

13
1978

Reports
to the Government

**Netherlands Scientific Council
for Government Policy**

Do we make work our business?

CONTENTS

Summary

I. Introduction 9

Part I

II. Some socio-economic contours 16

- II.1. Introduction 16
- II.2. A backward glance at economic development 16
- II.3. Social developments 18
- II.4. Economic relations with other countries 19

III. Forms and causes of economic inactivity 21

- III.1. Introduction 21
- III.2. Supply and demand surpluses 21
- III.3. The demand for labour 21
- III.4. The supply of labour 25
- III.5. Unemployment 26
- III.6. Unfitness for work 26

Part 2

IV. The system for financing social insurance 30

- IV.1. Introduction 30
- IV.2. The influence of social charges on the development of labour costs 30
- IV.3. Differences in social charges between branches of industry 33
- IV.4. Description of four alternative financing systems 34
- IV.5. Evaluation of the alternatives 36
- IV.6. Conclusion 39

V. Sickness absenteeism: development and prospects 40

- V.1. Introduction 40
- V.2. Age, sickness diagnosis and sickness absenteeism 41
- V.3. Sex, occupation and frequency of sickness 44
- V.4. Social insurance, health care and length of sickness 46
- V.5. Working conditions and absence on account sickness 46
- V.6. Personal situation and the number of notifications of sickness 48
- V.7. Prospects for the frequency of sickness 50

V.8. Prospects for the length of sickness 51

V.9. Conclusion 51

Part 3

VI. Future employment problems 54

- VI.1. Introduction 54
- VI.2. The prospects for the labour supply in the medium and long term 54
- VI.3. Economic development and employment 56
- VI.4. Prospects for production and employment by sector 58
 - general 58
 - agriculture 60
 - industry 61
 - the building trade 64
 - services 64
- VI.5. Conclusion

VII. An exploration of the productivity base 68

- VII.1. Introduction 68
- VII.2. Transfers on behalf of the active and the inactive 69
- VII.3. The significance of natural gas extraction to the productivity base and the burden of collective charges 70
- VII.4. Economic limits of the collective sector 71
- VII.5. The readiness of the active to transfer income 73
- VII.6. The social security system in public opinion 75
- VII.7. The problems of the inactive 77
- VII.8. The influence of the social security system on the choice between working and not working 78
- VII.9. Some future developments 79
- VII.10. Conclusion 80

Part 4

VIII. Some comments on the policy intentions regarding employment in the medium term 84

- VIII.1. Introduction 84
- VIII.2. The announced economic policy regarding employment and the

uncertainty about economic development	84	Appendixes to Chapter III	156
VIII.3. Comments on the facets of economic growth and employment	86	Tables	156
VIII.4. Comments on the wage subsidy schemes	89	Appendixes to Chapter IV	157
VIII.5. Conclusion	89	Tables and graph	157
IX. Allocation problems on the labour market	91	Appendix to Chapter V	162
IX.1. Introduction	91	Table	162
IX.2. Problems on the supply side	92	Appendixes to Chapter VI	163
IX.3. Problems on the demand side	93	VI.A: Tables	163
IX.4. Employment and disemployment trends	95	VI.B: The development of the building trade	166
IX.5. Conclusion	96	Appendixes to Chapter VII	
X. Mobility and suitable work	98	VII.A: The place of the collective sector in respect of the productivity base	168
X.1. Introduction	98	VII.B: Short description of the model under development	171
X.2. Image of mobility	98	VII.C: Tables	172
X.3. Developments in mobility policy	100	Appendix to Chapter IX	173
X.4. Suitable work	101	The segmentation of the labour market	173
X.5. Some administrative aspects	104	Appendixes to Chapter XI	174
XI. Distribution of jobs and restriction of the supply of labour	106	XI.A: The position of the foreign worker	174
XI.1. Introduction	106	XI.B: The position of the Mediterranean worker in North Holland industry	176
XI.2. Raising the school-leaving age		Appendix to Chapter XII	177
– Conclusion	107	A brief discussion of two foreign initiatives	177
XI.3. Early retirement		Appendix XIII	
– Conclusion	109	List of Publications	179
XI.4. Reduction of working hours			
– Conclusion	112		
XI.5. The position of the foreign workers			
– Conclusion	117		
XII. Creation of jobs in the quaternary sector	121		
XII.1. Introduction	121		
XII.2. The quaternary sector further defined	121		
XII.3. The financing of the quaternary sector	125		
XII.4. The example of the old people's sector	126		
XII.5. The example of the education sector	129		
XII.6. Conclusion	131		
XIII. Recommendations	132		
Notes	137		
Appendixes to Chapter I	152		
I.A: Tables	152		
I.B: Classification of the population	153		
I.C: Composition of the counselling committee	154		
I.D: Studies commissioned	155		

The Hague, August 30, 1977

The Prime Minister
Minister of General Affairs

In the framework of the project 'General Planning Subjects' the Council has studied the relations between the economically active and non-active persons.

Herewith we forward you a report containing the results of this study.

The Council holds the opinion that the nature and intensity of these problems ask for wide scope policies. Therefore the recommendations of the study touch on a number of different fields. The Council is willing to cooperate in the elaborating of organizational measures, as put forward in the last recommendation of chapter XIII.

We ask you to put this report on the agenda of the Council of Ministers.

The Acting Chairman,
Ir.W. F. Schut

The Executive Secretary,
Dr. P. R. Baehr.

Summary

The Scientific Council for Government Policy has made a study of the changing relation between the economically active and inactive persons.

In recent years there has been an increase in the number of inactive persons. Partly as a result of this, the costs of social security have risen considerably. The question of the active/inactive has brought up a number of important social problems.

Mention may be made of the following:

A fundamental principle of our society is that a person has to work in order to provide for himself. It is also generally accepted that a number of categories, for instance old people, are discharged from this obligation. However, this does not apply to the unemployed and those unfit for work.

– For the individual, work performs a number of other important functions in addition to that of earning an income. An increase in inactivity means not only economic but after also social stresses for the individual and his family.

– The phenomenon of increasing inactivity is not only of quantitative importance. Involuntary inactivity is of particular occurrence among weak groups. Shake-out from employment proves to be a selective process.

– The phenomenon of increasing inactivity makes ever-greater requirements of the productivity base, i.e. the means from which collective expenditure has to be financed. In an economic respect it is important to know what the consequences are of an increasing pressure of collective charges. In a social respect the readiness of active persons to transfer incomes on behalf of inactive persons is important. The question is whether there are limits to this.

– In addition to the recent developments, expectations for the future are also sombre. In addition to the increasing quantitative difference between the demand for and the supply of labour, the increase in qualitative differences also calls for attention. Another important point is that the Netherlands society is of a highly open nature. This is of great significance having regard to the uncertainty about international development in the medium term.

The traditional policy instruments prove inadequate to cope with the related problems.

2. The problems outlined above have brought our society into an important phase. In principle two options are open:

– the justification of inactivity. This would require a drastic change in ideas about work;

– the creation of jobs or the redistribution of existing jobs, so that large numbers of inactive persons do not occur. This approach is in keeping with the prevailing views on work in our present society.

The Council has decided to choose the non-acceptance of a high degree of inactivity as a point of departure in this report. The central problem in this report can be formulated as follows:

‘What are the social and economic consequences of the changing relation between the active and the inactive, how can these consequences be recognized, and what policy concepts can be developed which can reduce the degree of inactivity in the long term too?’

3. This report consists of four parts. In Part I, after a brief sketch of the postwar social and economic development and relations with other countries,

the forms and causes of inactivity are considered. Special attention is paid to the development of unemployment and unfitness for work. A number of explanatory factors for the reduction in the demand for labour are given.

4. Part II deals with the influence of the existing system for financing social insurance on employment.

The present system implies negative effects for employment, notably for the labour-intensive branches of industry. Four alternative forms have therefore been submitted to a preliminary examination. Although the uncertainties are very great, further study of the problem of financing social insurance is called for.

The various causes of the increase in sickness absenteeism are also dealt with in this part. The analysis shows that working conditions are an important explanatory factor for the development of sickness absenteeism. It is proposed that new initiatives be taken in this field. There will also have to be experiments to reduce sickness absenteeism.

5. In Part III the future employment problems are explored. The prospects for employment in the agricultural sector, industry and the building trade are unfavourable. The service sector is confronted with a variety of problems. It is argued that for a number of reasons it is not justifiable to put too much faith in this sector.

The development to be expected in employment must be set against a considerable increase to be expected in the supply of labour. In addition a change is taking place, above all as a result of growing participation of married women.

From the comparison of the demand for and the supply of labour it can be concluded that, especially after 1980, very great efforts will be required to counter mass unemployment. In this part it is also argued that for the policy to be followed with regard to inactivity conditions will have to be imposed on the productivity base. The question that now comes up is whether limits have been set from the economic or social viewpoint to the growth in the number of inactive persons and the related growth in transfer incomes. With continuing increases in the burden of collective charges, adjustment processes may occur that entail unfavourable socio-economic consequences. The question as to where economic limits have to be set amounts to weighing the socio-economic consequences against each other, the issue being the reconcilability of differing objectives. The Council is studying this problem at present. This report deals with the social aspects of the problems of the productivity base.

6. Part IV is devoted mainly to the development of policy concepts. The Council is of the opinion that the problems call for a wide range of policy instruments. In order to have the greatest possible chance of driving back the extent of inactivity, it will be necessary to operate on a wide front. A number of possibilities of doing so are explored. The solutions presented are not intended to replace the present set of policy instruments, but rather to widen and enrich the policy.

First of all a number of comments are made on policy intentions in the medium term. It is argued that the developments are highly uncertain. For these policy intentions to succeed, the development of a number of partly uncontrollable factors will have to satisfy more or less optimistic expectations. It is further maintained that stimulation of investments is not always to be recommended from the viewpoint of employment. Partly on the strength of the analysis of the future problems it is suggested that there is a strain between furthering investments and furthering employment. Despite the positive effects that the stimulation of investments may have on employment, considerable allowance must be made for the changing relationship between the factors of production, to the detriment of the labour factor. This results in a reduction in jobs. Consequently, an employment policy based on the furtherance of investments will call for ever greater sacrifices and, having regard to the size of the problem, will probably offer insufficient relief.

Moreover, it is the question whether stimulation of investment from the point of view of employment does not have an adverse effect on the competitive position and thus on the external equilibrium. It is argued that it seems sensible – precisely to counter future loss of jobs – to shift employment policy to sectors where there is much less substitution between the factors of production. Investments should then be stimulated more within a productivity policy, without the job criterion being maintained in full. A strong productivity base then offers possibilities of creating jobs elsewhere. The central idea here is that with a strong productivity base greater and more lasting possibilities of choices are kept open than in the pursuit of industrial activities of high labour-intensity.

7. In the future there will be developments as a result of which the shortage of jobs will change. These are qualitative discrepancies and adjustments of volume and price. In view of the nature of these factors it must be feared that the distribution of the active and inactive will not be acceptable in a social respect.

A paradoxical situation may well occur in which there are both considerable surpluses and shortages of supply. The latter relate above all to unpleasant work. At least two approaches to this problem are called for, viz.:

- humanization of the job;
- reflecting on the relative scarcity in wages.

The latter may result in an upward pressure on the income of other categories. An incomes policy if the Government, and also of management and labour, ought to be aimed at countering this process. Drastic changes in wage stratification should not be shunned here. These two approaches also mean that in future less of a call need be made on foreign workers.

8. With regard to problems of mobility and suitable work the following remarks are among those made. Frictional unemployment is considered; there is a lack of data on and insight into the length of time that jobs remain open. Above all though the lack of certainty that retraining leads to a new job, the actual participation in retraining at present is rather small.

There is no reason to widen the concept 'suitable work'.

In addition to the concept 'suitable work', attention is devoted to 'suitable demand'. This is on account of the increasing selectivity on the demand side, of which the groups of limited opportunity in particular are in danger of becoming the victim.

Further, compulsory reporting of vacancies is advocated if necessary to obtain better insight into the development of the labour market.

The placement task of the employment offices may be endangered by the supervisory task. Moreover, this has a negative effect on the image of the employment offices. Hence means must be sought for separating the supervisory and service tasks of the employment offices to a greater extent than at present.

9. As part of reduction of the labour supply the following possibilities have been considered: raising the school-leaving age, early retirement, reduction of working hours. The first two measures will not reduce the number of inactive persons; the latter will be 'reappointed'. But jobs will become available as a result, notably for those groups for which inactivity is not justifiable from society's point of view.

Although the effect of raising the school-leaving age on the drop in unemployment is not inconsiderable, this measure must not be introduced primarily for labour market reasons. In the decision-making process educational aspects should occupy a central position. It is, however, so that in a policy of encouragement aimed at a voluntary increase in participation in education the educational drawbacks weigh less heavily, while the effect of reduction of unemployment continues to be partly present.

The system of work is insufficiently equipped to cope with the the transition of older workers from the active to the post-active period. Early retirement can obviate this problem to some extent. Consequently, further study of the possible variants of early retirement is necessary. It is therefore desirable that a start be made on a larger scale with experiments with early retirement.

In considering the reduction of working hours a number of possible negative effects have been mentioned. Nevertheless, this instrument is deserving of attention with an eye to the future. Short-time working would then have to be introduced as an alternative to wage increases. A start should be made on experiments with short-time working.

10. The desirability of job creation in the non-commercial service sector, called here the quaternary sector, does not emanate exclusively from the point of view of employment. The point of departure is that there are unfulfilled wants in society that can be satisfied by means of labour-intensive provisions. A general widening of the labour market not specifically intended for the unemployed is concerned here. It is urged that a cost-benefit analysis be performed in order to be able to establish within which limits an expansion of the quaternary sector is possible.

An increase in Government expenditure connected with the undertaking of projects in the quaternary sector should be weighed against the social costs of a considerable number of long-term inactive persons.

CHAPTER I. INTRODUCTION

1. This report is concerned with the problem of the relation between economically active and inactive persons. Our society has been able to offer the inactive persons a reasonable degree of security of subsistence. So far this has not led to great social problems.

A number of developments suggest that major changes are occurring that are of importance to the relation between the active and the inactive.

The principal ones are;

- a. the number of active persons has decreased in a relative sense;
- b. in the recent past the inactive members of the working population were as a rule only temporarily excluded from participation in the production process. In the last few years this situation has changed;
- c. the costs of social security have risen sharply.

By active persons this report means those actually participating in employment and receiving financial remuneration for the work that they do. Here inactive persons are all those members of the total population who, according to the above definition, do not form part of the active group. The inactive category is of a very heterogeneous composition and its problems vary considerably. In the present report attention is devoted principally to the unemployed, those unfit for work and the sick out of the inactive category. The fall in the number of active persons in respect of these three groups is considerable. In 1968 the ratio between wage-earners and these groups of inactive persons was still 6.8 : 1.

In 1977 it is estimated as 3.5 : 1 (see Appendix I-A, Table 1). The growth in the number of inactive persons, together with the higher level of social benefits, has caused the costs of social security to increase strongly in recent years. This has considerable effects on the burdens that the active have to bear on behalf of the inactive. In part this can be demonstrated by means of the development of the burden of social security contributions (see Appendix I-A, Table 2) (1).

2. The question is why the developments sketched here are problematic. To answer this question, it is desirable to place the changing relationship between active and inactive persons in the right setting. Our society is very much engaged by problems of production and consumption. Problems on the production side are closely bound up with labour. The regulation of consumption and production is of great importance to the place that work occupies in our society. This regulation is largely performed by the market. However, government intervention is considerable. Disturbances that occur in this system, whether cyclical or structural in nature, often have direct effects on the labour factor. In the history of our society labour was vulnerable. Examples of this are mass unemployment, wages below subsistence level and child labour.

From this situation the present social security has developed. This extensive and differentiated system satisfies many and varied wants.

The social security of today may be described as an acquisition of great importance. Not only does it offer weak groups a relatively high level of benefits; it has also proved possible to combine a system offering security despite the fact that no work is performed with a production system that in principle is based on financial incentives to perform work. Moreover, our social security system offers a great degree of legal security for the inactive. In earlier forms of society there was usually no question of this.

The structure of production entails the occurrence of a practically continuous improvement of productivity. This has made a considerable contribution to the present prosperity. The other side of the picture is that production requires less labour. In other words a constant volume of productivity is accompanied by a steady fall in the number of jobs. Until recently this fall was usually compensated for by the fact that jobs were created in other sectors. In addition jobs were formed through the expansion of production. In this connection reference must be made to the growth of the service sector. This has absorbed part of the shake-out of labour from industry just as previously industry absorbed the exodus from agriculture.

Signs of stagnation may be perceived in this moving-on process. These more structural factors receive attention in this report. In a certain sense one may speak of a paradoxical situation. The developments in the economy, the very factors that have made a considerable contribution to the creation of a surplus from which it was possible *inter alia* to finance social security, are now leading to a shortage of jobs.

Such a shortage is fatal both to the well-being of the people affected by unemployment and to the functioning of society. Work has for many a function transcending 'earning your living'. The views on work are firmly rooted in our society. Differing from these views is rather risky and is often considered unjustified. At macro level too norms concerning work are fairly fixed. The objective of full employment still holds good to the full. In the postwar period it proved possible to realize the duty to work and the right to work.

This allowed of the acquisition of income, better schooling and in general greater personal development. Precisely in a period in which the concept of worthwhile employment is receiving more attention, the problem of unemployment occurs. Other things are also happening that form a certain threat to the proper functioning of the system of work and the social security system. Thus the passing-on and evasion of taxation and social security contributions endanger the sufficient availability of funds for financing. Moreover, improper use of social security hampers the allocation of work and may have an adverse effect on the readiness to make income transfers. The relation between the active and the inactive is as it were 'regulated' by a number of mechanisms, such as social amenities, the labour market, income determination, employment policy and, in the longer term, the economic structure and education. These 'control mechanisms' are not processes that have been fully mastered. Independent developments occur that have contributed towards the problems. An example is the reduction in jobs under the influence of technological development.

The trend outlined here indicates that the problem of work is extremely relevant to the functioning of society as a whole. Precisely because of this, the project reported on in this publication was set up from the viewpoint of the relation between active and inactive persons. In this way important social problems are portrayed which cast a light on relations in society on the basis of the system of work. In an approach from another viewpoint, such as employment, the labour market, social security – which of course are equally relevant points of view – these social relations would be less visible.

Social problems that come up for discussion in this context may be specified as follows:

- In our society it is generally considered that people should work for a living. It is also generally accepted that this does not apply to a number of categories, e.g. old people. The unemployed and those unfit for work are not exempted from the rule.

- For the individual work performs a number of other important functions besides that of earning an income. The inability to find work often means social stresses in addition to economic ones for the individual and his family.

– The phenomenon of increasing inactivity is not only of statistical importance. As will appear from this report, the inactive include many weak groups. The shake-out from employment proves to be a selective process (2).

– The phenomenon of growing inactivity makes increasingly stringent demands of the productivity base. In this report the latter will be taken to be the gross value added in the business sector.

This ultimately forms the source for collective finances. In an economic respect it is important what the effect is of an increasing burden of collective charges. In a social respect the readiness of active persons to transfer incomes on behalf of the inactive is important. The question is whether there are limits to this.

– There is a strained situation between a system of production based on the performance of work in return for income and a developed social security based on the guaranteeing of security of subsistence without anything in return.

– Throughout the world developments may be observed that point to a different international division of labour and production, as a result of which jobs are being lost in the Netherlands too. Besides recent developments the prospects for the future are also sombre. This will be considered in detail in the present report. It will be shown that the outlook for employment cannot be judged positively. In addition to the quantitative difference between supply of and demand for labour, the growing qualitative differences also call for attention.

3. The analysis in this report indicates that the problems outlined above have brought our society into an important phase. Apart from a further weighing against other relevant socio-economic objectives, two ways are open in principle, viz.

– the legitimization of a larger number and more varied forms of inactivity. This would require a radical process of changes in ideas about the right to work and the duty to work on behalf of earning an income. For our society is firmly based on both this right and this duty. The Council has not further elaborated this variant, since it is of the opinion that the variant is for the time being inadequate for the solution of the contemporary problems under discussion (3);

– the creation of jobs or the redistribution of existing jobs, so that no large numbers of inactive persons occur.

This approach fits in with the views now dominating in our society with regard to work.

The Council has decided that it must choose non-acceptance of a high degree of inactivity as the starting point of this report. The central problem in the report can accordingly be formulated as follows:

What are the social and economic consequences of the changing relation between the active and the inactive, how can these consequences be recognized and what policy concepts can be developed which can reduce the degree of inactivity in the long term too?

The elaboration contained in this report starts from the central position that work occupies in our society. This does not mean that it is simply based on a number of values bound up with the present system of work, as reflected in the belief that hard work and consumption are virtues. Elaborations given in the report in fact preserve a certain distance from these characteristics. The idea of strengthening the productivity base has a clear function in this report. This strengthening is not an objective in itself but is intended to make it possible to realize other objectives of policy, for instance that of providing more employment. Further, ideas are developed about the possibilities of redistributing work. The solutions are therefore not sought solely in the realm of expansion and growth. In our society the nature and extent of consumption have so far been strongly oriented by the dominance of the supply. In this report, on the other hand, a search is made possibilities of identifying and satisfying wants without the available supply necessarily being the determinant of them. In the further development of policy there will have to be a more exact weighing against other desirable changes in objectives, such as a different

approach to consumption in our society, concern for the Third World, the natural environment etc.

In this sense the report aims at casting light on a variety of possibilities of development that are definitely possessed by our society, with its great emphasis on work.

4. There is little point in discussing the problems of social security, employment and the income-determining aspects thereof separately. The inter-connection of these problems is a close one. The problem as a whole is so complex that it is not possible to discuss all relevant aspects adequately here.

The Council has observed a number of restrictions in elaborating the problem.

– Firstly, the Council does not think that it is called upon to give an in-depth treatment of the various subfields.

– Secondly, the Council feels that the urgency of the problem requires a report at short notice.

The Council is aware that there are still imperfections and gaps in knowledge regarding this matter. Further study of the problems under discussion is required. This relates above all to the need for further analysis of the links between social and economic phenomena connected with the relationship between the active and the inactive, the economic structure and employment in general.

– Thirdly, in the analysis of the causes of inactivity use is made of insights which in part are already known. However, the problem calls rather for a look ahead and an identification of future signs and development of new policy concepts than for an in-depth analysis of processes from the past. There are a number of reasons for this.

The causes applicable in the past need not have same significance in the future. New causes call for a view of and approach to problems that also includes the change in ideas about these problems. This change in approach calls for new or adapted policy objectives and instruments. Further, the possibility must not be excluded that certain causes of inactivity cannot be eliminated, or can be eliminated only at considerable sacrifice. This too calls for a new outlook in policy. Finally the question arises as to whether, and to what extent, the desired result can be obtained, even if the causes of the past could be driven back.

5. As the diagram in Appendix I-B shows, the total population can be divided into a recruitment population and a non-recruitment population. The criterion is age. Then among the recruitment population groups may be distinguished that are counted as the working population.

The working population itself is subdivided into the active, the sick and the unemployed. The following comments can be made on this classification:

– The breakdown is a functional one; it does not relate to persons. The number of active persons is converted into man-years. A given person may accordingly belong to more than one category. For instance old people, persons unfit for work and students can participate in employment on a part-time basis. In these definitions persons can simultaneously fulfil the role of both active and inactive. In the course of time too a person can fall into both the active and the inactive category. In principle everyone will fulfil both roles in his lifetime. Further, almost everyone in the working population will occasionally be inactive through illness. The confrontation of persons with unemployment involved only a limited part of the working population after the Second World War. It is not impossible that in the future a steadily growing part of the working population will be confronted with unemployment. Moreover, this confrontation affects not only the unemployed, but their families too.

– Through the choice of the criterion of financial remuneration for work done, no value judgment is given on work for which there is no financial remuneration. There are numerous forms of activity of considerable social

importance that can be pointed to which, in accordance with the criterion used here, must be regarded as inactive. An important example is the work done by married women at home.

Many forms of voluntary work may also be envisaged.

The diagram in Appendix I-B also indicates the transfers of incomes. A distinction can be made between private and collective transfers. The productivity base provided by the active persons serves as a source for transfers to the inactive and to the active themselves. Not only the development in volume of the inactive category is of importance to the productivity base for making transfers. The range of the transfers is also of importance. For instance, in the future shifts may occur from private transfers to collective ones, and vice versa. This is connected not only with the new wants but also with changes in ideas about what falls under private responsibility and under collective responsibility.

6. This report consists of four parts.

After a brief outline of the postwar socio-economic development and relations with other countries, Part I deals with the forms and causes of inactivity. Special attention is paid to the developments of unemployment and unfitness for work. A number of explanatory factors for the drop in the demand for labour are given.

In Part II some important implications of the workings of the social security system are discussed. In Chapter IV the influence on employment of the existing system for financing social insurance is considered. Other levying systems are appraised from the point of view of employment. Chapter V deals with the increase in sickness absenteeism and analyses its various causes. Possibilities of reacting to social developments and restricting absenteeism are explored.

In Part III the contours are sketched of the future developments. In Chapter VI the quantitative ratio of supply and demand on the labour market is considered. Chapter VII shows that for the policy to be followed with regard to inactivity conditions have to be imposed on the productivity base. The question arises whether from an economic or social viewpoint limits have been set to the growth of the number of inactive persons and the related growth of transfer incomes.

Part IV is devoted principally to the development of new policy alternatives. Chapter VIII discusses policy intentions regarding employment in the medium term (4). Chapter IX is devoted to future problems of gearing together the allocation of work and income distribution; the qualitative discrepancies on the labour market and the function of wage stratification are dealt with.

Chapter X discusses mobility on the labour market and its function for combating unemployment.

Chapter XI deals with the distribution of jobs and restriction of the supply of labour. Measures of redistribution and rationing occupy a central position here. The social and economic consequences of the introduction of varying measures are discussed.

In Chapter XII the possibility is explored of the creation of jobs in what is called the quaternary sector. It is a matter here of the creation of a labour-intensive supply of services to which the market does not attend but for which there is a need. The guiding thought behind this is utilization of the labour potential for social wants. Chapter XIII contains a summary of the policy recommendations.

Finally it should be remarked that the possible policies outlined in this report are not meant to replace the present instruments. The nature and intensity of the future problems call for a policy operating over a wide front. This report is therefore meant to offer a supplementation and enrichment of ideas, so that the larger variety of problems can be countered with a larger and more varied assortment of means.

7. The project has been counselled by a committee of experts. The Council is grateful to the outside members of this committee for the information and advice given and the inspiring criticism furnished (see Appendix I-C). Further, there have been contacts with ministries, the scientific world, organizations of employers and workers and various firms.

The study has been performed principally by the bureau of the Scientific Council for Government Policy. In addition some studies on subfields were commissioned (see Appendix I-D).

It should be emphasized that the final responsibility for the contents of this report rests exclusively with the Scientific Council for Government Policy.

CHAPTER II. SOME SOCIO-ECONOMIC CONTOURS

II.1. Introduction

In this chapter the socio-economic contours of the relation between active and inactive persons are very broadly explored. First some sketches are given of economic development up to now. A short description follows of the present social set-up as far as relevant to the subject. Finally an important factor of an external nature is dealt with, viz. economic relations with other countries.

II.2. A backward glance at economic development

A survey of postwar economic development shows that it can be roughly divided into three phases.

1. The early Fifties were very much under the influence of the aftermath of the Second World War and the preceding depression in the Thirties. The main objective was a swift and joint reconstruction of the Dutch economy. This objective was accepted by both management and labour, as a result of which conflicts in the social system were rare. The wage policy followed may be described as very strict, with little scope for bargaining.

Uniform wage rounds, with the development of wages linked to the cost of living, were universally accepted, despite an initially relatively low income per head and a not inconsiderable burden of taxation. All ranks of society were aware that recovery was possible only by means of moderation and consultation.

Though labour conflicts did occur in the first years after the war, little tension could be felt in later years, or at least it rarely discharged itself. The control of wage costs was reflected among other things in a fairly stable share of wages in national income. Profit margins were able to act as a source of financing for a strongly increasing demand for capital goods. The savings made available by households were not inconsiderable. Investment activity was greatly encouraged by the necessary restoration of war damage, by the need to catch up on replacement investments, which were in considerable arrears, and by technological development induced in part by the war. All these were reflected *inter alia* in a great need for imports, as a result of which it was first difficult to attain external equilibrium. In addition the disappearance of colonial markets was certainly not to the benefit of the balance of payments. Counterpressure was exerted by the control of wage costs, resulting in a competitive advantage for Dutch exporters on foreign markets. As a result, and in part also as the consequence of a strongly growing foreign demand, exports were able to increase quickly.

At the beginning of the Fifties internal equilibrium was also relatively difficult to attain.

The initially great shortage of capital entailed a structural shortage of jobs, so that unemployment was relatively high. An active emigration policy was therefore followed in those days. However, the growing investment activity in the mid Fifties attended to a swift disappearance of the shortage of jobs, as a result of which, apart from the cyclical downturn in 1958, the situation on the labour market at the end of the Fifties was regarded as reasonably stable. Meanwhile the strong growth had also led to a considerable improvement in freely disposable income of the workers. The view of economic activity may

be described as pure Keynesian. The development of demand received considerable attention. This implied that overheating and stagnation in spending were adjusted by cyclical measures on the part of the authorities. With the tragedy of the Thirties being constantly borne in mind, preservation of full employment was the aim of such measures. This, then, was the situation at the beginning of the Sixties.

2. The vigorous growth that the Dutch economy had undergone in the mid Fifties continued in the early Sixties. This growth was maintained in part by favourable outside factors, such as a continuing increase in world trade in which Dutch exporters, thanks to a still favourable competitive position, were able to participate, the creation of the EEC and relatively stable import prices.

In addition, domestic activity also remained at a high level. The result was a new phenomenon in economic development, viz. a short supply of labour. Despite the revaluation in 1961, which was aimed at providing some relief, the unemployment percentage assumed historically low values. Not so much on account of cost, but above all on account of labour being in short supply, interest in capital investments was increasingly directed towards labour-saving techniques. In addition a certain immigration of labour started.

The tension that had grown on the labour market had inevitably to discharge itself. Social unrest developed, which came to a head as a result of the labour contractor problem.

All this led to wage explosions in 1964, 1965 and 1966 (1). This did not cause great concern, because after all the cost advantage over other countries allowed some leeway. One might say that accelerated advantage was being taken of the years of moderation. The continuing boom, with rather high growth percentages and practically full employment, was also a reason why it came to be asked more strongly than before how the prosperity that had been obtained should be divided. Collective provisions and greater social security received more attention in this context.

Economic policy was aimed less at stabilization – after all, there was an equilibrium – and directed more towards growth and the structure of the economy. The desirability of further growth was endorsed not only because the economy had to keep in step with that of trading partners as regards the development of growth, but above all because an increase in production was regarded as *the* instrument for arriving at a better and higher standard of living.

Meanwhile, partly as a result of the wage explosion in the Sixties, an upward pressure had come about on the development of prices. Moreover, there was a certain import inflation, which to some extent could be ascribed to the expansion of world trade.

National and international policy entailed price increases (VAT). At first the phenomenon of inflation caused little concern. Wages were indexed for changes in prices and the cost advantage over other countries still gave some room.

True, business earnings were displaying a declining trend, but profits were still regarded as being at a high enough level. The 'forgotten groups' (pensioners, the handicapped and the like) deserved attention, since there was no price indexation for them. It was expected that a balanced division of the prosperity acquired could solve this problem too. Around 1967 unemployment was regarded as normal, apart from some cyclical disturbance. All in all, the Netherlands entered the Seventies with an optimistic outlook on the operation and controllability of the socio-economic system.

3. The socio-economic developments at the beginning of the Seventies caused many to have misgivings. A new economic phenomenon put in an appearance, namely the simultaneous increase of unemployment and inflation ('the English disease', stagflation). Especially since 1972 the demand for labour had been falling. This relaxation of tension did not have the effect consonant with the existing views. No negative pressure occurred on the development of prices.

New economic theories were needed to explain that. Some pointed to too high investment activities in the past, others gave pride of place to the labour-saving nature of the development of technology.

The considerable rise in costs was another reason for the increasing switch to labour-saving techniques. In these views the occurrence of unemployment is not explained by cyclical causes but above all by a reduction in the number of jobs.

Meanwhile the number of unemployed has broken all postwar records, while such cyclical recovery as there is has had little effect on the labour market situation. Not only the high unemployment rate harmed belief in the ability and knowledge of economists. The side-effects of economic growth became increasingly evident. Attention was drawn to the constant impairment of the human environment. Sombre predictions of the future (the Club of Rome) brought the problem of the exhaustion of natural resources to the notice of the general public via the media. The pursuit of increasing possibilities of material expenditure was and is increasingly queried. It became clear that growth was not the answer to all problems. New concepts became popular: zero growth, controlled growth, selective growth. Despite the increasing acceptance of more critical ideas about growth, the question of how growth and livability could be harmonized remained practically unanswered. Anyway, a situation of 'zero growth' was quite soon reached through an outside cause, the oil crisis. In the Netherlands the decline in the economy brought about by this crisis was not as bad as it might have been, compared with other industrialized countries. The reason for this is the availability of natural gas in the Netherlands. It was possible to make a call on this for domestic consumption. Moreover, exports of natural gas contributed to a surplus on the balance of payments, while inter alia through indexation of the price of natural gas the loss on the terms of trade remained limited. The receipts from natural gas accruing to the authorities could be used among other things to tackle the material problems resulting from the increase in the number of inactive persons.

However, in the coming decades the natural gas reserves will be depleted. Moreover, it looks as if the continuing high level of inflation and the high unemployment rate can no longer be combated with the classic instruments.

A reorientation of socio-economic policy is therefore desirable.

II.3. Social developments

1. It is not the intention to give an exhaustive explanation of the social developments connected with the problem of work and inactivity in our society. Work occupies a central position in society and also affects other sectors of the community. Conversely, economic and technological developments influence the position and function of work. 'Solutions' to the problem of inactivity therefore depend on changes occurring in society in other respects.

Problems concerning work, such as the norm of full employment and the justification of not working, are influenced by social processes in our society.

First of all views on work itself are subject to change. Recently a trend has developed that opposes the view widely held in our welfare society that hard work and consumption are virtues. It cannot be said that this development makes it any the easier to solve problems of work in our society. Instead it suggests that an increasing variety of views are coming into being. But it is true to say that the changing views on work are acquiring more influence socially and politically and much that was taken for granted in the past is no longer automatically accepted.

2. Further, market processes and bilateral negotiations between management and labour have in general consequences that extend beyond those directly concerned. The independent existence of the market and the negotiations

largely determine in a socio-economic respect the room left to the authorities for policy. This can lead to problems in the pursuit of a sound economic structure and maintenance and expansion of the various welfare provisions. There are institutional problems that cannot be solved by economic and technical measures alone. The policy to be followed regarding inactivity depends on political and social points of departure.

Since existing views proved inadequate on account of the nature of the problems, political and social movements are engaged on revising their starting points. The position of the trade union movement in particular is of great importance in this.

Attention is no longer claimed to the same extent by the material position of the workers. The availability and the distribution of jobs are becoming important subjects. These developments could lead to different institutional patterns in the socio-economic field.

3. Finally, mention must be made of the fact that big problems of our day, such as distribution of work and incomes, participation, poverty in the world, armaments, conservation and scarcity of natural resources, are competing for solution. The priorities also differ, both internationally and in the Netherlands.

Not only is the interrelating of objectives in the various fields, together with the coordination of the policy instrument, a complex affair. Another important point is that diverse objectives are not always reconcilable. Retrenchment of consumption, for instance, does not seem likely as such to lead to 'better' employment. Our social system is obviously not yet equipped for weighing complex and possibly contradictory developments against each other in a rational manner.

II.4. Economic relations with other countries

1. External equilibrium is of great importance to the Dutch economy. The following table gives an impression of the openness of the Dutch economy and also shows that this has grown in the course of time.

Table II.1. Import and export volume of goods and services as a percentage of GNP in constant prices

Import volume				Export volume			
1955	1961	1967	1975	1955	1961	1967	1975
26.3	33.0	37.7	49.6	28.2	34.4	39.1	55.5

Source: Central Economic Plan 1976.

The great degree of dependence of the Netherlands means that great importance has to be attached to developments abroad.

The export of goods has changed not only in significance but also in geographical distribution. More than before, Dutch exports are directed at the surrounding countries. The gradual levelling of tariff walls within the EEC has certainly played a part in this. The share of Dutch exports in total world trade has also grown. As an explanation for this, mention may be made of the operation of the mechanism of competition. In the past the development of Dutch export prices lagged behind that of competitors on foreign markets. In the Seventies this situation changed for the worse. This development may be considered of great importance to external equilibrium. Further, the development of import prices is of importance to the balance of payments position. Foreign price development partly determines the growth of imports. For domestic price determination too import prices are of great importance, having regard to the Netherlands' considerable import requirement.

A rise in import prices can stimulate an upward movement in domestic prices and wages. Disturbances of the external equilibrium can also lead to monetary disequilibria.

A positive balance of payments entails an increase in the supply of liquidities, and a negative balance a decrease.

From the point of view of monetary policy a thorough knowledge is required of the factors affecting the external position, having regard to the open nature of the economy. There are still many gaps in this field, especially with regard to capital transactions.

2. the aim of stabilization policy is among other things to neutralize the fluctuations in foreign influence (2). With regard to developments in world trade one of the ways in which this can be done is via an opposite trend of Government expenditure or, more indirectly, by encouraging or discouraging private spending. The control of import prices is a much more difficult matter. These are externally determined and can be influenced only by means of a change in the rate of exchange. However, a revaluation worsens the competitive position in respect of other countries. Talks held at the request of the Scientific Council with a number of leading businessmen have revealed that the present hard position of the guilder is already a handicap in international competition (3). Meanwhile the inflation caused partly by other countries presents great problems for business, with highly negative effects on employment.

3. A field which has barely been explored as yet is that of the changing international economic order, notably the changing geographical distribution of world production and employment.

After the Second World War international relations intensified considerably. International associations entail among other things freer international movement of goods and factors of production. Moreover, the phenomenon of the multinational has developed. These internationally oriented firms make a considerable contribution to the employment and the national product in a given country. At the same time the activities of such concerns partly evade the supervision and possibilities of control by national governments. There is a possibility that the increased international orientation will lead to a different international allocation of economic activity. Although the Netherlands has not yet felt the effects of this process to a considerable extent, signs of a different worldwide distribution of production are already to be seen. Examples are the growing industrialization in OPEC countries and the movement elsewhere of the textile industry.

4. Finally, mention may be made here of developments abroad. The problem of the halting of growth and deteriorating employment is not a specifically Dutch one. Many other countries also have to contend with serious social and economic problems. High wage costs, rocketing prices, an increasing tendency of collective charges to rise, all these occur in practically every industrialized country. True, there are differences from country to country, for instance the extent of the increase is not the same in every country, but the trends are all in the same direction.

Added to this, an international monetary crisis has occurred whose end is not yet in sight. This has expressed itself among other things in great shifts in rates of exchange. The changes have become so considerable that one may speak of weak countries and strong countries. There will doubtless be interactions between changes in rates of exchange and the development of national economies. These are not elaborated in this report. It is, however, clear that international socio-economic development in the medium term is very uncertain and of great importance to the Netherlands, considering its dependence on other countries.

A number of socio-economic contours have now been outlined. The following chapter will deal more specifically with the causes of inactivity.

CHAPTER III. FORMS AND CAUSES OF ECONOMIC INACTIVITY

III.1. Introduction

In this chapter a broad-brush analysis is given of the causes of inactivity. In part recourse has been had to results of existing studies. The survey contains a selection of points of view and opinions, and is not meant to be exhaustive. Moreover, no express preference is attached to one or more views. The study is confined here to unemployment and unfitness for work. Since both for unemployment and for unfitness for work the demand for labour in the quantitative and the qualitative sense is of importance, separate attention is first devoted to this. After the demand for labour, the supply of labour is considered. The discrepancy between the supply and the demand is then interpreted as relevant to unemployment and forms of unfitness for work. The problem of sickness absenteeism is dealt with in Chapter V.

III.2. Supply and demand surpluses

1. Employment may be interpreted as the resultant of two forces, viz. the supply of labour and the demand for labour. Two different situations can be recognized, namely a situation in which short supply occurs and a situation in which there is an excess supply.

The beginning of the Sixties may be typified as a period in which the supply of labour formed a bottleneck. In such a case the development of employment is determined by the change in the supply of labour. The situation in the Seventies is the opposite. Employment is now determined by the number of available jobs. In general there will be a compromise between supply and demand. Both factors are characterized by a certain degree of flexibility. This compromise will tend more towards the minimum of the two according to the *ex ante* contrasts are greater (1). Incidentally, in the case of an excess supply the employment realized cannot be equated to the number of jobs. The load factor need not be a full one, on account of cyclical and structural causes. At the same time, in the case of certain kinds of labour an overcapacity is deliberately maintained, for instance because these kinds of labour are scarce. Research into the short supply of labour in the Sixties and the shortage of jobs in the Seventies has been done by among others Den Hartog, Van der Klundert and Tjan (2).

III.3. The demand for labour

1. Jobs are to a considerable extent bound up with capital goods in the realm of equipment. By this is meant all capital goods with the exception of buildings. Changes in the number of jobs occur as a result of the creation of new jobs on the one hand and the abolition of existing jobs on the other. In the case of new capital investments two motives can be distinguished, analytically speaking: replacement and/or expansion.

If the aim of a new investment is replacement, then as a rule loss of jobs will occur. For when a new capital good is purchased, the progress of technology is also secured. This technical development operates clearly in the direction of labour-saving. The result is that only part of the manning of the replaced capital good can be assigned to the new investment. The remaining manning is shaken out, unless expansion investment attend to the creation of new jobs. The first

major conclusion may therefore be that loss of jobs can only be avoided, given a technical development increasingly aimed at saving on manpower, by a sufficient volume of expansion investments.

2. A second element deserving of attention is the reason for disuse of the replaced capital good. This process is governed above all by technical and socio-economic factors.

Replacement for technical reasons occurs for instance in the case of wear. One may speak of disuse for socio-economic reasons when the means of production is not yet technically worn out. The process of loss of jobs described above is reinforced if capital goods are discarded at an accelerated rate, which usually has economic causes. Various investigators have recently drawn attention to the rejuvenation of the stock of capital goods (3). It proves that the latter process is accompanied by loss of jobs, whereby economic ageing dominates increasingly, as the following table shows.

Table III.1. Some quantities calculated by means of the vintage model

Period	Change in number of jobs in firms (x 1000 man-years) as result of				Average sum invested per new job in f 1000 a)	Age of oldest machine still in use in years	Average age of vintage in use
	new invest-ments	technical ageing	economic ageing	total			
	average per year				average per year	end of period	
1960-62	255	-105	- 15	135	22	39	9,5
1963-65	245	-100	-130	15	25	27	8,0
1966-68	260	- 80	-160	20	29	19,5	8,0
1969-71	280	- 75	-195	10	33,5	17,5	7,5
1972-74	265	- 65	-235	-35	38	16,5	7

a) Excluding industrial premises and in 1963 prices.

Source: *Nota inzake de werkgelegenheid* (White paper on Employment) (p. 102).

In the above technical progress was linked to new investments. It is also conceivable that technical progress influences both the old and the new factors of production, for instance by improvements in the organizational structure. This also has a labour-saving effect.

The following questions are relevant:

- a. if in replacement of capital goods technical progress entails a loss of jobs, how immanent then is this technical development?
- b. What causes have initiated the process of accelerated economic ageing and what adjustments are possible here?

3. The first question is concerned with the possibilities of substitution that one has in the procurement of capital goods. Has labour-saving been opted for in the procurement on the strength of costs, or is it because there are hardly any possibilities of choice? In the latter case the technological supply determines the labour-saving. If there are no or few possibilities of choice in new investments, adjustments by policy is difficult.

If there are such possibilities, it is then the question how policy can guide the choice in the right direction. However, the matter of the extent of possible choices has been little examined so far.

It will be confined here to broad notions based on discussions with a number of leading businessmen (4). Very large firms, usually operating internationally, are sometimes able to determine the desired changes in system in their 'own'

engineering works. In many cases, however, for instance in chemical process, only a choice from a limited number of licences is possible. Increase in scale and labour-saving are built in in such cases. In mass production machines performing only one operation are being increasingly replaced by linked systems with numeric control. The reason for labour-saving is not always bound up with costs. Come to that, the development of labour-saving techniques already dates from earlier decades when labour was still relatively cheap but sometimes scarce. In addition competition concentrates more on quality.

Furthermore, miniaturization techniques, together with highly advanced production methods making requirements that are too much for human senses, operate in favour of apparatuses. From the production point of view a machine is often better, more accurate, faster and more reliable than man. As a result, the attitude of mind of those demanding capital goods is more directed towards saving on manpower. The supply of capital goods reacts to that.

The above considerations are closely tailored to industry. In other sectors innovations do not necessarily have direct effects on the available jobs. The relations between the factors of production are sometimes more rigid, and sometimes even partly non-existent. In those sectors less or no exchange occurs between factors of production upon replacement. Nevertheless, technological developments may cause a shift from complementarity to substitutability. In the service sector, for instance, substitutions are encountered, such as steadily progressing automation of accounts and records.

At macro level one can try to create new jobs by initiating expansion investments. An important question is then in what direction and with what objective in view expansion investments are made. To answer this question it is necessary first to assign priorities to objectives. The question is for instance whether primacy is vested in growth or in employment. It is feasible that typical growth sectors will in general have a relatively low labour-intensity. These are thus less interesting from the point of view of employment (5). In addition other objectives of full employment and/or growth, such as protection of the natural environment.

4. As regards the causes of the accelerated economic ageing of capital goods, the real costs of labour are often stated as the principal cause. The labour cost theory is based on the vintage model, presented in the Netherlands for the first time by H. den Hartog and H. S. Tjan (6). In a vintage model the stock of capital goods is divided into different years of construction of the machines. Technical progress is incorporated in these different years of construction in such a way that the productivity is higher according as the machines are of a later year of construction (7). From a cost point of view it is attractive to man the newest machines first, since they require the least input of labour.

Then the one-year-older machines are manned, and so on, until a set production aim has been achieved. Machines are kept in use until the variable costs, including labour costs, are equal to the production value. If the costs are higher than the production value, the machines in question are taken out of use as economically obsolete. This means that the oldest machines in use have a production value equal to the variable costs. According as wage costs rise more strongly, older machines are scrapped earlier (8). This process started in particular in the mid Sixties.

The deterioration in the relation between labour costs and prices made may be attributed in part to an external cause, viz. the relative lagging behind of the prices of foreign competitors. The rapid rise in real labour costs is reflected inter alia in an increase in the earned income ratio from approx. 71% in 1960 to approx. 95% in 1975 (9).

The accompanying fall in profit margins has caused the importance of profits as a means of internal financing to decrease. This has led to a need for increasing recourse to external means of financing, with rising interest charges and a deteriorating financial structure as the result.

Douben has emphasized that not only labour costs as a whole should be regarded as a cause of structural employment, but above all social charges too (10). In his view an important consequence of the existing means of financing is that the labour factor is subjected to a relatively heavy burden. In the initial stages of social security this was in his opinion justifiable, but meanwhile certain income transfers have become increasingly a national matter. The present system of contributions forces up the price of labour. The tendency to replace labour by capital in the production process is fostered by this. In this way technological development and the financing of social insurance promote loss of jobs. Incidentally, this does not mean that the present distribution of the contribution burden from the viewpoint of allocation of costs on the basis of the insurance idea is less optimum. The problem of financing receives separate attention in Chapter IV.

5. In addition to labour costs other factors may also be designated as causes of economic ageing. Capital goods are sometimes replaced for defensive reasons (qualitative competition). Different kinds of criteria may also be mentioned, such as uncertainties existing with respect to the labour factor (sickness, chance of strikes, democratization undesired by entrepreneurs, degree of difficulty of dismissal). A possible indicator to illustrate this is the increased demand of firms for part-time labour, having workers on call, acquiring labour from temporary employment agencies. The lack of ties of these workers with the firm gives the entrepreneur more freedom in his policy. Perhaps entrepreneurial behaviour with regard to replacement of capital goods is also more socio-psychological in nature. In that case the entrepreneur wants to keep pace with the times. A parallel may be drawn with what is known in consumption theory as Duesenberry's relative income hypothesis ('keeping up with the Joneses'). It is likely that the arguments mentioned here will play a joint role in investment decisions. It is difficult to make general statements about the importance of these factors in respect of labour costs.

Assuming that these factors are of minor importance, it is still the question to what extent the relation between labour costs and the loss of jobs is reversible. Experience abroad, for instance the situation in Western Germany, suggests that a moderation of the rise in labour costs need not automatically lead to a reduction in the drop in employment (12).

The undermanning theory should not pass unnoticed (13). In this view the machinery of production was expanded too greatly in the past.

The growth of the industrial set-up was out of balance with the absorptive capacity of the market. The resultant overcapacity has a negative effect on the returns on the capital invested. Unremunerative capital goods are then scrapped, with as a result loss of jobs. 'Capital unemployment' thus precedes 'labour unemployment'. The implications of these views for policy may be entirely different.

Assuming that technological development is not completely immanent and that moreover the relation between high labour costs and loss of jobs is irreversible, in labour cost theory wage moderation then leads to preservation of jobs. In the undermanning theory such a moderation would perhaps aggravate the problem, since the reduced possibilities of spending could lead to a still greater overcapacity. Incidentally, in that case the fall in domestic spending could be compensated for by a rise in foreign demand.

6. Finally, attention must be drawn to the echo effects that replacement investments will summon up in the future. These investments too will have to be replaced in the future, against the background of technological knowledge which will have progressed still further by then. With a continuing reduction of the economic lifetime of capital goods, replacement investments can increase and with them the saving on manpower which accompanies this. If labour cost theory contains a high degree of reality, we have here a self-reinforcing process.

If, on the other hand, the undermanning theory is a sufficient description of reality, we have a non-recurrent process through the destruction of superfluous capital and the loss of corresponding jobs. After this, with a smaller stock of capital goods, a new situation of equilibrium could come into being, through probably at a level of non-full employment.

III.4. The supply of labour

1. The supply of labour can change through:

- changes in the domestic working population;
- changes in the balance of foreign migrants with an occupation;
- changes in the frontier-commuting balance (for data see Appendix III, Table 1).

The domestic working population can change on account of trendwise and cyclical/incidental causes. Trendwise changes are a result of the natural growth of the potential working population. The fall in this component at the beginning of the Seventies is striking.

As causes educational measures, increased interest in continued education and a drop in participation in work on the strength of the Working Disablement Insurance Act, notably in the 50–64 years age group, may be mentioned. The negative effects of these exceed the positive effect of the increasing participation of married women. For cyclical reasons too the supply of labour can change. Above all in the case of non-bread-winners there is some feedback from the degree of tension on the labour market to participation in work ('discouraged workers').

2. The recent increase in the frontier-commuting balance may be ascribed mainly to the declining building activities in Western Germany and a deterioration of the economic climate in surrounding countries. Further, the influx of people from Surinam and the Netherlands Antilles has had a positive effect on the migration balance.

The growth of the supply of labour has been limited in recent years. Changes in the supply can therefore hardly be adduced as an explanation of inactivity. It can rather be argued that the present problem is favourably affected by the development of the supply.

Both through the contraction of the number of jobs and through the changed ideas about the load to which the older worker can be subjected, the W.A.O. has also become an instrument for early retirement. As a result of this, the percentage of sickness expresses not only the transitory absence on account of sickness but also the transition from active to inactive.

The Council is of the opinion that the above situation is not desirable from the viewpoint of policy integration. It would be desirable to refine recording of sickness absenteeism by length in order to elucidate the problems both of absenteeism and of the W.A.O.

