Activation reform in the European welfare states and lessons from Dutch flexicurity

Lei Delsen

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Lei Delsen
Radboud University, Institute for Management Research, Department of Economics, Thomas van Aquinostraat 5, 6525 GD Nijmegen, The Netherlands. L.Delsen@fm.ru.nl

Abstract

In the mid-1990s Dutch experience showed that adjustment of the labour market, combining flexibility and security, and reform of the social security system, can have job growth without sharply increasing social inequality and without serious social unrest. The Dutch policy of wage moderation was considered a cure for the unemployment problem in Europe. Two decades later, this paper analyses again the functioning of the Dutch labour market and the social security system and assesses the consequences of the flexicurity policies recommended by the European Commission. In the Netherlands, like in other EU countries flexicurity practice is biased towards activation and flexibility. Welfare was replaced by workfare. Also lower benefits are an incentive to accept flexible work. It is argued that these flexicurity policies backfired. The solutions turned into a cause of problems: increasing inequality, dualism on the labour market, working poor, slower economic growth, and increasing social assistance expenditure threatening the sustainability of the Dutch social system. Policy recommendations conclude the paper.

An earlier version of this paper was presented as a keynote address at the seminar "Activation policy and the transformation of the ‘safety-net’ scheme in the EU countries", organised by the Subcommittee on the safety net of the Science Council of Japan, Tokyo, 11 January 2017.
1. Introduction

In the mid-1990s the Dutch consensus model, the polder model, was praised for its adaptability. The Dutch case proved that welfare states are flexible enough to adapt to new circumstances, and that meeting the EMU convergence criteria can go hand in hand with social policy and increasing employment. EU countries envied the Dutch employment growth and the development of the government finances. Dutch experience also showed that adjustment of the labour market, combining flexibility and security, and reform of the social security system, can have job growth without sharply increasing social inequality and without serious social unrest. Dutch wage moderation was considered a cure for the European unemployment problem and as an alternative to the Anglo-Saxon model (Visser & Hemerijck, 1997; Delsen & de Jong, 1998). Two decades later this paper analyses again the functioning of the Dutch labour market and the social security system and assesses the consequences of the flexicurity policies recommended by the European Commission. Flexicurity emerged in the Netherlands. Did flexicurity result in more and better jobs and less inequality? Is wage moderation still a prerequisite for competitiveness and employment growth? Does increasing employment activity rates still deserve to be the central policy aim, because it lowers the pressure on the welfare state and on the public finances? Are activating social security and active labour market policies still appropriate? Or are these policies obsolete and is it time to put over the helm?

The structure of the paper is as follows. In Section 2 the major ingredients and consequences of the European Employment Strategy are reviewed. The Netherlands is a case in point for various reasons. Section 3 looks at the origin and causes of the Dutch policy of wage costs moderation and why recently wage increases have been proposed. Section 4 addresses the reforms of unique Dutch employment protection, the reasons behind and the effectiveness of the 1999 flexicurity act and the recent changes in employment protection to reduce the employment protection gap between permanent and flexible employees. In Section 5 the development of the Dutch social security expenditure since the 1980s are linked to the business cycles, the reduction of replacement rates and to activation policies. In Section 6 preludes to the participation society are presented. The reforms of the unemployment benefit insurance, the sickness and disability insurances and the social assistance allowance are reviewed in more detail. In Section 7 the exceptional labour market developments in the Netherlands between 1997 and 2015 are addressed. The focus is on part-time and temporary
employment and self-employed without employees. The allocative and distributional consequences of the social security reforms and the labour market developments are addressed in Section 8. Section 9 pictures the stepwise realisation of the participation society. The paper concludes in Section 10 with an outlook and policy recommendations.

2. The European Employment Strategy: flexicurity

In its 1993 White Paper, the European Commission pointed out the need to generate more employment by increasing the employment intensity of growth. Priorities for action were life-long education and training, greater flexibility, more focus on decentralised actions, reduction of the relative cost of low-qualified work, a more active employment policy and efforts to create jobs to meet new needs (European Commission, 1993). In the follow-up to this White Paper, the European Council shaped the European Employment Strategy (EES) in Essen in December 1994, covering five key areas: invest in vocational training; increase of employment-intensiveness of growth (more flexible work organisation, wage moderation and local job creation (to satisfy new needs, e.g. environmental needs)); reduction of non-wage labour costs, more effective labour market policy (incentives to seek employment and active labour market policy), and fighting youth and long-term unemployment (See e.g. Goetschy, 1999; Delsen & Jacobs, 1999).

In 1997 the EES was launched at the Luxembourg European Council. Its main aim is the creation of more and better jobs throughout the EU. The four pillars of the EES are: improving employability (prevention of long-term unemployment and activation); developing entrepreneurship; encouraging adaptability (flexible work organisation) and equal opportunities (tackling the gender gap). Over the past decade the concept of flexicurity has provided orientation to the European Commission’s social policy agenda. Flexicurity became the core concept of the Employment Guidelines and the EES as a whole. Guideline 21 of the EES 2007 calls on the member states “… to promote flexibility combined with employment security”. Flexicurity attempts to reconcile employers' need for a flexible workforce with workers' need for security. The design of flexicurity policy differs between the EU member states. The first flexicurity act – the Dutch Flexibility and Security Act – dates back to 1999.

Defined by the European Commission as an “integrated strategy to enhance, at the same time, flexibility and security in the labour market” (European Commission, 2007: 10), flexicurity
has been presented as an appropriate policy response to globalisation and technological change. Employment security replaced job security as a policy objective. Weaker job security is supposed to be offset by improved employment in the labour market (European Commission, 2007). In the mid-2000s the European Commission promoted flexicurity to a flagship policy. It was included in the Lisbon Strategy (2000-2010) to achieve the 70% employment rate target. Also in the current Europe 2020 Strategy (2010-2020) flexicurity policies play a key role in modernising labour markets and to achieve the 75% employment rate target. Flexicurity still is the main tool within the EES for fighting long-term unemployment and to reduce labour market segmentation.

To be successful, the responsibility for flexicurity should be shared between employers, the state and the social partners (European Commission, 2007). Power imbalance between labour and capital is more the rule than the exception in collective bargaining. Flexibility bargaining means less employment security, less income security and less stability of the working and living conditions. The *quid pro quos* in exchange for concessions have been limited (See Ozaki, 1999). Active labour market policy (ALMP) is a key element of flexicurity policies (European Commission, 2007). European flexicurity practice is biased towards activation and flexibility. Since the early 1990s reintegration has become a more important policy objective for all European Governments. Strengthening the activating effect of social security in Europe implied a move from more or less maintaining the accustomed living standard to providing social protection on a minimum subsistence level. The balance between rights and obligations shifted towards obligations of claimants and beneficiaries. Workfare, the obligation to search for a job to receive a welfare benefits was introduced. People on basic provisions did not or not fully benefit from the overall rise in prosperity. In some EU countries the minimum benefit was pegged well below the poverty line. The gap between the rich and the poor widened (Delsen, van Gestel & van Vugt, 2000). In line with the EES, during the late 1990s, governments of the UK, Germany, Italy and Spain began to push for the European Commission to promote labour market flexibility and welfare reforms that would place more pressure on the unemployed to seek and accept work. Activation policies have often been decentralised to the local level, notably in the Netherlands (Betzelt & Bothfeld, 2011). The contrast between decentralisation and centralisation is a classic public administration problem. The efficiency and effectiveness arguments in favour of decentralisation can also be used as reasons to centralise. So (de)centralisation will always be based on political
arguments. After 2008, pressures on public finances and the implementation of austerity measures have limited freedom for manoeuvre and encouraged many EU member states to seek to increase labour market flexibility by weakening employment protection, while simultaneously eroding social protection (See Betzelt & Bothfeld, 2011; Hastings & Heyes, 2016).

In the EU member states part-time and temporary jobs and self-employed workers in particular are often excluded from employment protection and from social security coverage. The social security systems in most of the European countries specify certain minimum requirements, e.g. minimum period of employment; minimum level of remuneration, minimum number of hours worked and/or minimum period of prior contribution (See Delsen, 1995; 1999; Van Vugt & Peet, 2000; Alphametrics, 2009; Horemans, Marx & Nolan, 2016). Flexicurity did not improve the position of the flexible workforce, on the contrary. In the 1990s in many OECD countries employment protection of permanent workers remained largely unchanged, while employment protection of temporary workers was deregulated. It resulted in more fixed-term jobs and agency work, with detrimental effects on the quality of working conditions in terms of pay and employment protection and access to social security coverage. As a result, in most EU countries an increasing share of working poor can be recorded. After the 2008 crisis strictness of employment protection of permanent workers was deregulated, while employment protection of flexible workers remained rather stable (Betzelt & Bothfeld, 2011; OECD, 2013). Active labour market policies applied have been disadvantageous for hard-to-place people. Also ALMP resulted in more fixed-term jobs (Reimann, 2016). Eligibility for unemployment benefit receipt has been narrowed and the payment duration shortened. Larger proportions of unemployed have to rely more on lower means-tested social assistance. Moreover, over the past decades receipt of social assistance has been made conditional on work-related activities in the EU member states. Lower benefits and workfare are incentives to accept low-paid and flexible work. Flexicurity disproportionately affects the vulnerable groups on the labour market; notably low-skilled workers engaged in flexible jobs (Betzelt & Bothfeld, 2011; Hastings & Heyes, 2016). Flexicurity policies applied enhanced allocative efficiency of the labour market at the expense of a more unequal distribution of incomes and segmented internal and external labour markets.
Labour market duality entails economic costs. Limited training opportunities for flexible workers is likely to reduce productivity. Working involuntarily as flexible employees adversely affects morale and job effort, also lowers labour productivity. Duality also has negative consequences for job satisfaction and social cohesion. To eliminate labour market dualism a unified labour contract or a single labour contract have been proposed. Both are difficult to implement. Recently, in a number of European countries including France, Italy and Spain, the introduction of a single open-ended employment contract has been proposed to tackle labour market dualism (See Lepage-Saucier, Schleich & Wasmer, 2013; Aoyagi & Ganelli, 2013; OECD, 2014b: 188). The key features of the single open-ended contract are that it has no 
emph{ex ante} time limit (unlike temporary contracts) and employment protection/mandatory severance pay (termination costs) increases smoothly or stepwise with job tenure. The gradually phasing in of dismissal protection is justified by the larger losses of specific human capital and the difficulties dismissed older workers of finding new jobs. It may also enhance employer-sponsored training. For newly recruited workers, temporary and permanent employment contracts are replaced by a single contract. Relative to the current situation, job security of regular workers is lower and higher for non-regular workers. For workers it may imply a reduction of employment protection relative to the temporary contract. Depending on the type of contract it may be a disincentive for employers to keep employees beyond the ‘entry’ phase. Rotation of temporary workers without protection remains.

