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Press release

Embargo until 14 February 2018

## The fall of the middle class. The stable and vulnerable middle

### Dutch middle segment needs to keep pedalling

**Unlike the US and other countries in Europe, the Netherlands is not witnessing the 'fall' or 'erosion' of its middle class. Most of the members of the middle groups in society are maintaining their position. However, it takes much more effort than it used to: they have to work harder in more uncertain circumstances. The middle segment of Dutch society is like a cyclist: if it stops pedalling, it will soon fall over. Similarly, those middle groups that are unable to invest constantly in economic capital (through work, income and assets) and cultural capital (education and training) face the risk of downward mobility. To assuage the vulnerability and bolster the stability of the middle groups in society, policies should focus on reducing uncertainty.**

The WRR study *The fall of the middle class?* by Godfried Engbersen, Erik Snel and Monique Kremer examines the changes that have occurred in the middle segment of Dutch society since the 1970s. It analyses four aspects: developments in middle incomes, intermediate skills and intermediate occupations, and attitudes towards politics and society. Because the groups that make up 'the' Dutch middle class are far too heterogeneous, the report refers to the middle segment of society or to the middle groups. The most important findings are:

#### **The middle segment in terms of income:**

In terms of net income, the Netherlands has a broad middle segment. Measured by standardised household income (which allows for the size of households and the tax and social insurance contributions they pay or receive), the proportion of households with a middle income (i.e. between 60% and 200% of the median income) has remained substantial and fairly stable. Only since 2006 has the proportion of middle-income households declined slightly, from 80% to 76% of all households. However, measured in terms of gross income, the middle class has become considerably smaller, shrinking from 68% in 1990 to 57% in 2014. These downward trends are offset by the redistributive effect of the Dutch welfare state and by the fact that people with higher incomes usually have larger households (see figure 1). In addition, the middle groups must do more to maintain their position and avoid social decline. They must work harder in more uncertain circumstances. Households increasingly need two incomes, have to adjust to the flexibility and temporary nature of work (see figure 2), must combine work with informal care tasks and display a greater ability to fend for themselves in coping with risks.

#### **The middle segment in terms of skills and occupation:**

Credential inflation is more pronounced for those who have completed intermediate secondary education. Between 1985 and 2010, the occupational position of intermediate-skilled and low-skilled workers converged while the gap between those two groups and high-skilled workers widened. Intermediate-skilled workers now have less chance of getting a middle-class job.

There is one sub-segment of the middle groups that is under threat. This vulnerable segment consists mainly of people in routine administrative jobs or in occupations in the care or service sector. These individuals have a greater chance of losing their job or are more likely to be earning a low income. If supplementary income disappears, for example because a person's partner is made redundant, downward social mobility can quickly become a reality.

#### **The middle segment in terms of social and political attitudes:**

Attitudes towards politics and social issues of people with intermediate skills have come to resemble those of the low-skilled. The same applies with respect to feelings of discontent and the sense of having no control over one's

future. People with intermediate vocational skills have less trust in other people and in institutions (political or otherwise) than those with secondary and higher education.

Members of this group are very critical of immigration and open borders and have little faith in the EU or the Dutch Parliament (see [table 1](#)). In 2014, 33% of people educated to secondary vocational level said they suffered 'mainly disadvantages since the borders disappeared', the same percentage as among the low-skilled. Only 14% of high-skilled people shared that view.

Insecurity is a dominant factor in how the middle groups see their position. This has two principal causes. First, changes have occurred in the labour market, such as credential inflation and flexible work (nearly 40% of the Dutch labour force was self-employed or had a temporary job in 2017). Second, a retreating government provides less social protection than before. This greater institutional insecurity marks a break with the traditional post-war middle-class outlook: a deeply-rooted personal conviction that they themselves, and above all their children, would always fare better.

**The most important policy recommendations are:**

Promote greater certainty in the labour market. Encourage employers to hire more people on permanent employment contracts and make less use of flexible workers: work should only be flexible if that is appropriate to the nature of the work. And because forms of flexible labour will continue to exist, new certainties are required, such as collective insurance against incapacity for work and minimum rates for self-employed persons. In the longer term, there needs to be a fundamental debate about a new system of social security covering every form of work, regardless of the type of contract.

Invest in education and training. Working people with intermediate skills benefit greatly from training, allowing them to compete with more highly-skilled workers, for example by improving their IT skills. Develop wider possibilities for learning on the job and facilities for lifelong learning.

Preserve the redistributive effect of the welfare state. There is an understandable trend in the Netherlands to provide relief for those at the bottom end of society (through allowances, for example). A side-effect of this is that the middle groups feel relatively more vulnerable. It is essential to preserve the redistributive effect of the welfare state in order to prevent the middle segment of society from contracting and its position from deteriorating.

Support families. The resilience of the middle groups will increase if they are able to properly combine informal care and work. Stable and affordable child care is very important in that context.

**Note for editors**

*The fall of the middle class? The stable and vulnerable middle* will be available from 14 February onwards on the WRR's website (ISBN 978 94 90186 52 4) <https://english.wrr.nl>.

