.2 Use of EU Structural Funds .....	21
4. Monitoring and evaluation.....	22
5. Policy recommendations .....	23
6. Summary tables .....	25



## Summary

### *Comprehensive active inclusion strategies*

The Netherlands has a relatively strong position on social inclusion. Employment rates are high, unemployment and 'at risk of poverty' rates are relatively low. The active inclusion strategy of the Netherlands can be characterised as comprehensive. In line with the 2008 Recommendation it includes the three social pillars. Labour market participation is considered to be the key to preventing poverty and social exclusion. Dutch strategies, both before and after the 2008 Recommendations, thus focused on increasing employment and employability. The new and expanded active inclusion strategies (introduced after the 2008 Recommendation) aim to increase the labour market participation and working hours of women, the (partially) disabled and the long-term unemployed, for example.

In 2009 and 2010 the government introduced several measures to stimulate the economy and to combat unemployment. These measures included an increased availability of services as assistance to job-seekers, education and training programmes. Austerity measures also formed part of the crisis package. After a period of investments, in 2010 the former Dutch government decided to cut back the budgets for reintegration and sheltered employment and reducing health costs. In 2011 the previous government (the Dutch government fell on 21 April 2012) announced reforms and major cutbacks to social security and welfare that were likely to have a (negative) effect on social inclusion. The fall of the Dutch Government<sup>1</sup> meant that this law had to be shelved. However the cutbacks in the reintegration budgets, for instance, have already taken place.

### *Integrated approaches*

The Dutch minimum income scheme can be considered to be an integrated approach. The Dutch minimum income scheme not only determines the conditions and levels of social benefits but also includes assistance for exceptional expenses, reintegration facilities and subsidised work.

### *Impact and cost effectiveness*

The economic and financial crisis has had a serious effect on the Dutch economy and continues to influence economic growth negatively. From a social inclusion viewpoint the effects have been somewhat limited thus far. According to the Netherlands Bureau for Economic Policy Analysis (CPB) the crisis package has mitigated the negative effects of the crisis. A limited effect is apparent, for instance because there are no major changes in the levels of income or unemployment rates. However unemployment rates are rising. Due to the elaborate social security system and collective labour agreements, purchasing power remained fairly stable, especially for groups at risk. The share of low-income households increased only slightly. The negative effect of the crisis in terms of social inclusion becomes more apparent in the growing number of households in need of debt assistance. Only recently it was reported that for the first time there are more people with out-of-work incomes in need of debt assistance, than people on social benefits. The self-employed are also

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<sup>1</sup> The Dutch Government fell after seven weeks of closed-door talks on austerity measures, which were aimed at reducing the budget deficit from an expected 4.7% to below 3% in 2013.

more strongly affected by the crisis, resulting in a decrease in purchasing power and a growing share of low-income households in this group. The groups most susceptible to poverty are single parents, non-western immigrants and young people under 25. Non-western immigrants and single parents are over-represented in low-income households. Young people under 25 and non-western immigrants in particular have relatively high unemployment rates. In general where possible, existing statistics will be used to monitor the progress and effects of the various policies.

### *Policy recommendations*

The Netherlands has an integrated and comprehensive policy design that contributes to the country's relatively strong position in terms of social inclusion. This does not mean there is no room for improvement. In particular, the recent cutbacks make potential risk factors or flaws in the policy implementation more apparent, or at least indicate where there is room for improvement. In accordance with the assessment of the NRP, the following recommendations are suggested:

- A more elaborate approach to averting the increasing risk of poverty among vulnerable groups by tackling the accumulative effects of restrictive measures in social assistance, income provisions (poverty policies), social provisions and national insurance (long-term care);
- Accordingly municipalities could improve the quality of their services and their contribution to preventing poverty and to labour market policies, by integrating their policies on reintegration, income provisions and debt assistance.
- The focus on work and people's responsibilities to work is sensible, but this can never be an excuse for not monitoring the effects of policy measures. Therefore identify (potential) groups at risk and develop integrated responses to tackle them. Also provide social impact assessments especially for (cost-effective) measures that imply cutbacks in the provided services.
- Stronger emphasis on stimulating the total number of working hours (for instance faster implementation of phasing out double tax credits) and labour mobility, also reflected in a national target;
- Active inclusion measures could be improved by facilitating a more demand-oriented approach in order to match labour supply and demand better, not only in education but also in the services provided by municipalities and the Employee Insurance Agency, UWV.
- The quality of services could be improved by a stronger emphasis on, and investment in, professionalising social services and instruments that have been proven to be effective

## 1. Integrated comprehensive strategies

### 1.1 Comprehensive policy design

In the period before the 2008 Recommendation, the Netherlands executed some major reforms in active inclusion policy and the minimum income scheme. Among other things the reforms aimed at increasing the full utilisation of the labour force in general, and the more vulnerable groups in particular. The 'work above income' device was introduced more prominently in Dutch laws and regulations. The guiding principles are that anyone who can work should work, and that work must pay. The Dutch government(s) considered labour participation to be the key to preventing poverty and social exclusion. The Dutch government(s) therefore focused mainly on increasing employment and employability. Stimulating social participation and combating poverty is considered to be the responsibility of local governments. The national government contributed mainly to social inclusion and combating poverty by facilitating local governments and other organisations through subsidies, dissemination of knowledge, guidelines, booklets and organising seminars and conferences etc.

The reforms up to 2008 implied a reduction of the generosity of the unemployment insurance and the disability insurance programmes and the introduction of financial incentives for municipalities to bring down the number of social benefits recipients. The introduction of the new social assistance act, the Work and Social Assistance Act (WWB) in 2004, also implied the abolition of the creation of subsidised jobs.<sup>2</sup> Tax rules were also changed to stimulate working for second earners, and the tax advantages for early retirement were abandoned. Measures were also introduced to encourage employers to keep or take on older workers (premium reduction for high wage costs, discount for working after 65 years, compensation for hiring older people who become sick and a new system for life-cycle savings) and the system for day-care subsidies was reformed and child care centres were privatised. Municipalities also acquired increased responsibilities in social support with the introduction of the Social Support Act (WMO) on 1 January 2007. The WMO is intended to ensure that everyone can live independently as long as possible.