Abolishing fixed-term employment contracts may also be an incentive to use on-call workers, agency workers or self-employed workers to absorb fluctuations in activity and truly temporary activity. Dualism on the labour market is not reduced. The unified employment contract applies the same termination costs to all contracts, independent of whether they are temporary or permanent. The termination costs increase with seniority. It avoids the ‘threshold effect’. Also absorbing fluctuations in activity and truly temporary activity is not hampered. Addressing a number of practical issues need to be solved. Explaining why only in the UK, Ireland and New Zealand, countries that have low degrees of employment protection, fixed-term contracts and open-ended contracts have the same termination costs. Moreover, convergence of termination costs across contracts will not eliminate duality resulting from differences in social security coverage and fiscal treatment.

3.1 The origin of Dutch wage costs moderation

Article 19 of the Dutch Constitution states that the promotion of adequate employment is object of care of the Government, and the right of any Dutchman to free choice of employment is recognised. According to Article 20, social security of the population and distribution of prosperity is an object of care of the Government, and inhabitants of the Netherlands, which are unable to earn a living, have a legal right to assistance by the Government (See Delsen, Peil & Tinga, 2006). In the 1980s, Dutch economists argued that the social security system - the old age and disability insurances and the legal social assistance in particular, but also the unemployment and sickness insurances - reduces the labour market participation rate. Dutch economic experts considered increased labour market flexibility - wage flexibility and labour mobility - a condition *sine qua non* for the creation of more jobs and the reduction of long-term unemployment. Specific recommendations included: profit sharing and performance related pay\(^1\), a relative reduction of the legal minimum wage for adults by freezing the purchasing power of the minimum wage and linked to that the minimum benefits; investments in human capital by government and private sector, and reduction of average and marginal tax rates (See *e.g.* CED, 1987).

In the Netherlands the employment intensity of growth\(^2\) increased considerably, from 0.5 in 1980-1990, to 0.6 in 1991-2000. In 1995-2000 it was 0.7. After Spain, the highest in the EU (European Commission, 2001). In the Netherlands increased employment intensity has mainly been achieved through work sharing, part-time work, flexible jobs, low productivity growth and wage moderation. It is important to note that the policy changes in the Netherlands all had internal causes and were not directly linked to the recommendations made in Essen in 1994 (Delsen & Jacobs, 1999). Since 1983 the Dutch guilder was pegged to the German Deutschmark. The experience acquired by the Dutch with respect to this quasi-monetary union provides a number of important lessons for other EU member states. The reduction in monetary autonomy and the absence of the exchange rate instrument not only created the need

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\(^1\) Financial participation by employees is outside the scope of this paper. In continental Europe, including the Netherlands, the possession of shares in their company among European workers more than doubled since 2009. However, shares are concentrated with a smaller number of employees (See Mathieu, 2016). As a result both asset and income inequality have increased.

\(^2\) Measured by the ratio of employment growth and growth of the gross domestic product (GDP).
for a flexible labour market to cushion any eventual negative economic shock, but also the need for a policy of wage restraints to escape from the deep economic crisis of the early eighties (Delsen, 2002a: 10). The policy of wage cost moderation pursued conflicting objectives: increasing the incentive to work also increased income inequality and poverty. Policymakers should not only occupy themselves with income distribution for political and social reasons, but also because of the long-term consequences of income distribution for economic growth, and hence employment (Delsen, 2002b).

Figure 1 shows the developments in the Dutch labour-income share of companies since 1970. The labour-income share (LIS) is a very important index figure in judging the Dutch economic situation and for planning the economic policy to be implemented. The LIS is regarded as a mirror of the profitability of companies. An increasing LIS implies decreasing profits. This means pressure on investments and hence on the creation of employment. A decreasing LIS implies restoration of profits. In the seventies and early eighties, the Dutch economy performed poorly compared with other European economies. As a result of the two oil crises, considerable increases in wages and an expansionist policy, inflation increased, economic growth and the growth in employment slowed down (stagflation) and the welfare

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3 The labour income share of companies is the labour compensation of employees and self-employed people as a share of companies’ net value added.
state expanded. Initially, these expansions were financed by the increasing income from natural gasses, but soon tax increases became necessary and a vicious circle was formed (‘Dutch disease’). This Dutch disease led to strong increases in real unit labour costs above the increase in productivity in the 1970s. The LIS increased dramatically and peaked in 1982. The LIS moves countercyclically and decreased continuously from the beginning of the 1980s, i.e. a continuous increase in profitability of Dutch companies.

In the second half of the 1990s the Dutch economy outperformed most other European economies (‘Dutch miracle’). A typical Dutch feature is that the government and the social partners are involved in the preparation, formulation and implementation of policy. Moderation of wage costs is the main explanation of the strong increase in employment in the Netherlands after 1984. The moderate development in wage costs was the result of the reduction of the burden of taxation and social security contributions, cutbacks and the effect of the working of the labour market. The contribution of the well-known 1982 Wassenaar Central Agreement was limited (Delsen, 2002a). From the end of the 1980s, the household consumption became the most important factor behind the economic growth and growth in employment. Favourable temporary external effects also contributed to the employment miracle, including the impulse from the German reunion.
Also culture matters. From the 1980s onwards the Netherlands shifted from a traditional breadwinner model towards a 1.5 breadwinner model. In 1977 51% of all Dutch households had only one breadwinner; in 1997 only 18%. The share of two-earners households rose from 27% in 1977 to 45% 1997. It not only meant more income at the household level, it also changed preferences in relation to work and working hours. The increasing participation of women in the labour market has mainly been in part-time jobs. The strong growth of jobs can be attributed to women entering the labour market. This increasing labour supply not only caused wage moderation, it also allowed it at the household level (Delsen, 2002a: 47-49). The Netherlands was and still is an outlier when it comes to employment patterns. Figure 2 shows that in 2014 in the Netherlands the 1.5 breadwinner model (51%) was the dominant employment pattern of couples with at least one child. By far the highest rate in the EU; 3.5 times higher than the EU average (14%). Both partners working full-time (21%) is the lowest in the EU and clearly below the EU average (47%). With almost 20% the breadwinner model (one partner full-time, one partner not working) now is below the EU average (28%).

The declining trend of the LIS is also related to the weakened bargaining power of workers. The latter is caused by globalisation, the declining unionisation rate and the increased flexibility of the labour market. Under the Equal Treatment Temporary and Permanent Employees Act (Wet gelijke behandeling tijdelijke en vaste werknemers) of 2002 employers may not discriminate in terms of conditions of employment between employees with a permanent contract and those with a temporary contract, unless there is objective justification for doing so. According to the theory of the compensating wage differentials of Adam Smith, the wages of flexible workers in equivalent functions need to be higher than of permanent employees to compensate for the reduced job security. In the Netherlands, like in other OECD countries, non-regular workers are not compensated for their lower job security through higher wages (OECD, 2014b). On the contrary. Wages of flexible workers are 10 to 35% lower than of permanent employees, even after adjusting for job, sector, gender and job duration. One of the explanations for this pay gap is the fact that employers when hiring first offer a low wage flexible contract to be able to screen. Another explanation for this pay gap is the market power of employers towards flexible employees, so the weak position of the labour supply on the market for flexible labour is exploited (Heyma & Teeuwes, 2013; Muffels & Wilthagen, 2011).
In 2014, the average gross income of flexible workers was 38% of that of permanent workers (Van den Brakel & Kösters, 2016). The labour market position varies between types of flexible contract. Earnings below the poverty line are expected, especially for on-call contracts and temporary workers without fixed hours. Also for youth below 23 years of age because of the low legal minimum wage. Table 1 shows that in 2014 the gross wages of flexible workers were much lower than of permanent employees, even after adjusting for job and personal characteristics (e.g. gender, age, education, experience). On call labour and temporary workers without fixed hours are worse off (on average 51-59% of permanent job). This concerns mostly young people and students (Van den Brakel & Kösters, 2016). Also this pay gap together with the strong increase in the number of flexible workers (See Section 3.2) contributed to the decreasing trend of LIS. Precarious work - insecure, unstable, and often poor quality jobs - is combined with lower pay. This exploitation is at odds with corporate social responsibility. The latter refers to companies taking responsibility for the effects of their operations on people, the environment and society. Note that inequality compensation is the most important goal and an important theoretical basis for social law in the Netherlands. This inequality compensation also is an important legal basis for government measures to correct the market mechanism and the freedom of contract. Recently in a few Dutch collective

| Temporary, chance on permanent contract | 72 | 83 |
| Temporary, for more than 1 year with fixed working hours | 59 | 79 |
| Agency worker | 47 | 60 |
| Permanent, without fixed working hours | 44 | 67 |
| Temporary, for less than 1 year with fixed working hours | 35 | 56 |
| Temporary, without fixed working hours | 21 | 51 |
| On-call contract | 18 | 59 |

labour agreements maximum percentages of flexible workers have been postulated, e.g. DHL Express 20%, the dairy industry sector 10% and petrochemical company SABIC 10%. These maximum norms limiting the use of temporary agency work may contradict the European directive.

