

**Netherlands Scientific Council  
for Government Policy**

# **Prospects for Reforming the Labour System**

**Summary of the twenty-first  
Report to the Government**

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## 1. SUBJECT AND ARRANGEMENT OF THE REPORT

Following a sustained period of prosperity and the emergence of the welfare state in the Netherlands, a number of problems have come to the fore in recent years, as a result of which increasing attention has been focused on labour and employment. Employment issues were taken up by the Scientific Council for Government Policy (WRR) during its first term of office from 1972 to 1977, for example in its reports "On Social Inequality" and "Do we make Work our Business?"

The former report dealt with the significance of employment for the distribution of income, wealth, knowledge and so on in Dutch society, while the latter was intended as a contribution to public discussion of employment problems. These reports centred on the case for expanding employment in the non-commercial, primarily government-financed services sector in conjunction with a healthy private-sector base.

There has certainly been no decline in the need for analysis of issues in the labour and employment field since then. The most obvious example is of course the persistent and growing level of unemployment. Initially, the growth in unemployment was coupled with the persistence of the relatively high economic growth rates characteristic of the preceding period. In addition, there is the recurrent phenomenon of frictional unemployment, which manifests itself in the inability to fill certain types of vacancies. The resultant problems in the labour market are a major source of controversy between employers and employees' associations. Thus the two sides differ in their views on the significance of wage and social security levels for the operation of the labour market. This controversy points up a major aspect of the problem, namely the significance now assumed by institutional as well as market forces.

Another significant problem is the growth in the number of economically inactive persons. Factors such as social security, early retirement, more widespread education and unemployment itself have led to a significant increase in the number of inactive persons in relation to the employable population as a whole (in mid-1981 the figure was 5 million out of 9.3 million, or 54%). This trend is not merely of significance in an economic sense and for the financing problems it causes; it also has social implications in the form of latent tensions between those who are employed and those who are not. Such tension is based on both the question of burden-sharing and the problem of the legitimization of economic inactivity in a society heavily geared towards paid employment.

Finally there is the problem of the taxation burden and the level of social insurance contributions, which form an independent and complicating factor in the whole problem of labour and employment. The government's dual responsibility for employment and social security – in addition to a wide range of other public and quasi-public facilities – has meant wide-ranging government involvement in the economy. As a result, developments in the private sector have become heavily dependent on the public sector, which is largely financed out of taxes and national insurance contributions.

The signs are that the trends outlined above will persist into the future in their present form or will even become intensified. The prospects for an increase in the level of employment, for example, are not encouraging. The Scientific Council's report "Industry in the Netherlands: its Place and Future" contended that major policy changes were essential if the Netherlands was to strengthen its industrial position. Even then, this would only go some of the way towards solving the country's employment problems. It may furthermore be anticipated that the labour-force will grow on account of demographic trends and the increasing tendency for married women to go out to work. The supply of labour may accordingly be expected considerably to exceed demand in the next few decades. It is

equally probable that the number of economically inactive persons will increase, especially since the number of disabled persons is likely to continue growing for some time.

The above problems do not exist in isolation but are intimately bound up together through the labour system. Labour and employment problems may, therefore, be appropriately discussed in the context of the labour system.

These problems and the changing nature of aspirations have given rise to a number of concepts or ideas in Dutch society concerning employment and the labour system. Some of these have been put forward by national groups such as the political parties, the trade unions, churches and interest groups, and as such have a certain basis of support. The scope of these ideas varies; often they are of only limited nature, such as the creation of childminding facilities in schools for the children of working mothers or modified tax arrangements and social security and pension provisions for a couple both of whom are in part-time employment. At the same time, the highly diverse range of ideas being put forward at the present time is indicative of an unmistakable need for change in the labour system and could, taken together, precipitate a complex process of change.

It would not be possible to examine the whole range of these problems, aspirations and ideas in one project. The proposals concerning employment and the labour system which have been examined in the report were selected on the basis of various criteria. Proposals of a highly limited nature, for example, were deliberately excluded since they often fall within the province of a particular government department and as such do not come within the Scientific Council's purview. The ideas examined in the report are of sufficient complexity to be of relevance for various sectors and various aspects of government policy. Another criterion for the inclusion of an idea was that it could be considered to enjoy a certain measure of popular support. Finally, an effort has been made to ensure that a wide spectrum of ideas is comprised. Some of the ideas would call for more radical changes than others, while the period required for their implementation also varies. The ideas moreover cover a range of possible political approaches.

For the purposes of the project, the concepts or ideas selected for study have been grouped into six categories:

1. reduction in working hours; part-time work and study leave;
2. the structure of skills and remuneration;
3. the quality of work;
4. paid and unpaid work;
5. basic income;
6. consumption and employment.

These six categories comprise ten separate ideas which provide a general indication of the directions in which change is being sought. The ideas are rather abstract in nature and, in an effort to increase their practical relevance, they have been discussed in relation to possible policy initiatives. The ten concepts or ideas are:

1. general reduction in working hours;
2. part-time work;
3. paid study leave;
4. differentiated wage levels; restructuring of the tax burden and national insurance contributions; higher remuneration for unpleasant work;
5. quality of work: improving the content and conditions of work, with differentiated social insurance contributions;
6. voluntary work and self-help;
7. homemaker's allowance or wage;
8. modified forms of employment ("alternative regime") for the "culturally" unemployed;
9. universal basic income;

10. changing consumption patterns through the reallocation of expenditure of both government and consumers in the field of housing, transport and communications and tourism.

The aim of this survey has been to arrive at a range of policy options. Underlying this aim were two basic concepts which might be described in terms of the keywords uncertainty and controllability.

Economic developments over the next few decades can only be characterized as uncertain. The Dutch economy is particularly exposed to external influences, and it is here that the uncertainties in policy terms are at their greatest. One example is the decline in the growth in world trade, which is by no means certain to be arrested in the next few years. Oil prices and raw material prices in general constitute another uncertain factor. Nor is it clear how the changes taking place in international specialization will work themselves out. For these reasons it would appear prudent to work up a number of policy options which could if necessary be added to the instruments available at the present time.

"Controllability" may be taken as signifying that future developments in society will be partly determined by deliberate government action. In a sense, the premise of "uncertainty" is at variance with the proposition that society is "controllable". The thinking here, however, is that precisely because the future is so uncertain, it is necessary to examine and work up a wide range of policy options. This should help to counter developments more effectively as they arise. A further consideration in examining a wide range of ideas was that in this way different political slants and approaches could be accommodated.

Controllability is, however, subject to certain limits, in that aspirations for change are necessarily ranged against requirements of continuity. Once a measure has been introduced it will continue to work through in certain ways, even when that measure is no longer desired. Thus, for example, it might be possible formally to abolish various income guarantees; in practice, however, such a degree of habituation to those guarantees may have been built up that their abolition had little actual result.

Change must first of all be assessed in its relation to the accepted objectives of socio-economic policies such as full and appropriate employment, selective economic growth, balance of payments equilibrium, stable prices and an acceptable distribution of income. Most of these objectives enjoy widespread acceptance in society but changes of emphasis are constantly occurring as public opinion develops. Recently, for example, the notion of genuine employment has been added to the traditional objective of full employment, with doubts being expressed as to the credibility and attainability of that objective. Thus there is a continuous process in society of dissent and the re-establishment of consensus.

The five established objectives of socio-economic policy are not all of equal importance. The objectives of balance of payments equilibrium and a stable price level, for example, may be regarded more as preconditions than as objectives in their own right. Varying degrees of significance may be attached to the other objectives, so that it is a matter of setting priorities.

The formation of consensus on major social objectives helps to reduce controversy within society and to promote social stability. In most cases agreement on major social goals is arrived at only after dramatic events and considerable political conflict. Thus, for example, the unemployment trauma of the 1930s was a major factor behind the universal acceptance after the Second World War of the goal of full employment. This was brought about not just by the social misery to which unemployment had given rise, but also by the realization that unemployment on such a scale was a source of major social instability (although it took the War for this to be fully appreciated).

The general acceptance of the objectives and major instruments of socio-economic policy on the one hand and social stability on the other are conditional upon each other. As long as these conditions are reasonably well satisfied the social system will operate stably, the regulatory

mechanisms (such as exchange, negotiation and loyalties) will remain intact and extreme radicalization will be avoided. From the point of view of stability, there are therefore certain limitations to both the number and intensity of internal conflicts that a society can accommodate. When means of social change are being formulated it is therefore important to consider whether these initiatives could engender new conflicts or intensify existing ones. In this regard not all objectives of socio-economic policy are of equal importance. Employment and economic growth are, however, vital.

It is also important when assessing change to consider its impact on the operation of the labour system. For this purpose the system needs to be more closely defined. In its most simple form, it may be taken as a system (or market) in which remuneration is received in return for the performance of work. Over time this system has become gradually refined into a considerably more complex one marked by the emergence of various sub-systems. These include:

1. the system of collective wage bargaining;
2. the development of a social security system in which benefits are unrelated to the level of remuneration received in return for work;
3. the development of a system of levies (i.e. taxes and social insurance contributions) for financing government expenditure and social security which is relatively independent of entitlements to facilities and social benefits;
4. far-reaching changes in the operation of the labour market as an allocative mechanism to a point where financial incentives have lost much of their influence while other stimuli and conditions have come into operation such as the acceptance of employment in response to such considerations as social security, long-term expectations (i.e. career planning) or the evasion and avoidance of taxes and contributions (i.e. black labour).

These developments are not isolated from one another. The behaviour of the various protagonists (i.e. employers, those covered by social insurance, the government or industrial insurance boards) within a particular sub-system can have repercussions for the freedom of action within other sub-systems and hence for the operation of the system as a whole. Changes in the operation of a sub-system may be encouraged or directly brought about by government action, while the nature, scale and intensity of government policy will vary from sub-system to sub-system. Particular attention should be paid when introducing changes to the points at which these evolving sub-systems interact, the major consideration being what constitutes an acceptable relationship between the economically active and inactive population. This relationship is crucial for the operation of the labour market and the system of social security. Other, related points of consideration include preserving the motivation to work, the extent to which society can afford to release people from the obligation to work, maintenance of the effectiveness of financial incentives for labour, the maintenance of equilibrium between demand and supply in the labour market and the acceptable balance between private and public forms of expenditure.

The six points are of a somewhat different nature from the considerations related to economic growth and employment. To an even greater extent than the latter, these considerations are qualitative in nature and are primarily a matter for social and political evaluation; as such they do not lend themselves to assessment on the basis of research and analysis.

Finally it should be emphasized that the emergence of consensus or dissent does not simply depend on structural developments but that they are also to a certain extent susceptible to new conceptual approaches and political action based on those approaches. Firm government action may be all the more required in a period of uncertainty in order to bring about conditions in which prospects for continuity can be re-established. For change is not the sole destabilizing factor; protracted adherence to unrealizable goals can also generate threats to continuity.

In discussing and assessing specific ideas, separate attention must be paid to their effects. In this respect the principal fields are, in order of importance, employment, the labour system and the social order. Apart from the effects themselves, the scope and conditions required for realizing such ideas must be assessed in the light of current policies and the available policy options of the day. Only if they are considered in this light it is possible to determine the scope for broadening the process of policy formulation.