The years 2008 and 2009 can be characterised as a period of policy consolidation. In 2010 the new vision of 'work above income' was also enforced in several new and expanded measures. Overall, the active inclusion strategy of the Netherlands can be characterised as comprehensive. In line with the 2008 Recommendation it includes the three social pillars: adequate income support, inclusive labour markets and access to quality services. Labour market participation is considered to be the key to preventing poverty and social exclusion. Therefore Dutch strategies, both before and after the 2008 Recommendations, focused on increasing employment and employability. The new and expanded active inclusion strategies (introduced after the 2008 Recommendation) aim at increasing the labour market participation and working hours of women, the (partially) disabled and the long-term unemployed, for example. The strategies contain incentives for municipalities to increase the outflow of social benefits, incentives for employers to hire more vulnerable employees, more stringent policies and responsibilities for recipients of unemployment, disability and social benefits, and greater access to child care facilities, social provisions like debt assistance and social relief. Local governments are also facilitated by the government in combating poverty and social exclusion (this is considered to be a responsibility of

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<sup>2</sup> Subsidised jobs were expected to be a stepping stone towards (re)entering the labour market. This did not turn out to be the case.

the local governments) through temporary subsidies, dissemination of knowledge, guidelines, conferences etc.

The following new or expanded measures have been introduced under the three strands since 2008 or are presented as policy plans:

#### *Labour market*

- More stringent policies on unemployment benefits (1 July 2009): all jobs are considered suitable for individuals who are unemployed for more than a year. Another measure concerns people over 57.5 years of age. They can only receive unemployment benefits if they are actively looking for a job;
- Introduction of wage subsidies for employers who hire relatively disadvantaged unemployed workers (recipients of Work and Income according to the Labour Capacity Act (WIA), Wajong) (January 2009). Disadvantaged workers can also acquire work experience while retaining their benefits;
- Phasing out double tax credits (2009): The phase-out was in effect since 2009. This process continued in 2011. As of 2012 the double tax credit will be phased out of the reference minimum wage over a period of 20 years;
- Introduction of Flexibility and Security Act (Wet Flexibiliteit en Zekerheid (2009)) sets a limit on fixed-term contracts: an employer can offer fixed-term contracts up to a maximum of three successive times during a total maximum of three years. After this, the employee has to either be offered a permanent contract or must be asked to leave the company. This implied the introduction of an age-segmented workforce, where older people tend to be more protected than the younger population (proportionally higher percentage of people on fixed-term or temporary contracts);
- Reform of the Disablement Assistance for Handicapped Young Persons Act (Wajong, 2010): the reform draws a distinction between certain groups of beneficiaries. The support and rules and regulations differ for those who are students, are permanently and totally disabled and those who have the capacity to work. To stimulate the labour force participation of young handicapped persons their wage will be (only) partly balanced with the income support. The total income will therefore always be higher, as soon as a young handicapped person starts to earn more. From the age of 27 onwards, income from work will be supplemented up to 100% of the minimum wage if someone works according to capacity. Young handicapped persons who are permanently and totally disabled receive income support of 75% of the minimum wage. Students and pupils receive income support of 25%;
- Reform of the Sheltered Employment Act (January 2008): The main expanded measures are that national authorities have assigned implementation of the Wsw to local authorities including financial responsibility; introduction of a personalised budget for clients; implementation of client representation;
- The Sheltered Employment Act was supported by the introduction of the 'Get to work with Sheltered Employment project (Aan het werk met de Wsw). This project was a cooperation between the Ministry of Social Affairs and Employment, the Dutch national association of managers with municipal services in the fields of work, participation, income, social welfare and social inclusion (Divosa), the Association of Netherlands Municipalities (Vereniging van Nederlandse Gemeenten, VNG), Cedris and client organisations. The project ended on 1 January 2010;
- Introduction of the Investment in the Young Act (WIJ) (1 October 2009). This Act obliges municipalities to offer work combined with schooling to young persons between the ages of 18 and 27 applying for benefit. This can be a job, a type of

schooling or a combination of both tailored to the situation of the young person. If they do not accept the offer they will not receive benefits from the municipality. The WIJ was abolished in January 2012. Young persons are served under the Work and Social Assistance Act (WWB). The obligation to offer young people work combined with schooling became one of the re-integration instruments under this Act;

- Youth Unemployment Action Plan (250 million euros for the period 2009, 2010 and 2011 ) accompanied by the assignment of agreements between the State Secretary of the Ministry of Social Affairs and Employment and 30 regions (September 2009). The plans aimed at preventing social exclusion of the youth. The Action Plan contained three tracks: improving the transition from school to work; reducing the school dropout rate, and making agreements with employers on work placements and traineeship.

#### *Poverty, social inclusion and access to quality services*

- Activities European Year against Poverty: 'Temporary European Year subsidy combating Poverty and Social Exclusion': local activities aiming to enforce local participation policies. Central themes: stimulate cooperation between local organisations and municipalities to combat long-term poverty and social exclusion; debt assistance and take-up of income provisions;
- Project: Erop af! Doen en delen! (2009 – 2010). Local governments are given support by executing the WWB, combating poverty and (preventing) debt. Support is given through dissemination and exchange of knowledge by organising conferences, posting employees temporarily, instruments and conferences;
- Stimulating and facilitating reconciliation of work and private life and presenting and reviewing labour legislation. In April 2011, the Social and Economic Council of the Netherlands published a report entitled 'Times of Society' with recommendations for increasing the accessibility (including opening hours and digital services) of social services such as schools, day-care and hospitals, and for stimulating flexible ways of working in order to organise more effectively when and where work is performed and services are provided;
- Agreement between the State Secretary of the Ministry of Social Affairs and Employment with 100 municipalities (approximately a quarter of the municipalities) to reduce the number of children living in poverty and not fully participating socially by at least 50 per cent (2008);
- Introduction of the second phase of the Action Plan for Social Relief Services (July 2011): the first phase was introduced in 2006 (the Strategy Plan of the Dutch government and the four biggest cities (Amsterdam, The Hague, Rotterdam and Utrecht)) aimed at improving the situation of 21,800 people living in a vulnerable situation while also ensuring that the nuisance associated with their behaviour is reduced. The second phase focuses on preventing homelessness and stimulating outflow and reintegration and participation;
- European regulations on social housing and more stringent policies for negotiating mortgages;
- The Debt Assistance Act will be implemented on 1 July 2012: This Act obliges municipalities to draw up policy plans and to provide their residents with assistance, and sets a limit on the waiting lists. It is expected that the new Act will contribute to more effectiveness than the current situation. Municipalities are faced with cutbacks in the budgets used for debt assistance.