3.2 The end of wage moderation?
According to the OECD (2012) the well performing Dutch labour market has delivered low unemployment and relatively stable wage developments. Over the past decades, there has been an increase in the flexible part of the labour market, which may have facilitated the reallocation of labour resources. Flexible labour relations are also used by employers to lengthen the probationary period to screen employees with respect to their productivity and creativity. The number of flexible contracts, especially among young people and low-skilled workers has risen sharply (Cörvers, Euwals & de Grip, 2011). More flexible jobs also imply that labour demand and labour supply become more sensitive to the business cycle.

The consequences of the global financial crisis for the Dutch labour market have been limited thanks to the automatic stabilisation effect of the welfare state. The unemployment rate still is one of the lowest in the EU. According to Eurostat the seasonally adjusted unemployment rate in the Netherlands was 5.5% in September 2012, 7.1% in September 2014, 6.8% in September 2015 and 5.7% in September 2016. Because of the very tight labour market in 2008, Dutch firms were reluctant in firing those people that were introduced with much effort. Moreover, they will be needed when the economy recovers after the recession and because of the ageing of the work force. The labour market impact of the recent crisis has also been cushioned by the increase in the number of flexible workers and agency workers, many of which withdrew from the labour market, by the self-employed without personnel that grew very fast over the past years, by returning migrant workers and by young employees that continued education instead of entering the labour market (CPB, 2009). The number of unemployed people looking for a job increased from 318,000 (3.7% of the workforce) in 2008 to 660,000 (7.4% of the workforce) in 2014 (CPB, 2015). The number of discouraged workers almost doubled from just over 50,000 in 2008 to almost 100,000 in 2014 (De Graaf-Zijl et al., 2015). Implying that in the years after the crisis, unemployment was underestimated by 15%.
Table 2. Youth unemployment rates (%) in Europe, 2007 and 2015

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<td>ISL</td>
<td>7.1</td>
<td>8.8</td>
<td>LVA</td>
<td>10.6</td>
<td>16.3</td>
<td>BEL</td>
<td>18.8</td>
<td>22.1</td>
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<tr>
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<td>7.2</td>
<td>9.9</td>
<td>CZE</td>
<td>10.7</td>
<td>12.6</td>
<td>SWE</td>
<td>19.2</td>
<td>20.4</td>
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<tr>
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<td>7.5</td>
<td>10.8</td>
<td>DEU</td>
<td>11.8</td>
<td>7.2</td>
<td>ROU</td>
<td>19.3</td>
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<td>LTU</td>
<td>8.4</td>
<td>16.3</td>
<td>MLT</td>
<td>13.5</td>
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<td>19.5</td>
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<td>20.9</td>
<td>BGR</td>
<td>14.1</td>
<td>21.6</td>
<td>ITA</td>
<td>20.4</td>
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<tr>
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<td>10.6</td>
<td>GBR</td>
<td>14.3</td>
<td>14.6</td>
<td>SVN</td>
<td>20.6</td>
<td>26.5</td>
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<tr>
<td>NLD</td>
<td>9.4</td>
<td>11.3</td>
<td>LUX</td>
<td>15.6</td>
<td>16.6</td>
<td>PRT</td>
<td>21.4</td>
<td>32.0</td>
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<tr>
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<td>10.1</td>
<td>13.1</td>
<td>FIN</td>
<td>16.5</td>
<td>22.4</td>
<td>POL</td>
<td>21.6</td>
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<tr>
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<td>10.1</td>
<td>16.3</td>
<td>ESP</td>
<td>18.1</td>
<td>48.3</td>
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<td>22.7</td>
<td>49.8</td>
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<tr>
<td>CYP</td>
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<td>32.8</td>
<td>HUN</td>
<td>18.1</td>
<td>17.3</td>
<td>HRV</td>
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Source: Eurostat.

Table 2 shows that the unemployment rates among youth varies considerably between European countries. Before the crisis in 2007 relatively low rates were recorded in the Nordic countries, Iceland, Norway and Denmark. The highest rates were in the southeast of the EU and Poland. Also the impact of the recent crisis varies considerably between the European countries. In 2015 Germany outperformed all countries. Also Iceland, Norway and Austria performed well. The strongest increase in youth unemployment is in the southeast of Europe; to over 40% in Italy and Croatia and almost 50% in Greece and Spain. In the Netherlands youth unemployment rates are relatively low both before (9.4% in 2007) and after (11.3% in 2015) the crisis.

Relative to other EU countries, in the Netherlands not only youth unemployment rates but also minimum youth wages were and still are low. Suggesting a causal relation between the relatively low minimum youth wages and relative good labour market outcomes in the Netherlands. The CPB Netherlands Bureau for Economic Policy Analysis (CPB, 2012) considers Dutch labour markets outcomes very favourable relative to other EU countries. The Netherlands has separate sub-minimum rates for youth aged 15 to 22 years to prevent unemployment, to offer opportunities for low-productivity young people to gain experience, and to ensure that they do not drop out of school early. The lower legal minimum wage for people younger than 23 also implies a lower social minimum allowance. The Dutch average minimum youth wage is only 57% of the adult minimum wage. In other EU countries like the UK and Portugal it is 75%, in Czech Republic and France it is 85% (Asscher-Vonk, Pennings,
Sparrius & Delsen, 2000; CPB, 2012; Kelly & McGuinness, 2016). Cheaper young people may displace more expensive (older) workers. Moreover, lower youth minimum wages are at odds with equal pay for equal work and imply age discrimination. The minimum youth wage will partly be abolished. The age limit of the youth wage will stepwise be reduced from 23 to 22 years in 2017 and 21 years in 2019. The sub-minimum wages for 18, 19 and 20-year-olds will remain, and will be raised. Calculations show the higher the increase of the statutory youth minimum wage, the stronger the reduction of employment of young people. In case of a limited increase the employment effect is expected to be nil (CPB, 2012).

Since the 1990s, Dutch governments promoted entrepreneurship by various tax facilities, because it not only creates employment for the self-employed, but often also for others (Delsen & Jacobs, 1999; IBO ZZP, 2015). The low LIS, particularly after the recent crisis, is partly caused by the overestimation of the labour income of the growing number of self-employed persons in the regular method to determine the LIS (Butler, van den Bergen & Kranendonk, 2016; DNB, 2016). In recent years, in the trade, the catering industry, transport and post, renting and other business services, the wage increases lagged behind. These sheltered sectors account for 46% of employment in the Dutch private sector. According to the Dutch central bank (January 2016) wages can be raised, notably in these sheltered sectors. That will increase the purchasing power and speed up Dutch economic recovery.

4. **Dismissal protection reform: flexicurity**

During the 1980s, Dutch dismissal law came under sharp attack by many economists (See e.g. CED, 1987). They claimed that high dismissal costs have a detrimental impact on total labour demand and are conducive to an unequal distribution of job opportunities among the labour force. These considerations provoked a 15-year long debate on the question of whether the Dutch law on dismissals had to be reformed, and in what direction. Already in the 1980s Dutch business was looking and found holes in the legal system. This happened notably through the increased use of flexible labour contracts: casual workers, on-call and fixed-term contracts, workers hired through temporary work agencies, free-lance contracts and contracts with self-employed workers. Around 1999 some 15% of the Dutch labour market was filled with these types of worker, who are out of reach of the strict system of dismissals control (Delsen & Jacobs, 1999). The broader opportunities for agency work and fixed-term contracts within Dutch labour law, relative to other EU countries, are another explanation for the
relatively high volume of these forms of work. The proportion of flexible employment in total employment rose from 6% in 1983 to over 12% in 1996, one of the highest in the EU (Delsen & Jacobs, 1999). In 1995, the Ministry of Social Affairs and Employment (SZW, 1995) showed that employers are able to offer more permanent employment relations. In the Netherlands, large groups of on-call labourers do work with a regularity that is nearly a permanent relationship. Over two thirds of the flexible labour relations lasted longer than one year, and over one third longer than three years. In these cases, why do employees still have a flexible contract? Other research showed that the total pool of on-call labourers per firm even in peak periods is only deployed 70% on average. In reality this implies that employees are forced to keep themselves available for a call, while they have little or no security, and do not know how many hours they will be able to work and when. Moreover, there is limited freedom to refuse a call in general. Increasingly, Dutch employers formally preclude the payment of wages if no work is available. This means the normal business risk is placed increasingly on the employee. The law governing dismissal is circumvented and the costs are passed on to the social security system (See SZW, 1995).