As regards the construction of the report, Chapter 1 consists of an introduction outlining the scope and design of the report. Various background considerations are discussed in Chapter 2 which are of relevance for the implementation of ideas for reforming the labour system. The ideas have been divided into six categories, which are discussed individually in Chapters 3–8. The discussion includes consideration of ways in which they could be converted into practical policies. Each of these chapters concludes with an evaluation and conclusions concerning the practical applicability of each idea in policy terms. The major conclusions for each category have been drawn together in section 2 of this summary (which is also the final chapter of the report). In doing so, special attention has been paid to their implications for continuity. In section 3 each idea is examined in detail as it relates to employment, the labour system and the social order. A brief summary is provided in section 4. The report was published in December 1981.

## **2. CONCEPTS EXAMINED**

### **2.1 Reduction in working hours, part-time work and study leave**

In the context of this report, the proposals for a reduction in working hours and an increase in part-time work and study leave are of particular relevance for the three objectives of increasing the amount of leisure, equal status for women and the redistribution of employment.

Increasing the amount of leisure used to be one of the main aims of a reduction in working hours, but at present this is a low priority objective for workers in comparison to the maintenance of wage levels. This does not, of course, exclude individual employees from seeking to acquire more leisure time by opting for part-time employment.

A general reduction in working hours could assist the process of achieving equal rights in that it would enable men to play a greater part in the home, thereby releasing women to perform outside work. It may be noted that the effect of a general reduction in working hours on equal rights depends heavily on the form that such a reduction takes, i.e. whether it is daily, weekly or annual. A reduction in daily working hours offers the most scope for a re-allocation of the sex roles. The effect will, however, remain limited unless there is a substantial cut in working time, e.g. to the level of 25 hours a person proposed by the Equal Rights Commission. It must also be remembered that the division of roles between the sexes is not determined by institutions alone but also by the attitudes of those involved, so that a general reduction in working time coupled with increased participation by women in paid employment can easily lead to a doubling in the load borne by women.

Women are likely to make less than average use of study leave unless special compensatory measures are introduced. Even then paid study leave is likely to have only a small impact on the liberation of women unless such leave were also made available to people who perform unpaid work. In addition study leave does not result in any radical change in the division of roles between the sexes since the pattern of male paid employment and female homemaking is left unaltered.

Part-time work, on the other hand, creates much more scope for people to opt for non-traditional life-styles, provided they have the requisite skills and income. In the longer term, part-time work can act as a transitional step towards a 25-hour week for men and women. In terms of equal status for women, however, a number of conditions must be fulfilled if part-time work is to form part of government policy. If part-time work is to be officially encouraged it is essential for it to be a genuine form of employment. At the present time, both the quality of part-time employment and other legal status of part-time workers tend to be inadequate. Similarly, social security arrangements do not cater adequately for part-time work or for married women in paid employment. It is therefore important that traditional breadwinner arrangements cease to apply for a working couple. There is particular scope for expanding part-time work in the higher paid professions. In terms of obtaining equal status for women it would be preferable to encourage part-time work for men in such jobs; otherwise there is a risk that part-time work would simply consolidate the division of roles in which paid employment for women is regarded as no more than supplementary. Such arrangements would, of course, be of most interest to couples both of whom were able to obtain high-paid jobs. If this is not the case part-time work becomes more a means of supplementing joint income and equal rights considerations are quickly lost to sight.

The redistribution of employment is widely regarded as the major objective of a reduction in working hours, in that shorter working hours could lead to a significant reduction in unemployment. In the present economic circumstances, however, shorter working hours could only be

introduced subject to two conditions, namely that there was no increase in the total wage bill and that operating hours were not reduced. Neither of these conditions would be easily fulfilled. There would appear to be little willingness to accept wage reductions of this kind, although much would depend on the attitude adopted by the trade unions and on the ability to demonstrate an increase in the number of jobs in return for a reduction in working hours. There would be a substantial chance that companies would make use of a reduction in working hours to increase staffing flexibility. Effective rotation arrangements would also be required for a company to maintain its normal operating hours. This problem could be largely overcome by limiting a reduction in working hours to non capital-using industries; but this would mean that the consequences of the economic situation were displaced into a limited group of employees. Another consideration to be borne in mind is that a general reduction in working hours could prove very difficult in industries that were doing well and in which there was a tight labour market. This forms a further reason for introducing a reduction in working hours on a differentiated basis.

It is easier for the conditions of wage reduction and maintenance of operating hours to be met in the case of part-time work. At the same time it must be remembered that large numbers of employees do not earn enough to be able or willing to accept part-time work, even though the supply of part-time workers is at present much greater than demand. In so far as there exists a willingness to accept part-time work it may be anticipated that additional jobs will have to be created for married women in order to compensate for the drop of income resulting from the husband's switching to part-time work. The scope for and willingness to accept a drop in income in exchange for greater leisure time is greatest in the higher income brackets. It is also possible that the willingness and ability of single people to accept part-time work would be above average. The extent to which part-time work could lead to a reduction in unemployment would also depend on what policies the government adopted in order to encourage this.

Similarly, paid study leave can help reduce the level of unemployment. Much would depend on how many people took advantage of such arrangements. Assuming study leave were to be confined to a proper course of study, it would be hard to imagine more than half those qualifying for such leave taking a full year off for study purposes at any stage.

This would result in a reduction in unemployment of approximately 1.25%, being about 1/6th of the existing volume of unemployed, without many negative side-effects. If, however, those on study leave were not replaced, either because their skills were not readily available in the labour market or because it was uneconomic to do so, the impact on unemployment would be less appreciable.

Although a reduction in working hours would help achieve the three objectives referred to earlier, there would also be certain side-effects in relation to income distribution, the burden of social charges and the labour market.

The introduction of study leave could enhance social justice if the less educated and less well-paid were to benefit more than average. If no measures were taken specially to encourage this, however, the higher socio-economic groups would be likely to benefit most from these provisions. The encouragement of part-time work and improving the quality of such work could make a particular contribution towards reducing the inequality of the sexes in paid employment. These developments would also permit greater equality in the household.

In general a reduction in working hours would lead to a more equal distribution of income since the lower-paid could hardly be expected to make sacrifices and minimum social standards could not be cut. Similarly part-time work would lead to a levelling process if employees in better paid jobs began to accept part-time work. This would at least be true of individuals; greater income equality would not necessarily apply to families if both partners were to work.

Each of the three variants could lead to a decline in the number of economically inactive persons, and this would have a favourable impact on the burden of social charges. In the calculations made in Chapter 3 of the report concerning a general reduction in working hours, however, this reduction in government spending was used to lower the tax burden and level of social insurance contributions in order to compensate for the reduction in income levels. Allowance must also be made for the fact that on account of the progressive tax structure tax revenues will fall more than proportionately if part-time work is introduced. Paid study leave would lead to an increase in the level of social insurance contributions. There is the further consideration that both part-time work and study leave might well require additional expenditure, particularly if the social security system were to be adapted in response to the fact that men had ceased to be the sole breadwinners.

A reduction in working hours would have a significant effect on the labour market if existing imbalances in the demand and supply for labour in specialized fields should be accentuated. If a reduction in working hours were to be confined to the quaternary sector the change in the pay structure could lead to a displacement of labour into the industrial sector. An increase in part-time work would make for a more flexible supply of labour as regards hours of work, thereby improving the operation of the labour market. On the other hand part-time work involves an increase in the number of wage-earners per household, with a consequent reduction in geographical mobility. Study leave could increase the mobility of the labour force in that it meant a break in people's working lives. It would not, however, necessarily improve the operation of the labour market, since "second chance" education might well raise employees' expectations with regard to the quality of work. Since there is already a marked surplus of employees with a general education, study leave would have to be primarily geared towards technical training.

The extent to which married women will seek paid employment is uncertain, which makes it difficult to predict the likely supply of labour between 1990 and 2000. Some forecasts assume that there will be a sustained growth in the labour supply, while other forecasts anticipate that the supply of labour will stabilize at a higher level after 1990. Since the future demand for labour is also uncertain, the irreversible nature of a reduction in working hours could produce problems in the future. This does not apply to more flexible forms of cutting working time, such as part-time work and study leave, where a return to longer working periods would not constitute a problem.

## **2.2 Labour shortages and the pay structure**

The chapter on relative labour scarcities and remuneration levels examined whether problems in the labour system could be dealt with by making the labour market more responsive to market forces through a differentiated wages policy. In assessing the scope for such a policy a distinction must be drawn between the general level of wages on the one hand and the wages structure in various occupations, regions and branches of industry on the other.

Labour shortages may result in a certain general wage level, but the wages structure need not correspond to such shortages in detail. This means that because of the form taken by wages policy, a tight labour market in a particular region or in a pace-setting branch of industry can easily result in a general increase in wages. The chance of this happening is considerable in a centrally led system of wage determination or if there are centralized agreements as a result of which pay differentials between the general level and that negotiated in specific industries, regions or companies are compressed. The result is that while "the" labour market may be said to operate in a macro-economic sense, its allocative function is minimal. This has clearly been the case in the Netherlands in the past, where wage claims in the docks or the metal industry have even given rise

to wage increases in the civil service. Demand and supply may therefore be said to work in a macro sense, but do not admit of any wage differentials.

In evaluating the operation of the labour market, it is therefore essential to take various "levels" into consideration. We may note that in recent decades, the macro-economic relationship between demand and supply in the labour market and wages has worked reasonably well, but that sub-markets have operated less smoothly, as evidenced by the labour surpluses and shortages in them. Examples include the staff shortages in education, hospitals and the police that arose in the 1950s partly as a result of the government's policy. Current discrepancies in the labour market are also partly attributable to factors that do not reflect conditions in the labour market.

This interpretation is supported by the findings of the empirical surveys conducted for the report (see Chapter 4). General reactions to labour shortages in the form of wage-drift and higher rates set by collective agreement (as an alternative means of restoring the market-wage) were in evidence until the end of the 1960s. After that date even the macro-operation of the labour market mechanism became less apparent. As a result, other wage-level determinants become more important than before, such as passing on social charges, automatic wage adjustment for price increases, and productivity gains. This is not to say that wage determination has become increasingly independent in a macro-economic sense from conditions in the labour market, but that the latter are now over-shadowed by these other factors. It may be noted that both the institutional factors referred to earlier and automatic wage adjustment and the passing on of social charges act in a highly standardizing way in that these factors do not vary regionally, occupationally or from industry to industry. These general economic determinants of wage levels thus persistently prevent the price mechanism from operating in a more differentiated manner in the labour market.

The impact of these factors should also be assessed in terms of the way in which labour shortages are reflected in wage rates. A surplus of workers in a particular industry does not readily result in an immediate wage gap since the individuals already employed in that industry will attempt to safeguard their rights. The first people to experience the effects of a labour surplus are newcomers to that labour market. The initial response to a labour surplus often takes the form of a reduction in starting salaries, followed gradually by the salaries of the more senior staff. It is therefore important to classify the labour market into years of entry into the workforce and to examine the effects of conditions in the labour market in these terms. When this is done it may be seen that wages do not respond directly and in full to shifts in demand and supply in the labour market but that the effect is marginal and gradual. Because of delays of this kind, price setting in the labour market tends to be partial rather than comprehensive. This increases the difficulties of empirical research, but it should not therefore be concluded that market forces are all but ineffective. If conditions in a particular section of the labour market are tight the price mechanism does not immediately operate across the board. If people are persuaded to change jobs for higher pay, then it will be they who see the benefits in their salary, while those taken on at an earlier date will only obtain rises at a later stage. Delayed and partial responses to shortages in the labour market have been made all the more possible by the greater degree of worker immobility.