#### Measures to counter the crisis

- Part-time unemployment scheme (December 2008 – July 2011);
- Mobility centres measures (March 2009 – December 2010);
- Measures to facilitate labour mobility, stimulating training programmes (2009 – 2010);
- Reform plans for labour market measures including unemployment benefits and cutbacks in re-integration budgets and sheltered employment, and cutbacks in the general municipal budgets and the budget for the Employee Insurance Agency (UWV);
- Extra resources debt assistance (2009 – 2011);

#### Policy plans

- Work Capacity Act: new legislation was prepared and was ready to be ratified. This new law has been shelved. The new cabinet<sup>3</sup> will decide whether it will be put back on the political agenda or not. Several measures that were already implemented have been reversed, for example household means testing and the use of wage dispensation;
- Childcare and child benefit schemes: the Government wants to reform child benefit schemes to reduce the poverty trap and the rising costs of this system. The plans were recently presented. Further details will follow after the summer of 2012. Budget cuts will also be implemented for childcare benefits. The use of proportional adjustment for the parental contribution is aimed at sparing the lowest income groups;
- Vitality scheme will be implemented in 2012 and 2013;
- Pension agreement: plans to raise the pension age and link the pension age to the average life expectancy: agreement was reached between the social partners in the summer of 2011. New legislation was ratified by the Lower House in February. The fall of the Government and the new initiative may affect the early implementation of the proposals;
- Reform of the Sickness Benefits Act (2013): the reform aims at limiting the influx into the Labour Capacity Act (WIA) of employees who are not under contract with an employer (vangnetters) and aims to encourage vangnetters to work. Measures involved are stringent policies for recipients (after one year all jobs are considered suitable) and employers (they will acquire more responsibilities). New legislation has been prepared but is still under political and public debate;
- New legislation to combat living in inexpensive social housing despite earning a relatively high income (Scheefwonen 2012): Legislation has been prepared and is ready to be ratified. If a household has an annual income of less than €43,000, the rent it pays for social housing will no longer rise by more than the rate of inflation. If a household earns more, the rent will increase by up to the rate of inflation plus 5%;
- Increase in the rent levels allowing application for housing benefits/rent allowance (2012);
- Unemployment benefits (2012): since the fall of the Government, a new measure has been introduced in the new agreement on austerity measures. The proposal is aimed at transforming redundancy schemes into activating schemes. It involves plans for employers to pay unemployment benefit (WW) for the first six months.

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<sup>3</sup> The elections will take place on 12 September 2012.

Severance pay will be limited in return. The remaining balance of severance pay will be used for retraining, education and work-to-work schemes. This plan is still under debate;

- Plans to reform the Wet SUWI act which includes that services provided by the UWV to clients and companies/employers will mainly be delivered electronically.

## **1.2 Integrated implementation**

To understand the way measures are implemented, one has to know how the responsibilities in the social domain are divided. Municipalities play a key role in implementing the measures described above on social assistance, youth, education, social support and sheltered employment. They are given financial resources from the national authorities (see Chapter 3 for more information). Part of the austerity measures involves cutbacks in funding municipalities. Over the years the responsibilities of municipalities have grown, while they have had reduced budgets. Municipalities have cut back their spending on wage-cost subsidies in anticipation of the severe cutbacks in 2012. Other effects of the cutbacks are that municipalities are stopping contracting reintegration interventions. They are also preparing to execute reintegration themselves instead of outsourcing it to commercial reintegration organisations, and municipalities are looking for places for sheltered employment that are less capital-intensive. Cutbacks in the general municipal budgets also mean downsizing the number of civil servants working in reintegration.

These developments mean municipalities are challenged to work more cost-effectively and more effectively in general. It is obvious that municipalities will no longer be able to deliver the same services to all of their client groups in the traditional way. The challenge facing municipalities is therefore to develop a comprehensive and long-term vision combined with a high level of professionalism. Amongst other things, this requires investment in instruments that have been proven to be effective. In general, in recent year(s) municipalities have been professionalising their organisations and upgrading the skills of their case workers, in motivating and supporting their clients and in using screening and diagnostic instruments enabling them to make well-informed decisions on behalf of individual clients. There is also a growing perception that it is not only social benefit recipients but also employers, who are municipal clients. Municipalities work on strategies matching this perception. Municipalities are also opting increasingly for strategies at the neighbourhood level, with integrated solutions for social and economic problems. Despite these developments there is still a lot to gain from integrated municipal design and implementation. For example, to contribute to preventing poverty and contributing to labour market policies, integrated policies are needed between reintegration, income provisions and debt assistance. This is not common policy however. Municipalities also still have a tendency to reduce their own costs and budgetary risk instead of investing in long-term labour market participation. For example, in 2011 municipalities were focusing more on people who are 'easy to place'. They spent their (reduced) reintegration budgets<sup>4</sup> on activities such as job application training and direct matching of clients and employers.

The Employee Insurance Agency UWV plays a key role where recipients of unemployment benefits are concerned. The UWV is also facing major cutbacks in its (reintegration) budget. Due to these cutbacks the number of locations where the UWV provides its services will be substantially reduced. The cutbacks are also one of the reasons for the drastic change in the way the UWV will provide its (reintegration)

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<sup>4</sup> The 2010 reintegration budget is 1.4 billion euros; 2011 1.3 billion euros; 2012 700 million euros.

services to its customers. New clients will mainly receive online services rather than face-to-face contact. Client organisations fear this will have a negative effect, especially for those whose digital competences are weak.

### **1.3 Vertical policy coordination and active participation of relevant actors**

Social security in the Netherlands is governed by the Ministry of Social Affairs and Employment (SZW). The Minister and State Secretary are responsible for labour market policy, including migration and the free movement of workers, benefits and re-integration, income policy, work-life balance, and policy on working conditions and inspection. In terms of the WWB, the national authorities are responsible for, among other things, general benefit levels, the implementation of national integration policies, and enforcing the WWB.