This can among other things make it possible to obtain a better and timely estimate of, on the one hand, absence on account of sickness in the working population and on the other, the number of sick persons who are in fact already inactive.

2. As regards application of the W.A.O., it must be said that for many older workers their state of health occupies a central position in the organization of their lives.

There are older people for whom a judgment of unfitness for work pronounced on account of employment must be regarded as tragic.

The Council is of the opinion that in the implementation of the W.A.O. it is advisable to make the practice of payment of benefit less official and directed more towards the individual. Such an approach would greatly foster the adequate functioning of many persons who are unfit for work.

III.5. Unemployment

1. The result of the present quantitative shortage of jobs is that the supply of labour cannot be fully placed and withdraws to some extent. In addition, a steadily growing part of the labour supply is classified as unfit for work. A comparison of the number of jobs and the actual labour supply shows that the latter exceeds the former. This finding applies in macro terms. For submarkets on equilibrium or surplus demand continues to be possible. Evidently not only the quantitative discrepancy between supply and demand is important; qualitative and regional disequilibria also exist.

The shortage of jobs is designated as structural unemployment in the narrow sense.

By structural unemployment in the broad sense is meant structural unemployment in the narrow sense plus frictional and seasonal unemployment. Structural unemployment in the broad sense is then set against cyclical unemployment.

2. Frictional unemployment is regarded as a part of structural unemployment, but to some extent may also be cyclically determined. Frictional unemployment results from the time involved in a worker changing jobs. It is evident that this time will lengthen according as the cyclical picture is worse. Although cyclical unemployment is by definition short-term in nature, combating this component cannot be viewed in detachment from the structural problems.

Policy has various instruments for combating this component, such as injections of expenditure by the authorities, encouragement of private spending and monetary instruments. In recent years enormous sums of money have been involved in the combating of cyclical unemployment (in 1976 nearly 7 thousand million guilders). The question is to what extent cyclical unemployment can be combated without increasing structural unemployment. The usually inflationary financing of the combating of cyclical unemployment can have an adverse effect on the development of prices, with possible negative effects on employment. It must further be remarked that the quantitative extent of the cyclical component is unknown. This is of particular importance to the national budget. Cyclical adjustments are regarded as temporary items of expenditure that need not be covered out of the budgetary room. If the cyclical unemployment component is overestimated part of the expenditure is wrongly kept outside the budgetary room. In the case of the cyclical measures in the form of supplementary works it may further be asked whether these should not be placed more in a framework in which social needs receive more emphasis.

3. Unemployment hits certain groups particularly hard. Examples are young people, foreign workers and women.

For these groups specific structural causes are often adduced. For juvenile unemployment, for instance, the following are stated as causes: part-time compulsory schooling, the minimum youth wage, compulsory military service, increasing supply of young people with a better education etc. It would take us too far to describe for all kinds of special groups the manifestation of unemployment and the underlying causes. Detailed consideration has already been given to this in recent policy papers (14).

III.6. Unfitness for work

1. The increase in the number of persons unfit for work has been very considerable in recent years.

The term 'unfit for work' is not an entirely happy one, but for simplicity's sake it is also used in this report. The Working Disablement Insurance Act (further referred to here by its Dutch initials W.A.O.) is more than just a regulation for loss of income by people who are unfit for work.

There is little research and suitable statistical material available for obtaining a good insight into the problem. The growth in the number of persons unfit for work (falling only under the W.A.O.) is illustrated by the following table.

Table III.2. Number of persons entitled to benefit under the W.A.O. (x 1000)

1968 ¹)	162	1975 ¹)	349
1969 ¹)	194	1976 ²)	376
1970 ¹)	215	1977 ²)	403
1971 ¹)	237	1978 ²)	428
1972 ¹)	269	1979 ²)	451
1973 ¹)	285	1980 ²)	472
1974 ¹)	313		

Sources: ¹) Annual reports of the Joint Medical Service, as at year's end.

²) Estimates of the Central Planning Bureau, annual averages.

These figures show that as yet there is no question of stabilization or reduction of the numbers. The growth of this insurance in its first years can still be explained by the effects of making up arrears. This can hardly be maintained for the later years.

2. The distribution among age groups gives the following picture.

Table III.3. Number of persons entitled to benefit under the W.A.O. by estimated age (x 1000)

	1971	1972	1973	1974	1975
15 to 19 years	0,8	0,9	0,9	1,1	1,1
20 to 24 years	4,5	5,1	5,4	6,1	7,0
25 to 29 years	7,1	8,6	9,8	11,9	13,9
30 to 34 years	9,5	11,1	12,4	14,9	17,5
35 to 39 years	13,6	15,4	17,1	19,9	22,8
40 to 44 years	19,7	22,2	24,6	27,8	31,6
45 to 49 years	28,4	31,9	35,2	38,7	43,1
50 to 54 years	37,3	41,5	46,3	52,2	58,6
55 to 59 years	53,4	56,4	61,3	66,3	72,6
60 to 64 years	62,7	66,8	71,7	73,8	80,7
total:	237,0	259,9	284,6	312,7	348,9

Source: Joint Medical Service annual report for 1975, figures as at year's end.

This table clearly shows how high the number of persons entitled to benefit is, especially in the higher age groups. At the end of 1975 there were 153.000 persons unfit for work in the 55–64 years age group. This is about 45% of the number of those unfit for work. This illustrates that the W.A.O. is an insurance notably for older workers. In the 60–64 years age group it proves that no less than 55% of male insured persons receive benefit under the W.A.O. (15).

3. No statistics are available on the average educational level of those unfit for work. Some idea of this can be derived from the participation in work by men classified by age group and levels of education in the Labour Census of 1975. The levels of the participation in work by older workers already prove from the age of 30 years onwards to be lower according as the education received is lower. In addition to the level the decrease in the percentages of participation in work is also greater according as the level of education is lower. (See Appendix III, Table 2.)

4. The state of health of the working population, notably of the older part, is an explanation of the number of persons unfit for work. The availability of a provision like the W.A.O. has created a facility for use if one's state of health occasions this. This new institution offers a chance to establish a relation between changes in state of health and the degree of unfitness for work. Formerly this possibility existed to only a limited extent. The use that is made of the W.A.O. indicates that supplying a provision makes manifest needs of which some were formerly not aware.

The W.A.O. has exposed the problems of the older workers in our system of work. The latter does not make sufficient allowance for the differing physical and mental condition of the workers. As a result blows are suffered, especially by the older workers. The introduction of the W.A.O. has taught us something about the connection between health and system of work. Elsewhere in this report the policy implications of this, such as humanization of work, are discussed.

5. The explanation of the growth in the number of those entitled to W.A.O. must also be sought in the quantitative and qualitative discrepancy between the supply of and the demand for labour. Evidently older workers are involved above all.

In addition to the shortage of jobs the following characteristics are adverse for older workers:

- their average level of education is relatively low;
- employers do not willingly hire older workers (on account of uncertainty; sickness etc.);
- labour costs are often relatively high.

These characteristics manifest themselves particularly when a process of shaking out labour is taking place. Many older workers are no longer as mobile on the labour market. The chance of finding work again is remote.

It will be clear that the W.A.O. contains a component of 'hidden' unemployment. It is also of importance that the W.A.O. offers arrangements for personnel who are laid off which are more interesting as regards income than the unemployment schemes. On behalf of a well-directed policy it is of great importance that more insight be obtained into the extent of this 'hidden unemployment' component.

6. Our system of work is so organized that firms are free to choose whom they wish to hire. In that process of selection it is precisely problematic categories like older workers who have less of a chance (16). Even if supply and demand were in equilibrium again on the labour market, the problems would continue for the older workers. At the same time the proportion of older workers in the overall working population will grow. This aggravates the problem. Those unfit for work still encounter a number of specific problems that reduce their chances on the labour market. In many cases there is no question of complete unfitness for work. Precisely in economically difficult circumstances people with a 'residual capacity' cannot get work.

In 1975 84,5% of those receiving W.A.O. benefit were placed in the highest disablement class. Some of these are still partly fit for work. However, it cannot be established what proportion of this 84,5% was placed in this class on account of labour market considerations.

CHAPTER IV. THIS SYSTEM FOR FINANCING SOCIAL INSURANCE

IV.1. Introduction

1. This chapter is concerned with the financing of social insurance. It deals with the question of what possible effects the method of financing has on labour costs and employment, notably in the more labour-intensive sectors. In this context two principal characteristics of the present financing system are of importance.

The first characteristic is that the levying of contribution is linked with the incomes of natural persons and thus largely linked wage income. As a result, labour costs also include the contributions for social insurance.

The second characteristic is the existence of contribution limits. This affects income distribution and labour costs.

The importance of these two characteristics to employment is discussed. In addition an analysis is given of the influence that these two characteristics have on the differences in contribution burden between branches of industry.

This report concerns itself exclusively with the relation between financing and employment. Other relations, for instance those with income distribution, do not enter into consideration.

2. The present financing system has adverse effects on employment. This is the main reason for investigating what alternative systems are possible.

A change in the financing of social insurance is a radical step. Justification for a possible change ought to be sought in the negative effects that present financing has on employment. These were not intended nor foreseen when the system was created and developed.

The interconnection of for instance labour market policy, incomes policy and social security policy makes it necessary to develop policy concepts taking into account the interdependences of the relevant policy sectors. Recognition of the interconnection of these sectors also implies recognition of the desirability of a coordinated and integrated policy.

The method of financing social provisions may therefore also be appraised in the light of the 'preservation of jobs' objective.

3. In this chapter a number of alternative financing systems will be described.

These financing systems are notably evaluated on employment aspects and on their importance to the productivity base. Needless to say, possible changes should also be regarded from the point of view that one has of the overall social security system.

IV.2. The influence of social charges on the development of labour costs

1. The growth of social charges has made an increasing demand on national finances.

This growth can be explained in part by the increase in the number of those entitled to benefit. The price component is another important cause of the rise in social expenditure. The price component is determined mainly by the development of the wage rate.

After all, most benefits are linked in one way or the other to the development of wages. In this context mention must be made of the net-net problem.

On account of its being linked to the net minimum wage, whose increase in recent years has exceeded the average purchasing power, the price component of social insurance expenditure has also risen more quickly than the general wage rate (1).

Furthermore, the price component has been affected by the increasing re-course of more highly-paid employees to social insurance and a rapid rise in the costs of health care. The pronounced increase in expenditure by the social insurance funds affects the contribution burden.

This is because the contribution burden must in the medium term establish equality between receipts and expenditure of the social funds.

In recent years in particular the increase in expenditure has been met not only by increases in contribution but to a steadily growing extent by contributions from general public finances (see Table IV.1).

Table IV.1. Income of social insurance (millions of guilders)

	1964	1966	1968	1970	1972	1974	1976*)
1. Income from contributions	6,25	9,02	12,29	16,76	22,79	33,97	42,95
2. Income transfers from the State	0,29	0,49	0,97	1,03	1,36	1,81	5,81
3. Ratio of 2 to 1 x 100	4,64	5,43	7,89	6,15	5,97	5,33	13,54

Source: National Accounts.

*) Central Economic Plan 1976, Appendix A. 1.4.

In the past the contribution from general finances was regarded as a marginal phenomenon. The sharp rise in recent years is regarded in part as non-structural. From the macro-economic viewpoint the transition from the levying of contribution to contributions from general finances does not mean an alleviation of the burden, but merely a shift in the latter.

The sharp rise in contribution burden is summoning up increasingly critical questions. Some see the growth in contribution burden as a major cause of the deterioration of employment (2). In the medium term the increase in the wage rate can largely be explained by the change in prices and the increase in productivity. In addition, the increased pressure of the collective charges has had a significant effect on the increase in wages (3). This increase in the pressure of collective charges has been notably affected by the growth in the burden of social security contributions (4).

The passing-on of the increase in the burden of collective charges in wages, in addition to the effect of increases in prices and productivity, implies that the greater burden of costs in the collective sector has in part been recouped from profit margins (5). In this way a relationship has been established between the increase in the burden of social security contributions and the deterioration of returns.

2. The development of labour costs as a whole is the result of a number of socio-economic phenomena. Budgetary and fiscal policy, wage and price policy and the decision-making with regard to social insurance play a part in the determination of (the increase in) labour costs. In addition, factors like the development of productivity and the tension on the labour market are of importance to labour costs. The elements of which labour costs are composed, influence one another and the total in different ways. At the same time, the intentions of those concerned in wage determination are important.

A considerable part of collective finances are supplied by the remuneration of the labour factor of production. Wage and income tax, pension contributions and social security contributions form the collective part of labour costs; disposable income forms the private part.

It is perceptible that an increase in the burden of collective charges is passed on in part. To what extent this proves successful depends on many factors that may vary from period to period and from industry to industry.

With regard to the macro-economic passing-on of social security contributions, some research has been performed in the Netherlands (6). However, the results of this economic research do not as yet offer much support for firm conclusions.

For the short term (1–2 years) the rise in the employees' contributions is passed on to an extent in wages. Changes in the employers' component's of social security contributions may be interpreted by definition as an increase in labour costs.

The passing-on of the rise in collective charges is also illustrated by the following table (7):

Table IV.2. Real income growth before and after deduction of collective charges 1961–1975

	1961–65	1966–70	1971–75	1961–75
1. Real national income growth per working person*)	3,8	4,6	2,4	3,6
2. Increase in collective charges as a percentage of national income	0,9	1,2	1,6	1,2
3. Ditto, in terms of available income outside the collective sector	1,4	2,3	3,5	2,4
4. Real available income growth outside the collective sector per working person (1)–(3)	2,4	2,3	–1,1	1,2
5. Ditto, for the modal worker	4,9	4,6	2,5	4,0

*) This is the sum of taxes, social security contributions and non-tax resources as a percentage of national income.

Line 4 indicates the growth of purchasing power for the average employee in business as it would have been with a constant remuneration ratio of the factors of productions. If then the average worker and the modal worker are more or less equated, line 5, where the *actual* improvement in purchasing power of the modal worker is given, shows that one may speak of overcompensation.

The net growth of the modal worker's income roughly corresponds, empirically speaking, to the growth of real national income per head (compare line 5 with line 1). The increase in collective charges has evidently been recovered more or less in its entirety from the rest of income.

The above shows that the financing of social insurance has led to changes in the ratio of production costs. Through the increase in real labour costs, partly under the influence of the rise in social security contributions, production processes utilizing relatively few workers have become relatively less expensive for the entrepreneur.

3. It is considered here whether changes in the labour-intensity of production can also be observed at the level of branches of industry and, if so, what the causes were of these. Scouting studies by the Central Planning Bureau show that there is a fall in labour-intensity in practically every industry (8). See also Appendix IV, Table 1 and graph 1. This fall is clearly correlated with the development of real labour costs. It proves that the greater the changes in real labour costs per branch of industry, the more pronounced the decrease in labour-intensity.

A further detailing of the relations between social security contributions, labour costs and employment by branch of industry is of great importance. It is self-evident that the relation between high labour costs and loss of jobs occurs partly under the influence of the sharp rise in social security contributions. This relation may differ per industry and firm. A starting point for the differences in the importance of labour costs can be found in the differences earned income ratios per branch of industry. See Appendix IV, Table 2.

These ratios vary considerably and in most cases are on the increase. The burden of social security contributions too is not the same for industries and firms (9).

There are two reasons why the burden of social security contributions will differ as a percentage of the total wage bill. In the first place firms with a low wage structure shoulder a relatively heavy burden as a result of the existence of contribution limits. In the second place differences in burden result from differences in the contributions of the workers' insurances (i.e. health insurance, working disablement insurance, unemployment insurance etc.)

IV.3. Differences in social charges between branches of industry

1. It is above all the labour-intensive production processes that undergo a relatively heavy burden of social insurance. The levying of contribution is linked to natural persons and as a result largely to wage income. In labour-intensive firms the share of wages as a percentage of the value added is high. Nevertheless, firms with a more or less identical share of wages may experience differences in contribution burden as a result of the wage structure.

This is connected with the existence of contribution limits. When a firm has a wage structure that is characterized by a large proportion of the wages being below the contribution limit, a relatively large amount of contributions has to be borne by this firm. If on the other hand a considerable part of the wages is above the contribution limit, the relative burden of the contribution is not so high. As a result, the existence of contribution limits fosters relative differences in labour costs between industries and firms.

2. Few data are available on wage structure and labour-intensity. By a combination of statistics from various sources some indication can be given of the relation between labour-intensity and wage structure: see Table IV.3 (10).

Table IV.3. Indications regarding labour-intensity and wage structure (1970)

	millions of guilders			%		
	Y	L	L ^V	L ^V /L	L/Y	L ^V /Y
Chemical industry	3.927	1.867	958	52	48	25
Brick, cement, glass and ceramic industry	1.291	683	530	78	53	41
Printing trade	1.625	1.055	791	76	65	49
Catering trade	1.028	692	504	74	67	50
Building trade	7.778	5.276	4.036	76	68	52
Textile industry	1.170	881	740	84	75	63
Clothing business	630	500	460	93	79	73

Source:

Y, L: respectively gross value added and wage bill excl. employers' contributions to social insurance; source: Central Bureau for Statistics: 'De produktie-structuur van de Nederlandse volkshuishouding' (The production structure of the Dutch economy).

Vol. IV, 1974, Table I.c.

L^V: insured wage sum for the W.A.O.; source: annual reports of the industrial associations.

It can be derived from these data that there are considerable differences in labour-intensity (L/Y) and wage structure (L^V/L). Of these sectors, the chemical industry has the lowest labour-intensity and the highest wage structure. Textiles and clothing come to the fore as highly labour-intensity activities with a low wage structure. With the exception of the second branch of industry (brick etc.), a low wage structure coincides with a high labour-intensity.

This implies that those industries which, on the strength of a relatively high labour-intensity, are already experiencing a relatively heavy contribution burden on the value added, undergo a further aggravation as the result of a usually low wage structure.

Partly as a result of the high contribution burden, the loss of jobs in the labour-intensive production processes has often been accompanied by contraction or even complete closure of such industries. In addition, these sectors also meet with competition, sometimes fierce, from other countries, as in the case of the footwear, textile and ready-made clothing industry. In that case the labour cost aspect of the levying of social security contributions is of even greater importance.

Incidentally, the conclusion that the labour-intensive sectors suffer most under the present distribution of the contribution burden can be drawn only from the viewpoint of employment.

If the allocation of the contribution burden is considered on the basis of the insurance idea, it could be argued that the present distribution among the branches of industry is more or less optimum.

3. In addition to the differences in wage structure and labour-intensity, the differentiation in contribution percentage for the Health Insurance Act and Unemployment Insurance Act also leads to differences in burden. Appendix IV, Tables 3 and 4, gives a survey of the differences in contributions of the workers insurances between the branches of industry.

The differences are considerable; the banking and insurance business, for instance, has a light burden; the building trade proves to be a heavily burdened industry. The figures reveal a clear link between the differences in the total contribution burden and the differences in contributions of the workers' insurances between the branches of industry. The latter effect can be ascribed mainly to the contribution percentages for the Health Insurance Act.

IV.4. Description of four alternative financing systems

1. Alternative 1. Raising contribution on the strength of the value added

In this alternative the contributions are raised on the strength of the value added. The base for raising contribution is then widened per firm; the value added contains more income elements than the wage over which contribution has to be paid.

According as the composition of the value added per firm displays a greater variety compared with the variety in labour-intensity and wage structure, the result of raising contribution on this basis also differs more from the present system. Raising contribution on the value added means among other things that the nature of the production process, notably as regards the labour- or capital-intensity, need play no further part in determination of the contributions. Whether a certain amount of value added has been produced with one production technique or the other is irrelevant under this system. The sole question is how great the firm's contribution is to the national product.

Starting from a proportional system with a constant contribution percentage, the firm's contribution to the total contribution burden will also be directly proportionate to the contribution to the national product.

If greater value is attached to the collectivizing element of social insurance than to the insurance element, an argument for the use of this basis can be found in the consideration that this case is partly concerned with a different distribution of the value added among the members of the community than that which comes about on the strength of participation in the production process.

According as a firm has a greater share in the creation of national value added, it is then obvious in that case that such a firm contributes to the financing of social benefits in proportion to the value added.

2. Alternative 2. Raising contribution on the basis of labour and capital as factors of production

In this alternative allowance is made for the capital-intensity or labour-intensity of the production process. The labour-intensity can be approximated by expressing the wage bill as a proportion of the value added. As an approximation of capital-intensity the following formula is used:

$$1 - \frac{\text{wage bill}}{\text{value added}}$$

The basic idea behind this alternative is that the interrelation of the volumes of the factors of production in the production process is relevant.

However, in this formula it is not the volumes of the factors of production that are included but the nominal aspects (i.e. volume x remuneration). This approach has been chosen because the formula is simple and manageable, and technical problems of measurement are obviated. It is characteristic of this alternative that with the aid of these intensities the use of the various factors in the production process can be influenced.

The basis can be concretized as follows. We note the labour-intensity (i.e. the wage bill/value added) as x . The capital intensity is therefore approximately $1-x$ (11). Both intensities serve as weights for the value added, to which then different contribution percentages have to apply (d_1 and d_2 respectively). The part of the value added that is weighted with the labour-intensity must be burdened less heavily than the part weighted with the capital-intensity. However, the alternative also allows of control in the other direction.

The contribution burden per firm then becomes:

$$d_1 \times \text{value added} + d_2 (1-x) \text{ value added, with } d_1 < d_2$$

In other words, both factors of production are burdened, but to a differing extent. In this sense alternative 1 is a special form of alternative 2. In alternative 1 too both factors of production are burdened, but to the same extent. This can be investigated algebraically by substituting $d_1 \times d_2$ in the above formula for the contribution receipts.

3. Alternative 3. Raising contribution by means of a progressive levy on the wage bill

In this alternative the raising of contribution is based on the wage bill. However, the burden is a progressive one.

This implies that a higher wage structure leads to a higher contribution burden. The high wage structure which leads under the present system to a rather limited contribution burden, as a result of the presence of contribution limits, has quite a different effect in this alternative. On the other hand, a firm with a low wage structure is relatively less burdened than at this moment. In this alternative system the degree of labour-intensity retains its influence on the contribution burden. The cumulative effect of the low wage structure and the high labour-intensity on the relative contribution burden no longer occurs, however.

If the progression in the contribution percentages is of any significance, even the relative difference in burden between labour-intensive and capital-intensive firms may decrease. However, it must then be so that the average wage level is lower in labour-intensive firms than in capital-intensive ones. Such a connection

may be considered to exist on the strength of differences in labour productivity between the two groups of firms.

The level of this productivity is in general higher according as the capital-intensity is higher. In this way the capital-intensive firms can pay higher wages than the labour-intensive ones.

A high capital-intensity is not always a prerequisite of a high wage level.

Firms that concern themselves with advice and services often do not display a high capital-intensity per job, although the wage level can be high. This particularly applies in those cases where highly skilled labour is employed. The high schooling and training level of such workers provides them with relatively high remuneration in the production process. This high rate of remuneration comes about not on the strength of a high invested capital in material assets but on account of a considerable investment in human capital. In working out the alternatives this phenomenon plays an important part, especially since services have come to occupy a steadily larger place in the production process.

4. Alternative 4. Fiscalization of social insurance

Finally, consideration could also be given to abolishing the raising of contribution and switching to complete fiscalization of social insurance.

In recent years a not inconsiderable contribution to social insurance has already been made from general finances, as already shown in Table IV.1.

This is not an alleviation but a shift of the burden.

Depending on the kind of taxes that are increased to take the place of the contributions, it must be investigated how the financial burden on the various firms changes. It will be clear that localizing this burden presents even more problems than the investigation into the present burden imposed by the raising of contributions. By substantially expanding financing from general finances, the effects of the levy on all kinds of socio-economic quantities become less clear. As a result, a specific policy of adjustment with the aid of the financing side of social insurance is less feasible. Nevertheless, elements of control must not be fully excluded.

IV.5. Evaluation of the alternatives

1. In view of its terms of reference the Council does not consider it necessary to give an exhaustive consideration of the technical implications of changing from one system to another. This does not mean that the problems involved are in any way underestimated. The evaluation is of the nature of a broad exploration of the field.

This relates in the first place to the influence that an alternative system has on employment.

In the second place economic and social implications proceeding from the alternatives may impose marginal conditions. In particular these are implications that are of importance to the productivity base. Finally, the alternatives are evaluated by means of a number of other relevant criteria. These include the compatibility of objectives with each other, the possibilities of administering the schemes and the institutional aspects. The evaluation is subject to two major restrictions.

Firstly, for reasons of analytical clarity, the financing alternatives are regarded as mutually exclusive. Possible mixed forms are not examined.

Secondly, there is an absence of empirical data for a quantitative illustration of the alternatives.

2. When it is desired to change the influence that the financing of social insurance exerts on cost relations in the firm with a view to encouraging employment, each of the alternatives is to be preferred to the existing system. For in each alternative the labour factor is less burdened in labour-intensive

sectors than under the present system. As a result, the production of labour-intensive goods and services can be encouraged either by substitution of factors of production or by replacement of finished products. This may imply encouragement of employment.

However, the development of labour-saving technologies is in part autonomous and will therefore be only partly under the influence of labour costs. The effect on job creation may therefore be only slight. There may even be a negative effect. In contrast with the present situation, non-wage income will also be burdened in three of the four alternatives. The negative effect that this has on the return on capital may mean a brake on new investments and therefore on the creation of new jobs. Against this, it may not be considered out of the question that under the influence of an alternative financing system the production structure as a whole can become more labour-intensive. The positive effects of the alternative systems discussed here on the preservation of jobs will probably be greater. In all the alternatives the cost relationships change in favour of the labour factor, as a result of which the rate of loss of jobs will be slowed down. The alternative in which the factors of production are separately burdened is the most appropriate for this, if at least within that alternative a form is opted for in which the labour factor is burdened to a relatively smaller extent.

Of the remaining alternatives, it seems difficult to make any distinction as regards the effect on employment. In the case of full fiscalization it is for instance of importance to know which tax component is increased, and what effect this has, directly or indirectly, on employment.

3. As regards the influence on value added, it is difficult to determine which alternative has the highest priority. Labour-intensive firms can also attain a high value added per job. However inasmuch as the production structure tends towards more capital-intensive, all alternatives with regard to this aspect will entail a deterioration in respect of the present situation. This is important, since capital-intensive sectors make a major contribution to the formation of value added.

This report further discusses the relevance of a strong productivity base to employment elsewhere.

4. Mention may also be made of the following socially relevant criteria: the significance that the alternatives have for how the individual feels about social security and his awareness of the contribution burden.

In this context mention must be made of the consequence of a change in the financing system as regards the effect on the 'equivalence principle'. In all the alternatives mentioned the insurance element loses in content. In other words, the link between the individual risk and the contribution to be paid slackens or even disappears. The extent to which this happens depends on the method of elaboration of an alternative. Of importance here is whether it is desired to maintain the link between persons and the raising of contribution. There is no doubt that elements of equivalence are hardly bound up with the alternative of complete fiscalization, irrespective of the technical tax elaboration. In that case it is difficult to establish a relation between the groups of those entitled to benefit and tax-payers. At the same time this implies that it is difficult to establish a relation between the level of the benefit and the level of the contribution.

The alternative of a progressive tax on the wage bill entails a partial equivalence. In this system only the relation between the level of the contribution and the level of the benefit is breached.

In the alternative systems on a basis of value added, whether or not differentiated according to wage intensity, elaborations may be conceivable in which assignment is made to the individual employees.

In this way the contribution burden and the awareness that this is a form of insurance can be preserved to a certain extent.

5. With regard to the possibilities of administration the following may be said. The proportion in which the capital and labour factors are utilized will be best controllable in the alternative in which the factors of production are separately burdened. Incidentally, it is the question in which direction this control has to be performed. For elsewhere in this report reference is made to the problem of choice between productivity base and employment. In any case the possibilities of administration seem the most unfavourable with respect to this aspect in the present system. Further, a fully fiscalized system can probably be assigned a greater anticyclical effect than the present system (12).

The relation between income and expenditure of social security can no longer be established in a fiscalized system. This means that the expenditure on social security can be given priority over other policy intentions.

An obvious advantage of the present system is that on the strength of the equivalence principle the level of benefit can be adapted to the contribution base. It is difficult to assess which alternative offers the best possibilities of control for pursuing a structural policy. No clear relation can be established with many facets of this policy, with the possible exception of the labour-intensity already discussed and, to a lesser extent, the value added. A value-added tax perhaps presents possibilities of differentiating by branch of industry and is therefore to be preferred from this point of view. Finally it must be borne in mind that a system of raising contribution that imposes a relatively low burden on the lower incomes, may entail that the often rather unattractive jobs that are filled by the lower-income recipients are maintained longer than is desired.

6. From the viewpoint of simplicity of introduction a more progressive taxation of the wage bill may perhaps be preferred. After all, the transition here is not very great from the administration viewpoint. The systems of complete fiscalization and value added then follow respectively. A system with separate burdening of the factors of production appears to present the greatest problems of transition. The element of the costs of introduction is coupled with simplicity. The simpler the introduction, the lower the costs. In the case of fiscalization use can be made of existing bases.

In implementation a fiscalized system will meet with few difficulties. This cannot be said of a system on the basis of value added. At firm level the concept of value added has no business economic significance and is therefore not recorded as such. The alternative on the basis of the wage bill can be complicated in implementation if it is also desired to tax additional earnings, which seems self-evident. At the same time, if the package of social provisions offered occasions this, the self-employed will also have to be taxed on the basis of an assigned entrepreneur's wage. From the point of view of implementation the system with a differentiated burden on the factors of production also seems the least strong one.

7. In general, comments can be made not only on an assessment of separate alternatives but also on changing the system of financing social insurance. In the above attention has already been drawn to changes that may occur from the viewpoint of equivalence. In other words, all alternatives entail more or less of a change in the (individual) distribution of burdens. This can have major social repercussions. (See among other things the problems as outlined with regard to the social aspects of the productivity base, Chapter VII.) Unintended effects can also occur. Some may perhaps be foreseeable, but unforeseen unintended effects can also make themselves felt. This is after all also the case with new social insurance laws. With them too, experience must be gained for some time in order to establish the unforeseen implications.

An example of an unintended but foreseeable effect occurs in the case of a progressive levy on the wage bill. For there are also firms with a high wage structure that are highly labour-intensive and have a very low capital-intensity,

such as consultants. This type of firm can make a major contribution to the productivity base.

It must also be remarked that it is very much the question whether a change in financing, assuming that this could be introduced only in the Netherlands, would be possible from the viewpoint of the international competitive position of the country.

The Council is aware that a change in the financing system would be an extremely drastic step, justified only after detailed and careful study. This is a matter that could proceed to a realistic proposition in the longer term only. It is also precisely in the longer term that the prospects for the labour market and employment are very sombre. This is why far-reaching measures such as a change in the financing of social insurance should be considered. For these reasons a further examination of this problem may not be evaded.

IV.6. Conclusion

1. It is almost impossible to make a quantitative evaluation of the alternatives presented. Even for the present system it is true to say that the reactions to employment and the relations between the raising of social security contribution and the production structure have barely examined. This is all the more applicable to alternative systems. A difficulty is that the employees' contributions are not published per branch of industry, though the employers' contributions per branch of industry are to be found in the input-output tables. As the distribution of the contribution burden among employers and employees is relatively arbitrary, a redistribution of the total contribution burden in accordance with the four alternatives described can never be compared with the present distribution. We have nevertheless attempted to arrive at some quantitative indications by utilizing data from various sources. The results proved too inaccurate and unreliable for drawing conclusions.

An attempt to estimate the quantitative consequences of the alternatives at firm level also proved not to arrive at anything like reliable results because of differences in interpretation and recording.

The Council recommends that recording of the data on social insurance be improved, notably where the data from the industrial associations have to be fitted to the definitions of the Central Bureau for Statistics. Better records are necessary *inter alia* for the study recommended below and moreover stand to reason more generally, now that the interdependence of the social insurance sector and the other sectors of the economy is generally recognized.

The Council is of the opinion that a change in the system for financing social insurance may possibly offer prospects for employment. Which system should qualify for this is a question that cannot be answered here. The point of view here has been too restricted for this. Alternatives offering prospects from the point of view of employment could possibly lead to a weakening of the productivity base. In the Council's opinion further study is called for on this matter. The points of departure of productivity base and employment posited in this report ought to form the central criteria in such a study, on the strength of which possible alternatives are worked out.

CHAPTER V. SICKNESS ABSENTEEISM: DEVELOPMENT AND PROSPECTS (1)

V.1. Introduction

1. The sick occupy a special place among the inactive. One can hardly speak of one specific demonstrable group. This is a dynamic category: nearly everyone falls into it occasionally.

We shall confine ourselves here to considering the sick who form part of the working population. The principal reasons for devoting attention to sickness absenteeism as part of the active/inactive question are:

- the extent of sickness absenteeism and, as a result, the high costs;
- the relation with working conditions in the broadest sense;
- in sickness absenteeism, above all among older workers, the transition from the active to the inactive phase is reflected.

2. In the period 1955–1975 the number of days lost through sickness doubled, as may be seen from the following Table V.1.

Table V.1. The development of sickness absenteeism between 1955 and 1975 *) (2)

	1955	1965	1975	Increase between 1955 and 1975 in percentages
1.1 Number of notifications of sickness per person per year				
– males	1,14	1,47	1,83	61%
– females	1,66	2,08	2,83	70%
1.2 Average duration per case of sickness in days				
– males	14,4	15,6	17,4	21%
– females	9,7	10,4	13,8	42%
1.3 Percentage of days lost				
– males	4,5	6,3	8,7	93%
– females	4,4	5,9	10,7	143%

*) The figures for 1955, 1965 and 1975 are progressive three-year averages.

Source: Adapted and derived from sickness absenteeism statistics of the Netherlands Institute for Preventive Medicine.

In 1975 roughly 10% of all days were lost on account of sickness. This figure corresponds to 36 calendar days or 24 working days. As a result, sickness absenteeism has just as big a share in absence from work as the total of leave and holidays. As moreover absence through sickness is inopportune or at least unexpected, it is not surprising that this development is regarded as alarming from both the socio-economic and the socio-psychological viewpoint. In general it is usual to speak of sickness absenteeism as if it is a problem whose extent can be simply be expressed in the percentage of days lost. The point of departure here that there is not a single problem of sickness absenteeism, unless one confines oneself to the viewpoint of the raising of contribution. The

differences in sickness absenteeism, both in time and between men and women, are deserving of further study.

The increase in both the length and the frequency of sickness seems at variance with general improvement in the state of health. Differences between men and women are clearly present. Women are more often absent than men, but for shorter periods. It is self-evident that the causes that explain the differences in time will not coincide with the determinants of differences between the sexes.

For a proper understanding of sickness absenteeism it is therefore important first of all to explain in what circumstances sickness absenteeism is more or less frequent and what the causes of differences may be. This chapter will successively consider:

- age, sickness diagnosis and sickness absenteeism;
- sex, occupation and the frequency of sickness;
- social insurance, health care and length of sickness;
- working conditions and absence on account of sickness;
- personal situation and the number of notifications of sickness.

Then the prospects for frequency and length of sickness are given. Finally a number of possibilities are presented for avoiding sickness absenteeism.

V.2. Age, sickness diagnosis and sickness absenteeism

1. Age is the most important factor for explaining the differences in sickness absenteeism. Older people usually report sick with more serious disorders less often than younger people. However, per case of sickness they stay away on average so long that total sickness absenteeism above the age of 55 is twice as great as that below 35 years.

In Table V.2. sickness absenteeism for 1968 is broken down into age groups (3).

Table V.2. The structure of sickness absenteeism by age group in 1968*)

Age	Percentage of absentees	Number of absences per absentee	Average length of sickness per case in days	Sickness percentage
25–34	66	2,0	10,2	3,7
35–39	62	1,9	14,0	4,6
40–44	62	1,9	15,2	4,8
45–49	60	1,9	17,9	5,6
50–54	58	1,8	20,3	5,9
55–59	59	1,8	22,6	6,4
60–65	54	1,8	28,4	7,5
Total:	60	1,9	18,6	5,7

*) Progressive averages.
Source: see note (3).

It can be concluded from the figures that older people are absent less frequently than younger people, but on average for longer periods. As a result, the sickness percentage increases more or less linearly with age. The most important cause of this naturally lies in differences in state of health.

According as one becomes older, more serious disturbances of health occur, which require a longer period for recovery. Nevertheless, this reasoning of declining health does not explain why young people report sick more often than older ones.

In order to arrive at a more complete explanation, it is necessary to use as research datum the nature of the notification of sickness in the medical sense, i.e. the diagnosis. In the literature on sickness absenteeism it is usual to work

with macro diagnoses for this: a number of combinations of diagnoses displaying socio-medical similarities. Below three broad categories are used:

- *objective syndromes*: all disorders regarding which the need for absence is indisputable (4);
- *acute disorders of the respiratory system*: disorders usually occurring in epidemic form that are doubtless based on an objective medical cause, but regarding which one decides oneself per case whether one is prepared to make the extra effort that it costs to go to work or not;
- *objective-subjective syndromes*: disorders regarding which the complaint is more important than a possibly underlying disorder (5).

The following may be remarked about these macro diagnoses. These distinctions are morally and/or ethically neutral. Nevertheless, the cause of sickness absenteeism can be appraised with moral criteria. Going sick with a heavy cold, with 'gastric flu' or with a headache is after all quite different from doing so with a cardiac infarction or a diagnosed tumour. Because these differences exist, it is possible to put forward for discussion the question whether notification of sickness is 'frivolous' or not. As will appear from what follows, there is little point in considering sickness absenteeism from this moral point of view only.

Everyone has to decide when relatively slight disturbances of health occur whether to report sick or not. It is much more useful to know in what circumstances decisions work out in favour or not of reporting sick than to pass a moral judgment per case of sickness.

2. The differences in reporting sick as defined above may be summarized as follows with the aid of more general terms:

- *the state of health* of the individual in the classic medical meaning of the term is of such a nature that reporting sick is unavoidable or entirely reasonable;
- *the sickness threshold*, i.e. the turning point on the scale from feeling slightly sick to seriously sick is so located that the consequence of seeking aid or healing is going sick.
- *the absence threshold*, i.e. the turning point on the scale from feeling slightly sick to seriously sick at which the sick person and/or his environment consider him released from the duty to work is so located that it results in notification of sickness. Reporting sick may therefore be the result of three processes that do not exclude one another: a direct physical dysfunction, the dynamics of how one regards one's health and finally the operation of norms concerning the right to be absent. With regard to the macro diagnoses it can now be argued that:
 - a. the number of notifications of sickness on account of objective syndromes is dependent on the 'objective' state of health and in part on the dynamics of how one regards one's health;
 - b. the number of notifications of sickness on account of acute infections of the respiratory system and objective-subjective syndromes is dependent on the dynamics of how one regards one's health and the operation of absence norms.
 In Table V.3. the macro diagnoses per age group are now considered.

Table V.3. Characteristics of sickness absenteeism divided among three macro diagnoses for three age groups in 1968*) (6)

Age	Objective syndromes	Acute disorders of the respiratory system	Objective subjective syndromes	Total
3.1 notification of sickness in percentages**)				
25-34	11 (0,14)	39 (0,52)	50 (0,67)	100 (1,33)
45-49	24 (0,27)	31 (0,35)	45 (0,52)	100 (1,14)
60-65	30 (0,29)	30 (0,29)	40 (0,38)	100 (0,96)
3.2 sickness percentage**)				
25-34	24 (0,9)	27 (1,0)	49 (1,8)	100 (3,7)
45-49	39 (2,2)	17 (0,9)	44 (2,5)	100 (5,6)
60-65	52 (3,9)	16 (1,2)	32 (2,4)	100 (7,5)
3.3 length of sickness per case in days				
25-34	23,6	7,1	9,8	10,2
45-49	29,3	9,7	17,5	17,9
60-65	48,8	14,7	23,3	28,4

*) Progressive average.

***) Between parentheses the absolute numbers per person per year.

From these figures a number of conclusions can be drawn:

- in the oldest age group objective syndromes occupy a considerably greater position than with regard to younger people both in respect of notifications of sickness and days sick;
- among older people more than one out of every two days sick is caused by an objective disorder;
- for each macro diagnosis the average length of sickness increases with age; this means that the cases of infections of the respiratory system and objective disorders must also be regarded as more serious among older people;
- the higher frequency of absenteeism among younger people is almost entirely due to infections of the respiratory system and objective-subjective syndromes; around the age of thirty the frequency of absenteeism on account of these diagnoses is 1,19 and above the age of sixty only 0,67.

3. These results allow of a broad pronouncement on sickness absenteeism. There is not a single sickness absenteeism problem. On the basis of the absenteeism pattern there are at least two:

- in the case of younger workers the phenomenon calling for attention quantitatively and qualitatively is the fact that on the strength of a low sickness and absence threshold the sickness frequency is high;
- in the case of older workers the phenomenon that quantitatively and qualitatively calls for attention is the fact that on the strength of the decreasing state of health a greater length of sickness and thus a high sickness percentage occur.

A consequence of the above is the following: exclusive attention to the sickness percentage has unintended effects, because a high sickness percentage is directly connected with the proportion of older workers in a population. The justification for their reporting sick will not usually be disputed. We shall return to this.

4. Finally, it may be wondered how in a period of increase in sickness absenteeism, as in the Sixties, the increase proceeds in the various age group. Table V.4. gives a survey of this.

Table V.4. The increase in absenteeism per age group between 1959*) and 1969*) (7)

Age on 1 January 1969	Percentages of absentees			Number of absences per absentee			Length of sickness per case in days			% of day lost		
	1959	1969	V**)	1959	1969	V	1959	1969	V	1959	1969	V
25—40	56	70	14	2,4	2,4	0	9,2	11,6	2,4	3,4	5,3	1,9
41—55	54	63	9	2,4	2,3	-0,1	13,9	16,9	3,0	5,0	6,8	1,8
56—65	48	55	7	2,1	1,9	-0,2	20,6	30,0	4,4	5,7	8,6	2,9

*) Progressive averages.

**) V = absolute difference 1969—1959.

The table gives an interesting supplementation to the general conclusion already stated. In the case of younger people it is noticeable above all that the percentage of absentees has strongly increased, while among older people the increase in the length of sickness is high. In addition it can be established with regard to the frequency of sickness that the increase in the number of notifications of sickness does not come about because on average people are going absent more and more often, but because *more and more people are going absent*. The increase is caused by the percentage of absentees and not by the number of absences per absentee. Sickness absenteeism is a mass phenomenon not only through its extent but also because the majority of workers participate in it.

V.3. Sex, occupation and frequency of sickness

1. Table V.1. showed that in all the periods considered there are considerable differences between men and women. As there is little reason to assume that this phenomenon must have a biological explanation, it is more sensible to study this datum in relation to the place of women in the system of work.

Appendix V gives the level, the structure and the trend of sickness absenteeism for four categories of work done by men and three categories of work done by women.

Absenteeism in the summer period has been opted for in order fully to exclude the effect of flu epidemics. In many respects the figures confirm the generally known picture that more women are absent more frequently, but for shorter periods; however, at the same time more subtle distinctions are called for.

- All categories of women are absent more often than alle groups of men; however, at the same time differences prove to occur between branches of industry, involving both men and women.

- Per branch of industry women go sick for a shorter time than men; however, there are categories of women who are absent longer than some categories of men.

- A striking feature of the sickness percentage is that per branch of industry and per kind of work the total increase is stronger for women than for men. Here differences in frequency of sickness come up. The best way of arriving at a proper understanding of these differences is to take the point of view that the decision to report sick when one's health is slightly disturbed, depends on the nature and the degree of attachment to one's work.

The principal two factors giving rise to differences in attachment work are:

- the extent to which one considers oneself indispensable in one's work;
- the extent to which working for a living is the dominant functional role in daily life.

2. First of all, attention will be paid to dispensability. If a person suffering from a slight disturbance of health thinks that his work will be left undone or that the organization of the work will be disrupted, he will be more likely to decide to carry on working. The differences between business accounting and

ordinary clerical work can be explained by the fact that in large working set-ups office work is usually done in routine fashion. Examples are work in banks or insurance companies. This work is generally so organized that in the case of absence others take it over. Moreover, this is work requiring relatively little training and responsibility, however specialized the individual activities may be.

In business administration, on the other hand, small teams work in a relatively large number of departments and with a relatively large degree of personal responsibility.

A person's dispensability in his work is determined principally by:

- a. the size of the group in which he works;
- b. his personal responsibility for the work.

The largeness of scale in industry and offices leads in two ways to higher frequencies of sickness. In the first place the manning is adapted to the regular absence of a number of workers. In many firms confusion would even occur if *all* the employees reported for work. On the other hand, a shopkeeper cannot hire one twentieth of an additional employee to neutralize the risk of another employee reporting sick. In the second place, large working groups have strict rules about being present at work. A shop assistant, a bargehand, but also a worker in a small department of a somewhat larger firm may occasionally leave somewhat earlier or come somewhat later for health reasons. In a large working group records are kept: a person is either there or he is not.

An important gain from approaching the macro-social differences in sickness absenteeism in terms of dispensability and responsibility is also that in this way an explanation is given for the fact that comes as a surprise to many that there is just as much if not more absenteeism in large offices as in factories. It can also be used to show why there are fewer notifications of sickness in chemical plants than in heavy engineering, for instance. The nature of the production process leads to smaller working groups in the process industry and a greater spread of responsibility than in the batch and mass production in the engineering industry.

The future appraisal of the frequency of sickness can therefore not be made from the traditional perspective of manual workers/white-collar workers.

3. In addition to dispensability at work, attachment to the work is equally determined by the extent to which working for a living is the dominant functional working role. For many women housework or anticipation thereof forms a competitive functional role alongside working for a living. Until recently the higher number of notifications of sickness by women could be ascribed to a combination of the following factors:

- women workers are preponderately young, between 15 and 24 years old;
- women workers often do work for which little training is required and which offers few chances of personal responsibility;
- women workers are often anticipating another working role, that of housewife;
- women may 'complain' more than men in our present culture.

The result of these four factors is that in identical circumstances women decide more quickly to stay at home when their health is slightly disturbed. Changes are occurring in this situation. Many women carry on working after marriage. Many married women re-enter the labour market. It is nearly always established that married women are absent more often, certainly if there are dependent members of the family. Having to fulfil two functional roles competing with one another in effort and consumption of time is in general a heavy task. The daily variations in family load and work load therefore lead to a lower sickness and absence threshold. The connection between family load and sickness absenteeism need not be interpreted moralistically. As will be discussed below, the presence of any load, regarded statistically, leads to the occurrence of symptoms of sickness, including reporting sick.

Recognition of this kind of connection is necessary so as to arrive at appropriate policy intentions.

In fact one finds reflected in the higher number of notifications of sickness by women a development which will make itself felt even more strongly in the future. When the interests of work, family and leisure time are weighed against one another, work will not dominate as a matter of course. This will affect not only married women but also other categories.

V.4. Social insurance, health care and length of sickness

1. One of the causes of the increase in the length of sickness is certainly the ageing of the working population. The striking growth in length of sickness among women is also partly caused by the fact that women continue working longer or start working again at a later age. And yet this development of the working population gives only part of the explanation.

In the last twenty years two distinct but very closely connected developments in the field of public health have occurred which have a strong tendency to increase the length of sickness. On the one hand the social security system has been expanded: sick fund provisions have been extended and the General Act on Specific Health Risks and the Working Disablement Insurance Act have been introduced. On the other hand, medical provisions and possibilities have grown. The overall effect of this development is that a particularly large number of disorders can be successfully treated. The greater length of sickness must therefore not be negatively appraised only. It is also a result of better and more easily accessible health provisions (8).

The W.A.O., introduced in 1967, also tends to increase the length of sickness. The year of sickness absenteeism that precedes the granting of benefit under the W.A.O., roughly calculated at a sickness percentage of 10, causes 11% of the total number of days of sickness. In this case too a social provision disputed by nobody leads to greater average lengths of sickness.

Nevertheless, this development too is now being critically considered, both on account of the costs and on account of its content. In the expansion of medical provisions both the effectiveness and the efficiency of medical action can be made the subject of discussion.

At least two aspects of care for the long-term sick deserve attention:

- As yet medical knowledge has led insufficiently to an adequate organization of health care in which the referrals by specialists are multilaterally keyed to one another.
- The length of a case of sickness is not only dependent on medical treatment in the narrower sense. Psycho-social or socio-medical counselling also plays a part, for instance by the family doctor, from the firm, by the neighbourhood.

Quite considerable research is now being performed in these two fields by the Netherlands Institute for Preventive Medicine. On the basis of existing knowledge it can already be said that more attention to the organization of health care and to the socio-medical counselling of the long-term sick could have an inhibiting effect on the increase in the length of sickness.

As already said, the W.A.O. is also used to solve employment problems. This is connected with the difficulty of objectively establishing when unfitness for work exists. At macro-social level it can rightly be argued that 'improper' use of a law important in its social and economic consequences can give rise to opaque structures and inadequate solutions to problems.

V.5. Working conditions and absence on account of sickness

The influence of work on sickness absenteeism can be found not only when branches of industry and kinds of work are compared. The influence of the firm and direct working conditions on sickness absenteeism has been the subject

of research on other occasions. It has been demonstrated in many studies that the sickness absenteeism in a firm is a semi-constant characteristic that distinguishes the firm from other ones (9). Every firm has the sickness absenteeism that it 'deserves'. In general it proves that between 50% and 80% of the differences in sickness absenteeism can be explained by organizational characteristics.

We shall confine ourselves here to a short survey of causes of differences in sickness absenteeism between firms.

Greater frequencies of absenteeism are encountered:

- according as the work in the organization or the production process is less stable or predictable;
- according as the work requires less training and fewer opportunities are given for personal responsibility through delegation, consultation or job structuring;
- according as more physical objections to work occur;
- according as the organization functions more badly and invites more authoritarian forms of management;
- according as the origin of the personnel predisposes to low absence thresholds on cultural grounds (for instance young urban unskilled personnel not long in service, sometimes (but certainly not always) of foreign origin);

Greater length of sickness is encountered:

- according as the personnel are older;
- according as physical objections to work occur (this is the cause of the greater length of sickness in industry in respect of office work, partly as a result of industrial accidents);
- according as experts (medical officers, personnel department) devote less attention to long-term sickness in the firm.

2. In general these causes are not disputed.

However, it is not easy to follow a policy aimed at them. The following reasons – in order of growing importance – can be adduced for this:

- a. Sickness absenteeism is a phenomenon with many causes. Problems with only one cause are easier to tackle.
- b. The relations found between the characteristics of a firm and sickness absenteeism are of course formulated in abstract terms. They need to be specified per firm by further research.
- c. Sickness absenteeism is for many an irritating, politically charged subject.
- d. Application of the connections found calls for a policy which for instance encourages job structuring and a change in authoritative relations. However, such a policy lacks credibility if its sole purpose is to restrict sickness absenteeism. A change of policy in the firm calls for more bases than just lowering the level of sickness absenteeism.

These four problems show that, even if socio-scientific can yield obvious results, this does not mean that ready-made solutions to problems are immediately presented

- owing to the complexity of the connections;
- owing to the so far limited extent to which the tendency to change policy can be influenced.

It may not be concluded from this that application of knowledge is impossible. In particular attention can be devoted in this framework to:

- improvement of poorly functioning forms of organization;
- furthering of job restructuring aimed at personal responsibility;
- elimination of physical objections to work;
- expert counselling of the long-term sick or workers burdened in some other way.

If one chooses this way, one should be aware that sickness absenteeism is used to signal underlying organizational problems. With regard to this signalling function two supplementary comments should be made.