The question of whether and how pay differentials affect imbalances in the labour market is of a different order. In all probability the majority of employees do not isolate the social charges component when comparing relative salaries. Secondary working conditions (including personal pension schemes) may still be of some significance, but social insurance contributions and wages and salaries tax are not instantly recognized as forming part of the personal financial advantages offered by the new job. The steady rise in the burden of social charges for individual employees therefore almost inevitably means that social and other obstacles to

mobility weigh even more heavily and thus act as a constraint on the free operation of the labour market. Apart from social charges, income-related subsidies are also a factor. In practice these subsidies rise in line with social charges, so that for a large number of wage-earners the rise in personal disposable income in relation to gross earnings is so small that there is little incentive to switch jobs. It is even conceivable that in certain cases total "levies" could rise until the marginal burden exceeded 100%.

### **2.3 Quality of employment**

The qualitative aspects of both the demand and the supply side of the labour market are relevant for an examination of the quality of work. The report concentrates particularly on the demand side, i.e. the quality of employment.

The report discusses various means of improving the quality of work by organizational adjustments. Technological progress has made it possible for information to be made available in decentralized form, meaning that organization, planning and administration can in turn be decentralized.

The most important aspect of improving the quality of work consists of the humanization of work as meaningful activity. If work is to retain its central position in society, the option of improving the quality of work must always be available: one of the main lessons of the substantial rise in prosperity during the 1960s was that welfare is not just a matter of higher consumption levels. An improvement in the quality of work can also help bring demand and supply in the labour market into equilibrium. As it is, the quality of the supply of labour is generally higher than that of the demand, while the surplus of highly-skilled workers and the shortage of unskilled and semi-skilled workers are likely to rise in the future and further aggravate conditions in the labour market.

An improvement in the quality of work could lead to a reduction in sickness, absenteeism and employment disability. This would represent a cost-saving for employers, employees and the government in that there would be a drop in the number of economically inactive persons. A further side-effect could be a reduction in pressure on medical facilities, although a number of factors come into play in this respect.

Investment in the quality of work could be stimulated by means of a differential system of social insurance contributions. This would lead to a rise in profitability for firms offering high quality work, but in firms where the quality of work was low, or the work physically taxing, such as the construction industry, such measures would lead to a drop in profitability. For such firms the investment costs might well be higher than any reduction in social insurance payments they were able to achieve. In such cases, investments in improving the quality of work which an employer considered unprofitable could be brought about by means of supplementary government subsidies.

Both the quality of work and labour productivity can be improved by organizational reforms aimed at reducing the division of labour. This will make work more challenging and hence more satisfying. The incentive to accept employment will be increased and job performance improved. In addition the organization itself will become more flexible and less susceptible to disruption. A number of company studies have shown a clear rise in productivity, which more than justified the initial investment. Success in individual cases does not, however, provide a general guarantee. The scale of investment required and the likely gains from an improvement in the quality of work will vary considerably from company to company. The power of example can however help overcome resistance to change.

Given the increasing demand on the part of the labour force for improved working conditions, the failure to implement any policies to improve the quality of work will also have consequences. In these circumstances ever-increasing wage supplements would have to be paid in order to compensate for deficiencies in the quality of work in order for companies to recruit sufficient staff. This process could strengthen the existing view of

work as purely a means of earning money, with a concurrent decline in intrinsic motivation. This decline would in itself strengthen demands for greater financial compensation. Such compensation would primarily affect unskilled or semi-skilled employment, thereby reducing income differentials. As long as such financial compensation does not form a fixed part of wages, it can result in something of a gap being opened up between wages and social benefits; conversely the inclusion of such compensation as a fixed wage element would increase basic wage rates and hence the social benefits linked to the minimum wage.

#### **2.4 Paid and unpaid work**

The report examined a number of highly diverse ideas concerning paid and unpaid work. This chapter of the report centred on a re-assessment of paid in relation to unpaid work with a view to its significance for the functioning of society as a whole.

To begin with, ideas for a shift between paid and unpaid work in the quaternary sector were examined, with special reference to social services. The promotion of voluntary work and mutual aid is both possible and desirable, provided that the guiding aim is to improve the operation of voluntary work and to boost participation by citizens in the social system. Voluntary work and mutual aid should not, however, be conceived in terms of reducing professional employment in the quaternary sector, especially from a cost viewpoint. The promotion of voluntary work and mutual aid should instead be seen in terms of altering rather than reducing the functions performed by professional workers in these fields. The provision of continuity and quality guarantees with respect to welfare activities would mean that over time volunteers and their work would be subject to increasingly exacting requirements, so that the voluntary nature of such work would eventually be undermined. Nor should the engagement of individual volunteers in predominantly professional organizations entail any derogation from the professional and bureaucratic characteristics of these services; on the contrary there is even a substantial chance that the professionalization and bureaucratization in such organizations will be accentuated.

Policies aimed at encouraging volunteer work should centre on creating facilities designed to eliminate financial and practical obstacles, both for individual volunteers and for non-professional organizations for whom they work. The main factor preventing the establishment of a permanent voluntary welfare structure in the Netherlands is the lack of solidarity ties in which volunteer work is felt as an obligation, thereby enabling unpaid work to assume a substantial and permanent role in society. In this respect the Netherlands differ from, say, the United States, where small-scale solidarity ties of this kind form a traditional part of society. Dutch society, on the other hand, used to be characterized by extensive solidarity ties, but these have either been professionalized or have disintegrated. For this reason an expansion of mutual aid of the kind which exists in the USA may be virtually ruled out.

Research conducted for this report indicated that there will be a marked increase in the requirement for welfare activities in the field of care of the elderly (see Chapter 6). Both the number and the average age of old people are increasing; the latter factor, in particular, will call for an increasing requirement for paid work.

The above does not mean that there is no place in society for voluntary work. Taking society's needs as the starting point, specialized facilities of a mixed professional/volunteer nature remain perfectly conceivable for certain requirements.

The effects of either a deliberate or involuntary shift in the balance between paid and volunteer work in welfare facilities can then be analysed. It should also become evident which voluntary work should be encouraged if it is decided that professional services cannot or should not be increased further in a particular field.

In extending welfare services the government is confronted with the general problem that such an extension may be justified both in terms of the requirement for specific services and in terms of employment creation. This dual function of the quaternary sector may make it more difficult to administer, but this does not mean that any possibility of objective assessment is completely ruled out.

A totally different set of proposals, which has its origins in the women's liberation movement, argues in favour of an equal share for women in the paid sector. One means of achieving this would be to distribute the available employment in the paid sector over a greater number of jobs. This would result in shorter working hours, so that both paid work and household activities could be spread more evenly between men and women. Another method would be to institute a special homemaker's salary or "stork" regulation, as it is known in the Netherlands. These proposals regard economic independence as an essential precondition for women's liberation, with one element consisting of an allowance for looking after one's own children.

In the variant examined in this study a mother would receive an income for her first two children. The level of income would depend on the age of the children and would be geared to the current standard of living. In terms of institutional arrangements in society, a homemaker's wage would entail a substantial modification in the way in which the problem of bringing up children has been dealt with in Dutch society. This would apply both to the provision of social security and to the preservation of affective relationships. At the present time most of the status attributes based on paid employment and the economic independence associated with it have devolved on men, while women are generally responsible for the care of children.

The homemaker's wage would permit more independent behaviour patterns for women. It is difficult to predict what impact this arrangement would have on society, but prediction would not be so necessary if the reforms could be introduced gradually so that social effects took some time to emerge. In these circumstances society would be more able to adapt to the consequences and to adjust the new regulation as required.

The introduction of a homemaker's wage would have considerable macro-economic implications. We are dealing here with one and a half million women with children to be looked after. If this category were to be remunerated in line with the minimum wage, a sum in the order of some tens of billions of guilders would be involved. A homemaker's wage would entail an increase in transfer incomes of the same order of magnitude as the introduction of a universal basic income. It would have similar macro-economic effects, namely higher taxes or social insurance contributions (or both), a massive redistribution of income and, at least initially, a sharp decline in the supply of labour.

The final proposal dealt with in the report is that of the "alternative regime". This proposal centres on resistance towards the consumption and performance-oriented society and the consequent negative experience and perceptions of present forms of paid employment. This trend threatens to open up a gap between people's expectations of work and the options available to them under the present system of paid employment. From experience in the cities it is evident that there is a large body of young, barely employable people who may be regarded as lost to the labour market, either because they do not wish to work or because they are unable to on account of certain dangerous forms of behaviour they have adopted. The reluctance to work in principle on the part of such people centres on the type of work on offer in modern society. These objections and problems could to a certain extent be overcome by the introduction of alternative forms of employment which measured up to certain requirements in the field of training, counselling, democratization and organization. Such measures should enable the culturally unemployed to be reintegrated into the labour force. This would help meet not only the requirement among young people for different kinds of employment but also the existing and growing pressure to reactivate the economically inactive, especially the chronically unemployed.

## 2.5 Basic income

The notion of introducing a basic income irrespective of any obligation to work has been examined in the report in terms of its various ramifications. The menacing level of structural unemployment is one but by no means the only or major factor behind such thinking. Other considerations centre on the fact that the relatively strict link between employment and income imposes limitations on human development and tends to perpetuate inequalities. Partly as a result of the women's liberation movement there has been a growing consciousness of the low social value and financial remuneration attached to household activities and voluntary work. Human potential has not been fully exploited because society has "specialized" in paid work, and it is in this light that it is argued that the link between employment and income should be broken. Opinions tend to vary on the effects this would have:

1. there would be a great range of individual options with respect to the duration of work, so that people would be better able to regulate their own lives at various life-cycle stages;
2. work which people were now "forced" to perform in order to earn a living would be either better paid, automated or rendered unnecessary;
3. creative energies would be released for the performance of all kinds of socially useful activities;
4. people would generally be better placed to select work corresponding to their ambitions and potential;
5. greater social value would be attached to unpaid work;
6. income differentials would be reduced;
7. there would be a less sharp division between the economically active and inactive.

The report examined the compatibility of the concept of a basic income with existing institutions such as the labour market, social security, the system of non-personal subsidies and finally the various systems of personal (i.e. income-dependent) subsidies.

The likely impact on the labour market is particularly difficult to assess. Some labour would be withdrawn from the market, but there would also be some entry into it. One factor would be the more equal distribution of income resulting from the higher wages and salaries tax and income tax, which would have a marked effect on higher income groups.

As it stands, the system of social security has evolved in the direction of specific income guarantees related to the needs of specific individuals and the category into which they fall. A basic income, on the other hand, would be a universal guaranteed income. As such its introduction could be expected to run into appreciable problems.

Research into work commitment reveals that people identify with their work to various extents and in various ways. Some are highly performance-oriented while others have adjusted to their jobs in a spirit of opportunism or resignation or out of disappointment and frustration at the possibilities of work in modern society. Then again others are highly involved in their work, while there are also instances of a complete lack of any identification, which tends to have a disruptive effect on the development and functioning of the labour system. The varied nature of people's identification with the labour system has a major bearing on the receptiveness of society towards reforms such as a basic income. Any attempt to widen the scope for individuals to choose whether or not to enter paid employment is likely to encounter both resistance and a certain measure of receptivity. This has been confirmed by opinion surveys of attitudes towards the introduction of a basic income. Over a quarter of the population is either fully or partially in favour of the idea, while over half are either fully or partially against it, with the remainder having no opinion. This indicates that while there is a certain degree of receptivity towards the idea, it is also a highly controversial subject. For this reason alone the introduction of a basic income would only be possible after a lengthy process of public debate, leading to at least a minimum of consensus.