In terms of social support the ministries involved are: the Ministry of Health, Welfare and Sport (VWS), of Housing, Spatial Planning and the Environment (VROM), of Justice, of Social Affairs and Employment (SZW), of Finance and of the Interior and Kingdom Relations (BZK).

The SZW Ministry consults with several partners and stakeholders. Among others these are municipal governments<sup>5</sup>; employers' associations and trade unions; advisory bodies such as the Social and Economic Council of the Netherlands (SER) and the Labour Foundation<sup>6</sup>; implementing organisations, such as the Employee Insurance Agency UWV and independent administrative bodies.

Part of the policies is carried out by the municipal governments, the 'UWV WERKbedrijf', the Social Insurance Bank (SVB) and the Social Security Agency UWV. Other organisations involved with inclusive labour market strategies and social welfare are occupational safety and health services, reintegration services and the International Fraud Information Bureau (IBF, a division of the UWV).

In general one can say that the Dutch policy coordination in the Netherlands is effective in the sense that the main partners and stakeholders are involved (structurally) in the policy-making process. This does not automatically imply that the outcomes are not un-discussed. For example there is still a comprehensive (public) debate concerning the pension agreement and Work Capacity Act.

#### *Client participation*

The interests of social welfare recipients are represented in the Netherlands by local and national client councils. The National Client Council (LCR) is an interlocutor of the Minister of Social Affairs and Employment for new work and income policy development. In terms of developing client participation the LCR is the formal interlocutor of the umbrella organisation of Dutch Municipalities (VNG) and other involved parties. The LCR includes representatives of national client interest groups and of municipal client councils, and of the client councils of the Institute for Employee Benefit Schemes (UWV) and the Social Insurance Bank (SVB). On a local scale, 80 per cent of the municipalities consult with municipal client councils.

A recent study (SZW, 2011) shows that municipalities adopt about 80 per cent of the proposals of client councils, while at the national level, the LCR has also been able to place issues on the agenda. However there are some points needing improvement. For example, client councils are not always sufficiently competent and representative,

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<sup>5</sup> Such as the Association of Netherlands Municipalities (*Vereniging van Nederlandse Gemeenten*), the Association of Provincial Authorities and the four and thirty-two largest municipalities (*G4 and G32*).

<sup>6</sup> The Labour Foundation is a national consultative body organised under private law. Its members are the three main trade union federations and three main employers' associations in the Netherlands.

while continuity is often not guaranteed. At the national level, the influence of the LCR is often limited because it has no formal power of decision. The Minister is not even formally obliged to discuss any new social security rule with the LCR.

## 2. Impact and cost-effectiveness of measures introduced or planned

### *Impact and cost effectiveness*

The economic and financial crisis has had a serious effect on the Dutch economy and continues to influence economic growth negatively. The effects have been somewhat limited from a social inclusion viewpoint. According to the Netherlands Bureau for Economic Policy Analysis (CPB) the crisis package has mitigated the negative effects of the crisis. A limited effect is apparent for instance, because there are no major changes in the levels of income or unemployment rates. However unemployment rates are rising. Due to the elaborate social security system and collective labour agreements, purchasing power remained fairly stable, especially for groups at risk. The share of low-income households increased only slightly. Resources are linked to activation, for instance reintegration is integrated in the Unemployment Act and the Work and Social Assistance Act. This also includes incentives for social benefits recipients to work. Active labour market programmes include work-first, stringent admission policies (closing the gates and screening entering Unemployment Benefits (WW), the Labour Capacity Act (WIA), wage cost subsidies; bonus/cash payments for long-term welfare recipients who found and kept work for a particular time period. Measures are also implemented to stimulate employers and employees to take up on-the-job training programmes.

The negative effects of the crisis in terms of social inclusion becomes more apparent in the growing take-up of provisions like the food bank and the growing number of households in need of debt assistance. Only recently it was reported that for the first time there are more people with out-of-work incomes in need of debt assistance than people on social benefits. The self-employed are also affected more strongly by the crisis, resulting in a decrease in purchasing power and a growing share of low-income households in this group<sup>7</sup>. The groups most susceptible to poverty are single parents, non-western immigrants and young people under 25. Non-western immigrants and single parents are over-represented in low-income households. Young people under 25 and non-western immigrants in particular have relatively high unemployment rates. In general where possible, existing statistics will be used to monitor the progress and effects of the various policies.