In the first place sickness absenteeism can be used as a sign of longstanding

organizational problems. A sudden increase in sickness absenteeism can also be a sign of all kinds of problems of adjustment resulting from a merger, increase in scale, threatening closure, changes in number of employees. It is not impossible that a systematic use of sickness absenteeism statistics in this respect would bear fruit in the long run. This would make sickness absenteeism a social indicator.

In the second place, at individual level too there is a certain connection between job satisfaction, health and frequency of sickness. In this respect as well a person's frequency of sickness can be used to signal an underlying problem. Because at individual level an incorrect conclusion can be quickly drawn, this again stresses the need for more attention to professional counselling of personnel.

Finally, mention must be made of a certain connection that seems to exist between the development of sickness absenteeism and cyclical development.

In years of reduced economic activity (for instance 1958, 1967) there is a fall in the percentage of absenteeism.

This connection can be explained in two ways:

1. The fear of dismissal makes people report sick less quickly or return to work more quickly after sickness.

2. When unemployment grows, this affects in particular a number of groups that are characterized inter alia by high absenteeism (persons less suited for work, older people).

Incidentally, the significance of the connection with the economic cycle is minor compared with the structural increase in the absenteeism percentage.

V. 6. Personal situation and the number of notifications of sickness

1. It will be considered below whether sickness absenteeism, in particular the frequency of sickness, is under the influence of more personal aspects not connected with work. A recent study (10) has attempted to investigate whether and to what extent the individual tendency to report sick depends on the following factors:

- *The objective personal burden*: has a person experienced many particular events and problems in his life? Has he many and/or heavily burdened dependents? etc.

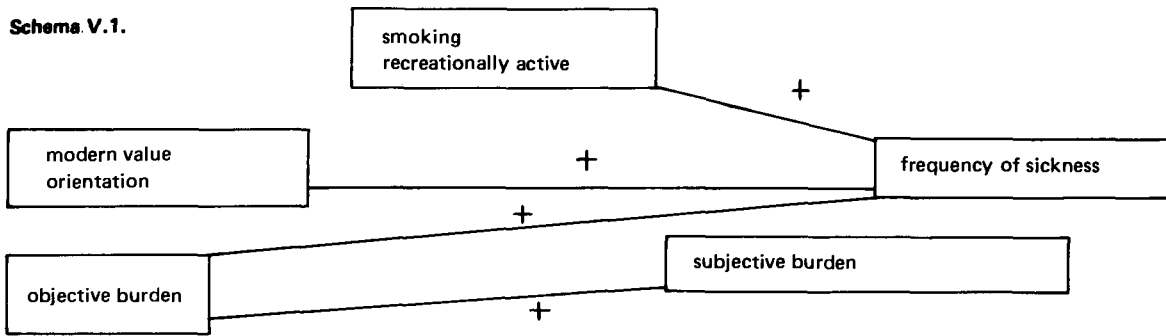
- *The subjective personal burden*: does a person express many objections from the point of view of health or feelings of dissatisfaction about a large number of fields of life?

- *Risky habits*: does a person smoke or drink a lot? Does a person participate much in sport? How extensive is the burden in leisure time?

- *Value orientation*: what is the individual's mentality? Does he have a strong need for leisure time, is he 'alienated', how traditional is his acceptance of authority?

For the same category of people as in Table V.4. these relations between personal characteristics and frequency of sickness have been examined in detail. The reason for an extensive investigation was to examine whether the frequently mentioned 'causes' of sickness absenteeism, such as risky and 'rash' behaviour and the 'mentality of modern man', are really of importance. It did in fact prove that over 30% of the individual differences in frequency of sickness can be explained by the more personal factors. The difference in absenteeism is connected with the phase of life. For younger people the connections can best be arranged in the following diagram.

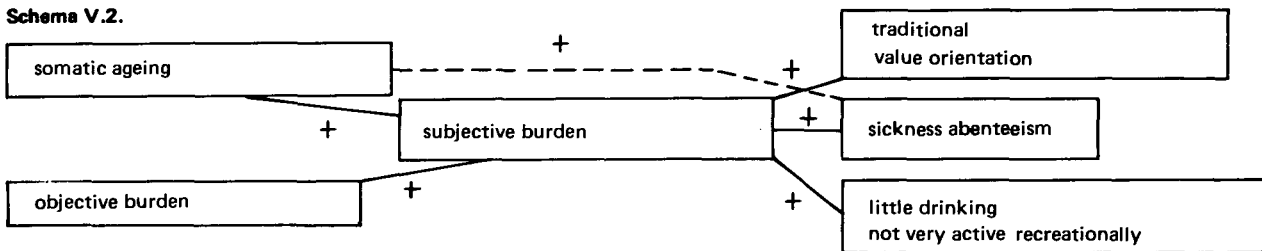
Schema V.1.



Among younger people absenteeism proves to be connected with a greater objective personal burden, a 'modern' value orientation and risky habits. It is, however, striking that a subjective burden does not lead to more frequent absenteeism.

2. Among older workers the picture changes completely, because the subjective burden proceeds to occupy an increasingly centrale place. Above the age of fifty-five the connections can be reproduced as follows.

Schema V.2.



For a large percentage of older workers the subjective burden, in particular health, has become as it were the 'planning principle' of their lives. Relatively rapid ageing and a high degree of objective burden can further this process. This finds its outlet in sickness absenteeism through the increase in objective syndromes. But in addition a certain 'narrowing' of the sphere of life occurs: risky habits are more common and a traditional orientation of values regarding authority and leisure time is adhered to longer.

3. It can be concluded from the above that sickness absenteeism must not be regarded solely in relation to work, social security and health care. Risky habits, a 'modern mentality' and burdening circumstances of life lead at the same time to more sick reporting. Age proves to play a particularly important part in this. Among older people the dynamics of how they regard their health is the central factor.

Here too attention must be drawn to the risk of a moralistic interpretation of these results.

- The practice of sport is rightly recommended by everyone, but it does lead to somewhat more reporting sick.

- A great need for leisure time is now generally accepted, but it does lower the absence threshold.

- The same applies to a modern interpretation of authority, wanting to know why something has to be done.

- It proves that the 'modern mentality' is important. However, it is only one factor. The occurrence of personal problems is an equally important cause of reporting sick.

– Smoking is indisputably bad for health. Should it therefore be forbidden, or must it be included as an element in the raising of contribution for social insurance?

V.7. Prospects for the frequency of sickness

1. It proves from the above that more and more people are going absent and reporting sick on average twice or three times a year. On the basis of the stated causes it must be expected that for the time being stabilization of the frequency of sickness will not take place. This can also be stated having regard to the large 'supply' of unmistakable but slight disturbances of health. In itself this general trend need not be condemned. It is after all a consequence of social developments that are largely regarded as positive ones.

In this respect the following factors may be mentioned.

– The role of work as a dominating functional one is losing importance. In the case of disturbances of health and special circumstances the spheres of work, family and leisure time are consequently better weighed against one another.

– This change is accompanied by a different value orientation, characterized by a greater need for leisure time and a 'modern' interpretation of authority.

– Moreover, the spread of these values results in the fact that, despite improvement of personnel policy in work and social assistance in the private sphere, burdening work and social problems are entering the field of vision policy.

– Leisure-time activities often coupled with these trends, with the emphasis on sport, amusement and social life, also have a 'burdening' effect from the point of view of sickness absenteeism.

2. For these reasons it must be concluded that when a frequency of sickness of two or three notifications per year is quite usual, this must be regarded not as high but as normal. Of course, this does not alter the fact that negative developments also occur, to which attention must be devoted in policy.

– Increasing size of scale and complexity lead to a greater feeling of dispensability, impotence and lack of personal responsibility on the part of the worker.

– The change in value orientation acquires in some circumstances a tinge of alienation, a phenomenon that may also be catching in its political complications.

– Through the lack of appropriate standards for daily life, risky habits acquire the opportunity with increasing prosperity to accelerate degenerative processes of disease. In the near future society will probably (unless there are drastic changes) have to foot the bill for the increase in smoking, drinking, overweight and lack of exercise among other things in the form of sickness absenteeism. Macro-socially speaking, the same is not impossible in matters of environmental management.

3. It will be clear that, precisely with regard to these trends, a specific policy is desirable. The heart of the matter is that in our society the development towards a new social and cultural equilibrium between work and life is accompanied by a great lack of defensibility with regard to some elements in this development.

The Council is of the opinion that policy must be sharpened on the following points:

– Even if the significance that is attached to the function of work in the individual's life should decrease, it continues to be of great importance that labour relations are clear and that personal responsibility can find better expression in the work. In the Council's opinion, policy should be directed towards furthering the creation of forms of organization of work that make this possible;

– More attention should be devoted to looking after one's own health. Systematic introduction of sanitary science and environmental hygiene in the widest sense should be given priority in education.

Although with such a policy no decrease in the number of notifications of sickness is to be expected, it can certainly have a favourable effect on some tendencies that may be regarded as negative. However, it must be remarked in this context that starting points for policy as described may never be used solely to combat sickness absenteeism.

V.8. Prospects for the length of sickness

1. The increase in the length of sickness is a very general phenomenon. There are hardly differences between the age groups, sexes and kinds of work. The causes of this have been stated above. With regard to both the organization of health care and socio-medical counselling research is going on from many points of view, while since the Structural White Paper of the State Secretary of Public Health the policy intentions have been clear. For the time being there is little to add to this.

More problematic is the extension of the length as a result of the wider application of the W.A.O. Especially with many older workers it is already clear after a short time that their absenteeism is of a permanent nature. Until 1967, roughly speaking, the percentage of sickness indicated the number of working days on which people were exempted from the duty to work, so that they could function properly again.

V.9. Conclusion

1. In the above many remarks have been made that in fact proceed from considerable quantitative and qualitative changes on the labour market and the way in which categories of people operate on that market. For instance, now many older manual workers are being taken out of the system of work on account of long sickness while better-educated married women with high frequencies of sickness are entering the market. In addition, reduction of working hours, the trend towards part-time work, the necessary partial detachment of level of work from level of education and the creation of new forms of work for those already unfit for work will affect sickness absenteeism. The direction that this will take is unpredictable. One of the reasons for this is that the data available on important aspects of sickness absenteeism are in many cases inadequate. It is regrettable that there are no reliable, representative and meaningful statistics on sickness absenteeism in the Netherlands.

Information on for instance the effect of short-time working is often only partial and obtainable for only a few firms. The report by the Committee for Increasing Productivity (C.O.P.) contains an explanation of the pros and cons of the existing statistics.

The Council is of the opinion that only if the recording agencies were obliged to compile sufficiently detailed statistics could a good policy develop in the field of sickness absenteeism.

2. In the above the general contours of the problems of sickness absenteeism have been given. Mention has been made of a number of possibilities for policy from which not so much a reduction of the frequency of sickness may be expected as an improvement in labour relations and health information, and also elucidation of the social security system. And yet there are also two fields in which sickness absenteeism can be fruitfully 'combated'. Here the effect of the possibilities of self-insurance, waiting periods, strict supervision and organized group pressure has been left out of consideration. This kind of measure seems difficult to reconcile with fundamentals of social policy. To avoid any misun-

derstanding it must be added that of course there has to be a certain supervisory organization to track down fraud.

First of all, mention may be made of the differences between firms. Among other things the recently concluded project of the Committee for Increasing Productivity has done important spadework for firm-oriented action. In Section V.5. a number of fields of action have already been indicated: unstable labour relations, elimination of physical objections to work, poor forms of organization, personal responsibility, the absence of personnel policy directed towards individual counselling are in this respect the aspects of the organization of work most calling for attention.

The Council is of the opinion that so far an optimum policy has not been followed in these fields. Since sickness absenteeism is a symptom of deeper problems, it is not well suited to a direct approach.

The Council considers it of great importance that policy continues to support measures that are aimed at driving back 'avoidable' sickness absenteeism by arriving at identification and objective description of its causes and at a policy directed towards removing the causes. In this respect the Council considers the creation of the Foundation for Coordination of Communication regarding Research into Sickness Absenteeism hopeful, but insufficient. The Council feels that the fields of action stated in this chapter (V.5.) in themselves already offer sufficient starting points for new and wider policy measures. It advises the Government to undertake new initiatives in this matter.

3. A second field of importance to avoidable sickness absenteeism relates to leave arrangements in the Netherlands. Many cases in which young people report sick are the result of a combination of a demonstrable heavy personal burden (from the past, family, at work, in leisure-time activities etc.) and low absence thresholds.

Thus the Council also believes that in order to drive back 'avoidable' sickness absenteeism, experimentation with the following measures deserves consideration:

- extending ordinary leave by about five days, but at the same time counting each first day of sickness as a day of leave, with a maximum of five days;
- more generous granting of special leave of absence when there is a social indication of overstrain, in order to avoid unnecessary use of the medical channel.

At first sight these experiments seem to intensify costs. However, it should be borne in mind that the indirect benefits in the widest sense could compensate the direct costs. For driving back sickness absenteeism as referred to above can benefit the development of contributions and at the same time the charges for the employer. In addition reference must be made to the not directly measurable social advantages. By experimenting a better insight can be gained into these.

CHAPTER VI. FUTURE EMPLOYMENT PROBLEMS

VI.1. Introduction

1. For by far the majority of people work performs a number of important functions in addition to that of earning an income. The orientation towards and the necessity of work are so firmly rooted in our society that the individual runs a considerable risk in withdrawing from work. Not only financial risks are meant here; recognition, esteem and respect are bound up with the performance of work. Inactivity can exist only in a society in which the productivity base is maintained, so that security of subsistence can be offered to those who do not work. In this context employment seems of importance. However, it must be realized that employment is not identical with the productivity base. Inactivity can increase without the productivity base being impaired. After all, economic development is moving in a direction in which the same volume of production is maintained with fewer jobs.

In the image formed of the inactive considerable attention is paid to unemployment. The unemployed are only a relatively small category among the inactive. The great attention devoted to the unemployment problem indicates that unemployment is more important than the numbers of unemployed might suggest.

The following may be said about this:

- Economic development is not dependent solely on the autonomous development of the market. Government policy with regard to industry, the labour market, employment, regional relocation and the financing of social security likewise contributes to the development of the economy. Precisely with a view to the function of the Government one may ask whether, at a time of great structural unemployment, the market and the present activities of the Government will be able to reduce unemployment.

- In the past a loss of jobs was compensated for by expansion of employment as a result of economic growth. For the future allowance will have to be made for lower growth rates.

- Unemployment is regarded by some as a phenomenon that can be suppressed. For an unemployed person this entails a possible return to the status of economic activity.

- Moreover, unemployment occurs above all among weak groups, and being out of work too is less legitimate from the social point of view.

2. First of all the prospects for the development of the labour supply come up for discussion. Next the relation between employment and economic development and technology is dealt with. Then the developments of the number of jobs and production are explored sector by sector. In doing so use will largely be made of scouting studies by the Central Planning Bureau and a number of economic institutes. The purpose of these explorations is not to give forecasts for the future. It has, however, been endeavoured to track down bottlenecks concerning the central themes of this report, productivity base and employment.

VI.2. The prospects for the labour supply in the medium and long term

1. The capacity of our economy to absorb labour has changed. This has led to a considerably greater effort on the part of the Government in regulating

the labour market. Especially since 1973 the economy has been stimulated with large sums of money with a view to job creation and preservation.

It may be asked whether the development of the labour supply is of such an extent that it may be expected that the market absorbs this supply or that precisely additional effort will be required to create enough jobs. By means of forecasts of the labour supply and the expectations regarding autonomous developments of the demand for labour it could be adjudged what norm can be imposed on employment. The possibility exists that full employment (worthwhile or not) cannot be realized by means of stimulating production or otherwise. This need not mean that a higher level of unemployment has automatically to be accepted. Such a development could give rise to a more equal distribution of the limited possibilities of work by means of regulating the labour supply.

2. On the basis of the potential working population in 1973, the potential working population has been projected for three datum dates (1980, 1990, 2000) by means of the estimated development of the population, forecasts of participation in education and the number of persons unfit for work (covered by the Working Disablement Insurance Act – W.A.O. – and the General Working Disablement Insurance Act – A.A.W.) (2).

These calculations yield the following figures for the labour supply (numbers times thousand man-years, total men and women).

1975	1980	1990	2000
4880,5	4953,7	5485,8	5457,7

The following comment can be made on these data. The increase in the labour supply will be 500,000 man-years between 1980 and 2000 and 530,000 between 1980 and 1990. This means that in the period between 1980 and 1990 the problem of employment will make itself felt with additional severity. The reduction in the volume of labour between 1990 and 2000 by about 30,000 man-years is the result of above all the ageing of the population, the lesser population growth and an expected increasing preference for part-time work.

Mention must also be made of the assumption that immigration or emigration of any great size has not been taken into account. For the future it is not impossible that Dutch people who emigrated in the past may wish to return, or that emigration from the Netherlands will increase.

3. In the above development not only the total is important; mention must also be made of major changes in the composition of the working population. This relates in particular to the increase in the participation of married women and changes in part-time work. According to the projections the number of part-time workers will increase from 535,000 (1980) to 965,3000 (2000).

This is a maximum volume of labour projected on the basis of a potential working population and on the assumption that the preferences for part-time work are complied with. No allowance has been made for the possibility that an unfavourable labour market situation could affect the actual labour supply ('discouraged workers'). These changes in the supply can more easily result in bottlenecks on the labour market in the future (3).

Moreover, the labour supply in the Eighties will consist more than before of (married) women. This change in composition of the supply ought also to effect the regulation of demand on the labour market. In addition to job creation in the industrial sector the development of the supply, given the present preferences, calls for more attention to the service sector.

It goes almost without saying that changes in the labour supply of such an extent must have effects on employment policy.

It must be remarked that the high proportion of women in the labour supply (and a possibly resultant unemployment for married women) has different social and socio-psychological aspects than the present unemployment. After all, the latter relates chiefly to bread-winners. The same can also be said about unemployment among part-timers, as long as part-time work remains unchanged in nature. In this sense the unemployment figures of today and in the future are not automatically comparable.

4. In addition to the fact that married women will put in a increasing appearance on the labour market, the level of education will also rise. It is expected that the participation of both men and women in daytime education will increase. It may be assumed in this context that education in the future will not only have the function of an investment for later work. Apart from the qualitative discrepancies that a better-educated labour supply entails, this can also influence the hidden unemployment. There will be among women a potential supply of labour that at present is not registered as jobless. There is a change that this will decrease because better-educated women will not give up their aspirations so easily. At the same time a certain habituation to income from work by married women may form an additional incentive for continuing to work. Until recently the problem of structural employment had to be considered from the viewpoint of a stagnating demand for labour. The supply prospects outlined give this an extra dimension, in both a qualitative and a quantitative respect.

VI.3. Economic development and employment

1. A favourable economic development does not need to imply an increase in the number of jobs. Growth prospects for the coming years are moreover less favourable. In the Sixties a production growth of approx. 6.0% per year was necessary in order to place the growth in the volume of labour (this was approx. 440,000 man-years) (4). Up to and perhaps also in the Eighties such an increase is not self-evident. If such a growth rate were in fact to be realized, allowance would have to be made for the fact that other objectives of Government policy relating to the environment, energy and natural resources would suffer.

It may therefore be necessary to reformulate the various objectives of economic policy. A policy aimed at creation or preservation of sufficient jobs, at least with respect to the business sector, may to a certain extent collide with a policy directed towards maintaining and widening the productivity base. Conclusions about the significance of the causes of the loss of jobs are often voiced in macro terms. However, the causes need not possess the same validity for for instance regions, branches of industry and firms. It is important that more refined analyses are performed that illustrate the relative importance of the various causes, and also study the relations at a lower level of aggregation.

2. In addition to factors like labour costs and degree of manning, the development of technology has an independent significance for employment. These factors can be of influence side by side, in varying intensity. In the future labour costs may increase less strongly than before. The technological component would then gain in relative importance.

The relationship between employment and technical development is only indirectly brought up for discussion here. This relationship, which is of a complex nature, and the possibilities of conducting a policy with regard to it have as yet barely been examined. It may be that connections which it was possible to establish in the past do not occur in the future. Structural changes are taking place, as a result of which pronouncements on the influence of technology in the past have no or only reduced validity for the future. In our

industrial society the future is largely dependent on the industrial structure, notably as regards possibilities of spending, employment and the possibilities of income transfers. The industrial structure is partly dependent on the extent to which technological innovation is reflected in industrial production. In this sense technology is bound up not only with employment but also with other phenomena (5). Examples of the latter are the problems of the use of energy, saturation phenomena in industrialized countries, shift of capital to other countries. Since in recent years, partly under the influence of technological changes, processes of loss of jobs have occurred, the influence of technology on employment is often represented as negative. However, to arrive at an adequate opinion, economic development over a longer period should be considered. In addition to periods of decline under the influence of technological development, phases also seem to occur in the development in which technical innovation encourages employment. The long cycles are sometimes called Kondratieff cycles. Many authors connect them with the realization of important technical innovation (6). It may be wondered which phase we are at present passing through and what expectations there are for the future. Some are of the opinion that the downward phase of the Kondratieff cycle has started (7).

Technical innovation is not a homogeneous phenomenon. There are differences in phase depending on the degree of advancement of the various technologies. Important developments are going on not only in the field of electronics but also in biochemistry and biophysics.

In addition the requirements made of the use of energy and natural resources and of protection of the environment may lead to technical innovations.

3. When appraising the prospects for employment, reference must finally be made to the importance of the scale on which goods and services are produced. Chapter IX discusses the importance to the labour market of technological and organizational innovation which in many cases has led to an increase in scale. Problems of scale in our society are certainly not confined to the labour market in the sense of regulation. Creating and preserving jobs are also connected with development of scale. Further, the consumer is also very much involved in these developments. The disappearance of small shops and other small service establishments has raised question about the consequences of increased scale. Examples are the reduced access to services, the disappearance of a fine-mesh network of shops, the growing impersonality of care and nursing in large hospitals and other institutions caring for people. This report will not devote any specific attention to the problem of increase/decrease of scale. An investigation along these lines is being performed with the collaboration of the Scientific Council on the instructions of the Ministry of Economic Affairs (8).

4. The above and what follows give cause to assume that in the future the demand for labour may lag very much behind the supply of that factor. This summons up the question whether in future the norm of full employment can be maintained or must be interpreted differently. Bound up with this is the question whether an increasing distinction should be made between the objective with regard to maintaining the desired productivity base and the objective of full employment. For a certain tension exists between the contribution of sectors to employment and to the forming of the productivity base. Sectors that make a major contribution to creation of the productivity base can often do so thanks to a high capital-intensity, as a result of which the contribution of such a sector to employment is relatively small. It could be much more a task of industrial policy to achieve the productivity base objective, whether or not resulting in an increase in the number of jobs. The employment objective should then be attained in other sectors that do not contribute as greatly to creation of the productivity base. We shall come back to this in Chapter VIII.

VI.4. Prospects for production and employment by sector

VI.4.1. General

1.1. Between the agriculture, industry and services sectors there are not only similarities but also considerable differences (9). For instance, many forms of service will be aimed at the domestic market and, unlike industry, encounter little or no competition from abroad. Industry has in principle the possibility of shifting productive activities to other countries. Further, the research aimed at labour-saving is performed above all on behalf of industry.

The contribution of the various sectors to total production appears from the following table.

Table VI.1. Composition in percentages of the production of business (gross value added, 1963 prices) by sector

	1953	1963	1973	
Agriculture		12,1	10,0	9,2
Manufacturing industry	30,9	34,9	36,4	
Extraction of minerals	2,5	1,7	3,4	
Public utilities	2,2	2,7	4,9	
Building trade	8,8	7,7	5,8	
Industry		44,4	47,0	50,5
Services		43,5	43,0	40,3
Total business		100	100	100

Source: Central Planning Bureau.

The contribution made by the industrial sector to total production by business proves to be on the increase, at least in terms of volume. Against an increasing share of the industrial sector are decreasing shares of agriculture and the service sector. In this way the Netherlands is following a pattern that may be discerned in other countries of Western Europe. This is attributable above all to the manufacturing industry and public utilities. The same table follows in current prices.

Table VI.2. Composition in percentages of the production of business (= gross value added at factor costs, current prices) by sector

	1953	1963	1973	
Agriculture		13,8	10,0	6,7
Manufacturing industry	33,2	34,9	32,2	
Extraction of minerals	2,7	1,7	2,3	
Public utilities	2,5	2,7	2,8	
Building trade	7,8	7,7	9,0	
Industry		46,1	47,0	46,3
Services		40,1	43,0	47,0
Business		100	100	100

Source: Central Planning Bureau.

The picture here has changed insofar as the decline in the share of agriculture is greater. Evidently the development of prices in agriculture has lagged behind the average. We see the same phenomenon in the manufacturing industry. Whilst in terms of volume one could still speak of a growing share of manufacturing industry, in nominal terms stabilization or even something of a decline seems to be occurring.

Against this is the reversal in the picture for the service sector: in terms of volume a decline, in nominal terms a strong increase.

This phenomenon may be connected with international competition, with which manufacturing industry above all is confronted. The service sector, on

the other hand, is tied much more to the domestic market. This may have had effects on price development in the various sectors. Mention must also be made of the high labour-intensity of production in the service sector.

For the industrial sector as a whole it may be expected that the historical trend of a growing share in production will not continue. The number of branches of industry categorized as 'quick growers' in the past is clearly decreasing. For industry as a whole (including building) the Central Planning Bureau estimates the annual growth in production up to 1980 at approx. 5% a year. The uncertainty, notably with respect to international relations, means that the forecasts must be used with the necessary reserve. This applies *a fortiori* to expectations after 1980. It is certainly not out of the question that the contribution of the industrial sector to the forming of the national product will in future stabilize or perhaps even decline. In such a situation an increasing contribution from the service sector ought to be expected. This situation has for instance already been reached in the United States.

1.2. Employment has not developed entirely in accordance with the growth of production. Not only are there considerable differences in labour-intensity between the branches of industry; the development of productivity in the various industries varies. These developments are such that the growing share of the industrial sector in total production by business has not been reflected in a growing share in employment. The opposite is the case; See Table VI.3.

Table VI.3. Employment divided by sector (x 1000 man-years), and in percentages including the self-employed

	1963		1970		1975	
Agriculture	420	10,8	329	8,0	299	7,5
Industry (expl. building)	1395	36,0	1378	33,4	1220	30,5
Building trade	425	11,0	505	12,2	438	11,0
Services	1639	42,2	1917	46,4	2040	51,0
	3879	100	4129	100	3997	100

Source: Central Bureau for Statistics
National Accounts.

In both a relative and an absolute sense there proves to be a decreasing absorptive capacity for labour in the industrial sector. For the future this problem is all the more urgent because:

- the share of industry in production as a whole will probably not increase any further;
- those branches of industry that have to provide the growth are as a rule already characterized by the fact that they are not labour-intensive and moreover by a usually relatively high growth of labour productivity.

As against the decreasing absorptivity of agriculture and industry there is an increasing absorptivity of the service sector. This picture is further strengthened if we consider the whole tertiary sector (see Appendix VI-A, Table 1) (10).

The development of a growing share of the service sector in employment fits in with the current view that in the future a considerably greater part of the working population will be active in the service sector (11). The 'service society' does not necessarily have to be a community in which industry plays a less dominant role. However, it is true to say of industry that the capital: labour ratio is changing in favor of capital. As regards consumer demand too there will be only a relative decrease in sales of industrial products. Consumption will be directed more towards services. It is not a matter of course that the development of the community in the direction of a service society also means that this society has a labour-intensive production process. Some forms of labour-intensive service are after all subject to processes of automation and other developments leading to a shake-out of labour. Examples are the in-

creasing automation in the clerical sector and self-service in shops and in the catering trade.

Incidentally, the development of the three economic sectors in industrialized countries proves to differ somewhat. (See Appendix VI-A, Table 2.)

1.3. Above the contributions of the sectors to total employment and total production were presented. The matter was investigated in a rather sketchy and limited way.

The first limitation is concerned with the classification into the sectors themselves. Movements of functions occur. As a result of increasing specialization, activities which a firm in industry formerly performed itself are now done by service firms. The opposite also occurs, viz. that as a result of increasing concentration more service activities are being integrated with industrial activities.

A second limitation concerns the relation between employment and production. This relation is an extremely complex one. The demand for labour is the result of a large number of interactive economic forces. In addition the sectors are highly heterogeneous, so that it is difficult to make pronouncements of general validity.

VI.4.2. Prospects for the agricultural sector

2.1. In the hundred years behind us agriculture has undergone a development characterized by on the one hand a pronounced rise in production and on the other by a considerable drop in the number of jobs. One of the causes of the growth in production was the expansion of the area under agriculture as a result of reclamation.

In addition great processes of modernization have been completed in agriculture. Farm enlargement, specialization, intensification, forms of organization covering a number of farms etc. must be mentioned here. In fact, as a result of biological and mechanical improvements the increase in productivity has been greater in agriculture than in all other industrial sectors of the economy. In these changes the authorities have certainly not played a passive part. The following have served to foster productivity:

- the 'trias agricultura': education, information and research;
- improvement of the agricultural infrastructure (incl. land consolidation);
- improvement of the 'man : land' ratio.

Meanwhile the growth of production and the decrease in the volume of labour are continuing. The agricultural sector heads the field as regards loss of jobs (12). In Appendix VI-A, Table 3, forecasts up to 1990 are presented and commented on. In the agricultural and horticultural sector the number of jobs will fall from about 200,000 in 1974 to some 120,000 in 1990. Partly under the influence of the growing interest in environmental problems, the number of pupils at agricultural, horticultural and forestry schools is on the increase. The discrepancy between the supply and demand components in this sector is therefore growing. Part of this increased supply can perhaps be absorbed by shifts in function within the agricultural sector.

2.2. An uncertain factor that is difficult to estimate is the consumer's changing taste. A growing interest may be noted today in craft-style agricultural products such as farmhouse cheese, in macro-biotic food etc. It is not impossible that the old craft-style farm will regain a place in the primary sector in the future. This too can increase the smallness of scale.

In this connection mention is sometimes made of the possibilities of an 'alternative' or biological form of agriculture. This is then regarded as the counterpart of the existing agricultural sector, in which considerable use is made of non-biological aids. Some regard biological agriculture as being of considerable importance to employment (13).

The objectives of the various forms of agriculture are not confined to employment. It is the question whether increasing the number of jobs is indeed the most important objective. There is in fact more concentration on matters such as environmental conservation, promotion of smallness of scale and furthering human health. In alternative farming methods the products will be expensive. This lays greater claim to the consumer's possibilities of spending.

2.3. In the future problems may occur with respect to the productivity base in the agricultural sector.

After all, conservation of the countryside is becoming an increasingly important objective. The primary function of cultivated land is therefore shifting from the factor of production to the environmental factor. The tension occurs in those areas where farming is still of considerable economic importance. The shift in function calls for a different content of agricultural entrepreneurship, but also for an increase in the readiness of the community to invest in large parts of green space. It may be expected that this function of the agriculturist as manager of the countryside will entail a tendency towards smallness of scale in this sector. The loss of jobs can be somewhat checked by this development.

VI.4.3. *Prospects for industry (excluding building)*

3.1. The growth in the share of industrial production is principally attributable to the chemical industry. Other branches of industry have lagged behind or kept pace with the average development of growth for the whole industrial sector.

For the future it may be expected that the chemical sector will continue to be a strongly growing sector. However, international competition in this field is great. In addition, allowance must be made for removal of chemical production processes to OPEC countries with lower wage costs. Moreover, measures concerning environment, safety and physical planning may have a retarding effect on growth (14). Another strongly growing sector in industry is the extraction of minerals. However, this sector will decline in importance according as the natural gas reserves are consumed more quickly (growth percentage up to 1980 1.8%). Reasonable growth may further be expected of the electrical engineering industry, the metals industry and the oil industry (15).

Despite the above not unfavourable prospects for growth, a number of branches of industry are having to contend with considerable overcapacity, such as chemicals and the oil industry. In this context the European Commission has advocated forms of market regulation to restrict overcapacities. A sector like chemicals proves to be highly sensitive to recessions. In 1975, for instance, the volume of production in this sector fell by no less than 13.5%. The accompanying fall in employment of only 0.9% may point to a labour surplus. Viewed in this light, growth forecasts therefore do not necessarily have to lead to growth in employment.

It is interesting to investigate what contribution the various industrial sectors have made to the productivity base. Table VI.4. shows that the greatest contribution is made by the metal-processing industry (16). The importance of this sector to the productivity base is growing. In addition the share of chemicals is strongly increasing. On the other hand there are branches of industry declining in importance, such as the food, drink and tobacco industry and, even more strongly, the textile, clothing and footwear industries.

Table VI.4. Employment and production divided by industrial sector

1967	(1)	(2)*	(3)	(4)*	(5)**
	Employment (x 1000 man years)		Gross value added, thousand millions of guilders in current prices		
Food, drink and tobacco	203	15,69	5,38	20,98	0,75
Textile, clothing and footwear	198	15,30	2,14	8,34	1,83
Chemical	103	7,96	2,84	11,09	0,72
Oil refineries	6	0,46	1,33	5,19	0,09
Metallurgy	38	2,94	0,98	3,82	0,77
Metal-processing	494	38,18	7,93	30,93	1,23
Other industry	252	19,47	5,04	19,66	0,99
Total industry	1294	100	25,64	100	—

1973	(1)	(2)*	(3)	(4)*	(5)**
	Employment (x 1000 man years)		Gross value added, thousand millions of guilders in 1973 prices		
Food, drink and tobacco	195	15,85	7,35	16,47	0,96
Textile clothing and footwear	130	10,57	2,44	5,50	1,92
Chemical	105	8,54	5,98	13,49	0,63
Oil refineries	10	0,81	3,39	7,65	0,11
Metallurgy	35	2,85	2,03	4,58	0,62
Metal-processing	500	40,65	15,24	34,39	1,18
Other industry	255	20,73	7,90	17,82	1,16
Total industry	1230	100	44,33	100	—

1980	(1)	(2)*	(3)	(4)*	(5)**
	Employment (x 1000 man years)		Gross value added, thousand millions of guilders in 1973 prices		
Food, drink and tobacco	177	15,65	8,90	15,23	1,03
Textile clothing and footwear	80	7,07	2,13	3,64	1,94
Chemical	110	9,73	10,15	17,37	0,56
Oil refineries	9	0,80	4,42	7,56	0,11
Metallurgy	35	3,09	2,54	4,35	0,71
Metal-processing	474	41,91	20,73	35,47	1,18
Other industry	246	21,75	9,58	16,39	1,33
Total industry	1131	100	58,45	100	—

*) In percentages of the total.

***) (5) = (2) / (4), i.e. the ratio between the contribution to total employment and the contribution to the total production of that sector. In fact this is the reciprocal of the ratio between the productivity of that sector in respect of the productivity in industry.

Sources: The tables have been compiled on the basis of various Central Planning Publications. The estimate for 1980 is based on forecasts presented in 'De Nederlandse Economie in 1980' (The Netherlands Economy in 1980). The production figures for 1980 are in terms of 1973 prices.

3.2. In the last columns of the VI.4 tables the quotient of the share in employment and the share in production per sector is given. This quantity may be interpreted as an indication of the mutual importance of the employment and production aspects. A sector may be considered neutral in respect of the relative importance of the two aspects if the value is 1. According as the quotient increases above one, the relative importance of the employment aspect also grows. A sector with a value less than one can be characterized as a sector which is relatively less interesting for employment and relatively important for the productivity base. Chemicals, oil refineries and metallurgy prove to belong to the latter category. The textile industry is of particularly great importance to employment in respect of the productivity base. Of course the quotient thus defined says nothing about the absolute significance of employment or production in a given sector. It is remarkable that for some branches of industry the above characterization stands out more sharply in the course of time.

In a sector with considerable stress on the productivity base and much less on employment, viz. chemicals, the relative importance of the emphasis on the productivity base also increases. The opposite applies to textiles, regarding which the importance of the emphasis on employment increases. The metal-processing industry maintains its position with a somewhat heavier (though declining) emphasis on employment. The significance of the food, drink and tobacco sector is developing from one with a certain stress on productivity base to one of a more or less neutral nature.

These developments are connected with the longer-term movement of productivity of a sector in respect of the average industrial development.

It is therefore important to obtain insight into the determinants of productivity. Given the growth of production, the trend of productivity will establish the development of employment. Needless to say, a wide spectrum of forces will exert influence on the trend of productivity. In this context mention may be made of the increase in scale, the development of labour-intensity and the development of technology. These factors are not entirely independent. For instance, on the strength of a changed price ratio of factors of production a more capital-intensive production process might be decided on. The desire for more capital-intensive production processes could then be attained only if technological development permitted it. Further, application of a capital-intensive process of this kind would be possible only if the scale of production were increased. It would take us too far if we were to go any deeper into the effect of the above factors. Suffice it to say that for a typical 'productivity base sector' like chemicals considerable increases in scale have occurred. Moreover, the production process in this sector is highly capital-intensive, while the development of technology has also been important here.

Of great importance is the question for which branches of industry the Netherlands is suitable from the point of view of the international division of labour. This question is important not only for the maintenance of a strong productivity base but also for employment. An indication for appraising this is found in the extent to which firms have succeeded in the past in compensating for a fall in domestic sales by an increase in exports.

For the period 1968–73 it proves that above all the clothing and footwear industries did not succeed in compensating for the loss on the domestic market. This also applies to agriculture, electrical engineering, the food industry and the means of transport industry. This is not confined to branches of industry with a relatively high labour-intensity. The food industry, for instance, is not unusually like metal-intensive. On the other hand, a rather labour-intensive branch of industry like metal-processing managed to compensate well for a loss on the domestic market (17).

It is evidently not the case that only the labour-intensive branches of industry can have their existence threatened because they cannot succeed in compensating for their loss of position on the domestic market. More capital-intensive businesses can also get into the same situation. Especially young

industrial countries like the OPEC countries, Korea, Taiwan and Brazil, after attracting the fabrication of end-products in the first instance, could then manufacture the more capital-intensive products. The production of chemical fibres, which is largely disappearing from Northwest Europe, seems a clear example of this.

In addition firms seem to be less and less tied to one particular market.

The spread of business structures over national frontiers can further a process of a different worldwide allocation of production. A not unimportant factor in this may also be that the labour costs in young industrial countries are usually only 30–40% of the costs in Northwest Europe. This is one reason why it may be difficult to retain for the Netherlands labour-intensive production processes by means of control of labour costs in the short term. This does not exclude the fact that it may be desirable for political reasons not to be entirely dependent on other countries for certain products.

3.3. It is clear that the absorptive capacity of the industrial sector for labour in the future is limited and uncertain. The picture up to 1980 shows a decrease in employment for the whole of industry. It must be commented that for realization of these forecasts a far-reaching Government policy has been assumed. Moreover, they are based on an economic development that must be described as optimistic rather than pessimistic. In a number of branches of industry processes of reorganization are going on, as in the textile industry. In the short term this is at the expense of employment. Other branches of industry, such as oil and chemicals, may be expected to make a very considerable contribution to the development of production.

However, the immediate importance of these branches of industry to employment is secondary. From the overall picture a sombre prospect emerges for employment in the industrial sector.

VI.4.4. Prospects for the building trade

The prospects for the building trade are more closely analysed in Appendix VI-B. We shall confine ourselves here to a summary of the main conclusions. The view of the future gives little reason for optimism. In many fields one may speak of a certain saturation. It would seem that the present problems in the building trade are of a structural nature and may perhaps increase still further in intensity. Moreover, the development of building production in relation to needs has not been a balanced one. The effects of this on other sectors may certainly not be underestimated. The estimates given for employment in the building trade display a strong downward trend. A counterweight can perhaps be found in large-scale renewals of cities and other residential centres. In the estimates no allowance has been made for the effects of urban renewal. Nevertheless it may be asked whether the policy intentions now in existence regarding urban renewal will be adequate for the future. In addition attention will certainly also have to be paid to the social consequences of a further impairment of the housing and living function of the cities. The renewal of older residential centres in cities might form only part of that policy. Needless to say, this will have consequences for the national budget.

VI.4.5. Prospects for the service sector

5.1. It is the question whether the great expectations often voiced with regard to employment in the service sector have not been derived too much from the developments that the United States and Sweden have undergone. The structure of the service sectors in the various countries will not be the same as a rule. For instance, for commerce the Netherlands can benefit from a favourable geographical location. In addition factors like government intervention, climate, available knowledge etc. can give rise to differences in devel-

opment. International comparison of the branches of industry within the tertiary sector shows that remarkable differences occur both in level and in development (See Appendix VI-A, Table 4.). For the United States the GNP per head is considerably higher than in the Netherlands. Now if the economy in Western Europe is to display a lower growth rate, it may be asked whether developments in the service sector will follow the 'American model'. This could form a major bottleneck in the development of employment, certainly having regard to the processes of labour shake-out in industry. The development phase at present reached by the United States in the structure of sectors might well be much further away for Western Europe. In addition the United States has reached this phase above all through the development of private spending possibilities. In the Netherlands this is precisely a problem, having regard to the present claim that the collective sector makes to economic growth. A greater collective claim need not automatically imply a reduction in scope for private spending. Much of the collective resources reaches the private sector as freely disposable purchasing power in the form of transfers.

It must also be remarked that, unlike the position in the United States, the service sector can also develop strongly alongside a considerable collective claim. This is shown *inter alia* by developments in Sweden.

For other reasons too the development of the service sector in the Netherlands in accordance with the 'American model' may be queried. The export ratio in the United States is about 5%. In the Netherlands it is more than 50%. The highly open nature of the Dutch economy means that high priority has to be given to the pursuit of external equilibrium. On account of the nature of the activity, many forms of service can hardly make a contribution to exports. Moreover, the export ratio of services is declining, as the following table shows.

Table VI.5. Exports of good and services in relation to the national product (current prices)

	1955	1960	1965	1970	1975
Export ratio of goods	0,34	0,38	0,35	0,36	0,44
Export ratio of services	0,13	0,12	0,10	0,09	0,09

Source: Central Planning Bureau.

The declining importance of services in the total of exports therefore makes more stringent requirements of the achievements of the goods sector. In the United States matters are different to the extent that a much smaller volume of international trade in respect of domestic activity imposes different conditions on the sectorial division of business. Incidentally, new forms of service are also occurring with a considerable international orientation, as witness the great increase in service activities on behalf of the OPEC countries. In addition, attempts to make the Netherlands more attractive to tourists may bear fruit in the future in the furtherance of exports of services.

It is the question whether the development of the consumption of services will be sufficient to realize the expectations that one has of the service sector. Two aspects seem important. First, the growth of total finances themselves. For the future allowance must be made for a reduction in growth. A second aspect is the division of consumption between goods and services. In addition to changes in the preferences and taste of the consumer it may be assumed that this division is partly determined by the relative price development in the service sector. In this context it must be remarked that the service sector is a labour-intensive one. At the same time the development of productivity lags behind that of other sectors (18). The price development of services is therefore relatively high. The change in consumption habits in the direction of greater orientation towards services might therefore proceed somewhat less smoothly as a result.

5.2. The growth of the value added is lower in the service sector than in industry. Within the service sector there are branches of industry employing relatively large numbers of people but making only a limited contribution to the value added, for instance the services with a socio-cultural orientation. However, the contribution of other sectors within services, such as the engineering sector and aviation, to the productivity base is relatively high. In the case of many forms of service, notably in the realm of financing, commerce and transport, the activities are connected with national and international activity. The prospects of growth for those sectors therefore stand or fall with those for agricultural and industrial sales, both nationally and internationally.

An important branch of industry within the service sector from the point of view of employment is commerce. Since the beginning of this decade employment in this sector has gradually fallen. This decline has occurred above all in the retail trade. It is not easy to establish what the nature is of a possible connection with labour costs. In this context the minimum wage and the minimum youth wage are sometimes mentioned. Many of the personnel in this sector are paid minimum wage or minimum youth wage, viz. 43% (19).

Consequently, wage costs in this sector have risen more quickly than in other sectors. This can also have been the cause of the reduction in the number of self-employed persons. Nor is it out of the question that the decline in the number of self-employed will slacken in the future. An important factor here may be the improvement of the social climate for self-employed people. This development would fit in well with the growing interest in crafts and smallness of scale. Finally, it must be commented with regard to commerce that the level of trading displays obvious peaks. In the retail trade these peaks are already being dealt with by means of part-time workers (at present around 70,000). This is a positive sign, partly in view of the future supply of part-time labour.

A survey among workers in this sector proved that in general a further increase in the number of part-timers is expected in it (20).

A second important branch of the service sector is that of transport and communication firms. Over 300,000 persons are employed by these firms. In the communication sector the expected increase in demand will be accompanied by utilization of only little additional labour. For other branches of this sector only a slight increase in productivity may be expected (21).

The banking and insurance sector has undergone a considerable expansion and growth of employment in the last ten years (22). Despite favourable prospects for the future for this line of business, it may be expected that here too the absorptive capacity for labour will decrease, or at least will not keep pace with the development of activity. Automation in the clerical sector is already going on at a steady pace. This development will continue in the future. The same development may be expected for other business services.

Finally, it may be expected that employment with the Government will increase further (23).

The number of jobs is closely connected with the extent of Government intervention, which may be expected to increase. If the plans for further decentralization of administration are put into practice, the resultant shifts in Government tasks may have positive effects on the growth of employment among provincial and municipal authorities. On the other hand, reduction of employment will occur in the educational sector, *inter alia* as a result of the ageing of the population. In addition mention should be made of the need for new forms of education, 'second-way education'. Separate attention is devoted to this when the quaternary sector (Chapter XII) is considered.

5.3. All in all, the developments expected for some subsectors seem no reason for great optimism about the absorptive capacity for labour. Varying problems occur, which make it very difficult to arrive at conclusions on the significance of services to employment. Nevertheless, certain expectations

may be cherished of some existing sectors, and also of new forms of service. In addition the contributions that some up-and-coming subsectors are making to the productivity base and the external position should not pass unnoticed. Where interesting prospects occur from the viewpoint of employment these seem in the light of the extent of the problems of labour shake-out to be expected in agriculture and industry, together with the extent of the expected increase in the supply of labour, to be of insufficient size to allow us to look forward to the future development unconcernedly.

VI.5. Conclusion

To conclude this chapter the development trends of the supply of and the demand for labour described here are compared with one another.

The following were taken as bases:

- the estimate of the supply of labour up to 1990;
 - an unchanged unemployment figure of approx. 200,000;
 - the assumption that the loss of jobs in agriculture is 3.4% a year. This agrees with the forecasts of the Agricultural Economics Research Institute and those from the 'Nota Landbouwverkenningen' (White Paper on Agricultural Explorations);
 - the forecast for industry (excl. building) for 1980 from 'De Nederlandse economie in 1980' (The Netherlands Economy in 1980);
- for the period 1980–1990 a further fall in the number of jobs by 1% a year.
- the Central Planning Bureau estimate for the Government sector for 1980.
- For the period 1980–90 an additional creation of 30,000 jobs in this sector has been assumed.

Without laying claim to any predictive value, these data can serve, by way of a sample calculation, to obtain insight into the question of how many jobs have to be created in the service sector.

Table VI.6. Comparison of a number of development trends of the demand for and supply of labour

	1975	1980	1980
		x 1000	
Primary sector	229	259	178
Industry	1220	1185	1072
Building trade	438	408	392
Government	6628	659	690
Unemployment	200	200	200
Total	2785	2711	2532
Potential supply of labour	4881	4952	6426
Volume of labour in the service sector	2096*)	2242	2926
To be created in the service sector		201	684

*) Actual volume is 2040; the difference is due to hidden unemployment.

The conclusion is therefore that the absorptive capacity of the service sector up to 1990 should grow by nearly 700,000 jobs! No mean task.

VII.1. Introduction

1. In this chapter it will be endeavoured to obtain some insight into the possible effects of the developments as outlined in Part 1 on the functioning of the community. In particular the question will be dealt with of whether bounds have been set to the transfer of incomes to the increasing number of inactive persons, and, if so, which bounds economic and social aspects play a part in this. From the economic point of view the question arises as to what requirements must be made of the productivity base.

In particular there is the question of what recourse the collective sector can have to the productivity base without endangering its maintenance. In addition it is becoming increasingly clear that the economic question alone cannot be enough to indicate the possible implications of the development of the relation between active and inactive persons.

All kinds of social and socio-psychological processes also play an important part. However, the social sciences still lack generally accepted indicators that could tell us something about the development of those processes.

The central question of this chapter is an extremely complex one. Although the matters brought up here may be regarded as among the most essential in the framework of the relation between active and inactive persons, the following study certainly not exhaustive. A number of considerations may be mentioned that emphasize importance of the problem.

- A further increase in the number of inactive persons, with as a result a continuing rise in the costs of social security.
- Declining economic growth, as a result of which the purchasing power of active persons comes under pressure with increasing recourse by the collective sector to the productivity base.
- Shifts of transfers within the family circuit to the collective circuit.
- The existence of unfulfilled desires in social security.

2. In the socio-psychological processes already mentioned the readiness of active persons to transfer incomes on behalf of inactive ones plays a big part. This is definitely also connected with the central place occupied by work in our society. Working for pay is regarded as the most important way of making one's own living. A number of categories are excluded from this 'duty', such as old people and young people. For the transfer of income for these categories there is sufficient legitimacy present. This can be done via the family circuit or the collective circuit.

There is also legitimacy for the handicapped and the sick, though in these cases one may speak of the 'onus of proof'. For the unemployed the legitimacy is much less. Jobless persons are constantly required to make efforts to find work again. The fact that, despite the high unemployment, there are also vacant jobs certainly plays a part in this. The appreciation that is attached to the occupying of a less suitable job is as a rule more positive than the appreciation of being out of work. From the point of view of the unemployed this leads to a difficult situation. They are expected to comply with the existing norm: the duty to work. However, the economic process makes this increasingly difficult, certainly also because there is selectivity in recruitment (see Chapter X).

Conversely this leads, from the point of view of the active, to a situation in

which the readiness to make transfers, *inter alia* also on behalf of the unemployed, can certainly lessen when growth is declining. The decreasing readiness can also harm a process of redistribution of work with corresponding reduction of incomes.

Until recently policy was directed above all at the development of incomes. In that respect things have happened for the inactive, but the shortage of work and the lack of appreciation of the inactive seem problematic. For the active the problem has effects on their income development. Precisely in an economically unfavourable period emphasis falls on a redistribution problem which may give rise to tension between the active and the inactive.

3. The previous chapter already dealt with the development of production in the medium term. The value added by firms forms the basis and thus the productivity base for the procurement of collective resources. This report advocates the maintenance and strengthening of the productivity base. One of the reasons for this is to make employment possible in sectors that do not reinforce the productivity base (the quaternary sector). A crucial feature of the productivity base is therefore the extent to which it can be drawn on. The way in which it is drawn on is not elaborated in this report. One could say that a situation in which the productivity base is drawn on for the creation of employment in sectors that do not reinforce the productivity base does not differ from a situation in which the productivity base is drawn on for inactivity. In an economic respect this is partly true, because allowance has to be made for making-up effects. In a social respect the two situations most certainly make a difference. The change of tension between active and inactive persons will lessen.

Attention must be drawn to the danger that the change of tension between the active and the inactive can shift to the 'productive' and 'unproductive' groups of active persons.

VII.2. Transfers on behalf of the active and the inactive

1. One of the functions of this study is to consider the problem of the active and the inactive in its correct proportions. It is therefore desirable once again to go more closely into the categories occupying a central position in this study: the active and the inactive, and the income transfers to be made on behalf of these categories.