In April 1996, employers’ organisations and trade unions in the Foundation of Labour (Stichting van de Arbeid, STAR) reached an agreement on increased flexibility combined with strengthening the position of temporary employees and agency workers (STAR, 1996). It recommended the government to modernise labour law by combining the aims of flexibility and security. In Europe, the first Flexibility and security Act came into force by January 1st, 1999. Workers in flexible staffing arrangements are provided with more employment security, while employers face fewer obstacles in dismissing permanent workers. To please the employers, related to dismissal the legal periods of notice were shortened; administrative control on non-contested dismissals on economic grounds were speeded up and access to fixed-term contracts were expanded. To please employees, this act improved the employment protection of agency workers. An agency relationship is usually regarded as an employment contract for a definite period of time and subject to all regulations laid down under employment contract law. The Act also improved the position of employees with a fixed-term contract. To overcome too many long-time temporary employment relationships: workers on a temporary contract become a permanent worker if the worker has been employed temporarily for 36 months or if three consecutive temporary employment contracts have expired, provided that the period in between contracts is less than 3 months. As employers
can react in different ways, the effect of the flexicurity act is uncertain (Delsen & Jacobs, 1999). The temporary employee is either hired for an indefinite period of time or the employer starts looking for another temporary employee or another way to recruit flexible personnel. In practice, employers circumvented the change to permanent contracts by so-called ‘draaideur constructies’ (‘swing door constructions’), longer periods between contracts (Delsen & Poutsma, 2005).

Relative to other European countries, the Netherlands has a high protection for permanent contracts and a large difference in protection between permanent and flexible contracts (See Figure 3). To reduce the difference in protection between permanent and flexible employees, the new 2015 dismissal law (Wet werk en zekerheid, Wwz), strengthened the position of employees on a flexible contract, such as agency workers, zero hours workers and workers on a fixed-term contract. From 1 January 2015 for on-call (zero hour) contracts and minmax-contracts stricter rules apply. Those are contracts the employer has no obligation to pay if there is no work. This is the case with many on-call contracts, but it also occurs in agency work contracts. According to the current rules, an employer always has to continue paying its employee, when the cause of the fact that there is no work is with the employer. The new rules also limit deviations from this by collective agreements. From July 2015, related to fixed-term contracts no more than three consecutive contracts are allowed; the total duration

![Figure 3. Employment protection (permanent, temporary and gap) in Europe, 2013](image-url)
of which may not exceed 24 months. To prevent ‘swing door constructions’ breaks in between contracts of 6 months or less are being considered as continued employment. Any contract exceeding these limits automatically becomes a permanent one.

The Dutch system of dismissal protection is unique in Europe. The Netherlands is the only country in the EU with a system of preventive control of dismissals. The employer can choose either the administrative dismissal permits of the Employee Insurance Agency (Uitvoeringsinstituut Werknemersverzekeringen, UWV)⁴, or the dissolution of the employment contract by the civil judge. The latter is faster but also more expensive. Employers may be willing to pay for quick lay-offs (Delsen & Jacobs, 1999). In the 2015 dismissal law, this dual dismissal system is maintained. However, employers may no longer choose between the two procedures. In case of business economic layoffs and at layoffs related to the long-term inability to work a permit must be requested from the UWV. Layoffs related to (dis)functioning of the employee (such as a disturbed employment relationship) must be submitted to the District Court. The number of the latter decreased considerably in 2015. Starting from 1 July 2015, each employee upon dismissal after at least two years of service has a right to a transition fee (transitievergoeding), with a maximum of € 75,000. The transition fee not only offers financial compensation for job loss, it also promotes the transition from work to work. It implies the partial introduction of a unified employment contract. The fee is calculated by the number of years worked (= seniority). For the first ten years worked the employee receives one third monthly salary per year and for all years of service more than ten years half a month's salary. Under the new rule, every termination (other than following retirement or for serious cause) - including termination as a result of non-extension of a fixed-term contract that has lasted for two years or longer - will give rise to an obligation to pay the departing employee a transition fee. It is a financial incentive to hire self-employed and employees on temporary contracts, shorter than two years.

5. **Social security expenditure in the Netherlands: 1980-2016**

Dutch welfare state reform is heavily influenced by periods of growth and stagnation. In the 1980s allocative efficiency became the core aim of Dutch economic policy and public finance. Irrespective of the colour of the Government, Dutch Coalition Agreements 1982-

⁴ UWV is an autonomous administrative authority commissioned by the Ministry of Social Affairs and Employment to implement employee insurances and provide labour market and data services.
2012 shows continuity in policy issues: control of collective expenditure, reduction of budget deficit and activating labour market and social security policies (Delsen, 2002a; 2016). The process of adaptation and reform of the Dutch welfare state is considered a successful process of policy learning (Visser & Hemerijck, 1997). However, the social-economic policy pursued drew heavily on the future. Policymakers systematically forgot or disregarded distributional effects and long-term effects. Investments in physical and human capital are sacrificed for the sake of reducing government budget deficit or reducing government debt. The income distribution effect of social security may have a positive effect on the accumulation of human capital, and on economic growth through a greater degree of innovation (Delsen, 2002a).

Since 1982 Dutch governments have tried to reduce the social security expenditure as a percentage of gross domestic product (GDP). Indeed, from the beginning of the eighties, as a result of the cost cutting policies by the Lubbers cabinets, the social security ratio shows a mild decrease (See Figure 4). A strong drop occurred during the first term of the Kok government, partly as a result of the very favourable economic situation between 1994 and 1998, partly as a result of social security policies applied. In 2000 the social security expenditure ratio had dropped to 11.1% and shows an increase since then. Social security expenditure (excluding health care) is an automatic economic stabiliser: The level of social security expenditure is the mirror image of the business cycle situation. The 1994-1999 period

![Figure 4. Social security ratio (% of GDP) in the Netherlands, 1980, 1985, 1990-2016](image)
of above EU average economic growth was succeeded by the 2000-2005 period of below EU average economic growth. Slow GDP growth in 2002 and 2003 and after the 2008 crisis have been accompanied by an increase in public social security expenditure.

To stimulate labour supply - outflow from social security - from 1983 the difference between the income from work and the benefits increased substantially. The replacement rate dropped to 60% in 1990 and to around 55% in 2006 (Delsen, 2011). In 1986 the level of benefits for sickness, disability and unemployment were lowered from 80% to 70% of gross wage earned. To stimulate labour demand, the legal nominal minimum wages were lowered by 3% in 1984 and frozen until 1990. From 1992 all gross benefits were detached from the average increase of collective labour agreement wages and linked to the minimum wage. This linkage was conditional on the development of wages and volume growth of social security. For 1993, 1994 and 1995 the minimum wages were frozen again on the level of 1992. This ‘delinkage’ policy implied that the social aim of increasing employment was prioritised over the social aim of income protection. Between 1981 and 1995 the loss of purchasing power of unemployment and social assistance benefits was 9.5%; of disability benefits 17.5% (Asscher-Vonk, Pennings, Sparrius & Delsen, 2000). In 2004 and 2005 benefits were frozen again.

In the Netherlands, active labour market policy was underdeveloped, while passive expenditure as a proportion of GDP was one of the highest in the EU (Delsen & Jacobs, 1999). In the 1990s, volume measures were especially taken to reduce spending on social security. To reduce long-term unemployment active labour-market policy received more attention; including contribution discounts, subsidies and additional public sector relief jobs (‘Melkert jobs’). In 1996 a new Law on administrative penalties came into force. It bans unemployment benefits in cases of voluntary unemployment and reduces benefits for those who violate the rules or refuse to accept a suitable job. Hence the primary goal of reform shifted from merely cutting costs to reducing the high level of inactivity. Employment and activation became the most important policy aim. In 1985 the ratio between the number of benefit recipients (inactivity) and the number of employed (activity) - the i/a-ratio - was one of the highest in the EU. By 2000 the Dutch i/a-ratio was one of the lowest in the EU. The drop in the i/a ratio is mainly related to employment growth. A considerable proportion of the Dutch employment miracle in the 1990s was in part-time jobs and flexible jobs, including on-
call labour, agency work and fixed-term contracts of less than one year. Between 1988 and 1998 the share of full-time jobs in the total amount of jobs decreased from 68% to 58%; flexible jobs increased from 8% to 12% and part-time jobs from 24% to 30% (Delsen, 2002a: 41). Apart from demand side (employers) also supply side (workers) developments contributed to the increase in flexible work. A relatively young population and initially low female participation provided an untapped reservoir of labour - in part for flexible and part-time work. Unlike other EU countries where temporary employment was mainly demand-driven, in the Netherlands this was supply-driven (Delsen, 1995). Also in full-time equivalents the employment rate increased from 50% in 1985 to 60% in 2000. However, it was 62% in 1970 (Delsen, 2002a; 2011).

Besides the business cycle and policies applied, the u-shaped development of the social security ratio between 1980 and 2016 is also partly caused by the development of social assistance. Between 1970 and 2008 the percentage of social assistance benefit recipients in total population shows a hump-shaped development (See Figure 5). This percentage was rather stable in the 1970s (around 1.5%), increased considerably in the 1980s to 4% and dropped again in the 1990s and the 2000s to less than 2% in 2008. Unlike unemployment, social assistance increased continuously after the recent crisis. According to Statistics Netherlands (CBS) in 2014, of those who received a social assistance benefit and not working, 54% wanted to work. In 2015 around 10% of the social assistance recipients had a
(part-time) job. These working poor receive an additional social assistance benefit. The u-shaped development of the social security ratio and the hump-shaped development of the rate of social assistance recipients suggest that the lower social assistance allowance level relative to other social security benefits overcompensated the increase in the volume of social assistance recipients. Recent research shows that between 2010 and 2014, although the average benefit duration is shorter and the benefit level is lower, the burden of flexible workers on social security is higher than for permanent employees. In particular for unemployment benefits and social assistance allowances. This is related to the high inflow frequency of flexible employees. Moreover, it increases in time. It is concluded that the sustainability of the Dutch social system is at stake (Van der Werff, Kroon & Heyma, 2016). Activating social security policies seem to backfire.