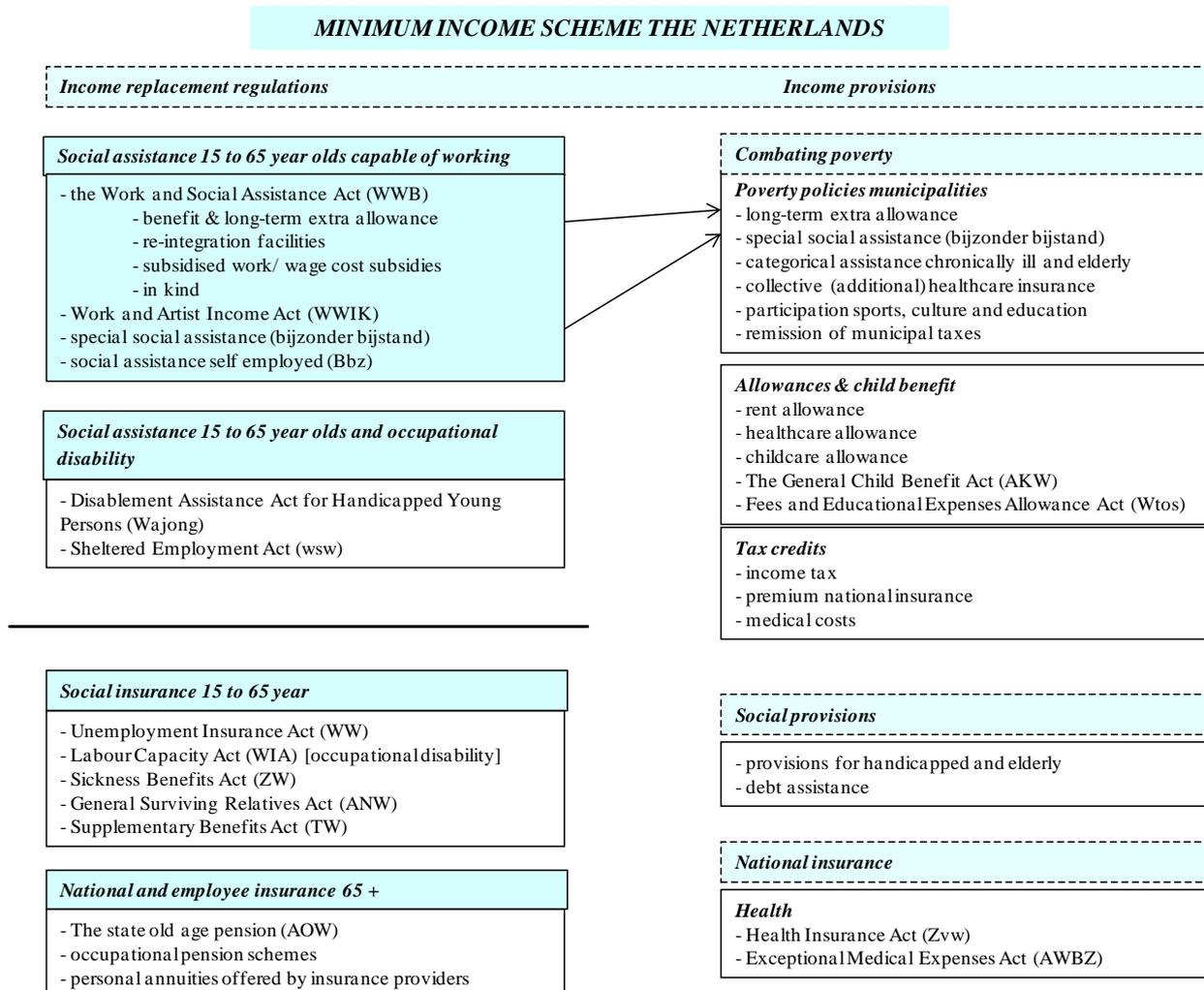
### 2.1 Adequate income support & inclusive labour markets

The social security system in the Netherlands is elaborate. For instance a minimum wage is guaranteed and the WWB serves as the Dutch safety net. Figure 1 shows the interconnections between social benefits and social and national insurances.

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<sup>7</sup> *The self-employed are at much greater risk of poverty than employees. To some extent this is because they lack the protection of the minimum wage and collective labour agreements on pay which employees enjoy.*

**Figure 1 Minimum income scheme in the Netherlands: interconnections between social benefits and social and national insurances**



The levels of benefits and income provisions are supplemented or adjusted according to the type of household. Together with supplementary income facilities the WWB is sufficient to keep people out of poverty. Yet this is mere theory; in practice the non-use of income provisions (also open to people with a (minimum) income) is considerable and therefore reduces households on social assistance to poverty. Part of the governmental and municipal poverty policies, therefore, is aimed at reducing the non-take-up. The past year's extra funding was reserved for debt assistance and combating poverty.

The level of the benefits (including income provisions) is considered to be high enough to achieve a minimum acceptable lifestyle. The levels of minimum wage, old age pension, and social assistance are described below.

### Minimum wage

The rates of the minimum wage are readjusted (increased) twice a year, i.e. in January and July. At 1 July 2012 the amount for employees aged 23 or older is € 1,456.20 per month. The gross minimum wage rates are stipulated in the provisions of the Minimum Wage and Minimum Holiday Allowance Act (*Wet minimumloon en*

*minimumvakantiebijslag*). An employer is obliged to pay at least the minimum wage to full-time employees. He also has to state the gross minimum wage applicable to employees on their pay slip. Net amounts are not stipulated by law. Net amounts of wages will depend on the taxes and premiums that have to be deducted from the employee's wage. These deductions may vary individually.

#### *General Old Age Pensions Act (AOW)*

The General Old Age Pensions Act (AOW) is a basic pension provision for people aged 65 or older. Additionally, the AOW has a partner allowance for old age pensioners whose partner is younger than 65 and has little or no income. The level for single pensioners is € 1,046.26 per month with a maximum for married couples with full partner allowances of € 1,436.94 per month.

#### *Social Assistance*

The WWB applies national standards for persons aged between 18 and 21, between 21 and 65 and for persons aged 65 or over. Other mechanisms are applied for the other age groups. Table 2.1 gives an overview of the assistance levels as at 1 January 2012.

**Table 2.1 Assistance levels as at 1 January 2012 (net amounts) for persons between 21 and 65 years of age**

	Amount of social assistance benefits		
	Per month (2009)	Holiday allowance (2009)	Total per month (2009)
Married or living together	1269.60	66.82	1336.42
Single parent	888.72	46.77	935.49
Single person	634.80	33.41	668.21

Social assistance also exists for artists, self-employed and (partially) handicapped persons (see Figure 1).

The CPB predicts that the number of recipients of social benefits will rise to 385,000 in 2015. That is considerably more (by 60,000) than was predicted by the CPB in October 2010. Consequently, it is expected that the number of recipients of will rise to 335,000 in 2012.

#### *Households with an income below the low-income threshold<sup>8</sup>*

In 2010 the number of households with a low income remained stable compared to 2009, namely 7.7%. The provisional data for 2011 and 2012 shows an increase of 8.1 and 8.5% respectively.