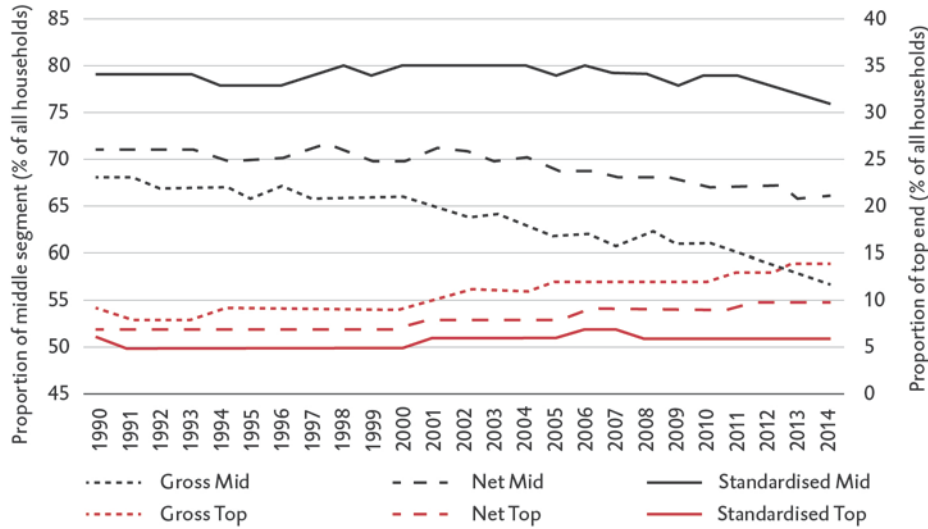
The WRR will present its investigation on 14 February at the Permanent Representation of The Netherlands, Avenue de Cortenberg/ Kortenberglaan 4-10 in Brussels with Godfried Engbersen (WRR), Michel Yahiel (Commissioner General France Stratégie), Pauline Grégoire-Marchand (Project Chief France Stratégie), Patrick Develtere (EPSC), Ive Marx (Antwerp University) and Philippe Pochet (ETUI). For information about this publication, contact Mirjan van Leijenhorst at +31(0)6 26298379 or [leijenhorst@wrr.nl](mailto:leijenhorst@wrr.nl).

The Netherlands Scientific Council for Government Policy (WRR) is an independent advisory body for government policy. It provides the Dutch government and Parliament with advice (both solicited and unsolicited) from a long-term perspective. The topics are cross-sectoral and cover social issues with which society may need to deal in the future. For more information on the WRR, see <https://english.wrr.nl>.

The 'Investigations' series comprises studies commissioned by the WRR that are deemed to be of such quality and importance that their publication is desirable. Responsibility for the contents and views expressed therein remains with the authors.

**Figure 1 Proportion of households belonging to the middle segment (60-200% of the median income) and the highest income groups (>200% of the median income) according to gross income and standardised income, between 1990 and 2014 (as %)\***

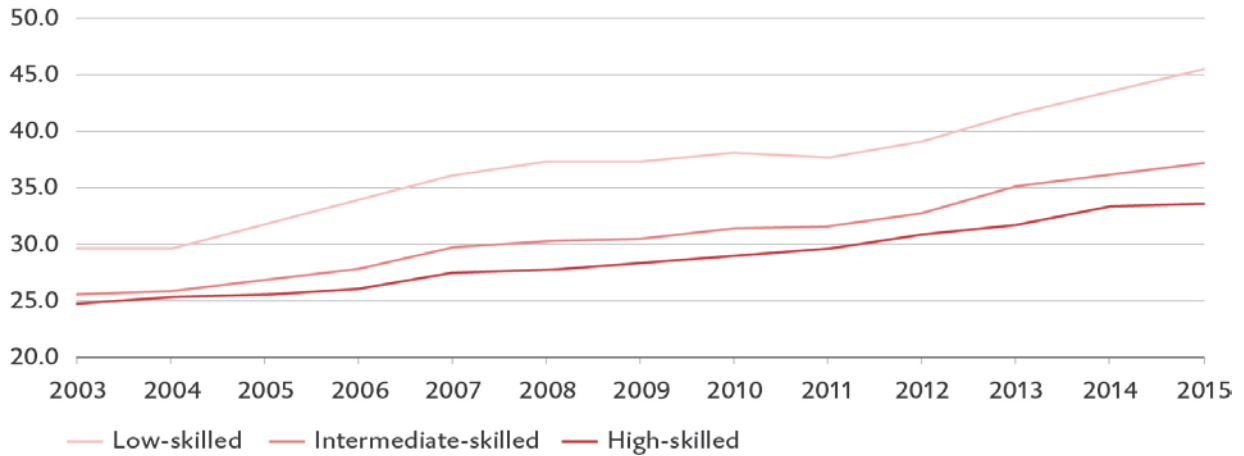
**A. Proportion of households**



\* The share of the middle segment (proportion of middle-income households) can be seen on the left-hand axis in the figures. The shares of the highest-income groups (>200% of the median income) can be seen on the right-hand axis. Note: In 2000 there was a break in the series because of changes in definitions and observations.

Source: Salverda's (2017) contribution to the WRR study based on microdata from Statistics Netherlands

**Figure 2 Proportion of people with flexible jobs\* in the Netherlands, by level of education (2003-2015)**



\* Flexible workers are employees with a temporary contract or a flexible number of working hours per week (including people working through an employment agency or on an on-call basis) and self-employed persons with or without employees.

Source: WRR 2017, based on data from Statistics Netherlands

Table 1 Trust in the Dutch House of Representatives and the EU, population aged 18+, 2013-2016 (as %) (N=28,705)

	Primary education	Preparatory secondary vocational education (vmbo)	Senior secondary vocational education (mbo)	Senior general secondary education (havo), pre-university education (vwo)	Higher professional education (hbo)	University, PhD	Total
<b>Trust in the House of Representatives</b>							
2013	22	22	28	34	39	49	31
2014	24	26	28	42	43	51	35
2015	25	23	29	42	41	51	34
2016	25	25	30	44	47	54	36
<b>Trust in the EU</b>							
2013	23	25	30	40	38	54	33
2014	22	28	30	44	41	54	35
2015	25	27	30	44	41	49	34
2016	28	27	28	45	40	51	35

Source: WRR 2017; Schmeets 2017