A basic income equal to the minimum wage could not realistically be brought in in the foreseeable future. For this reason a modified scheme was worked out in which there is a looser relationship between employment and income, without however eliminating the need to perform a certain amount of work in order to provide for one's needs. Of the various schemes that were possible, the one selected for examination in this study consisted of a basic income of N.Fl. 5,000 at 1980 prices, i.e. well below the minimum wage. Payment was confined to the 24–65 age group since young people might otherwise be discouraged from performing paid work.

The economic and fiscal implications of a basic income of N.Fl. 5,000 were examined in a two variant model study. The first variant involved a nominal sum of N.Fl. 36 billion. In the second variant the financial burden was reduced by N.Fl. 11 billion by cutting a number of block government grants and using the funds released to finance basic income. This would mean a substantial drop in public financing or subsidization in such areas as culture, sport, education and health care. If a basic income were to be introduced along the above lines, the result would be a marked compression in income differentials. There would also be a significant redistribution of income from single persons towards households with two partners.

In macro-economic terms the introduction of a basic income along the lines of the first variant would cut economic growth back sharply, primarily on account of the capacity underutilization resulting from the slump in demand in certain sectors that would follow an evening out of incomes. This effect is less pronounced in the case of the second variant but is still negative. Other relevant variables would also be adversely affected, such as gross investment in industry and employment in the private sector. In both variants there would be an appreciable decline in unemployment. Depending on the extent to which the supply of labour could be assumed to drop in response to the introduction of a basic income, unemployment might even disappear altogether. In overall terms the effects of the second variant are much less unfavourable than those of the first in that it would involve a much smaller redistribution of income.

The negative economic effects make the introduction of a basic income in the current circumstances an unrealistic idea. There would also be considerable problems of a social nature, so that public debate would be required before any political decisions could be taken or policies introduced. There is no reason, however, why these problems should be insuperable in the long term. The dampening effects on economic activity would gradually diminish as the scheme was introduced. The basic income concept certainly deserves to be compared with other schemes such as a reduction in working hours or measures designed to reduce unemployment or the supply of labour.

## **2.6 Consumption and employment**

The chapter on consumption and employment examined the proposition that employment could be created by appropriate government policies aimed at influencing the pattern of private consumption. The question as to whether this would be acceptable is, ultimately, one for political decision. The answer would partly depend on the policy instruments selected for the purpose, since the government would be obliged to reconcile the preferences of individual consumers with the electorate's demand for a reduction in unemployment. There already exists a certain degree of consensus within society that an attempt should be made along these lines.

The set of instruments used to implement a consumption policy cannot (and should not) be determined in advance but would depend on the specific circumstances in which such policies are introduced. In order to make this clearer and to express the basic concept in more practical terms, three policy areas in which there is already a considerable degree of government influence over consumption have been examined in some detail in the report. These are housing, transport and communications and tourism. One of the reasons for selecting these particular fields was their low import ratio and high labour intensity.

In the case of housing, the government could help generate employment by introducing policies to increase housing costs. One aim in doing so would be to increase the "circulation" of house-owners and tenants to better class accommodation. The existing distribution of housing costs among the various income categories suggests that there is room for an increase in charges in both the rental and the owner-occupied sector. In the rental sector, costs could be increased by the introduction of a rent-tax or the implementation of a rental harmonization measure in conjunction with a system of individual rental subsidies. In the owner-occupied sector an increase in rentable values could be brought in. An attempt of this kind to alter consumption patterns in the housing industry would be based on the existence of a direct link between the level of housing costs and building starts. Such a link could be achieved by assigning the funds obtained to stimulate renovation, repairs, alterations and new construction with a view to creating jobs in the building industry. On the one hand, consumption would be cut back by the enforced increase in housing costs, but on the other consumer choice would be increased because more and better dwellings would become available.

In order to show what the consumption and employment concept might mean in practice in the field of transport and communications, the Council had a preliminary study made of the employment that would be created by the implementation of twenty-five projects. These projects were designed to decrease some of the negative side-effects of the transport system and to fill certain gaps. Leaving financial constraints aside, this study put the volume of employment that could be created by means of large-scale ten-year action programme at a net 65,000 man-years. This would entail an annual level of expenditure of N.Fl. 3.9 billion (at 1978 prices), of which N.Fl. 3.5 billion would be government-financed. If the field is narrowed down to public transport systems, the public financing burden becomes more acceptable. In these circumstances the study estimates that an additional 25,000 jobs would be created. This would cost the government an annual N.Fl. 1.3 billion (at 1978 prices), of which N.Fl. 1 billion a year would consist of operating deficits. These measures would increase the availability and flexibility of the public transport system, while expenditure on goods and services would rise by some 25%.

A consumption policy in the field of tourism would aim at promoting tourism in the Netherlands and restricting tourism abroad. The extent to which tourism could be promoted would partly depend on environmental and physical planning constraints and on the structure and scale of the tourism system. The various forms of tourism and recreation would come up against these limitations in different ways, for which reason policies in this field would need to be of a differentiated nature. In order to stimulate domestic tourism, a government marketing plan would therefore be required which was broken down into various sectors, with appropriate marketing measures for each sector. There is a wide variety of measures that could be introduced to promote tourism in the Netherlands, in either blanket or more differentiated forms: the spreading of holidays over a greater period of the year, promotion of tourism, pricing and subsidy policies, and maintaining the quality of services to tourists.

Reference was made previously to the fact that the introduction of a consumption policy would involve reconciling a reduction in consumer freedom with an expansion in employment. If consumer freedom is seen in the light of consumer choice (i.e. the ability to satisfy consumer preferences), a number of conclusions follow for government policy. In the field of housing, the proposed policies would on the one hand entail a reduction in consumer freedom in that housing costs would form a larger part of consumer expenditure. On the other hand there would be an increase in consumer choice in that the supply of dwellings would be increased by the renovations, repairs, alterations and new construction carried out. Similarly the impact on consumer freedom in the field of transport and communications is not clear-cut. On the one hand, consumer freedom would be reduced in that the public funds used to stimulate the public

transport system would be obtained by cutting disposable incomes, and because the measures employed would involve a more selective use of motor cars and of public transport. On the other hand the improvement in the system of public transport would increase consumer choice, especially for those highly dependent on it. The sorts of measures that would be introduced in the field of tourism would in principle have little or no effect on consumer freedom.

Whether or not consumer policies would be required to deal with the problems under consideration will depend on the persistence of unemployment. Their merits would also depend on the likely repercussions for a number of socio-economic objectives and for a number of intermediate objectives associated with selective economic growth (e.g. environmental control). As regards employment, each of the above forms of consumer policy would appear to have a positive effect. This applies above all to tourism, since a shift from foreign to domestic expenditure could only be employment-creating. In the case of housing and transport and communications, however, there would also be a certain amount of job destruction in that it would involve a reallocation of domestic consumption.

In order to obtain an impression of the sort of scale on which employment might be created by the proposed consumption policies in the fields of housing and transport and communications, a number of calculations were carried out with the aid of an econometric model (Chapter 3). These calculations revealed that if the proposed increase in consumption in the housing sector were to be invested in the construction industry, this would result in a net creation of employment in the order of 10,000 man-years. The calculations conducted with regard to transport and communications revealed that some of the annual job creation in the operating sector of the public transport system would be at the expense of employment in other industries. Once again there would be a net creation of jobs in the order of 10,000 man-years. In the case of tourism some tens of thousands of jobs would be involved, although it was not possible to make an econometric estimate since policy proposals are still at such a rudimentary stage.

In calculating the employment effects it has been assumed that room is in fact created for government expenditure or, in other words, that the inroads made into personal disposable income are not partly compensated for by passing on these effects. The proposed increase in housing costs would, for example, not be accompanied by any price or other form of compensation. In practice, however, no matter how strict government policy was, part of the effects would be passed on, so that the employment generation figures given above would in fact be somewhat lower.

With respect to the balance of payments each of the proposed forms of consumption policy would have a positive effect, with that in the field of tourism being the greatest. Consumption policies in the field of housing would have a direct effect on income distribution in that the increase in housing costs would bear most heavily on the upper income brackets. The environment would benefit from the transport and communications policies in that private car transport causes four times as much air pollution per passenger kilometre at present as public transport. The introduction of measures in the tourism field would, however, have a deleterious effect in that the pressure on nature and the Dutch countryside would be increased by the growth in domestic tourism. Given the present degree of capacity utilization and the state of modern technology, plus the fact that private motor car transport uses over 1.6 times as much energy as public transport, the policies proposed in the field of transport and communications offer scope for energy saving.

An important economic variable that must be taken into account apart from the main socio-economic objectives is the balance between private and public expenditure. The consumption policies proposed in the areas of housing and transport and communications would lead to a shift from private to public expenditure, which could not be considered desirable in the present circumstances.

A number of more minor considerations, both positive and negative, arise in relation to the calculations. The policies proposed in the fields of

housing and transport and communications would cost an estimated N.FI. 4 billion (at 1981 prices). This may not seem large in relation to the total government expenditure on goods and services in 1981 of just under N.FI. 200 billion, but it must be borne in mind that only a small amount would be available for reallocation. Secondly it was assumed when calculating the net employment effects that the "burden" of the proposed consumption policies would be spread proportionately over the other budgetary items. If, however, consumption policy were not just to stimulate expenditure in certain selected areas but also to cut back expenditure in a selective manner, the employment creation effects could well be higher than those calculated. For example, the policies proposed in the transport and communications sector could be made to have a greater impact on employment in this way. Thirdly, the range of measures selected has been kept limited and as compatible as possible with existing government policies in this field; the scope for consumption policy has by no means been explored to its limits.

## **2.7 Continuity and change**

The introduction or more extended application of one or more of the ten concepts would involve a change in the labour system, while the wider-ranging concepts would also entail adjustments in the economic and social order. This would not necessarily mean that there were inherent drawbacks to the idea in question, but it would mean that government policy should give special consideration to mitigating the effects of any discontinuities that might arise. If this were not possible it would suggest that the time was not yet ripe for introducing the particular idea or that there were internal contradictions which could not be resolved.

Various aspects of continuity and change have been touched on in the preceding sections, but it may be as well to draw them together at this stage. The summary below does not set out to be exhaustive but merely to note some of the more important effects.

A number of aspects that would require consideration if the new ideas were to be introduced or applied more extensively were discussed in section 1. These included economic growth, employment, the balance between the labour force and non-labour force, job motivation, the scale on which the obligation to work might be removed, harmonizing supply and demand in the labour market, and the balance between private and public expenditure.

A general reduction in working hours would improve the distribution of employment and help redress the balance between the labour force and the non-labour force. The volume of transfer payments being made under the system of social security would decline, as would public expenditure. Such a scheme could only be brought in, however, if people were prepared to accept a cut in income and if company working hours were left unchanged; otherwise the economic cost would be too great. The extent to which these preconditions could be achieved would depend directly on how gradually the measures were introduced. If, for example, a reduction in working hours of 2.5% per annum were aimed at over a period of five years, this would ensure a reasonable degree of continuity. There would, however, be a general reduction in incomes of around 1% per annum, for which some compensation would have to be provided to low income groups. The redistribution of income is a sensitive point. A general reduction in working hours as proposed by the Equal Rights Commission would of course entail discontinuities on a much greater scale.

The introduction of part-time work would similarly improve the distribution of the available volume of employment and the balance between the labour force and the non-labour force. It would lead to a more heterogeneous supply of labour, and increase the ability of married women to accept paid employment. On the other hand an increase in part-time employment would probably result in people returning to the labour force, with a consequent rise in unemployment and the number of people entitled to

benefits. In view of the drop in pay, interest in part-time work might well be limited among the low-income categories. On balance the introduction of part-time work would therefore probably reduce income disparities among individuals but accentuate those between households. This is something that would have to be taken into account if part-time work were to be introduced.