6. Preludes to the participation society
The Unemployment Act (*Werkloosheidswet*, WW) of 1987 stated that to be eligible for a basic unemployment benefit, the requirement that the employee in the 12 months prior to unemployment worked at least 156 days was replaced by 26 weeks of at least one day. Moreover, extension of the benefit duration was made dependent on employment history. This required that in the five years prior to unemployment the employee had worked for at least three years at least eight hours per week. In case of 5-10 years employment history the extension was 0.25 year, up to 4.5 years when employment history was 40 or more years. In 2003 it changed: in the five calendar years prior to the calendar year of unemployment the worker had to receive a wage in at least four calendar years of 52 days or more. Moreover, to be eligible for unemployment benefit a person must have worked 26 weeks during the preceding 39 weeks. In 2006 the maximum duration of the unemployment benefit was shortened from 60 months to 38 months. The unemployed must have worked 26 weeks for one day during the preceding 36 weeks. The duration of the unemployment benefit depends on the number of calendar years that the person has worked. For the years 1998 through 2012 the calendar year is taken into account when the employee has received a wage in at least four calendar years and for at least 52 days per year. From 2013, a calendar year is only considered if the person worked at least 208 hours in that year. Not only eligibility criteria became more restrictive, also suitable job and benefit level were changed. The first two months the benefit is 75%; after that it is 70% of the last wage. The increase to 208 working hours adversely

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5 Motivated by the fact that 75% of the unemployment benefit recipients find a job within the first six months.
impacts flexible workers and part-time workers. Unemployment benefit duration in the Netherlands remains long by international standards, and remains under discussion to be shortened (Delsen, 2012). Research shows, that the 2006 reduction of the duration of the unemployment benefit increased the job finding rate of unemployed workers. However, at the expense of job quality: lower wage, fewer contractual working hours and more often a temporary job (De Groot & van der Klaauw, 2014). This is a very relevant research result, for the new 2015 dismissal law, the Law work and security (Wet werk en zekerheid, Wwz) increased the incentive for unemployed persons to seek re-employment. From 1 January 2016 the duration of the unemployment benefit is reduced by one month per quarter. From 2019 the maximum public unemployment benefit will only be two years. The benefit level remains linked to the last wage (first two months 75% and from the third month 70% of last wage). The Government pays less and social partners will contribute more based on collective bargaining agreements. In the first 10 years of their careers employees build up 1 month unemployment benefit-right for each year they worked. After that half a month per year worked. Unemployment benefit-rights the employee already has built up before 1 January 2016 continue to be counted for one month. After half a year of unemployment benefit all employment is considered appropriate. It represents a stronger incentive to participate in the labour market, to accept a flexible job, but also implies mismatches between demand and supply on the labour market. It may result in increased use of social assistance benefits.

In the second half of the 1990s, to discourage the use of sickness and disability schemes, they were privatised: financial risks were shifted towards firms through experience rating. Based on the 1996 Act on the Extension of the Mandatory Continuation of Payment of Wages by the Employer (Wet Uitbreiding Loondoorbetaling bij Ziekte, WULBZ) employers had to pay their sick employees 70% of their regular wages, for one year. It replaced the sickness insurance, the Sickness Benefit Act. In 2004, the Wet Verlenging Loondoorbetalingsverplichting bij Ziekte (VLZ) extendend the employer’s obligation to continue paying at least 70% of the salary to two years. Employers now are fully accountable for absence due to sickness during the first two years. The employer can insure this risk with a private insurer. Sickness related absenteeism reduced significantly. Other effects are risk selection in recruitment, a longer probationary period and more temporary contracts (Delsen, 2011). After two years of sickness an assessment by the Employee Insurance Agency, UWV, for eligibility for a partial or full disability benefit follows.
The Netherlands is the only EU country with a general disability programme that does not separate work-injury from no-work-related injuries. Around 10% of the Dutch labour force receives a disability benefit; twice as high as in other EU countries (Delsen, 2012). There are a number of disability schemes. The Disability Insurance Act (Wet op de Arbeidsongeschiktheidsverzekering, WAO) covers disability of employees and unemployed. January 1, 1998, the Act on Premium Differentiation and Competition in the Disability Insurance Scheme (Wet Premiedifferentiatie en Marktwerking bij arbeidsongeschiktheidsverzekeringen, PEMBA) was introduced in order to reduce the number of work disabled. Experience rating was expected to reduce the moral hazard. The PEMBA Act did not have the expected result. Risk selection in recruitment and the insider-outsider problem occurred. In 2006 PEMBA was abolished. Since 1998 the Disability Insurance Act for the Self-Employed (Wet Arbeidsongeschiktheidsverzekering Zelfstandigen, WAZ) and the Disability Benefit Act for the Young Handicapped (Wet Arbeidsongeschiktheidsvoorziening Jonggehandicapten, Wajong) provide benefits that are based on the accepted social minimum allowance level. The WAZ, the compulsory insurance for self-employed was abolished in 2004. As a result of the reform of the General Social Assistance Act (WWB) in 2004 the number of Wajong benefits increased considerably, especially benefits due to mental reasons (Delsen, 2012; Garcia-Gómez, Von Gaudecker & Lindeboom, 2010). It creates a risk of excluding an increasing number of young people permanently from the labour market. In 2015 Wajong was abolished and integrated into the Participation Act (See Section 9 below).

The 2006 Labour Capacity Act (Wet Werk en Inkomen naar Arbeidsvermogen, WIA) established a dichotomy between welfare and workfare in the disability policy. Access has become increasingly selective and conditional. Stricter medical definition of full disability and stricter criteria for assessing still executable jobs apply. Full welfare is only available for a select needy group of people that has little or no chance in the labour market and when they cannot be held individually responsible for a social risk. For all other people workfare applies to stimulate labour market participation (Yerkes & Van der Veen, 2011). It can be considered a prelude to the participation society. WIA guarantees an income replacement benefit to employees below retirement age who have been (partially) disabled. More emphasis is put on activation. The primary aim of WIA is to promote a return to work, i.e. to increase the long-term reintegration of employees with (temporary) health-related work restrictions. The old
Disability Insurance Act (WAO) remains in force for people reported sick before 1 January 2004 and who were assessed as disabled. The WIA Act consists of two separate arrangements: WGA (Werkhervatting Gedeeltelijk Arbeidsbeschikten) or Resumption of Work for Partially Disabled Persons and IVA (Inkomensvoorziening Volledig Arbeidsongeschikten) or Income Provision for Long-term, Fully Disabled Persons. If still sick after two years, the UWV determines the employee’s degree of disability. A WGA benefit is rewarded if the capacity loss is between 35 and 80% or more than 80% with prospect of recovery (the workfare part). In case an employee has a degree of disability higher than 80% and is diagnosed permanently disabled, he/she qualifies for the IVA benefit (the welfare part).

Also if the employee after two years of illness becomes a WIA recipient, the employer is financially responsible for the burden of these employee benefit up to ten years. Although the formal influence of employers is absent, in practice employers may influence the number of WIA beneficiaries. For example, the increase of new cases under WIA may be related to the shortening of the maximum duration of the unemployment benefit in 2006, suggesting hidden unemployment in the WIA. Those with a poor socio-economic position constitute about 15% of the labour force and 40% of the WIA applicants (García-Gómez, Von Gaudecker & Lindeboom, 2010).

The means-tested General Social Assistance Act (Algemene Bijstandswet, ABW, 1965-1995) and the Social Assistance Act (Algemene bijstandswet, Abw, 1996-2003) provide a minimum income for all persons residing legally in the Netherlands with inadequate financial resources to meet their essential living costs. It is the final safety net of the Dutch social security system. The benefit of couples was 100%, for single parents 90% and 70% for singles of the net minimum wage. Singles that share a house received 60%. Youth below 23 years of age receive lower amounts derived from the legal youth minimum wage. In 1996, in response to increasing numbers and fraud, social assistance was revised significantly (Van Oorschot, 2006). The system was simplified and benefit levels were reduced: all singles receive 50% of the level of the net minimum wage, single parents 70%. For couples nothing changed. Since 1996, every claimant has the duty to find a job, with the only exception being those older than 57.5 years and single parents with children under five. The standard of ‘suitable work’ has been broadened, implying that clients are expected to accept jobs under their educational level and former job level. To stimulate the able-bodied among them and to prevent the social isolation of others, municipalities have the possibility of implementing ‘social activation’
policies; that is, to stimulate clients to do voluntary or community work in exchange for freeing them from the obligation to look for a paid job for a certain period.

In January 2004 the Work and Social Assistance Act (*Wet Werk en Bijstand*, WWB) replaced the ABW of 1996. The WWB not only mirrors a policy shift from passive income support to activating income support and labour participation, it also mirrors decentralisation from central government to municipalities, and from collective to individual level. In principle everyone in the Netherlands should do his best to support himself, but if he/she cannot, he/she is entitled by this law to a minimum income. Another prelude to the participation society. A paid job is considered the ultimate goal. The motto ‘work above benefit’ reflects the primary aim of WWB to increase outflow to work and to limit inflow into social assistance. The exemption from looking for work of single parents with children younger than five years was abolished. The job research requirements for older (57.5 years and over) unemployed workers was reinstated. Local authorities were given more policy and financial leeway in activating the long-term unemployed and other people entitled to social insurance. In the act ‘suitable work’ has been replaced by ‘general accepted work’. Failure to cooperate or to provide the required information is punished by sanction such as benefit cuts or complete suspension. From 2012 youth (< 27 years) have to search actively during four weeks for a job or education before they can apply for social assistance. From 2013 this four weeks waiting period applies to all applicants for social assistance. This exemption from the social safety also is a strong incentive to accept a flexible job.