The question is what income transfers are important from the point of view of the problem. Is it, on the basis of differences in legitimacy, only the transfers on behalf of certain groups of inactive persons, in particular the unemployed? Is it the transfers on behalf of all the inactive, or even more broadly on behalf of the active and the inactive together? From the sociological point of view there is reason to make a distinction between forms of inactivity when making transfers. The differences in legitimacy help to determine the readiness to make transfers. Whether these differences in readiness can also be translated into economic terms, for instance measured by the degree of passing-on, is very much the question. As regards the employers' contribution to the social charges, both the contribution for for instance unemployment insurance and the contribution for for instance the W.A.O. form part of labour costs. Here, therefore, there is no question of differences in an economic respect. As regards the employees' contribution, there is a lack of insight. The differences in the passing-on of this contribution between the various social security laws are not known. Viewed economically, it is even the question whether a claim to the productivity base on account of taxes or on account of social security contributions makes any difference. In other words, the question is whether, from the economic point of view, not just the collective claim to the productivity base, i.e. the sum of tax burden and contribution burden on the value added, is of importance. It is therefore conceivable that the economic question is

different from the social question. Two situations with the same total burden of collective charges may have more or less corresponding economic consequences but entirely different social processes.

2. It is clear that a considerable part of collective resources does not exclusively benefit the inactive but is used on behalf of the whole population.

This applies both to the national budget and to social insurances. In principle, Government expenditure benefits the whole population. In addition, the Government transfers incomes direct to households which in many cases, but not always, are connected with inactivity. Further the Government transfers incomes indirectly, via social insurances, to households. From this point of view social insurance can be divided into three groups:

- insurance against loss of income as a result of inactivity;
- insurance against costs of sickness;
- income-redistributing insurance.

All forms of insurance against loss of income relate to inactivity. Those against costs of sickness may so relate, but this is not necessarily the case. Active persons can also have recourse to for instance the Sick Fund Act.

In the case of income-redistributing insurance, some laws relate to active persons (for instance the Wage Earners' Children's Allowances Act) and other laws to inactive persons (e.g. the A.O.W.), and some to both categories (e.g. the General Children's Allowances Act).

In studies of the economic consequences of a large collective claim to the productivity base, this claim is defined in the broadest sense. The following reasons may be adduced for this:

Not only the assignment of collective resources to the active and the inactive is difficult to make. As already stated, increases in parts of the collective burden of charges also have economic consequences. Starting from maintenance of real disposable income, there will be a tendency to pass on changes in the burden of taxes and social security contributions.

For completeness' sake it must be stated that in wage negotiations, more than in the past, the passing-on of an increase in collective charges is queried. An instance is the discussion whether price compensations should at the same time include the increased burden of indirect taxes. It is also important that income transfers, on behalf of both the active and the inactive, are interchangeable, insofar as they go via the national budget. Income transfers from the Government to the inactive can in principle be increased at the expense of income transfers to the active, and vice versa.

Finally, the social security contributions, together with taxes, are involved in the policy concerning collective charges.

VII.3. The significance of natural gas extraction to the productivity base and the burden of collective charges

1. In view of the great significance that the production of natural gas has to collective resources, separate consideration of this matter is justified. The exploitation of natural gas has been of eminent importance both to the development of economic growth and to the claim that the collective sector has made to the production of this gas. In the encouragement of the growth of production a distinction may be made between direct and indirect effects.

The direct effects are connected with the exploitation itself. The addition to the annual growth of production on account of natural gas extraction was about 0.7% in the last ten years. This extra growth was accompanied by the utilization of only little additional labour. However, the construction of a new infrastructure had a considerable impetus on employment.

The indirect effects relate to the incentive that the relatively inexpensive natural gas had on the production structure. In the Sixties the development of the price of natural gas lagged behind that of substitutes and other products.

As a result, capital-intensive sectors requiring large amounts of energy were able to develop vigorously. Instances are chemicals, oil refineries, metallurgy and the paper industry (1). The contribution that these sectors have made to the total production has been a clearly growing one. This may give rise to problems in the future. The era in which the productivity base was able to develop strongly, thanks in part to the contribution of natural gas as a cheap means of production, seems over. The oil crisis and the increased realization that there are physical limits to reserves of natural resources have caused energy policy to change. The policy of accelerated extraction has been replaced by one of economical management with not inconsiderable price increases.

2. A second indirect effect is connected with the external position of the Dutch economy. Two aspects play a part in this. In the first place the exports of sectors where relatively large amounts of natural gas are used in the production process have increased. Before the oil crisis natural gas was relatively cheap in respect of other fossil fuels. This gave Dutch exporters a competitive advantage on foreign markets. In the second place, the energy balance of the Netherlands is at present still positive. Domestic energy consumption can be largely met by natural gas production. Imports of energy are therefore lower than would have been the case without natural gas exploitation. Furthermore, contracts for extensive supplies of natural gas have been concluded with other countries (2).

It is therefore proper to recognize the importance of the deteriorating energy balance to the external equilibrium. And there is certainly the additional part played by the competitive position of capital-intensive, exporting industries, which after all will deteriorate as a result of rising energy costs. A derived effect concerns the appreciation of the guilder. The considerable surpluses on the balance of payments have strengthened the position of the guilder, from which the competitive position suffers harm. The effective rate of the guilder in respect of competitors has moved constantly in a strongly upward line in the Seventies.

3. Natural gas exploitation has considerably expanded Government finances. The direct receipts in the form of royalties, corporation tax and profits and dividends are at present some 10 thousand million guilders a year. In addition the derived effects, via corporation tax, have had a positive effect on collective resources. Until now the revenue from natural gas has been regarded as normal Government income, so that it was a matter of general expansion of collective resources. This general character implies that if the income from natural gas should fall, either adjustments to collective expenditure or adjustments to the burden of the collective charges must follow.

Summarizing, it may be said that the positive effects that natural gas extraction has had in the past on the productivity base and the collective claim to the latter will change in the future. The moment at which this change will occur does not seem far distant.

VII.4. Economic limits of the collective sector

1. This chapter is also concerned with the question of the extent to which collective resources can be drawn from the productivity base without this endangering the creation of a sufficiently strong productivity base for the future. It must be borne in mind that the collective sector forms part of an economic cycle. For a proper understanding it is desirable to sketch the place of the collective sector within that cycle. For this reference may be made to Appendix VII-A.

The question as to where the economic limits lie cannot be answered from theory. From the strictly theoretical point of view only one upper limit can be given, viz. a collective claim of 100%. After all, in every economy expenditure

must be in equilibrium with finances, viewed structurally. Consequently the collective claim, by which a reallocation of expenditure is aimed at, can never be greater than the total of the available resources (3).

However, a redistribution of total income entails a complete change in structures of ownership and administration, and therefore implies a different order. Distributions of property and control of affairs would drastically shift, which would have considerable social consequences. It must further be remarked that, also in a society in which the government would tax away the whole value added, part of the finances would have to be used to maintain and if necessary expand the machinery of production. There will have to be a certain remuneration for the provision of capital, i.e. making available funds not used for consumption. In addition part of the finances will have to be activated in the form of write-offs for financing replacement investments. In this connection mention must be made of the constant fall in macro returns on invested capital. The net return before tax at present is less than 4%, which means that the return has been more than halved since the beginning of the Sixties (4). It is therefore very much the question whether even in a society with a complete collective claim one could suffice with a lower share for maintaining the machinery of production than is at present the case. Needless to say, only the functional share of income is meant here, and not the distribution among people of the remuneration for capital.

2. No limit for the claim to be laid by the collective sector can be derived from economic theory. The question even arises whether one can speak of limits in the strict sense. After all, it will be necessary to state not only which indicators are being used, but also at which values one speaks of limits being exceeded. In the mid Fifties the collective claim in terms of national income was about 30%; in the mid Seventies it was more than 50%. The burden of collective charges has evidently been able to increase strongly without causing a dislocation of the economy. It is conceivable that in further increases of the burden of collective charges processes of adjustment will occur which will have socio-economic consequences but which will lead to a situation which, economically speaking, is quite possible. If this assumption is true, limits will have to be formulated in terms of the socio-economic consequences, whatever they may be. The present situation, which is characterized by the need to make income transfers, can at the same time lead to a reduction in the effectiveness of levying taxes and social security contributions. The social aspects of this deserve serious attention. Possibilities of countering evasion must not be sought solely in tighter controls etc. The developments in the tax system and the social security system seem to have effects on fundamental values in our society. Instances are the need to work, the relation between performance and income, the desirability of upward social mobility, the legitimacy of conspicuous consumption.

The above must, however, be put into the right proportions. After all, the degree of acceptance of socio-economic phenomena is bound up with time. It is subject to changing views. For instance, an unemployment figure of 100.000 was regarded as very high at the end of the Sixties; now such a figure is called relatively low. This merely indicates that limits taken from indicators and formulated in socio-economic consequences have time dimensions and therefore are not universally valid (5).

3. If no economic limits can be given for the burden of collective charges, but only the socio-economic repercussions can be evaluated, the question arises what the effects will be of a growing collective burden.

In Chapter IV it has been argued that the burden of social security contributions can influence the degree of inactivity as a factor increasing labour costs. A similar reasoning can be given for the consequences of increases in the burden of direct taxation. An essential question here is whether there is any passing-on. The tendency to pass on collective charges is a sociological phenomenon. Allow-

ance must be made for the fact that passing-on processes have occurred in the past. It is, however, not impossible that future developments will increase the readiness of active persons to contribute to collective resources at the expense of one's own purchasing power. Thus the present low legitimacy of unemployment may possibly be ascribed to the transition from a period of low unemployment to one of high unemployment. It may be that, according as the chance is greater of becoming unemployed oneself, the readiness to contribute funds on behalf of the jobless grows.

In addition to passing-on of the increased burden of direct taxes, other such processes occur. An example is the fiscal incentive to take out mortgage loans. This can lead to distortion of the actual burden of taxation for the various income categories. An increase in the indirect tax burden is immediately reflected in price increases.

If in wage negotiations it is decided not to pass on these price increases, which is also a matter of readiness, the question is how the increases prices will affect spending. The effects as regards both volume and direction will depend on the elasticities of the various components of expenditure. If income from profit is taxed more than before, what applies here too is the extent to which it is possible to pass on the increased taxes, which will be regarded as a cost increase, in the development of prices. If this is not feasible on account of a price policy or through the operation of the market, a reduced return is the result. The latter may have an inhibiting effect on readiness to invest, with negative effects on employment. The forming of the productivity base may also be impaired by a deterioration in return.

4. An outline has now been given of a number of economic developments following from further recourse to the productivity base. The full effect of this and its significance for society are not yet given here. A weighing of the socio-economic repercussions is necessary, the reconcilability of different objectives being concerned. To obtain more insight into this an econometric model is being constructed in which the economic connection between the sectors of society is described with the aid of mathematical relations. In Appendix VII-B a brief description of the set-up of this model is presented.

After the simulations with this model have been rounded off the Council proposes to report on the results at a later stage. The relevance of socio-psychological processes to econometric exercises is of great importance in this. Social and economic processes are partly interdependent. On the one hand the social points of departure and developments help to determine the marginal conditions and the structure of economic development. On the other hand, the results of the economic process will also play a part in determining the operation of social processes. These social aspects will be further discussed below.

VII.5. The readiness of the active to transfer income

1. The finances accumulated by the Government and the social insurance funds have to be produced by the public. This is based on laws to which sanctions are attached. However, problems may occur regarding the payment of taxes and social security contributions (6).

From a number of actual courses of conduct it might be concluded that there is a reduced readiness. Some of these are in the illegal sphere, such as tax evasion, or work illegally done by recipients of social security. Other forms are not so much in the realm of what is legitimate and what is not, but derive their justification from the position that their practitioner occupies in the field of socio-economic forces. It is then a matter of incorporating increases in collective charges in prices and passing on higher taxes and social security contributions in wage negotiations.

As regards income tax, mention may be made of the special rates and deductions. In some cases these have come about with a view to the taxable capacity

of the taxpayers. The result of the passing-on is that the effectiveness of the progression in the rates of taxation is much less than many are prepared to believe. Finally, there are legal constructions for avoiding tax.

With respect to the benefit side of social security, some point to improper use and to the discouraging effect which social security is said to have on the acceptance of work. It is against this background that the problem of the readiness must be seen.

2. In our social security system the principle of solidarity occupies an important place alongside the principle of equivalence. The latter entails that varying risks are reflected as much as possible in the various contribution percentages and that moreover one is entitled to benefit only if one is also obliged to pay contribution. Beside this stands the principle of solidarity, which entails that the relations between the differences in risks and the differences in contribution percentages have been breached. Various patterns of solidarity can be distinguished (7). It is typical that when there is any question of raising taxes and/or social security contributions, people are quick to speak of the heavy bill that is being drawn on the solidarity of employed persons. Whether the present-day system of social security is accepted by the individual on account of views and feelings of solidarity is dubious. It is even the question whether this is necessary for the functioning of the system. After all, a process of institutionalization has occurred. As a result fixed patterns of behaviour have been accepted which need not necessarily be supported by individual motivations.

At the origin of social insurance there are doubtless feelings and views on the need for solidarization of companions in adversity in order to make their weak economic position somewhat bearable. For many security of subsistence was unattainable within the economic system. By means of social security it has been endeavoured to compensate for the uncertainties of economic life. Security of subsistence was derived from solidarity. Solidarity through sharing the same fate brought a minimum degree of economic security which the economic system could not provide. It was security derived from solidarity instead of individual economic performance.

3. The principle of equivalence predominates in the workers' insurance. It is above all the national insurances that have been set up on the principle of solidarity.

In general those concerned will not be very aware of these distinctions. However, in certain categories payments of contributions with mainly solidarity elements may pile up, which can lead to opposition to the system (8). Moreover, mention must be made of the deductibility of the contributions for income tax, which on account of the progression in the rates offers considerably more advantages for the higher than for the lower incomes. It is therefore not clear which categories of income contribute the most to the various kinds of social insurance. The interconnection of tax levying and contribution raising has a further complication. The deductibility of contributions has no effect on the income of the social security funds, but quite definitely an effect on the income of the exchequer. In this sense the Government is also a party to a further increase in the contribution burden. The Government thus contributes in two ways towards the costs of social insurance, directly from the general finances and indirectly through the deductibility. For recipients of higher incomes the possibility of deductibility of contributions implies as a result of the progression that a lesser appeal is made to their readiness. At the same time, on account of the existence of contribution limits higher incomes make a relatively lower contribution to income transfers in respect of their income. As a result of this the question of solidarity can shift, since a relatively high contribution is expected of lower income categories.

4. In the course of time shifts may be seen in the patterns of solidarity. Traditional patterns of solidarity are the subject of discussion. For instance, there is an increasing pressure on a greater individualization in social security, caused among other things by the pursued emancipation of women.

New solidarity is called for for instance by the entry into operation of the General Working Disablement Insurance Act as a result of the increase in the number of those entitled to participate. We also see an expansion of the risks for which a social provision is made. This development has been accompanied by a reduced need to protect oneself against such risks. At the same time less and less of a call has to be made on the immediate surroundings: family and private social welfare.

The social security system has become a subject of public discussion and public opinion-forming. In recent years in particular this development has become increasingly manifest. However, the social security system, perhaps partly on account of its history, and possibly on account of direct involvement in the system (the industrial associations, the payment of contribution) has its own specific place with its own system of standards.

VII.6. The social security system in public opinion

1. The social security system has become the issue of a social and political struggle. For social security this is a new development. Needless to say, parts of the system have always been the subject of political differences of opinion; now apparently the whole system is at stake, in the sense that fundamental questions are being asked again. Also of importance is the tremendous growth in the costs of the system. This development and the consequent need to set further priorities have also contributed to a certain politization of the system. Below a number of results of investigations of public opinion will be cited.

2. It is striking to see how public opinion differs about evasion of tax and social security contributions and improper use.

This can be seen from the following table.

Table VII.1. Ranking of a number of actions in order of disapproval

Actions	Relative degree of disapproval
Profiting from social insurance while you are capable of working	43
Working while drawing unemployment benefit	43
Stealing from colleagues at work	42
Shoplifting	30
Lending money at exorbitant interest	29
Paying with counterfeit money in a shop	28
Simulating sickness as an employee	26
Not reporting earnings to the tax authorities	18
Smuggling drink and cigarettes as a tourist	14
Travelling by train without paying	13

Source :Socio Cultural Report 1976.
Netherlands Foundation for Statistics.
'Onderzoek inzake het beeld van de werkloosheid' (Survey on the image of unemployment) 1976. p. 7.

Further, the image formed of the system is certainly not unequivocal. For instance, it is striking that differences in priority are given to the social insurance laws. This is illustrated by the following table (9).

Table VII.2. Ranking of desired economics

	1ste place	2nd place	3rd place
Health Insurance act	5,6	7,8	14,3
Working Disablement Insurance Act	3,3	3,7	9,5
Sick Fund Act and General Act of Specific Health Risks	8,3	10,9	13,9
General Old Age Pensions Act	0,9	1,3	1,8
General Widows and Orphans Pensions Act	0,5	1,3	3,6
Unemployment Insurance Act and Unemployment Provisions Act	33,3	26,1	16,3
General Assistance Act	19,6	31,1	20,9
Children's Allowance	28,5	16,7	19,7

Source : Central Bureau for Statistics :
Monthly Social Statistics, September 1976.

These figures show that the children's allowance, the unemployment laws and general assistance deserve priority above cuts. It is further striking that in this respect the working disablement laws have a low score. A cautious conclusion is that it is difficult to generalize about 'the' view of social security, but that opinions on parts of the system differ.

Another point of importance is the view on abuse of the system. Here too we see a differentiation occurring in the various social security laws.

Table VII.3. shows that in particular the General Assistance Act and the unemployment laws are regarded as laws with a high frequency of misuse.

Table VII.3. Opinion on misuse of social security provisions

	Often	Occasionally	Seldom or never	No reply	Total
	%				
Health Insurance Act	43,7	42,9	12,1	1,3	100
Working Disablement Insurance Act	16,1	39,5	42,2	2,3	100
Children's allowance	1,4	5,0	91,5	2,1	100
Sick Fund Act and General Act on Specific Health Risks	5,6	18,5	72,7	3,1	100
Unemployment Insurance Act and Unemployment Provisions Act	62,0	31,6	4,9	1,5	100
General Assistance Act	40,1	41,1	16,2	2,6	100
General Old Age Pensions Act					
General Widows and Orphans Pensions Act	0,7	4,4	93,0	2,0	100

Source: Central Bureau for Statistics,
Monthly Social Statistics, September 1976.

3. These results are of importance above all on account of their value as a signal. The politicized discussion on social security evidently relates first and foremost to the General Assistance Act and the unemployment laws. It is considered that these laws are much abused, while they are the first to be put forward for possible cuts. It is also noticeable that the Health Insurance Act does not have a high score as regards the possibility of economizing, but does have one with regard to misuse. The picture can be summarized as follows:

- a. There are social insurance laws that barely form the subject of discussion, such as the old age pension and widows and orphans pensions laws.
- b. There are social insurance laws that cause controversy, such as the unemployment laws and the General Assistance Act.
- c. There are social insurance laws that occupy a position intermediate to the above categories, for instance the Health Insurance Act.

Although no firm conclusions can be drawn from this material, the following can be stated hypothetically:

– The opinion on a social insurance law may be connected with the change that a person himself has of likewise becoming a recipient of the benefit in question. The greater he considers this change, the greater the change may be of his having a positive opinion on the law in question. In this respect it is explicable that the Old Age Pensions Act is regarded as the least controversial and the General Assistance Act is regarded precisely as controversial.

– The low legitimacy of being unemployed already mentioned proves to be confirmed by these figures.

– The pattern of the laws connected with sickness is more differentiated. The limited tendency to economize is perhaps connected with the considerable change of having to make use of these provisions from time to time oneself. Unclearness about the concept of sickness can easily lead to ideas about abuse. Table VII.1. does, however, suggest that misuse of the Health Insurance Act is considered relatively less serious. In Chapter V the problems of sickness absenteeism have already been extensively discussed.

VII.7. The problems of the inactive

1. The problems of the inactive themselves have considerable value as an indication. This is most closely bound up with the place and significance of work in our society.

In general work is regarded not only as a right but also as a duty (10).

In general there prove to be few differences in value orientations on the function and the appreciation of work among the most important social groups, including employers' and workers' organizations. The desired changes in the ethos of work relate more to the intrinsic aspects of work: development in one's work and the attractiveness of work. In addition to the important function that one's working position has for one's social position, the following functions can be ascribed to work: it gives income, grants social prestige to the individual and his family, offers possibilities of establishing social contacts, provides opportunities for individual development and contributes to service to society.

Even in the case of groups critical of the present moral code of work it proves that the changes that they propose, though perhaps revolutionary on some points, barely relate to work.

The critical comments that can be made about work are many and varied. Not all work gives opportunities for development. Working conditions often leave much to be desired. Indications may be found in the level of and increase in sickness absenteeism, which is often caused by working conditions (see Chapter V). The problems of unpleasant work are pronounced: much work has become so unattractive for the Dutch that foreign workers do this work.

Investigation has shown that in many cases workers have a rather negative opinion of their working conditions. This is in contrast with the categories of business heads/senior and middle employees (see Appendix VII-C, Table 1).

2. Those unfit for work and the jobless have considerable problems. Policy has so far concentrated on the material aspect. But the immaterial aspects call for equal attention. Precisely the great appreciation of work in our society entails problems for those groups of inactive persons who must be considered capable (whether fully or not) of performing work. Polls show that many disadvantages of not working are mentioned both among those unfit for work and the unemployed. These relate not only to the financial consequences of not working, but also to other disadvantages, such as social isolation, the feeling of being out of things etc. (see Appendix VII-C, Tables 2 and 3).

However, the material aspects also play a part. This applies in particular to those inactive persons who are permanently dependent on benefit, such as the W.A.O. (11). The W.A.O. gives a wage-related benefit of 80% of the gross wage last earned and comes through a number of changes to about 90% of the net wage last earned. However, many recipients of W.A.O. benefit probably belong

to the lower income categories. This means a drop in income, as a result of which economizing on the necessities of life may soon become necessary. Other aspects of the income situation are the uncertainty of the duration of benefit and the fact that it *is* benefit. It may be added that some of those entitled to benefit are in addition rather dependent on other sources of income, e.g. rent subsidy. Although further research is lacking, it is probable that this 'accumulation of dependence' simply increases the feeling of not belonging. For forming an opinion on this it would be useful to obtain insight into the effects on income in the course of time in inactivity, in respect of the development of income in an active status.

This is because the decline is not simply confined to monthly income; the financial prospects for the future are also less favourable. Incidental wage increases such as rises, promotion etc. no longer occur.

Of particular importance in the problems of the inactive is the fact that being without work, the decline in income and the lack of appreciation of one's social position have a cumulative effect.

VII.8. The influence of the social security system on the choice between working and not working

1. The influence of social security on readiness to work is a much discussed subject. However, from the scientific point of view only limited knowledge is available. This subject is not so easily accessible with the usual methods of social research. However, the problem is of great importance to the matter under discussion.

The reasons why are as follows:

— The view that certain benefits are too high and therefore have an adverse effect on the readiness to accept work has spread to some extent in public opinion. As a result its political importance is increasing.

— If the readiness to work is in fact increasing under the influence of social security, this can have an adverse effect on the functioning of other systems, such as the labour market, notably the mobility of labour.

— Further, the readiness to make transfer incomes available may not be endangered by this.

2. In general the size of the benefit does not have a decisive effect on readiness to work and actual behaviour with regard to working (12). Social control proves to be of great importance to the possibility of choosing between working and not working. Social control varies for the different categories; for young married men, for instance, it is greater than for young married women. Moreover, women usually have alternatives for not working that are highly rated by many in their surroundings, for instance educating children. In many cases it will also be so that when work offers possibilities of development, the social security system cannot hinder re-entry into employment. The opposite is, however, the case if these possibilities are inadequate.

For the future it is important that the influence of social control on working could become less at a high general level of unemployment. In such a situation the unemployed person's surroundings will not ascribe the unemployment to the person himself. This may lead to an increasing discouragement to work. The influence of social control itself could become less. Above all the growing pattern of urban life in the dormitory towns in particular can lead to alienation, in which existing forms of social control function much less (13). The regularity in one's life at work is also important. The development of the structure of the labour market is leading to a growing category of people with discontinuity in their life at work (temporary work, part-time work, unemployment). This means that involvement in the work, which is usually based precisely on regularity, changes of upward social mobility and job satisfaction, can develop less.

3. The influence of social security on the choice between working and not working does not relate solely to the acceptance of work in an unemployment situation. The problem is of a more general nature. Social security has given the individual a certain freedom, though within given limits.

Usually marginal decisions are involved here, such as reporting sick a day earlier, returning to work a day later, or reporting sick in general. This freedom of choice gives the individual the possibility of using social security as a means of facing up to certain problems for which the system is not intended in principle. Examples of these problems are unfavourable working conditions and family difficulties. This widening of functions of social security is so firmly implanted from the social point of view that it is difficult to imagine that it would not exist. Social developments are to be expected in the future which will give still greater emphasis to this widening of function. It is therefore important that the sanctions in social security are not of such a nature that they inhibit social development.

VII.9. Some future developments

1. The growth to be expected in the number of inactive people means that the volume component of the transfer incomes will increase still further. Fewer active persons will have to bear the burden of more and more inactive persons. Moreover, for the future serious account will have to be taken of changing economic circumstances. At present one may already speak of a highly developed social security system. However, there are still unfulfilled wishes and problems calling for attention.

Without being exhaustive, the following may be envisaged:

– The effects on social security of the tendency towards individualization, *inter alia* the emancipation of women.

– Arrears in the policy regarding single-parent families. The increasing number of divorces means among things an increase in the number of single-parent families. The desire to extend the package of social provisions to this category too will become increasingly strong.

– A desired pension provision in addition to the Old Age Pensions Act.

For the future it may be expected that shifts will occur in the distribution of income transfers among the collective field and the private field. It seems probable that as a consequence of changing family relations the collective sector will have increasingly to perform a transfer function where formerly private welfare occurred. Examples are the care for parents, a growing recourse to general assistance provisions by divorced women and the introduction of study wage.

2. Besides unfulfilled wants the differentiation in the wants is also growing. The variety of views with regard to such varied matters as work, consumption, other forms of society and 'risky habits' has become greater. This means that there is less unanimity about what is designated as 'deviant' behaviour. There may be increased tolerance as long as such behaviour does not lead to greater costs for the community. The heart of the matter is then the social legitimacy. In other words, how does one succeed in social justification of the alleviation of new wants with community money, or where are new bounds set? A simple appeal to solidarity is less self-evident here. The stabilizing effect that solidarity usually has on a society would in that case be derived much more from the legitimacy of the existence of a variety of views. In this way the development of people's views on work and social security and the ideas prevalent in major social institutions (political parties, unions, business) are of great importance to the extent and sphere of influence of social security.

There are tendencies in political and social development that create the impression of being contradictory to one another. Policy aims at a restriction

of the numbers of those entitled to social security. From the social point of view, however, there is a development by which possibly more and more people will fall back on social security.

In addition to these developments which, if they become real, will increase costs, there are a number of other problems in the field of social security that are important in this context. Notably if there is an increase in the categories of inactive persons who are dependent on the system for a long time it is probable that these categories will make more demands of the system. This could happen for instance through their organizations. These demands may relate to the system being more 'client-oriented'. In addition, in the case of permanent dependence on social security benefit, for instance for the unemployed, those unfit for work and recipients of general assistance, more attention will be required for the immaterial aspects.

3. Looking after the interests of the inactive plays an important part in Government policy (14). In addition the unions have long championed this category. This of course applies in particular to those people who are temporarily inactive. There are indications that protection of the interests of the inactive, certainly those dependent for a long time on social security, is also going to proceed via other patterns. The founding of General Assistance Associations, W.A.O. committees and the like are examples of this. It is still too early to draw conclusions from this. It is, however, quite feasible that, if this assumes greater proportions, considerable changes could occur in socio-economic consultation. New organizations of inactive persons may then no longer wish to leave the consultation on socio-economic matters, notably distribution matters, solely to the existing representatives of the two sides of industry.

The question is whether this development must be deemed desirable. The unions have since long been an important intermediary for weighing interests between the active and the inactive. The advent of social contrasts between the active and the inactive does not seem a desirable development.

VII.10. Conclusion

1. Our society is on the threshold of an important phase with regard to the active/inactive problem. The community is characterized by the existence of a unique combination of two systems, namely an industrial system directed strongly towards performance and a social security system which makes incomes available without a simultaneous quid pro quo.

The analysis in this report indicates that a further extension of the social security system may be subject to limitations. There are in principle two paths open, viz.

- making a larger number of more varied forms of inactivity legitimate. This will have to bring about a drastic change in ideas about work;
- creating jobs or redistributing existing jobs, so that large numbers of inactive persons do not occur.

2. If the number of inactive persons increases, this means that a steadily growing category will no longer acquire the possibility of developing or earning an income by means of work. One could orient oneself towards acceptance of that. This calls for means of procuring an income without working; further, the idea that not working is just as acceptable as working would have to be encouraged. This choice brings great problems in its train. If there is an equal social appreciation of working and not working, few grounds can be found for justifying income differentials between workers and non-workers. Not only would this require considerable income transfers, but in addition it has to be asked whether, in the event of no or only slight income differentials, enough people could still be found to occupy jobs. This applies in particular to the

less attractive jobs. If this readiness does not exist, the maintenance and reinforcement of the productivity base may also be endangered, so that the basis for the performance of transfers becomes weaker and weaker.

3. It seems better to aim at a reduction of the number of inactive persons. The desire to work which many possess ought to be satisfied as much as possible. The consequence of this is an endeavour to increase the number of jobs. In the previous chapter it has already been stated that increasing the number of jobs and strengthening the productivity base are not at all times reconcilable with one another. Jobs will therefore have to be increasingly created in sectors that do not strengthen the productivity base. In addition a redistribution of work seems desirable. From the social point of view this distribution should be arranged in such a way that groups with the least legitimacy for not working are re-employed first. The readiness of the active to perform income transfers will probably increase if precisely these categories are found work again.

CHAPTER VIII. SOME COMMENTS ON THE POLICY INTENTIONS REGARDING EMPLOYMENT IN THE MEDIUM TERM

VIII.1. Introduction

The shortage of jobs already existing will probably increase still further in the future, which is why the Government has announced a package of policy measures to drive back unemployment to 150,000 by 1980.

Below some brief general considerations are given on this announced policy. The uncertainty about economic development will merely be outlined. There will not be a detailed discussion of the content of the policy measures now being applied or announced, viz. the 1% policy, the Investment Account Bill and the wage subsidy schemes. Opinion is still forming on these policy measures. Nor is the material elaboration of the measures as yet complete. Consequently, a thorough technical evaluation of the measures is not given. However, from a long-term point of view some comments are made on the proposed measures.

VIII.2. The announced economic policy regarding employment (1) and the uncertainty about economic development

1. Economic development up to 1980 would entail considerable unemployment if policy were not amended. Continuation of the present policy without changes would yield an unemployment figure of 260,000 in 1980 (2). The Government has therefore sought new policy measures. The 1% policy, which means that the increase in the burden of collective charges as a percentage of national income will be restricted to 1% in the years 1977–80, is of great importance here. Without a change in policy the increase in the burden of collective charges over a period of four years would amount to about 9% of national income. This would have had highly negative effects on national wage and price development and employment. Restriction of the growth of the burden of charges clearly lessens these negative effects. Nevertheless, structural unemployment would still increase from 150,000 in 1975 to 210,000 in 1980. In the Selective Growth White Paper additional policy measures are announced, aimed at achieving an increase in the level of investment by firms. In addition it is being endeavoured to lower the wage level by means of subsidies. With the aid of these measures it is hoped that by 1980 unemployment would be reduced by a further 60,000 man-years. These estimates for 1980 are projections of a cyclically neutral nature. Temporary fluctuations in the manning of the machinery of production can have a favourable or unfavourable effect on the estimates.

2. The package of policy measures by no means does away with concern about employment. In manufacturing industry, the building trade and agriculture a further contraction of employment is occurring. In manufacturing industry, however, the declining trend in employment can lessen to some extent in the long run, if at least real labour costs rise less strongly. Consequently, existing jobs are being abolished less quickly. The decline that is nevertheless taking place is being insufficiently countered in the expansion of employment in the service sector.

The objectives presented in the policy memoranda assume that there will be an intensification of labour market policy. This requires an increasingly refined

coordination of policy sectors. It goes without saying that this will make considerable requirements of the government organization, which is already highly complex as it stands. It is therefore sometimes argued that the limits of traditional government adjustment are beginning to appear.

Moreover, allowance must be made for unexpected developments wholly or partly outside the sphere of influence of Dutch business and the Government. If for instance world trade remains 1% below the estimated 7–8% increase a year, this means an increase in unemployment by approx. 11,000 man-years, 1% more autonomous wage increase would entail an increase in unemployment by approx. 50,000 man-years and 1% less investment would cause unemployment to grow by approx. 6000 man-years (3). This would be fatal, particularly if such events were to occur simultaneously. If for instance these key quantities were to undergo the same development in the years 1975–80 as in the period 1970–75, the following differences would occur:

	1970/75	1975/80	difference
World trade	5,9	7,5/8	1,6
Wage rate	14,1	8,5	5,6
Investments	-0,7	4	4,7

For unemployment this would mean an increase by approx. 325,000 man-years (4).

In the above only a tentative indication has been given of a dramatic development. The three quantities mentioned need not necessarily all develop in the same unfavourable direction. However, with regard to other quantities such as import price, wage costs in other countries and the rate of exchange in respect of competitors, the Central Planning Bureau adheres to values in which the deterioration in position in the years 1970–75 is not continued. In this sense the sombre picture presented in this numerical example is not illusory in all respects.

There are other reasons too for concern about the above estimates. At the time of publication of this report 1980 is still 2½ years away. Meanwhile, for 1977 as well the unemployment estimate remains above 200,000. The developments of a number of factors dominating employment, such as world trade, the wage rate and investments, also compare unfavourably with the projections for 1980 (5).

Consequently, increasing reserve must be observed regarding the question whether the objective for unemployment in 1980 will be met.

3. In the report 'De Nederlandse Economie in 1980' (The Netherlands Economy in 1980) it is rightly pointed out that the estimated are based on connections established in the past. This restriction is of greater importance to the problem of the relation between the active and the inactive than usually in economic studies. We are after all living in a time of major structural changes. It is therefore more necessary than before to consider forecasts in this light. Attention must also be paid to the consequences of a possible accumulation of uncertainties as indicated above. Moreover, the social consequences of extensive changes in employment are of a greater variety than economic data suggest. For policy-making and the institutional organization of society it is perhaps advisable not to proceed so much on the assumption that the problems of unemployment are of a transitory nature. Perhaps it should be assumed to a greater extent that this problem is insoluble. Since this possibility, even in the shorter term, is not entirely unlikely, more attention should be paid than at present to making adequate provisions. In that case one will have to reflect among other things on the question of how the population can be found willing to assign a less central place to work.

4. A separate problem in socio-economic policy is the increase in collective expenditure. The 1% policy is aimed at bringing about a restriction in this increase. Despite the reduced growth, the collective sector is laying increasing claim to incomes. A continuation of this development would mean in the long term that the collective sector would be acting as intermediary for practically the whole of income. This development is a problem in itself, which is above all of importance with a view to the economic order. This problem will not be further discussed here. It is, however, important to point to the significance of questions of the economic order to this study.

The ideas developed in this report strongly assume the primacy of work in our society. It would be conceivable not to grant the highest priority to employment but to opt on considerations of expenditure for the maintenance or improvement of the available incomes of employed persons. In that case there will be relatively less available for the transfer of incomes and collective expenditure.

By opting now for the primacy of work the claim of the collective sector to incomes could increase. This does not need remain valid in the long run. For this report discusses also possibilities that maintain the productivity base as much as possible and at the same time can effect an increase in the number of jobs, for instance short-time working. In principle these possibilities need not require an increase in collective expenditure. As a result there would at the same time be fewer possibilities of encouraging employment.

Some indication has now been given of the problems of the limits of the economic order. The choice between the primacy of work or of possibilities of private spending by the active members of society is in essence a distribution problem.

VIII.3. Comments on the facets of economic growth and employment

1. Just as in traditional economic policy there are partly conflicting objectives, for instance the pursuit of internal equilibrium and stable prices, the facets of modern sector-structural policy are in part contradictory. This applies for instance to economic growth, environmental conservation, countering the depletion of natural resources, full and worthwhile employment. It may be asked how the selectivity of the Investment Account Act must be shaped as long as the facets have not been fully weighed against one another. The Selective Growth White Paper has at many places a summarizing character. The connections between the various policy instruments are not made sufficiently clear.

In particular the relation between economic growth and employment plays a part in this report. After all, these two facets are linked to the central subjects here, the productivity base and the relation between active and inactive persons.

Mention has already been made above of a certain strain between these two facets. Nevertheless, furtherance of investment will have a positive effect on employment. There is little doubt that by furthering investment:

- jobs in manufacturing industry can be maintained or created by stimulation;
- positive repercussions may be expected which help to further employment elsewhere;
- considerable effects on expenditure, notably for the capital goods industry, are the result.

Further, as part of facet policy, new industrial sectors can be initiated, such as the environmental industry. These new industrial sectors can make a contribution to re-employment of labour shaken out elsewhere.

However, the problem is that the relation between employment and investment is shifting as a result of a steadily increasing capital: labour ratio. As a result, an employment policy based on furthering investment will require greater and greater effort. In the latter attention must be paid not only to actions today but above all to the future results of present Government intervention.

It may be assumed that the labour-saving development of technology will continue. This technology is largely contained in investments. Upon replacement of the investments now initiated one will therefore be confronted in the future with the same problem, but then in an even stronger degree. In this sense the medicine for the present complaint is the causal agent of a perhaps more serious complaint in the future.

2. For other reasons too, use of the relation between employment and investments as the point of departure for policy may be queried. The Dutch economy is of a highly open nature. There are a number of aspects connected with this. Firstly, exports are of pre-eminent importance to the Dutch economy, both for the productivity base and, perhaps indirectly, for employment. Dutch exporters meet with competition on foreign markets. Secondly, industry working for the domestic market will have to be able to stand up to foreign competitors operating on the Dutch market. Thirdly, in the future too there will continue to be a need for imported goods for which substitution by domestic production is hardly possible, if at all. This last point too requires a strong export position. The competitive position on the domestic and the foreign market is highly dependent on the relative price development (6). In this context it is of importance that the price of labour tends to increase more quickly than the price of capital. Capital intensification is therefore necessary to guarantee external equilibrium. Consequently, caution is called for in furthering employment at the expense of the contribution that capital-intensive industrial sectors make to external equilibrium and the productivity base.

3. The above points contain a plea to make allowance in employment policy for sectors making a considerable contribution to the productivity base by means of capital intensification. This does not mean that these sectors need not be the subject of Government control. Stimulation of the productivity base by furthering investments continues to be called for. The Government should play an active and dynamic part in this. In particular thought could be given to the extension of facilities for turnkey projects. (7). However, the idea that at the same time the employment aspect will be directly served seems less real with a view to the future, since this can only happen with great financial sacrifices. It seems better to aim employment policy at those sectors where labour is the dominant factor of production now and in the future. Parts of the secondary sector need not be excluded from this. Where labour-intensive production processes are possible within the secondary sector, without impairing the productivity base, these may quite definitely remain the subject of Government control.

Especially in some parts of the service sector the substitution process seems to be acquiring less shape. These are the sectors that lend themselves primarily to employment policy. A strong productivity base can offer the means for that. Nor need the Government always be the intermediary in this case. Employment can also occur in sectors making less of a contribution to the productivity base by natural 'handing-on' effects.

Shifting the equilibrium of employment policy from the capital-intensive secondary sector to the tertiary and quaternary sectors in fact ties in with the shift that has occurred in the past from the agricultural to the industrial sector. The way in which the reclaimed cultivable land in the IJsselmeer was allocated is illustrative in this connection. Despite the fact that at that time the exodus of labour from the agricultural sector was already in full swing, allocation did not take place by means of the criterion of employment, but consideration was given above all to the possibilities of production.

4. The undertone of the reasoning unfolded above is that of an employment policy primarily directed towards the service sector and a productivity policy primarily directed towards industry. This may not be seen as a black and white

contrast. Certain subsectors of the service sector are of great importance precisely to the productivity base, in view of the development of productivity. Incentives from the Government are certainly conceivable here, in particular for sectors making a considerable contribution to exports. Sectors in industry can remain interesting from the point of view of employment. Moreover, employment policy in the secondary sector can be directed above all at humanization of the available jobs.

Incidentally, it proves that particularly in the capital-intensive production processes the quality of the jobs is relatively high (8).

Further, some sectors of the economy are from some point of view or the other of importance to that economy and will therefore have to be preserved. Instances are parts of agriculture, whereby the aim be to restrict dependence on other countries regarding food supplies. What makes stimulation, or at the very least preservation, sound is therefore not the jobs in such a sector, nor its contribution to the productivity base, but the product of a different objective. The question is whether the furtherance of employment in the longer term is in fact desirable where employment and production are hardly compatible with one another.

Rather than to against the 'natural' process, it seems more effective for policy to tie in with the phenomena that the economic process produces. This entails stimulating production where the process operates in the direction of more production, if necessary utilizing less labour. The resources obtained by drawing on the productivity base should then be used for job creation elsewhere. The contrast between industry and services in this connection is merely an apparent one. It would perhaps be better to speak of sectors creating productivity base and sectors creating jobs.

5. Giving the service sector a more central position in employment policy at the same time corresponds better to the shift in spending. It may be observed in all industrialized countries that increased prosperity expresses itself among other things in an increasing requirement of services. In this sense the objective of strengthening the productivity base fits in better with an employment policy directed above all towards the service sector. In Chapter VI the question arose whether expansion of the service sector, partly having regard to the reduced rate of economic growth, will be sufficient to absorb both the expected growth in the labour supply and the volume of labour shaken out elsewhere. This must not be taken too lightly, certainly when it is borne in mind that in the service sector too processes of automation and rationalization are going on.

Nevertheless, the service sector offers prospects for employment. Examples are forms of work inside and outside the market economy which if necessary can be supported by wage subsidies: shops in remote villages, restoration of craft-type activities, environmental functions and intensification of services. The central idea here is that with a strong productivity base one has more possibilities available for policy (wage subsidies in the service sector and direct financing of the quaternary sector) than one has by always aiming at industrial activities with a high labour-intensity.

An elaboration of this is to embark on a non-profit service sector, the quaternary sector. See for this Chapter XII.

6. In the above it has already been stated in the future the labour supply will change not only quantitatively but also qualitatively. The degree of participation by women will increase. The growth in participation will be above all in the form of part-time work.

In fact these are forms of voluntary short-time working viewed from the supply side. Job creation for part-time work is stated in the Government white papers as a policy intention (9). The service sector certainly offers possibilities for this. In the first place much of the service sector is under the influence of Government intervention. In the second place the nature of many services is

also such that there are few technical obstacles to the introduction of part-time work of any extent. Further, it may be pointed out that even now part-time work is being introduced in many branches of the service sector, for instance in the retail trade and in health care.

VIII.4. Comments on the wage subsidy schemes

1. The wage subsidy schemes are intended to serve two purposes. Firstly, by means of wage subsidies one has direct control over labour costs and can thus preserve jobs.

Secondly, the aim is to obtain the right equilibrium between actual demand and productive capacity.

The selective way of control may indeed be described as a great advantage.

An interesting form of granting wage subsidy has been developed by Gösta Rehn (10). He advocates above all applying direct wage subsidies. Not only does the measure have the advantage of a great degree of controllability. At the same time the financial effects in transition from unemployment to an income-earning activity prove to result in a positive net yield for the community (11). To arrive at this the subsidy costs are corrected for the higher taxes and revenue from social security contributions (the making-up effects) and then compared with the reduced burden on the social security funds. The results are certainly striking. However, the problem is whether the unemployment benefit may be included in this calculation. The funds are contributed by those entitled to benefit themselves within an insurance system. The Minister of Social Affairs has answered questions on this in the Second Chamber in similar fashion. Nevertheless the question imposes itself as to whether, in the event of really mass unemployment in the future, the structure of a national budget must continue to be maintained alongside a social insurance fund financed by those entitled to benefit.

The two other restrictions mentioned by the Minister are:

- job creation also involves investment;
- it must be possible to dispose of the increased production resulting from the subsidized jobs.

These restrictions can certainly not be disregarded. Nevertheless, parts of the service sector, and above all the quaternary sector, present possibilities of creating jobs to meet wants still unfulfilled, with little or no capital.

2. Gösta Rehn's simple addition and subtraction probably suggest more than would prove to be the case in actual implementation. Nevertheless, attention is drawn to this view for a couple of subsidiary reasons. In the first place this way of reducing future inactivity can counter the side-effects of not working. One may think of the burden on the medical system etc. A second reason is that it can be derived from these calculations that mass unemployment may also have an impact on the incomes position of the Government. In this way too the Government has become a party to the solution of unemployment.

The important thing is that this fact draws attention to a restriction that is inherent in a development of the economy that would be aimed solely at attaining the best possible (at least adequate) value added while ignoring employment. In addition distribution of labour would then have to offer the solution for unemployment.

VIII.5. Conclusion

From what has been said above, a number of conclusions can be drawn. It has been argued that stimulation of investments from the point of view of employment is not always to be recommended. It has been maintained in this chapter that there is a strain between the furtherance of investments and the furtherance of employment. Despite the positive effects that stimulation of

investment can have on employment, considerable allowance must be made for the changing relation between the factors of production to the detriment of labour. This leads to a reduction in jobs. An employment policy by means of the furtherance of investment will therefore demand ever-greater sacrifices, and, in view of the extent of the problem, will offer insufficient relief. Further, in this way one may come into conflict with other socio-economic objectives, such as depletion of natural resources, environmental management etc. Moreover, it is the question whether stimulation of investment from the point of view of employment may not be disadvantageous for the competitive position and thus for external equilibrium.

It has been argued that it seems sensible, precisely to counter future loss of jobs, to shift employment policy to sectors where substitution of factors of production is of much smaller occurrence. Stimulation of investments would then have to take place more in the framework of a productivity policy. In principle the Investment Account Act offers possibilities for this. In typical 'productivity base sectors' (possibly firms) when stimulating investment, higher priority could be given to growth than to employment. A strong productivity base offers possibilities of creating jobs elsewhere.

The Council therefore recommends to the Government that investment stimulation policy be tied less tightly to employment policy. It seems better to aim at a strong productivity base that can also be used on behalf of employment. In parts of the industrial sector and the service sector a productivity policy aimed at strengthening the productivity base should be given pride of place. Stimulation of investment can serve as a means to this end without the job criterion being used to the full. Reinforcement of the productivity base presents possibilities of conducting an employment policy at the same time which is aimed at sectors contributing less towards the productivity base but creating considerable employment. For the Council the central idea here is that with a strong productivity base great and more lasting possibilities of choices are kept open than in the pursuit of industrial activities of high labour-intensity.

IX.1. Introduction

1. The preceding chapters have shown that the prospects point to a strong growth of the labour supply, so strong in fact that it seems that demand will be considerably exceeded. The problems are such not only in size but also in nature that job creation offers inadequate relief. On the supply side it is not only a matter of volume developments but also of changes in the composition of the working population. Further, changes in the preferences play a part, for instance those for varying working hours. On the demand side the influence of change of scale and specialization will continue to exist.

These prospects will make stringent demands on labour market policy.

The sphere of influence of the present policy is confined to corrections to market processes. The operation of the market is such that there are constant adjustments of supply and demand. A state of equilibrium is usually inferred from the absence of a large registered labour reserve. However, even with a small labour reserve there may be disequilibrium, namely when demand considerably exceeds supply. An existing equilibrium need not be acceptable from the social point of view. After all, marginal groups are employed and disemployed. They would like to carry on working, but economic development prevents that. Developments like these indicate that within the market process major adjustments are taking place that entail a considerable alleviation of the burden of decision making for policy. The significance of this becomes clear when changes of a structural nature occur in economic developments. The adjustments are then no longer adequate. To an increasing extent there is recourse to the (central) Government. The latter then intensifies its concern with the labour market and expands it, among other things by creating temporary jobs, retraining, rehabilitation, supplementary training and sector-structural policy. Often, however, this is a reactive policy; it does not anticipate developments that may disturb the adjustments on the labour market. To be able to follow an anticipatory policy it is necessary to track down in time the factors that may disturb the operation of the labour market. These factors are, on the supply side, the rise in level of education and, on the demand side, technical and organizational innovation. Further, signs of saturation of consumer demand are of increasing importance (building market).

However, these developments are largely autonomous and do not react at all, or do so only slightly, to changes in their vicinity. For instance, the rising level of education is inelastic, i.e. partly independent of the development of demand. The (increase in) scale of firms is usually hardly sensitive to preferences on the supply side. In other words, the possibilities of technology and organization have shaped the (great) scale on which production occurs. The preference of the people who (have to work) in that production do not affect this. This has major consequences for mobility on the labour market. The renewed interest in smallness of scale and a return to crafts may perhaps form the beginning of correction of technical and organizational innovation. This entails the search for a new equilibrium of technical, economic and social objectives. For the time being processes of technical and organizational innovation seem to form a datum to a considerable extent. In what follows these factors of a more structural nature, and their significance to Government policy, will be discussed in more detail.

IX.2. Problems on the supply side:

Development of education and training

1. The designated problem regarding education and training may be defined as the growing gap between what is demanded on the labour market in terms of knowledge and skills and what on the other hand the supply is of knowledge and skills. Unemployment varies rather from occupation to occupation. This can be interpreted as an indication that the direction taken by education does not link up sufficiently with the demand on the labour market. In addition, changes in the content of educational curricula may reduce the tie-in with the labour market. In what follows the differences in level which may occur in the future between supply and demand occupy a central position. With regard to direction and content, corrections both by the market and by means of policy adjustment are conceivable. Development of the level is a factor which is important not only from the point of view of the labour market. An expansion of general development is a social phenomenon. Often, as a result of this, the individual possibilities of development – in many cases also outside the working situation – will increase. However, this may give rise to tensions within the working situation.

With a view to the labour market the discrepancies between supply and demand according to level of education have been illustrated by means of data taken from the student-flow model of the Central Planning Bureau. This model describes the flow through education and the subsequent entry into the working population.

A preliminary result of this has the following appearance:

Table IX.1. Comparison of supply and demand regarding the working population in business*) according to level of education

		primary	secondary	higher
1970	supply	48,5	46,0	5,5
	demand	48,3	46,6	5,1
1980	supply	30,3	60,5	9,2
	demand	37,2	56,6	6,2
1990	supply	19,0	66,9	14,1
	demand	25,3	67,1	7,6

Source J. H. M. Kok, F. B. Lempers:
Qualitative aspects of labour; long term
impacts on labour market and production,
C.P.B. Occasional Papers, No. 11.

*) Including the unemployed.

These figures are meant only as a rough rendering of trends that are becoming apparent. Also of importance are the absolute levels of the totals of supply and demand. It cannot therefore be concluded from the figures that in 1990 there will be a demand surplus at primary level. It does seem that, given an increase in the total supply, a supply surplus will occur at the higher level. In general there will be considerable equilibria on the labour market around 1990.

The implications of the projected development are not all clear. A certain degree of self-regulation may occur because for instance people with a higher education are prepared to accept jobs of a lower level. However, this can easily lead to a shifting of the problem, with the least skilled finding their position on the labour market weakened in the future by the supply of better-educated persons. Discrepancies that are a result of difference in direction will also make themselves felt, like the present situation in which technical school-leavers often have a better position on the market than secondary school-leavers.

Various investigations have shown that employees with a training which is specific to a branch of industry, occupation or field will probably change less

quickly than other employees (1). In the case of an abundant supply there is not so much a shift in supply to other branches of industry and occupations as a downward pressure on the supply in lower occupational regions.