The introduction of study leave would also have a favourable if limited effect on the distribution of available employment, and would provide people with a second chance to improve their position in society. Special attention should, however, be given to ensuring that those with the least training participated in the schemes and that the type of education was relevant to the needs of the labour market. The educational facilities would have to be financed out of general government revenues; this would be a further problem.

A number of improvements would flow from policies that brought remuneration more closely into line with the supply and demand for skills. These would include a reduction in unemployment through the improved operation of the labour market; the creation of new jobs on account of the reduction of wages in certain sectors; a better balance between the labour force and the non-labour force; greater responsiveness of the labour supply to financial incentives; and improved coordination between demand and supply in the labour market. All these effects would be positive, but much would depend on the responsiveness of the labour force to financial incentives. The introduction of supplements for unpleasant work might have particularly beneficial results. The encouragement of wage differentials in response to skill scarcities would be aimed at improving the allocative mechanism, but would be at variance with present practice, which stresses equal pay for equal work on fairness grounds. This way of thinking has now become strongly institutionalized, and it would therefore be for the government to find ways of allowing the scarcity factor to be expressed in wages.

Improving the quality of work would have a positive effect on job motivation and sickness absenteeism and hence on the balance between the labour force and non-labour force, labour productivity, profitability and economic growth. Despite these favourable effects, little attention has to date been paid to this subject. This is due not to the fact that there would also be significant negative side-effects but to the customary resistance to change and to the risks associated with the required investment.

A positive reassessment of unpaid in relation to paid employment could reduce dissatisfaction with the welfare state, provide citizens with a meaningful place in society without the need for paid employment, and moderate the burden of social charges. Research indicated, however, that only a marginal shift in favour of unpaid work could be expected.

The introduction of a homemaker's allowance (i.e. the "stork" regulation) could lead to an appreciable shift in the allocation of roles between men and women in the labour market. There would be a decline in economic growth, with all the consequences this would have for employment. The drop in work motivation would lead to a growth in the number of people who dropped out of the labour force, while financial incentives for paid employment would hold less sway. Financing an allowance of this kind would mean a shift in favour of public expenditure. All these effects suggest that at most a homemaking allowance could be introduced in stages, thereby enabling its effects to emerge gradually and permitting the policy to be adjusted as necessary.

In social terms, the introduction of an alternative regime for the culturally unemployed would have a significant stabilising effect. It could have a positive effect on work motivation and help reconcile demand and supply for specific types of employment. However, in view of the large number of people who are unemployed despite being perfectly willing to accept work within the present framework, the quantitative effects of such reforms would be only marginal.

The provision of a basic income would, at least to some extent, break the link between labour and income. Both the rate of economic growth and

employment would decline sharply if a basic income were introduced, but there would also be a sharp reduction in unemployment since the supply of labour would drop. The size of the labour force would fall because there would be a decline in work motivation brought about by the marked equalization in incomes, the fact that many people would be released from the obligation to work and because the financial incentives for entering into paid employment would disappear. The marked reduction in the supply of labour would make it more difficult to coordinate demand and supply in the labour market. Finally, financing the basic income scheme would increase the level of public expenditure, with a consequent shift away from private expenditure. Taken as a whole, it is evident that there would be significant discontinuities. Another factor to be borne in mind is the virtual lack of any public debate on the subject to date; the subject can certainly not be said to have won widespread acceptance, and it must be concluded that there are no realistic prospects of introducing a basic income in the foreseeable future.

The government could stimulate economic growth and employment by means of policies designed to affect the pattern of private consumption, but this could run into resistance. Policies of this kind would lead to a reallocation of expenditure, with a shift from the private to the public sector. Measures would be required to counteract the tendency of people to compensate for the increase of the fiscal burden by legal and illegal means, but these would be difficult to devise. The government would be tampering with individual consumer preferences in the interests of economic growth and employment. The extent to which this was acceptable would depend in part on the exigencies of the economic situation, but whatever happened such policies could on a varied reception.

### **3. THE CONCEPTS AND THEIR EFFECTS**

#### **3.1 Introduction**

The ten different concepts or ideas of ways in which the nature of work and the labour system might be changed were briefly discussed and evaluated in the previous section. In this section the ideas are considered from the angle of the effect they would have on employment, the labour system and the social order.

In the light of the present state of unemployment it is a matter of some urgency to examine the potential effects that the ten ideas could have on employment, both individually and collectively. It is obviously desirable in the present circumstances to have as many policy options as possible. This is not, however, just a matter of devising new policy instruments for dealing with unemployment. These policy options could be both qualitatively new and radical in nature, and should as such be examined in the wider context of the labour system. It is also possible that new policy variants could lead to a change in existing institutions, conflict with established individual rights and a redefinition of the government's sphere of influence in relation to the private sector and to citizens. Sacrifices of both a material and an immaterial kind would be required in the interests of employment, making the actual implementation of policies and the process of social consensus formation a good deal more difficult. The impact of the ten ideas on the social order must, accordingly, form the cornerstone in an analysis of their likely effects.

Such an analysis cannot be confined to an examination of the potential effects themselves; the ten ideas must also be considered in their relation to the existing range of policy instruments and available policy options in the three fields of employment, the labour system and the social order. The concepts must first be weighed up in these terms before giving expression in more concrete form to the ways in which the sphere of policy formulation might be broadened.

#### **3.2 Possible effects on employment**

From the point of view of employment and unemployment policies the ten ideas may be classified in terms of:

1. their contribution to net employment creation;
2. their contribution to reducing unemployment
  - a. by improving the distribution of the available volume of employment,  
or
  - b. by reducing the supply of labour.

The category of ideas which might lead to net employment creation includes relative scarcities and the pay structure, the quality of work, and consumption and employment.

A number of specific policy proposals have been developed in the context of the idea that relative scarcities in the labour market should find greater reflection in wage rates. These include the introduction of a more differentiated pay scale, restructuring personal tax scales and social insurance contributions, and providing for greater differentiation in social security benefits. It is not possible to quantify the employment-generating effects of these measures for the purposes of this report. It may, however, be assumed that improving the operation of market forces would provide favourable preconditions for economic growth and hence for a possible expansion in employment.

The relationship between the quality of work and employment creation is of course indirect and not as yet quantifiable. The existing friction in the labour system is, however, of such a scale and nature that this idea may be regarded as a favourable precondition for the generation of employment.

The inadequate quality of work and lack of adapted work organization have resulted in higher sickness costs and a higher rate of chronic employment disability. A reduction in the associated social insurance contributions would result in lower labour costs, thereby acting as a stimulus to employment.

The scope for promoting employment by means of consumption policies has been examined in a number of fields in which the government already exerts considerable influence on consumption, namely housing, transport and communications and tourism. Policies in the field of tourism may in principle be expected to have the greatest impact since a shift from foreign to domestic expenditure could only have an employment-generating effect. In the case of housing and transport and communications, however, there would also be a certain amount of employment destruction since a reallocation of domestic expenditure on consumption would be involved. On the assumption that the reduction in the net disposable incomes of households would not be passed on and compensated for, it has been calculated by means of econometric models that the shifts in consumption patterns in the fields of housing and transport and communications would in both cases lead to a permanent increase in employment of in the region of 10,000 man-years. A consumption policy would require a certain increase in the sphere of government competence and also a certain degree of compliance on the part of individual citizens with respect to a curtailment in consumer freedom. Socially and politically, their willingness to accept this would be particularly important.

The category of ideas which might result in a reduction in unemployment by improving the distribution of the existing volume of employment includes a general reduction in working hours and an increase in part-time work and study leave. A general reduction in working hours is the most obvious method of improving the distribution of the existing volume of employment, but the resultant cut in individual incomes would be unlikely to find ready acceptance in the present economic circumstances. The only possible approach would appear to be a phased introduction, with temporary variations from industry to industry.

The promotion of part-time work would lead to greater diversity in the supply of labour. It is therefore possible that this measure would reveal hidden unemployment, especially among women, without there being any reduction in unemployment. This is particularly likely because more and more women would be sufficiently satisfied with their work, or need employment so badly, that they would not withdraw from the labour force upon getting married. Part-time work would not, therefore, lead to a reduction in unemployment but to an improved distribution of employment.

Study leave would create temporary vacancies, which would have to be filled. The policy would therefore have to aim at ensuring that the taking of study leave and substitution were synchronised; otherwise the potential for reducing unemployment would not be properly exploited. It should also be borne in mind that the system of study leave could have the effect of increasing the standard of knowledge and skills, so that individuals would improve their position in the labour market. This would make it easier to place them, but it is arguable whether it would lead to a reduction in unemployment since there is a structural shortage of positions for which higher qualifications are required.

The ideas belonging to the category by means of which unemployment might be reduced by cutting back the supply of labour include the concept of a universal basic income and a homemaker's wage.

It was shown that the introduction of a universal basic income (of N.Fl. 5,000 p.a. at 1980 prices) could quite conceivably lead to a reduction in the labour supply of 250,000 man-years. This would, however, be associated with significant distortions in the economy, since there would be a decline in employment resulting from the increase in capacity under-utilization in certain sectors. The negative repercussions in the economy would be less marked if the decline in the labour supply failed to occur or was not as large as expected. If the introduction of a basic income led to a substantial

drop in the supply of labour it might be necessary to implement economic policies aimed at job creation, in the sense of countering capacity under-utilization in the private sector.

Similar effects might arise in the case of a homemaker's wage, although on a lesser scale, so that any reflationary measures could be correspondingly smaller.

At first glance it might appear paradoxical that the introduction of a basic income or homemaker's wage might on the one hand lead to a withdrawal from the labour force and on the other to the need for reflationary policies and employment stimulation. The two are not, however, necessarily incompatible, in that these ideas are not aimed at avoiding the necessity to work but at providing a greater range of choice. Withdrawal from the labour market is not a goal of these two concepts, but a consequence of relevance for the functioning of the economy. These consequences would then have to be offset by means of reflationary and employment measures.

Research into a shift from paid to unpaid work was confined to the field of welfare activities. This is a policy option of comparatively little relevance for employment and unemployment because unpaid work (in this case voluntary work and mutual aid) has a rationale of its own and could only replace paid work on a limited scale. The quantitative effects (in whatever direction) of introducing an "alternative regime" may be disregarded.

The various ideas and policy options outlined above must also be assessed in terms of their mutual complementarity or incompatibility in practical policy terms. In general it may be said that measures in the field of employment creation and those in the sphere of employment distribution will be perfectly compatible with one another, and even complementary.

Part-time work might, for example, be regarded as a means of distributing the available employment over a greater number of people, with particular benefit to newcomers to the labour market (such as married women and school-leavers). In this sense part-time work would have a significant complementary effect in that these categories of workers might otherwise find it more difficult to break into the labour market in new or existing (and apparently less accessible) jobs. Apart from making adjustments to the system of social security the government's capacity to encourage the introduction of part-time work is not great. As an employer the government might, however, itself set an example.

Study leave and an "alternative regime" would not be at variance with employment creation and distribution policies. The financing of study leave would, however, involve an increase in social insurance contributions and would impose an additional burden on government finances. In both cases, there would be the alternative in the present difficult economic circumstances of using the funds for direct employment creation.