7. **Exceptional labour market developments**

Figure 6 shows that the part-time employment rates vary considerably between the EU countries. In 2015 the lowest rates for both males and females are found in the new member states (< 10%). The highest rates are in the Northern member states (>20%). The Netherlands is an outlier. In the Netherlands the part-time rate in total employment (50.0%) is 2.5 times as high as the EU average (19.6) and by far the highest in the EU. The Netherlands is sometimes referred to as the first part-time economy in the world. However, this only applies to women. In 2015 the female part-time rate was 76.9%. Although only a minority of males work part-time, the Dutch part-time rate (26.5%) was the highest in the EU. In 2015 in all EU countries the part-time rate was higher than in 2007, the exceptions being Lithuania and Poland (See Table 3). Between 2007 and 2015 in 13 EU countries the part-time rate increased.
continuously. Also in the Netherlands, despite its high proportions of part-time employment in total employment, the part-time rate increased continuously between 2007 and 2015.

![Figure 6. Part-time employment as percentage of total employment in the EU, 2015](image)

In most countries the majority of the part-time workers are voluntary part-time workers. There are considerable variations in the proportion of involuntary part-time between countries, with high rates in the South and lower rates in the North. The highest rates are found in Greece (72.6%) and Cyprus (68.9%). Table 3 also shows that the Netherlands is an outlier for another reason. Part-time jobs in the Netherlands are preferred jobs. The involuntary part-time rate is the lowest in the EU, before and after the crisis. This is related to culture (See Section 3.1) and the legal equal treatment of part-timers and full-timers, based on the 1996 Equal Treatment (Working Hours) Act (*Wet verbod op onderscheid naar arbeidsduur*, WOA). *Pro rata* rights of part-timers apply related to wages, training, overtime pay etc. Part-time workers also pay *pro rata* social insurance contributions in exchange for *pro rata* entitlements. Moreover, Dutch legislation enables every employee to tailor their working hours to their requirements. The 2000 Working Time Adjustment Act gave employees who have been employed for at least one year with a company consisting of more than ten employees the opportunity to ask the employer to increase or reduce working hours. The act expects the employer to obey the requests, unless there are serious business related reasons why requests cannot be granted. From 1 January 2016 the act is replaced by the Act Flexible working.
Employees now also have the legal opportunity to ask the employer to change position/job within the firm.

Table 3. Incidence and evolution of part-time employment (% of total employment) and involuntary part-time (% of part-time employment), age 15-64, 2007-2015

<table>
<thead>
<tr>
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<th>Part-time employment</th>
<th>Involuntary part-time employment</th>
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<tbody>
<tr>
<td>AUT</td>
<td>22.0</td>
<td>24.4</td>
</tr>
<tr>
<td>BEL</td>
<td>21.9</td>
<td>23.7</td>
</tr>
<tr>
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<td>2.2</td>
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<td>6.4</td>
<td>8.3</td>
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<td>5.1</td>
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<td>25.4</td>
<td>25.6</td>
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<tr>
<td>DNK</td>
<td>23.0</td>
<td>25.6</td>
</tr>
<tr>
<td>ESP</td>
<td>11.4</td>
<td>12.9</td>
</tr>
<tr>
<td>EST</td>
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<td>9.8</td>
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<td>FIN</td>
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<td>48.3</td>
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<tr>
<td>POL</td>
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<td>7.7</td>
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<td>PRT</td>
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<tr>
<td>EU-27</td>
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</table>

Source: Eurostat.

During a downturn employers may cut back on the hours of work of the existing workforce. New hiring may only be for part-timers, resulting in involuntary part-time employment. Also the size of the part-time jobs and the uncertainty about the number of hours worked, and hence income uncertainty are relevant factors. Moreover, there is a considerable overlap
between part-time and temporary work (See below). In most countries the involuntary part-time rate increased between 2007 and 2015. The exception being Bulgaria, Belgium, Germany, Estonia and Malta. In the Netherlands the involuntary part-time rate increased continuously from 2007.

Figure 7 shows that the share of temporary employment in total employment varies considerably between EU countries. The temporary employment rate has increased in most European countries since 1997, including the Netherlands, where the share increased by 8.8 percentage points from 11.4% in 1997 to 20.2% in 2015. The strongest increase was in Portugal (9.8 percentage points). In Spain, Norway, Denmark, Finland and the UK the temporary employment rates decreased between 1997 and 2015. Spain (25.1%) still had the highest level of temporary employment in 2015, followed by Portugal (22.0%) and the Netherlands. The lowest rate is still found in the UK (6.2%).

Figure 8 shows that, like part-time and temporary employment, the share of self-employed in total employment varies considerably between the EU countries. Between 1997 and 2015, the largest increases in the share of self-employed without employees (own account workers) were in Slovakia (8.9 percentage points) and Czech Republic (5.0 percentage points) followed by the Netherlands (3.5 percentage points). Most countries show a small decrease in the rate of self-employed. The strongest drop was in Greece (10.0 percentage points) and Portugal.
Also related to flexible employment, the Netherlands is an outlier: both the rates of temporary employment and self-employment without employees have increased substantially over recent decades. The strong increase in the number of self-employed is caused by personal motives, the social environment, institutional factors and properties of a particular sector. Institutional differences explain the strong increase and the high level relative to other EU countries. In the Netherlands there are large difference in fiscal and labour law treatment between self-employed and workers. The differences in institutional treatment have grown since the late 1990s (IBO ZZP, 2015; Van Es & van Vuuren, 2010).

In the Netherlands there is overlap between part-time and flexible employment contracts. In 2015, 60% of the jobs for less than 12 hours per week were flexible employment contracts. Of all flexible employment contracts 33% was for less than 12 hours per week, and 29% for more than 35 hours a week (full-time). Of all fixed-term contracts 5% was for less than 12 hours per week, and 56% for more than 35 hours a week. Of the self-employed 15% works less than 12 hours per week and 55% more than 35 hours a week (Bolhaar, Brouwers & Scheer, 2016). Agriculture, culture and hospitality have the highest flexible contract rates (56-58%), the Government the smallest (11%). The flexible contract rate in agriculture exists for two-thirds of self-employed, in the hospitality sector for 90% of flexible contracts. There also are age, gender and education dimensions to flexible labour. Youth is overrepresented in flexible contracts (>60%), and is also high among 65+, i.e. pensioners who have accrued to

![Figure 8](image_url)
little pension need additional earning. The latter also explains why self-employed without staff is frequent among 65+. Females are overrepresented in flexible contracts; males are overrepresented among self-employed without employees. Flexible employment contracts are concentrated at the lower educated, around 17%, against 8% of the higher educated. Own account workers increase with educational level. On average self-employed are higher educated than employees (IBO ZZP, 2015; Kösters & van den Brakel, 2015).

A flexible labour contract offers the opportunity to reduce fixed costs and thus to shift the risk from the employer to the employee. The latter may be at the expense of workers with a weaker bargaining position. Possibilities for Dutch employers to avoid risks and costs vary with the type of employment contract (Euwals, de Graaf-Zijl & van Vuuren, 2016; IBO ZZP, 2015). For instance, temporary contracts offers employers cost and risk advantages like less employment protection, no re-integration obligations in case of long-term illness at the end of the contract, or by rotation to reward temporary workers again and again in the lowest collective agreement wage scale, and by using these contracts to screen employees. In case of agency work the employers run no risks in case of dismissal and sickness, there are collective agreement differences and there is no obligation to payment in case there is no work. For on-call contracts the only cost advantage is in the lower number of hours an employer has to pay when there is less or no work. In the Netherlands self-employed as opposed to employees are not protected by dismissal law, the minimum wage and minimum holiday allowance Act, the working conditions Act (Arbowet), the working hours Act (Arbeidstijdenwet) and regulation in collective agreements. Unlike employees, self-employed are not subject to compulsory insurance against sickness and disability and compulsory participation in a pension fund. Avoidance of compulsory solidarity in the social security system lowers their contribution rates: self-employed are less expensive relative to employees. These differences in taxes and contributions stimulate employees with a strong labour market position to become self-employed. Also employers will prefer self-employed over permanent employees or employees on flexible contracts because of these cost advantages and the fact that they do not have to pay the transition fee, continuation of wage and re-integration obligations in case of sickness or salary in case of no work. To promote entrepreneurship, self-employed are eligible for various tax facilities such as the private business ownership allowance (zelfstandigenaftrek), tax relief for new companies (startersaftrek) and the SME profit exemption (MKB-winstvrijstelling). Small businesses also pay less VAT.
(kleineondernemersregeling). This leads – depending on the negotiating position of the self-employed – to either a higher net income for the self-employed or lower gross costs for the employer. In the Dutch case employees are 25% to over 40% more expensive (50-80% without reservations for pension, sickness, disability and no work) than self-employed. Two thirds of the Dutch self-employed do not have a disability insurance; half of the self-employed do not accrue supplementary second pillar pension rights. Uninsured self-employed run a risk of a drop in income. Also pay below the legal minimum wage may lead to poverty and to off-loading on social assistance. Self-employed flow less often into welfare than the average Dutchman and about as often as employees (IBO ZZP, 2015). The main objectives of the Act Deregulating assessment of employment relations BA (Wet deregulering beoordeling arbeidsrelaties, Wet DBA) are the reduction of abuse by clients (false self-employment) and placing the responsibility and risks around the hiring of self-employed more on the clients. The act caused so much uncertainty and confusion that enforcement has been postponed from 1 May 2016 until 2018.