The discrepancies in content relate to the qualifications imparted by the various educational institutions and the requirements made by the corresponding functions. The widening of education is of importance here. It can be demonstrated that as a result of this school-leavers take a longer time than before to meet the requirements that their jobs make of them (2).

Discrepancies in level of education also have important social consequences. It is notably the question whether the forecasts will operate as a 'self-destroying prophecy'. There is little that can be said for certain on this point (3).

Finally, it must be remarked that socially speaking there is as yet hardly any experience with a situation in which large numbers of people are temporarily or permanently in a working position that is beneath their education.

IX.3. Problems on the demand side:

Change of scale, differentiation and segmentation on the labour market

1. The process of industrial development has brought in its train a very considerable differentiation of the demand for and supply of labour. There is variety in both the nature of the work and its level. It is above all the constant and steadily progressive division of labour that is of importance to the problem of mobility.

According as work is more homogeneous, occupational mobility will form less of a problem. However, the present-day heterogeneity on the supply and demand sides does present problems. This heterogeneity relates not only to the progressive division of labour but also to the technical and organizational scale of firms.

The idea of segmentation of the labour market can be used to explain this (4).

Technical and organizational innovation has effects on the occupational structure and on the structure of branches of industry. Processes occur in which certain occupations disappear and other come into being. The structure of industries also undergoes major changes. In this way a certain autonomy occurs in the demand on the labour market. However, as has emerged from the preceding section, supply too is becoming more autonomous. This discrepancy is further reinforced by the fact that the number of tasks for which knowledge specific to the firm in question is required, increases when technological innovation is applied (5).

However, in general firm-specific knowledge is difficult to use in other firms. This will have a restrictive effect on mobility. The outlined developments on the supply and demand sides have led to the occurrence of segments on the labour market between which relatively little exchange takes place.

The idea of segmentation is not a new one. The theory of the dualistic labour market was developed at an earlier date (6). In this theory the labour market is seen as consisting of two strata: a primary one with relatively high wages, a great degree of stability, little turnover of labour and a relatively large job content, and a secondary one with relatively low wages, great instability, a relatively small job content and poor working conditions. The above-mentioned segmentation may be regarded as a consequence of three factors, viz. the division of labour, technical and organizational innovation, and the increase in scale. On the strength of these three segments may be distinguished. The second one corresponds broadly to the normal labour market. In the theory of the dualistic labour market the third segment closely resembles the secondary external segment. The first segment consists of large capital-intensive firms with stable markets. The division of labour within these firms is so advanced that a large number of the jobs are specific to them. An internal labour market for the firm can easily develop. In the case of less capital-intensive firms too a professional personnel policy can close the firm off from the external market. This applies

above all when the labour market is tight. The increase in scale of the firms is also important here. In the case of the Government one can speak of a large internal market, since expansion occurs with a work force whose continuity is guaranteed by permanent engagement. The importance of this segmentation lies above all in the fact that it points to a number of developments coming from outside which can largely determine the structure of the demand for labour. The segmentation idea is further considered in Appendix IX.

The idea of decrease of scale is also winning ground. But for the time being implementation to such an extent that it changes the structure of the labour market does not seem likely. It is further to be expected that a development in this direction is not dependent in the first place on (technical) possibilities but also, and above all, on the priorities that the employers' organizations will give to this. Technological and organizational innovation will also continue to be an important factor in economic development for the time being, on account of its autonomous nature and its importance to the development of productivity.

Both for the maintenance and creation of jobs and for the functioning of the labour market this is an alarming development. The possibilities of testing and controlling technology have still hardly been examined. The complexity of the problem, plus the fact that this development within the industrial world of the last thirty years has not previously led to considerable frictional phenomena with regard to employment, is certainly a part-cause of this neglect.

2. In view of the plausibility of the segmentation process, it seems desirable to point to a number of aspects that may result from this development.

— Firms in the first segment are highly organized for stable production. Consequently, cyclical, seasonally sensitive or otherwise unstable work is rejected as much as possible. This leads to the coming into existence and further growth of a number of firms geared more to instability than to stability on the periphery of the larger firms. Here too, therefore, we have division of labour, namely at firm level. The third segment is hereby organized for instability as regards production and therefore has unstable numbers of employees. Examples of such firms are all kinds of subcontractors and also temporary employment agencies, and further cleaning firms and some transport firms.

Employees of these firms are often workers with a weak position on the labour market: coloured persons, foreign workers, certain groups of young people, older workers and women.

— Possibly there will be a switch of labour from the first segment to the third. This will usually entail less favourable conditions of employment for the workers. For the equality on the labour market this is of importance. From the social and cultural point of view too this is alarming, because the unstable labour segment already consists as it is of people who are at the bottom of the ladder with regard to housing, education and social intercourse.

— Workers from the first segment will not easily switch to acceptance of work in the unstable third segment. Employers in the first segment will usually not hire workers to whom they attribute unstable working habits. Partly as a result of this, the phenomenon may increasingly occur of large numbers of vacancies at the same time as a large registered labour reserve.

— As has been proved in practice, closures of firms and mass dismissals can also happen among the stable firms of the first segment. As a result, workers with firm-specific skills may become jobless. Placement elsewhere is then usually difficult. This may be both a consequence of the lack of jobs and of the difficulty of acquiring other skills in order to be placed elsewhere.

— Finally, mention should be made of the possible effects on the development of wages of the simultaneous occurrence of a high rate of unemployment and progressive segmentation on the labour market. Segmentation will also lead to an insufficient feedback from the (growing) level of unemployment to wage increases. In other words, a moderation of wage increases as a result of high unemployment will take place to a limited extent only, if at all.

Accordingly, the relative scarcity on the labour market cannot be reflected adequately in the development of wages. For surpluses on the labour market will not lead directly to wage moderation. Nor will it be possible to express shortages in wage increases for certain jobs. In the third segment the development of wages can still adjust most easily to the quantitative relations between supply and demand. Firms in the first segment can also protect themselves in a different way from developments on the labour market and with regard to wages. For instance, if as a result of Government measures and collective agreement arrangements, wage increase are not permitted, or permitted only to a certain but defined extent, it is to be expected that firms in the first segment are able via incidental wage increases to (selectively) improve the remuneration of their personnel.

IX.4. Employment and disemployment trends

1. In addition to the phenomena of discrepancy and segmentation a third important phenomenon occurs that determines the structure of the developments on the labour market and that may be designated as the existence of employment and disemployment trends. In the expansion of the Sixties the increasing demand for unpleasant work was met above all because married women and foreign workers proceeded to participate in the Dutch labour market. The present unemployment may entail that some of the supply of labour withdraws. In addition to this operation of the market, some countries also follow a policy aimed at reducing the participation of for instance women. Both by policy and by the market a reduction in the volume of supply can be achieved. The present report has already dealt with the social consequences of this. However, through this process price adjustments can be considerably hampered. There are indications that these adjustments of volume will occur less easily as regards operation of the market. This could have important effects on the function of the price adjustments — wage moderation and wage increase — and also on the division of labour. There are at least two tendencies which ensure that the labour supply will not withdraw so easily from the market during a cyclical downswing. In the first place the higher level of education implies that occupational bility may lessen. According as this level is higher, education is regarded more as an investment and there is a greater attachment to career expectations.

Then allowance must be made for a change in standards for categories now occupying a weak position. For instance, the position of women on the labour market could be strengthened by progressive legislation. In this way changes in social views affect the possibilities of solving economic problems.

2. An important aspect of the greater incipient rigidity of the process of adjustment on the labour market concerns shortages that may occur. For certain jobs people are difficult to find. This relates in particular to work of a low status with inconveniences. The competitive position of Dutch firms and the rigid wage structure are of importance here. They mean that the remuneration for this kind of work cannot be increased to such an extent that it forms a considerable incentive for accepting such work (8).

The problem of unpleasant work makes it necessary to consider whether the problem of the acceptance of work will have a greater influence. Some jobs can hardly, if at all, be rendered more attractive by humanization. These problems can probably not be solved by minor corrections to the present systems. Solutions will have to be found by exploring above all the limits of the existing (distribution) mechanisms.

If shortages of supply occur on the labour market, financial incentives can be put into effect. The problem is that this may result in cost price increases. The same applies to the humanization of work in the form of for instance working shorter hours.

In the light of the developments in the longer term mentioned in this chapter,

the problem of the discrepancy on the labour market, bound up with the increasing level of education and the shortages of candidates for jobs with a relatively large number of inconveniences, must be regarded as urgent. As mentioned above, this problem cannot in general be solved by wage increases. It is a structural problem which, if it is to be solved, will require considerable changes in the wage structure in order to avoid the price-increasing effect of better remuneration for the jobs concerned. Changing the wage structure means better remuneration of those occupations in which there are constant shortages of labour and reduction of the remuneration for occupations and jobs for which there is an abundant supply of labour. In many cases this will have a levelling effect on income distribution.

In some cases of short supply a redistribution and regrouping of jobs is possible. The objective of this is to divide unpleasant work among all working people. This may present a solution for too one-sided work and further division of tasks. The latter is important, because limited mobility of labour is caused precisely by the far-reaching division of labour in our industrial system. Another solution sometimes proposed for this problem is the introduction of 'social conscription'. This differs from the preceding proposal in that it is outside the sphere of market regulation and inside that of means of coercion. This makes social conscription a measure justifiable only in a situation of obvious emergency.

The aim of emphasizing the significance of relative scarcity to operation of the labour market and remuneration of labour is to draw attention to possibilities of eliminating disequilibria at those places on the labour market where this is desirable. This applies in particular to situations that could seriously harm the productivity base and/or employment.

As regards the possibilities of considering the allocation of work in conjunction with the remuneration, attention must be drawn to the 'institutional relations' in this field. The consequence is that sometimes the position of strength rather than the scarcity is the criterion determining remuneration.

IX.5. Conclusion

1. In the future there will be developments on the labour market as a result of which the problem of the shortage of jobs will manifest itself in certain ways.

These are the qualitative discrepancies, the process of segmentation and the volume and price adjustments. These factors will largely determine what the distribution of jobs among the working population will be. In view of the nature of these factors and the predominant importance of the demand side, it is to be feared that the distribution of active and inactive persons will prove unacceptable in a social respect.

A paradoxical situation is threatening to occur in which as regards the supply of labour there will be both a very large supply and short supply at the same time. The permanent existence of this situation is relatively new. This could present problems in various respects for the socio-political situation, the forming of public opinion, the preparation and implementation of policy and the institutional framework for socio-economic policy.

Attention is drawn here to a number of points.

In the field of the conduct of policy one is not used to a situation requiring measures that to some extent contradict one another. In the past one was often confronted either with situations of shortage or with situations of ample supply. For the future we shall probably simultaneously require regulation of surplus supply and the establishment of equilibrium in those sectors of the market where demand surpluses occur.

The occurrence of short supply of labour will notably relate to unpleasant work. With regard to this problem at least two approaches seem called for, viz.

a. humanization of the job and b. reflecting relative scarcity in wages.

However, the institutionalization of income determination and distribution

in the Netherlands is of such a nature that the approach mentioned under b. usually cannot be followed without an upward pressure being exerted on the incomes of the other categories.

The Council is of the opinion that the Government's incomes policy – and also that of management and labour – should be directed towards breaking this link. Drastic changes in wage stratification may not be shunned in this either.

A call for price adjustment is inspired both by the existing institutional block and by the seriousness of the situation, which should be improved with the aid of a wide package of measures. Permanent shortages of supply may endanger the survival of firms. Besides the fact that jobs are then lost, the productivity base is also impaired. In this sense the partial shortages on the labour market are of national importance.

CHAPTER X. MOBILITY AND SUITABLE WORK

X.1. Introduction

Following up what was said in the previous chapter about the qualitative aspects of the labour market, this chapter will briefly discuss the policy aimed at furtherance of mobility (1).

Furtherance of mobility may be regarded as one of the means of preventing the occurrence of discrepancies between supply of and demand for labour and eliminating these in good time when they do occur.

For the relation between the active and the inactive, furtherance of mobility is important in the following respects. Between and within some regions and occupational groups there are great differences in the supply and demand ratios of labour. When — as now — such situations occur, by increasing mobility a better match between supply and demand can be achieved on the whole.

The period of time during which vacancies remain open could further be shortened by encouraging mobility. Quicker filling of the vacancies could reduce the extent of unemployment by shortening the length of unemployment.

Having regard to the expected developments on the supply and demand side, the discrepancies on the labour market seem likely to increase in the longer term.

In broad outline mobility may be subdivided into occupational mobility and geographical mobility. Occupational mobility occurs when a worker changes jobs within the same occupation, or changes to a different kind of occupation. Geographical mobility can be subdivided into commuting between home and work and migration.

Further, mobility can relate to both the supply of labour and the demand for labour. On both sides factors can be pointed to that hamper adjustment. Below a broad-brush picture will first be given of the present mobility. Next a number of developments in mobility policy will be briefly considered. Then the problem of suitable work will be discussed. Finally, the Council draws attention to a number of administrative aspects.

X.2. Image of mobility

1. As stated above, a negative image tends to develop itself about the jobless. Nearly two thirds of the Dutch are of the opinion that in general the unemployed have only a limited readiness for mobility (2). However, this is not confirmed by research. It has been found that unemployed persons are very ready to be retrained and accept part-time work and work outside their own field and to commute (3). This readiness in general increases above all when a financial allowance is paid and, in the case of retraining, the certainty of a new job is offered. Only the readiness to move is rather small. It increases to only a limited extent when financial compensation is offered (4). It has proved that above all attachment to the home, its surroundings and family is the main obstacle to moving.

2. The labour market is in constant movement. On the one hand jobs are disappearing and new ones being created. On the other people are entering or leaving the labour market. At the same time there is a fairly large category of people who spontaneously change jobs in a given period. Thus in 1975 for

instance the number of registrations also suggests a large throughput among the jobless (6).

The unemployed do not form a fixed group. Furthermore, it has recently been calculated that a very large number of the vacancies registered with the district employment offices were filled within a short time (7). Moreover, a large number of the unemployed proved willing to change occupation, even if this meant a drop in income (8). Finally, a fairly large degree of occupational mobility still occurs under the jobless (9).

3. However, in addition it must be mentioned that there are a number of mobility problems. It is generally known that there are considerable differences per region and occupational group as regards the supply and demand ratio of labour. There is still also a fairly large open demand. For quite some considerable time the registered open demand as a percentage of employment in the north and south of the Netherlands has been much lower than in the west of the country. In addition, attention may be drawn to considerable surplus supplies among certain occupational groups as against small surplus supplies or even deficits among other occupational groups. Moreover, the average length of unemployment also proves to have increased in recent years (10).

Finally, recent figures seem to point to a decreasing mobility within the industrial sector (11). One cause of this could be the deterioration in the economic situation, as a result of which there are fewer possibilities of changing jobs. In such a situation more employees also prove to prefer the security of their present job to the uncertainty of another. However, it is also possible that part of the falling mobility is more semblance than reality, since it is quite conceivable that as a result of the increasing scale of organizations the mobility from one type of job to another has changed into an internal mobility within larger working groups. This internal mobility is not reflected in the figures. Research data on a shift from external to internal mobility are not available.

4. The final question to be considered is that of frictional unemployment. This is unemployment that comes about because, as a result of the opacity of the labour market and the length of the process of applying for a job, some time elapses in all cases before a person registered with an employment office acquires a new job. Given a normal length of registration of vacancies of one month to six weeks, this would in theory mean about 85,000 man-years of 'unutilized employment' for an assumed number of 800,000 changes a year (12).

If this average duration were to be shortened or extended by one week, that could yield — still in theory — an increase or respective decrease in employment of some 15,000 man-years. However, little is known about the length of time during which jobs remain vacant and the question whether this length of time has recently increased.

In view of the possible size of frictional unemployment, the Council is of the opinion that there will have to be a further investigation of the average period of time during which jobs are vacant, how this is divided among the various occupational groups and what the possibilities are of shortening this length of time.

5. In the previous chapter reference was made to a number of more structural developments for mobility with regard to the labour market in the longer term, such as the developments of education and training, technological developments and segmentation of the labour market.

In addition, mention may be made of factors hampering placement on the part of individual employees and on the part of the employers. On the employees' side the following may be mentioned: poor physical condition, lack

of skills and more subjective elements like attachment to one's home and neighbourhood, lack of work motivation, low degree of activity in seeking work and an unfavourable labour record.

On the employers' side it may be a matter of inadequate knowledge of the supply of labour, insufficient insight into job requirements and inadequate selection methods. Finally, research reveals an increasing selective behaviour. The selectivity on the employees' side is evidenced for instance by growing dislike of shift work, assembly line work and work involving stench or noise. This selectivity generally decreases according as one has been out of work for a longer time (13). Employers have also proved in the present easy labour market to have stepped up their requirements, above all with respect to personality, experience and training in comparison with the requirements for the same job in previous years. It has further been found that in particular the groups with limited opportunities on the labour market are in danger of becoming the victims of this (14).

X.3. Developments in mobility policy

1. Regarding the objectives of mobility policy, the following trends may be observed in general. Firstly, the policy is no longer directed only towards possibilities of re-entry of the jobless (repressive), but tries precisely through research and forecasts to track down longer-term disequilibria so as to prevent the occurrence of unemployment or vacancies remaining open for a long time (preventive). In that sense the stress of a mobility-furthering policy above all on behalf of the unemployed shifts to a policy aimed at the same time at the adaptability of the working population (furtherance of flexibility through all kinds of training programmes).

Secondly, mobility policy is going to extend further — though with some difficulty — to the demand for labour. Until recently the furtherance of mobility related principally to the work force. Now one may observe more efforts to influence the supply of jobs too. Instances are an intensification of regional encouragement policy, the restructuring of sectors and branches of industry, the relocation of Government services, the selective investment scheme and the humanization of work. The pursuit of humanization of work also reflects thinking in terms of adaptation of the job to the worker. Government influence on the demand for labour is, however, above all indirect. Moreover, certain planned measures have not been put into effect, such as the selective investment scheme, and others meet with considerable opposition in practice, such as the regional relocation of Government services.

As the third development mention may be made of the increasing differentiation in policy according to region and branch of industry, and greater emphasis on a more individual approach. The need for this has arisen above all through the insight into the great complexity of the set of factors influencing mobility. On the supply side these are factors such as age, education, experience, state of health, available employment and need for satisfactory working conditions and security. On the demand side attention may be drawn to the functional ties between business sectors and the geographical requirements of some firms, such as the need for communication by water. These factors may carry different weight on the supply and demand side, depending on the region or branch of industry.

A further differentiation occurs when Government policy also wishes to make allowance for the specific characteristics of separate firms and persons. In placement it is being endeavoured by means of the new-style employment offices to devote more time and attention to that group of jobless persons requiring personal assistance. The service for the other applicants for employment, who only need a vacancy, is aimed above all at newly developed information systems, such as the vacancies bank and written notification of vacancies.

Closely connected with the emphasis on an individual approach one sees in

the fourth place that the Government now, in contrast with the Fifties and Sixties, is devoting greater attention to the social consequences of growing unemployment. The attention to groups with limited opportunities fits particularly well into this viewpoint. The greater unemployment, plus the greater selectivity on the employers' side connected with this, has doubtless something to do with this development.

In the course of the years a very extensive set of instrument, implemented by a number of different official bodies, has been developed to foster mobility. In the recent white papers — already cited in this report — a comprehensive survey of these instruments may be found.

2. The Council will not further discuss these instruments, since they are already receiving considerable attention in policy and research. The Council would, however, like to draw attention to the furtherance of functional mobility by means of retraining.

As stated above, research has shown that the readiness of the jobless to be retrained is fairly high (15). However, if one were to have oneself retrained at the present time, it is by no means certain that this would lead to a new job.

Above all through the lack of certainty that retraining leads to a new job, the actual participation in retraining in practice is at present rather small (16).

The Council therefore feels that schemes must be sought that increase the certainty that retraining will lead to a new job. Instances of these are a further expansion of the retraining subsidies to firms, if they are prepared to engage suitable jobless persons.

In the following section some separate attention will be devoted to the instrument of suitable work. In mobility policy and the discussion of this policy pride of place is as a rule given to this concept. Moreover, suitable work concerns a few more fundamental aspects of mobility policy that justify a further explanation of this concept.

X.4. Suitable work

In the present discussion on the unemployment problem some of the unemployment and at the same time some of the improper use of unemployment benefits are attributed to too narrow an interpretation of the concept 'suitable work'. It has therefore been urged both inside and outside Parliament that this concept be widened.

There seem to be two points of departure for the concept 'suitable work'.

Firstly the concept proceeds from the exchange relation between the duty to work and right to income. It may be remarked that this duty to work applies only to those persons who are considered to form part of the labour market and want unemployment benefits and therefore not to housewives, schoolchildren, old people and those entirely unfit for work. Secondly, the concept 'suitable' indicates that this duty to work applies only to work that can fairly be given to an unemployed person. This means to say that in principle an unemployed person need not accept any work differing strongly from that for which he or she can reasonably be regarded as suited, in view of his or her education, place of residence, previously earned wage, previously performed work and skills.

In the latter point of departure the great importance that is attached to personal factors comes clearly to the fore.

2. It is in particular the great importance that has to be attached in application of the concept 'suitable work' to the weighing of various individual factors separately and in all their possible combinations that makes it impossible in principle to give a universally valid definition of this concept. The legislator has therefore omitted to define the concept in law and to state the criteria for the suitability or otherwise of work.

Although objections may also be adduced against law being made by the independent courts – certainly in the case of so politically charged a subject as suitable work – the present practice, in which the court tests the concept against norms applicable in social life, does offer the advantage of a certain degree of flexibility. If the criteria of suitable work were to be defined in law, this would at the same time require changes to the law. It is probable that in practice these changes will be made only exceptionally. This will then usually be at a time at which it has already long been clear that the criteria, separately and in combination, no longer match new requirements. In comparison with the present situation this could mean a more rigid mobility policy.

Finally, legally established criteria could in fact lead to a decreasing readiness to be mobile (17). For in practice the statutory criteria could present job seekers with arguments for refusing and perhaps even resigning from work which, according to these criteria, is not considered suitable but which they have or would have accepted voluntarily.

For the above reasons it is preferable not to define the concept in law. However, the Government can give guidelines to those charged with supervision of the acceptance or refusal of suitable work, viz. the (directors of the) district employment offices. For instance, at present the district employment offices have at their disposal guidelines dating from 1969. These guidelines have been derived from jurisprudence and contain a further indication of the norms for adjudging whether an offered job is suitable or not. In practice these guidelines proved to be too general. The Minister of Social Affairs has therefore recently started to compile jurisprudence surveys for the district employment offices, which will be periodically updated. By means of these surveys the district employment offices have to investigate whether a certain job must or must not be considered suitable for a given person. Still more recently the Minister of Social Affairs has, however, rejected widening of the concept 'suitable works' (17).

3. Partly for reasons to be mentioned below, the Council is also of the opinion that at present there is no reason to widen the concept 'suitable work'.

Firstly, the judgments of the Central Appeals Board give no reason to assume that it is easy to evade suitable work (18). Secondly, there is a fairly high degree of mobility among the unemployed, as already stated above. Moreover, very many people who accept a first or following job seem to do so without testing the job against the existing criteria of suitable work. In this context mention may further be made of the research datum that many unemployed persons are prepared to make sacrifices, certainly when they have been out of work for a long time (19).

There is an absence of reliable data on the number of people who make unnecessary use of unemployment benefit. There are, however, some data on – an incidentally fairly small number of – reports and complaints to benefit-paying bodies from the district employment offices, revealing suspicions of unnecessarily long unemployment. These data should be critically examined. For in practice it is difficult to draw a precise dividing line between the search for suitable work and abuse of unemployment laws. The data on abuse of social insurance are furnished by the district employment offices, which in addition to their service function in the placement of labour are entrusted with the supervision of abuse of unemployment laws. The Minister of Social Affairs has pointed out that, as a result of the growing unemployment, the supervisory task is suffering (20).

This is aggravated by the fact that the supervisory task is not regarded as very attractive, especially when a relatively scarce good like a vacancy can also be used to provide work for another who *is* willing to work.

4. The above naturally does not alter the fact that the concept 'suitable work' must be maintained as a policy instrument. In addition one may envisage the preventive operation of possible negative sanctions for unnecessarily long un-

employment due to reprehensible behaviour by an individual unemployed person. Use of the concept 'suitable work' could also contribute to the legitimacy of the unemployed status of the jobless. Finally, the more intensive placement policy seems to justify, if not to strengthen, the need for an ultimate check on sufficient cooperation by the jobless.

5. When using the concept 'suitable work', care must be taken that, depending on the law in question, a large number of different supervisory and benefit-paying agencies do not use the concept in different ways. With a view to furthering equality before the law, the Minister of Social Affairs has proposed that regional committees be instituted (21). These committees would have to bring about the necessary coordination and in concrete cases would have to give the bodies in question binding advice on application of the concept, on the basis of jurisprudence. However, another problem is the combination of supervising and service tasks among the employment offices. It has already been pointed out above that when there is increasing pressure on labour placement the supervisory task is endangered. The supervisory task of the employment offices with regard to unemployed persons also gives these institutions a negative image. This harms the primary task, viz. general labour placement.

In practice many employees and employers prove to regard the employment office as an institution for placement of unemployed persons, and consequently make no use of it (22).

The Council therefore feels that means for separating the supervisory and service tasks of the employment offices should be given further consideration.

The Council is aware that the effect of application of the concept 'suitable work' even with an improved implementation, can be only a limited one, on the volume of unemployment. After all, much of today's unemployment is due to too much labour side by side with too few jobs. Further, in the above mention has also been made of a still considerable mobility among the jobless, which is connected with a fairly large degree of readiness to make sacrifices so as to be able to work.

6. Within the framework of suitable work the Council also wishes to draw attention to a possible expansion the supervisory task with regard to the demand side, which may also be designated as the problem of 'suitable demand'.

Mention has been made above of an increasing selectivity on the demand side with growing unemployment. It has been found that in particular the groups with limited opportunities on the labour market are in danger of becoming the victims of this (23).

In addition attention has been drawn to a number of policy developments, such as increasing concentration on the groups with limited opportunities, emancipation policy and the endeavour to involve the demand side of the labour market in mobility policy more than has been the case so far. In a number of other countries too such developments are occurring. An example is the quota legislation in the United States. The principle of this regulation is that the composition of personnel within firms must be a reflection of the structure of the working population in the area where the firm is established. Firms may be fined very heavily for departing from this provision without the express permission of the federal authorities. Another example may be found in Sweden. There too special measures have been taken to protect the position of the categories of the working population with limited opportunities, above all the older workers, working married women and the handicapped. These measures include the guidelines for private firms and Government services with regard to the number of older employees that a firm must have in its service and the adjustment teams (24). In the Netherlands the Minister of Social Affairs has recently asked the Foundation of Labour to advise him on the desirability of instituting similar adjustment teams, though relating here to private firms only (25). Further to this, the Council is of the opinion that in policy and research more

attention should be devoted than previously to selection on the demand side. Here the Council envisages the following possibility in particular.

In use of the concept 'suitable work' negative sanctions are attached only to lack of readiness to be mobile on the supply side. As regards the demand side, no such regulation exists.

The Council is of the opinion that, corresponding to the concept 'suitable work' on the supply side, possible negative sanctions for the demand side should also be considered. For instance, certain designated agencies should be able to take special measures against an employer (including the Government) if the latter should prove grossly negligent in personnel selection — for instance on the strength of an investigation whether or not on account of complaints by employees or placement agencies. This could for instance happen if it proves that a certain employer repeatedly makes incorrect and careless reports of vacancies, and more generally in the event of what is considered a too selective behaviour on the employer' side.

The exclusion in advance of certain groups of workers of limited opportunity and thus constituting marginal categories, and above all the operation of prejudices with regard to certain sections of the population, calls for special attention. A possible measure in such situations could be submitting the hiring of new employees by a given employer to approval by the employment office for a certain period. Such a measure could not be taken until, after consultation between employers, employees and the Government, rules have been drawn up with which the selection of personnel has to comply. Moreover, in such a case a further procedure will have to be laid down, which indicates who establishes when an employer is not complying with the rules, how an employer can be induced to cooperate voluntarily, and at what point in time the hiring of new personnel has to be made subject to the approval of the employment office.

Another measure could lie in the imposition of penalties, such as the payment of a penal sum, or — when the concrete case lends itself to this — the duty to engage a certain worker or workers. An employer could appeal against this to the independent courts. In this way moreover not only the norms applied in practice to the acceptance of work but also those for requesting work via the courts could be tested on each occasion against what is considered socially acceptable at a given moment.

X.5. Some administrative aspects

1. In this report attention has several times been drawn to the absence of timely and exact registration of work force and jobs. This statistical information is necessary for an effective mobility policy. At present an investigation is being made into the possibility of improving knowledge of the supply of labour, *inter alia* by the Ministry of Social Affairs. However, there is no such intention with regard to jobs, although information on these is less available than on the work force.

In the Council's opinion ways must be sought for bringing about greater openness with regard to the trend of vacancies and open vacancies, stating their specific requirements. The possibilities of compulsory provision of information in this respect must be further examined. This reporting of vacancies is then primarily intended to acquire more quickly a better insight into developments on the labour market. This does not mean that henceforth the employers would be obliged to fill their vacancies via the employment office. In some cases other placement methods are more effective.

2. In recent years mobility policy has expanded considerably. Above all as a result of the differentiation pursued with a view to greater effectiveness and an individual approach in mobility policy the number of tasks and the personal powers of decision of the (directors of the) employment offices have greatly increased. This applies for instance to vocational guidance and occupational coun-

selling, the more intensive personal service to unemployed persons who are difficult to place and the application of newly introduced measures for furthering placement. A recent example of expansion of the powers of decision of the district employment offices may be found in the revised competences of the directors of these offices with regard to dismissal permits (26).

Regarding this, Scheltema remarks in a recent Council publication that it is striking that one official independently decides on a dismissal permit, in which he is bound only by general guidelines, so that there is no such thing as ministerial responsibility for individual decisions; that there is no appeal against the decisions and that there are no rules of procedure for taking a decision, for instance on consulting interested parties. He does not consider this in accordance with the criteria for democracy (27).

In addition to making implementation functionally independent, a need is, however, also seen to gear the making of labour market policy more than so far to developments within other fields of Government policy that influence the labour market, such as industrial policy, education policy and physical planning. For a coordinated policy-making of this kind the more central policy units within general administration (Central Government, province, municipality) in particular offer the suitable frameworks.

3. In this context mention may be made of the organization of labour market policy in Sweden. Such an organization entails in broad outline centrally coordinated policy-making with respect to the main lines of policy and a highly decentralized implementation by more or less independent employment offices with their own supervisory agencies. Within the policy laid down by the (central) Government the employment offices have been given independent authority to implement the policy. The supervision of the day-to-day policy of the employment office has been entrusted to boards whose members include in addition to Government representatives, employers' and employees' organizations considered to be representative. (This situation is reminiscent of the administration of the national insurances in the Netherlands.) Recently a functional decentralization of this kind was advocated for labour market policy for the Netherlands as well, not only from the scientific side but also on the part of some representatives of employers and employees (28). In a more general sense Scheltema has pointed to the advantages that such independent administrative bodies can offer. These include a greater degree of possibility of supervision and openness in the implementation of policy, encouraging members of the public to participate in the administration, and improvement of policy-making at central level (29).

4. Further to this the Council recommends that a more detailed study be made of the possibilities of using for the Dutch administrative system the organization of labour market policy as it exists in Sweden. This study may not pass over the system of independent administrative bodies generally applicable in Sweden. At the same time the study referred to ought to devote particular attention to the relation of the employment office to the central Government and provincial local authorities respectively (notably with respect to the proposed reorganization of the civil service), the possible disadvantages of the separation between preparation and establishment of policy at central level and the decentralized implementation by the employment offices, and the possibilities of representation of interested parties (30).

CHAPTER XI. DISTRIBUTION OF JOBS AND RESTRICTION OF THE SUPPLY OF LABOUR

XI.1. Introduction

1. In general the view prevails that for the stabilization or improvement of the relation between active and inactive persons the creation and preservation of jobs must first be envisaged. Up to now Government policy has concentrated on this objective.

Alternative policies intended to arrive at a different allocation of the labour supply should also be considered.

The principal alternatives are raising the school-leaving age and early retirement (voluntary or not). It may be expected that the primary effects of both measures will be positive. However, these measures do not affect the number of inactive persons, since they do not increase the number of active persons but simply reappoint inactive ones. In itself this can be adjudged positively. People who are at an age when work is essential to their development and to earning an incomes can then occupy the jobs formerly held by older people.

Unemployed young people would find a job sooner. However, raising the school-leaving age and early retirement mean laying claim to the productivity base. If it is the intention both to further employment and to distribute it better on the one hand and to maintain and if possible increase the productivity base on the other, the above measure are not adequate on account of their-sidedness. Measures should therefore be developed which if possible have positive effects in both respects.

Recently various ideas have been put forward which aim in some way or the other at rationing work. For example short-time working, whether or not voluntarily, a ban on overtime, a ban on 'moonlighting', the use of 'substitutes' in the sporting sense of the word, no more than one job per family. Further, possible measures in the realm of lifelong education tend to be considered in terms of their effects on the labour market (educational leave).

2. There are various signs pointing to the need in the future to make the distribution of work a direct subject of Government policy. In addition to the present unemployment, which is of a structural nature, allowance must be made for considerable hidden unemployment.

Hoffman and others (1) have demonstrated that the length of unemployment has grown to such an extent that this too has considerably increased the extent and severity of the problem. Further, it has proved in recent years that stimulating employment demands a very great effort on the part of the Government, both financially and as regards refinement of the instruments of labour market policy. In view of the nature and extent of the problems discussed in this report, it is desirable to have a broad scale of policy instruments available.

It is therefore entirely justified to take a serious look at the necessity *and* the possibilities of distributing work in the sense of rationing. The latter can be achieved by distributing the number of jobs and restricting the supply of labour.

Methods for restricting the supply include raising the school-leaving age, early retirement, limiting the number of jobs per family, measures encouraging voluntary non-participation, educational leave and restricting the influx of foreign workers.

As regards distribution of the number of jobs, short-time working may be particularly envisaged.

Lighter forms, such as restricting (or banning) overtime, can also distribute employment over more people.

Concerning the nature of these measures it may be remarked that restricting the supply excludes a certain category temporarily or permanently from a labour market.

Measures that distribute employment differently tie in with a historical development. In the past the improvement of productivity was used to increase private and/or collective expenditure *and* to reduce working hours. Short-time working may be regarded as an immaterial welfare benefit.

In a certain sense this could be called distribution of amenities. If the current problems justify Government intervention in order to distribute employment differently, this entails a distribution of the burdens. More than in the past a big appeal to solidarity is made in that case.

2. The number of possibilities for redistributing jobs and limiting the supply is practically unlimited. Especially in the field of short-time working a large number of forms are conceivable. Variants may relate for instance to the number of hours per day, the number of days per week, the number of working weeks or working months per year. Combinations of these variants are also possible. It is also important as to whether one is prepared to combine some form of short-time working with more recent development in education such as recurrent education and forms of educational leave. The effects of these variants extend over a long period, both for the individual and society. The economic and social aspects of this are difficult to estimate. Experience will have to be gained empirically.

Below, a number of general but at the same time current modalities, such as raising the school-leaving age, early retirement, short-time working and the supply of foreign workers will be further considered. These considerations are of a broad-brush nature and are only explorations. Where possible a quantification is given.

XI.2. Raising the school-leaving age

1. Raising the school-leaving age will restrict the supply of labour.

This measure is also mentioned as a possibility in the 'Nota inzake de werkgelegenheid' (White Paper on Employment). In this White Paper it is concluded that raising the school-leaving age contributes to a reduction in the labour supply and to greater chances of work for the working population already present. However, a quantification of these chances is not given.

The order of magnitude of such a policy measure can be illustrated as follows.

If we take 1980 as the point of departure, then proceeding from full-time compulsory education for 16-year-olds in 1980 and taking no account of part-time compulsory education for 17-year-olds, raising the school-leaving age to 18 years in 1980 will entail an additional restriction of the labour supply of some 68.000 persons, viz. 26.100 boys and 41.720 girls (2).

However, the most important question is what effect such a measure will have on employment. Although it is surrounded by a large number of uncertainties, it will be attempted here to arrive at an estimate of the effect on unemployment in 1980 of reducing the labour supply by 68.000 persons in 1980.

In the first place unemployment will in any case fall by the number of 17-year-olds who would be jobless in 1980 if the school-leaving age were not raised. If it is assumed that unemployment among 17-year-olds as a percentage of the working population of that age category in 1980 will be the same as unemployment among 17-year-olds now, this results in the following calculation.

At the beginning of 1977 unemployment among boys below 19 years was 12.3% of that age group.

Among girls below 19 years unemployment was 9.9% of the age group (3).

This means that 12.3% of 26.100 males = 3210 and 9.9% of 41,720 females = 4130 would be jobless in 1980 unless the school-leaving age were raised. The decline in unemployment would therefore amount to 7340.

In the second place it must be considered to what extent unemployment will additionally decrease because of the fact that 68.000 – 7340 17-year-olds do not occupy a job in 1980 that they would otherwise have occupied without raising of the school-leaving age. The macro effect of a given number of vacant jobs on unemployment is approx. 110 : 65, i.e. 110 new job units reduce unemployment by 65 units (4). As a result of feedbacks with a given number of vacant jobs for instance to the supply of labour, the effect on unemployment will after all be less. The problem under discussion displays similarities to this, since we are concerned with jobs which remain vacant in the first instance if the school-leaving age is raised.

Regarded in a macro respect, this results in the following calculation: decline in unemployment in 1980 on account of raising the school-leaving age to 18 years:

$$\frac{65 \times (68.000 - 7340)}{100} = \text{roughly } 35.000 \text{ persons.}$$

If we add the number of unemployed 17-year-olds to be expected if the school-leaving age were not to be raised, we arrive at a total decline in unemployment in 1980 of roughly 42.000. In this way a tentative order of magnitude of the effect has been indicated. This is a macro figure, but in the case of raising the school-leaving age a fairly specific substitution problem is involved: jobs which in principle should be manned by 17-years-olds can now only be occupied by non-17-years-olds. Without going too deeply into this, it seems probable that the problems of substitution will be greater than appears from the macro indication. For instance, the labour costs of 17-years-olds are lower than those of other age groups, there are jobs that can almost exclusively be occupied by juveniles etc. The expected decline of unemployment in 1980 therefore calls for some correction. A very cautious estimate is that unemployment in 1980 will fall not by some 42.000 persons but by 25.000–30.000 persons. In addition, on account of the increased participation in education, employment in education will increase and unemployment fall. This effect can be estimated at about 3000 persons.

Finally, it must be pointed out that raising the school-leaving age over a number of age classes will have consequences. After all, new forms of education will not be discontinued after one year. It is very difficult to give an order of magnitude for this 'lagged relationship'. All in all, a reduction of unemployment by some 30.000 persons is definitely not impossible.

2. The above digression is naturally subject to a number of restrictions. Other developments that may occur as a result of raising the school-leaving age are not taken into account. Without attempting to be exhaustive, a possible increase in labour costs may be mentioned on account of the rise in the average age of the working population and the degree of education of the labour market population, which has risen partly on account of the higher school-leaving age. In addition, the increase in participation in education will have effects on the educational budget and thus on collective expenditure.

Another consequence is that the discrepancies on the labour market may increase, in view of the rise in the average level of education that accompanies this measure. This has already been dealt with in the present report. Without subjecting these developments further to an appraisal and appreciation here, allowance must be made for that fact that they may somewhat reduce the positive effect on the decline of unemployment.

3. A fundamental point regarding this problem is whether raising the school-leaving age is a desirable instrument in the policy for combating unemployment.

Of importance here is the weight that must be attached to the various policy sectors. It is conceivable that the seriousness of juvenile unemployment, and also the adverse effects that it has on both young people themselves and on society, justifies the use of an instrument like raising the school-leaving age. This means that relatively more weight is attached to the objective of combating juvenile unemployment than to the objectives set by education. Incidentally, this does not mean to say that raising the school-leaving age is not a suitable instrument from the point of view of educational objectives.

Using the raising of the school-leaving age as an instrument of the labour market further has the drawback that the measure is hardly reversible. It is difficult to imagine the school-leaving age being lowered in times of great shortage of labour. At the same time the measure works only once, unless one is prepared to continue raising the school-leaving age periodically within certain limits. However, the latter runs counter to the idea that in future policy will have to be directed more towards measures such as lifelong education, recurrent education, or 'second chance' education. The Council too has earlier expressed itself in favour of developments in that direction (5).

4. Reference may also be made to the significance of raising the school-leaving age to the relation between the active and the inactive.

As already stated in the introduction to this chapter, raising the school-leaving age will not lead to a reduction in the number of inactive persons.

Probably the number of inactive persons will in fact increase, since the rise in the number of young people continuing to attend education is greater than the fall in the number of jobless. This does not mean to say that such a measure is undesirable for this reason. Attention has already been drawn to the importance of the composition of the inactive category.

The social legitimacy of being inactive and participating in education is at present higher than that of being an unemployed juvenile. In addition a relevant point for the productivity base is that the transfer of income to young people who continue to attend school on account of the higher school-leaving age goes largely via the family circuit, unlike the situation with unemployment.

Conclusion

Above the Council has put forward for discussion a number of aspects presented by raising the school-leaving age.

Although the effect on the decline in unemployment is probably not inconsiderable, the Council is of the opinion that raising the school-leaving age by means of a statutory measure should not be introduced primarily for labour market reasons.

Educational aspects, such as the motivation of the pupils concerned, the presence of a suitable supply of education and policy options to be developed such as lifelong education should occupy a central position in the decision-making.

The Council does, however, feel that a policy of stimulation aimed at a voluntary increase in participation in education has the advantage that possible educational drawbacks weigh less heavily. This too leads to a reduction of unemployment.

X1.3. Early retirement

1. On the same lines as developments regarding raising of the school-leaving age, it must be stated that considering early retirement from the point of view of restricting the supply of labour is only one way of looking at the retirement problem.

For quite some time now the compulsory and abrupt termination of one's career at a fixed age, usually 65 years, has been designated an arbitrary system open to improvement. The problems relating to the older worker (increasing

complaints about fatigue, stress and discomfort, plus a steadily earlier withdrawal from employment as a result of sickness and disablement) naturally play a big part in this.

The effect of early retirement on reduction of the labour supply depends in the first place on whether this early retirement is of a compulsory or a voluntary nature. A further question concerning compulsory retirement is what part of the category involved is nevertheless going to report to the labour market after retirement. This is now also being done by part of the 65+ category.

In the case of voluntary retirement restriction of the supply will depend on the use made of the scheme.

According to provisional results of the 1975 Labour Census some 172.000 people in the 60–65 age group work, which amounts to a participation percentage of 62. This figure gives a first indication of how great the restriction of the supply would be in case of compulsory retirement. However, the effects on the reduction of unemployment are difficult to estimate. After all, some of the 60–64-years-olds already have some form or the other of short-time working (more holidays, fewer hours per day). Further, it is probable that some of the 60–64 category occupy jobs that are maintained for more social reasons. At the same time such a measure can have considerable effects on the productivity base. For compulsory early retirement entails high costs, certainly if at the same time it will mean a general lowering of the age at which one qualifies for a pension.

These uncertainties are so great that it is not justifiable to express the effect on unemployment in anything like reliable figures. It is, however, probable that an overall compulsory early retirement, for instance by lowering the pensionable age, is not an interesting policy option in the shorter run.

In broad outline the above statement of position tallies with the findings of a Committee of External Advisers, who were commissioned by the Minister of Social Affairs to examine to what extent early retirement can be an effective means of combating unemployment (6).

The committee concludes that general early retirement, coupled with a (re-)placement of unemployed workers in employment, which would be similar as regards effects, offers insufficient prospects. On the one hand this is because the number of 'leavers' will not yield a corresponding number of 'enterers'. On the other because more fundamental objections can be made to a system based on 'swapping people around', which makes the older worker concerned dependent on decisions to be taken by others (i.e. the employer).

The committee remarks on this that 'it is fully aware of the social problem of older employees, for whom an early retirement arrangement could offer a way out'.

2. A variant based on voluntariness seems to obviate many objections.

Moreover, this limited variant could also have a favourable effect on employment. This does not alter the fact that predictions of the effects will be extremely difficult.

Partly on the strength of the findings of the Committee of External Advisers the Government has decided to further experiments directed towards accelerated retirement of older employees, notably in education and the building trade. These experimental schemes, which came about on the initiative of the Government in consultation with the employers and employees concerned, started on 1 December 1976 and 1 April 1977 respectively. In addition, on the initiative of business, experiments are being prepared in the metals industry (incl. Hoogovens) and in port industry. These experiments are explicitly of a temporary nature (except in the metals industry, where a more permanent scheme is being aimed at), and are confined to specific groups of 63- and 64-year-olds. So far few hard facts are known about the course of the experiments. Whether or not more permanent schemes come about will partly depend on the results of evaluation research.

3. As in the case of raising the school-leaving age, voluntary early retirement will not lead to a reduction of the number of inactive persons but on balance is more likely to lead to an increase in that number.

Nevertheless, similar arguments to those mentioned in the section on raising the school-leaving age may be adduced, which notably relate to the legitimacy of not working: 'it's better to have more pensioners and fewer unemployed'.

At the same time, many of the 60–64 age group have already left employment via the W.A.O. (7).

It has already been remarked in this report that the operation of the W.A.O. has exposed the problems of older workers in our system of work. The latter makes insufficient allowance for the physical and mental condition of the workers. The system is predominantly so rigid that it does not easily adjust to the often reduced possibilities of performance of the older workers. Too little account is taken of individual differences. The system of work should be much more closely geared to leaving employment. Insofar as this entails bringing forward the age at which this departure from employment occurs, retirement must be considered more acceptable than leaving via the working disablement insurance.

4. Voluntary early retirement is not the only measure to enter into consideration. The most sweeping variant is flexible retirement. This would – within certain limits – leave the choice of earlier or later retirement to the individual employee.

It goes without saying that this system can have an adverse effect on the redistribution of jobs by the possibility that the 65-year-olds will carry on working beyond that age.

In such a system individual wishes can be catered for to a much larger extent. The question is whether this outweighs the complicated nature of the necessary drastic changes to social insurance legislation and to the possibly high costs.

Gradual retirement, in conclusion, is a system in which working hours are shortened in phases, the fixed final limit being adhered to. This could be accompanied by replacement of income from work by benefit. This benefit could be proportionate. However, the feasibility from the viewpoint of cost could be considerably increased if the benefit were less than proportionate.

Where the readiness of the people themselves is concerned, allowance must be made for differing interests. In general the readiness to work shorter hours, both with and without a drop in income, is less among older people than among younger ones. The reasons for this must be sought in the reduced possibilities of building up pension rights (8). This gives an indication of the complexity of the problem. It is equally an indication that from the realm of policy a good deal of attention will have to be devoted to helping those concerned to form a correct picture of these matters.

Such a system of gradual retirement not only means an alleviation of daily work, but at the same time offers the older worker an opportunity gradually to prepare for retirement (more leisure time).

This variant fits in with the impetus towards such a form of retirement that has been given in some firms or branches of industry (9).

Gradual retirement calls for additional short-time working in the field of terms of employment, but moreover for educational facilities featuring the new phase of life.

The additional leisure time for the older worker (and his partner!) would ideally have to be devoted to lifelong education. As such, gradual retirement would be a first modest impetus towards the concretization of paid educational leave.

In an interim report the Foundation of Labour has made recommendations on these problems (10). In these the parties to a collective agreement are advised during the negotiations to agree on such facilities that attendance of courses aimed at preparation for retirement is rendered possible.

A uniform scheme is not recommended; management and labour ought to arrive at an agreement on the nature and extent of the additional leave per branch of industry.

Conclusion

Without wishing to anticipate the results of the experiments that have started with early retirement, the Council is of the opinion that the system of work is inadequately equipped to deal with the transition of the older employee from the active to the post-active period.

The large number of 60–64-year-old workers who become unfit for work points to the rigidity of the system of work. The Council is of the opinion that early retirement can obviate this problem.

The Council therefore recommends that the study of the possible variants with regard to the problem of retirement be intensified. This is above all because it might very well be necessary, as part of a fairer distribution of work, for a wider range of retirement alternatives to be available.

The Council at the same time recommends that experiments be started on a larger scale, notably in those sectors where there are more or less permanent (establishment) jobs, so that jobs becoming vacant are filled again.

XI.4. Reduction of working hours (11)

1. Viewed historically, a constant decline in working hours may be observed. In the early years of the twentieth century the worker in industry worked on average over 60 hours a week, divided among six full days. In agriculture working hours in those days were often even longer.

In later decades working hours constantly lessened, the most drastic postwar change being the introduction of the 45-hour five-day working week in 1961. In the Sixties too the reduction of working hours gradually continued, sometimes also in the form of longer holidays. In the early Seventies some stagnation could be noted in the rate of reduction of working hours. In addition many are now calling for further reduction of working hours with a view to the labour market situation.

It must be pointed out that unqualified propagation of short-time working may entail dangers. Not only might the counterforces summoned up neutralize the primary effect of increasing employment. The increase in leisure time observed in the past must also clearly be seen as an immaterial form of benefit resulting from economic growth. Improved productivity allowed of an increase in private and collective spending *and* in leisure time. A reduction in working hours was therefore one of the fruits of an economy geared for growth.

Meanwhile the economic setting has changed. Facts and signs point in the direction of reduced growth. Reasoning similar to that of earlier decades thus becomes dangerous and is also difficult to support by statistics. As already stated, the desire for shorter working hours is now based on a different motive, viz. preparation for the consequences of an economy oriented less and less towards work.

Solidarity may be at issue here. Short-time working has in this context much more the character of a control mechanism for rationing work than that of benefit in the form of leisure time resulting from an increase in prosperity. There is consequently no doubt that short-time working makes a further appeal to the readiness of the active category. On account of the controlling character it is in principle conceivable that short-time working is flexible and aimed at sectors or regions. In any case it is obvious that the necessary question marks may be set against the forecasts of the Fifties and Sixties on future working hours, which were clearly based on the assumption of continuing economic growth.

Incidentally, the decrease in working hours observed in the last twenty years must be viewed in the right perspective.

Working hours and leisure time are not entirely complementary, because of travelling time. Despite considerable improvements to the infrastructure in recent decades, traffic congestion has increased. As a second factor, which is partly the cause of the first one, mention may be made of suburbanization, the growth of peripheral and rural municipalities, which was at the expense of the larger cities. This has increased commuting, and consequently also the average travelling time between home and work.

2. The average working hours per member of the working population can in the first place be reduced by overall measures. For example by cutting down the working hours per day, reducing the number of working days per week and increasing the number of days given as holidays. In the second place, short-time working can be differentiated by for instance type of work or sector. It is conceivable that short-time working is aimed more at workers in 'heavy' occupations than those in 'light' ones. When considering the effectiveness of short-time working, a very explicit assumption must be made. This concerns the wages costs per unit of product. There seems to be little point in introducing a further reduction of working hours without taking into account a corresponding moderation in the development of wages. If not, short-time working would mean a further erosion of profit margins, with the wage costs per unit rising in proportion to the loss in production. In that case the effects on the number of jobs might be quite striking (12). It is therefore better to offer short-time working as an alternative to wage increases (13).

In the case of partial or complete retention of price compensation the use of the increase of productivity for this could for instance present a possibility. However, this variant too is subject to considerable restrictions. For at present it can already be stated that the moderation of wages aimed at for the coming years, given the persistent inflation, can be achieved only with great difficulty. Moreover, the expected increases in productivity will not be all that large. An additional temporization in connection with short-time working therefore seems difficult to achieve. A second limiting factor is the loss of production that will occur as a result of the reduction in working hours. After all, the labour factor of production is to a certain extent complementary to the capital factor of production, certainly in the industrial sector.