#### *Impact on access to employment/unemployment*

After years of decreasing unemployment rates, from the first quarter of 2009 unemployment increased to reach 6% in the first quarter of 2010. This signified an

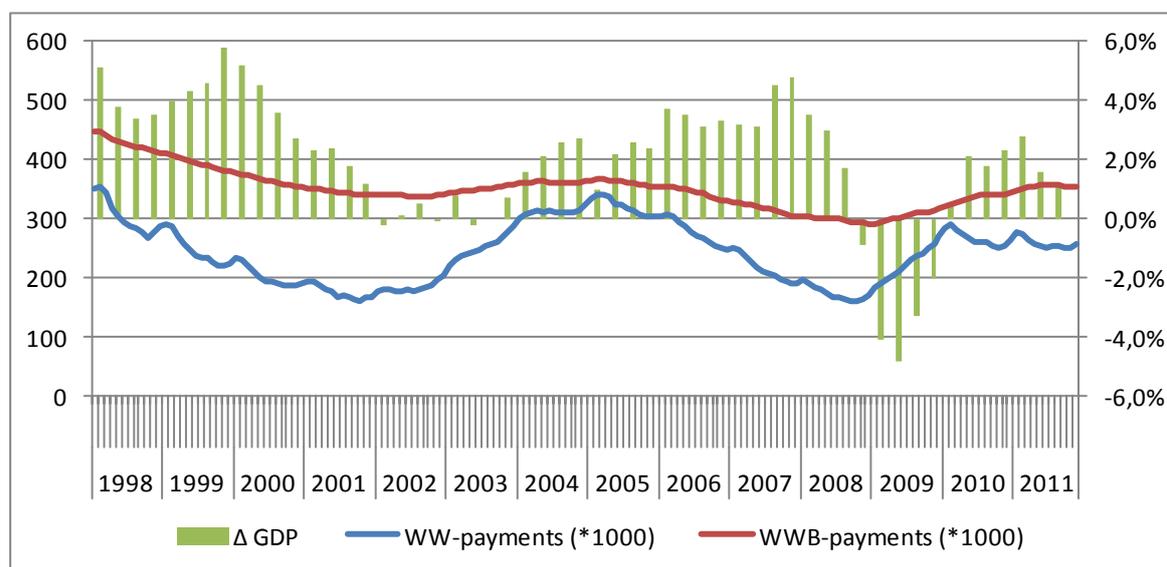
<sup>8</sup> Source: Statistics Netherlands and the Netherlands Institute for Social Research (SCP) (2011): *Armoedesignalement 2011*

increase of 1.6% over the same period in 2009. Unemployment rates have since dropped again. In the second quarter of 2011 there were 396,000 unemployed people in the Netherlands. This is 5.1% of the total labour force of 7.8 million. In March 2012 the numbers increased to 465,000 or 5.9% of the total labour force.

*Development of the number of social assistance recipients (WWB), unemployment benefits (WW) and Gross Domestic Product*

Despite the reforms in the social benefits and inclusive labour market strategies, the development of the number of social assistance recipients turns out to be more or less inversely proportional to the development of GDP. The new Work and Social Assistance Act (2004) only led to a net effect of a 4 per cent decrease in the number of payments.<sup>9</sup> When changes in the number of WWB payments are considered over the longer term, it appears that they respond predominantly to changes in economic performance (see Figure 2). The figure shows that the number of WWB payments reduced substantially in the period 2005 – 2008 and have been increasing since the start of the economic downturn in 2009. When employees lose their jobs, they usually have the right to receive unemployment benefits (WW) for a few months. If they do not succeed in finding a new job within this period, and they do not have sufficient alternative resources (e.g. a partner with an income or reasonably substantial capital), they enter the WWB. Figure 1 shows that in times of recession, the number of unemployment benefits recipients immediately starts to increase. After a short while people start to transfer from unemployment benefits to the WWB. People with only a limited employment history (and no alternative resources) enter the WWB immediately after losing their jobs.

**Figure 2: The number of social assistance (WWB) and unemployment benefits (WW) recipients (left axis) and quarterly GDP change (1998-2011).**



Source: Statistics Netherlands (2012): [www.statline.nl](http://www.statline.nl)

<sup>9</sup> Kok, L., Groot, I., Güler, D. (2007) *Kwantitatief effect WWB* (Amsterdam: SEO).

Job protection is high in the Netherlands. Some political parties and scientists argue that low unemployment rates may therefore be the result of low inflow into unemployment and that the labour market would benefit from relaxing job protection. Initiatives are taken to introduce new measures in that respect. Others argue that such measures will not have the desired effect and it will make the position of older employees even more vulnerable. Overall, the net effects of job protection on unemployment are unclear. Also, the limited increase in the unemployment rate cannot be fully explained by the take-up of the part-time unemployment scheme (one of the measures to counteract the effects of the crisis) and the increased enrolment of students in higher education.

## **2.2 Access to quality services**

The Locations for Work and Income (Locaties voor Werk en Inkomen) covers intake and provides (initial) job-seeking assistance for both the WWB and the Unemployment Insurance Act (WW). The municipalities work together with the public employment service UWV-WERKbedrijf at these locations. As has been described above, the cutbacks in municipal budgets have resulted in changes to the reintegration services (for example fewer services provided by the commercial reintegration organisation, a stronger focus on short-term interventions and less on wage-cost subsidies, in sheltered employment). The number of locations from which the UWV provides services will be reduced considerably and the services will mainly be provided online. There are no figures available showing the effects in terms of changes in the number of benefits recipients excluded from reintegration interventions or the effects on outflow to the labour market.

The number of households in need of debt assistance has been growing over the years. In 2010 approximately 941,000 households had problematic debts or were at risk of a problematic debt situation. The number of households applying for debt assistance is growing accordingly. In 2010 the number was estimated at 100,000 applicants.<sup>10</sup> Municipalities were unable to serve them immediately, so the waiting lists for debt assistance were growing. Among other things this was one of the reasons for implementing the Debt Assistance Act, to come into force on 1 July 2012. Municipalities have been investing (extra resources were made available as part of the crisis package) in more effective working processes and quality services. Despite cutbacks in municipal budgets and despite a growing number of households in need of debt assistance, municipalities managed to reduce the waiting lists in 2010 and stabilise the waiting lists in 2011.

The former government wanted to reform child benefit schemes to reduce the poverty trap and the rising costs of this system. Budget cuts will also be implemented for childcare benefits. The plans were recently presented. Further details will follow after the summer of 2012. So far, there are signs that the demand for childcare has dropped considerably. However the Government does not expect the cutbacks to have any negative effect on the labour market participation of mothers in particular.<sup>11</sup> Stakeholders do believe that the planned reforms will have a negative effect on the participation of women on the labour market.

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<sup>10</sup> There is no central registration system. Therefore the numbers are estimations.