The dampening effect that a universal basic income and a homemaker's allowance would have on economic growth and employment in the private sector means that these ideas would not be compatible with full employment policies, at least in the short term. The measures might, however, be implemented gradually over a period of ten to fifteen years, in which case adverse economic effects could be spaced out so as to avoid any major disturbances.

Having examined the effects on employment of these ten ideas we may now examine the relationship between the three which are concerned with a net creation of employment (i.e. relative scarcities and the pay structure, quality of work, and consumption policies) and present policies and the range of currently accepted policy options.

Various possibilities for tackling unemployment problems in the medium term by means of current policies have been set out in the Central Planning Office's publication "The Dutch Economy in 1985"<sup>1</sup> (see also section 2.2, Chapter 2 of the main report). These medium-term forecasts centre on a basic projection for socio-economic developments during the period

<sup>1</sup> Central Planning Office. *De Nederlandse economie in 1985* (The Dutch Economy in 1985), Government Printing Office, 1981.

1980–1985. As part of this basic projection, unemployment in 1985 is estimated at 500,000 man-years. In addition to the basic projection the Central Planning Office worked out three policy scenarios employing various combinations of the following measures: wage restraint, a reduction in labour costs by cutting employers' national insurance contributions, lower wages and salaries tax, wage restraint in the quaternary sector, reduced transfer payments, cuts in current government expenditure, and selective investment stimulation. Each of the three policy scenarios examined could produce a decline in unemployment in relation to the basic projection of 55 to 60,000 man-years. A further reduction of 45,000 man-years could be achieved by means of supplementary measures in the housing industry and the quaternary sector. Limits would however be imposed on the scope for supplementary policies of this kind by the size of the budget deficit. As a limit for the size of the deficit in 1985 the Central Planning Office selected the figure of 4.5% of national income. According to the CPO, policies that reduced the anticipated level of unemployment of 500,000 man-years in 1985 by 100,000 man-years would not be doing justice to the gravity of the problem.

The prospects for the post-1985 period are equally gloomy. The 1985–1990 period is likely to see a structural growth in the supply of labour in the order of 250,000 man-years (c.f. Table 10, Chapter 2.6 of the report). In addition the decline in natural gas revenues will lead to a deterioration in the balance of payments and a reduction in government revenue from non-tax sources.

Selective investment stimulation forms an important part of these employment projections. The CPO's scenarios assume an allocation for this purpose reaching N.Fl. 1.25 billion in 1985 (in current 1985 prices). This would lead to a reduction in unemployment of 2,000 man-years in 1982 and 15,000 man-years in 1985.

The WRR's own report "Industry in the Netherlands: its Place and Future"<sup>2</sup>, which was published in 1980, made clear that the private sector was unlikely to be able to make an adequate contribution towards the requirement of continuity. The latter would require an annual increase in employment of 1%. This would amount to a net job creation of some 40,000 man-years a year, corresponding to an annual growth in value added of some 4%. To achieve this would require a programme of revaluation of the intermediate goods industry, revitalization of sensitive industries and the expansion of the capital goods and equipment sector. This would require a two-pronged policy consisting of a combination of sector-specific and general structural policies. The report put forward an initial selective investment programme of some N.Fl. 4 billion (at 1980 prices) per annum which, together with generic policies, could lead to a rise in employment in industry as a whole of 200,000 man-years over a period of five years. The report examined in detail the conditions that would have to be satisfied:

1. the projects initiated by government action should increase the effective penetration of the Dutch economy in international markets and should not replace activities that would have got under way without government intervention;
2. there should be an adequate level of demand to meet the capacity generated by the measures;
3. in the initial investment programme of N.Fl. 4 billion (the multiplier effects of which would lead to a total additional volume of investment of N.Fl. 7 billion), the government should set aside a sum of N.Fl. 2 billion per annum over a period of five years to finance the sector-specific investment programme;
4. selective stimulation should be coupled with a general programme designed to improve the investment climate in relation to innovation, the operation of the labour market, cost reduction and management.

In response to the WRR's report, the Government set up a special advisory committee. The committee made a number of recommendations

<sup>2</sup> WRR, *Plaats en toekomst van de Nederlandse industrie* (Industry in the Netherlands: its Place and Future), The Hague, Government Printing Office, 1980.

for helping restore Dutch industry in the Netherlands, but did not come to a judgement on the likely quantitative effects these measures would have on employment<sup>3</sup>. The extent to which industrial respecialization would boost employment would depend on the development of a number of factors, such as the international economic situation, labour costs, the cost of energy, the net asset position of companies and the operation of the labour market, as well as on political decision-making.

Apart from proposals for expanding industrial employment, consideration has also been given to expanding the quaternary sector. The WRR has argued that this would only be possible given the existence of a strong base in the industrial sector. The medium-term forecasts made by the Central Planning Office contain a projection for the scope for expansion if supplementary policies were implemented. Given a sufficiently strong industrial base, the room for expansion would be greater still. An analysis of general and more specialized welfare activities has indicated that there are still a good many unfulfilled requirements in this field<sup>4</sup>. The government should in any case make it its business to keep abreast of the changing pattern of requirements in the primarily consumption-oriented quaternary sector and to adjust welfare facilities in good time. The quaternary sector also provides scope for setting up new services. These will not necessarily be a lasting government responsibility; in some cases it will be possible for them to finance themselves commercially in due course. In the absence of other alternatives, employment could therefore be stimulated in the welfare sector without this involving a permanent increase in government expenditure. Finally – and it is an important point – a spur can be provided for activities in the quaternary sector which are of direct benefit to other sectors of the economy. This certainly applies to education; selective stimulation could for example be given to vocational training (especially technical education) in order to moderate shortages in the labour market and to improve the market position of those given training. In the present circumstances, the emphasis in any employment-generating measures in the quaternary sector would have to be on activities that complemented the private sector.

Financing an expansion of the quaternary sector is especially difficult in times of economic stagnation. Two kinds of risk must be taken into account in this respect. An excessive budget deficit will prevent economic regeneration, thereby reducing long-term prospects for expanding employment, in the quaternary sector as elsewhere. On the other hand rigid insistence on containing the size of the budget deficit can produce such tensions in the short term as to threaten social continuity and thereby long-term economic progress. In particular there is the danger of permanent desocialization for purposes of work resulting from chronic youth unemployment.

In the light of all these uncertainties, the Council would argue that possibilities other than those discussed above be considered and a broader programme devised. There would certainly be room in a broadly-based employment programme for the three employment-generating ideas examined in the report, namely relative scarcities and the pay structure, the quality of work, and consumption and employment. In relation to the likely scale of unemployment these measures would probably have only a limited impact, but in the absence of any outright solutions, drastic or otherwise, any small incremental gains must be welcomed.

The options open to the government range from the interventionist to those based on the operation of market forces. The concept for reflecting relative scarcities in the labour market in the pay structure may be regarded as giving rein to market forces, whereas consumption policies would be more interventionist. In terms of internal policy consistency the two might appear incompatible. Both schemes may, however, be required, in that the

<sup>3</sup> Advisory Committee on Industrial Policy, *Een nieuw industrieel elan* (A new Industrial Spirit), The Hague, 1981.

<sup>4</sup> *De quataire sector – Maatschappelijke behoeften en werkgelegenheid* (The quaternary Sector – Welfare Needs and Employment), WRR Preliminary and Background Series no. V12, The Hague, Government Publishing Office, 1979.

government is faced with conflicting problems and, quite possibly, highly conflicting responses to those problems. In these circumstances the task becomes one of modifying the institutionalized behaviour of employees, consumers and clients of the welfare system. This may entail both an enlargement and restriction of freedom. It may accordingly be seen that the criteria of giving rein to market forces and interventionism do not in themselves provide a decisive yardstick for assessing the merits of individual policy proposals.

The time is not yet ripe to give up the aim of a return to full employment. In the first place the existing possibilities for creating jobs have not yet been exhausted. Secondly, only time will tell whether employment targets can be achieved through government action or whether ungovernable forces have the upper hand. Thirdly, there would be excessive risks of discontinuity if the Netherlands were to strike out on its own in this regard.

It was suggested earlier that the possibilities for job creation have not yet been exhausted. In this respect reindustrialization policies are essential since the resultant income generation would create scope for both direct and indirect employment stimulation. Moreover, industry is better placed than any other sector to improve the country's export position and hence balance of payments.

Employment policies are, customarily, of a general nature. In the past general policies of this kind, which may be directed towards both the demand and the supply side, have produced good results and set certain standards for judging the effectiveness of government action. In comparison the sector-specific policies tried to date have yielded disappointing results. But this applies only to individual measures, and taken over the whole range a policy that took due account of the mutual complementarity of the measures could have a substantial impact.

It is clear that a policy aiming at a return to full employment would be by no means sure to succeed. There are considerable uncertainties; this applies particularly to the prospects for international trade, improving the investment climate and financing the selective industrial investment programme. The government would therefore have to introduce accompanying measures designed to reduce these risks. For this reason the Council believes that in the current circumstances particular consideration should be given to the scope for a reduction in working hours. Such scope certainly exists in the case of study leave and part-time work, but the direct introduction of a general reduction in working hours would involve considerable difficulties. These would not, however, be insuperable if the scheme were introduced in stages with a transitional period in which different arrangements applied from industry to industry. Of particular concern would be the need to avoid industries with good prospects getting into difficulties on account of shortages of certain types of labour. Policies of this kind could not be implemented on the basis of a blueprint, and their effectiveness would depend on the prevailing circumstances. This aspect was discussed in Chapter 1 of the report in terms of contingencies over which the government has no control. The dependence of government policy and its effectiveness on external circumstances means that the government must have a wide range of policy options at its command, including some which would mean institutional change. Similarly the government should where possible keep its options open rather than prematurely cutting off possible courses of action.

### **3.3 Possible effects on the labour system**

The ideas discussed above may next be examined in relation to their impact on the labour system. In this respect these ideas may be regarded as setting new aims for the labour system. They are aspirations which enjoy a certain measure of popular support and which as such demand government consideration, both in their own right and for their policy

implications. On account of the complexity of the labour system and the role played in it by the government, however, these implications can be spelled out only in broad terms.

In an effort to clarify the policy implications, the various proposals have been considered in relation to the volume of employment, the diversity of labour and employment, the quality of work and the range of individual choice with respect to work. A number of obstinate developments in the labour system are also examined. The analysis has been conducted in terms of the four more or less independent sub-systems discussed in section 1, namely the process of wage determination, the system of social security, the contributions system and the allocative function of the labour market.

The effects that the ideas concerning relative scarcity and the pay structure, the quality of work and consumption and employment were hoped to achieve with respect to the volume of employment were discussed in some detail in section 3.2. This included a discussion of employment policy, but other fields of policy also enter the picture. The proposed consumption policies, for example, would require new pricing measures in the fields of housing and public transport. Coordination would also be required with labour market policies in the housing industry and the public transport sector. The growth in concern about medium-term employment prospects has been on such a scale that other aspirations in the labour field have been put in the shade and tend to be judged more in terms of their possible impact on reducing unemployment or job creation than for their intrinsic merits. Similarly more radical ideas such as the introduction of a basic income or homemaker's allowance tend to be considered primarily in terms of their possible impact on unemployment. A general reduction in working hours is a direct means of reducing unemployment, and this is its sole objective in policy terms.

Schemes for diversifying work and employment include part-time work, paid study leave and the alternative regime.

In that it would enable people to share household activities and paid employment more equally, the promotion of part-time work necessarily forms part of policies to promote sexual equality. In policy terms both the quality of much part-time work and the legal status of part-time workers would require improvement. It would have to be borne in mind that for social security purposes, an increase in part-time work could result in a rise in the number of people entitled to benefits. This too would have to form the subject of special policies, since it would be difficult to control such an increase.