In the Netherlands, the permanent contract is in retreat. This is not a matter of preferences. Most flexible workers, notable agency workers, prefer the higher job security provided by regular employment contracts (De Graaf-Zijl, 2012). Of the respondents with a temporary contract, agency job or payroll contract 80-90% consider a permanent contract important or very important. For self-employed this is much less: 73% of the self-employed prefers to work as an entrepreneur (CPB, 2016). The most important factor behind the recent growth of temporary work is the demand-side of the labour market, that is the enterprises. Employees, i.e. the supply-side of the labour market explain the development in part-time working. The survey, the Nationale Enquête Arbeidsomstandigheden (NEA) of 2015 held by CBS/TNO shows: 18.7% of the employees on flexible contracts (agency, on-call and zero-hours contracts) need flexibility or do not need security. The large majority (81.4%) indicated they have a flexible job because they started with a new employer (44%) or could not find a permanent job (37.4%). The need for flexibility is higher among males (22%) than among females (15%). Of those on short part-time jobs (< 20 hours per week) 41.1% indicated to need a flexible contract; full-timers only 7.3%; agency workers 16.8%; 57% of the agency workers could not find a permanent job. Half (50.4%) of the employees on on-call and zero hours contracts need flexibility; for temporary contracts without fixed hours it is 41.5%. The need for flexibility increases with age from 11.9% for the age
group 25-35; 28.5% for those aged 55-65 years to 86.8% for the older age group 65-75. Research by De Graaf-Zijl (2012) shows that relative to regular jobs only for agency workers overall job satisfaction is lower. All flexible workers, agency workers in particular, are less satisfied with their wages, whereas satisfaction with working conditions is higher, especially for fixed-term contracts. Agency workers are less satisfied with job content and more satisfied with working hours. Also fixed-term workers are more satisfied with working hours.

8. Segmentation, inequality and poverty
Labour market institutions and flexicurity policies differ between European countries, and they led to segmentation and inequality in the labour market in many countries, as flexible workers and self-employed face more uncertainty and are not or less well covered by social security (See Section 2). Scandinavian countries seem to succeed in reducing segmentation and inequality in the labour market. Countries like Sweden and Denmark have rather similar universal social security institutions with a high level of insurance and the inclusion of self-employed. A liberal labour market (the USA), with a low level of protection for permanent workers (at-will employment contracts), is no guarantee against segmentation and inequality (Lepage-Saucier, Schleich & Wasmer, 2013; Hoekstra, Euwals, Arsova & Berkhout, 2016; Svalund, Saloniemi & Vulkan, 2016).

![Figure 9. Conversion rates (%) of temporary to permanent jobs in Europe, 2006-2014](image)

Transition rates from fixed-term to permanent jobs significantly depend on the degree of employment protection for permanent contracts. Higher employment protection of permanent contracts also increases the risk of unemployment and fixed-term employment traps.
(Reimann, 2016: 144). Figure 9 shows the highest transition rates from temporary to permanent jobs – before and after the crisis - are recorded in Estonia (over 60%). The lowest conversion rates are in the Southern European countries, followed by the Netherlands (around 20%). Suggesting more a trap than a steppingstone, and inequality and segmentation of the labour markets. In the Dutch case the positive causal relation between dismissal protection and the fixed-term employment trap may be spurious: the trap may be caused by omitted variables like fiscal facilitation, exclusions from e.g. continuation of wage and re-integration obligations within the social security system and low age differentiated legal minimum youth wages.

The growth of part-time jobs and flexible jobs, although in itself satisfactory, may result in economic dependence and impoverishment for households and individuals with no additional sources of income (Asscher-Vonk, Pennings, Sparrius & Delsen, 2000). These developments may increase expenditure on social assistance (See Figure 5). The countercyclical growth of (involuntary) part-time employment (See Table 3) may result in an increase in working poor. Limited earnings are a first reason why the poverty risk of part-time workers in general and involuntary part-timers in particular is higher. In Europe, the majority of the working poor are single earner households, whereas many part-time workers are in dual earner households (Horemans, Marx & Nolan, 2016). The latter holds in particular for the Netherlands (See Figure 2). The poverty risk of part-time workers thus depends on the household context and varies widely across individuals for that reason but also across countries reflecting the differing roles that part-time work plays in the household income ‘package’. The final element in understanding the poverty risk for part-timers is the limited entitlements to social protection due to hours and earnings thresholds (Horemans, Marx & Nolan, 2016). This does not apply to the Netherlands (See Section 7): part-time and full-time workers are treated equally by law.

In the Netherlands, poverty risk of employees on flexible contracts is three times as high as for employees on permanent contracts (7% versus 2%) (Kösters & van den Brakel, 2015). Data of Statistics Netherlands also show, the proportion of poor households with a low income (€12,250 for a single person in 2014) decreased from 10.8% in 2000 to 7.4% in 2010 and increased again to 10.4% in 2014 (CBS, 2015). The poverty risk among unemployment benefit recipients (26.2%) and disability benefit recipients (29.5%), non-western immigrants
households (32%) and single parent households (34%) is high and highest among households receiving social assistance (80%). Poverty is higher among households with a low-skilled main breadwinner (15.8%) than a high-skilled main breadwinner (4.6%). The poverty rate of employed people is below average. Within the group of working poor there has been a shift from households of employees (4.2%) towards households of self-employed (12.8%). In 2013 the working poor represented over half (56%) of all poor people in the Netherlands. In part this is related to the increasingly activating social assistance. Also the increase in precarious employment contracts without a fixed relationship or specified duration plays a role. Temporary workers, with or without fixed hours, and on-call and agency workers have a relatively high risk of poverty. (Married) cohabiting flexworkers and young people living at home with a flexible job clearly benefit from the income of other family members and usually live above the poverty line. Singles and single parents with a flexible job (breadwinners) run a large risk of poverty. That is especially true for on-call workers and temporary contracts without fixed hours (>25%) (Kösters & van den Brakel, 2015). When these persons have no savings, no family or friends to fall back on, it may also result in more poor people and more use of food banks. The first food bank was established in Rotterdam in 2002. Moonlighting (multiple job holding) increased from 5.6% of all employed in 2004 to 7.5% in 2014. About half of them take more than one job to make ends meet (Chkalova et al., 2015). More and more workers on a flexible contract have a second job: 12% in 2015 (Bolhaar, Brouwers & Scheer, 2016). Like in other EU countries, in the Netherlands the number of food banks increased over the past years. Due to the economic crisis more people have applied to the food banks. Especially among self-employed people working without personnel the increase was strong. In December 2014 there were 157 food banks with 94,000 users, of which 37,600 children. Signalling a hole in the public safety net. Over the past three decades not only the Netherlands, also other OECD countries experienced an increase in income inequality. Rising income inequality not only raises social and political concerns, it also has a sizeable negative impact on economic growth (OECD, 2014a; 2015). In the Netherlands, the level of income inequality is low relatively to other developed countries. Between 1985 and 2013 also the increase in the Gini coefficient has been relatively low. Still, due to the increased income inequality the drop in GDP was 4-5 percentage points between 1990 and 2010. According to the OECD (2014; 2015) the reduced capacity of the poorer segments to invest in their skills and education is an important cause for this drop in GDP.
9. **Towards a participation society**

According to the tripartite Social and Economic Council (SER, 2006), the main advisory body on social-economic policy to the Government, labour market and social security institutions must enable and encourage people to be economically independent. The Social and Economic Council saw a broad consensus in Dutch society to reform the reactive and passive Dutch welfare state into a more proactive and activating welfare state. The welfare state is to be replaced by a participation society. In such a society involvement is central. All Dutch citizens have the right to develop their talents and the duty to use those talents in the service of society. Those involved have a responsibility and must take an active attitude. An activating participation society requires a labour market that is sufficiently flexible to adapt to changing circumstances. In this approach work security (employability) rather than job security is central (SER, 2006). Fully in line with the EES. The underlying idea of the participation society is one in which people decrease their dependency on state provision and instead become self-sufficient or dependent on family and community solidarity. The participation society is therefore not the same as the abolition of the welfare state, but stands for a different distribution of collective and individual responsibilities. It resembles Titmuss’s residual welfare model based on the principle of assistance, *i.e.* a social security net. Family and the private market is core. Government is a last and temporary resort, when the private market and the family fall short. Central aim of the residual welfare model is to teach people how to do without it (Titmuss, 1974).

On 1 January 2007, the new Social Support Act (*Wet Maatschappelijke Ondersteuning*, WMO) replaced and incorporated the Social Welfare Act (*Welzijnswet*), the Services for the Disabled Act (*Wet voorzieningen gehandicapten*, WVG) and parts of the long-term care, the Exceptional Medical Expenses Act (*Algemene Wet Bijzondere Ziektekosten*, AWBZ). The 2007 WMO, often called the ‘participation act’, represented an important step in the transition of the Dutch welfare state towards a participation society. Government and professional support act as a last resort. The underlying principle of WMO is to actively involve citizens in the solution of problems (Mot, 2010). People must take responsibility for their own future and create their own social and financial safety nets. Support like home help, transport, facilities for the disabled and meals on wheels are covered by the new Social Support Act. WMO signifies the redirection of existing funds and the decentralisation of competence to the municipalities, combined with competitive tendering. The aim of WMO is to enable
everybody - old and young, the disabled and able-bodied, indigenous people and immigrants, with or without problems - to participate in society to the full extent. Municipalities are tasked with helping people with limitations – by offering appropriate ‘tailor-made care’, individual support in housing, employment, communication and transport - to participate when they are unable to exercise control over their own lives for reasons beyond their influence. WMO is tax financed (Mot, 2010). Municipalities receive a budget. Assessment for home help is carried out by the local council. It has a financial incentive to restrict eligibility. Municipalities are accountable for the execution of WMO to the local council and to their citizens. Decentralisation of responsibility to the local governments allows customising and tailor made solutions. However, it also implies that each municipality has to invent the wheel again, and incurs policy development costs. Copying a policy (best practices) from another municipality avoids these development costs, but also renders it more difficult to tailor to specific local conditions. Also the decreasing number of Dutch municipalities and its increasing scale reduce the customisation possibilities. Municipalities have a financial incentive to discourage participation in schemes and programmes. In addition, there will be more legal inequality, unequal treatment of equal cases between municipalities.