<sup>11</sup> It is generally believed that public expenditure on childcare in recent years has only had a minor impact on the labour market participation of mothers and almost no impact on the labour market participation of mothers with low qualifications. This line of thought is not shared by all stakeholders.

## 3. Financial resources

### 3.1 National resources

Municipalities play a key role in implementing the measures described in Chapter 1. They have various financial resources to fund the implementation and execution of these measures. The government provides the municipalities with an annual (general) grant from the Municipalities Fund, which is financed from central government tax revenue. The Municipal Fund also contains budgets with specific purposes. For instance a budget for benefits payments, a budget for active labour market measures (including education) and a budget for registration of early school leavers. Municipalities also use their own income<sup>12</sup> to combat poverty and social exclusion. Part of the austerity measures is cutbacks in the total budget of the Ministry of Social Affairs and Employment<sup>13</sup> and major cutbacks in the Municipalities Fund and the specific budgets. In 2012 the reintegration budget has been halved compared to the 2010 budget.<sup>14</sup>

In 2012 the most significant cuts will affect childcare and reintegration. Expenditure on childcare will be reduced by €420 million. The 2011 budget envisaged a €310 million reduction, and the additional €110 million is required by the coalition agreement. Expenditure on the reintegration of job-seekers will be reduced by €690 million in 2012. This consists of a €400 million cut in central government payments to municipalities, as set out in the coalition agreement, plus savings of €100 million by the Employee Insurance Agency (UWV).

In 2011 the total expenditure on social security and labour market measures is 69.7 billion euros. Table 3.1 shows the development of the expenditure over the period 2008 – 2011.

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<sup>12</sup> Their own income includes local taxes and revenue from assets, such as a port authority.

<sup>13</sup> The Ministry of Social Affairs and Employment will be cutting its budget by €940 million in 2012

<sup>14</sup> The 2010 reintegration budget is 1.4 billion euro; 2011 1.3 billion euro; 2012 700 million euro. In comparison the 2007 budget was 1.6 billion euro.

**Table 3.1: Expenditure costs social security and labour market 2008–2011 (x € 1 million)**

	2008	2009	2010	2011
WW (unemployment)	2 849	4 890	5 556	5 298
WWB (social assistance)	4 160	4 219	4 286	4 320
WAO/WIA/WAZ (Disability insurance programmes)	9 851	9 855	9 813	9 504
ZW (Sickness Benefits)	1 362	1 525	1 567	1 602
WAZO- (pregnancy and childbirth)	1 000	1 122	1 161	1 172
Wajong (Handicapped Young)	2 238	2 528	2 784	2 829
Anw (Surviving relatives)	1 249	1 190	1 102	1 005
AOW (state old age pension)	27 048	28 905	29 926	30 610
Reintegration	2 418	2 484	2 513	2 180
Sheltered employment	1 936	1 993	1 968	1 842
Other	349	188	398	1 425
Total SZA expenditures (x € 1 million)	54 461	58 898	61 077	61 786
Total SZA expenditures (in % GDP)	9.1	10.3	10.3	10.0

Source: Ministry SZW (Budget 2011:

[http://www.rijksbegroting.nl/2011/voorbereiding/begroting,kst148634\\_28.html](http://www.rijksbegroting.nl/2011/voorbereiding/begroting,kst148634_28.html))

The 2011 expenditure costs in the SZW budget agreement of 2012<sup>15</sup> has been upgraded and includes extra costs, for instance child benefits. Therefore the total expenditure is 69.7 billion euros instead of 61.7 shown in Table 3.1. The 2012 budget also gives an overview of expenditure costs for the period to 2015. Overall costs will rise, but as a percentage of GDP it will remain stable around 11.1 and 11.2 per cent. Statistics Netherlands (CBS) published<sup>16</sup> the expenditure on social protection per head of population of the 27 EU countries in the period 1998 – 2009. The Dutch expenditure in 2009 (provisional) is a little over 9,000 euros per head of population. Expenditure on social protection contains: social benefits, which consist of transfers, in cash or in kind, to households and individuals to relieve them of the burden of a defined set of risks or needs; administration costs, which represent the costs charged to the scheme for its management and administration; other expenditure, which consists of miscellaneous expenditure by social protection schemes (payment of property income and other).

### 3.2 Use of EU Structural Funds

The Netherlands' priorities for ESF funding aim to guide more people to the labour market by focusing on groups on the margins. The main priorities are increasing labour supply (e.g. older workers, women and the young), promoting inclusiveness for the disadvantaged (e.g. prisoners or schools for children with special needs) and promoting adaptability and investing in human capital (e.g. early school leavers). The progress and results are being monitored. One of the findings is that the total budgets are not fully spent. The outflow to durable labour participation is still limited but is expected to rise. The way target groups are registered makes it difficult to monitor ex-participants. A pilot project will be launched in 2012 to monitor these ex-participants and the results in terms of labour market participation.

15 [http://www.rijksbegroting.nl/2012/voorbereiding/begroting,kst160372\\_27.html](http://www.rijksbegroting.nl/2012/voorbereiding/begroting,kst160372_27.html)

16 <http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&plugin=1&language=en&pcode=tps00099>

## 4. Monitoring and evaluation

In the Netherlands the two main organisations that provide information on the indicators across the three pillars are Statistics Netherlands (CBS), Economic Policy Analysis (CPB) and the Netherlands Institute for Social Research (SCP). CBS provides up-to-date data on social security. This includes a quarterly labour market memorandum drawn up for the Dutch parliament, which reports on the developments in the number of persons in unemployment and social security schemes, labour participation and participation in reintegration. The SZW ministry defines what information is collected. Research is carried out on a regular basis to determine whether the statistical data still meets the required level of quality and information. One topic that has the attention of our ministry is the use of reintegration interventions. Municipalities are obliged to report the use of reintegration instruments. The way municipalities record differs, so the information is often difficult to compare.