In principle study leave would have significant quantitative policy implications in a number of fields. In the case of social security the question would arise of the legitimation of these new benefits. The additional levies in the form of national insurance contributions or taxes would lead to a shift from private to public expenditure. In order to avoid adverse economic effects, appropriate labour policies would be required to ensure that those on study leave were replaced. Adequate provision of educational facilities would also have to be made. From the point of view of social justice, special attention would have to be paid to providing facilities for less well-educated persons and encouraging them to make use of them. This point is already being examined by the special Study Leave Committee set up by the Socio-Economic Council.

The provision of paid employment under an alternative regime would require policies to adjust the demand side of the labour market in the interests of placing certain categories of people. Such policies would have to be justified in terms of the psychologically destabilizing effects of chronic (if not permanent) unemployment. The resultant alienation and general apathy would in turn represent a serious threat to society. An alternative regime would also require greater government assistance in helping place people in the labour market, especially as regards organization and social-work training.

Improving the quality of work is largely a matter of changes in work organization, over which the government has little influence. Such scope as it has would consist of encouraging dialogue between employers and employees, selective measures to support improvements within the context of the Working Conditions Bill and exploiting possibilities in the field of structural policy within certain sectors. Finally the government could link the scale of employers' national insurance contributions more closely to the costs of sickness absenteeism in individual companies. The quality of work might well be a field where interesting results could be achieved by the government without running into excessive administrative or institutional difficulties.

Improvements in individual choice with regard to employment could be achieved by the introduction of part-time work, a shift from paid to unpaid work, and the introduction of a universal basic income and a homemaker's wage. They could also be attained by means of a general reduction in working hours if the latter were conceived as a long-term programme for introducing a five-hour day. These diverse proposals would have rather different implications for policy formulation.

The most effective means of providing greater scope to couples both of whom wish to enter paid employment would be provided by placing taxation and social security benefits on a purely individual basis. It is doubtful, however, whether this would enjoy sufficiently widespread acceptance at present. Individualization would also result in significant inequalities in benefit entitlements between families in which both husband and wife were in full-time employment and families with only one breadwinner. The issue here is not one of administrative feasibility but of major political choices. Radical changes in the economic and social order would be involved, for which reason it would be advisable to proceed cautiously.

A switch from paid to unpaid work could take the form of encouraging voluntary work. Government involvement would take the form of helping defray expenses and setting up organizational facilities. The question would also arise of the role allocation between the sexes with respect to paid employment and household activities. A reduction in working hours is regarded as an important precondition for changing the present situation. The official promotion of shorter hours, either in general terms or on an industry basis, would, however, find its main justification on other grounds. Direct intervention by the government to assist the process of change in the role perceptions of the sexes would, however, be less feasible.

A general reduction in working hours by 2½% over five successive years would probably have few implications for present policies in the various sub-sectors of the labour system, with the major exception of supplements to the minimum income. The implementation of a programme to bring in a five-hour day/twenty-five hour week, with incomes at 70% of their present level, would require much more radical government action, extending to the present system of personal and non-personal subsidies.

The introduction of a general basic income and a homemaker's wage would be primarily designed to increase people's choice with regard to employment. As in the case of a reduction in working hours to five hours a day, the change would be so substantial that these schemes could be introduced only gradually. This would then enable the government and society to adjust to various consequences the full extent of which had not been apparent in advance. Both a basic income and a homemaker's wage would mean a considerable reduction in income inequalities. In a labour system with a limited basic income, the government would probably have to conduct a strict incomes policy in order to prevent the basic income from being eroded as wage rates moved upwards.

Reference has already been made to the fact that the financing problems associated with a basic income or homemaker's wage could be eased by cuts in other areas of public expenditure. The increased spending power of

low income groups would enable government expenditure to be reduced in such fields as education, culture, sport and health care. There would be a resultant decline in the government's influence in the welfare state and hence of its ability to influence the behaviour of individual citizens. The introduction of a basic income or homemaker's wage would, therefore, produce significant social and cultural changes in society.

The policy implications of the various ideas have been examined in some detail above, with particular attention to various parts of the labour system. A number of trends within these sub-systems will now be examined in more detail, especially in relation to their medium-term policy implications.

Collective wage bargaining and the annual wage round are substantially influenced by the government's efforts to moderate both private and public expenditure, the main aim being to release funds for corporate investment. Centralized wage direction obviously detracts seriously from the independence of the negotiating parties. On the other hand, although free collective bargaining is conducted under the shadow of the uncertain prospects for employment, the level of employment does not form an actual part of the bargaining process. These inherent limitations in the wage bargaining process scarcely help collective wage agreements act as a means of conflict resolution or provide legitimation for pay settlements, thus forming an inbuilt source of problems and tensions.

Expenditure on social security inevitably rises as the number of persons entitled to benefits increases.

The volume of payments is related not only to economic conditions but also to the relevant legislative provisions (i.e. unemployment legislation and provisions, the government unemployment assistance regulations and disablement legislation) and demographic trends. As a sub-system, social security tends to be autonomous in nature, as may be seen from the institutional character of the medical criteria, the standards for and assessment of assistance and the criteria applied for job acceptance. These cannot be easily changed or adapted. In many cases this is an advantage but it can also mean that problems tend to be passed on to contributors.

In this system both the national insurance contribution and tax burdens are under upward pressure as a result of the factors referred to above. This makes it difficult to raise additional revenues to finance study leave, let alone the major adjustments that would be required to introduce a basic income or homemaker's wage.

The impact of unemployment appears to have led to some improvement in the allocative function of the labour market. Structural improvements in the responsiveness of the labour market could also be made by means of measures providing for a differentiated scale of contributions and payments. Similarly employment-generating schemes (such as consumption policies) could improve the allocative function of the labour market in a structural sense. The same would apply to an increase in part-time work, provided that working organization problems could be overcome.

Finally, it may be noted that for both economic and social reasons, it would not be possible for major adjustments such as the introduction of a 25-hour week, a basic income or homemaker's wage to be implemented in the short term. At the same time, it should be possible to avoid measures that would make it more difficult to take up these options in the long term. It should also be borne in mind that the concept of a basic income or a homemaker's wage would not necessarily be at variance with the labour system if the latter were operating optimally. However, in view of the adverse effects that these schemes would have on the rate of economic growth, capacity utilization in industry and investment behaviour, it is unlikely that they could be introduced within the foreseeable future.

In general it is fair to say that the prospects for innovation in the labour system in the present circumstances are limited but by no means ruled out. While the current economic situation may impede the introduction of changes, this does not mean that these innovative schemes are incompatible with the existing system of labour.

### 3.4 Possible implications for the social order

The various ideas concerning work and the labour system are not simply concerned with stimulating employment in the customary sense of the word. A number of the schemes also involve fundamental changes in relation to the distribution of employment and the social functions of work. In this respect, the fact that other forms of work apart from paid employment can have social and economic value plays a central part. Modern society has specialized in paid employment, which constitutes almost the sole determinant of income allocation, entitlement to social security benefits, social status, prospects for upward social mobility and scope for social contacts and participation in society. A number of the proposed innovations in the labour system discussed in the report relate to the pressures and possibilities for providing other forms of work with a more equivalent status to that of paid employment, or else distributing those activities more evenly among the population of working age. Examples include household activities and child care within families, activities in the field of voluntary work, expanding the extent of do-it-yourself activities in order to reduce dependence on earned income, and mutual aid within the community. The drive for equal rights for women is a key aspect of this trend towards more equal status for different kinds of work, in that the existing inequalities between them are strongly reflected in inequalities between the sexes, with married women responsible for the children being in a particularly weak position.

Needless to say the implications of the various ideas for the social order vary considerably. In this respect the range, or scope, of the ideas obviously has a major bearing; in this sense the introduction of a basic income, a homemaker's wage or a general reduction in working hours to five hours a day would have the most far-reaching implications (although there would be substantial variations). The first two of these would entail an entitlement to income in a hitherto (at least formally) unknown way. By contrast a general reduction in working hours accords primacy to the notion that everybody should be able to earn a living and thus have an entitlement to employment.

Taking this difference into account, the ten ideas may then be divided into two broad categories: those which have only limited implications for the social order, and those with wide-ranging implications.

The first of these two categories may be dealt with fairly summarily because their effects are largely confined to the labour system and employment.

The introduction of pay differentials on the grounds of relative scarcities in the labour market would be an attempt to improve the allocative process. It would, however, be at variance with the current practice of equal pay for equal work. This system is based on grounds of fairness and has become strongly institutionalized. The legitimacy of any change to this system would undoubtedly be a politically contentious issue.

Paid study leave would be of social relevance because it would involve giving people a second chance, thus moderating the inflexibility of selection processes in society. In order to improve the quality of work it would be necessary to overcome a good deal of inertia. In a society that sets so much store by work and employment, it is curious that popular support should first have to be mobilized to allow this subject to assume due priority.

As noted previously, the introduction of part-time work could assist the process of women's liberation, provided that the part-time work were evenly divided between the sexes and did not become an obstacle to advancement.

Despite the fact that there is already a good deal of government intervention in Dutch society, the introduction of consumption policies might well find its legitimacy challenged. Some sections of society – particularly radical minorities – would favour a return to more simple life-styles. At the same time there is the problem that, in response to

external circumstances, a reduction in expenditure on goods and services is taking place or being enforced by government measures. In this context consumer policies could have a positive effect where policies of restraint would be bound to fail.

There is only a limited scope for a shift from paid to unpaid work. At the same time, however, there are obvious signs of dissatisfaction with the welfare state as it stands, and the system of facilities might beneficially be reviewed from time to time, with particular attention to legitimacy and the scope for new solutions to existing problems.

The introduction of an alternative regime would be likely to run into criticism. In a society that sets so much store by work it is only to be expected that there will be a category of people who are not attracted by the system. As such it would be a considerable achievement on the part of our society if the demand for labour could be of such a varied nature that even those who identify least with the system managed to find a niche. If this could be achieved it would of course mean that the signs of social disintegration evident throughout the industrialized world in the last decade would no longer have to be countered by force or simply disregarded (or at least not to the same extent).

The ideas with more wide-ranging implications are aimed at securing acceptance for a greater variety of possible forms of work. These ideas can take one of two very different forms: income distribution by sharing out available employment, or income distribution by means of income transfers. Both have far-reaching implications for modern society. It is the combination of these two systems which is the characteristic feature of the industrial welfare state, and which is also the source of many of its problems. In terms of the reform of the labour system, there are however, appreciable differences between solutions which seek to distribute employment more evenly, e.g. by means of a reduction in working hours and solutions based on an increase in income transfers, either to specific groups such as parents responsible for bringing up children or of a more general nature, such as a basic income. This is not to say that a choice will have to be made in favour of either one or the other of these solutions, but we should bear in mind that any schemes for reforming the labour system will involve a redistribution of one of these two kinds.

The redistribution of paid employment might be characterized as the indirect method, and that of increasing income transfers as the direct method, of achieving attitudinal and behavioural changes with respect to the various forms of paid and unpaid work. A reduction in working hours, for example, would result in a shorter working week and a modified scale of incomes, but it would not directly bring about the desired change in role allocation between men and women or more equal participation in paid and unpaid work. Such changes will be the result of social processes rather than of changes in the organization of work as such; a redistribution of paid employment is only a necessary precondition for more far-reaching changes. Increasing the level of income transfers by means of a homemaker's wage or a universal basic income, on the other hand, would have a much more direct impact on people's attitudes towards unpaid activities and on the range of options open to people.