An increase in capital productivity is not immediately feasible. Short-time working causes loss of production, and it is the question whether this can be made up for by engaging extra labour. The degree of loss of production is difficult to estimate. In the past a report by the Social and Economic Council (14) reckoned with a drop in production for the whole business sector of approx. 0.5% as a result of 1% reduction of working hours. It remains to be seen whether we may fall back on this quantification today. In continuous processes, for instance, the utilization of more labour to compensate for loss of production will have more change than for instance in the building trade or the service sector. Moreover, the production structure has changed since the time of publication of the report mentioned.

Another complication is that at places where from a point of view of production technique it may perhaps be possible to use more workers the supply side of the market may sometimes be not very flexible. For the present unemployment is distributed unevenly over the sectors. In some highly skilled occupations there is still shortage of supply. A generic reduction of working hours may therefore for strategic branches of industry cause a bottleneck of an insufficient supply of skilled labour. If loss of production follows, this can make its effect felt in other sectors and thus reduce production there. This can then be intensified as a result of the income-expenditure multiplier.

A possible drop in production may be highly relevant to policy, since up to 1980 a growth of on average 3.75% per year has been assumed. This percentage has certainly not been taken too low.

A lower growth rate may be of great importance to policy.

3. Mention has already been made above of an elasticity of production in respect of short-time working that was less than one. With regard to the relation between short-time working and employment it is also true to say that a 1% reduction of working hours need not lead to a 1% increase in employment. In the past the introduction of free Saturdays for instance led to a roughly 6% reduction of working hours, a loss of production of around 3% and some 1% more employment. The remaining 2% may be explained by internal reorganizations, such as improved routing of production, a more rationalized production structure etc.

The rate of disembodied technical progress is therefore important. In the longer term the production per man-hour can be increased by bringing in more modern capital goods. The consequence is that the degree of increase in employment will be less than the degree of reduction of working hours. In addition the latter will often be aimed at the 'marginal hours', which already display a relatively low productivity. The result is that new marginal hours then come into being.

Needless to say, the order of magnitude of the above effects depends on the form in which the reduction of working hours occurs. A tendency towards an enforced internal reorganization is perhaps the greatest with a reduction of the number of working hours per day and perhaps the least with an increase in the number of days given as holidays.

A special form of the above internal reorganization is a greater recourse to overtime. The above-mentioned wage moderation that is considered necessary, could cause the incentive to work overtime to increase. The system of work offers few possibilities for adequate regulation of overtime. Moreover, wage moderation is directed above all towards contract wages. The relatively expensive overtime can give considerable upward impulses to the incidental wage component, so that in the net effect on total wage costs the moderation observed may be greatly weakened.

4. Short-time working would not only influence the economy differently as regards circumstances of growth than in the Sixties; the relation between the demand for and the supply of labour has clearly changed. Unlike then, in some cases one may now speak of internal labour reserves maintained by business.

The reasons why surplus labour is in fact already being maintained may be many and various. Examples are humanitarian considerations, to preserve the peace among the personnel, retaining the firm's good name etc. Short-time working may form a reason for reactivating this 'mothballed' labour, so that no additional demand for labour is exerted.

Short-time working, certainly if it is of some volume, can summon up an additional supply of part-time labour from the population. This effect can be further intensified if the principal bread-winner has to observe wage moderation. At first sight this appears worthy of emulation. The impulse to do part-time work then lies exclusively on the supply side and not on the demand side, i.e. creation of jobs for part-time labour.

5. Above a number of effects have been mentioned that may considerably mitigate or even overcompensate for the primarily positive effect of short-time working on employment. Moreover, attention has been drawn to the consequence of loss of production and to the necessary condition of wage moderation.

Some illustration can moreover be derived from the study by Den Hartog, Van der Klundert and Tjan already quoted several times in this report.

By means of the Vintaf model (15) the effects of a reduction of working hours by 1% a year for three successive years have been calculated. This variant, in which it is not assumed that short-time working is introduced as an alternative to wage increases, proves to lead not to more but to fewer jobs. This

is on the strength of the relations paraphrased above that the number of jobs is positively affected by the reduction of working hours, but that this effect is compensated for by the loss of jobs as a result of loss of capacity. The negative effect on the number of jobs is then caused by the rejuvenation of the equipment under the influence of the increased wage costs. The idea voiced here that a certain degree of short-time working must be accompanied by a proportionate wage moderation is confirmed in this study. Another variant is that in which the stock of capital goods is activated more. An example is an expansion of the shift system by which the 'working hours' of the equipment are lengthened. During the first two years a considerable revival of employment may be perceived in this variant. These effects are even so great that in the third year a turning point is reached at which the supply of labour becomes a bottleneck. In this connection it must be added that the time path of the variables in the variants mentioned is rather erratic. As a rule the measures do not quickly lose their effect. For this reason too the consequences for the longer term must be regarded with the necessary reserve.

6. Not only from the macro-economic viewpoint may problems occur. If short-time working results in more jobs become available, it is still the question whether the unemployed live in places where these jobs are offered and whether they have the requisite training and skills. The mobility of labour, both geographical and functional, could be too small, so that the desired effects of short-time working could not be achieved.

In a possible experimental stage such a situation could be fatal to further development. This could hamper a perhaps necessary application of short-time working on a large scale in the future. In a provisionally limited application of short-time working, the policy with regard to the labour market for the region, sector or branch of industry in question, could acquire the opportunity to concentrate on the problem of mobility.

The condition that short-time working may not lead to an increase in the costs of production per unit of product means that costs of short-time working will have to be shared out in the incomes field and thus deducted from the possibilities of developing purchasing power.

This summons up the question of how matters stand with the readiness of the population to swap purchasing power or an increase in purchasing power for more leisure time, on behalf of more jobs for the inactive. For the conduct of policy it is increasingly important in the case of investigating new measures to what extent an appeal to solidarity is made and what the people themselves think about this. Attention has already been drawn to the limits of solidarity, and the importance of this 'neglected point of view' has been demonstrated.

In an investigation by the Central Bureau for Statistics people were asked how they would like to see a real improvement in the general economic situation of 5% 'translated': exclusively into increased income, exclusively into more leisure time or into a combination of the two (16).

The results show that obtaining additional income by doing more work appeals more than obtaining more leisure time at one's own expense. If, however, the cost aspect is detached from more leisure time, it proves that many would like to work shorter hours.

About half of the working population want to devote a real improvement of the economy to becoming financially better off; the other half are satisfied with a less considerable increase in income, but wish to see this supplemented by an increase in the amount of leisure time. According as the level of income and of education is higher, one is less inclined to do more work and more inclined to 'buy' leisure time.

Above the age of 40 people cling more to their actual working hours: both longer and shorter working hours appeal less. Although conclusions can only tentatively be drawn here, there is a general tendency for people to want to work less. Half of this group are prepared to exchange income for leisure and

to take a more than proportionate drop in purchasing power. It can perhaps be said that the climate is favourable for switching to short-time working at the expense of a rise in purchasing power. It could be important further to investigate whether this is regarded as a matter of solidarity or whether there is in general a considerable appreciation of leisure time.

7. Short-time working is a measure whose function is to bring about rationing of jobs. In its extreme form this measure affects all active persons. The latter have to sacrifice both working hours and income so as to create a larger number of jobs. This does not apply to the other measures, which concern only a certain category of the working or non-working population. In the discussion of short-time working economic consequences and also the consequences for the labour market have been considered in particular.

It goes without saying that a possible introduction of short-time working into the realm of policy will also yield other major effects of a social and cultural nature. It must further be borne in mind that these measures lead to a reduction of income. This means that changes may also occur with regard to consumption, which are not only individually but also socially important.

The same comment must be made with regard to a change in wage stratification as advocated elsewhere in this report. After all, changes may occur in consumed spending between social groups, so that changes in social standing may also take place.

In our consumer society reduction of incomes is something with which most people are not very familiar. Instead they expect their income to remain the same or to rise. If reduction of income were no longer a matter of individual cases but of certain social groups, this would be of great social significance. After all, our society is very much a consumer one. It is therefore obvious that many would seek compensation for a drop in income. The participation of married women, which is going to increase anyway, can be given an extra impulse by this.

Other possibilities of compensation are to be found in jobs on the side and overtime. However, the possibilities of compensation are unevenly distributed. This could mean that in these circumstances evasion and passing-on of taxes and social security contributions increase in importance.

The reduction of working hours also has positive effects, for instance on the working situation. This is for many still a fairly heavy burden. The claim that it lays to time during the week allows of little leisure time. In addition, functioning in social life has largely to take place in one's free time. This participation in social life must be viewed positively. The more who help to shape society the better.

Reduction of working hours will lead to a greater demand for facilities for recreation and transport. The infrastructure is in many cases not designed for a more frequent or more intensive use, however.

From this point of view an increase in leisure time ought to take the form of a reduction of working hours per day rather than lengthening the weekend.

Finally, the simultaneous reduction of working hours and income will have other social consequences too (17). In addition to the inequality in possibilities of compensating for loss of income, there are also inequalities in the extent to which certain social norms and values are adhered to. Examples are the aspirations to upward social mobility, appreciation of education and the value attached to a university education for one's children. The appraisal of outward material prosperity differs not only between individuals but also in part between social groups. This can have a differing effect on different groups. This aspect is not only of importance to the well-being of the people in question, but is also socially relevant. Possible dissatisfaction may express itself in various ways, for instance in the form of changes in the membership of unions, the electoral support given to political parties and the rise of new pressure groups.

In this sense short-time working is not only of importance to the distribution

of labour and income; the existing institutional relations and relative power may also change as a result.

Conclusion

In its considerations the Council has mentioned a number of possible negative effects of reducing working hours. Nevertheless the Council feels, having regard to the future problems, that the instrument of short-time working deserves every attention for the future. In view of the negative effects mentioned, a thorough study is desirable. The Council has proceeded on the assumption that introduction of short-time working may not be accompanied by an increase in labour costs. In the case of a generally binding declaration, that can call for income-redistributing measures.

The Council is of the opinion that experiments with short-time working must be started (18).

These could be set up selectively, aimed for instance at certain categories of workers, occupations, regions and branches of industry. In general sectors and regions with an obvious surplus will be the most appropriate ones. In the experimental phase the adverse effects on the purchasing power of the lowest-paid categories will have to be compensated for by means of wage supplementation.

The Council is of the opinion that an evaluation of experiments with short-time working is desirable in order to find a responsible starting position for general short-time working.

The Council urges that, in close cooperation with management and labour, new selective experiments be started.

XI.5. The position of the foreign workers

1. As part of the restriction of the labour supply the policy examined with regard to the foreign worker must also be, or the possibilities of limiting a further influx of foreign workers into the Netherlands must be considered (19).

In this context the free movement of labour within the European Community is an important datum for the conduct of a restrictive policy. E.C. nationals need no residence permits and no labour permits in other member-countries.

Further, of particular importance is the entry into effect of an association treaty with Turkey, since this can considerably limit the effectiveness of such a policy (20).

The number of foreign workers from the official countries of recruitment is divided as follows among the nationalities of the countries:

Table XI.1. Numbers of foreign workers from the official countries of recruitment by country of origin (x 1000)

	1972*)	1975*)
Portuguese	4,1	4,9
Spanish	21,0	17,6
Jugoslav	9,6	9,9
Greek	2,3	2,2
Turkish	31,0	37,6
Moroccan	24,1	28,2
Tunisian	0,5	0,9
Total	92,6	101,3

*) As per 31 December.

Source: Central Bureau for Statistics (21).

Apart from the 101,300 workers from the countries of recruitment, there were moreover as per 31 December 1975 a further 23,100 workers from non-E.C.

countries, thus making a total of 124,400 foreign workers. Many workers came here with their families or sent for them later. The total number of persons (including the workers) from the countries of recruitment and non-E.C. countries is 167,400 and 86,900, which amounts to a total of 254,300 foreigners. No reliable data are available on the inflow and outflow of foreign workers since 1 January 1976. As a result of the restrictive policy followed and the worsened economic situation, the influx of foreign workers will not have assumed large proportions. However, the regularization of illegal workers in 1976 has resulted in 11,200 workers qualifying for addition to the number of 101,300 persons as per 31 December 1975.

As per 31 December 1975 some 7600 of the 101,300 foreign workers were jobless. The unemployment percentage of 7.5% is above that of the autochthonous working population.

2. Following a restrictive policy as an instrument to restrict the supply of labour has the advantage that it does not lead to a change in the composition of the inactive group but can actually lead to an absolute reduction of that group. This is an advantage in comparison with other instruments already discussed. For the relevance of the analysis of this policy instrument it is important that a restrictive policy has already been developed in the Netherlands. As a result a development that has already been actuated can be built on.

It must be remarked that following a restrictive policy is not solely the product of labour market considerations.

The developments which in the Fifties and Sixties preceded the formulation of a restrictive policy are explained in Appendix XI-A.

The reasons that led to formulation of the objective of restrictive policy will not be discussed here (22). It will suffice to comment that these are:

- a. macro-economic reasons (contribution to gross national product in comparison with the above all social costs, notably if the family is reunited);
- b. social reasons (tension between the allochthonous and the autochthonous working population);
- c. reasons of development cooperation (migration leads to a delay in better international division of labour and in the industrial restructuring considered necessary at national level);

The Foreign Workers' Labour Bill was submitted in order to subject the demand for foreign workers to a critical appraisal. At the same time steps should be taken to encourage business to develop alternatives to the utilization of foreigners. The following concrete points must be seen against this background.

- a. The ban on employers allowing foreigners to work without permission from the Minister of Social Affairs.
- b. The existing system in which an employee needs a labour permit is to be replaced by a system in which the employer must have an employment permit;
- c. Under the proposed scheme a permit may be refused *inter alia*:
 - if a limit to be set by the Minister would be exceeded;
 - when there is a supply of labour on the labour market or one may reasonably be expected for performing the work to which the permit applied for relates;
 - when there is no suitable accommodation;
 - when the foreign worker does not fall within age limits still to be set;
- d. After working and living in the Netherlands for three years the foreigner is free to come and go as he pleases; in other words he then has the same rights as the Dutch worker.

The following comments may be made on these policy instruments (23):

- i. the measures are too general in nature; there is insufficient differentiation according to economic sectors and regions with a varying demand for foreign workers. In this connection it must be pointed out that a tie-in with the structural policy to be followed by the Government, whose points of departure are laid down in the Selective Growth White Paper, is unclear;
- ii. the measures can be criticized on the strength of social considerations

connected with the mobility of the foreign workers already here;

iii. the measures are not preventive enough as regards the demand for foreign workers on the part of business. Migration cannot be driven back by administrative measures alone; structural measures are needed to prevent additional demand for foreign workers being generated.

3. There are three possibilities of conducting a restrictive policy in the sense that the demand for foreign workers is reduced instead of a demand not being met.

These are:

- a. substitution of the autochthonous working population for the allochthonous working population: wage and incomes policy, fringe benefits, job restructuring;
- b. substitution of capital for labour: investments in depth;
- c. removal of production processes and jobs to other countries (especially emigration countries) or the elimination of jobs.

The three possibilities, which will often occur in combination, are mentioned by the Government in the various White Papers and in the explanatory memorandum to the bill, but they are not rendered sufficiently concrete. The latter is of the greatest importance because the failure to formulate such a long-term policy could lead to an extra loss of jobs for the autochthonous working population. The continuation of firms or departments of firms will often be connected with the presence of foreign workers. Of course, a policy cannot be realized by the Government alone; support by teamwork on the part of management and labour is of great importance. The ultimate shape given to the measures will depend on elements like capital-intensity, international competitive position, possibilities of short-time working and presence of a domestic labour supply.

4. From the point of view of the objective of this study of the active and the inactive, possibilities b. and c. are less interesting, because the fall in the labour supply may be accompanied by a fall in the number of jobs. Consequently they will not be discussed further here. In these cases the uncertainties about unemployment effects are too great.

With regard to the first possibility the following may be remarked. In the substitution of autochthonous for allochthonous working population the following may be envisaged:

- wage and incomes policy, i.e. a relative improvement of the remuneration for unattractive work;
- improvement of fringe benefits;
- job restructuring.

5. Assuming that foreign workers are hired to perform unattractive jobs because Dutch people have increasingly withdrawn from these jobs, one of the possibilities of nevertheless having these jobs filled when a restrictive policy is followed will be an increase in the pay for such jobs. In this way the attraction of the jobs in question may be increased and the supply of labour influenced. A relative increase in the remuneration of unattractive jobs in respect of the remuneration of attractive jobs is acceptable because it is a better reflection of the existing relative scarcity on the labour market.

However, a number of question marks must be placed against the possibility and effectiveness of influencing relative remuneration. Firstly, increasing the remuneration for these jobs will not automatically form the solution to the problem, because the level of remuneration is only one of the factors determining the choice of a job. Secondly, the fact that unattractive jobs become relatively more expensive may influence the demand side of the labour market through the introduction of labour-saving machines or removal of production processes to countries where labour is relatively cheap. Thirdly, there is a chance that if unskilled jobs are better paid the whole wage structure will move upwards.

The crucial point is that the level of education is of greater importance to the

wage structure than the relative shortage of certain jobs. Influencing the labour supply via remuneration, as referred to above, consequently calls for detachment of the wage level from the level of education. This problem has been considered in Chapter IX. There the necessity is discussed of changing the wage stratification in the longer term, in order to increase the remuneration of among other things unattractive work. In this connection one may think in particular of sectors like agriculture and horticulture, the building and catering trades and cleaning firms, where substitution of capital for labour is technically and economically difficult and where removal of economic activities to emigration countries is hardly feasible, if at all.

6. A number of the problems mentioned that can occur with a change in the remuneration structure do not happen if an attempt is made with the same aim in mind to make the non-remuneration factors attractive. Here restructuring of unattractive jobs may be envisaged. There are two possibilities:

a. horizontal restructuring by a greater variety of activities, by means of job rotation or by job enrichment;

b. vertical restructuring by giving a job responsibility and more initiative. An improvement of working conditions and other terms of employment may also be envisaged. This will often be a matter of consultation between management and labour. Concrete examples are shortening the working week, longer holidays, flexible working hours, extra bonuses and a change in job classification.

Research on an admittedly limited scale (see Appendix XI-B) further shows that it is advisable for the Government in a restrictive policy to give further guidance to processes relating to job enrichment, revision of the remuneration system and engagement of part-timers, married women and temporary workers.

Conclusion

The Council is of the opinion that in the short term a restrictive policy, as worked out by the Government in the Foreign Workers' Labour Bill, can be effective. This can be achieved by means of:

- improvement of the remuneration for unattractive work;
- improvement of fringe benefits;
- job restructuring.

The Council is of the opinion that making the non-remuneration factors attractive, whether or not in combination with an improvement of the remuneration for unattractive jobs, is a means of reducing the need to engage foreign labour in the future. At the same time the Council recommends the encouragement on a small scale of experiments aimed at this.

CHAPTER XII. CREATION OF JOBS IN THE QUATERNARY SECTOR

XII.1. Introduction

In this chapter the possibilities are explored of creating jobs in the quaternary sector. The point of departure is that for the supply of labour an insufficient number of jobs can be created in the primary, secondary and tertiary sectors. This also is the case if the Government takes action to promote employment.

Job creation in the quaternary sector is not only desirable from the employment point of view. It is at the same time assumed that there are unfulfilled wants in society that can be met by means of labour-intensive facilities.

Below the quaternary sector is first further defined. Then four possibilities of financing are given. For two sectors, viz. old people's welfare and education, a study has been made by way of example. A short description of the still unfulfilled wants in these sectors is given. At the same time it is endeavoured to give an indication of the importance of developments in these sectors to employment. In Appendix XII two foreign initiatives are briefly described. The chapter ends with a number of conclusions.

XII.2. The quaternary sector further defined

1. The quaternary sector means here the non-commercial service sector. A characteristic feature is that the organization of that sector is controlled from the collective sector. One of the instruments for this is the partial or whole financing from collective resources. In other words, the quaternary sector is not characterized by the fact that the Government itself has to undertake the provision of services. On the contrary, both public and private organizations can concern themselves with this provision. The quaternary or non-commercial service sector comprises both collective and semi-collective services (i.e. merit goods).

Even when the users of these services pay charges this does not alter the essence of the quaternary sector, namely that the organization of it is controlled from the collective sector.

A central position in this consideration is occupied not only by the creation of jobs but also by the fact that in sectors such as health care and old people's welfare there are unfulfilled wants that can be met by a labour-intensive supply. A question which arises here is how these wants are identified and weighed against one another.

With regard to non-collective goods the allocation of factors of production among alternative possible uses takes place in particular via the mechanism of the market. This mechanism obliges the consumer to make his preferences known. He is after all confronted with the prices that he has to pay for the goods and at the same time with the limited nature of his financial means.

A number of factors, such as the indivisibility of goods and services into units which can be sold on a market and the occurrence of external effects, have resulted in certain goods and services being regarded as collective and semi-collective and allocated via the mechanism of the budget instead of that of the market. There have been various reasons for an increasing allocation via the budget mechanism, i.e. for an increase in Government intervention. Although these reasons are not the subject of discussion here, mention may be made of the growing complexity of social relations, the changed social views on solidarity

and the greater prosperity that certain Government provisions, such as education, bring in their train, besides more objective factors such as the changing size and composition of the population.

2. The budget mechanism must thus attend to the identification and weighing of wants in the quaternary sector. The question that arises in this context is how adequate the budget mechanism is in systematically signalling the nature and extent of wants. It is not enough here to refer to the formal point relating to the marginal weighing of Government expenditure against private expenditure.

Many forces, such as pressure groups, elections, the actions of the Government and Parliament, official and non-official advice, play a part in this signalling and are also described as such in the literature (1).

By way of illustration adult education may be pointed to. In recent years much has been said and written nationally and internationally about the importance of lifelong education, recurrent education or adult education. The extent to which there was an actual demand for this form of education remained hidden. Now that the Government, by way of experiment, has created a limited supply in the form of some secondary schools for mothers, this demand has been able to manifest itself.

3. The satisfaction of wants in the quaternary sector creates jobs and thus has an expanding effect on the labour market. Above all now that the Government too proceeds on the assumption (2) that the possibilities of creating employment in the primary, secondary and tertiary sectors are subject to limitations, in the Council's opinion an investigation of the employment aspects of projects in the quaternary sector is worthy of recommendation (3).

It must be stated with some emphasis that the quaternary sector is not regarded here as a possibility of creating jobs specially intended for the inactive.

The aim is a general widening of the labour market that can benefit both the active category and the people who are now inactive. Of course, control by the Government can contribute to jobs in the quaternary sector benefiting the inactive in particular. With regard to those unfit for work, extra attention can be paid to the possibilities of creating adapted work in the non-profit sector. With regard to the unemployed, projects in the quaternary sector can be embarked on particularly in regions with considerable unemployment. Control is also possible by taking as much account as possible of the qualifications of the unemployed when choosing the concrete activities. In general it may be said that the nature and the extent of the activities in the quaternary sector can be controlled via the budget mechanism.

Before going into a number of aspects connected with employment in the quaternary sector, the social wants concerned will first be defined by way of example. The Council has undertaken a study in two sectors of Government policy, and more in particular examined the developments with regard to old people's policy and education policy. This is reverted to further in this chapter. The reorientation of old people's policy, together with the fact that in the future old people will form an ever-greater proportion of the population, implies more Government efforts and has positive effects on employment. In the education sector too there are unfulfilled wants qualifying for an accelerated policy, for instance the developments with regard to the open school, for which it is being attempted to quantify the effects on employment.

The quaternary sector is not new: many social wants of a collective and semi-collective nature are already being controlled and financed by the Government. The annual budget offers a wide range of examples. What, however, is inherent in and essential for the quaternary sector is that meeting the as yet unfulfilled wants has a labour-intensive nature and is associated with the increase in the number of inactive persons, without the related activities being

specially intended for the inactive.

As clearly emerges from the above, in the identification of the wants in the quaternary sector labour-intensive projects are envisaged. In earlier chapters mention has already been made of the difference between the objective with regard to maintaining the required productivity base and the objective of full employment. Precisely because it is regarded as a task of industrial policy to attain the productivity base objective, the employment objective being of secondary importance, in the identification of real wants in the quaternary sector one can allow oneself to be led primarily by the employment objective. The development of labour-intensive forms of activity as in education and old people's welfare must moreover be regarded in relation to two other elements.

In the first place, the creation of jobs in the quaternary sector will be accompanied by fewer investments than the creation in for instance the industrial sector and will constantly lead to less of a claim to financial resources. The latter is of importance in connection with the influence of the improvement of the structural employment situation on the structurally permissible financial deficit of the Government. For job creation in the private sector very high investments are required; an average sum of f 200,000 to f 250,000 per job has been mentioned (4). As the quaternary sector is not capital-intensive, the claim to financial resources on behalf of investments will be considerably less. How much less will depend on the projects to be chosen in actual fact. In some cases (such as in adult education) it will even be possible to utilize existing infrastructure (school buildings, certain teaching aids).

In the second place the non-capital-intensive nature of the projects in the quaternary sector means that less attention need be paid to the possible shake-out of labour as a result of the development of the relative costs of labour and capital and the immanence of the process of technological innovation. The replacement of labour by the use of increasingly advanced capital goods will not happen here. Both the creation of jobs and the preservation of jobs are therefore more easily controllable processes in this sector.

4. Performing work in the quaternary sector cannot be regarded as a compulsory *quid pro quo* for receiving social security benefit, or as work specially created on behalf of the inactive in which the Government acts as employer of last resort.

These are worthwhile jobs for those who want to work. This point of departure must be interpreted for one category of inactive persons, viz. those unfit for work, in such a way that the quaternary sector has good possibilities of providing adapted work for those wanting to work. For those receiving a W.A.O. benefit it is in many cases impossible to utilize the possible residual fitness for work, as a result of economic circumstances and in particular of the insufficient demand on the labour market. The problem of finding work for persons partially unfit for work explains the tendency to declare these people completely unfit and thus to pay them a maximum benefit (5). The possibility of control that the Government has by means of the quaternary sector can be used to create adapted work for those unfit for work. In this way the Government could make a major contribution to the employment objective. For another category of inactive persons, the unemployed, the rule must apply in all cases that this job creation is not aimed specially at them and that it is a matter of a general expansion of the labour market. The creation of special jobs for the unemployed is rejected here as an instrument for a structural employment policy. A major consideration in this respect is that the special jobs for the unemployed may give rise to a new kind of double labour market, with all the social tensions and problems of unfair competition that are possible in this respect. When, as advocated here, real social wants are taken as the point of departure, this can prevent a stamp of 'inadequacy' marking the quaternary sector as a segment of the labour market.

5. The creation of employment in the quaternary sector can be prevented only thanks to attainment of the productivity base objective in other sectors. In other words, the market sector reinforces the productivity base for the collective sector. It may be asked what limits can be indicated for the size of the quaternary sector.

According to current views, the non-commercial provision of services is not directly productive, economically speaking, because no value measurable via the market is added. 'Government production' measured in money is then assumed to be equal to the remuneration of the labour factor of production and thus to the wage bill. The problem of limitation occurs above all because the fact that the jobs to be created have to be worthwhile ones also implies that they will have to have a full remuneration which in all probability will therefore exceed the social security benefit received by the inactive. If these jobs were to be occupied only by persons now receiving benefit, the decline in payment of benefit would probably be overcompensated for by the rise in Government expenditure on behalf of these activities, quite apart from the accompanying capital costs. It is clear that for the quaternary sector, which is meant to widen the labour market, generally the change in wage stratification advocated elsewhere in this report on the strength of relative scarcity, is also applicable. This means that remuneration in the quaternary sector for certain occupational categories should be partly dependent on the relative scarcity of those occupational categories on the labour market.

It is of course possible that the users of the services offered in the quaternary sector are prepared to pay a charge for them as a *quid pro quo*. This is for instance quite feasible for attendance at a secondary school for mothers and when making use of day nurseries. Nevertheless, there will probably be an upward pressure on Government expenditure. To approach the problems connected with this in a responsible manner, it is necessary to embark on a social cost-benefit analysis of the promotion of employment and in particular of the creation of jobs in the quaternary sector. After all, an additional claim to Government expenditure may be acceptable in view of the drawbacks associated with the economic, social and political consequences of a permanent stock of inactive persons of great volume. In Sweden attempts are already being made (6) to perform a cost-benefit analysis of this kind. The Council has noted this and similar research (7) and would like to stimulate attempts to arrive at a cost-benefit analysis in the Netherlands.

The following elements ought to be involved in this:

a. From a broader social point of view there can be quite definitely a considerable output in the quaternary sector which furthers welfare (i.e. non-economic growth) and at the same time creates worthwhile employment. It is important whether one is prepared to pay a price for the fulfilment of real social wants not adequately met, either as an individual via charges or as society via taxes.

b. The creation of employment in the quaternary sector may bring in its train important redistribution aspects. The provisions in the quaternary sector will probably benefit above all individuals/groups who are in a position of arrears. This affects the distribution of Government expenditure among individual income recipients in a positive sense. In other words, undertaking activities in the quaternary sector may result in a more equal distribution of tertiary income.

c. Undertaking activities in the quaternary sector may mean that, apart from the direct employment effects, there may be indirect employment effects in other sectors.

d. The quaternary sector as an instrument for widening the labour market increases the changes of employment for inactive persons. This must be viewed positively, not only on account of the existing values and norms regarding work, but also on account of the attempt to ward off the negative social

aspects connected with lengthy unemployment and a further rehabilitation for work.

e. The widening of the labour market via the quaternary sector may also summon up a number of unintended effects. In the first place the existence of the quaternary sector may tempt a new supply of labour, for instance married women and part-timers. In the second place the quaternary sector may draw off labour from the industrial sector, for instance on grounds of quality, which may entail a loss of production.

f. Efficient management of the projects embarked on in the quaternary sector is of great importance. Attention must be paid to efficient supervision of the implementation of these projects, in order to avoid unnecessary pressure on Government expenditure. Reference must also be made to the problems of institutional shaping.

XII.3. The financing of the quaternary sector

1. This section deals with the method of financing of the activities in the quaternary sector. A distinction will be made between four alternative models. The presentation of these modalities here is in an abridged form only. If the Government decides to devote more attention to the quaternary sector as a segment of the labour market, then in the Council's opinion research into the possibilities of financing will also have to be encouraged.

2. In the first place financing can be done from public resources, which means an upward pressure on Government expenditure. A negative aspect of this alternative is that, as a result of passing-on mechanisms, the rise in real labour costs may increase. The related pressure on non-wage income may have negative effects on investment activities and thus on employment. The positive employment effects as a result of the creation of jobs in the quaternary sector may be nullified by this. Nevertheless, there is a real possibility here because the social cost-benefit analysis to be undertaken may result in a certain increase in Government expenditure being preferred to extensive unfitness for work and unemployment of a permanent nature. In this context attention should also be paid to the making-up effect that accompanies the creation of employment in the quaternary sector.

3. In the second place such a change can occur in the composition of Government expenditure, whether or not in combination with the first possibility, that employment in the quaternary sector gains from this. If for instance within the framework of structural budgetary policy extra funds can be spent on the education sector, it may be possible to do so in the direction of more teachers for groups in arrear situations. In addition to educational aspects, in the latter case attention would have to be paid to the effects on the labour market. In principle this is therefore not an increase in expenditure but a shift in it.

In this connection one may also envisage alternative expenditure of the sums of money at present being spent on the furtherance of employment in industry, especially when the effectiveness of this is doubted. However, it should be borne in mind that when these moneys are used for the quaternary sector they become relevant expenditure which has to be fitted into the structural budgetary framework, while as used at present this expenditure is often regarded as non-relevant (8).

4. In the third place one may envisage the use of social insurance funds for financing the activities in the quaternary sector.

It is not a question of the investment of certain funds (capital cover system) but of alternative spending of some funds, with a less strong connection between the extent of the obligation to pay contribution and the extent of the

entitlement to benefit (apportionment system). This means that it is a question of expenditure on projects in the quaternary sector instead of on benefits. In particular the simultaneous occurrence of the provision of social security benefits to inactive persons and the existence of unfulfilled real social wants encourages such a viewpoint. This possibility has certain drawbacks. As long as the social insurance funds form a more or less separate collective sector alongside the Government economy, utilization of these funds on behalf of the quaternary sector would mean that the parliamentary mechanism for weighing Government expenditure would change. There is now a framework for weighing priorities in which a discussion takes place every year on spending of public finances. The policy regarding social insurance funds is not integrated with the rest of Government policy and therefore there is no general weighing of interests in the spending of social insurance moneys. One could rightly ask why – if in fact real social wants are concerned – these wants are not weighed via the normal budgetary mechanism. This problem would of course not occur in the case of fiscalization, i.e. doing away with the separate fund-forming that still exists today. Fiscalization would meet with great administrative and political resistance, certainly in the short term. Especially the fact that the insurance idea would be breached and the stress laid more than at present on the solidarity principle is of importance here.

5. A fourth possibility proceeds from the contributions made to the social insurance funds from general finances (9). In concrete terms these are the contributions to social insurance funds such as the Unemployment Provisions Act, the Working Disablement Insurance Act, the General Working Disablement Insurance Act and the General Act on Specific Health Risks. By reducing the contributions from general finances the moneys consequently freed could be used to finance projects in the quaternary sector. The assumption is that the creation of employment in the quaternary sector will further the return to employment of inactive persons, whether this is in the quaternary sector or not, and therefore reduce claims to social security benefits. In that case financing would be done via Government expenditure, but with simultaneous reduction in income transfers to the social insurance funds. A major advantage of this construction is that expenditure on behalf of these projects in the quaternary sector is not exempt from the general weighing of interests but can be weighed against other collective spending and thus influenced as regards nature, size and timing.

If financing takes place from Government expenditure with simultaneous reduction of the income transfers to the social insurance funds, it is justified to ask whether the Government could take into account the problems concerning employment in the structural budgetary policy to be followed. Government spending must be viewed in relation to the annual trendwise budgetary room becoming available every year. Within this structural room a distinction can be made between two kinds of relevant expenditure, viz. categories of expenditure with a high and a low employment effect.

Having regard to the problems outlined above, the distribution of the budgetary room could be such that more emphasis is laid on the categories of expenditure with a high employment effect.

XII.4. The example of the old people's sector (10)

1. The policy with regard to old people is examined not only from a viewpoint of reorientation but also because old people, as a target group, are proceeding to form a steadily growing percentage of the population. This in itself entails more Government effort and forms an extra justification for the reorientation of this policy.

The proportion of persons of 65 years and older in the total population increases from 10.7% in 1975 to 13.7% in 2000 (11); see Table XII.1. below.

Table XII.1. Projection of the development of some age groups (12)

	1-1-1975	1-1-1980	1-1-1990	1-1-2000
	x 1000			
Total population	13.660	13.844	14.178	14.283
0-19	4.646	4.306	3.512	3.211
20-34	3.220	3.454	3.555	3.048
35-64	4.274	4.495	5.308	6.075
65+	1.469	1.589	1.803	1.949
	1975 = 100			
Total population	100	101,8	104,3	105,0
0-19	100	92,7	75,6	69,1
20-34	100	107,3	110,4	94,7
35-64	100	105,2	124,2	142,2
65+	100	108,9	123,5	133,6

This increase is of course important to Government effort with regard to work among old people. There are, however, developments in old people's policy itself that affect this effort and bring in their train a greater use of personnel.

2. The Old People's Policy White Paper 1975 emphasizes as aim that the policy must further as complete an integration of old people in social life as possible, both for those who live independently and for those who have been admitted to homes or nursing homes (13). On the basis of this most general definition of the aim a number of tasks may be formulated that lend themselves to an acceleration of policy. Examples are the expansion and support of general furtherance of the well-being of old people and the tasks covering the whole field of old people's welfare. With regard to the latter point three essential subtasks may be formulated:

- much greater attention to the extramural field (14), notable to the way in which family care, social service and the work of the voluntary societies are equipped. As an indispensable finishing touch to working among old people at local level a further development of open work among old people must acquire substance;

- such a policy with regard to the size and capacity of intramural facilities that admission becomes possible only when an independent way of living is no longer regarded as justifiable;

- countering too strict a separation between intramural and extramural facilities, their interconnection in one chain of assistance takes pride of place.

A distinction may be made between two main characteristics that will change the appearance of old people's policy at local level.

In the first place there are changes regarding the administrative framework. Policy concerning old people, like other forms of activity promoting welfare, will come to be much more directly influenced from the local and/or regional administrative set-up. The central Government will make it possible via Government grant schemes for the municipalities to instrument an adequate old people's policy. This also entails that the formal responsibility is vested at municipal level.

In the second place there are changes with regard to implementation. The machinery for implementation at local level will be extended by indication committees (15). These committees, which will operate autonomously, will henceforth supply an overall indication; that is to say, independently of the question whether admission to the intramural sector is necessary, it will always be indicated for the old person in question how his or her need for assistance can best be met. In this way the pressure on the existing chain of assistance is greatly increased.

3. It is practically impossible to quantify in terms of manpower all the tasks set for policy acceleration. On the one hand the decentralized form of old people's policy is hardly reconcilable with supply criteria determined uniformly. On the other this policy cannot be an isolated activity but must form part of overall welfare planning.

The quantification is therefore kept within broad limits and concentrated on one field of policy, extramural work among old people.

The projects, manned by a project leader and one or more assistants, are primarily intended to bring about an optimal coordination at local and/or regional level of the activities performed on behalf of old people. The whole body of independently operating institutions and provisions varies from specific 'care' agencies to general activities for furthering welfare that are offered by clubs, neighbourhood houses, libraries etc. These institutions and facilities are often insufficiently able to guarantee a supply adapted to older people.

The ideal picture of work among old people by no means always entails that separate activities and services are set up for old people, but above all that the existing supply is so organized that the old people themselves can participate to a sufficient extent.

The projects for coordinated work among old people, whose very task is to encourage and expand this development, still encounter missing links in the chain of implementation too frequently for them to be able develop optimally the ultimate task, policy coordination.

4. An expansion of manpower for independently operating institutions and facilities can be sought above all in:

- the expansion and support of general furtherance of the well-being of old people: socio-cultural activities (16), recreation, educational work (incl. preparation for retirement);

- the expansion of the specific 'care' agencies: family care, voluntary society work, social service.

Quantification is extremely difficult, since the nature and extent of the existing pattern of provisions per region, per town and even per district may fluctuate considerably. Moreover, the decentralized policy structure implies that at municipal level existing gaps must be portrayed, on the basis of a good dialogue between all the parties concerned. However, it does not seem implausible to put the extra manpower for the time being at about 4000, which also assumes the use of part-timers and temporary staff. These employees would have to undertake directly executive and at the same time strengthen the framework for more continuous contributions by volunteers both among the old people themselves and from other groups.

With regard to the expansion of manpower for the projects on coordinated work among old people, mention must be made of the fact that provincial and municipal support for these projects is regarded as inadequate. In that connection one could aim at both establishment of a package of tasks at provincial level and at an increase in the number of municipal officials charged with welfare planning. Further, the expansion of manpower specifically intended for the projects on coordinated work among old people can be directed towards two activities:

- improvement of the coordinating function at local and/or regional level;
- accommodating directly executive activities in the projects for coordinated work among old people (the Government contribution scheme makes this possible). The initiative will have to be taken for this when it is clear that a number of links are missing from the implementation chain, for instance provision of hot meals, socio-cultural work and transport for old people. It is often the intention that in the long run these activities will be transferred to the whole of independently operating institutions and facilities. Nevertheless, there seems to be a prospect here for the projects of performing an

'exemplary function'. The utilization of a number of part-timers and temporary staff within the projects then functions as an experimental field for the necessary expansions in other kinds of work.

At present there are 383 projects, with an average staffing of 1.5 employees per project. In the near future an increase to some 500 projects is to be expected. A good staffing per project may be put at approx. five full-time employees (including the project leader and two staff officials, with the other two jobs being filled by various part-timers and/or temporary staff).

The total expansion based on some 500 projects could then comprise on a rough estimate 2000 to 2500 jobs.

XII.5. The example of the education sector

1. On a modest scale a start has been made with activities directed towards lifelong education. Important points of departure here are the expected considerable increase in the demand for education on the part of school-leavers and awareness of the latent need for possibilities of educative development among many adults. The enormous success of the secondary school for mothers is illustrative of the latter point.

Preparation of policy by the Government has led to the demarcation of three problem fields. On this basis three committees of experts have been instituted who, in cooperation with the Government (17) and private enterprise, act as pioneers for the ultimate concretization of policy.

- the Open School Committee (Dutch initials C.O.S.) (18),
- the Committee for the Encouragement of Local Educative Networks (C.B.P.E.N.) (19);
- the Paid Educational Leave Committee (C.B.E.V.)

2. The 'open' nature of open school activities must above all acquire substance by having the content of the curriculum that it offers, geared as closely as possible to the wishes and needs of the participants. This implies a greater variety of subject-matter to be taught, a greater freedom of choice of packages of subjects and also the possibility of gaining subcertificates. The development of these 'open curricula', and also the determination, compilation and coordination of the optimum multimedia implementation of these are essential task for the C.O.S.

So far three recommendations have been made. The first two are aimed principally at the pilot projects considered necessary. The pilot projects have been performed above all so as to arrive at a listing of priorities for target groups (above all those of limited opportunity). The third recommendation is a 'provisional' sketch of the way in which the open school can actually be structured.

In this third recommendation the final aim is defined: adult education on a multimedia basis. The C.O.S. has endeavoured to involve all organizations and institutions nationally performing educational tasks in the structuring to be set up. Ultimately a development organization must be entrusted at central level with the realization of open curricula, varying per target group. Implementation calls for both a national structure of which the mass media, bodies running correspondence courses and publishers form part and an efficiently operating local structure of educational facilities for group and individual counselling.

From the administrative point of view the educative network fits in with the reorganization that the whole of welfare policy is to undergo in the years to come.

Decentralization is one of the key concepts of this recordering of policy, in which the responsibility for welfare planning or educative planning is put at municipal level, local authorities being given formal powers with regard to this. The ultimate aim is to arrive at a much more flexible system of allocation of financial resources on behalf of welfare or education.

The C.B.P.E.N. has meanwhile published two recommendations, formulating

as objective the attainment of a pattern of cooperating organizations/institutions which, on the basis of an educative plan, jointly a varied and differentiated package of activities aimed at training, education and adult education.

The counselling of open-school projects at local level, together with all existing and new educational activities, must form one coherent supply, to such an extent that the potential participant has maximum clarity about all the possibilities on the spot.

Adequate possibilities must be created for making use of the improved and expanded supply. The idea of paid educational leave has been mentioned as one of these.

Along the same lines as developments concerning educative network and open school, an independent Paid Educational Leave Committee is expected to be installed in the near future.

Policy so far has been confined to the formulation of points of departure. A consequence of this is that the nature, extent and timing of the activities aimed at lifelong education are still insufficiently clear. On the one hand further recommendations from the C.O.S. and the C.B.P.E.N. are awaited, together with the definitive installation of the C.B.E.V.

On the other the central Government has still to pronounce on a number of conditions that will be of decisive importance to realization of lifelong education.

These relate in particular to the departmental supervision and the coordination of the financing systems for the various educational provisions. At present there are considerable differences in the financing of on the one hand daytime education/night schools (Education and Science) and on the other training and general further education activities (Social Affairs and Cultural affairs, Recreation and Social Work respectively).

3. In the estimates of the expansion deemed necessary in the number of jobs with regard to the activities directed towards lifelong education a distinction must be made between:

- the administrative machinery
- the incorporation of a supporting and activating function
- the performance of educative activities.

Decentralization of the planning – for both education and the whole of welfare policy – means for provincial and municipal authorities, especially the latter, a growth of existing tasks.

The municipality, which as a party must play an active part in the planning process, must have sufficient manpower available to be able to carry out welfare planning from the technical point of view of policy as an additional activity. At present it cannot be properly estimated to what extent sufficient manpower can be released for this by redistribution within the municipal organization. It is feasible that for a well instrumented municipal welfare policy an expansion by several hundred skilled workers will be necessary in the long run the whole country.

The educative centre, in which both the municipality and private enterprise would participate administratively, must be seen in relation to the supporting and activating function at local level. Two obvious tasks of the centre are:

- support and furtherance of expertise for all implementing institutions
- direct contact with users of the facilities and latent demand categories so as to arrive at advising or specific activation and recruitment.

These centres ought to be staffed by 'activation officers', with one well qualified person as minimum required establishment. Here too it is uncertain whether sufficient manpower can be released. Assuming a norm of 1 : 30,000 inhabitants, a minimum 450 activation officers would, however, be required.

At present the development process regarding lifelong education is still in its initial stage. However, should it in fact prove possible to persuade large groups of those with limited opportunities to make use of these facilities, and also to exert a draw on other groups with educative requirements, the executive man-

power now present will prove inadequate.

At present only approximate estimates can be given of necessary expansions in manpower for executive educative activities.

These amount to about 600 professional workers (20).

This provisional estimate does not claim to be anything more than a 'calculation model'. Moreover, estimates are still lacking with regard to the required increase in voluntary and semi-professional contributions.

XII.6. Conclusion

By way of conclusion it must be stated that the quaternary sector may not be regarded as a panacea for the problems of employment. However, in addition to the creation of jobs in agriculture, industry and commercial services the creation of employment in the non-profit sector certainly deserves further study.

A major advantage of the creation of employment in the quaternary sector is that the Government itself can guide this employment, i.e. control of available labour by region, sector and qualifications is possible.

At the same time the creation of jobs via the quaternary sector has a direct effect. Above it has been shown by way of example what needs and related activities are envisaged when speaking of the quaternary sector. A rather concise description has been given of a number of unfulfilled wants in the old people's and education sectors. Other possibilities in the field of ambulant mental health care, recreation and environmental protection are conceivable; the socio-cultural reports of the Social and Cultural Planning Bureau yield sufficient indications regarding this. It should be added that thought must not be given solely to the creation of jobs on behalf of skilled labour. Projects are also conceivable, for instance in the field of population services and public transport, in which a particular call will be made on unskilled labour. The requirement that it is not just a matter of keeping inactive persons occupied but that a link is sought with real social needs that are not yet or inadequately satisfied, means that identification of these needs and possible projects geared to them is of great importance.

The Council urges the Government to make a further and more systematic study and identification of real social needs.

Of course in doing so attention will have to be paid to competition with the private sector. It is important to note here that the occurrence of new social needs is a continuous process that is partly determined by the economic and social dynamics of society.

As mentioned above, the quaternary sector offers worthwhile jobs that have to be remunerated accordingly. The financing of these projects is therefore of crucial importance. As argued, the initiation of projects may result in an increase in Government expenditure. Such an increase may have negative effects on employment. A possible increase in Government expenditure must therefore not be accepted lightly.

The Council urges that a cost-benefit analysis be performed in order to establish the bounds within which expansion of the quaternary sector is possible. In the Council's opinion it should be borne in mind that an increase in Government expenditure connected with undertaking projects in the quaternary sector must be weighed against the social costs of the lengthy presence of a considerable number of inactive persons.

Finally, it is again emphasized that the quaternary sector exists solely by the grace of the productivity base and that drawing on this base on behalf of *inter alia* the quaternary sector may not go so far that the productivity base itself is adversely affected.

CHAPTER XIII. RECOMMENDATIONS

This report has considered the development of the relation between the economically active and inactive in Dutch society. The social consequences of this development for the future have been dwelt on. The Council considers that development so problematic that it is of the opinion that initiatives must be taken on a broad front that can lead to a change in direction of the development. The Council has made an investigation to establish the policy concepts which can be developed to restrict the extent of involuntary inactivity in the long term too.

In the first place the Council has for that purpose discussed the effects of the operation of the social security system on employment. In particular the *system for financing social insurance* has been dealt with, and the effects of this system on the development of employment.

1. The Council is of the opinion that a change in the system of financing social insurance may offer prospects for employment. Which system qualifies for this is a question that cannot be answered here, since too limited a view has been taken. Alternatives offering prospects from the point of view of employment could possibly weaken the productivity base. In the Council's opinion further study is desirable on this point. The points of departure taken in this report, productivity base and employment, should form the central criteria of such a study, on the strength of which possible alternatives are worked out.

2. The Council recommends that better records be kept of data on social insurance, notably where data from industrial associations have to be fitted to the definitions of the Central Bureau for Statistics. Better records are necessary *inter alia* for the study recommended under 1. and moreover stand to reason more generally, now that the interdependence of the social security sector and the other sectors of the economy is generally recognized.

3. Further, the *development of sickness absenteeism* has been considered. In connection with the prospects for the frequency of sickness the Council feels that policy on the following points ought to be sharpened:

- even if the significance that is attached to the function of work in the individual's life should decrease, it continues to be of great importance that labour relations are clear and that personal responsibility can find better expression in work. In the Council's opinion, policy should be directed towards furthering the creation of organizational forms of work that make this possible;
- more attention should be devoted to looking after one's own health. A systematic incorporation of sanitary science and environmental hygiene in the widest sense should be given priority in education.

4. The Council further considers it desirable that records of sickness absenteeism by length be refined in order to elucidate the problems of both absenteeism and unfitness for work.

5. The Council is of the opinion that in the implementation of the Working Disablement Insurance Act it is advisable to make the practice of payment of benefit less official and directed more towards the individual. Such an approach

would greatly foster the adequate functioning of many persons who are unfit for work.

6. The Council is of the opinion that only if the recording agencies were obliged to compile sufficiently detailed statistics could a good policy develop in the field of sickness absenteeism.

7. Since sickness absenteeism is a symptom of deeper problems, it is not well suited to a direct approach. The Council considers it of great importance that policy continues to support measures that are aimed at driving back 'avoidable' sickness absenteeism by arriving at identification and objective description of its causes and at a policy directed towards removing the causes. In this respect the Council considers the creation of the Foundation for Coordination of Communication regarding Research into Sickness Absenteeism hopeful, but insufficient.

The Council feels that the fields of action stated in this report (Chapter V.5.) already offer sufficient starting points for new and wider policy measures. It advises the Government to undertake new initiatives in this matter.

8. Thus the Council also believes that in order to drive back 'avoidable' sickness absenteeism, experimentation with the following measures deserves consideration:

- extending ordinary leave by about five days, but at the same time counting each first day of sickness as a day of leave, with a maximum of five days;
- more generous granting of special leave of absence when there is a social indication of overstrain, in order to avoid unnecessary use of the medical channel.

When considering the *future employment problems* it is concluded that the projected development of the supply of and demand for labour will give rise to a high degree of inactivity for a number of years.

It is the Council's view that this must not be accepted. Efforts will therefore have to be made to expand the number of jobs. The quaternary sector is introduced as a major possibility of doing so. However, this also calls for a policy aimed at strengthening the productivity base. In principle the same significance has to be accorded to increasing employment by redistribution measures, as explored in this report.

9. With regard to the *relation between productivity base and employment* the Council recommends the Government to tie investment stimulation policy less tightly to employment policy. It seems better to aim at a strong productivity base that can also be used on behalf of employment. In parts of the industrial sector and the service sector a productivity policy aimed at strengthening the productivity base should be given pride of place. Stimulation of investment can serve as a means to this end without the job criterion being used to the full. Reinforcement of the productivity base presents possibilities of conducting an active employment policy at the same time which is aimed at sectors contributing less towards the productivity base but creating considerable employment. For the Council the central idea here is that with a strong productivity base greater and more lasting possibilities of choice are kept open than in the pursuit of industrial activities of high labour-intensity.

10. With regard to the *allocation problems* on the labour market the Council feels that where labour is in short supply for unpleasant work at least two approaches are called for, viz. humanization of the job and b. reflecting relative scarcity in wages. However, the institutionalization of income determination and distribution in the Netherlands is of such a nature that the approach mentioned under b. cannot usually be followed without an upward pressure being

exerted on the income of the other categories.