King Willem-Alexander’s Speech from the Thrown (17 September 2013) signals the formal political aim of the present Rutte II administration to transform the Dutch welfare state into a participation society: “It is an undeniable reality that in today's network and information society people are both more assertive and more independent than in the past. This combined with the need to reduce the budget deficit, means that the classical welfare state is slowly but surely evolving into a participation society. Everyone who is able will be asked to take responsibility for their own lives and immediate surroundings.” The present Dutch welfare state schemes are considered to be unsustainable and outdated. “In today's world, people want to be able to make their own choices, manage their own lives and take care of one another.”

On 1 January 2015 the Participation Act (Participatiewet) replaced the Act Work and Assistance (Wet Werk en Bijstand, WWB), the Sheltered Employment Act (Wet Sociale Werkvoorziening, WSW) and a large part of the Disability Benefit Act for the Young Handicapped (Wet werk en Arbeidsondersteuning Jonggehandicapten, Wajong). About 700,000 people who can work but need support fall under the new Participation Act. Municipalities are responsible for their support. The Participation Act’s aim is to have as
many people with or without a handicap find a paid job with an ordinary employer. In line with the 2006 disability insurance (WIA) reform (See Section 6) a distinction is made between workfare and welfare. All 240,000 Wajong benefit recipients will be re-examined. For Wajongers fully and permanently disabled nothing changes. They keep their full benefit from UWV. For partially disabled Wajongers the benefit is reduced from 75% to 70% of the legal net minimum wage. Also for current WSWers with permanent employment, nothing changes. The employers (100,000) and Government (25,000) guarantee additional jobs for social assistance recipients and occupational disabled by 2026. If that target is not achieved, employers will be required to ensure that people with an occupational disability make up a certain percentage of their staff. A 2012 reform introduced the civil duty to do socially useful work (maatschappelijk nuttige werkzaamheden) in return for welfare as an option for municipalities. The 2015 Participation Act extended the obligation to do general acceptable work in the Social Assistance Act with the obligation of a quid pro quo relative to ability besides, or in addition to regular employment for people, who appeal to the solidarity of the society, i.e. benefit recipients. Single parents that take fully care of dependent children below 5 years of age are exempted. The act also requires Dutch welfare recipients to take available jobs even if they had to move or commute up to three hours per day. The consequences of a lower benefit may go beyond the loss of income. Dutch experience with reforming the disability benefit shows that detrimental health effects may occur when the new job does not match the health problems of the individual. The extra costs of hospital admissions may be substantial and need to be taken into account when reforming (cut) social security (Gielen & García-Gómez, 2015). The Participation Act, together with the 2007 WMO and the 2015 Long-term Care Act (WLZ) can be considered the political realisation of the participation society (Delsen, 2016). Also the WLZ expects people to decrease their dependency on state long-term care provisions (professionals) and instead become self-sufficient or dependent on family and informal caregivers (relatives, neighbours, friends, volunteers) (Da Roi and de Klerk, 2013).

10. Policy recommendations

In the Netherlands, like in other EU countries flexicurity practice is biased towards activation and flexibility. Employability and training are neglected, explaining segmentation and traps. Wage moderation, activation in social security and ALMPs have produced detrimental effects. Initially they reduced social security expenditure, but more recently they increase
social security expenditure. The resulting rising inequality has negative economic as well as social consequences and hence deserves more policy and political attention. Tackling inequality can make our societies fairer and our economies stronger (OECD, 2014a; 2015). Instead of further austerity policies and cuts in public services and the social security net, an alternative strategy of economic and fiscal policies seems opportune. The Dutch central bank recently recommended a wage increase to stimulate the economy. To contribute to equal pay for equal work from 2017, minimum youth wages will stepwise and partly be abolished and the remaining youth wages will be raised. The fiscal facilitation of self-employed implies unfair competition between self-employed and flexible employment at the expense of solidarity and social security. The fiscal facilitation of self-employed could either be abolished or the specific tax incentives for self-employed people could be converted to a generic tax relief for all employed people (IBO ZZP, 2015).

At the decentralised level, the trade union movement could fight the rise in flexible employment by maximum percentages and fight unwanted price competition between self-employed and flexible employees as well as the wage gap between types of flexible employment contracts and permanent contracts in collective bargaining. The balance between flexibility and security could be restored, for example, by compensating a greater degree of flexibility by a higher reward. However, trade unions are weakened. Union density decreased in part due to the increased number of flexible jobs. The contribution of corporate social responsibility to improve employments rights of flexible workers or to address precarious work and low pay and current discrimination has been limited. The Dutch Government could start to restore the balance and to support the most vulnerable and exploited groups in the labour market. In the current circumstances, the state could take responsibility for establishing or maintaining strong institutionalised guards against market forces and compensate inequality. A common effort, a central agreement backed by the Socio-Economic Council could be the next step.

Country-specific contextual circumstances matter for the impact of institution on the functioning of the labour market. It implies that copying a successful policy in one country is no guarantee for success in another. In addition to fiscal policy a number of regulatory policy options are available. The first is the introduction of stricter rules for flexible work, limiting employers to use flexible work to avoid costs and risks (See also Euwals, de Graaf-Zijl & van
Vuuren, 2016). Full elimination is not desirable. Flexible jobs provide in a need of both employees and employers and should remain under certain conditions as an option. A legal minimum percentage of permanent positions could be combined with derogation from statutory provisions by collective labour agreements. Some duality will remain. The incentives for employers to avoid the risks and costs remain, including the use of even more precarious contracts and hiring own account workers. It is therefore crucial to maintain the stricter rules, in combination with the monitoring of the emergence of new forms of labour relations, aiming to avoid the stricter rules. The broad legal opportunities to conclude flexible contracts, relative to other EU countries, could also be reduced. Moreover, the legal differences between different types of flexible employment contracts could be reduced. Also a reduction or exemption of SMEs from continuation of paying wages for two years in case of illness could reduce the incentive to use flexible contracts. Also the transition fee is costly for SMEs.

The second option is reregulation of flexible contracts to reduce the costs and risk differences by increasing the protection and social security for flexible employment. The costs and risks associated with a permanent contract are extended to flexible work through a system with a more universal character for unemployment, disability, retirement, transition fees and universal education rights. Additional inflows into social security schemes should be prevented. Social security coverage and pension accrual of flexible workers and self-employed could be made equal to permanent workers. The reduction of the waiting period for receiving a transition fee to zero or below the present two years will increase the financial incentive for employers to offer permanent contracts. Also higher unemployment contributions for temporary and flexible contracts relative to permanent contracts may contribute. Another option in the Dutch context is to lengthen the legal maximum duration of temporary jobs to three or more years.

The third possibility is to deregulate permanent employment contracts. The costs and risk differences for employers are reduced by increasing risks for workers with a permanent contract, to make the labour market more flexible. This option implies less dismissal protection and less social security for permanent employees. The incentive for employers to bypass the costs and risks of signing permanent contracts becomes smaller. Temporary workers will benefit from this. It may result in additional but less protected permanent jobs. According to the OECD (2004; 2013) the labour market impact of employment protection is
ambiguous. Less restricted employment protection for permanent workers will increase employment rates of youth and prime-age females, and decrease employment rates of prime-age males. Dismissal of employed permanent workers with a weak position and their replacement by flexible workers should be prevented.

A fourth policy option is the introduction of an unconditional basic income. In the years to come the Dutch welfare state based on equality and collective solidarity will be replaced by the participation society based on individual responsibility and freedom of choice. The final role of the national Government and the relationship between levels of government and the citizens still have to be established. Decentralisation towards the municipalities renders pilot testing more desirable and more feasible for the design of effective local policies (Delsen, 2016). The transaction costs for the municipalities related to the *quid pro quo* approach – workfare, failure to cooperate or to provide the required information is punished by sanction such as benefit cuts or complete suspension – in social assistance are considerable, and is considered ineffective as well. It backfires as shown in this paper. It is striking that there is very little research being done to the why of poverty and to the actual behaviour of the unemployed. Using insight from behavioural economics may contribute to a more efficient and effective redesign of welfare states (Mullainathan & Shafir, 2013; Bregman, 2014). From workfare to welfare. In 2017 the Dutch municipalities of Utrecht, Wageningen, Groningen and Tilburg started experimenting with unconditional social assistance allowed within the Participation Act. Another 16 municipalities expressed their interest. In 2017 a national two year experiment with an unconditional basic income for unemployed people started in Finland. The basic monthly income will replace their existing social benefits and will be paid even if they find work. The Finnish Government expects the basic income to increase employment, reduce poverty and cut red tape. Not only from the policy point of view but also from the scientific point of view it is interesting to establish the extent to which people adjust their behaviour and what results the experiments bring. The 1965 Social Assistance Act, the final social safety net, was the crowning piece of the Dutch welfare state. The basic income may become the crowning piece of the participation society.

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Contact details

Lei Delsen
Institute for Management Research
Department of Economics
P.O. Box 9108
6500 HK Nijmegen
The Netherlands
E-mail: L.Delsen@fm.ru.nl

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