A basic income or homemaker's wage would both be interesting means of reforming the labour system. They would not only be economically radical in nature but would require substantial changes in outlook and institutional adjustments. The prospects for introducing these concepts will depend not just on the economic situation but also on popular acceptance of these ideas. Greater insight into the advantages and disadvantages of introducing these two types of scheme will be required for the necessary degree of crystallization in public attitudes to take place.

An expansion of income transfers would be bound to run into problems at the present time, for which reason there might be a case for formulating "mild" versions of these schemes and tentatively trying them out in practice. This would at least keep the government's options open, rather

than committing it to a particular course of action. One way this could be done would be to introduce a form of paid study leave, as the least risky variant of the new forms of income transfer discussed above. A universal basic income, on the other hand, would be a "radical" variant, the economic and social repercussions of which could not be readily foreseen. For this reason it would be best to leave any plans for introducing this scheme to a later stage. Some form of homemaker's wage might, however, be feasible, particularly as it could be partly funded through the present family allowance arrangements.

The above suggestions are designed to keep the government's options open with respect to ideas which could not feasibly be implemented at the present time, but which might gain more relevance at some stage in the future. The large-scale implementation of a particular scheme does not just depend on its plausibility and appeal. Even if a concept such as a basic income or a homemaker's wage achieves general currency and acceptance, this will be a necessary but not a sufficient condition for translating it into political practice. In many cases certain structural changes would have to take place first, for which reason it would be prudent for the government to wait until there was widespread pressure in favour of such reforms. It is also possible that structural developments might occur in the meantime which would facilitate the introduction of a homemaker's wage or a basic income.

With respect to a homemaker's wage, it should be noted that this measure might result in a considerable influx into the labour force of married women with children. Taken together with social factors such as the women's liberation movement and the greater degree of self-assurance that women now have when it comes to finding a job, this would present the government with specific unemployment problems.

The income differentials between those who succeed in finding a job and those who do not are likely to generate strong pressures for the homemaking function to be remunerated in some way. There might be a particular case for compensation in households where there was only one breadwinner.

Another factor consists of demographic trends, where a marked decline in the size of the population and changes in the population structure are anticipated. The public discussion prompted by these trends could well extend to the most appropriate conditions for bringing up children. While a demographic change of this kind might not in itself be used as a justification for introducing a homemaker's allowance, it might give rise to circumstances in which the care of children became a more prominent social and political issue. Finally, various socio-cultural and educational factors have assumed increasing importance and have focussed attention on the importance of child-rearing activities. In these circumstances a homemaker's wage could easily act as an incentive for people to stay at home, although this would be less of an objection as long as outside employment continued to be seen mainly as a source of income. These structural developments could well converge in the future with prevailing attitudes and policy thinking, for which reason the option of introducing a homemaker's wage would best be kept open.

The persistence of high levels of unemployment could well encourage the introduction of a universal basic income, although a switch to shorter working hours might be a more likely response. The diversity of entitlements to social security benefits might also serve to enhance the plausibility of a universal basic income, in that the income transfers required for the scheme would be on such a scale that the government's room for manoeuvre in other areas of expenditure would have to be curtailed. This means that some of the attributes of the welfare state might have to be given up, and that services in education and cultural and social fields would have to be provided more in line with individual purchasing power than on the basis of government direction and financing.

The main aim of a basic income would be to provide individuals with greater scope to apportion their lives between paid and unpaid activity as they saw fit. In this sense this concept might be regarded as comparable to

a reduction in working hours to 25 hours a week as proposed by the Equal Rights Commission. Both seek to provide a greater range of choice between, or combinations of, the various types of employment so that individual preferences can be more readily accommodated.

Apart from persistently high levels of unemployment, it is difficult to judge which economic and social trends might encourage the introduction of a 25-hour week. This idea was described above as an indirect means of bringing about attitudinal and behavioural changes as regards the various forms of work. While it would of course entail a shorter working week and a cut in incomes, it would not lead directly to a redistribution of roles between men and women or to changed patterns of participation in paid and unpaid work; such changes are more likely to be the result of social processes. A 25-hour week would, however, still accord primacy to paid employment in established organizational forms. In this sense this concept differs from the direct method, which would encourage particular forms of work, or expand the scope for individual choice, by means of a universal basic income or specific allowances.

For the first time since the War, the Netherlands is faced by high and persistent levels of unemployment. Because of this, the government – also for the first time – is faced with the task of guiding public opinion in such a way that the objective of full employment can still be attained. In both this report and its report “Industry in the Netherlands: its Place and Future”, the Council has expressed its conviction that the government should not side-step this obligation by prematurely relinquishing the objective of full employment. For this to be done it would first have to be demonstrated that the scope for government action had been exhausted. This cannot be said to be the case as long as the scope for allowing market forces to operate more effectively or for more effective intervention by government has not been fully explored. It is precisely in this area – to borrow an idea from Schumpeter – that the government can be the creator of new combinations.

At the same time there are great uncertainties, and it is clear that the restoration of full employment is to a significant extent beyond the government’s sphere of influence. The government must, therefore, keep a close watch for any signals indicating that the limits for job creation may have been reached.

If this were to happen society could, within the context of the welfare state as we now know it, evolve in one of two general directions. On the one hand, paid employment might retain central importance, with the right to, and existing level of, employment becoming more widely shared. On the other hand society could evolve in the direction of evening out income differentials in the employment sphere by means of income transfers, so that the close ties which exist at present between the obligation to work, entitlement to work and remuneration for work would be loosened.

Given the importance attached in the Netherlands and also in other countries to full employment and a restoration in the level of economic activity, society is more likely to evolve in the former direction than in the latter. The acute nature of unemployment problems could give rise to action by means of which certain options were irretrievably cut off. The Council believes this would be an undesirable development, and it is primarily for that reason that this study has examined in some depth the scope for government measures which would serve to broaden the freedom of individual choice with respect to work and the acquisition of income. The scope for such action may have been limited to date, but has not been entirely lacking, and could be used in order to keep open the possibility of fundamental changes in the labour system and social order at some future stage. This will, however, require mobilization of popular support by the government. Ultimately this is a matter of social and political evaluation.

#### 4. SUMMARY

The labour system is currently confronted by a number of problems. These include persistent and growing levels of unemployment, imperfections in the labour market, a growth in the size of the non-labour force in relation to the employable population, and a rising burden of taxes and social charges. In addition, new aims are emerging in society with respect to the labour system. Greater store is being set by the intrinsic quality of work, and there is increasing pressure for men and women to have equal status in the labour market, which would in turn require a more even distribution of household responsibilities. A number of possible reforms of the labour system have emerged recently in response to these problems and new aspirations. This report has examined ten such ideas in terms of their practical policy implications. One criterion for the selection of these ideas was that they should enjoy a certain measure of popular support within society. The ideas are radical in nature and would have implications for various sectors of the economy and various aspects of government policy. Taken together they comprise a broad spectrum of ideas, in terms both of their degree of radicalism and their acceptability to different shades of political opinion. The ten ideas are:

1. general reduction in working hours;
2. part-time work;
3. paid study leave;
4. differentiated wage determination; restructuring of the burden of taxes and social charges; higher remuneration for unpleasant work;
5. quality of work: improving the content and conditions of work, with differentiated social insurance contributions;
6. voluntary work and self-help;
7. homemaker's allowance or wage;
8. modified forms of employment ("alternative regime") for the "culturally" unemployed;
9. universal basic income;
10. changing consumption patterns through the reallocation of government expenditure in the fields of housing, transport and communications and tourism.

A summary of the conclusions with respect to these possible reforms was provided in section 2. With the exception of a homemaker's wage and a universal basic income, it would be possible to begin implementing all of these schemes in the short term, although time would be required before they could be made fully operational.

In view of the seriousness of unemployment, each of these ideas was examined for the contribution it might make to this problem.

The notion of influencing consumption patterns by government action would directly assist employment creation. The report examined the scope for such policies without however exploring it to its limits. Given a suitable range of policy instruments some tens of thousands of man-years of employment might be created. This would, however, require an extension of the government's sphere of action as well as willingness on the part of the public to accept less autonomy in their expenditure habits. It is questionable whether the required degree of political and social willingness would exist.

A number of policy proposals have been made in the context of reflecting relative labour scarcities in the wage structure. These include the promotion of differences in wage determination in the various industries and regions, taking the form for example of limited wage differentials, improved remuneration for unpleasant work, restructuring the individual burden of taxes and social charges, and the introduction of differences in social benefits. It is difficult to quantify the effect this would have on employment

creation but it may be assumed that the improvement in the market system would be conducive to economic growth and hence to a possible rise in employment.

There are two other ideas which are of importance for future forms of employment, namely improving the quality of work and the introduction of alternative regimes geared to individuals who do not fit easily into the labour market. In view of the present friction inside the labour system these two ideas may be regarded as potentially conducive to employment creation, e.g. by means of the reduction in social charges that could result. The former would be likely to have a considerably greater impact than the latter.

The reforms discussed in this report could therefore have a beneficial effect on unemployment, but it must also be remembered that they are qualitatively different and pioneering in nature. Existing institutions would have to be modified, established rights relinquished and the government's sphere of action extended in relation to the private sector or individual citizens.

The report argues that it would be premature to conclude that satisfactory rates of growth in employment can no longer be attained. The scope for general or sector-specific reindustrialization policies as proposed in the WRR's report "Industry in the Netherlands: its Place and Future" have by no means been explored to their limits. Given sufficient popular support there would also be various possibilities in the quaternary sector where, in the present circumstances, government measures would have to be directed towards activities that complemented the private sector.

It is questionable whether policies aimed solely at stimulating the level of employment could achieve their desired object. For this reason accompanying measures would have to be introduced which explored the possibilities of a reduction in working hours. Such measures could not, however, be allowed to increase the wage bill or to interfere with operating hours, and these conditions would be difficult to fulfil. The direct introduction of a general reduction in working hours would entail substantial difficulties, although these would not be insuperable if the scheme were brought in gradually, with a transitional period in which variations from industry to industry were permitted. Scope would certainly exist for introducing study leave and part-time work.

The ideas were also examined in their relation to the labour system. They may be regarded as expressions of aspiration for change in the system. These aspirations relate not only to increasing the total volume of employment but also to the diversity of work and employment, the quality of work and individual freedom of choice with respect to work. In part, these aspirations may be traced back to the drive for a more equal distribution of functions in the labour market between men and women. In this respect the report concluded that while the scope for reform of the labour system might be limited it was not entirely absent. In the short term, major adjustments such as the introduction of a general 25-hour week, a basic income or a homemaker's allowance do not appear feasible. At the same time, care should be taken to avoid implementing measures that might make it more difficult to turn to these options at some stage in the future.

Finally the likely impact of these ideas on the social order was examined. The present welfare state could be expected to evolve in one of two ways. One possibility would be for paid employment to retain its primacy, becoming more widely shared, even if its total level did not increase. On the other hand society could evolve in the direction of evening out income differentials in the employment sphere by means of income transfers, so that the close ties (as they are widely perceived as being) which exist at present between the obligation to work, entitlement to work and remuneration for work would be broken. The former alternative is more likely to come about than the latter, which would require the mobilization of popular support by the government and constitute a major social and political issue.

## **Appendix**

The internal working group of the Council responsible for drawing up the report consisted of:

### **Council members**

H. A. van Stiphout (chairman of the working group)  
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