The Council is of the opinion that the Government's incomes policy, and also that of management and labour, should be directed towards breaking this link. Drastic changes in wage stratification may not be shunned in this either.

11. With regard to *mobility policy* the Council feels that, having regard to the possible size of frictional unemployment, it will further have to be examined how long jobs remain vacant on average, how this is divided among the various occupational groups and what the possibilities are of shortening this length of time where necessary.

12. Above all through the lack of certainty that retraining leads to a new job, the actual participation in retraining in practice is at present rather small. The Council therefore feels that schemes must be sought that increase the certainty that retraining will lead to a new job. Examples are a further expansion of the training subsidies given to firms if they are prepared to engage suitable jobless persons.

13. Because in practice the combination of supervisory and service tasks in the district employment offices seems to stand in the way of optimum performance of the two separate tasks, the Council feels that means for separating the two tasks should be further considered.

14. There is at present no timely and exact record of the trend in vacancies. In the Council's opinion ways must be sought of bringing about greater openness regarding the trend of vacancies and available vacancies, stating their specific requirements. The possibility of compulsory provision of information on these matters must be examined more closely.

15. The Council has considered whether the concept 'suitable work' should be widened. It feels that at present there is no reason to recommend widening of the above concept.

16. In a situation of growing unemployment the position of groups of limited opportunities on the labour market seems to be weakening still further. The Council therefore recommends that, as is the case with the concept 'suitable work' on the supply side, possible negative sanctions for the demand side be considered. In the report a number of suggestions to this effect are made.

17. In the organization of labour market policy the district employment offices are taking up an independent position. In addition there is the need for policy coordination at a more central level. As a result it looks as if problems will occur in this organization. It is therefore recommended that a further study be made of the possibilities of applying the organization of Swedish labour market policy to the Dutch administrative system.

With regard to the problem of the division of labour and restriction of the labour supply the following possibilities have been examined: raising the school-leaving age, early retirement, reduction of working hours and restriction of the supply of foreign workers.

18. With regard to *raising the school learning age*, the Council feels that doing so by means of a statutory measure should not be introduced primarily for labour market reasons. A policy of stimulation aimed at a voluntary increase in participation in education has the advantage that possible educational drawbacks weigh less heavily. This too leads to a reduction of unemployment.

19. The Council is of the opinion that the system of work is inadequately equipped to deal with the transition of the older employee from the active

to the post-active period. The Council recommends that the study of the possible variants with regard to the problem of *retirement* be intensified. This should be done above all because it might very well be necessary, as part of a fairer distribution of work, for a wider range of retirement alternatives to be available.

The Council also recommends that experiments be started on a larger scale, notably in those sectors where there are more or less permanent (establishment) jobs, so that jobs becoming vacant are filled again.

20. With regard to *reduction of working hours* the Council feels that this instrument deserves every attention for the future. The Council has proceeded on the assumption that introduction of short-time working may not be accompanied by an increase in labour costs. This means that it would have to be introduced as an alternative to wage increases.

It is the Council's opinion that evaluation of experiments with short-time working is desirable in order to find a responsible starting position for general short-time working. The Council urges that new selective experiments be started in close cooperation with management and labour.

21. With regard to the *position of the foreign workers* the Council feels that making the non-remuneration factors attractive, whether or not in combination with an improvement of the remuneration for unattractive jobs, is a means of reducing the need to engage foreign workers in the future. (This ties in with what has been said in recommendation 10.)

At the same time the Council recommends the encouragement of experiments aimed at this on a small scale.

21. In its consideration of the *quaternary sector* the Council believes that it has demonstrated that undertaking projects in this sector is desirable from a viewpoint of both social needs and employment.

The Council calls for a deeper and more systematic study and identification of real social needs.

23. The Council urges that a cost-benefit analysis be performed in order to establish the bounds within which expansion of the quaternary sector is possible. In so doing it should be borne in mind, in the Council's opinion, that an increase in Government expenditure connected with undertaking projects in the quaternary sector must be weighed against the social costs of the lengthy presence of a considerable number of inactive persons.

24. The Council is aware that the above recommendations relate to matters differing in terms of time. Moreover, as regards content the problems are *interdisciplinary*, while with respect to preparation of policy they call for close cooperation between the various departments and other concerned parties. This implies that broad consultation is desirable for elaboration. Bearing this in mind, the Council would be pleased to assist in the organizational elaboration of its recommendations, insofar as this is a matter for the Council.

Chapter I

(1) The source 'Central Planning Bureau' relates to data taken from the Central Economic Plan for various years.

(2) See on this point among others the 'Sociaal en Cultureel Rapport'; a publication of the Social and Cultural Planning Bureau, The Hague, 1976, p. 60 et seq.

(3) This is further discussed in Chapter VII.

(4) It should be pointed out that this report was rounded off before publication of the 'C.E.C.-nota' and the memoranda relating to the cabinet formation.

Chapter II

(1) In fact the wage explosion was earlier. In 1964 the principal development was the legalization of the illicit wages in the building sector.

(2) Stabilization policy may be interpreted as a main theme of macro-economic policy. It may be taken to mean the weakening of the cyclical fluctuations in the development of the volumes of economic quantities.

(3) Performed by Bureau Berenschot; see Appendix I.D.

Chapter III

(1) This hypothesis has been theoretically formulated by J. C. Siebrand; see *inter alia* his 'Potential demand and external trade'. 'De Economist', 120, 3 (1972), pp. 250–295.

Empirical verification for the labour market has been furnished by R. S. G. Lenderink and J. C. Siebrand: *A Disequilibrium Analysis of the Labour Market (The Dutch Case)*, Rotterdam, 1976.

(2) H. den Hartog, Th. C. M. van de Klundert and H. S. Tjan: 'De structurele ontwikkeling van de werkgelegenheid in macro-economisch perspectief', *Werkloosheid, Preadviezen voor de Vereniging voor de Staatshuishoudkunde*, The Hague, 1975, pp. 49–110.

(3) See *inter alia* H. den Hartog and H. S. Tjan: 'Investerings, lonen prijzen en arbeidsplaatsen', C. P. B. Occasional Paper No. 2, The 1974; A. S. W. de Vries: 'Een fixed coefficient vintage model voor Nederland', *Maandschrift Economie*, 38, 8 (April/May 1974), pp. 391–412.

(4) Performed by Bureau Berenschot, see Appendix I.D.

(5) This is reverted to in Chapter VI.

(6) H. de Hartog and H. S. Tjan: *op cit.*

(7) The vintage theory can also be applied to the labour factor. See J. Kooyman and A. H. Q. M. Merckies: *Possible Growth in the Netherlands up to 1985*, C.P.B. Occasional Paper No. 1, The Hague, 1972.

(8) It should be stated that in some investigations alternative conditions are assumed for taking machines out of use. See *inter alia* F. A. G. den Butter: 'De economische levensduur van kapitaalgoederen in een clay-clay jaargang-model', *Maandschrift Economie*, 41, 5 (February 1977), pp. 205–231.

(9) Excl. extraction of minerals, public utilities and management of housing, see C.E.R., 1977.

(10) N. H. Douben: 'Sociale premiedruk; een gevarieerde last', *Sociaal Maandblad Arbeid*, 31, 7/8 (July/August 1976), pp. 424–434.

(11) J. S. Duesenberry: *Income, Savings and the Theory of Consumers Behaviour*, Cambridge, 1949.

(12) The following data from the 1977 Central Economic Plan of the Central Planning Bureau may serve as an illustration. In 1974/76 the average wage increase in the Federal Republic of Germany was approx. 9.5%. The decline in employment in those years was on average nearly 4%. For the Netherlands these percentages are 13 and 1 respectively.

(13) A. van der Zwan: 'Dalend redement op geïnvesteerd vermogen' *E.S.B.*,

60, 3009 (9 July 1975), and *E.S.B.*, 60, 3010 (16 July 1975).

(14) See *inter alia* 'Nota inzake de werkgelegenheid', Second Chamber, 1974–1975, 13 318; 'Interimnota inzake de bestrijding van de werkloosheid', Second Chamber, 1974–1975, 13 110; 'Jeugdwerkloosheid', White Paper of the Ministers of Social Affairs and of Education and Science, dated 19 March 1976, Second Chamber, 1975–1976, 13 858, Nos 1–3.

(15) This does not relate to the whole working population in that age group. Civil servants and the self-employed, for instance, do not come under the W.A.O.

(16) See among others Chapters IX and X.

Chapter IV

(1) The assertion is demonstrated among other places in the National Budget for 1976, Chapter XV (Social Affairs), Second Chamber, 13 600 XV, No. 2 (Explanatory Memorandum), p. 26 et seq.

(2) See *inter alia* Th. Stevers: *Beleid oorzaak van werkloosheid*, *De Volkskrant*, 17 September 1975; id.: *De stijging van de collectieve lasten in relatie tot de werkgelegenheid, extern evenwicht en budgetruimte* (summary of his paper for the meeting of the Netherlands Society for Public Finance), *Openbare Uitgaven*, 7,3 (September 1975), pp. 141–43.

(3) See *inter alia* P. B. de Ridder: 'Het verband tussen inflatie, afwenteling en arbeidsinkomensquote', *Maandschrift Economie*, 41, 3 (december 1976), pp. 126–39.

(4) Thus the tax burden as a percentage of national income rose from 26.2 in 1965 to 31.6 in 1975; for the burden of social security contributions these percentages are 12.4 and 20.9 respectively.

(5) For from the macro-economic point of view the earned income ratio (and thus the complementary profit margin) remains constant if the change in wage is equal to the sum of the price change and the increase in productivity.

(6) See *inter alia* H. den Hartog, Th. C. M. van de Klundert and H. S. Tjan: *op. cit.*; A. F. Bakhoven and Y. B. Ypma: *Kwantitatieve en instrumentele betekenis van de sociale zekerheid*, *Sociale Zekerheid; Preadviezen van de Vereniging voor de Staatshuishoudkunde*, The Hague, 1974, pp. 35–50; Het jaarmodel 1969–C of the Central Planning Bureau, published among other places in the 1971 Central Economic Plan, p. 192.

(7) Taken from P. B. de Ridder: *op. cit.*, p. 127.

(8) Central Planning Bureau: *De Nederlandse economie in 1980*, The Hague, 1976, pp. 152–155.

(9) It is a pity that little empirical research has been performed in this field. The statistical material available moreover hardly allows of empirical research: the employers' contributions are recorded per branch of industry, those of the employees are not.

(10) An indication of the wage structure can be derived from the insured wage bills with the industrial associations. An indication of labour-intensity can be obtained from the input-output tables. A consequence of this multiplicity of sources is, however, that the data do not fit in with each other exactly, so that the exactness of the combined information is clearly lessened. Nevertheless, an attempt has been made in Table IV.3 to include such information for a number of sectors that at least important trends can be derived from it.

(11) The term 'approximately' indicates that other factors of production, such as land, must also be remunerated.

(12) The substratum of the wage bill, which is now taxed, after all has difficulty in adjusting in the downward phase of the economic cycle.

Chapter V

(1) This chapter is largely based on a study performed by Prof. Dr. H. Philipsen and commissioned by the Scientific Council for Government Policy.

(2) Since 1947 the Netherlands Institute for Preventive Medicine of the Central Netherlands Organization for Applied Scientific Research (TNO) has on a voluntary and exchange basis been keeping records of the sickness absenteeism at a large number of mainly medium-sized and big firms, together employing some 300,000 men and 50,000 women. For every four-week period (and later per year) the firms are sent a circular in which they can compare their own sickness absenteeism with that of other firms and whole branches of industry. The approximate annual figures are published in the journal *Mens en Onderneming*.

(3) Sources: H. Philipsen and A. K. de Vries—van der Zee: *Generatie en ziekteverzuim 1: Statistische analyse*, Leiden 1970; H. Philipsen, *Levensfase, generatie en ziekteverzuim. De invloed van belastende levensomstandigheden, mentaliteit en riskante gewoonten op het aantal ziekmeldingen*, Maastricht/Leiden, 1977.

The following remarks must be made on the data stated:

- The sample consists of 3726 male employees.
- There are no national statistics from which detailed data can be obtained in a reliable and representative way. As soon as one is desirous of learning more than simple parameters, one is obliged to do one's own research.
- Of this group of industrial workers the whole sickness absenteeism is known either for the whole population or for a sample for the period 1985–70, so that a number of longitudinal comparisons can also be made.
- The persons investigated were still employed by the same firms in 1971. The data to be presented relate to a relatively 'healthy' population. Nobody is at that time on his way to terminating his working life on medical grounds. As a result, no W.A.O. effect occurs (i.e. considerable influencing of the figures of a given year by very great, fixed lengths of sickness).

(4) Examples are: infectious diseases, neoplasms, metabolic disorders, diseases of the blood, disorders of the central nervous system and the senses, cardiac and vascular diseases, serious disorders of the respiratory system, the stomach and intestinal tract and the locomotive system.

(5) Examples are neuroses, overstrain, headache etc., most disorders of the stomach and intestinal tract, most disorders of the locomotor system (back-ache), most accidents and toothache.

(6) See note (3).

(7) See note (3).

(8) Belleman has calculated that between 1960 and 1974 the number of referrals to specialists grew by 37%. Of these, only 2% were the result of changes in the age structure of the population. In the same period the number of hospital admissions increased by 32%, of which only 0.5% is for the account of the demographic development. See S. J. M. Belleman: *Ontwikkelingen in de vraag naar specialistische hulp: Beschrijving en analyse*; a publication of the National Hospitals Institute, Utrecht, 1977.

(9) For a more extensive treatment, see H. Philipsen: *Afwezigheid wegens ziekte*, Groningen, 1969. See also A. Dijkstra: *Determinanten van ziekteverzuim in produktie-organisaties voor gehandicapten*, Leiden, 1977.

(10) See H. Philipsen (1977): *op. cit.*

Chapter VI

(1) Unless stated otherwise, the estimates for 1980 are derived from the Central Planning Bureau: *De Nederlandse Economie in 1980*, The Hague, 1976.

(2) This projection has been made as part of the General Survey of the

Future (ATV) project of the Scientific Council for Government Policy. This contribution (G. R. Mustert: 'Arbeid van nu tot 2000') will be available on request after publication of the report 'Algemene Toekomstverkenning'.

– The estimated development of the population has been taken from variant B.1. of the most recent population projection by the Central Bureau for Statistics.

– Allowance has been made for the extent to which certain categories participate in working for a living (for instance married women from 30 to 34 years).

– On the basis of these projections of the working population the labour supply in man-years has then been calculated. This requires an assumption for the extent of rehabilitation, retraining and supplementary training, of which the volumes have been put at 1%, 2% and 4% respectively of the active working population of 25–60 years with a full-time job. Allowance has also been made for the degree of part-time work in the various categories. For part-time work there are connections with age, family phase and level of education.

– Allowance has further been made for a certain degree of inevitable frictional unemployment.

– Unlike the data in the ATV-project, those used here are exclusive of emigration and immigration.

(3) These projections display differences from the figures presented in the 'Nota inzake de selectieve groei' (Second Chamber, 1975–1976, 13 955). The ATV project predicts for 1990 a total number of man-years that is about 290,000 higher than in the 'Nota inzake de selectieve groei'. This difference proceeds from a lower projection in the latter of the supply of female labour (366,000 lower) and a higher forecast of the supply of male labour (76,000 higher).

In this report no preference is voiced for one of the two forecasts. However, both projections lead to a considerable increase in the supply of labour between 1980 and 1990. It incidentally emerges from the 'C.E.C.-nota' that the estimates of the labour supply for 1980 must already be considerably adjusted, above all as a result of the increased participation of married women. From this a certain confirmation can be derived of the figures used in the ATV study for the future supply of labour.

(4) In this connection the following data may be stated:

In the Sixties the gross production of firms rose by 75%; in the same period employment in firms rose by 11%. This corresponds to 437,000 man-years. The result is an improvement in productivity of approx. 58%, or nearly 5.0% on an annual basis. For the period 1970–1976 the growth in production is 21%. In the same period employment fell by nearly 4%. This results in an improvement in productivity of around 26% (on an annual basis around 3.5%) (source: Central Planning Bureau).

(5) The Council felt that it should devote separate attention to the long-term industrial structure and the role of technical innovation. This subject is being dealt with in another of the Council's projects. It is the intention that this investigation leads to a picture of the possibilities that progress in the natural sciences and technology will offer in the next 10 to 20 years. Moreover, it is the intention to give more insight into the innovation process and to investigate to what extent the Government can exert influence on it. For the success of possible technical innovation in the Netherlands it is important as to whether this ties in with certain facts, such as geographical location, the industrial also comprise the limitations and bounds of technical innovation.

(6) Freeman, basing himself on Schumpeter here, has attempted to devise a scheme in which the Kondratieff cycles can be further analysed. Envisaged thereby is the large-scale introduction of railways, the growing motor industry, electrification etc. This cumulative activity, which according to Freeman is characteristic of the revival phase, later changes into an increase in scale aimed

at reduction of costs and rationalization. This leads to a reduction in the growth of employment. See C Freeman: *Economics of Industrial Innovation*, London, 1974.

(7) See among others C. Freeman: *op. cit.*; J. J. van Duijn: *Eb en Vloed: De lange golf in het economisch leven*, Delft, 1977.

(8) This relates to the *Schaalaspecten van doelorganisaties* investigation. It was performed by the Industrial Engineering subject group of Wageningen Agricultural University. The question is: 'May it be considered desirable from an economic and social point of view to halt the decline in smallness of scale or to change it into an increase in smallness of scale?'

(9) — The *agricultural sector* needs no further definition.

— The *industrial sector* is usually taken to mean the manufacturing industry sector, the extraction of minerals, public utilities and the building trade. In view of the specific problems of the building trade, the latter will be given separate consideration here.

— By the *service sector* is meant all sectors that do not come under agriculture or industry. It consequently includes retail and wholesale trade, transport and communication firms, banking and insurance, medical and health services, all the free professions, places of entertainment, the catering trade and other services, of both a socio-cultural and a commercial nature. The 'residual' character of this sector entails great heterogeneity, both as regards the nature of the service and in relation to the economic situation. Many of the above forms of service are not regarded as Government ones, but are collectively financed on the strength of a social or cultural function.

(10) The service of business together with the Government is usually designated as the 'tertiary sector'; in this terminology agriculture is the 'primary sector' and industry the 'secondary sector'.

(11) See among others V. Fuchs: *The Service Economy*, New York, 1968; R. Lewis, *The New Service Society*, London, 1973.

(12) In 'De Nederlandse Economie in 1980' a growth in the volume of production for the period 1975–80 was estimated at 17.5%; in that same period the volume of labour decreases by 13%. The recent *Nota Landbouwverkenningen* speaks of a considerable decline in the number of jobs in the agricultural sector (see also Appendix VI, Table 3, with comments).

(13) P. Valens, E. Arts and A. Schuringa: 'Kleinschalige biologische landbouw', published by De Kleine Aarde, Boxtel, 1976. See also 'Alternatieve landbouwmethoden' by the Committee for Research into Biological Farming Methods, published by Centrum voor Landbouwpublicaties en landbouwdocumentatie, Wageningen, 1977.

(14) Nevertheless, the Central Planning Bureau expects that by 1980 chemicals will attain the highest growth in production of all sectors, viz. 13.3%.

(15) The Central Planning Bureau estimates the growth rates up to 1980 at: 8.5% for the electrical engineering industry; 7.6% for the oil industry; 6.4% for the metals industry.

(16) This means the metals products industry, engineering, electrical engineering and the means of transport industry.

(17) See 'De Nederlandse Economie' in 1980' pp. 168–178.

(18) The Central Planning Bureau estimates the growth in productivity in the service sector up to 1980 at 2.8% a year. Against this there is a growth rate in industry of 7.5% a year.

(19) See among others the Statutory Trade Organization for the Retail Trade: 'Verslag over het jaar 1975', The Hague, 1976, p. 37.

(20) See 'Part-time arbeid in de detailhandel', published by Economisch Instituut voor het Midden- en Kleinbedrijf, The Hague, 1975.

(21) Road transport is meant in particular. Technical upper limits and restrictions on the part of the authorities may have an adverse effect on the increase in productivity. It may further be expected that in the future too efforts will

be made to further public transport. Employment in this field can be positively affected as a result.

(22) The number of jobs in this field grew from some 100,00 in 1966 to approx. 150,000 in 1975.

(23) In 1976 the Government provided employment for over 630,000 persons. For the period 1975–1980 the Central Planning Bureau estimates an expansion in the number of Government jobs of 38,000.

(24) As part of the above-mentioned ATV project an exploration of the development of demand will also be presented. However, the forecasts given there broadly tally.

Chapter VII

(1) See among others J. Weitenberg: 'De betekenis van het aardgas voor onze economie', *Politiek Perspectief*, July/August 1975, pp. 77–88.

(2) In 1980 the sum of the exports of gas and domestic consumption, if imports would be required for this, is 18,000 million guilders. This datum must not be interpreted automatically as meaning that the balance of payments position would decrease by the same amount if natural gas were not available.

(3) This assertion must be weakened to some extent. It does not hold good in the case of permanent external support.

(4) See for instance: 'De Nederlandse Economie in 1980', p. 215.

(5) In this connection the example may be mentioned of the budgetary room philosophy. For the structural budgetary deficit an unequivocal relation to national income is used to secure internal and external equilibrium in the medium term.*) This statistical approach yields a framework of only apparently general validity. It is conceivable that increasing the structural budgetary deficit need not give rise to internal or external situations of disequilibrium. In such a case the increase in Government spending would lead to another distribution of expenditure, but this need not be unbalanced. **)

(6) The explanatory memorandum to the budget of the Ministry of Social Affairs has the following to say about this:

– In particular if the further growth in the proportion of social insurance in national income were to be insufficiently accompanied by a conscious effort at cost control in this sector, there is a danger that the active will be less and less prepared to accept solidarity with the inactive? (National Budget for 1976, Chapter XV (Social Affairs), Second Chamber, 1975–1976, 13 600 XV–No. 2, p. 11).

(7) Without attempting to be exhaustive, the following may be mentioned:

- solidarity of the active towards the inactive
- solidarity of higher incomes towards lower incomes
- solidarity of younger people towards older people
- solidarity of single persons towards married persons
- solidarity of healthy persons towards sick persons
- solidarity of single or married persons without children towards married persons with children.

Needless to say, the categories often overlap.

(8) Examples are single people receiving A.O.W. benefit (in respect of married couples) on account of the difference in amounts of benefit; single and married persons without children in respect of married couples with children with regard to the children's allowance legislation; single persons in respect of married couples in receipt of general working disablement insurance on account of the absence of claims.

(9) Here the question was asked: Which aspect of social insurance qualifies first for economies. Which comes second? etc.

(10) In the study 'De verdeling en waardering van arbeid' (by the Institute for Labour Problems, J. A. M. van Wezel *et al.*, The Hague, 1976) that was performed partly on behalf of this project, the problems concerning the ethos of

*) Study Group for Budgetary Room, 'Begrotingsruimte en begrotingstekort', Assen, 1974. See also the 1974 Budget, Second Chamber, 1974–1975, 13 100, pp. 30–37.

**) P. Buitelaar, 'De gewenste omvang van het structurele begrotingstekort', *E.S.B.*, 60, 3026, November 1975).

work are considered in greater depth; for brevity's sake reference is made to this.

(11) The situation for similar categories, e.g. those out of work for a long time, may be described in more or less the same way.

(12) See 'De verdeling en waardering van arbeid', *op. cit.*

(13) A. Mitscherlich: 'Overleven in beton', Amsterdam, 1973.

(14) In the Memorandum of Reply with regard to the Interim White Paper on Incomes Policy, the Government states with regard to the reasons from which it derives its responsibility for incomes policy: 'In income distribution categories are concerned for which the Government has a specific task and for which the necessary room has to be created. In this context we must particularly envisage people who derive their income from social benefit and other socially and/or economically weak groups'.

Chapter VIII

(1) It may be recalled that this report was rounded off before publication of the 'C.E.C.-nota' and the memoranda relating to the Cabinet formation.

(2) See Central Planning Bureau: 'Macro-Economische Verkenning 1976', The Hague, 1976, p. 25.

(3) These data have been derived from the uncertainty variant in 'De Nederlandse Economie in 1980', p. 128.

(4) This figure comes about as follows: $1.6 \times 11,000 + 5.6 \times 50,000 + 4.7 \times 6000 = 325,800$.

Needless to say, the assumption of linearity used here does not apply in reality. However, the material of the Central Planning Bureau does not allow of any other (non-linear) method of calculation.

(5) The following figures may be derived from the 1977 Central Economic Plan.

	1975	1976	1977	Average project 1980	
World trade	-2	12	7	5,7	7,5 à 8
Wage rate	13,5	10,5 à 11	7,5	10,6	8,5
Gross investments	-4,5	-6,5	8	-1,0	4
Unemployment	206	224	210 à 215	214	150

(6) Empirical estimates point to a high price elasticity of the export of goods; see for instance the 1969-C annual model of the Central Planning Bureau (published in the 1971 Central Economic Plan). In this model the price elasticity is - 2.39.

(7) Here we are no longer concerned with the delivery of separate products or systems, but for instance the supply of a complete factory, together with handling of inputs and outputs and, if desired, temporary management to get the concern functioning and to train local staff to occupy key positions. These turnkey projects cannot usually be handled by one concern, but are often undertaken in consortia. In many cases the client is a State, which in turn makes special requirements of marketing and sales techniques (Central Planning Bureau: 'De Nederlandse Economie in 1980', The Hague, 1976, p. 294).

(8) See 'Sociale ongelijkheid op de arbeidsmarkt', A. Vissers *et al.*, *Sociologische Gids*, 24, 1/2 (January/April 1977) p. 34.

(9) See *inter alia* the selective Growth White Paper p. 200.

(10) See Gösta Rehn, 'The Fight against Stagflation', Stockholm, 1975.

(11) Rehn's ideas and the discussion of the financial effects of wage cost subsidies are also found in C. A. de Kam: 'Recessie en economische groei', *Socialisme en Democratie*, 32, 9 (September 1975) pp. 388-405; and in S. Mukherjee: *Unemployment Costs*, London, 1976.

(12) An additional complication is that wage subsidies may lead to distortion

of competition. In some cases this is even forbidden. However, this objection does not apply to subsidies in the quaternary sector.

Chapter IX

(1) A. Vissers: 'Arbeidsmobiliteit en segmentering van de arbeidsmarkt', *Arbeidsmarkt in beweging*, ed. J. A. M. van Wezel, The Hague, 1977.

(2) See 'Verkenning van de relatie tussen onderwijsbeleid en arbeidsmarktbeleid'; a contribution to the OECD-initiated project 'Integrated Social Policy', The Hague, 1977, p. 86.

(3) In other countries there is a certain feedback from the labour market demand to the supply of students ('discouraged students'), for instance in the United States and in Sweden.

(4) A. Vissers, *op. cit.*

(5) See *inter alia* *Mitteilungen für Arbeitsmarkt und Berufsforschung*, No. 4/1975.

(6) A. L. Mok: 'Is er een dubbele arbeidsmarkt in Nederland?', *Werkloosheid; Preadviezen voor de Nederlandse Vereniging voor de Staathuishoudkunde*, The Hague, 1975.

(7) Hans Berglind: *From Industrial to Service Society, Mobility and participation of the Swedish labour force*, Stockholm, 1976 (unpublished).

(8) In Chapter XI.5. is it maintained with regard to this that for those activities that cannot be moved to another country (e.g. the catering trade) it is conceivable and even desirable to have the relative scarcity better reflected in remuneration. The idea is that the financial incentive will attend to a better division of labour for these functions. This could, however, bring about further rationalizations. These processes are perhaps difficult to supervise. This is an unstable segment of the labour market. As regards the shake-out of labour small-scale productions of goods and (above all) services are often concerned. Where productions are concerned that can be moved to other countries, the problems are much greater, since this has an adverse effect on the productivity base. Moreover, often many more jobs will be lost than just those connected with direct production. In many cases multinationals are involved, as a result of which the work of 'indirect personnel' may also be endangered.

Chapter X

(1) The data in this chapter are taken in part from official papers, including the 'Nota langdurig werklozen' by the Ministry of Social Affairs, November 1976, which contains an extensive account of the recent labour market survey.

(2) Social and Cultural Planning Bureau: 'Het Beeld van de Werkloosheid', 1976 Social and Cultural Report, mentioned in the 'Nota langdurig werklozen' (see note (1)), pp. 24 and 40.

(3) I.V.A. (Institute for Labour Problems), Tilburg: 'Onderzoek onder werklozen, moeilijkheden bij herintreding — samenvatting', 1976, Part 1, pp. 68–74.

(4) The migration survey of the Institute for Applied Sociology has shown that reimbursement of removal costs has little if any effect on the decision to migrate; see 'Migratie tussen West- en Noord-Nederland', Institute for Applied Sociology, Nijmegen, April 1974, p. 109.

(5) From censuses by CEBUCO of the annual number of advertisements for personnel in dailies and weeklies 0.8 million jobs proved to be offered in 1975. See: 'Nota langdurig werklozen', p. 12.

(6) The number of registrations of unemployed persons with the District Employment Offices in 1975 was 600,000. Compared with the figures published every month in the monthly report on the labour market by the Ministry of Social Affairs on the state of unemployment, this suggests a fairly considerable

throughput in the number of unemployed persons, I.V.A., Tilburg, see note (3), p. 1.

(7) In his letter of 21 January 1977, Second Chamber, 1976–1977, 14 400 XV, the Minister of Social Affairs states data from a recent survey at the Rotterdam employment office, which showed that 80% of the reported vacancies were filled within about one month.

(8) In the survey by the I.V.A. it has been found that 51% of the unemployed applied for or accepted a job for which the wage was lower than the wage (uncorrected for the length of unemployment) for the job before unemployment. Among those who accepted work the percentage is 49% and among the applicants 57%; I.V.A., Tilburg, see note (3), p. 73.

(9) For the period 1965/74 data are known on the occupational mobility of (ex) jobless, insofar as they found a job via placement. It may be assumed that at least 20% of the unemployed are registered in a different occupational group than that of the last occupation: 'Nota langdurig werklozen', Ministry of Social Affairs, p. 43.

(10) A recent and extensive survey of these data may be found in the monthly report on the labour market by the Ministry of Social Affairs for January 1977.

(11) The number of workers who change jobs in industry on their own initiative fell between 1965 and 1974 from approx. 17% to approx. 7%, 'Nota langdurig werklozen', Ministry of Social Affairs, p. 8.

(12) The estimate of 800,000 changes is based on the number of jobs offered in dailies and weeklies, see note (5). For 1976 too an estimate of approx. 0.8 million jobs seems possible. Thus in 1976 220,000 vacancies were reported to the district employment offices. Samples by the Ministry of Social Affairs indicate that the district employment offices fill over 20% of the vacancies published in dailies and weeklies. The 1 to 1½ months length of registration of vacancies is mentioned in the 'Nota inzake de werkgelegenheid', 1974, p. 17.

(13) I.V.A., Tilburg, see note (3), p. 77.

(14) I.V.A., Tilburg, see note (3), pp. 74–81.

(15) On condition that the costs are reimbursed, 66% of the unemployed are prepared to accept retraining. Monthly report on the labour market, Ministry of Social Affairs, January 1977.

(17) See the letter mentioned under note (7).

(18) In some cases unemployed persons have to be satisfied with a lower wage than they received in an earlier post. The geographical distance that one must be prepared to travel varies with the means of transport and is in general characterized by a travelling time of at most about 1 hour in one direction. A longer travelling time may be required when the change of practising one's occupation in the immediate vicinity is only slight. The Central Appeals Board also proves to consider it reasonable in certain circumstances that the person concerned is away from home 12–12½ hours a day for work and travel or is home at the weekends only. Another conclusion from jurisprudence is that more concessions have to be made to get work according as employment lasts longer. In that case less attractive work has to be accepted, possibly in expectation of more suitable work. In this way the increase in unemployment proves in practice to lead to some widening of the concept 'suitable work'; see for instance Mr. P. H. van Zijl and Mr. C. de Wolf in *Sociaal Maandblad Arbeid* 1976, pp. 650–59.

(19) I.V.A., Tilburg, see note (3) and J. A. M. van Wezel, *Herintreding in het arbeidsproces*, Tilburg, 1972.

(20) 'Nota langdurig werklozen' Ministry of Social Affairs, 1976, pp. 59 and 60.

(21) See the letter mentioned in note (7).

(22) W. van Voorden, 'Institutionalisering en arbeidsmarktbeleid', Alphen a/d Rijn, 1975, p. 127 et seq.

(23) Institute for Labour Problems, Tilburg, see note (15); and in 'Rasdiscriminatie op de Amsterdamse arbeidsmarkt', *Sociologische Gids*, 1977, Nos. 1–2, 1958–75. The latter study demonstrates how on an easy labour market prejudices play a part in the selection of personnel.

(24) Swedish employers with more than 5 persons working for them are obliged to supply the regional councils for the labour market with information on the name, age, sex, nationality, job and task of each employer. If the employer has fewer older workers in his employ than seems reasonable, he can be requested to adjust his staffing accordingly if he wishes to engage new employees. If the employer ignores the directives of the regional council, the Council for the Labour Market takes over the case and reopens consultation with the employer concerned. Upon further refusal of the employer to follow the directives, the Council may rule that the employer in question may engage persons only with the prior consent of the employment office.

The Swedish Council for the Labour Market has further set up what are called adjustment teams. These have been formed as a framework for consultation between the authorities, employers' organizations and workers' organizations. The purpose is ultimately to set up adjustment teams in all enterprises (including Government services) with more than 50 employees: for enterprises with 5–49 employees this is being gradually introduced per branch of industry or on a regional basis. The teams are composed of representatives of the employment office, the employers and the unions. One of their tasks is to propose measures facilitating the employment of older and handicapped persons and leading to their keeping their jobs. A more extensive survey of Swedish labour market policy is to be found in *Raad voor de Arbeidsmarkt, kwartaalinformatie*, December 1975.

(25) 'Staatscourant', 29 July 1977.

(26) Bill amending the provisions regarding the termination of contracts of employment, Appendix to the Proceedings of the Second Chamber, 1975–1976, 13 656, Nos. 1–3.

(27) M. Scheltema in 'Adviseren aan de Overheid', *Voorstudies en achtergronden*, W.R.R., The Hague, 1977, p. 358. The criteria for democracy refer to the criteria stated by the Scientific Council in its report No. 6, 'De organisatie van het openbaar bestuur', 1975, p. 114.

(28) Mention may be made among other things of the recent plea by the Federation of Netherlands Trade Unions to convert the regional councils for the Labour Market into administrative bodies, see the *Vakbondskrant voor Nederland* of 17 March 1977; the same was advocated by Van Voorden and some employers and workers' representatives at a symposium organized on 10 March 1977 by the Council for the Labour Market under the title 'The labour market today and tomorrow; problems and policy tasks'.

(29) 'Scheltema, see note 27, pp. 335–49.

(30) For the viewpoint of the Minister of Social Affairs regarding the possibilities of decentralization, see the final report of the standing committee for Social Affairs of 8 February 1977. Proceedings of the First Chamber, No. 14, 100XV, 50 a, p. 4.

Chapter XI

(1) L. Hoffman: 'De werkloosheid wordt onderschat', *E.S.B.*, 60, 2986 (22 January 1975), p. 72; W. Siddré: 'De duur van de werkloosheid', in augural address, Rotterdam, 6 May 1976. Leiden, 1976.

(2) This calculation came about as follows. According to the Central Bureau for Statistics there will be 124,000 boys and 119,200 girls aged 17 in 2980. In the Scientific Council's report 'Algemene Toekomstverkenning' the participation of 17-year-olds in education in 1980 is estimated at 77% for males and 63% for females. Starting from a percentage of participation in education of 98% for 17-year-olds with the school-leaving age raised to 18 years — this

means that 21% of the 124,300 males = 26,100 and 35% of the 119,200 females = 41,720 females will not report to the labour market in 1980.

(3) Ministry of Social Affairs, Monthly report on the labour market, 1977.

(4) Some indication of the macro effect of a given number of vacant jobs on employment can be found by making a comparison with a calculation by the Central Planning Bureau of much the same scope. In the 'Nota inzake de selectieve groei' a comparison is made between a number of policy instruments for attaining some policy objectives (p. 77). The relevant calculation here is that of the instrument 'annual increase in business investments by 0.65% of national income'. The Central Planning Bureau has calculated that the positive effect on the number of jobs in 1980 will be 110,000 and that unemployment in 1980 will therefore fall by 65,000. We are not concerned here with the question whether this annual increase in business investments will in fact bring about the number of jobs stated. It is the *ration* between the number of vacant – in this case newly created – jobs and the consequent fall in unemployment that is important. This ratio proves to be 110 : 65. The approach is not entirely exact on account of spending effects.

(5) Scientific Council: 'Commentaar op de nota Contouren van een toekomstig onderwijsbestel'. Reports to the Government, No. 10, The Hague, 1976.

(6) Committee of External Advisers, report to the Minister of Social Affairs, July 1975.

(7) On 31 December 1975 this number was 64,000 men (54.5% of the number of insured persons in that age group).

(8) See 'De keuze tussen inkomen en vrije tijd', *Sociale Maandstatistiek*, 25, 2 (February 1977).

(9) For instance in the printing trade and in the port industries of Amsterdam and Rotterdam.

(10) Request for advice from the Ministry of Social Affairs (also on behalf of the Ministry of Cultural Affairs, Recreation and Social Work and the Ministry of Education and Science to the Foundation for Labour, dated 17 July 1975. The Foundation published an interim report as a preliminary answer on 13 May 1975.

(11) Short-time working or reduction of working hours means here a temporary procedure in order to prevent dismissals of employees manning jobs which are in principle efficient. Such situations may occur for instance with firms with a temporarily too high level of stocks. The variability must be obvious. The crucial point is the temporary nature of the measure. Short-time working does not form a subject for further consideration here.

(12) See 'De Nederlandse Economie in 1980', p. 128, where it proves that 1% more wage increase than the assumed 8.5% every year leads to an increase in unemployment in 1980 by 50,000 man-years.

(13) In the discussion note of the Industriebond N.V.V. ('Vijf jaar voor kwaliteit', Amsterdam, 1976) the possibility of short-time working is elaborated in the framework of job agreements.

(14) Social and Economic Council: 'Advies over arbeidstijdverkorting'. S.E.R. publication No. 2, The Hague, 1958.

(15) H. den Hartog, Th. C. M. van de Klundert and H. S. Tjan, *op. cit.*

(16) Central Bureau for Statistics, *op. cit.*

See also Netherlands Institute for Public Opinion, 'Wel bereid/niet bereid', 1976 (commissioned by the Ministry of Social Affairs).

(17) See *inter alia* A. Klemp and J. Klemp: 'Arbeitszeitverteilung und Freizeitgestaltung', Göttingen, 1976; B. Kulp and R. Muller: 'Alternative Verwendungsmöglichkeiten wachsender Freizeit'.

(18) Suggestions to this effect have been circulated among others by the 'Industriebond N.V.V.'.

(19) When the term 'foreign workers' is used here, it refers chiefly to workers from those countries with which the Netherlands has concluded a recruitment

agreement: Portugal, Spain, Yugoslavia, Greece, Turkey, Morocco and Tunisia. Despite the presence of some 10.000 Italian workers in the Netherlands, these will not be considered here, since Italy is a member of the European Communities.

(20) It is the intention that free movement of Turkish workers be introduced step by step between 1976 and 1986.

(21) Not only the Central Bureau for Statistics collects data on foreign workers; the same is done by the Ministry of Justice (on behalf of the aliens police) and by the Ministry of Social Affairs (in connection with labour permits). Whereas according to the Central Bureau for Statistics there were 101,300 foreign workers in the Netherlands, according to the Ministry of Social Affairs 100,900 ordinary and permanent labour permits had been issued. The difference is explained above all by the fact that foreign workers who are not wage-earners have no labour permit. Of the 100,900 labour permits, 54,700 were ordinary ones and 46,200 permanent ones (i.e. 46,200 of the foreign workers here have been employed for a period longer than five years).

(22) See for this the Foreign Workers White Paper, Second Chamber, 1973—1974, 10 504, No 9 (Memorandum in Reply), No. 11 (Final Report) and No. 12 (Memorandum with reference to the Final Report). See also Central Planning Bureau: 'Economische effecten voor Nederland van de werving van buitenlandse werknemers', The Hague, 1972; OECD: The OECD and International Migration, Paris, 1975.

(23) The Foreign Workers Labour Bill has meanwhile been adopted by the Second Chamber, but has not yet been debated in the First Chamber.

Chapter XII

(1) See *inter alia* A. Downs: An Economic Theory of Democracy, New York, 1957.

(2) See *inter alia* the 'Interimnota inzake de Bestrijding van de Werkloosheid' and 'De Nederlandse Economie in 1980'.

(3) The considerations therefore do not relate to the combating of cyclical unemployment and the employment projects geared to this.

(4) See *inter alia* the 'Interimnota inzake de Bestrijding van de Werkloosheid', Second Chamber, 1974—1975, 13 110.

(5) It was already stated in Chapter III that in 1975 84.5% of the recipients of W.A.O. were placed in the highest disablement class. For the time being it cannot be established which percentage of this 84.5% was placed in this highest class on account of labour market considerations.

(6) G. Rehn: *op. cit.*

(7) See *inter alia* Re-examining European Manpower Policies; Special Report No. 10 of the National Commission for Manpower Policy, Washington, August 1976.

— S. Mukherjee: *op. cit.*

— C. A. de Kam: *op. cit.*

(8) Relevant has a specific meaning here. Relevant expenditure has to be met from room on the budget. This does not apply to non-relevant expenditure.

(9) The income transfers for nothing from the State to the social insurance funds, insofar as structural, are regarded as relevant expenditure for verifying the budgetary deficit.

(10) For a more detailed consideration see the study performed by Drs. Gep Klijnsma for the Scientific Council: 'Nieuwe wegen voor oude mensen; Bejaardenbeleid in Nederland; Structuurschets en enige conclusies', The Hague, 1977. Available on application.

(11) As regards the projection of the number of old people in the Netherlands, use has been made of 'De toekomstige demografische ontwikkeling in Nederland na 1975' published by the Central Bureau for Statistics in 1975 in

accordance with the Scientific Council's 'Algemene Toekomstverkenning' project, on the b alternative (i.e. decline in the average number of children per family to approx. 1.5).

(12) Taken from Central Bureau for Statistics: 'De toekomstige demografische ontwikkeling in Nederland na 1975', The Hague, 1976, Table 11b, p. 37.

(13) About 90% of all old people live independently.

(14) Extramural work among old people is the most general collective name for all activities performed on behalf of old people living independently and can be roughly divided into two main categories: on the one hand the projects on coordinated work among old people and on the other the conglomerate of independently operating institutions and provisions that make their own specific contribution.

Intramural work among old people relates to the activities performed on behalf of old people in homes.

(15) From Section 6. j., Old People's Homes Act.

(16) See the Old People's Policy White Paper for specific examples.

(17) The Ministries of Education and Sciences; Cultural Affairs, Recreation and Social Work; and Social Affairs.

(18) The open school has been typified by the Minister of Education and Science as follows: an independent institution for multi-media education and multi-media adult education, which must offer young people and adults from every section of the population facilities for study, further education and development, in the secondary education sector, in the further education and development sector not forming part of formal education and in the higher education sector.

(19) The educative network is the name for the interconnected whole of facilities for training, education and further general education at local and regional level.

(20) Doerbecker arrives at a total necessary expansion of 420 full-time professionals and 360 part-time appointments. Van Enckevort calculates some 600 professionals on the basis of guidelines used at present for adult education in Germany. See C. Doerbecker: 'Professioneel kader in het plaatselijk vormings- en ontwikkelingswerk met volwassenen in Nederland', Amersfoort, 1976, p. 41 et seq.

Appendix I.A. Tables

Table 1

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	x 1000	%	x 1000	x 1000	x 1000	x 1000	x 1000	x 1000
1968	3775	7,1	268	84	162	514	3507	6,8
1969	3865	7,8	301	66	194	561	3564	6,4
1970	3933	7,8	307	56	215	578	3626	6,5
1971	3972	8,0	318	69	237	624	3654	5,9
1972	3942	7,9	311	115	260	686	3631	5,3
1973	3958	8,7	344	117	285	746	3614	4,8
1974	3965	9,2	365	143	313	821	3600	4,4
1975	3938	9,0	354	206	349	909	3584	3,9
1976	3930	10,0*)	393	224	373	990	3537	3,6
1977	3963	10,0*)	396	212	400*)	1008	3567	3,5

*) Estimates

(1) Paid employment, business and Government (in man-years).

Source: Central Planning Bureau.

(2) Absenteeism percentage.

Source: Calculated on the basis of data from the Netherlands Institute for Preventive Medicine.

(3) Calculated sickness absenteeism (in man-years).

(4) Registered labour reserve (in man-years).

Source: Central Planning Bureau.

(5) Number of persons unfit for work at year's end (in numbers).

Source: Annual report of the Joint Medical Service, 1976.

(6) Number of inactive persons.

(7) Paid employment corrected for sickness absenteeism (in man-years).

(8) Number of active persons to one inactive person.

Note: The figures presented in this table serve solely to illustrate the problems under discussion. On account of the absence of adequate statistics some restrictions attach to these data. For instance the category of self-employed persons has not been included among the active, and the inactive category is more broadly defined in this report than in the present table.

Table 2. Social insurance contribution burden

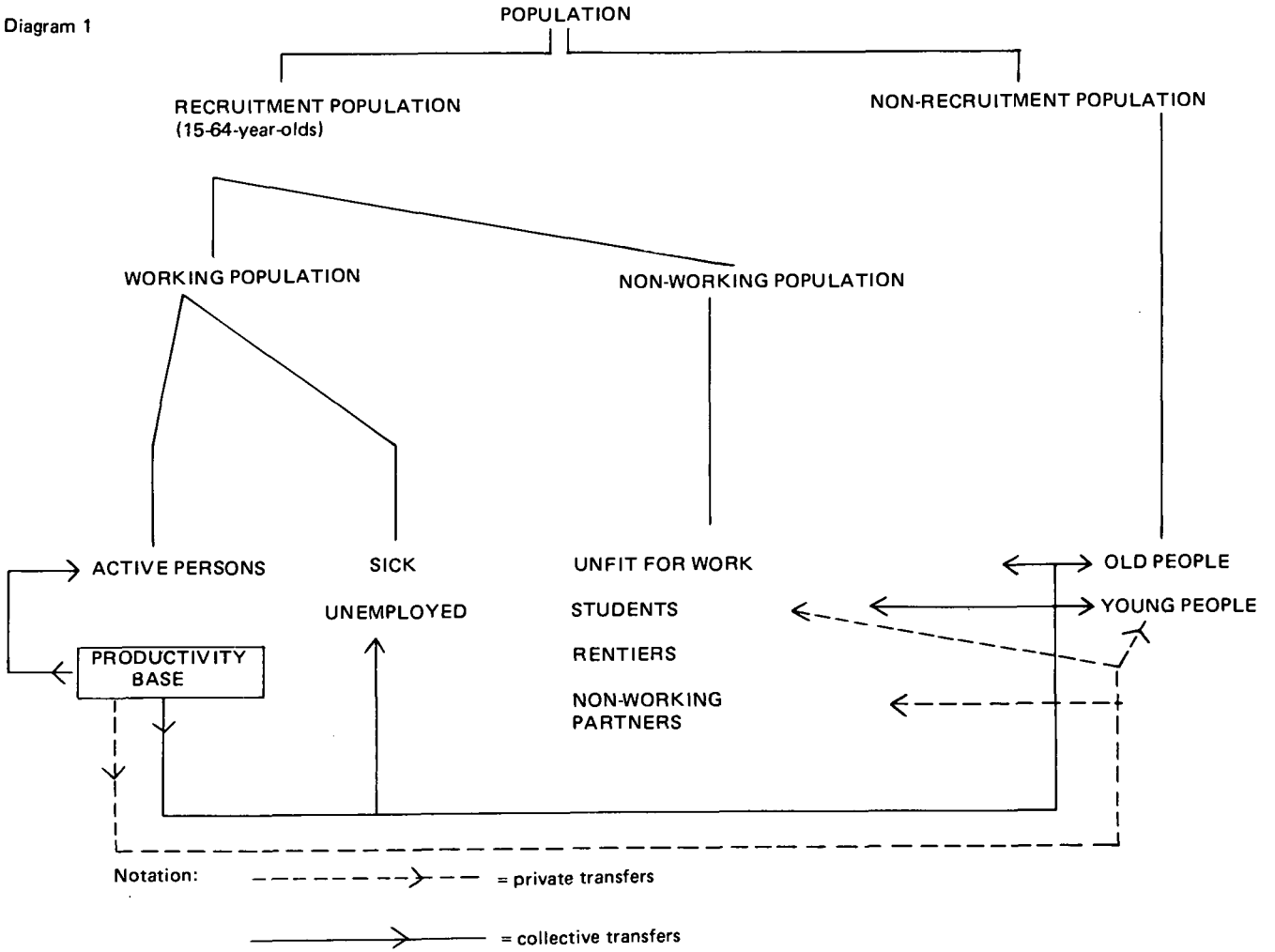
	1955	1960	1965	1970	1975	1977
As a percentage of the wage over which contribution has to be paid						
borne by employers	13,6	14,0	15,4	20,6	25,90	25,2
borne by employees	4,5	11,2	15,0	17,7	21,35	21,0
	18,1	25,2	30,4	38,3	47,25	46,2
As a percentage of net national income	5,0	9,2	12,4	15,9	20,9	20

Source: Central Planning Bureau.

Appendix I.B.

Classification of the population

Diagram 1



Appendix I.C.

Composition of the counselling committee

Mr. F. A. J. M. van Bavel – Ministry of Cultural Affairs, Recreation and Social Work
Prof. Mr. V. Halberstadt – Economic Institute, State University of Leiden
Mr. L. Lamers – Ministry of Social Affairs
Mrs. J. van Leeuwen – Member of the Second Chamber of the States-General
Mr. Th. I. A. M. van Lier – Member of the Council of State
Dr. A. P. N. Nauta – Social and Cultural Planning Bureau
Mr. J. G. Rietkerk – Member of the Second Chamber of the States-General
Prof. Dr. Ph. C. Stouthard – Subfaculty of Psychology, Tilburg Catholic University.
Messrs. A. de Boon of the Federation of Netherlands Trade Unions and
H. J. Rouw, Ministry of Cultural Affairs, Recreation and Social Work,
were also members of the counselling committee for some time.

The following sat on the committee on behalf of the Scientific Council for
Government Policy:

Mr. M. C. E. van Gendt – staff-member of the Council
Mr. P. den Hoed – staff-member of the Council
Mr. M. Kraaijestein – staff-member of the Council (secretary)
Mr. H. A. van Stiphout – member of the Council (chairman)
Mr. W. C. Verbaan – staff-member of the Council.

Appendix I.D

Studies commissioned

1. Raadgevend Bureau Berenschot B.V., Advisers for Organization and Policy-Making, Utrecht.

Study commissioned: Research directed towards rendering explicit the dominant factors influencing the number of jobs by means of surveys in six branches of industry.

2. Institute for Labour Problems, Tilburg.

Study commissioned: An investigation of the appreciation and distribution of work (partly on behalf of the Scientific Council's Distribution project).

3. Prof. Dr. H. Driehuis, University of Amsterdam.

Study commissioned: Constructing an econometric model with four production sectors, a government sector and a social insurance sector, collecting estimates for the model parameters and simulation of this model (not yet rounded off).