Existing statistics will be used to monitor the progress and effects of the various measures that have been introduced. Besides the labour market memorandums, there are several publicly-financed monitors that report periodically on the effects of poverty and social exclusion. For example, Statistics Netherlands (CBS) and the Netherlands Institute for Social Research (SCP) jointly publish a poverty monitor (every other year). Other examples include a children and participation benchmark, studying the volume and backgrounds of poverty and social exclusion, and the long-term effects of poverty on children. Developments in the number of early school leavers are also monitored, as are developments in the number of households with significant debts. In addition, over the coming years the accumulative effects will be monitored by the National Organisation for Client Councils for Social Security. The CPB recently completed an ex-post analysis of the effects of childcare allowances on labour market participation. Other studies include an evaluation of the Youth Unemployment Action Plan.

The Work and Income Inspectorate (IWI)<sup>17</sup> also reports on developments in the social domain. Recently being published are studies on how the UWV and municipalities match employers' needs with those who are looking for work; the status of debt assistance supplied by municipalities; activation policies for the young unemployed; developments in the use and results of reintegration interventions; the use of client registration systems; combating poverty policies by municipalities, Employee Insurance Agency (UWV), the Social Insurance Bank (SVB); and income provisions.

Other studies of interest published by our SZW ministry or independent organisations are the non-take up of income provisions<sup>18</sup>, comparison of reintegration policies of municipalities<sup>19</sup> and the effects of more stringent policies for the social assistance act and effect on inflow in the disablement act<sup>20</sup>, fraud in social assistance<sup>21</sup> and the effects of wage-costs subsidies recipients' unemployment benefits in terms of reintegration.<sup>22</sup> There are also policy plans to monitor older employees' health.

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<sup>17</sup> This inspectorate exercises supervision of the Employee Insurance Agency (UWV), the Social Insurance Bank (SVB) and the implementation of ministerial regulations concerning work and income by municipal social services.

<sup>18</sup> Tempelman, Caren; Aenneli Houkes, Jurriaan Prins (2011): *Niet-gebruik inkomensondersteunende maatregelen*. SEO-rapport nr. 2011-31.

<sup>19</sup> Kok, L. and A. Houkes (2011). *Gemeentelijk re-integratiebeleid vergeleken. Een literatuurstudie. Onderzoek uitgevoerd door SEO Economisch Onderzoek in opdracht van de Raad voor Werk en Inkomen*

<sup>20</sup> Vuren, D. van, Es, F. van, Roelofs, G. (2011) *Van Bijstand naar Wajong* (The Hague: CPB).

<sup>21</sup> Ooms, Daan; Marcel Spijkerman (2012). *Fraudegevallen in WWB boven de aangiftegrens*. SEOR.

<sup>22</sup> Rosing, Francien., Luuk Mallee and Marieke Blommesteijn (2011). *Monitor loonkosten subsidie UWV. Meting 2010*. Amsterdam. Regioplan.

## NRP

Though the Netherlands Bureau for Economic Policy Analysis (CPB) has calculated the effects of all Government structural reform plans presented in the NRP, no full ex-ante social impact assessment of the NRP on employment and social inclusion has been conducted. Neither were there any separate social impact studies. For instance it is not clear for which segment of the population financial incentives could be effective, or in which segments people may be indifferent.

### *Use of social experiments and innovation*

Experimental research is limited in the Netherlands. There are strict rules and there is no tradition for this type of research in the social domain. The research currently carried out on the net effect of reintegration interventions is therefore new and challenging. Some eight municipalities (including the UWV) experiment and assign interventions to a research and control group to determine what works for whom. The results are expected at the end of 2014.

Innovative research in the social domain is not common in the Netherlands. Four long-term research pilots on sheltered employment constitute research of a light innovative nature. All pilots have their own characteristics but they all aim to explore and disseminate new ways of working. The pilots run until the end of 2012.

## 5. Policy recommendations

The Netherlands has an integrated and comprehensive policy design. In line with the 2008 Recommendation it includes the three social pillars. After the 2008 Recommendation the 'work above income' device was even more strongly implemented in active labour market policies and the minimum income scheme. The integrated policy design contributes to the relatively strong position of the Netherlands in terms of social inclusion. This does not mean there is no room for improvement. In particular, the recent cutbacks make potential risk factors or flaws in the policy implementation more apparent or at least indicate where there is room for improvement. In accordance with the assessment of the NRP the following recommendations are suggested:

- A more elaborate approach to avert the increasing risk of poverty among vulnerable groups by tackling the accumulative effects of restrictive measures in social assistance, income provisions (poverty policies), social provisions and national insurance (long-term care);
- Municipalities could improve the quality of their services and their contribution to prevent poverty and labour market policies accordingly, by integrating their policies on reintegration, income provisions and debt assistance.
- The focus on work and the responsibilities of people to work is sensible but this can never be an excuse for not monitoring the effects of policy measures. Therefore identify (potential) groups at risk and develop integrated responses to tackle them. Also provide social impact assessments especially for (cost-effective) measures that imply cutbacks in the provided services.
- Stronger emphasis on stimulating the total number of working hours (for instance by faster implementation of phasing out double tax credits) and labour mobility, also reflected in a national target;

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- Active inclusion measures could be improved by facilitating a more demand-oriented approach to achieve a better match between labour supply and demand, not only in education but also in the services provided by municipalities and the Employee Insurance Agency UWV.
  - The quality of services could be improved by a stronger emphasis on, and investment in, professionalising social services and instruments that have proved to be effective.

## 6. Summary tables

**Table 1**

<b>To what extent has an integrated comprehensive active inclusion strategy been developed in your Member State?</b>												
	<b>Comprehensive policy design</b>			<b>Integrated implementation</b>			<b>Vertical policy coordination</b>			<b>Active participation of relevant actors</b>		
	Yes	Somewhat	No	Yes	Somewhat	No	Yes	Somewhat	No	Yes	Somewhat	No
<b>For those who can work</b>	X				X		X			X		
<b>For those who cannot work</b>	X				X		X			X		

**Table 2**

<b>To what extent have active inclusion policies/measures been strengthened, stayed much the same or weakened since 2008 in your Member State?</b>									
	<b>Adequate income support</b>			<b>Inclusive labour markets</b>			<b>Access to quality services</b>		
	Strengthened	The same	Weakened	Strengthened	The same	Weakened	Strengthened	The same	Weakened
<b>For those who can work</b>		X		X				X	
<b>For those who cannot work</b>		X		X				X	