4. Prof. Dr. N. H. Douben, Catholic University of Nijmegen.

Study commissioned: Investigation of the effects on employment of the present system for financing social insurances together with the development of alternatives for this system that are less harmful to employment.

5. Prof. Dr. H. Philipsen, Medical Faculty, Maastricht.

Study commissioned: Analysis of sickness absenteeism and the development of possibilities of reducing this absenteeism.

Appendix III

Table 1. Survey of the changes from year to year in the size of the working population (x 1000 man-years)

Year	Gross increase in the domestic working population			Change trough foreign migration of persons with an occupation	Total change in the working population	Changes in the balance of frontier commuting	Total available
	on account of:						
	trend causes	cyclical and incidental causes	total				
1958	50	-35	15	-5	10	-1	9
1959	53	-24	29	-9	20	0	20
1960	56	3	59	-9	50	0	50
1961	81	-27	54	-3	51	-3	48
1962	76	6	82	3	85	-2	83
1963	66	-12	54	6	60	-1	59
1964	67	2	69	6	75	-1	74
1965	58	-30	28	12	40	2	42
1966	42	-16	26	16	42	3	45
1967	24	2	26	0	26	4	30
1968	11	30	41	-6	35	1	36
1969	7	44	51	7	58	0	58
1970	14	19	33	15	48	-3	45
1971	-6	34	28	19	47	-6	41
1972	-9	7	-2	6	4	-5	-1
1973	-8	12	4	-2	2	-4	-2
1974	-2	15	13	7	20	2	22
1975	-2	8	10	10	20	4	24
1976	3	3	6	8	14	0	14

Source: Central Planning Bureau.

Table 2. Participation percentages by level of education and age

	Primary level			Advanced primary level			Secondary level			Semi-higher and higher level			Total		
	1)*	2)*	3)*	1)	2)	3)	1)	2)	3)	1)	2)	3)	1)	2)	3)
15-19 year	71	69	.97	122	121	.99	13	13	1.00	0	0	-	206	203	.99
20-24 year	115	113	.98	229	229	1.00	79	78	.99	24	24	1.00	447	444	.99
25-29 year	154	151	.98	254	253	1.00	91	91	1.00	74	74	1.00	573	569	.99
30-34 year	137	133	.97	188	186	.99	70	70	1.00	70	69	.99	465	458	.98
35-39 year	143	137	.96	158	156	.99	56	56	1.00	54	53	.98	411	402	.98
40-44 year	151	141	.93	139	135	.97	52	51	.98	48	48	1.00	390	375	.96
45-49 year	151	134	.89	119	114	.96	50	50	1.00	41	41	1.00	361	339	.94
50-54 year	163	136	.83	111	104	.94	44	43	.98	36	35	.97	354	318	.90
55-59 year	148	109	.74	86	73	.85	28	25	.89	23	20	.87	285	227	.88
60-64 year	161	91	.57	72	49	.68	22	15	.68	20	15	.75	275	170	.62
Total	1394	1214	.87	1478	1420	.96	505	492	.97	390	379	.97	3767	3505	.93

*) 1) = Population
2) = Working population
3) = Participation percentage

Source: Adapted from the 1975 Manpower Census (Central Bureau for Statistics) *Sociale Maandstatistiek*, 25, 5 (May 1977), p. 318.

Appendix IV

Table 1.

	Growth in employment a)		Growth in production b)		Development in real labour costs c)	
	1953/63	1963/73	1953/63	1963/73	1953/63	1963/73
	%		%		%	
Agriculture	-2,7	-3,0	2,9	3,6	3,6	6,4
Food industry						
— animal products	1,6	0,6	5,1	3,9	11,1	3,1
— other products	-0,1	-1,2	3,2	3,5	4,2	5,7
Drink and tobacco products	0,3	-1,3	6,2	7,6	6,6	9,1
Textile industry	-1,0	-5,8	3,3	0,8	6,8	7,9
Clothing and footwear industry	0,3	-5,6	3,1	-3,4	3,3	4,8
Paper industry	-3,7	-0,6	8,6	5,7	7,6	9,1
Chemical industry	4,0	1,5	9,6	13,5	8,7	13,3
Oil Refineries	5,2	6,1	10,8	9,0	7,1	0,6
Metallurgical industry	4,3	0,3	10,2	9,3	5,4	10,9
Metal products and engineering	2,4	0,3	6,6	5,5	5,3	6,0
Electrical engineering industry	5,4	0,7	14,0	7,9	8,5	8,9
Means of transport industry	1,7	1,6	3,1	4,4	1,9	3,2
Industries	1,5	-0,4	6,4	4,2	5,7	5,2
Manufacturing industry	1,7	-0,6	6,1	5,9	5,9	7,2
Coal mines	-1,2	-18,6	-0,1	-17,3	3,8	6,1
Other extraction of minerale	-2,8	1,6	8,8	26,5	10,7	9,8
Public utilities	1,4	1,2	8,8	12,3	8,0	12,4
Industry (excl. building trade)	1,5	-0,8	5,9	6,5	5,5	7,4
Building trade	2,3	1,0	2,4	2,9	1,5	2,5
Commerce	2,5	1,7	6,4	5,5	4,9	6,4
Management of housing	—	—	2,5	3,1	—	—
Shipping and aviation	1,3	-4,8	3,3	4,2	2,6	12,0
Other transport firms	1,6	1,0	6,0	5,6	4,4	4,4
Other services	2,1	3,2	3,5	4,9	1,2	2,9
Services	2,2	2,1	4,7	5,1	3,5	4,7
Business	1,3	0,5	4,7	5,9	4,1	5,8

a) Wage earners + self-employers

b) Value added in 1973 prices

c) Wage bill per employee divided by price of production.

Source: Central Planning Bureau, 'De Nederlandse Economie in 1980', p. 153.

Table 2. Earned income ratio per branch of industry (average level in two ten-year periods, in %)

	1954/63	1964/73
Agriculture	81,8	76,3
Food industry		
– animal products	66,2	77,2
– other products	69,9	78,9
Drink and tobacco products	59,9	56,8
Textile industry	74,4	91,8
Clothing and footwear industry	83,3	98,6
Paper industry	54,7	76,6
Chemical industry	56,8	58,9
Oil refineries	44,8	67,2
Metallurgical industry	48,0	65,9
Metal products and engineering	76,9	82,1
Electrical engineering industry	58,1	66,5
Means of transport industry	84,6	95,0
Other industries	73,5	80,2
Manufacturing industry	69,5	77,0
Coal mines	94,1	107,8
Other extraction of minerals	35,6	23,8
Public utilities	55,1	55,0
Industry (excl. building trade)	69,6	74,4
Building trade	82,5	90,0
Commerce	63,8	80,0
Management of housing	–	–
Shipping and aviation	69,1	80,1
Other transport firms	87,3	87,7
Other services	72,8	79,2
Services	68,0	76,4
Business	71,7	78,3
Business, excl. house-owning	73,3	80,5

Source: Central Planning Bureau, 'De Nederlandse Economie in 1980', p. 143.

Table 3. Total contribution burden per industrial association, 1973

Industrial associations:	gross wage for social insurance (in millions of guilders ¹)	in % of the gross wage of all employers affiliated to the industrial associations	contributions to the workers' and national insurances in % of the gross wage for social insurance	index: on a basis of merchant shipping = 100
Merchant shipping	506	0,91	32,8	100
Banking and insurance, wholesale trade and free professions	10 929	19,60	34,3	105
Transport ²)	2 477	4,44	34,5	105
Food and drink industry	1 507	2,70	37,6	115
Port industry and related businesses				
inland shipping and fisheries	1 322	2,37	37,7	115
Chemical industry	1 516	2,72	37,9	116
Baking industry	854	1,53	37,9	116
Dairying industry	561	1,01	38,0	116
Health, mental and social interests	4 541	8,15	39,0	119
Printing made	1 165	2,09	39,1	119
Retail trade and crafts	3 761	6,75	39,4	120
New General Industrial Association	3 038	5,45	39,4	120
Metals industry and electrical engineering industry	7 521	13,49	40,5	123
Butchering and meat products industry etc. 'De Samenwerking'	593	1,06	41,2	126
Leather and leather-working industry	221	0,40	41,6	127
Clothing industry	543	0,97	41,6	127
Tobacco-processing industry	252	0,45	41,7	127
Timber and furniture industry and wholesale trade in timber	1 050	1,88	41,8	127
Metals industry	3 926	7,04	42,0	128
Brick, cement, glass and ceramic industry	751	1,35	42,1	128
Agricultural industry	995	1,79	43,5	133
Textile industry	866	1,55	44,3	135
Hotel, restaurant, cafe, boarding house and related businesses	692	1,24	44,7	136
Building trade	5 776	10,36	47,6	145
Mining industry	388	0,70	53,1	162

¹) Source: Industrial associations

²) Transport incl. Netherlands Railways

Table 4. Distribution of the total contribution burden in 1973

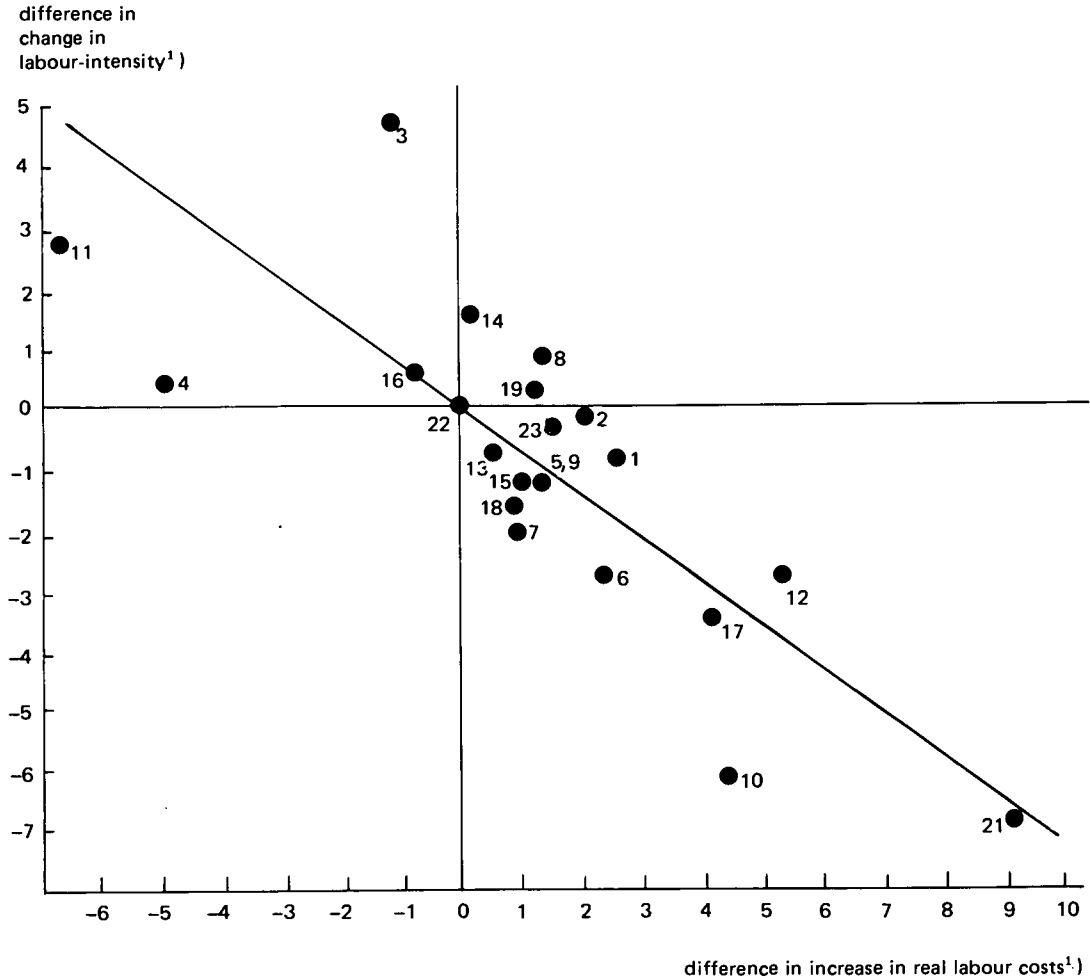
Industrial associations	Total contributions, workers' insurances ¹⁾	Total contributions, national insurances ¹⁾	Total contributions, workers' plus national insurances	ZW*) %	WAO*) %	WW*) %	ZFW*) %	KWL*) %	AOW/AWW*) %	AWBZ*) %	AKW*) %	Total %
Merchant shipping	90	76	166	10,2	20,2	2,3	11,8	9,5	33,6	7,3	5,1	100
Banking and insurance, wholesale trade and free professions	2100	1648	3748	10,8	20,1	2,2	13,8	9,1	32,2	7,0	4,8	100
Transport ²⁾	481	373	854	11,5	15,4	2,3	18,0	9,1	32,0	6,9	4,8	100
Baking industry	195	129	324	12,8	18,7	1,9	18,5	8,3	29,1	6,3	4,4	100
Retail trade and crafts	913	567	1480	12,8	19,3	2,4	19,1	8,0	28,1	6,1	4,2	100
Health, mental and social interests	1085	685	1770	13,0	19,4	2,1	18,8	8,0	28,3	6,1	4,3	100
Dairying industry	128	85	213	13,1	19,8	1,5	17,6	8,2	29,1	6,3	4,4	100
Food, and drink industry	340	227	567	14,9	19,6	1,8	15,3	8,3	29,3	6,4	4,4	100
Agricultural industry	283	150	433	15,2	17,8	6,5	18,7	7,2	25,3	5,5	3,8	100
New General Industrial Association	740	458	1198	15,6	17,7	2,1	18,4	7,9	28,0	6,1	4,2	100
Chemical industry	345	229	574	15,7	19,2	2,1	14,9	8,3	29,1	6,3	4,4	100
Butchering and meat products industry etc. 'De Samenwerking'	155	89	244	16,7	18,8	2,6	17,7	7,6	26,8	5,8	4,0	100
Printing trade	279	176	455	16,8	18,7	2,0	16,0	8,0	28,2	6,1	4,2	100
Port industry and related businesses, inland shipping and fisheries	298	200	498	16,9	19,1	2,1	13,5	8,3	29,3	6,4	4,4	100
Hotel, restaurant, cafe, boarding house and related businesses	205	104	309	17,3	18,0	4,6	19,3	7,0	24,7	5,4	3,7	100
Metals industry	1057	592	1649	18,6	17,9	3,0	17,2	7,4	26,3	5,7	3,9	100
Clothing industry	144	82	226	18,8	17,8	2,5	17,1	7,5	26,5	5,8	4,0	100
Timber and furniture industry and wholesale trade in timber	281	158	439	19,9	17,6	2,1	16,9	7,5	26,4	5,7	3,9	100
Brick, cement, glass and ceramic industry	203	113	316	20,3	17,8	1,9	16,7	7,4	26,2	5,7	4,0	100
Leather and leatherworking industry	59	33	92	20,6	17,1	2,4	16,1	7,5	26,5	5,8	4,0	100
Engineering and electrical engineering industry	1909	1135	3044	21,2	17,8	1,8	14,2	7,7	27,3	5,9	4,1	100
Textile industry	253	131	384	22,2	17,1	2,1	17,4	7,1	24,9	5,4	3,8	100
Tobacco-processing industry	67	38	105	22,3	17,3	1,6	14,8	7,6	26,6	5,8	4,0	100
Building trade	1878	872	2750	26,7	15,6	4,4	15,0	6,6	23,2	5,0	3,5	100
Mining industry	147	59	200	41,3	14,1	1,6	8,7	5,9	20,8	4,5	3,1	100

*) ZW = health insurance; WAO = working disablement insurance; WW = unemployment benefit insurance; ZWF = sick funds; KWL = wage-earners' children's allowances; AOW/AWW = general old age pensions/general widows' and orphans' pensions; AWBZ = general specific health risks; AKW = general children's allowances.

¹⁾ In millions of guilders.

²⁾ Excl. Netherlands Railway with respect to employers' contributions for ZW, WAO, WW and ZFW.

LABOUR-INTENSITY OF PRODUCTION AND REAL LABOUR COSTS 1953–1973



¹⁾ On the x and y coordinates of the graph the difference in percentage change of average 1963/73 is plotted against average 1953/63 for respectively real labour costs and labour-intensity (defined here as the ratio between employment and production).

- | | |
|-----------------------------------|-------------------------------------|
| 1. Agriculture | 12. Metallurgical industry |
| 2. Coal mining | 13. Metal products and engineering |
| 3. Other mining | 14. Electrical engineering industry |
| 4. Food, animal products | 15. Means of transport industry |
| 5. Food, other products | 16. Other industries |
| 6. Drink and tobacco industry | 17. Public utilities |
| 7. Textile industry | 18. Building trade |
| 8. Clothing and footwear industry | 19. Commerce |
| 9. Paper industry | 21. Shipping and aviation |
| 10. Chemical industry | 22. Other transport + Post Office |
| 11. Oil refineries | 23. Other services |

Source: Central Planning Bureau: De Nederlandse Economie in 1980, p. 155.

Appendix V

Sickness absenteeism in the summer period*) of 1955, 1965 and 1975) by sex and branch of industry. Netherlands Institute of Preventive Medicine statistics.**

	Men				Women		
	Business accounting	Ordinary clerical work	Chemicals	Metals	Business accounting	Ordinary clerical work	Technical apparatus
2.1. Notifications of sickness per person per period							
1955	0,21	0,32	0,22	0,28	0,41	0,62	0,37
1965	0,24	0,36	0,30	0,38	0,42	0,66	0,64
1975	0,29	0,48	0,39	0,48	0,58	0,87	0,66
Increase 1975-1955	38%	50%	77%	71%	41%	40%	78%
2.2. Average duration per case in days							
1955	10,5	8,5	15,9	17,1	6,6	7,2	10,8
1965	13,5	10,2	18,6	17,6	7,7	8,7	11,4
1975	17,9	11,0	20,2	20,2	11,9	10,3	17,5
Increase 1975-1955	70%	29%	27%	18%	80%	43%	62%
2.3. Percentage of days lost per period							
1955	2,0	2,4	3,1	4,3	2,4	4,0	3,6
1965	2,8	3,3	5,0	6,0	2,9	5,1	6,5
1975	4,6	4,7	7,0	8,7	6,2	8,0	10,3
Increase 1975-1955	130%	96%	126%	102%	158%	100%	186%

*) Summer period = 16 weeks from end of April to mid August.

**) Figures for 1955, 1965 and 1975 are progressive three-year averages.

Appendix VI.A.

Table 1. Distribution of total employment by sector
(x 1000 man-years)

	1963		1970		1975		1980	
Primary sector	420	9,5	329	7,0	299	6,5	259	5,4
Industry (excl. building)	1395	31,8	1378	29,3	1220	26,4	1185	25,0
Building trade	425	9,7	505	10,8	438	9,5	423	8,9
Secondary sector	1820	41,5	1883	40,1	1658	35,8	1608	33,9
Services/business	1639	37,4	1917	40,8	2040	44,1	2222	46,8
Government	509	11,6	567	12,1	628	13,6	659	13,9
Tertiary sector	21,48	49,0	2484	52,9	2668	57,7	2881	60,7
Total	4388	100	4696	100	4625	100	4748	100

Source: Central Bureau for Statistics for 1963, 1970 and 1975.
The estimate for 1980 is by the Central Planning bureau.

Table 2. Percentage of persons employed in the three main sectors in 1962 and 1972 in various countries*)

Country	Year	Agriculture	Industry	Services
Belgium	1962	8,0	46,9	45,2
	1972	4,2	43,3	52,5
Western Germany	1962	12,6	49,7	37,7
	1972	7,5	50,4	42,1
France	1962	20,6	38,5	40,9
	1972	12,7	38,4	48,8
Italy	1962	29,1	39,5	31,2
	1972	18,2	44,3	37,5
Luxembourg	1962	15,1	44,7	40,1
	1972	9,6	48,0	42,5
Netherlands	1962	10,4	40,6	49,0
	1972	6,9	36,8	56,3
U. S. A.	1962	7,4	33,2	59,3
	1972	4,2	31,0	64,8

*) Taken from A. M. Tabak:
'Groeierende dienstensector', *E. S. B.*, 60,
3015 (20 August 1975) pp. 794-6.

Table 3

Index figures (1960 = 100) and change per year in % for:

	hectares		sfu *)		gross production		labour	
1960	100		100		100		100	
		-0,8%		+1,0%		+3,7%		-4,8%
1965	96		105		120		78	
		-1,1%		+1,6%		+3,0%		-5,1%
1970	92		114		139		60	
		-0,5%		+2,1%		+3,6%		-4,0%
1974	90		124		160		51	
		-0,6%		+0,8%		+2,1%		-3,6%
1980	87		130		181		41	
		-0,8%		+0,3%		+1,8%		-3,4%
1990	80		134		216		29	

*) Standard farm units.

Taken from: 'Modernisering van de
Landbouw: Waarom en Waarheen?'
Agricultural Economics Research
Institute, *Mededelingen* No. 150,
September 1976.

The following comments can be made:

– The decline in the principal factor of production, land, also continues in the future. The area of land withdrawn from cultivation relates mainly to urbanization, the construction of infrastructural works and recreation. The growth in production therefore calls for an improvement in the productivity of land.

– The improvement in the productivity of land calls for further intensification. It may be assumed that maximum land utilization has not yet been achieved, notably in arable farming and stockbreeding. However, the limits to the improvement of techniques are beginning to appear, so that the growth percentages for land productivity decrease.

– The decline in the volume of labour continues, but at a decreasing rate. Allowance has been made here for age structure and the succession situation. From the data a certain delay in the rate of loss of jobs emerges. The explanation for this is that this loss occurred among sons working on the family farm and other workers. The average manning (which has already fallen to 1.3) is as a result nearing a certain minimum.

Incidentally, the phenomenon of the part-time job is reappearing. This may make the average manning smaller. Consequently, in the future the peaks in agricultural activity can no longer be coped with by the farm's own work force. It may be expected that labour on call (agricultural contractors) will play a part in agriculture in the future too and will gain in importance.

**Table 4. Persons working in the service sector by branch of industry
(percentage distribution in various countries*)**

Country	Year	Commerce and catering trade	Transport storage and com- munication	Banking and insurance, business services	Government, social and personal services
Belgium	1962	40,2	2,6	3,2	54,0
	1972	36,2	3,1	4,3	56,3
W. Germany	1962	45,8	5,2	8,3	40,8
	1972	42,0	5,4	10,4	42,2
France	1962	35,1	14,2	7,7	43,0
	1972	32,0	12,4	11,3	44,3
Italy	1962	39,3	14,6		46,1
	1972	36,8	14,9		48,3
Netherlands	1962	33,6	14,8		51,6
	1972	32,6	11,8		55,6

*) Taken from A. M. Tabak:
'Groeiende dienstensector',
ESB, 60, 3015 (20 August
1975), pp 794-6.

Appendix VI.B

The development of the building trade

The trend of building production in recent years has steadily declined. An extensive analysis of the situation in the building trade is given in Chapter V of the 1975 Central Economic Plan. This shows that the trend in the production of new dwellings in the Sixties rose quickly. In the early Seventies production fell quickly. A decrease in production in the same period may also be seen in the new construction of other buildings (industrial and Government buildings) and in earthwork, roadbuilding and hydraulic engineering works. However, repair work and renovation displayed a rising trend of production. The picture of the future development of total sales by the building trade that emerges from this analysis is a rather sombre one. In many fields there is a certain saturation. Moreover, there is an impression that in some sectors the growth of production in past years was not in keeping with a balanced growth of the stock. However, some counterweight may be found in the policy intentions regarding renovation of dwellings and urban reconstruction.

A fairly gloomy expectation regarding future building production is also to be found in a report by the Economic Institute for the Building Trade (E.I.B.)^{*}).

This investigation informs us that the annual total requirement of buildings in the Netherlands up to 1990 approximately corresponds to the 1974 production level.

In greater detail, up to 1990 the fall in the requirement for dwellings is compensated for above all by an increase in the requirement for renovation of dwellings and by an increase in maintenance work. After 1990 the requirement for building proceeds to display a sharply falling trend, mainly as a result of the decreasing population growth, thinning out of dwellings which does not fall further, and less of a need for a further expansion of the infrastructure. By way of illustration the estimates follow.

Table 1. Estimate of the future requirement of building production (in millions of guilders, 1970 prices)

Category	1980	1990	2000
New construction of dwellings	5 500	4 900	750
New construction of other buildings	5 355	5 635	6 245
Repair and structural conversion ¹⁾	1 480	790	565
Maintenance work	3 700	4 400	4 950
Earthwork, road-building and hydraulic engineering works	3 450	3 250	3 040
Total production	19 550	18 975	15 550

¹⁾ Including renovation.

Source: E. I. B.

The fall in future building requirement means among other things that the volume of labour in the building trade will also decrease further. The forecasts made by the E.I.B. for the volume of labour are shown in the following table^{**}).

Table 2. Estimated volume of labour in the building trade (x 1000 man-years, incl. the sick)

	1970	1980	1990	2000
Employed persons	441	353	337	299
Self-employed	64	55	55	55
Total	505	408	392	354

Source: E. I. B.

^{*}) E.I.B.: 'De ontwikkeling van de bouwbehoefte en de werkgelegenheid in de bouw. Peiljaren 1980-2000'. Second Chamber, 1975-1976, 13 764.
^{**}) It should be stated that E.I.B. estimates, despite all the uncertainty, may certainly not be depicted as highly pessimistic. Other experts have demonstrated less optimistic views: see *inter alia* the interview with Prof. A. Hendriks in the *Tijdschrift voor Architectuur en beeldende kunsten*, 39, 9 (May 1972), pp. 211-8.

In addition, in the building trade allowance must be made for considerable repercussions. A distinction can be made between first-order and second-order effects. In the case of a drop in production in building the first-order effects relate to a reduction in the need for building materials (backward linkages), a reduced demand for fittings and appliances (forward linkages), and decreasing building investments. The second-order effects operate via the final expenditure. After all, former building trade operatives will suffer a drop in income in the event of inactivity. The E.I.B. estimates the number of persons indirectly working in the building trade at some 260,000 in 1974*). As a result of the reduced building requirement this number will fall by about 85,000 man-years up to the year 2000. The repercussions of the building trade on employment have been little investigated so far, however. The literature suggests that the E.I.B. estimate is on the low side. The problem is that records are kept only by sector and not by job. Often the ratio 1 : 1 is used. And this does not take into account the considerable employment in official services that are involved in building production.

In the above mention has already been made of a building activity in recent years that considerably exceeded a balanced development of the stock. Now that there is no longer any question of a quantitative shortage, this implies a release of building capacity. If this unoccupied capacity is not used to eliminate other shortages (e.g. the qualitative one), the result may be considerable negative multiplier effects on the whole economy and on general employment.

As a rule the stimulation of investments in buildings has major effects on employment. Moreover, the building trade is a highly labour-intensive sector of a typically national character (no large 'import leak') and with considerable links with other branches of industry. Therefore the building trade was regarded in the past — and still is today — as a sector stabilizing the economic cycle. By way of illustration it may be stated that in the packet of anticyclical measures for 1976 1300 million guilders was devoted to supplementary works in building.

*) See on this point also W. Roest:
'Bouw en economische groei',
Deventer, 1973.

Appendix VII.A

The place of the collective sector in respect of the productivity base

This appendix outlines the place of the collective sector in respect of the productivity base. A distinction can be made between three functions: The Government as employing and therefore as income determining sector, the Government as spending sector and the Government as transferring sector.

Government production is difficult to measure, since there are no market prices for its productive activities. In National Accounts Government consumption is assumed to be equal to the wage bill. However, collective finances are required for remuneration of civil servants.

The Government acts as a redistributing sector both by means of direct transfers (among other things Public Assistance) and by means of indirect transfers (via social insurance). In this way the Government corrects the primary distribution of incomes. For this function too collective finances are needed.

Finally, the Government also acts as a spender. Here a distinction can be made between material Government spending and gross investments.

The material expenditure of the Government and the expenditure on consumption made on account of the transfer incomes and the Government wage bill, form part of total domestic demand. Domestic demand further consists of household expenditure on consumption, on the strength of the incomes earned in the business sector, and the gross investment by business. Government subsidies are becoming increasingly important as a means of influencing the latter component.

Total final expenditure is formed by domestic demand and foreign demand (exports).

The total expenditure thus obtained is by definition equal to the total finances. The latter consist of national production (the gross value added) and foreign production in the form of imports. The value added then forms the productivity base for the procurement of the collective finances. It will be clear that the collective sector is connected in two ways with the value added. On the one hand the collective sector contributes to formation of the productivity base, either by its own expenditure or by influencing the spending of the private sector. On the other hand this contribution is possible only by taxing the productivity base. The value added by business may be regarded as divided into a number of components. In the first place the value added in market prices results from the process described above. However, market prices contain an additional factor in the form of indirect taxes. Further, the depreciation must be deducted from the gross value added. Write-offs form an essential item for the financing of replacement investments. The remainder – the net value added at factor cost – forms the basis for the remuneration of the factors of production. For the sake of convenience a division can be made into wage income and other income. These two types of income (or parts of them) form the basis for the acquisition of the collective finances.

Apart from the royalties from the extraction of minerals and distributed profits, the total of indirect taxes, income from social security contributions and direct taxes form the collective finances. In addition levies on the wage bill and transfers financed from collective finances flow back to the latter. These could be regarded as 'in one hand and out of the other' payments (see also the diagram).

It is here not a matter of where and how the collective finances are spent. Needless to say, from the economic point of view it is certainly relevant whether the collective finances are only passed on as income transfers to households or whether the Government itself acts as a spender. Households enjoy freedom of consumption, which implies that both the direction in

which and the extent to which the transfers obtained are largely outside Government control. On the other hand, the Government, as a spending unit, can manipulate its expenditure in directions which may or may not be explicitly specified as desirable. Moreover the Government sector, unlike the households sector, may be called a typical 'deficit sector'. Finally, an important question is also whether domestic productive capacity can be utilised for Government spending, or whether the latter leads to imports.

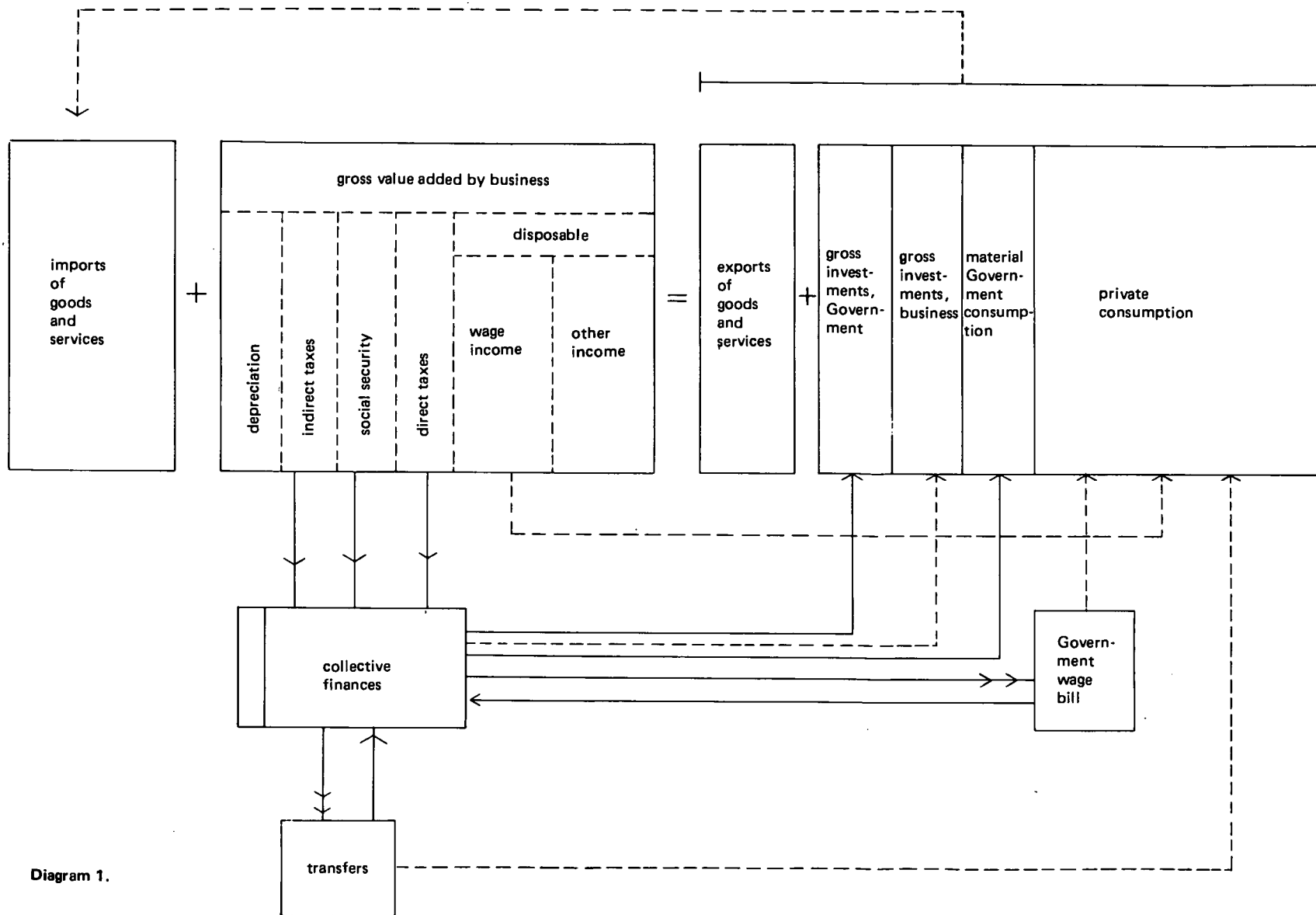


Diagram 1.

Appendix VII.B

Short description of the model under development

This model has been built above all to obtain insight into the extent to which an objective of social security can conflict with other socio-economic objectives.

Particular attention will have to be paid to the interaction of the collective and the private sectors. After all, only if the interdependencies of these sectors are adequately considered, can stresses be traced that occur when the collective sector lays too great a claim to the room available in an economy.

The model consists of four subsystems, viz. the social insurance and pension fund sector, the Government sector, the monetary sector and the private sector.

In the private sector a distinction is made between households and business. Business is divided into four sectors: agriculture, industry, the building trade and services. The gross production of these business sectors is explained by the deliveries to each other on the basis of an input-output structure and final expenditure. Final expenditure is formed by household spending on consumption, investments by business, consumption and investments by the Government and exports of goods and services. In addition a description is given of among other things the imports of goods and services per sector, the development of the productive capacity and the corresponding jobs per sector and employment per sector. In the wage and price block the phenomenon of a wage leader (i.e. industry) has been introduced. The developments of the contract wages are partly determined by the passing-on of taxes and increases in contributions.

At the same time the development of the incidental wage component has been included in this block. Unemployment is the resultant of employment and the supply of labour. This quantity plays an important part in the development of the volume of expenditure by the social fund. The price development of the expenditure of the social insurances is related to the wage development in the private sector.

The price development of Government expenditure has also been made as endogenous as possible by linking it to the prices and wages of the private sector. The monetary sector has been included in order to analyse the effects of deficits in the collective sector.

In the construction of the sectors inclusion of the variables that may be considered relevant to the active/inactive relation was in the forefront. At the same time it has been assumed that the model is not meant for forecasting time paths as much as for revealing structural frictions and simulating policy variants. Further, a number of scenarios, for instance a situation of extremely high unemployment, could be examined with regard to their socio-economic and institutional consequences. For this target variables and instruments had to be included. The model consists of some 300, in part non-linear, relations.

Appendix VII.C

Table 1. Working conditions by respondent's occupation

	Good	Indifferent	Highly indifferent	Poor	Total	Absolute numbers
Business heads/managers) Self-employed) Practitioners of the free) professions)	62	28	10	0	100	216
Self-employed farmers and market gardeners	27	72	1	0	100	109
Senior employees	87	12	1	0	100	124
Middle employees	75	21	4	0	100	528
Junior employees	66	26	7	1	100	487
Workers	31	39	24	6	100	857
Family-members helping in the business	54	42	4	0	100	28
Occupation unknown	88	8	4	0	100	26
Total	54	32	12	2	100	2 375

Source: *De leefsituatie van de Nederlandse bevolking, 1974*, Central Bureau for Statistics.

Table 2. Advantages and disadvantages of unemployment

Disadvantages	%	Advantages	%
Disadvantages of unemployment mentioned, viz.	92	Advantages of unemployment mentioned, viz.	50
1. financial disadvantage	57	1. plenty of free time for yourself, freedom	34
2. lack of purpose	36	2. plenty of time for housekeeping, husband, home	9
3. feeling of being cut off from society	10	3. relaxing, resting, sleeping in	6
4. social isolation	9	4. getting money, earning on the side	1,3
5. mental/physical stresses	7	5. other advantages	8
6. other disadvantages	21		
	N = 3230		N = 3230

Survey by the Institute for Labour Problems, Tilburg, 1974.

Table 3. 'Annoying and pleasant things' about the workless situation of persons unfit for work

Annoying things	%	Pleasant things	%
1. burden of dependence through your disorder	48	1. nothing, don't know	28
2. the fact of not working	32	2. more free time, time for hobbies	31
3. sitting at home, boredom, uselessness	23	3. at home more, family life pleasanter, you can help your wife more	28
4. you feel sidetracked, you don't belong any more, you're only half a person	18	4. more freedom, no obligations, I can do what I feel like doing	13
5. uncertainty about the future in general and regarding your disorder	17	5. others: benefit, complaint is on the mend, contact with other people etc.	13
6. financial problems, changes	12		
7. no regular, normal life, everything is pointless, you're at a dead end	9		
8. being alone, bad temper, stresses in the family	7		
9. nothing, don't know	5		
10. others (perpetual visits to the doctor, receiving money without working, not feeling free) etc.	10		
	N = 721		N = 721

Source: Survey by the Netherlands Institute for Preventive Medicine, 1974.

Appendix IX

The segmentation of the labour market

The extent to which a division into the three segments stated is valid cannot yet be indicated exactly. However, there are signs that this typology of the labour market is not necessarily applicable to all branches of industry to the same extent. For the factors that determine this segmentation tend to vary in their operation for various branches of industry (and also regions and sectors). For instance, there are obvious differences in the degree of technological advancement, use of automation etc. At least research currently being performed to test this segmentation points in that direction *)).

With a view to the future of the labour market this segmentation idea must be regarded as important, notably the trend towards independence and the development of the *first* segment. For in this is reflected a process of convergence of three factors, viz. the division of labour in technically advanced forms of production, technical and organizational innovation and increase in scale. It seems that the operation of these factors will in any case continue to make itself felt for the next ten years. True, there are at present phenomena that seem to refute such a development. Instances are the sometimes extensive reorganizations which large concerns carry out and which are accompanied by considerable loss of jobs. Usually such reorganizations entail concentration of production in a smaller number of (larger) production units. These are then structural adjustments which in fact increase stability in the long run. In this sense the segmentation idea is open to criticism. The relative permanence of the first segment is evidently acquired by some enterprises only by not adjusting by degrees to a certain stagnation but by adopting a different position structurally. The stability thus restored is further obtained by loss of jobs or unemployment being passed on de facto to a region. This happens in particular when concentration of production is concerned.

The fact that allowance must nevertheless be made for the continuation of a development as indicated by this segmentation is bound up above all with the still continuing process of division of labour. Viewed technically, this has not yet come to a stop. However, at present there are also opposite tendencies aimed at a return to more integrated tasks per job **).

*) Research project of the Institute for Labour Problems, Tilburg, commissioned by the Ministry of Social Affairs.

**) Possibilities of task integration are given in the Netherlands Railways report: 'Sociale invloeden op de ED-organisatie'.

Appendix XI.A

The position of the foreign worker

This appendix states the developments that preceded submission of the Foreign Workers' Labour Bill to Parliament.

Migration of foreign workers to the Netherlands, especially that from the Mediterranean region, started in the mid Fifties. The shortage of employment was one of the principal push factors on the part of the countries of emigration and the need for above all unskilled labour was one of the principal pull factors on the part of the countries of immigration, in this case the Netherlands. At policy level too one is well aware *) that there is a causal connection between the lack of employment in the countries of emigration and the lack of unskilled labour in the Netherlands. At first the flow of foreign workers to the Netherlands was regarded as a temporary matter of a cyclical nature.

However, in the Sixties it gradually came to be realized that the phenomenon is of a structural nature and that it must be associated with qualitative and quantitative developments on the labour market that are becoming structural. The quantitative aspect relates to the fact that entrepreneurs knew that they could assume a permanent supply of foreign workers without any inhibiting effect on their investment activities with respect to the supply of the labour factor. The qualitative aspect relates to the qualitative disequilibrium between the supply of and demand for labour, above all as a result of increasing participation in education and the rising level of education of the Dutch population.

The autochthonous working population has moved on up to the better-paid and more attractive jobs, thus creating permanent room for an allochthonous population that has filled the gap thus formed. With regard to the above comment it may be said that there are in fact two separate labour markets that do not compete with one another but are practically complementary and of which one market is directed towards unattractive jobs. The foreign workers are above all dependent on this submarket, from which Dutch workers have increasingly withdrawn. As a result of these developments the foreign worker acquired a permanent place on the labour market, even when the total demand for labour lagged behind the domestic supply.

In 1969 Marshall-Goldschwartz **) performed an investigation of the place of the foreign worker in the Dutch occupational stratification and concluded that 72,6% of these workers do unskilled work. Research by the Netherlands Foundation for Statistics ***) confirmed this conclusion. The discussion on the importance of the foreign worker to the Dutch economy started in particular after the 1967 recession.

During that recession the foreign workers did not withdraw to their home countries, while afterwards the recruitment of foreign workers was quickly stepped up. It is, however, interesting to point out that 1967 was an important transitional year: recruitment before 1967 was accompanied by tightness on the Dutch labour market: recruitment after 1967 ran parallel with an increase in unemployment on the Dutch labour market. After 1967 it not only became clear that the Western European labour market would be unthinkable without foreign workers, even in times of economic decline: the supposed advantages of employing foreign workers also came to be questioned. In 1970 the Government produced the Foreign Workers White Paper in which for the first time the policy with regard to foreign workers was discussed. In the same year the extensive and highly critical Provisional Parliamentary Report on the White Paper from the Special Second Chamber Committee followed. In 1974 the Government produced a 'Memorandum in Reply to the Provisional Report on the Foreign Workers Memorandum'. The same year saw the appearance of the 'Final Report on the Foreign Workers White Paper', and finally the 'Final Parliamentary Report' was published in 1974. Both the Memorandum in Reply and the Government answer on the Final Report emphasize that the

*) See: Memorandum of Government Reply to the Provisional Parliamentary Report on the Foreign Workers White Paper, 1973-1974 session, 10 504, p. 23.

**) Marshall-Goldschwartz, A. J.: The import of labour, the case of the Netherlands, Universitaire Pers, Rotterdam, 1973.

***) Netherlands Foundation for Statistics: 'De buitenlandse arbeider in Nederland', The Hague, 1971.

Government intends to follow a restrictive policy as regards further recruitment of foreign workers and a policy aimed at integration of the foreign workers already present in the Netherlands. In 1975 the Foreign Workers' Labour Bill was submitted. After lengthy discussion the Bill was adopted by the Second Chamber, with a few amendments, in 1976. It has not yet been debated in the First Chamber.

Appendix XI. B

The position of the Mediterranean worker in North Holland industry

On the responsibility of the Regional Council for the Labour Market in North Holland an investigation has been made of the 'Position of the Mediterranean worker in North Holland Industry' *).

One of the findings of this investigation is that 64% of the business and institutions in the province of North Holland with 2 or more foreign workers are of the opinion that special measures will have to be taken if the Government is to introduce restrictions on the employment of foreign workers.

The following table **) gives an insight into the frequency of measures mentioned by business and institutions if the possibilities of engaging foreign workers are limited (in percentages, per industrial class).

Industrial class	Mechanization automation	Job enrichment	Revision of remuneration system	Engagement of part-timers/ married women/ temporary workers	Farming out parts of the production outside North Holland	Restrictions of activities, closure of departments
1. Metals industry	27%	16%	12%	20%	27%	20%
2. Food, drink and tobacco industry	40%	6%	14%	27%	18%	12%
3. Other industry	25%	10%	11%	25%	24%	16%
Total industry	29%	11%	13%	26%	24%	16%
4. Services	13%	14%	13%	35%	3%	11%
5. Other non-industrial sectors	8%	—	3%	29%	3%	11%
Grand total	23%	10%	12%	28%	17%	14%

The table reveals a number of things:

- The businesses and institutions think very frequently of engaging part-timers, married women and temporary workers (28%) and of mechanization/automation (23 %);
- The engagement of part-timers, married women and temporary workers is mentioned above all in services (35%), and mechanization/automation above all in the food, tobacco and drink industry (40%);
- Job enrichment is mentioned least (10%), somewhat higher figures being found for the metals industry (16%) and services (14%);
- 16% of industry and 14% of all business and institutions are of the opinion that they will have to restrict their activities and/or close departments.

*) Amsterdam, 1975.

**) Taken from 'Positie van de mediterrane werknemer in het Noord-hollandse bedrijfsleven, p. 32.

Appendix XII

A brief discussion of two foreign initiatives

In this appendix two initiatives outside the Netherlands are briefly discussed. However, the starting points of these initiatives do not entirely tally with the points of departure used in this report, for instance, the temporary nature of projects and the creation of special jobs for the unemployed.

1. *Canada.* In 1973 the Department of Manpower and Immigration launched the Local Employment Assistance Program (LEAP) ^{*}). This programme was developed to help people who in normal working conditions probably cannot enter the labour market to create new job possibilities for themselves. It 'allows unemployed Canadians to develop their own jobs that will benefit the communities in which they live. They are designed not only to provide salaries to unemployed workers, but to let them work at tasks they consider necessary' ^{**}).

The programme gives support to a limited number of projects that clearly demonstrate what the possibilities are of creating permanent employment for people who are unfit for work, live in areas where the possibilities on the labour market are few or are the victims of some form of discrimination. The projects subsidized under this programme are aimed at creating jobs which, in the course of time, at least cover their costs without Government support. For this purpose, apart from financial support for a maximum of 3½ years, much is done in the way of training, advising and making accommodation available. LEAP officials identify possible projects which they then help to work out further in cooperation with local authorities, non-profit organizations or individual citizens. LEAP started at the beginning of 1973; two years later 140 projects were already being subsidized, while three and a half years later 5300 jobs had been created and 30 million dollars spent. Projects have been undertaken both in the small-scale commercial sector (services, agriculture) and in non-commercial services (renovation of buildings, protection of the environment, recreation and education). The Department of Manpower and Immigration is evaluating the projects.

2. *Britain.* In 1974 the Manpower Services Commission, as part of contingency planning directed against the increase in structural unemployment in Britain, commissioned Santosh Mukherjee to perform a study. This study, which was completed in the same year ^{***}), devotes attention to the effects of extensive unemployment on the various groups operating on the labour market and to the possible policy measures for promoting employment. One of the recommendations made by the report is to aim the attempts at job creation not only at the industrial sector and the service sector but also at the quaternary sector. The Manpower Services Commission (MSC) should be asked 'to embark on a new style job creation programme'.

The MSC is at present charged with this task, and during the meeting of the Manpower and Social Affairs Committee at Ministerial Level of the OECD in 1976 the British representative drew attention to this MSC programme. The sum of £ 70 million has been reserved for labour intensive projects aimed at satisfying real social needs.

The 1974 report gives a broad indication of the projects that ought to be considered and then operationalized: ^{****}):

- groups specially organised for the purpose of creating employment for themselves may propose projects to provide new services to their communities
- existing groups or associations may wish to develop services for children, the elderly or the handicapped
- groups may wish to carry out projects related to general improvement of the environment

^{*}) The Alternative: Job Creation in Canada, Ottawa, 1975; Canada Manpower, Report of the Standing Senate Committee on National Finance, Ottawa, 1976.

^{**}) The Alternative: Job Creation in Canada, p. 3.

^{***}) Santosh Mukherjee: There's work to be done: Unemployment and Manpower Policies, London, 1974.

^{****}) Santosh Mukherjee, op. cit., p. 68.

- cultural and social organisations may wish to expand their programmes
- organisations may wish to employ in projects that may have a limited revenue but are not profit making
- organisations may wish to sponsor projects of minor repairs to substandard housing.

Appendix XIII

LIST OF PUBLICATIONS

1. *Rapporten aan de Regering* (Reports to the Government)*)

Introductie, taak, plaats en werkwijze (Introduction, responsibilities, position and working methods) (1974)

1. Europese Unie (European Union) (1974)
2. Structuur van de Nederlandse economie (Structure of the Netherlands Economy) (1974)
3. Energiebeleid op langere termijn (Long-term Energy Policy) (1974)
1 to 3 published in one volume **)
4. Milieubeleid (Environment Policy) (1974)
5. Bevolkingsprognoses (Population Forecasts) (1974)
6. De organisatie van het openbaar bestuur (The organization of Public Administration) (1975)
7. Buitenlandse invloeden op Nederland: Internationale migratie (Foreign Influence on the Netherlands: International Migration) (1976)
8. Buitenlandse invloeden op Nederland: Beschikbaarheid van wetenschappelijke en technische kennis (Foreign Influence on the Netherlands: Availability of Scientific and Technical Knowledge) (1976)
9. Commentaar op de Discussienota Sectorraden Wetenschapsbeleid (Comments on the Discussion Paper on Sectoral Councils for Science Policy) (1976)
10. Commentaar op de nota Contouren van een toekomstig onderwijsbestel (Comments on the White Paper on the Contours of the Future Educational System) (1976)
11. Overzicht externe adviesorganen van de centrale overheid (Survey of External Advisory Bodies of the Central Government) (1976)
12. Externe adviesorganen van de centrale overheid, beschrijving, ontwikkelingen, aanbevelingen (External Advisory Bodies of the Central Government: Description, Developments, Recommendations) (1977)
13. 'Maken wij er werk van?' Verkenningen omtrent de verhouding tussen actieven en niet-actieven ('Do We Make Work our Business?' An Exploratory Study of the Relation between the Economically Active and Non-active Persons) (1977)
14. Overzicht interne adviesorganen van de centrale overheid (Survey of Internal Advisory Bodies of the Central Government) (1977)
15. De komende vijfentwintig jaar, een toekomstverkenning voor Nederland (The Next Twenty-five Years: a Survey of Future Developments in the Netherlands) (1977)
16. Over sociale ongelijkheid, een beleidsgerichte probleemverkenning (On Social Inequality: a Policy-oriented Study) (1977)

*) The 'Reports to the Government' and the 'Preliminary and Background Studies' were published by the Government Printing Office, The Hague

**) The full texts of Reports 1 to 6 were also published in the 'Staatscourant' (Government Gazette)

II. *Voorstudies en Achtergronden* (Preliminary and Background Studies)

W. A. W. van Walstijn, *Kansen op onderwijs, een literatuurstudie over ongelijkheid in het Nederlandse onderwijs* (Educational Opportunities; A Literature Study on Inequality in the Netherlands Educational System) (1975)

I. J. Schoonenboom and H. M. In 't Veld-Langeveld, *De emancipatie van de vrouw* (Women's Liberation) (1976)

G. R. Mustert, *Van dubbeltjes en kwartjes, een literatuurstudie over ongelijkheid in de Nederlandse inkomensverdeling* (Dimes and Quarters: a Literature Study on Inequality in the Distribution of Income in the Netherlands) (1976)

J. A. M. van Weezel a.o., *De verdeling en de waardering van arbeid* (The Distribution and Appreciation of Work) (1976)

A. Ch. M. Rijnen a.o., *Adviseren aan de Overheid* (Advising the Government) (1977)